

**Highland Joint School District No. 305  
Audited Financial Statements  
For the Year Ended  
June 30, 2012**

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For the Year Ended June 30, 2012  
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*John Goffinet*  
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## Independent Auditor's Report

Board of Trustees  
Highland Joint School District No. 305  
Craigmont, Idaho

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Highland Joint School District No. 305, State of Idaho, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Highland Joint School District No. 305'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 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 Highland Joint School District No. 305, State of Idaho, as of June 30, 2012, and the respective changes in financial position 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 September 15, 2012, on our consideration of Highland Joint School District No. 305'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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 21 through 23 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 inquires of management about the methods of preparing the information and comparing the information for consistent with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during out 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.

Highland Joint School District No. 305 has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States have 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 Highland Joint School District No. 305's financial statements as a whole. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 taken as a whole.

September 15, 2012

  
Goffinet and Clack, Chartered  
Certified Public Accountants

Highland Joint School District No. 305  
 Statement of Net Assets  
 June 30, 2012

<b>Assets:</b>		
Cash		6,155
Investments		246,967
Receivables:		
Accounts	43,076	
Property Taxes	111,761	
Other Governments	61,506	
Capital Assets		
Land	75,000	
Depreciable, Net of Depreciation	493,854	
Total Assets		<u>1,038,319</u>
<b>Liabilities:</b>		
Accounts Payable	16,612	
Accrued Salaries and Benefits	203,299	
Due to Agency Fund	100	
Total Liabilities		<u>220,011</u>
<b>Net Assets:</b>		
Invested in Capital Assets		568,854
Restricted For:		
Food Services	8,925	
Capital Projects	120,551	
Unrestricted	119,978	
Total Net Assets		<u>818,308</u>

The notes to the financial statements are an integral part of this statement.

Highland Joint School District No. 305  
Statement of Activities  
For the Year Ended June 30, 2012

Functions/Programs	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	1,157,129	2,575	132,880		(1,021,674)
Non-Instruction					
Support Services	123,670	70			(123,600)
Administration	223,945		2,285		(221,660)
Maintenance and Operations	321,721		21,389	107,209	(193,123)
Transportation	298,645		174,967		(123,678)
Food Service	82,836	19,596	51,409		(11,831)
Total Governmental Activities	2,207,946	22,241	382,930	107,209	(1,695,566)
General Revenues:					
Property Taxes					368,965
State and Federal Revenues					1,380,077
Interest					2,621
Miscellaneous					20,310
Total General Revenues					1,771,973
Change in Net Assets					76,407
Net Assets, Beginning of Year					741,901
Net Assets, End of Year					818,308

The notes to the financial statements are an integral part of this statement.

Highland Joint School District No. 305  
Balance Sheet  
Governmental Funds  
June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash	4,667		1,488	6,155
Investments	140,969	105,998		246,967
Property Taxes Receivable	111,761			111,761
Due From Other Governments	20,695		40,811	61,506
Accounts and Other Receivables	28,523	14,553		43,076
Due From Other Funds	24,535		47,316	71,851
Total Assets	<u>331,150</u>	<u>120,551</u>	<u>89,615</u>	<u>541,316</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	13,273		3,339	16,612
Accrued Salaries and Benefits	182,090		21,209	203,299
Due to Other Funds	47,416		24,535	71,951
Deferred Revenue	25,549	4,390		29,939
Total Liabilities	<u>268,328</u>	<u>4,390</u>	<u>49,083</u>	<u>321,801</u>
<b>Fund Balances</b>				
Restricted				
Food Services			8,925	8,925
Capital Projects		116,161		116,161
Unassigned	62,822		31,607	94,429
Total Fund Balances	<u>62,822</u>	<u>116,161</u>	<u>40,532</u>	<u>219,515</u>
Total Liabilities and Fund Balances	<u>331,150</u>	<u>120,551</u>	<u>89,615</u>	<u>541,316</u>

The notes to the financial statements are an integral part of this statement.



**Highland Joint School District No. 305  
Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2012**

**Total Governmental Fund Balances (Page 5)** 219,515

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 568,854

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.

Property Taxes 29,939

**Net Assets of Governmental Activities (Page 3)** 818,308

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2012**

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property Taxes	339,061	43,967		383,028
Intergovernmental, State	1,492,690		21,389	1,514,079
Intergovernmental, Federal	62,354		186,574	248,928
Interest	780	218	1,623	2,621
Other	130,165		19,596	149,761
Total Revenues	<u>2,025,050</u>	<u>44,185</u>	<u>229,182</u>	<u>2,298,417</u>
<b>Expenditures</b>				
Current				
Instruction	1,004,099		134,168	1,138,267
Non Instruction				
Pupil Support	73,238			73,238
Staff Support	50,158			50,158
Food Service			82,836	82,836
Administrative	223,945			223,945
Business Operations	68,779			68,779
Plant Operations	135,982	6,872		142,854
Maintenance	73,803			73,803
Pupil Transportation	298,646			298,646
Capital Outlays	82,714	27,345	3,259	113,318
Total Expenditures	<u>2,011,364</u>	<u>34,217</u>	<u>220,263</u>	<u>2,265,844</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>13,686</u>	<u>9,968</u>	<u>8,919</u>	<u>32,573</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In (Out)	<u>23,588</u>		<u>(23,588)</u>	
Total Other Financing Sources and Uses	<u>23,588</u>		<u>(23,588)</u>	
Net Change in Fund Balances	37,274	9,968	(14,669)	32,573
Fund Balances, Beginning of Year	<u>25,548</u>	<u>106,193</u>	<u>55,201</u>	<u>186,942</u>
Fund Balances, End of Year	<u><u>62,822</u></u>	<u><u>116,161</u></u>	<u><u>40,532</u></u>	<u><u>219,515</u></u>

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2012**

<b>Net Changes in Fund Balances, Total Governmental Funds (Page 7)</b>	<b>32,573</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.</p>	57,897
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>	
<p>Property Taxes</p>	<u>(14,063)</u>
<b>Change in Net Assets of Governmental Activities (Page 4)</b>	<u><u>76,407</u></u>

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2012**

	<u>Private Purpose Trust Funds</u>	<u>Agency</u>
<b>Assets:</b>		
Cash	2,077	15,248
Investments	9,948	34,114
Accounts Receivable		100
	<hr/>	<hr/>
Total Assets	<u>12,025</u>	<u>49,462</u>
<b>Liabilities:</b>		
Due to Student Groups		49,462
	<hr/>	<hr/>
Total Liabilities		<u>49,462</u>
<b>Net Assets:</b>		
Held in Trust for Scholarships	<u>12,025</u>	
	<hr/>	
Total Net Assets	<u>12,025</u>	

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Statement of Changes in Fiduciary Net Assets**  
**All Trust Funds**  
**For the Year Ended June 30, 2012**

	Private Purpose Trust Funds	
	Wilfong Athletic Fund	Highland Foundation
<b>Additions</b>		
Contributions		1,028
Total Contributions	0	1,028
Investments Earnings		
Interest	5	18
Total Investment Earnings	5	18
Total Additions	5	1,046
<b>Deductions</b>		
Change in Net Assets	5	1,046
Net Assets, Beginning of Year	1,994	8,980
Net Assets, End of Year	1,999	10,026

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Notes to the Financial Statements**  
**June 30, 2012**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Highland Joint School District No. 305 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below:

**A. Reporting Entity**

Highland Joint School District No. 305 is organized under the laws of the State of Idaho and operates under a Board of Trustees-Superintendent form of government and provides educational facilities, materials and all personnel necessary for administration, maintenance and instruction. Highland Joint School District No. 305's Board of Trustees is the basic level of government which has oversight responsibility and control over all activities related to public school education in the District which covers part of Lewis, Idaho, and Nez Perce Counties. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

In accordance with the requirements of Statement No. 14, *The Reporting Entity*, of the Governmental Accounting Standards Board (GASB), the financial statements must present the District (the primary government) and its component units. Pursuant to this, no component units were identified for inclusion in the accompanying financial statements. Also, the District is not included in any other governmental "reporting entity" as defined by GASB pronouncements.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The statement of activities demonstrates the degree to which the direct expense of a given program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among the program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements

**C. Measurement Focus, Basis of Accounting  
and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recognized when earned (including property taxes in the period for

which levied), and expenses are recognized when a liability is incurred regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for property, plant and equipment are shown as increases in assets and redemption of capital lease obligations are recorded as a reduction in liabilities. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, and post employment healthcare benefits, are recorded only when payment is due.

Property taxes, special assessments, certain grants, state support, and charges for services are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

*Financial Statement Presentation-Fund Accounting.* A fund is defined as a fiscal and accounting entity with self-balancing set of accounts which are segregated for the purpose of accounting for specific activities. The District uses funds to report results of operations and financial position. And demonstrate compliance with legal, contractual and regulatory requirements.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It is used for all activities and financial resources of the District not required to be accounted for in another fund.
- The *capital projects fund* accounts for the accumulation of resources from property taxes and use these resources for acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.

Non-major funds are included in *Other Governmental Funds*. The District's other governmental funds are special revenue funds that account for resources provided by other entities to be used for specific purposes.

Additionally the District has the following fiduciary funds:

Matthew Wilfong Trust  
Highland Foundation  
Student Activities Fund

Private Purpose Trust Fund  
Private Purpose Trust Fund  
Agency Fund

- *Private purpose trust funds* account for assets where both the principal and income benefit individuals, private organizations, or other governments.
- *Agency Funds* account for assets held on behalf of student groups.

## **D. Assets, Liabilities and Net Assets or Equity**

### **1. Deposits and Investments**

The District maintains its accounts at local financial institutions and the Local Government Investment Pool. The District's cash is considered to be cash on hand and cash in checking accounts. Investments are deposits with the State of Idaho's Local Government Investment Pool. The fair value of the District's investments is not materially different from the reported amounts, which are the carrying values.

### **2. Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

All interfund transactions are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transactions are reported as operating transfers.

Property taxes are levied as of the third Monday of September on property values assessed as of January 1. The levy is billed and due in two installments, December 20<sup>th</sup> and June 20<sup>th</sup> of the following year. The billings are considered past due the day after the due dates, at which time the applicable property is subject to lien, and the billing is subject to penalties and interest.

### **3. Capital Assets**

Capital assets, which include land, buildings, site improvements, and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not included in the capital assets.

Major outlays for capital assets and site improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings, site improvements, and equipment of the District are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Site Improvements	8-30
Elementary Equipment	5-20
High School Equipment	5-20



#### 4. Compensated Absences

Employees of the District are entitled to paid vacation, paid sick days, and personal days off, depending on the job classification, length of service, and other factors. The District's employment plan does not allow for payment of accumulated vacation or sick pay upon employee's termination. Therefore, no accrued vacation or sick leave is shown as a liability.

#### 5. Long-Term Obligations

The District is not obligated for special assessment debt.

#### 6. Comparative Totals

Comparative totals for the prior year have been presented in selected sections of the accompanying fund financial statements in order to provide an understanding of the changes in the District's financial position and operations.

#### E. Restricted Assets

*Capital Projects Fund.* Restricted asset in the amount of \$116,161 are reported in the Capital Projects Fund (Plant Facilities Fund). The voter approved property tax levy mandates the taxes be accounted for in a separate fund.

*Other Governmental Funds.* Included in the non-major Other Governmental Funds are restricted assets of \$8,925 for the use in the District's Food Service. The restricted fund balance is generated from meal revenues and federal assistance.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted, as they are needed.

## II. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

For the year ended June 30, 2012, the carrying value of the District's deposits with financial institutions was \$314,436 and the financial institution's balances were \$313,330. The financial institution's balances are categorized as follows:

#### Cash

Amounts insured by the FDIC held by banks in the District's name	24,286
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#### Investments

Amounts collateralized with securities not held in the District's name, including funds held by the State of Idaho's Local Government Investment Pool	289,044
	<u>313,330</u>

The carrying value of the District's deposits and cash on hand and investments at June 30, 2012 that appear in the financial statements are summarized below:

<u>Governmental Funds:</u>			
Cash on Hand			100
Deposits	8,060		
Investments	<u>246,966</u>	255,026	
<u>Fiduciary Funds:</u>			
Deposits - Student Activities Fund	15,248		
Investments - Trusts	9,948		
Investments - Student Activities Fund	<u>34,114</u>	<u>59,310</u>	
Total Deposits and Investments			<u>314,336</u>
Total Cash on Hand, Deposits, and Investments			<u><u>314,436</u></u>

The Student Activities Fund also has a stock certificate that was gifted in 2001 to the students for community fund raising efforts for the bowling alley in Craigmont. The certificate is four shares of stock of Prairie Bowl, Inc. The fair value of this certificate when received was \$2,000. This is included with the Student Activities investments in the financial statements.

The fair value of the District's shares in the Local Government Investment Pool is not materially different from cost which is the amount used on the financial statements.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment. The District does not have a written policy regarding interest rate risk.

#### Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment in debt securities will not fulfill its obligations. The District does not have a written investment policy on custodial credit risk. However, all investments are held in safekeeping by external custodians and are either registered or insured in the District's name or held by the District's agent. The State of Idaho's Local Government Investment Pool's (LGIP) policy requires investment in corporate bonds/notes to have a maximum maturity of five years, securities must be rated A or better, and cannot exceed 20% of total portfolio. Commercial paper purchased must be registered commercial paper and be rated A-1 or its equivalent or better by two or more public rating agencies at the time of purchase. Commercial paper cannot exceed 25% of the total portfolio. The policies for other types of LGIP investments have similar minimum requirements and all investments are cited to be within Idaho Code.

#### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. All of the District's investments are with the State of Idaho's Local Government Investment Pool. The investment policy of the District contains no limitations on the amount that can be invested in any one issuer.

#### Custodial Credit Risk

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment (related securities that are held by an outside party). The District does not have a written investment policy covering concentration of credit risk. However, all of the District's investments are held in the District's name and held by the State of Idaho's Local Government Investment Pool.

**B. Property Taxes**

Real and personal property taxes attach as an enforceable lien on property as of January 1. Real and personal property taxes are levied on the third Monday in September and are due in two equal installments on December 20<sup>th</sup> and June 20<sup>th</sup> of the following year and are considered delinquent the day following the due date. Interest and penalty charges begin on the day following the installment due date. Nez Perce, Idaho and Lewis Counties bill and collect taxes and remit them to the District in the month following collection by the counties. District property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within thirty days after year end. Taxes collected after 30 days are reported as deferred revenue. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided. A lien may be filed on the property three years from the date of delinquency.

**C. Receivables**

Receivables at June 30, 2012 consist of the following:

	General Fund	Capital Projects	Other Governmental Funds	Fiduciary Funds	Total
Receivables:					
Property Taxes	111,761				111,761
Due From Other Governments	20,695		40,811		61,506
Accounts and Other Receivables	28,523	14,553			43,076
Due from Other Funds	24,535		47,316	100	71,951
	<u>185,514</u>	<u>14,553</u>	<u>88,127</u>	<u>100</u>	<u>288,294</u>

Amounts Due From Other Governments are categorized as follows:

	State	Federal	Total
General Fund	20,695		20,695
Other Governmental Funds			
Title I Fund		9,255	9,255
Title VI-B Fund		25,864	25,864
Title II - Improving Teacher Quality Fund		4,069	4,069
Food Service Fund		1,623	1,623
	<u>20,695</u>	<u>40,811</u>	<u>61,506</u>

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2012 is as follows:

	Balance 7/1/2011	Increases	Decreases	Balance 6/30/2012
Capital Assets, Not Being Depreciated				
Land	75,000			75,000
Building Improvements	111,540		(111,540)	
Total Capital Assets, Not Being Depreciated	186,540		(111,540)	75,000
Capital Assets, Being Depreciated:				
Site Improvements	164,781			164,781
Buildings	967,555	208,603		1,176,158
Elementary Equipment	84,509			84,509
High School Equipment	239,933			239,933
Total Capital Assets, Being Depreciated	1,456,778	208,603		1,665,381
	Balance 7/1/2011	Increases	Decreases	Balance 6/30/2012
Less Accumulated Depreciation For:				
Site Improvements	(18,401)	(5,846)		(24,247)
Buildings	(867,122)	(13,527)		(880,649)
Elementary Equipment	(61,656)	(2,515)		(64,171)
High School Equipment	(185,183)	(17,277)		(202,460)
Total Accumulated Depreciation	(1,132,362)	(39,165)		(1,171,527)
Total Capital Assets Being Depreciated, Net	324,416	169,438		493,854
Capital Assets, Net	510,956	169,438	(111,540)	568,854

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

Instruction	19,136
Non-Instruction:	
Maintenance and Operations	20,029
	<u>39,165</u>

#### E. Interfund Receivables and Payables

The composition of interfund receivables and payables due to deficit balances in the shared cash accounts as of June 30, 2012 is as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	24,535	47,316
Other Governmental Funds:		
Federal Forest Fund	31,607	
Title I - A, ESEA		6,432
Title VI - B, IDEA - Special Education		14,812
Title II - A, ESEA		3,291
Food Service Fund	<u>15,709</u>	
	<u>71,851</u>	<u>71,851</u>

The General Fund also has an amount due to the Student Body Funds of \$100.

#### F. Interfund Transfers

The General Fund transfers annually to the school lunch program an amount equal to the employer social security and medicare taxes of the school lunch wages. The transfer for the year ended June 30, 2012 was \$1,715. The District also transferred \$25,303 from the School Building Maintenance Fund to the General Fund for repairs and maintenance expenses.

#### G. Operating Leases

The District has entered into the following copier operating lease agreements that include toner:

<u>Equipment</u>	<u>Term</u>	<u>Cost</u>
Canon IR-5065 Copier August 1, 2007	60 Months	\$395.02 per month plus .0047 per copy (also includes staples, parts, labor, and services)
Ricoh Aficio MP7001 Copier June 28, 2011	60 Months	\$375.28 per month plus .0045 per copy
Cannon MP2550B Copier April 21, 2010	60 Months	\$80.75 per month plus .00720 per copy

Current lease operating costs are as follows:

	<u>IR-5065</u>	<u>MP7001</u>	<u>MP2550B</u>	<u>Total</u>
Lease Payments	(517)	4,503	969	4,955
Copy Costs	44	1,883	159	2,086
Total	<u>(473)</u>	<u>6,386</u>	<u>1,128</u>	<u>7,041</u>

The remaining future minimum lease payments for the lease agreements excluding copy costs are:

	<u>MP7001</u>	<u>MP2550B</u>	<u>Total</u>
2013	4,503	969	5,472
2014	4,503	969	5,472
2015	4,503	646	5,149
2016	4,504		4,504
Total	<u>18,013</u>	<u>2,584</u>	<u>20,597</u>

## H. Fund Equity

The District has adopted GASB 54 as of July 1, 2010. This new standard changed the overall definitions and classifications of governmental fund balances. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. The District does not have nonspendable resources. The hierarchy for spendable fund balances is as follows:

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints by the Board of Trustees of the government to be used for a particular purpose.
- Unassigned: fund balance of the general fund and the federal forest fund that are not constrained for any particular purpose.

Spendable: The District has classified its spendable fund balances as Restricted and Unassigned and considers each to have been spent when expenditures are incurred. The District Currently has no fund balances classified as *Committed or Assigned*.

- Restricted for Programs and Capital Projects:

Federal laws and local ordinances require that certain revenues be specifically designed for the purposes of state and federal categorical programs and capital projects. The restricted fund balance in the Capital Projects Fund is \$116,161. The non-major Other Governmental Funds (special revenue funds) include restricted assets of \$8,925 to provide students attending the school with nutritious meals meeting the regulations of the United States Department of Agriculture as reported in the Food Services special revenue fund.

- Unassigned Items:

Unassigned items represent the remainder of the District's equity in governmental type fund balances. Unassigned balances include the General Fund fund balance of \$62,822 and the Federal Forest fund balance of \$31,607 reported in the Other Governmental Funds.

### III. OTHER INFORMATION

#### A. Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

#### B. Contingent Liabilities

##### 1. Grants

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2012 may be impaired. In the opinion of the District, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

#### C. Employee Pension Plans

Substantially all full time employees and certain part time employees of the District are members of the 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% of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone reports that include audited financial statements and required supplementary information. This report may be obtained from PERSI's website [www.persi.idaho.gov](http://www.persi.idaho.gov).

The actuarially determined contribution requirements of Highland Joint School District No. 305 and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2012, the required contribution rate as a percentage of covered payroll was 6.23% for general members. The employer rate as a percentage of covered payroll was 10.39% for general members. The Highland Joint School District No. 305's contributions required and paid were \$107,752, \$108,842, and \$125,433 for the three years ended June 30, 2012, 2011, and 2010 respectively.

**REQUIRED SUPPLEMENTARY DATA**



**Highland Joint School District No. 305**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**Governmental Funds**  
**For the Year Ended June 30, 2012**

	General			Capital Projects Fund			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Over (Under) Budget
<b>Revenues</b>							
Property Taxes	323,163	439,605	339,061	(100,544)	40,000	43,967	3,967
Intergovernmental, State	1,485,820	1,501,513	1,492,690	(8,823)			
Intergovernmental, Federal	61,446		62,354	62,354			
Interest	5,000	1,000	780	(220)		218	218
Other	26,800	26,600	130,165	103,565			
<b>Total Revenues</b>	<b>1,902,229</b>	<b>1,968,718</b>	<b>2,025,050</b>	<b>56,332</b>	<b>40,000</b>	<b>44,185</b>	<b>4,185</b>
<b>Expenditures</b>							
<b>Current</b>							
Instruction	936,576	1,041,153	1,004,099	37,054			
Non-Instruction							
Pupil Support	56,463	41,619	73,238	(31,619)			
Staff Support	48,119	48,397	50,158	(1,761)			
Food Service							
Administrative	249,646	215,569	223,945	(8,376)			
Business Operations	67,266	69,960	68,779	1,181			
Plant Operations	133,390	139,094	135,982	3,112	5,000	6,872	8,128
Maintenance	89,722	81,876	73,803	8,073			
Pupil Transportation	263,453	295,500	298,646	(3,146)			
Capital Outlays	7,546	6,100	82,714	(76,614)	142,000	27,345	104,655
<b>Total Expenditures</b>	<b>1,852,181</b>	<b>1,939,268</b>	<b>2,011,364</b>	<b>(72,096)</b>	<b>147,000</b>	<b>34,217</b>	<b>112,783</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	50,048	29,450	13,686	(15,764)	(107,000)	9,968	116,968
<b>Other Financing Sources (Uses)</b>							
Transfers In (Out)	21,036	19,824	23,588	3,764			
Contingency	(71,219)	(75,000)	75,000	75,000			
<b>Total Other Financing Sources (Uses)</b>	<b>(50,183)</b>	<b>(55,176)</b>	<b>23,588</b>	<b>78,764</b>			
Net Change in Fund Balances	(135)	(25,726)	37,274	63,000	(107,000)	9,968	116,968
Fund Balance, Beginning of Year	135	25,726	25,548	(178)	107,000	106,193	(807)
Fund Balance, End of Year	0	0	62,822	62,822	0	116,161	116,161

The notes to the financial statements are an integral part of this statement.

(Continued)

Highland Joint School District No. 305  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
 Budget and Actual  
**Governmental Funds**  
**For the Year Ended June 30, 2012**  
 (continued)

	Other Governmental Funds		
Revenues	Original Budgeted Amounts	Final Budgeted Amounts	Over (Under) Budget
Property Taxes			
Intergovernmental, State	22,882	21,389	0
Intergovernmental, Federal	175,783	186,574	334
Interest		1,623	1,623
Other	22,010	19,596	(3,104)
<b>Total Revenues</b>	<b>220,675</b>	<b>230,329</b>	<b>(1,147)</b>
<b>Expenditures</b>			
Current			
Instruction	119,898	137,700	3,532
Non-Instruction			
Pupil Support			
Staff Support			
Food Service	81,910	82,836	3,629
Administrative	30,519	31,859	31,859
Business Operations			
Plant Operations			
Maintenance			
Pupil Transportation			
Capital Outlays		3,259	(3,259)
Total Expenditures	232,327	256,024	35,761
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,652)	(25,695)	34,614
<b>Other Financing Sources (Uses)</b>			
Transfers In (Out)	(21,036)	(19,824)	3,764
Total Other Financing Sources (Uses)	(21,036)	(19,824)	3,764
Net Change in Fund Balances	(32,688)	(45,519)	38,378
Fund Balance, Beginning of Year	32,688	45,519	9,682
Fund Balance, End of Year		40,532	40,532

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Notes to Required Supplementary Information**  
**June 30, 2012**

**I. Budgetary Information**

**A. Budgetary Basis of Accounting**

The District is required by state law to adopt annual budgets for the General Fund, Other Governmental Funds, and the Capital Projects Fund. Each budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The Board of Trustees follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The District superintendent submits to the Board a proposed budget for the year commencing the following July 1 and publish the proposed budget for public review at least 28 days prior to the annual budget meeting.
2. A public budget hearing is set to obtain taxpayers' comments.
3. The final budget is adopted by resolution of the Board at the regular meeting of the Board of Trustees and published within 14 days after the public hearing.
4. The final budget is filed with the State Department of Education prior to July 15.
5. Once adopted, the budget can be amended by subsequent Board action. The Board, upon recommendation of the Superintendent, can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget.
6. Expenditures may not legally exceed budgeted appropriations at the fund level.

All appropriations lapse at year-end.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General Fund, Other Governmental Funds, and Capital Projects Funds.

**B. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2012 no fund had an excess of expenditures over appropriations.

Highland Joint School District No. 305  
 Combining Balance Sheet  
 Other Governmental Funds

June 30, 2012

(With Comparative Totals for June 30, 2011)

	Federal Forest Funds	School Building Maintenance Fund	Title I-A, ESEA	Title VI-B, IDEA - Special Education	Title VI-B, IDEA - Preschool
<b>Assets</b>					
Cash					
Due From Other Governments			9,255	25,864	
Due From Other Funds	31,607				
<b>Total Assets</b>	<u>31,607</u>	<u></u>	<u>9,255</u>	<u>25,864</u>	<u></u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable			2,823	11,052	
Accrued Salaries and Benefits			6,432	14,812	
Due to Other Funds			9,255	25,864	
<b>Total Liabilities</b>	<u></u>	<u></u>	<u>9,255</u>	<u>25,864</u>	<u></u>
<b>Fund Balances</b>					
Restricted					
Instruction					
Maintenance					
Food Services					
Unassigned	31,607				
<b>Total Fund Balances</b>	<u>31,607</u>	<u></u>	<u></u>	<u></u>	<u></u>
<b>Total Liabilities and Fund Balances</b>	<u>31,607</u>	<u></u>	<u>9,255</u>	<u>25,864</u>	<u></u>

The notes to the financial statements are an integral part of this statement.

(continued)

Highland Joint School District No. 305  
 Combining Balance Sheet  
 Other Governmental Funds  
 June 30, 2012

(With Comparative Totals for June 30, 2011)  
 (continued)

	Title VI-B, ESEA, REAP	Federal Title II-A, ESEA	Food Service	Totals	Totals
				2012	2011
<b>Assets</b>					
Cash	1,482		6	1,488	184
Due From Other Governments		4,069	1,623	40,811	3,167
Due From Other Funds			15,709	47,316	62,960
Total Assets	<u>1,482</u>	<u>4,069</u>	<u>17,338</u>	<u>89,615</u>	<u>66,311</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable		778	2,561	3,339	4,711
Accrued Salaries and Benefits	1,482		5,852	21,209	6,398
Due to Other Funds		3,291		24,535	
Total Liabilities	<u>1,482</u>	<u>4,069</u>	<u>8,413</u>	<u>49,083</u>	<u>11,109</u>
<b>Fund Balances</b>					
Restricted					1,288
Instruction					3,914
Maintenance			8,925	8,925	20,677
Food Services				31,607	29,323
Unassigned			8,925	40,532	55,202
Total Fund Balances					
Total Liabilities and Fund Balances	<u>1,482</u>	<u>4,069</u>	<u>17,338</u>	<u>89,615</u>	<u>66,311</u>

The notes to the financial statements are an integral part of this statement.

Highland Joint School District No. 305  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Other Governmental Funds  
 For The Year Ended June 30, 2012  
 (With Comparative Totals for the Year Ended June 30, 2011)

	Federal Forest Funds	School Building Maintenance Fund	Title I-A, ESEA	Title VI-B, IDEA - Special Education	Title VI-B, IDEA - Preschool
<b>Revenues</b>					
Lunch and Breakfast Sales		21,389			
Intergovernmental, State Grant Funds			42,993	62,332	2,310
Intergovernmental, Federal Grant Funds	2,285				
Unrestricted Revenues					
<b>Total Revenues</b>	<u>2,285</u>	<u>21,389</u>	<u>42,993</u>	<u>62,332</u>	<u>2,310</u>
<b>Expenditures</b>					
Instruction					
Salaries			30,949	39,296	2,146
Benefits			12,044	24,324	164
Purchased Services					
Supplies and Materials					
Total Instruction			<u>42,993</u>	<u>63,620</u>	<u>2,310</u>
Non-Instruction					
Food Service					
Salaries					
Benefits					
Purchased Services					
Supplies and Materials					
Capital Outlay					
Total Food Service					
<b>Total Expenditures</b>			<u>42,993</u>	<u>63,620</u>	<u>2,310</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>2,285</u>	<u>21,389</u>		<u>(1,288)</u>	

The notes to the financial statements are an integral part of this statement.

(continued)

**Highland Joint School District No. 305**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Other Governmental Funds**  
**For The Year Ended June 30, 2012**  
**(With Comparative Totals for the Year Ended June 30, 2011)**  
 (continued)

	Federal Forest Funds	School Building Maintenance Fund	Title I-A, ESEA	Title VI-B, IDEA - Special Education	Title VI-B, IDEA - Preschool
<b>Other Financing Sources (Uses)</b>					
Transfers In					
Transfers Out		(25,303)			
<b>Total Other Financing Sources and (Uses)</b>		(25,303)			
<b>Net Change in Fund Balances</b>	2,285	(3,914)		(1,288)	
<b>Fund Balances, Beginning of Year</b>	29,322	3,914		1,288	
<b>Fund Balances, End of Year</b>	<u>31,607</u>				

The notes to the financial statements are an integral part of this statement.  
 (continued)

Highland Joint School District No. 305  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Other Governmental Funds  
 For The Year Ended June 30, 2012  
 (With Comparative Totals for the Year Ended June 30, 2011)  
 (continued)

	Title VI-B, ESEA, REAP	Title II-A, ESEA	Food Service	Totals 2012	Totals 2011
<b>Revenues</b>					
Lunch and Breakfast Sales			19,596	19,596	18,721
Intergovernmental, State Grant Funds				21,389	21,098
Intergovernmental, Federal Grant Funds	9,032	16,213	51,409	186,574	104,871
Unrestricted Revenues			1,623	1,623	1,483
<b>Total Revenues</b>	<u>9,032</u>	<u>16,213</u>	<u>72,628</u>	<u>229,182</u>	<u>146,173</u>
<b>Expenditures</b>					
Instruction					
Salaries	5,700	2,020		80,111	67,727
Benefits	3,059	807		40,398	33,675
Purchased Services		13,344		13,344	3,461
Supplies and Materials	273	42		315	1,171
Total Instruction	<u>9,032</u>	<u>16,213</u>		<u>134,168</u>	<u>106,034</u>
Non-Instruction					
Food Service					
Salaries			22,443	22,443	18,797
Benefits			18,057	18,057	10,118
Purchased Services			3,192	3,192	384
Supplies and Materials			39,144	39,144	27,145
Capital Outlay			3,259	3,259	4,329
Total Food Service			<u>86,095</u>	<u>86,095</u>	<u>60,773</u>
<b>Total Expenditures</b>	<u>9,032</u>	<u>16,213</u>	<u>86,095</u>	<u>220,263</u>	<u>166,807</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>			<u>(13,467)</u>	<u>8,919</u>	<u>(20,634)</u>

The notes to the financial statements are an integral part of this statement.  
 (continued)  
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Highland Joint School District No. 305  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Other Governmental Funds**  
**For The Year Ended June 30, 2012**  
**(With Comparative Totals for the Year Ended June 30, 2011)**  
(continued)

	Title VI-B, ESEA, REAP	Title II-A, ESEA	Food Service	Totals	
				2012	2011
<b>Other Financing Sources (Uses)</b>					
Transfers In			1,715	1,715	1,436
Transfers Out				(25,303)	(22,882)
<b>Total Other Financing Sources and (Uses)</b>			1,715	(23,588)	(21,446)
<b>Net Change in Fund Balances</b>			(11,752)	(14,669)	(42,080)
<b>Fund Balances, Beginning of Year</b>			20,677	55,201	97,281
<b>Fund Balances, End of Year</b>			8,925	40,532	55,201

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**General Fund**  
**For The Year Ended June 30, 2012**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Other Revenues				
Property Taxes	316,163	435,605	332,980	(102,625)
Penalty and Interest on Taxes	2,000	4,000	6,081	2,081
Interest	5,000	1,000	780	(220)
Other	31,800	26,600	130,165	103,565
Total Other Revenues	<u>354,963</u>	<u>467,205</u>	<u>470,006</u>	<u>2,801</u>
Intergovernmental Revenues				
State Support	1,405,738	1,412,771	1,407,358	(5,413)
Other State Support	80,082	88,742	85,332	(3,410)
Federal Support	61,446		62,354	62,354
Total Intergovernmental Revenues	<u>1,547,266</u>	<u>1,501,513</u>	<u>1,555,044</u>	<u>53,531</u>
Total Revenues	<u>1,902,229</u>	<u>1,968,718</u>	<u>2,025,050</u>	<u>56,332</u>
<b>Expenditures</b>				
Current				
Instruction				
Salaries	668,025	751,607	716,818	34,789
Benefits	215,958	241,718	216,774	24,944
Purchased Services	22,686	19,390	32,887	(13,497)
Supplies and Materials	29,407	27,938	37,620	(9,682)
Insurance	500	500		500
Capital Outlays	7,546	6,100	2,855	3,245
Total Instruction	<u>944,122</u>	<u>1,047,253</u>	<u>1,006,954</u>	<u>40,299</u>
Non-Instruction				
Pupil Support				
Salaries	25,000	7,800	25,931	(18,131)
Benefits	2,045	2,319	2,607	(288)
Purchased Services	28,966	28,700	41,353	(12,653)
Supplies and Materials	452	2,800	3,347	(547)
Total Pupil Support	<u>56,463</u>	<u>41,619</u>	<u>73,238</u>	<u>(31,619)</u>
Staff Support				
Salaries	22,225	13,792	19,810	(6,018)
Benefits	6,441	8,105	7,539	566
Purchased Services	11,750	16,000	7,408	8,592
Supplies and Materials	7,703	10,500	15,401	(4,901)
Total Staff Support	<u>48,119</u>	<u>48,397</u>	<u>50,158</u>	<u>(1,761)</u>
Administrative				
Salaries	165,506	144,326	149,962	(5,636)
Benefits	52,790	46,343	45,892	451
Purchased Services	28,290	21,000	23,188	(2,188)
Supplies and Materials	3,060	3,900	4,903	(1,003)
Total Administrative	<u>249,646</u>	<u>215,569</u>	<u>223,945</u>	<u>(8,376)</u>

The notes to the financial statements are an integral part of this statement.

(continued)

**Highland Joint School District No. 305**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**General Fund**  
**For The Year Ended June 30, 2012**  
(continued)

<b>Expenditures (continued)</b>	<b>Original Budgeted Amounts</b>	<b>Final Budgeted Amounts</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Current</b>				
<b>Non-Instruction</b>				
<b>Business Operations</b>				
Salaries	47,500	48,450	47,500	950
Benefits	15,735	16,010	15,452	558
Purchased Services	3,000	4,500	4,973	(473)
Supplies and Materials	1,031	1,000	854	146
<b>Total Business Operations</b>	<u>67,266</u>	<u>69,960</u>	<u>68,779</u>	<u>1,181</u>
<b>Plant Operations</b>				
Salaries	34,500	35,150	34,385	765
Benefits	14,400	14,637	13,848	789
Purchased Services	65,800	66,500	65,431	1,069
Supplies and Materials	5,000	8,000	7,786	214
Insurance	13,690	14,807	14,532	275
<b>Total Plant Operations</b>	<u>133,390</u>	<u>139,094</u>	<u>135,982</u>	<u>3,112</u>
<b>Maintenance</b>				
Salaries	46,237	47,103	43,237	3,866
Benefits	16,985	17,273	16,013	1,260
Purchased Services	17,500	11,000	9,764	1,236
Supplies and Materials	9,000	6,500	4,789	1,711
<b>Total Maintenance</b>	<u>89,722</u>	<u>81,876</u>	<u>73,803</u>	<u>8,073</u>
<b>Pupil Transportation</b>				
Salaries			1,441	(1,441)
Benefits			1,122	(1,122)
Purchased Services	261,953	294,500	295,843	(1,343)
Supplies and Materials	1,500	1,000	240	760
<b>Total Pupil Transportation</b>	<u>263,453</u>	<u>295,500</u>	<u>298,646</u>	<u>(3,146)</u>
<b>Total Expenditures</b>	<u>1,852,181</u>	<u>1,939,268</u>	<u>1,931,505</u>	<u>7,763</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<u>50,048</u>	<u>29,450</u>	<u>93,545</u>	<u>64,095</u>
<b>Other Financing Sources and Uses</b>				
Building Capital Outlay			(79,859)	(79,859)
Contingency	(71,219)	(75,000)		75,000
Transfers In	22,882	21,389	25,303	3,914
Transfers Out	(1,846)	(1,565)	(1,715)	(150)
<b>Total Other Financing Sources and Uses</b>	<u>(50,183)</u>	<u>(55,176)</u>	<u>(56,271)</u>	<u>(1,095)</u>
<b>Net Change in Fund Balances</b>	(135)	(25,726)	37,274	63,000
<b>Fund Balances, Beginning of Year</b>	<u>135</u>	<u>25,726</u>	<u>25,548</u>	<u>(178)</u>
<b>Fund Balances, End of Year</b>	<u><u>135</u></u>	<u><u>25,726</u></u>	<u><u>62,822</u></u>	<u><u>62,822</u></u>

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual**  
**Other Governmental Funds - Federal Forest Funds and School Building Maintenance Fund**  
**For the Year Ended June 30, 2012**

	Federal Forest Funds			School Building Maintenance Fund		
	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Original Budgeted Amounts	Final Budgeted Amounts	Actual
<b>Revenues</b>						
Intergovernmental, State	1,340			22,882	21,389	21,389
Intergovernmental, Federal		1,340	2,285			
<b>Total Revenues</b>	<b>1,340</b>	<b>1,340</b>	<b>2,285</b>	<b>22,882</b>	<b>21,389</b>	<b>21,389</b>
<b>Expenditures</b>						
Current						
Non-Instruction						
Administration						
Purchased Services	8,000	8,000				
Supplies and Materials	6,000	6,000				
Capital Outlays	16,519	17,859	17,859			
Total Administration	30,519	31,859	31,859			
<b>Total Expenditures</b>	<b>30,519</b>	<b>31,859</b>	<b>31,859</b>			
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(29,179)</b>	<b>(30,519)</b>	<b>2,285</b>	<b>22,882</b>	<b>21,389</b>	<b>21,389</b>
<b>Other Financing Sources and Uses</b>						
Transfers Out - General Fund				(22,882)	(21,389)	(25,303)
Total Other Financing Sources and Uses				(22,882)	(21,389)	(25,303)
<b>Net Change in Fund Balances</b>	<b>(29,179)</b>	<b>(30,519)</b>	<b>2,285</b>			<b>(3,914)</b>
<b>Fund Balances, Beginning of Year</b>	<b>29,179</b>	<b>30,519</b>	<b>29,322</b>			<b>3,914</b>
<b>Fund Balances, End of Year</b>			<b>31,607</b>			<b>3,914</b>

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**

**Other Governmental Funds - Title I-A, ESEA and Title VI-B, IDEA - Special Education**  
**For The Year Ended June 30, 2012**

	Title I-A, ESEA			Title VI-B, IDEA - Special Education			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Over (Under) Budget
<b>Revenues</b>							
Intergovernmental, Federal	43,436	42,993	42,993	44,304	66,325	62,332	(3,993)
<b>Total Revenues</b>	43,436	42,993	42,993	44,304	66,325	62,332	(3,993)
<b>Expenditures</b>							
Current							
Instruction							
Salaries	27,437	24,710	30,949	28,661	44,197	39,296	4,901
Benefits	15,346	18,283	12,044	15,587	22,128	24,324	(2,196)
Purchased Services	653			56			
Total Instruction	43,436	42,993	42,993	44,304	66,325	63,620	2,705
Total Expenditures	43,436	42,993	42,993	44,304	66,325	63,620	2,705
Net Change in Fund Balances						(1,288)	(1,288)
Fund Balances, Beginning of Year						1,288	1,288
Fund Balances, End of Year							

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**

**Budget and Actual**  
**Other Governmental Funds - Title VI-B, IDEA - Preschool and Title VI-B, ESEA, REAP**  
**For The Year Ended June 30, 2012**

	Title VI-B, IDEA - Preschool			Title VI-B, ESEA, REAP			Over (Under) Budget
	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Original Budgeted Amounts	Final Budgeted Amounts	Actual	
<b>Revenues</b>							
Intergovernmental, Federal	2,331	2,331	2,310	12,808	9,032	9,032	
Total Revenues	2,331	2,331	2,310	12,808	9,032	9,032	
<b>Expenditures</b>							
Current							
Instruction							
Salaries		2,165	2,146	7,866	5,700	5,700	223
Benefits		166	164	4,863	3,282	3,059	50
Purchased Services	2,331			79	50		(273)
Supplies						273	
Total Instruction	2,331	2,331	2,310	12,808	9,032	9,032	
Total Expenditures	2,331	2,331	2,310	12,808	9,032	9,032	
Net Change in Fund Balances							
Fund Balances, Beginning of Year							
Fund Balances, End of Year							

The notes to the financial statements are an integral part of this statement.

Highland Joint School District No. 305  
**Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual**  
**Other Governmental Funds - Title II-A, ESEA**  
**For The Year Ended June 30, 2012**

	Title II-A, ESEA			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Over (Under) Budget
<b>Revenues</b>				
Intergovernmental, Federal	17,019	17,019	16,213	(806)
<b>Total Revenues</b>	17,019	17,019	16,213	(806)
<b>Expenditures</b>				
Current				
Instruction				
Salaries	14,215	5,000	2,020	2,980
Benefits	2,804	988	807	181
Purchased Services		5,000	13,344	(8,344)
Supplies and Materials		6,031	42	5,989
Total Instruction	17,019	17,019	16,213	806
<b>Total Expenditures</b>	17,019	17,019	16,213	806
<b>Net Change in Fund Balance</b>				
Fund Balances, Beginning of Year				
Fund Balances, End of Year				

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**Other Governmental Funds - Food Service**  
**For the Year Ended June 30, 2012**

	Original Budgeted Amounts	Food Service Final Budgeted Amounts	Actual	Over (Under) Budget
<b>Revenues</b>				
Lunch and Breakfast Sales	22,010	22,700	19,596	(3,104)
Intergovernmental, Federal Interest	54,545	47,200	51,409	4,209
		1,623	1,623	1,623
<b>Total Revenues</b>	<u>76,555</u>	<u>69,900</u>	<u>72,628</u>	<u>2,728</u>
<b>Expenditures</b>				
Non-Instruction Current				
Food Service				
Salaries	17,966	20,473	22,443	(1,970)
Benefits	16,786	17,446	18,057	(611)
Purchased Services	775	1,750	3,192	(1,442)
Supplies and Materials	46,383	46,796	39,144	7,652
Capital Outlays			3,259	(3,259)
<b>Total Expenditures</b>	<u>81,910</u>	<u>86,465</u>	<u>86,095</u>	<u>370</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(5,355)</u>	<u>(16,565)</u>	<u>(13,467)</u>	<u>3,098</u>
<b>Other Financing Sources and Uses</b>				
Transfers In - General Fund	1,846	1,565	1,715	150
Total Other Financing Sources and Uses	<u>1,846</u>	<u>1,565</u>	<u>1,715</u>	<u>150</u>
<b>Net Change in Fund Balances</b>	<u>(3,509)</u>	<u>(15,000)</u>	<u>(11,752)</u>	<u>3,248</u>
<b>Fund Balances, Beginning of Year</b>	<u>3,509</u>	<u>15,000</u>	<u>20,677</u>	<u>5,677</u>
<b>Fund Balances, End of Year</b>			<u>8,925</u>	<u>8,925</u>

The notes to the financial statements are an integral part of this statement.



**Highland Joint School District No. 305**  
**Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget and Actual**  
**Capital Projects Fund**  
**For the Year Ended June 30, 2012**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Property Taxes	40,000	40,000	43,967	3,967
Interest			218	218
Total Revenues	<u>40,000</u>	<u>40,000</u>	<u>44,185</u>	<u>4,185</u>
<b>Expenditures</b>				
Current				
Plant Operations				
Purchased Services	5,000	5,000		5,000
Supplies		10,000	6,872	3,128
Capital Outlays				
Maintenance Buildings	142,000	129,000	25,632	103,368
Buildings and Grounds		3,000	1,713	1,287
Total Maintenance	<u>147,000</u>	<u>147,000</u>	<u>34,217</u>	<u>112,783</u>
Total Expenditures	<u>147,000</u>	<u>147,000</u>	<u>34,217</u>	<u>112,783</u>
Net Change in Fund Balances	(107,000)	(107,000)	9,968	116,968
Fund Balance, Beginning of Year	<u>107,000</u>	<u>107,000</u>	<u>106,193</u>	<u>(807)</u>
Fund Balance, End of Year	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>116,161</u></u>	<u><u>116,161</u></u>

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Statement of Fiduciary Net Assets**  
**All Trust and Agency Funds**  
**June 30, 2012**

	<u>Private Purpose Trust Funds</u>		<u>Agency Student Activity Funds</u>
	<u>Wilfong Athletic Fund</u>	<u>Highland Foundation</u>	
<b>Assets</b>			
Cash		2,077	15,248
Investments	1,999	7,949	34,114
Accounts Receivable			100
Total Assets	<u>1,999</u>	<u>10,026</u>	<u>49,462</u>
<b>Liabilities</b>			
Due to Student Groups			49,462
Total Liabilities			<u>49,462</u>
<b>Net Assets</b>			
Assets Held in Trust	<u>1,999</u>	<u>10,026</u>	

The notes to the financial statements are an integral part of this statement.

**Highland Joint School District No. 305**  
**Agency Funds**  
**Schedule of Receipts and Disbursements**  
**For the Year Ended June 30, 2012**

<u>Student Activity Fund</u>	<u>Beginning Balance 7/1/2011</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance 6/30/2012</u>
<b>Assets</b>				
Cash and Investments				
Music	3,654	4,823	3,936	4,541
Student Council	1,516	3,847	4,392	971
Student Recognition	781		58	723
Band Instrument Fees	125	25	25	125
Hendren Scholarship	2,104	100		2,204
Annual Staff		3,458	3,180	278
Cheerleaders	56	853	909	
Boys Basketball	921	2,532	3,433	20
Girls Basketball	800	2,696	3,268	228
Business Prof. Assoc.	1,634	2,884	3,374	1,144
Honor Society		389	344	45
Uniforms	2,812	4,544	2,903	4,453
Football		1,250	1,250	
Volleyball		1,290	1,290	
At-Risk Fund	476	400		876
Track		1,600	1,566	34
Baseball Club	120	2,396	2,516	
Spanish Club	670	2,312	1,926	1,056
Softball	90	2,425	2,515	
Elementary	980	404	202	1,182
JH Girls Basketball	264	440	70	634
JH Boys Basketball	400	697	89	1,008
JH Football		262	262	
JH Volleyball	411	1,026	415	1,022
JH Track	76	576	652	
Pop Machines	620	1,324	1,471	473
F.C.C.L.A.	1,964	670	2,037	597
Embroidery Club	193			193
Fine Arts Club	589		8	581
Life Smarts	565			565
Dance Team	59			59
Fine Arts-Drama	1,166	1,639	1,886	919
Student Newspaper	95			95
Science Club		2,769	2,769	
Concessions	454	11,594	11,471	577
FFA	654	4,676	4,808	522
IDLA Class Fee	300	450	750	
Elementary Library	51			51
Elementary Field Trips	719	118		837
SOS Group	9,560	1,978	6,300	5,238

The notes to the financial statements are an integral part of this statement.

(continued)

**Highland Joint School District No. 305**  
**Agency Funds**  
**Schedule of Receipts and Disbursements**  
**For the Year Ended June 30, 2012**  
(continued)

<u>Student Activity Fund</u>	<u>Beginning Balance 7/1/2011</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Balance 6/30/2012</u>
<b>Assets</b>				
Cash and Investments (continued)				
Cross Country	59	853	912	
Tennis	6			6
Basketball Clinics		1,120	1,120	
Senior Class	648	8,151	8,613	186
Junior Class	1,044	458	600	902
Sophomore Class	506	167	209	464
Freshman Class	474	65	316	223
8th Graders	175	85	124	136
7th Graders	75	380	156	299
6th Graders	80	80	80	80
Alumni 1998	9			9
Alumni 2001	291		291	
Alumni 2002	380			380
Alumni 2003	643			643
Alumni 2004	557			557
Alumni 2005	585			585
Alumni 2006	342			342
Alumni 2007	258			258
Alumni 2008	114			114
Alumni 2009	566			566
Alumni 2010	1,045			1,045
Alumni 2011		648		648
Reserve	2,356	2,552	4,238	670
Interest on Checking	60	6		66
Investment Pool Interest	5,503	57		5,560
Pepsi School Vendor Rebate	2,338			2,338
Total Cash and Investments	<u>52,993</u>	<u>81,069</u>	<u>86,734</u>	<u>47,328</u>
Investments (Stock Certificate)	<u>2,000</u>			<u>2,000</u>
Total Cash and Investments	<u>2,000</u>			<u>2,000</u>
Pepsi School Vendor Rebate	<u>891</u>	<u>634</u>		<u>1,525</u>
Total Accounts Receivable	<u>891</u>	<u>634</u>		<u>1,525</u>
<b>Total Agency Funds</b>	<u><u>55,884</u></u>	<u><u>81,703</u></u>	<u><u>86,734</u></u>	<u><u>50,853</u></u>

The notes to the financial statements are an integral part of this statement.

*John Goffinet*  
*Steve R. Clack*

P.O. Box 629  
Orofino, ID.  
83544-0629

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

Board of Trustees  
Highland Joint School District No. 305  
Craigmont, Idaho

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Highland Joint School District No. 305, as of and for the year ended June 30, 2012, which collectively comprise the Highland Joint School District No. 305's basic financial statements and have issued our report thereon dated September 15, 2012. 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

Management of Highland Joint School District No. 305 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Highland Joint School District No. 305'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 Highland Joint School District No. 305's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Highland Joint School District No. 305'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Highland Joint School District No. 305'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*.

We noted certain matters that we reported to management of Highland Joint School District No. 305 in a separate letter dated September 15, 2012.

This report is intended solely for the information and use of management, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 15, 2012

  
Goffinet and Clack, Chartered  
Certified Public Accountants