

**MACKAY SCHOOL DISTRICT #182**

**Report on Audit of Basic Financial Statements,  
Required Supplemental Information,  
And Supplemental Information**

**For The Year Ended June 30, 2011**

**MACKAY SCHOOL DISTRICT #182**  
**Table of Contents**

	Page
Independent Auditor's Report	1-2
<b>Basic Financial Statements</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
Statement of Net Assets	3
Statement of Activities	4
<b>FUND FINANCIAL STATEMENTS</b>	
Governmental Funds – Balance Sheet	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	6
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Fiduciary Net Assets	9
Notes to the Basic Financial Statements	10-19
<b>Required Supplemental Information</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual (Budgetary Basis) – General and Major Special Revenue Funds	20-22
Notes to the Required Supplemental Information	23
<b>Supplemental Information</b>	
Combining Balance Sheet – Non-Major Governmental (Special Revenue) Funds	24-25
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non Major Governmental (Special Revenue) Funds	26-27
Student Activity Fiduciary Funds	28-29
<b>INDEPENDENT AUDITOR'S REPORTS ON INTERNAL CONTROL AND ON COMPLIANCE</b>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30-31
Schedule of Findings	32
Schedule of Prior Findings	34

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Mackay School District #182  
Mackay, Idaho

We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mackay School District #182 as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Mackay School District #182's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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.

We were unable to obtain sufficient documentation supporting the compliance of Mackay School District #182 with the provisions of GASB Statement #45 regarding the amount of liability for post-employment benefits.

In our opinion, except for the effects of not following the provisions of GASB Statement #45, 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 Mackay School District #182 at June 30, 2011 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 August 25, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 20-23 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees  
Mackay School District #182  
August 25, 2011  
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mackay School District #182's basic financial statements. The combining and individual nonmajor 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 nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The student activity fiduciary funds statement has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

Mackay School District #182 has not presented the Management's Discussion and Analysis (MD&A) which is management's analysis of the District's financial activities based on currently known facts, decisions, or conditions. The Governmental Accounting Standards Board has determined that MD&A is necessary to supplement, although not required to be a part of, the basic financial statements.

**JENSEN POULSEN & COMPANY, PLLC**  
Certified Public Accountants

Idaho Falls, ID  
August 25, 2011

**MACKAY SCHOOL DISTRICT #182**  
**STATEMENT OF NET ASSETS**  
June 30, 2011

		<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>		
Cash	\$	999,426
Property taxes receivable		54,977
State and federal receivables (net)		113,337
Capital assets, net of depreciation		3,525,174
		<hr/>
Total assets	\$	4,692,913
		<hr/> <hr/>
<b>LIABILITIES</b>		
Accounts payable		1,634
Salaries and benefits payable		180,588
Compensated absences		11,988
		<hr/>
Total liabilities		194,210
		<hr/>
<b>NET ASSETS</b>		
Investment in capital assets		3,525,174
Restricted for:		
Special programs		680,531
Capital projects		195,751
Unrestricted		97,247
		<hr/>
Total net assets	\$	4,498,703
		<hr/> <hr/>

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

**MACKAY SCHOOL DISTRICT #182**  
**STATEMENT OF ACTIVITIES**  
For Year Ended June 30, 2011

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE)
Governmental activities:	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGES IN NET ASSETS
Instructions:					
Elementary programs	\$ 584,816		\$ 54,439		\$ (530,377)
Secondary/alternative programs	579,470	1,610	57,036		(520,824)
Exceptional/preschool programs	153,004		4,860		(148,144)
Other instructional programs	30,602				(30,602)
Support services:					
Student services	18,292				(18,292)
Educational media	14,087				(14,087)
School administration	155,292				(155,292)
Administration	99,865				(99,865)
Plant services	247,988		2,361		(245,627)
Pupil transportation	251,328		139,132		(112,196)
Food services	68,912	22,291	35,443		(11,178)
Total Governmental Activities	\$ 2,203,657	\$ 23,901	\$ 293,271	\$ -	(1,886,485)
 <b>General revenues:</b>					
Taxes:					
Property taxes, levied for general purposes					126,796
Property taxes, levied for capital projects					4,411
State revenue in lieu of taxes					7,619
Grants and contributions not restricted to specific programs					
Foundation program					1,374,702
Federal forest lands					199,971
Other state revenue					21,605
Interest and investment earnings					8,454
Miscellaneous revenue					79,051
					1,822,610
					(63,875)
					4,562,578
					\$ 4,498,703

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

**MACKAY SCHOOL DISTRICT #182**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
June 30, 2011

ASSETS	General	Food Service	Plant Facilities	Federal Forest Reserve	Non Major Funds	Total Governmental Funds
Cash.....	\$ 164,799	\$ -	\$ 156,377	\$ 436,159	242,091	\$ 999,426
Tax receivable.....	14,994	-	39,983	-	-	54,977
Other receivable.....	109,722	-	-	-	3,615	113,337
Interfund receivable.....	7,190	-	-	-	-	7,190
<b>Total assets.....</b>	<b>\$ 296,705</b>	<b>\$ -</b>	<b>\$ 196,360</b>	<b>\$ 436,159</b>	<b>\$ 245,706</b>	<b>\$ 1,174,930</b>
 <b>LIABILITIES AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
Accounts payable.....	\$ 966	\$ -	\$ 609	\$ -	\$ 60	\$ 1,635
Salaries payable.....	146,630	-	-	-	-	146,630
Benefits payable.....	33,958	-	-	-	-	33,958
Interfund payable.....	-	5,917	-	-	1,273	7,190
Deferred tax revenues.....	10,547	-	11,334	-	-	21,881
<b>Total liabilities.....</b>	<b>192,101</b>	<b>5,917</b>	<b>11,943</b>	<b>-</b>	<b>1,333</b>	<b>211,294</b>
 <b>FUND BALANCE</b>						
Nonspendable.....	-	-	-	-	-	-
Restricted.....	-	(5,917)	184,417	436,159	244,372	859,031
Committed.....	-	-	-	-	-	-
Assigned.....	-	-	-	-	-	-
Unassigned.....	104,605	-	-	-	-	104,605
<b>Total fund balance.....</b>	<b>104,605</b>	<b>(5,917)</b>	<b>184,417</b>	<b>436,159</b>	<b>244,372</b>	<b>963,636</b>
<b>Total liabilities and fund balance..</b>	<b>\$ 296,705</b>	<b>\$ -</b>	<b>\$ 196,360</b>	<b>\$ 436,159</b>	<b>\$ 245,706</b>	<b>\$ 1,174,930</b>

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

MACKAY SCHOOL DISTRICT #182  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
June 30, 2011

Total fund balances - governmental funds S 963,636

The cost of capital assets (land, buildings, furniture, and equipment) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the District as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in government funds.

Cost of capital assets	S 6,608,075	
Depreciation expense to date	<u>(3,082,901)</u>	3,525,174

Property taxes received that are not available to pay for current period expenditures are deferred in the funds. 21,881

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences - 2010	<u>(11,988)</u>
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Net Assets of Governmental Activities	<u><u>S 4,498,703</u></u>
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**MACKAY SCHOOL DISTRICT #182  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
For Year Ended June 30, 2011**

	Governmental Fund Types					
	General	Food Service	Plant Facilities	Federal Forest Reserve	Non Major Funds	Total Gov't Funds
<b>REVENUES:</b>						
Local revenues:						
Property taxes.....	\$ 39,406	\$ -	\$ 100,666	\$ -	\$ -	\$ 140,072
Earnings on investments.....	6,905	-	-	1,549	-	8,454
Other.....	8,281	22,291	2,361	-	1,610	34,544
State revenue.....	1,537,003	-	-	-	11,985	1,548,988
Federal revenue.....	86,215	35,443	-	199,971	94,961	416,589
Total revenue.....	<u>1,677,810</u>	<u>57,734</u>	<u>103,028</u>	<u>201,520</u>	<u>108,556</u>	<u>2,148,647</u>
<b>EXPENDITURES:</b>						
Instructional:						
Elementary school program.....	457,325	-	-	12,222	70,171	539,718
Secondary school program.....	468,206	-	-	35,512	30,654	534,373
Exceptional school program.....	122,204	-	-	-	-	122,204
Preschool school program.....	30,801	-	-	-	-	30,801
School activity program.....	30,602	-	-	-	-	30,602
Total instructional.....	<u>1,109,138</u>	<u>-</u>	<u>-</u>	<u>47,734</u>	<u>100,825</u>	<u>1,257,697</u>
Support Services:						
Attendance and guidance.....	18,292	-	-	-	-	18,292
Educational media program.....	14,087	-	-	-	-	14,087
School administration program.....	144,769	-	-	-	-	144,769
Administration.....	88,131	-	-	7,971	5,263	101,365
Maintenance and improvements:						
buildings, grounds, and equipment...	226,353	-	26,146	61,975	-	314,474
Pupil transportation.....	212,375	-	-	-	-	212,375
Total support services.....	<u>704,008</u>	<u>-</u>	<u>26,146</u>	<u>69,946</u>	<u>5,263</u>	<u>805,363</u>
Food service program.....	6,180	62,732	-	-	-	68,912
Capital assets.....	-	-	23,002	-	-	23,002
Total expenditures.....	<u>1,819,325</u>	<u>62,732</u>	<u>49,149</u>	<u>117,680</u>	<u>106,088</u>	<u>2,154,975</u>
Excess (deficiency) of revenues over (under) expenditures.....	(141,515)	(4,998)	53,879	83,839	2,468	(6,327)
<b>OTHER FINANCING SOURCES (USES)</b>						
Net transfer in (out).....	4,873	5,000	25,127	-	(35,000)	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses).....	(136,642)	2	79,006	83,839	(32,532)	(6,327)
<b>Fund balance:</b>						
Beginning balance.....	241,247	(5,919)	105,411	352,320	276,904	969,963
Ending balance.....	<u>\$ 104,605</u>	<u>\$ (5,917)</u>	<u>\$ 184,417</u>	<u>\$ 436,159</u>	<u>\$ 244,372</u>	<u>\$ 963,636</u>

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

**MACKAY SCHOOL DISTRICT #182**  
**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, 2011**

Net Change in Fund Balances - Total Governmental Funds \$ (6,327)

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

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 excess of capital outlays over (under) depreciation expense in the current period.

Capitalized assets	90,548	
Depreciation expense	<u>(150,328)</u>	(59,780)

Property tax revenues are deferred and not recognized in the funds until they are available to pay for current period expenditures. In the statement of activities, however, they are recognized when levied. This is the difference between the amount deferred at the beginning and end of the current period.

Deferred revenue - 2011	21,881	
Deferred revenue - 2010	<u>(30,748)</u>	(8,866)

Change in long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>11,098</u>
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Interfund Transfers

Change in Net Assets of Governmental Activities	<u><u>\$ (63,875)</u></u>
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**MACKAY SCHOOL DISTRICT #182**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
June 30, 2011

**ASSETS**

Cash in Bank	\$	<u>101,425</u>
Total assets	\$	<u>101,425</u>

**LIABILITIES AND NET ASSETS**

Liabilities

Due to Student Groups		101,425
Total liabilities	\$	<u>101,425</u>

Total net assets	\$	<u><u>-</u></u>
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The notes to the financial statements are an integral part of this statement.

MACKAY SCHOOL DISTRICT #182

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mackay School District #182 have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to school districts. The significant accounting policies of the District are described below.

A. Reporting Entity

Mackay School District #182 provides public school educational services as authorized by Section 33 of the Idaho Code. The District's boundaries for taxing and school enrollment purposes are located within Butte and Custer Counties.

Factors used in defining the reporting entity are as follows: Mackay School District #182 was established under the laws of the State of Idaho which designates the Board of Trustees as the governing authority. Members of the Board of Trustees are elected by the public. The Board of Trustees has control over the superintendent and management, and also has the authority to purchase equipment and other capital assets, and to levy taxes. The Board of Trustees has the power to establish annual budgets subject to public input from patrons, is responsible for funding deficits and operating deficiencies, and has the authority to borrow funds or issue bonded indebtedness.

The conclusion formed based on the above criteria is that Mackay School District #182 is an independent school district in the State of Idaho, operating under an autonomous Board of Trustees constituting a Local Educational Agency form of government.

In the evaluation of how to define the District for the financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made using criteria set forth in the accounting principles generally accepted in the United States of America. All funds and activities of Mackay School District #182 are included in the basic financial statements. Using the above criteria, the District has no component units.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the school district. These statements include the financial activities of the overall government, except fiduciary activities. Eliminations have been made to minimize the double-counting of internal balances and transfers. These statements distinguish between the *governmental* and *business-type activities* of the District. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. All of the districts activities are classified as governmental activities. No fiduciary funds are included in the *government-wide statements*.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities and 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.

MACKAY SCHOOL DISTRICT #182

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Presentation, Basis of Accounting, continued

**Basis of Presentation, continued**

Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Programs revenues include (a) fees, fines, and 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, are presented as general revenues.

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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

The district reports the following major governmental funds:

*General Fund*

The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund. Thus, it is always considered a major governmental fund.

*Food Service Fund*

The Food Service Fund accounts for all revenues and expenditures related to child nutrition within the district.

*Plant Facilities Fund*

The Plant Facilities Fund accounts for capital acquisitions and improvements to the School District. It is always considered a major governmental fund.

*Federal Forest Fund*

The Federal Forest Fund accounts for all federal forest revenues and any expenditures made out of this fund.

MACKAY SCHOOL DISTRICT #182

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Presentation, Basis of Accounting, continued

**Basis of Presentation, continued**

The District reports the following fund types:

*Agency Funds*

These funds account for the monies held on behalf of student groups and organizations.

**Measurement Focus, Basis of Accounting**

*Government-wide and Fiduciary Fund Financial Statements.* The government-wide and fiduciary fund financial statements are reported using the economic resources management focus. The government-wide fund financial statements are reported using 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 receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, 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, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Property taxes, sales tax, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, 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 debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost reimbursement grant resources to such programs, followed by general revenues.

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

MACKAY SCHOOL DISTRICT #182

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Presentation, Basis of Accounting, continued

Measurement Focus, Basis of Accounting, continued

All governmental, business-type, and enterprise funds of the Mackay School District #182 follow FASB Statements and Interpretations issued on or after November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

The District does not maintain an encumbrance system, but in lieu of, exercise control through the administration of the budget process.

C. Cash and Investments

The District pools cash of all governmental fund types into a common bank account. The accounting records of each fund reflect the equity in pooled cash. The District considers cash and cash equivalents to be all checking and savings accounts held in their name.

D. Property Taxes

In accordance with Idaho law, ad valorem property taxes are levied in September for each calendar year. Levies are made on or before the 2<sup>nd</sup> Monday of September. One-half of the property taxes are due on or before the 20<sup>th</sup> of December. The remaining one-half is due on or before June 20<sup>th</sup> of the following year. A lien is filed on real property three years from the date of delinquency. Butte and Custer Counties bill and collect property taxes for the District.

E. Inventories

The District normally has unused janitorial and food service supplies including food stock on hand at year end. The remaining janitorial supplies, food service supplies, and food stock are deemed immaterial in dollar amount and therefore are not valued or accounted for in the financial statements.

F. Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$3,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Mackay School District # 182 is a Phase III government meaning that they are not required to report infrastructure. Depreciation on all assets (exclusive of land) is provided on the straight-line (SL) method over the following estimated useful lives:

Computer equipment (SL method)	5 years
Equipment, furniture and fixtures (SL method)	10-20 years
Buildings (SL method)	50-99 years

MACKAY SCHOOL DISTRICT #182

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition and construction of improvements of those assets. Net assets are reported as restricted when there are legal limitations that are imposed on their use by the District, or external restrictions by other governments, creditors, grantors or enabling legislation. In Mackay School District there are restrictions of \$195,751 in the capital projects fund and \$680,531 in the Other Special Program funds. When expenses are incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

H. Fund Balance Reserves

Mackay School District #182 implemented GASB Statement #54 during the fiscal year ended June 30, 2011 which categorizes fund balance into five categories. The five categories of fund balance are nonspendable, restricted, committed, assigned, and unassigned. For the year ended June 30, 2011, the District had fund balances which were restricted and unassigned of \$859,031 and \$104,605 respectively. Restricted funds are those which are constrained to being used for a specific purpose by external parties, constitutional provisions, or enabling legislation. Unassigned funds are those which are available for any purpose.

I. Teachers Contracts

Contracts for teachers' salaries are payable in twelve monthly installments beginning in September. At June 30, the liability for the remaining two months of the current contracts and associated contracted benefits is accrued.

J. Nonmonetary Transactions

Items received via federal Food Commodities Program are recognized at their stated fair market value.

K. Risk Management

The district is exposed to a considerable number of risks of loss including but not limited to a) damage to and loss of property and contents, b) employee torts, c) professional liabilities, i.e. errors and omissions, d) environmental damage, e) workers compensation, i.e. employee injuries and f) medical insurance costs of its employees. Commercial insurance policies transferring the risk of loss, but for a relatively small deductible amount, are purchased for property and content damage, employee's torts and professional liabilities. Settlement claims resulting from these risks have not exceeded the insurance deductible provided for in the last three years.

L. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

MACKAY SCHOOL DISTRICT #182

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

NOTE 2

CASH AND INVESTMENTS

Cash and investments for all funds consist of the following at year end:

<u>Financial Institution</u>	<u>Bank Balance</u>	<u>Book Balance</u>	<u>FDIC Insured / Collateralized</u>	<u>Uninsured / Uncollateralized</u>
<b>Ireland Bank</b>				
Checking	\$ 33,209	\$ (6,961)	\$ 33,209	\$ 0
Savings	703,039	703,039	250,000	453,039
High School	32,107	32,107	32,107	0
Mackay Elementary School	41,663	41,740	41,663	0
Mackay FFA Savings	8,241	8,238	0	8,241
Mackay FFA CD	<u>5,542</u>	<u>5,542</u>	<u>0</u>	<u>5,542</u>
<b>Total Ireland Bank</b>	<u>\$ 823,801</u>	<u>\$ 783,705</u>	<u>\$ 356,979</u>	<u>\$ 466,822</u>
<b>Zion's Bank:</b>				
Mackay FFA - 1	<u>\$ 23,505</u>	<u>\$ 13,799</u>	<u>\$ 23,505</u>	<u>\$ 0</u>
<b>Total Zion's Bank</b>	<u>\$ 23,505</u>	<u>\$ 13,799</u>	<u>\$ 23,505</u>	<u>\$ 0</u>
<b>US Bank:</b>				
CD's	<u>\$ 303,098</u>	<u>\$ 303,098</u>	<u>\$ 250,000</u>	<u>\$ 53,098</u>
<b>Total US Bank</b>	<u>303,098</u>	<u>303,098</u>	<u>250,000</u>	<u>53,098</u>
Petty Cash	<u>0</u>	<u>\$ 250</u>	<u>0</u>	<u>250</u>
<b>Grand Total</b>	<u>\$ 1,150,404</u>	<u>\$ 1,100,852</u>	<u>\$ 630,484</u>	<u>\$ 520,170</u>

Deposits with financial institutions include bank demand deposits as authorized by Idaho statutes. At year end, the carrying amounts of the District's deposits were \$1,100,852 and the bank balances were \$1,150,404. Of the bank balances, \$500,000 was covered by federal depository insurance for time and savings deposit accounts and \$130,484 was covered by federal depository insurance for demand deposit accounts. The remaining \$520,170 is uninsured and uncollateralized.

Custodial credit risk is the risk that, in the event of a bank failure, the district's deposits may not be returned to it. The district does not have a deposit policy for custodial credit risk. As of June 30, 2011, \$520,170 of the district's bank balance of \$1,150,404 was exposed to custodial credit risk.

Investments

Idaho statutes authorize school districts to invest in obligations of the United States Treasury, agencies and instrumentalities of the United States, repurchase agreements, interest-bearing bonds of any city, county, school district or municipality in Idaho, tax anticipation notes, time deposit accounts in state depositories, accounts in financial institutions, and the State of Idaho's Local Government Investment Pool. The District's investment policy complies with state statutes.

The Local Government Investment Pool is managed by the State of Idaho Treasurer's office. The funds of the pool are invested in certificates of deposit, repurchase agreements, and U. S. government securities. The certificates of deposits are federally insured. The U. S. government securities and the collateral for the repurchase agreement are held in trust by a safekeeping bank. Interest income earned on pooled investments is allocated to the various funds of the District in proportion to each fund's respective investment balances. At June 30, 2011, the District did not hold any funds at the Local Government Investment Pool.

Statement 40 of the Government Accounting Standards Board requires government entities to disclose the level of credit risk, concentration of credit risk, interest rate risk, and foreign currency risk assumed on deposit and investment balances. All of the District's deposits were held in checking and savings accounts at banking institutions. They had no investments which require disclosure under GASB No. 40.

MACKAY SCHOOL DISTRICT #182

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

NOTE 3 RECEIVABLES

Receivables at year end consist of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Plant Facilities Fund</u>
<b>Local Sources</b>			
Local Taxes	\$ 14,994		\$ 39,983
Other Local	<u>0</u>		<u>0</u>
Total Local	<u>\$ 14,994</u>		<u>\$ 39,983</u>
<b>State Sources</b>			
Foundation Program	\$ 0	\$ 0	
Other State Revenue	109,722	3,615	
Special Programs	<u>0</u>	<u>0</u>	
Total State	<u>\$ 109,722</u>	<u>\$ 3,615</u>	

NOTE 4 INTERFUND TRANSACTIONS

Interfund Receivables/Payables

There were the following interfund receivable and payable balances at the fiscal year end:

<b>Major Funds</b>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	7,190	
Food Service Fund		5,917
<b>Non Major Funds</b>		1,273

The interfund receivables and payables are the result of individual fund cash overdrafts.

Interfund Transfers

The District has the following interfund operating transfers at June 30, 2011:

<b>Funds:</b>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 4,873	
Plant Facilities Fund	25,127	
Food Service Fund	<u>5,000</u>	
Non Major Funds		35,000
Total	<u>\$ 35,000</u>	

MACKAY SCHOOL DISTRICT #182

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

NOTE 5 CAPITAL ASSETS

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

	Balance 7-1-010	Prior Period Adjustment	Capital Acquisitions	Sales & Other Dispositions	Balance 06-30-11
<b>Non-depreciable Assets</b>					
Land	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 1,000
<b>Depreciable Assets</b>					
Buildings/Sites	4,674,478	0	7,773	0	4,682,251
Equip. Furniture, & Fixtures	1,246,513	0	82,775	0	1,329,288
Transportation Equipment	<u>590,992</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>590,992</u>
Total depreciable assets	<u>\$ 6,517,527</u>	<u>0</u>	<u>90,548</u>	<u>0</u>	<u>\$ 6,608,075</u>
<b>Accumulated Depreciation</b>					
Buildings/Sites	1,528,972	0	79,595	0	1,608,567
Equip, Furniture, & Fixtures	1,002,690	0	34,323	0	1,037,013
Transportation Equipment	<u>400,910</u>	<u>0</u>	<u>36,410</u>	<u>0</u>	<u>437,320</u>
Total	<u>2,932,572</u>	<u>0</u>	<u>150,328</u>	<u>0</u>	<u>3,082,900</u>
<b>Net Capital Assets</b>	<u>\$ 3,584,955</u>	<u>\$ 0</u>	<u>\$ (59,780)</u>	<u>\$ 0</u>	<u>\$ 3,525,174</u>

Depreciation expense was charged to functions as follows:

Education	\$ 90,196
School Administration	\$ 10,523
Plant Services	\$ 10,523
Transportation	<u>\$ 39,086</u>
Total	<u>\$150,328</u>

NOTE 6 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 members and the employer contribute. The Plan provides benefits based on member's years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) or the average monthly salary for the highest consecutive 42 months.

**MACKAY SCHOOL DISTRICT #182**

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

**NOTE 6 PENSION PLAN, Continued**

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](http://www.persi.idaho.gov). The actuarially determined contribution requirements of the Mackay School District #182 and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2011, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.65% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. The Mackay School District #182 employer contributions required and paid were \$124,219, \$127,148, and \$129,225 for the three years ended June 30, 2011, 2010, and 2009 respectively.

**NOTE 7 COMPENSATED ABSENCES**

The District provides personal and sick leave to its employees, as well as paid vacations depending on job classifications, lengths of service, and other factors. The estimated amount of compensation for future amounts totaled \$11,988 and has been recorded as a liability in the Statement of Net Assets.

**NOTE 8 DEFERRED REVENUES – FUND FINANCIAL STATEMENTS**

Revenues are recognized when they become available to the District. Taxes and other receivables not received soon enough after year end to pay current liabilities do not represent available expendable resources and recognition of revenue is deferred until collection. Deferred revenues at year end consist of the following:

Property taxes – General Fund	\$ 10,547
Property taxes – Plant Facilities	<u>11,334</u>
Total Deferred Revenue	<u>\$ 21,881</u>

**NOTE 9 EXCESS OF EXPENDITURES OVER APPROPRIATION**

The following individual funds had expenditures in excess of appropriations:

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures</u>
Federal Forest Reserve	\$ 58,400	\$ 117,680	\$ 59,280

**NOTE 10 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 although the District expects such amount, if any, to be immaterial.

**MACKAY SCHOOL DISTRICT #182**

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

**NOTE 11 SUBSEQUENT EVENTS**

Subsequent events were reviewed through the date of the report, August 25, 2011. As of the date of the report there are no known subsequent events that will have a material effect on the operation of the District.

**NOTE 12 RELATED PARTY TRANSACTIONS**

The District has not been involved in any related party transactions that would violate the Idaho Code or applicable federal regulations.

**NOTE 13 LEASE—PURCHASE COMMITMENTS**

The District has not entered into any lease-purchase commitments.

**NOTE 14 DEFICIT FUND BALANCES**

The District has the following negative fund balances:

Food Service	\$ 5,917
Title VI-B School age	1,154
Title VI-B Preschool	119
Title IV-A Safe & Drug Free School	60

**NOTE 15 ECONOMIC DEPENDENCY**

The District is economically dependent on the State of Idaho from which it receives approximately \$1,548,753 or 72% of the District's revenues. This includes monies received from the State Stabilization Fund.

**NOTE 15 POST RETIREMENT BENEFITS**

Mackay School District #182 funds post-retirement benefits through PERSI. During the school year ended June 30, 2011, the district paid 1.16% of the wages covered by PERSI to the State of Idaho. Upon retirement, one-half of the employee's accumulated sick leave is transferred from the sick leave pool established by PERSI to the individual employee's retirement account. These funds are used to pay post-retirement health insurance premiums. The district is required under GASB #45 to allocate these costs to the period where the cost is incurred, rather than the period when the costs will be paid. The district elected not to report in compliance with GASB #45 for the school year 2010-2011.

**REQUIRED SUPPLEMENTAL INFORMATION**

**MACKAY SCHOOL DISTRICT #182**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For Year Ended June 30, 2011**

<u>GENERAL M &amp; O FUND</u>	Budget Amount <u>Original/Final</u>	Actual Amounts	Final Budget Variance - Positive (Negative)
<b>REVENUES:</b>			
Local revenues:			
Property taxes.....	\$ 21,141	\$ 39,406	\$ 18,265
Earnings on investments.....	4,850	6,905	2,055
Other.....	19,511	8,281	(11,230)
State revenue.....	1,549,773	1,537,003	(12,770)
Federal revenue.....	840	86,215	85,375
Total revenue.....	<u>1,596,115</u>	<u>1,677,810</u>	<u>81,695</u>
<b>EXPENDITURES:</b>			
Instructional:			
Elementary school program.....	489,379	457,325	32,054
Secondary school program.....	498,754	468,206	30,548
Exceptional school program.....	117,152	122,204	(5,052)
Preschool school program.....	31,472	30,801	671
School activity program.....	31,110	30,602	508
Total instructional.....	<u>1,167,867</u>	<u>1,109,138</u>	<u>58,729</u>
Support Services:			
Attendance and guidance.....	6,459	18,292	(11,833)
Educational media program.....	14,990	14,087	903
School administration program.....	144,821	144,769	52
Administration.....	81,904	88,131	(6,227)
Maintenance and improvements:			
buildings, grounds, and equipment.....	235,714	226,353	9,361
Pupil transportation.....	188,652	212,375	(23,723)
Total support services.....	<u>672,540</u>	<u>704,008</u>	<u>(31,468)</u>
Food service program.....	6,583	6,180	403
Total expenditures.....	<u>1,846,990</u>	<u>1,819,325</u>	<u>27,665</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(250,875)</u>	<u>(141,515)</u>	<u>109,360</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Net transfer in (out).....	<u>(38,026)</u>	<u>4,873</u>	<u>42,899</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses).....	<u>(288,901)</u>	<u>(136,642)</u>	<u>152,259</u>
<b>Fund balance:</b>			
Beginning balance.....	241,247	241,247	-
Ending balance.....	<u>\$ (47,654)</u>	<u>\$ 104,605</u>	<u>\$ 152,259</u>

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

**MACKAY SCHOOL DISTRICT #182**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - MAJOR SPECIAL REVENUE FUND**  
**For Year Ended June 30, 2011**

<b><u>FOOD SERVICE FUND</u></b>	<b>Budget Amount Original/Final</b>	<b>Actual Amounts</b>	<b>Final Budget Variance - Positive (Negative)</b>
<b>REVENUES:</b>			
Other local revenue.....	\$ 28,950	\$ 22,291	\$ (6,659)
Federal revenue.....	36,001	35,443	(558)
Total revenue.....	<u>64,951</u>	<u>57,734</u>	<u>(7,217)</u>
<b>EXPENDITURES:</b>			
Non-Instructional Programs			
Food service program.....	64,905	62,732	2,173
Total expenditures.....	<u>64,905</u>	<u>62,732</u>	<u>2,173</u>
Excess (deficiency) of revenues over (under) expenditures.....	46	(4,998)	(5,044)
<b>OTHER FINANCING SOURCES (USES)</b>			
Net transfer in (out).....	5,000	5,000	-
Fund balance:			
Beginning balance.....	(5,919)	(5,919)	-
Ending balance.....	<u>\$ (873)</u>	<u>\$ (5,917)</u>	<u>\$ (5,044)</u>

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

**MACKAY SCHOOL DISTRICT #182**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - MAJOR SPECIAL REVENUE FUND**  
**For Year Ended June 30, 2011**

<b><u>FEDERAL FOREST RESERVE</u></b>	<b>Budget Amount Original/Final</b>	<b>Actual Amounts</b>	<b>Final Budget Variance - Positive (Negative)</b>
<b>REVENUES:</b>			
Other local revenue.....	\$ -	\$ 1,549	\$ 1,549
Federal revenue.....	180,000	199,971	19,971
Total revenue.....	<u>180,000</u>	<u>201,520</u>	<u>21,520</u>
<b>EXPENDITURES:</b>			
Instructional:			
Elementary school capital outlay.....	16,500	12,222	4,278
Secondary school capital outlay.....	36,000	35,512	488
Support Services:			
Administration.....	5,900	7,971	(2,071)
Maintenance and improvements:			
buildings, grounds, and equipment.....	-	61,975	(61,975)
Total expenditures.....	<u>58,400</u>	<u>117,680</u>	<u>(59,280)</u>
Excess (deficiency) of revenues over (under) expenditures.....	121,600	83,839	(37,761)
<b>OTHER FINANCING SOURCES (USES)</b>			
Net transfer in (out).....	-	-	-
Fund balance:			
Beginning balance.....	352,320	352,320	-
Ending balance.....	<u>\$ 473,920</u>	<u>\$ 436,159</u>	<u>\$ (37,761)</u>

MACKAY SCHOOL DISTRICT #182

Notes to the Required Supplemental Information  
For the Year Ended June 30, 2011

NOTE 1 BUDGETS

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all governmental funds types.

NOTE 2 LEGAL COMPLIANCE – BUDGETS

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

1. The District annually prepares a budget by estimating the probable amount of money necessary for all purposes for which an appropriation is to be made (including interest and principal due on the bonded debt) and by itemizing and classifying the proposed expenditures as nearly as may be practicable. To support such proposed expenditures, the District prepares an estimate of the total revenue anticipated during the ensuing fiscal year for which a budget is being prepared and classifies such receipts by source as nearly as may be possible and practicable.
2. The proposed budget is published.
3. A public hearing is conducted to obtain citizen comments.
4. The budget is formally adopted through approval by the board of trustees.
5. The District may, after school starts and actual enrollment figures are known, amend the budget using the same procedures which were used in adopting the original budget. A budget may be amended downward in any instance. However, amendment to a greater amount than adopted can only happen if the District receives additional revenues in that fiscal year as a result of an increase in non-property tax related receipts. Once the change is justified, the process for formal adoption is as described above. The original budget was not amended for the fiscal year.
6. Budgetary integration is employed as a management control device during the year for all funds. Legal budgetary control is established based upon total revenues and expenditures.
7. The level of control (level at which expenditures may not exceed budget) is the fund.
8. All annual appropriations lapse at fiscal year end.

NOTE 3 EXCESS OF EXPENDITURES OVER APPROPRIATION

The following individual funds had expenditures in excess of appropriations:

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures</u>
Federal Forest	\$ 58,400	\$ 117,680	\$ 59,280

**SUPPLEMENTAL INFORMATION**

**MACKAY SCHOOL DISTRICT #182**  
**COMBINING BALANCE SHEET - NON MAJOR GOVERNMENTAL (SPECIAL REVENUE) FUNDS**  
**For the Year Ended June 30, 2011**

ASSETS	School Building Maintenance	Drivers Education- State	Professional Technical- State	Technology- State
Cash.....	\$ 232,503	\$ 120	\$ 3,349	\$ 2
Other Receivable.....	-	-	3,615	-
 Total Assets.....	<u>\$ 232,503</u>	<u>\$ 120</u>	<u>\$ 6,964</u>	<u>\$ 2</u>
 <b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable.....	\$ -	\$ -	\$ -	\$ -
Interfund Payable.....	-	-	-	-
Salaries Payable.....	-	-	-	-
Benefits Payable.....	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>FUND BALANCE</b>				
Unreserved.....	<u>232,503</u>	<u>120</u>	<u>6,964</u>	<u>2</u>
 Total Liabilities and Fund Balance.....	<u>\$ 232,503</u>	<u>\$ 120</u>	<u>\$ 6,964</u>	<u>\$ 2</u>

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

Substance Abuse State	Title I-A Basic Programs	Title VI-B IDEA School-Age	Title VI-B IDEA Pre-school	Title II-A Imp. Teacher Quality	Title IV-A Safe & Drug Free School	Totals
-	\$ 3,533	\$ -	\$ -	\$ 2,584	\$ -	\$ 242,091
-	-	-	-	-	-	3,615
<u>\$ -</u>	<u>\$ 3,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,584</u>	<u>\$ -</u>	<u>\$ 245,706</u>

-	\$ -	\$ -	\$ -	\$ -	\$ 60	\$ 60
-	\$ -	\$ 1,154	\$ 119	-	-	1,273
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,154	119	-	60	1,333
-	3,533	(1,154)	(119)	2,584	(60)	244,372
<u>\$ -</u>	<u>\$ 3,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,584</u>	<u>\$ -</u>	<u>\$ 245,706</u>

**MACKAY SCHOOL DISTRICT #182**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - NON MAJOR GOVERNMENTAL (SPECIAL REVENUE) FUNDS**  
**For the Year Ended June 30, 2011**

	School Building Maintenance	Drivers Education- State	Professional Technical- State	Technology- State	Substance Abuse- State
<b>REVENUES</b>					
Other local revenues.....	\$ -	\$ 1,610	\$ -	\$ -	\$ -
State sources.....	-	1,875	10,110	-	-
Federal sources.....	-	-	-	-	-
Total Revenues.....	<u>-</u>	<u>3,485</u>	<u>10,110</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>					
Elementary.....	-	-	-	-	47
Secondary.....	-	3,440	11,217	1,463	-
Administration - district.....	-	-	-	-	-
Administration - school.....	-	-	-	-	-
Total Expenditures.....	<u>-</u>	<u>3,440</u>	<u>11,217</u>	<u>1,463</u>	<u>47</u>
Excess Revenues over Expenditures.....	-	45	(1,107)	(1,463)	(47)
<b>OTHER FINANCING SOURCES (USES)</b>					
Net transfer in (out).....	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses).....	(35,000)	45	(1,107)	(1,463)	(47)
<b>FUND BALANCE</b>					
Beginning Balance.....	<u>267,503</u>	<u>75</u>	<u>8,071</u>	<u>1,465</u>	<u>47</u>
Ending Balance.....	<u>\$ 232,503</u>	<u>\$ 120</u>	<u>\$ 6,964</u>	<u>\$ 2</u>	<u>\$ -</u>

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

<u>Title I-A Basic Programs</u>	<u>Title VI-B IDEA School-Age</u>	<u>Title VI-B IDEA Pre-school</u>	<u>Title II-A Imp. Teacher Quality</u>	<u>Title IV-A Safe &amp; Drug Free School</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,610
-	-	-	-	-	11,985
31,766	41,125	4,860	17,210	-	94,961
<u>31,766</u>	<u>41,125</u>	<u>4,860</u>	<u>17,210</u>	<u>-</u>	<u>108,556</u>
24,941	30,146	4,860	10,177	-	70,171
-	13,408	-	1,126	-	30,654
2,263	-	-	3,000	-	5,263
-	-	-	-	-	-
<u>27,203</u>	<u>43,554</u>	<u>4,860</u>	<u>14,303</u>	<u>-</u>	<u>106,088</u>
4,563	(2,429)	-	2,907	-	2,468
-	-	-	-	-	(35,000)
4,563	(2,429)	-	2,907	-	(32,532)
(1,030)	1,275	(119)	(323)	(60)	276,904
<u>\$ 3,533</u>	<u>\$ (1,154)</u>	<u>\$ (119)</u>	<u>\$ 2,584</u>	<u>\$ (60)</u>	<u>\$ 244,372</u>

**MACKAY SCHOOL DISTRICT #182**  
**SUMMARY OF SCHEDULE OF CHANGES IN STUDENT ACTIVITY FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2011**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Distributions</u>	<u>Ending Balance</u>
High school & Jr. High.....	\$ 33,927	\$ 69,226	\$ 71,047	\$ 32,106
Elementary school.....	17,940	40,091	16,291	41,740
<b>FFA Accounts:</b>				
Zions Bank - FFA Account.....	5,884	204,543	196,631	13,796
Ireland Bank - Mackay FFA.....	20,029	5,754	12,000	13,783
Total FFA accounts.....	<u>25,913</u>	<u>210,297</u>	<u>208,631</u>	<u>27,579</u>
 Total student accounts.....	 <u>\$ 77,780</u>	 <u>\$ 319,614</u>	 <u>\$ 295,969</u>	 <u>\$ 101,425</u>

**MACKAY SCHOOL DISTRICT #182**  
**SCHEDULE OF CHANGES IN STUDENT ACTIVITY FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2011**

	Beginning		Transfers		Distributions	Ending Balance
	Balance	Additions	To	From		
<b>High School</b>						
Student Council.....	\$ 2,637	\$ 6,082	\$ -	\$ -	\$ 7,520	\$ 1,199
Cheerleaders.....	882	2,191	-	-	3,064	8
Football.....	4	4,774	-	-	4,767	12
Volleyball.....	1,124	4,471	-	-	5,544	51
Boys Basketball.....	1	4,194	-	-	2,761	1,434
Girls Basketball.....	1,917	5,123	-	-	4,870	2,170
Track.....	2	2,718	-	-	2,626	94
Scholastic Team.....	2,946	325	-	-	450	2,821
<b>Junior High</b>						
Student Council.....	738	49	-	-	262	525
Cheerleaders.....	126	-	-	-	100	26
Football.....	308	873	-	-	514	667
Volleyball.....	580	250	-	-	85	745
Boys Basketball.....	217	421	-	-	517	122
Girls Basketball.....	308	135	-	-	23	420
Track.....	482	303	-	-	65	720
Wrestling.....	225	-	-	-	-	225
<b>Student Accounts</b>						
Athletic Name Board.....	929	-	-	-	275	654
Athletic Administration.....	4,855	7,109	-	-	9,707	2,256
Administrative Contg.....	4,578	1,300	-	-	2,547	3,331
Driver's Education.....	-	-	-	-	-	-
National Honor Society.....	114	155	-	-	227	43
High School Yearbook.....	1,009	805	-	-	104	1,710
Home Economic.....	12	-	-	-	-	12
IDLA.....	610	2,730	-	-	3,130	210
Library Fees.....	125	-	-	-	-	125
Lock Fees.....	50	-	-	-	-	50
FFA - Shop.....	4,767	11,716	-	-	9,862	6,621
Class of 2009.....	25	-	-	25	-	-
Class of 2010.....	(53)	28	25	-	-	-
Class of 2011.....	1,051	4,676	-	-	5,727	-
Class of 2012.....	379	1,168	-	-	265	1,282
Class of 2013.....	471	1,377	-	-	50	1,798
Class of 2014.....	168	593	-	-	166	595
Class of 2015.....	716	354	-	-	25	1,045
Class of 2016.....	-	56	-	-	25	31
Sales Tax.....	-	1,506	-	-	1,506	-
NSF Fund.....	-	299	-	-	414	(115)
SDFS.....	130	-	-	-	-	130
Testing Fees.....	18	341	-	-	354	5
Jade P. Scholarship.....	910	-	-	-	-	910
Principal Fundraiser	87	-	-	-	-	87
Jostens	49	46	-	-	46	49
Transportation Fees	390	3,060	-	-	3,450	-
Technology Fees	40	-	-	-	-	40
Totals.....	<u>\$ 33,927</u>	<u>\$ 69,226</u>	<u>\$ 25</u>	<u>\$ 25</u>	<u>\$ 71,047</u>	<u>\$ 32,106</u>

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

# JENSEN POULSEN & COMPANY, PLLC

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## 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  
Mackay School District #182  
Mackay, ID 83251

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mackay School District #182 as of and for the year ended June 30, 2011, which collectively comprise the Mackay School District #182's basic financial statements and have issued our report thereon dated August 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the District'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 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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting (#2011-01, #2011-02, #2011-03, #2010-04). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Trustees  
Mackay School District #182  
August 25, 2011  
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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* and which are described in the accompanying schedule of findings and responses.

We noted certain matters that we reported to management of Mackay School District # 182, in a separate letter dated August 25, 2011.

Mackay School District #182's response to the findings identified in our audit is described in the accompanying schedule of audit findings and responses. 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 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.

**JENSEN POULSEN & COMPANY, PLLC**  
Certified Public Accountants

Idaho Falls, ID  
August 25, 2011

**MACKAY SCHOOL DISTRICT #182**

**Schedule of Audit Findings and Responses  
For the Year Ended June 30, 2011**

**A. Significant Deficiencies**

**2011-01**

**Condition:**

One clerk processes all transactions surrounding cash disbursements and accounts payable; accordingly, there is a lack of adequate segregation of duties over those functions.

**Cause:**

The limited number of personnel and the current assignment of responsibilities result in inadequate segregation of duties. Currently, one employee is responsible for preparing and mailing checks. Invoices are not always reviewed by a second individual prior to payment.

**Effect:**

The lack of adequate segregation of duties in this area increases the risk of employee fraud through fraudulent disbursements.

**Recommendation:**

We recommend that the job responsibilities of the two employees be reconfigured to ensure adequate segregation of duties.

**Response:**

The District recognizes the lack of segregation of duties and plans to determine whether there are better ways to assign employee responsibilities to reduce the risk of misstatement.

**2011-02**

**Condition:**

During our audit, we noted checks written to pay bills were released prior to being reviewed and authorized for payment from the board of trustees.

**Cause:**

Currently, one employee is responsible for cash disbursements. This employee is making cash disbursements prior to board authorization.

**Effect:**

The lack of adequate oversight of duties in this area increases the risk of employee fraud through fraudulent disbursements.

**Recommendation:**

We recommend that the board of trustees take note of the situation and implement safeguards to prevent employees from making cash disbursements prior to board authorization.

**Response:**

The District recognizes the risk in cash disbursements being made prior to board approval. The District plans to implement safeguards to reduce the risk of unauthorized cash disbursements.

**MACKAY SCHOOL DISTRICT #182**

**Schedule of Audit Findings and Responses  
For the Year Ended June 30, 2011**

**2011-03**

**Condition:**

During the course of our audit, we identified there is inadequate review of payroll.

**Cause:**

Currently, the business manager responsible for the payroll function is preparing monthly payroll without the payroll record being reviewed prior to payroll disbursement.

**Effect:**

Payroll disbursements made without prior authorization are susceptible to errors or fraud.

**Recommendation:**

We recommend that the board of trustees take action and require payroll to be reviewed prior to disbursement by the superintendent.

**Response:**

The District recognizes the risk associated with payroll disbursements being made without authorization and is currently assessing the options to remedy the deficiency.

**2011-04**

**Condition:**

The external auditor prepares the district's financial statements and related note disclosures.

**Cause:**

Currently, the business manager responsible for the accounting function does not prepare the District's financial statements.

**Effect:**

The size and budget constraints within the District do not allow the District to hire and retain employees who possess the required knowledge to prepare financial statements.

**Recommendation:**

We recommend that the board of trustees take note of the situation and designate an employee responsible for the financial statements.

**Response:**

The District recognizes the risk in the auditor preparing financial statements and has designated an employee to be responsible for non-audit services provided by the auditor.

**MACKAY SCHOOL DISTRICT #182**

**Schedule of Prior Findings  
June 30, 2011**

**FINDINGS—FINANCIAL STATEMENT AUDIT**

**A. SIGNIFICANT DEFICIENCIES**

**2010-01—Segregation of Duties**

**Condition:**

The District experienced a lack of segregation of duties over reporting of cash transactions.

**Current Status:**

The District now has two employees responsible for the accounting function.