

**West Bonner County School District No. 83**

*Financial Report*

**June 30, 2010**

**West Bonner County School District No. 83**  
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## Report of Independent Auditor

Board of Trustees  
West Bonner County School District No. 83  
Priest River, Idaho

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Bonner County School District No. 83 ("the District"), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements, as listed in the table of contents. We also have audited the financial statements of each of the District's non-major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 West Bonner County School District No. 83, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of the District, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 14 and the budgetary comparison schedule on page 41 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a separate report dated November 5, 2010, 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 read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the District. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*DeCoria, Maichel & Teague, P.S.*

DeCoria, Maichel & Teague, P.S.  
Spokane, Washington

November 5, 2010

# West Bonner County School District No. 83

## Management's Discussion and Analysis *For the year ended June 30, 2010*

The management's discussion and analysis of the West Bonner County School District No. 83 provides an overall review of the District's Statement of Net Assets, the Statement of Activities and fund financial statements. This report is divided into five sections, the Financial Highlights, Overview of the Financial Statements, Financial Analysis, Capital Asset and Debt Administration, and Factors Bearing on the District's Future. The analysis provides information about all of the District's funds and focuses on the District's financial activities for the fiscal year ended June 30, 2010.

### FINANCIAL HIGHLIGHTS

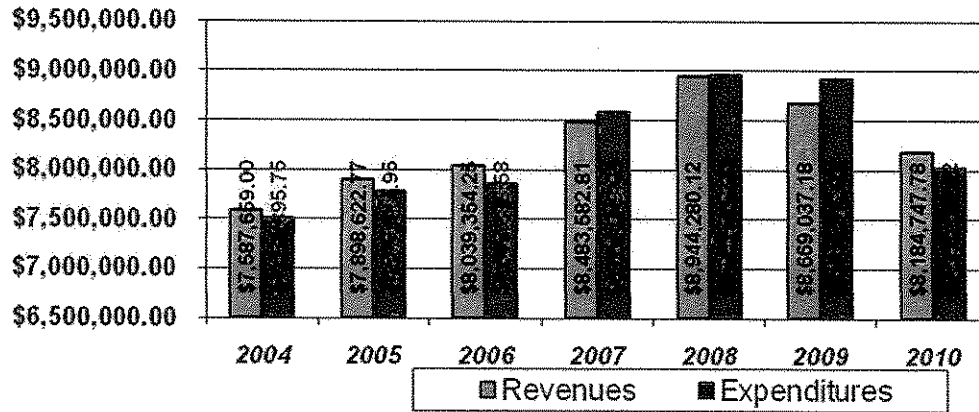
- At June 30, 2010, the District's General Fund (Fund 100) had an unrestricted fund balance deficit of \$25,819. This deficit balance is designated as the beginning fund balance for the 2010-11 budget adopted by the Board. During the budget preparation process, funds are required to help balance the budget and funds are obligated to cover this deficit balance.
- The number of students attending West Bonner Schools averaged 1,400 students over the entire school year. We began the school year with 1,426 students and ended the year with 1,394 students. Our average daily student attendance generated 76.4 protected units on the February 15<sup>th</sup> state payment for salary and benefit apportionment and 75.4 protected units on the July 15<sup>th</sup> state payment for entitlement funds. The February state payment determines how much the state will fund for state-reimbursed salaries and benefits and the July 15<sup>th</sup> payment determines the final allocation for discretionary funds. The total reimbursement for fiscal year 2010 was \$4,327,797 for salaries and \$780,735 for benefits.
- The most significant change in the General Fund budget was when the Idaho legislators approved an education budget with significant cuts to the salary and benefit apportionment and the entitlement funding.
- Our District has had a supplemental levy in place since 2000 that has been used for instructional expenditures, capital purchases and facility improvements. These supplemental levies have been two-year, voter-approved levies to provide funding for such items as textbooks, technology, teacher training, furniture, buses, school and library supplies, extra-curricular equipment and funding facility needs. This year, however, due to the state budget cuts the voters approved a one-year supplemental levy for \$478,719.

**Chart 1** below illustrates the variations of General Fund (Fund 100) revenues and expenditures, excluding other financing sources (uses), for the fiscal years ended June 30, 2010, 2009, 2008, 2007, 2006, 2005 and 2004.

# West Bonner County School District No. 83

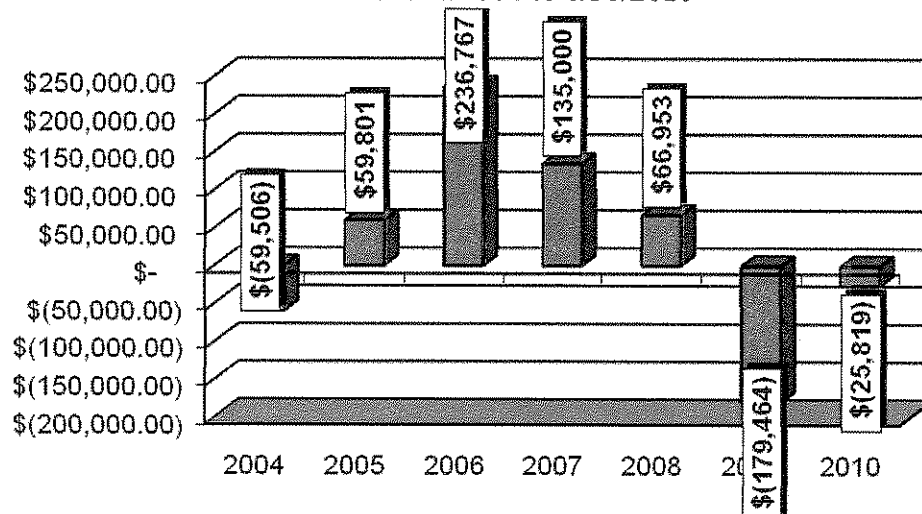
## Management's Discussion and Analysis For the year ended June 30, 2010

**Chart 1**  
**Comparison of General Fund (Fund 100) Revenues & Expenditures, Excluding Other Financing Sources (Uses)**



**Chart 2** illustrates the changes in General Fund (Fund 100) fund balances from June 30, 2004 through June 30, 2010.

**Chart 2**  
**Comparison of General Fund (Fund No. 100)**  
**Fund Balances 6/30/2004 to 6/30/2010**

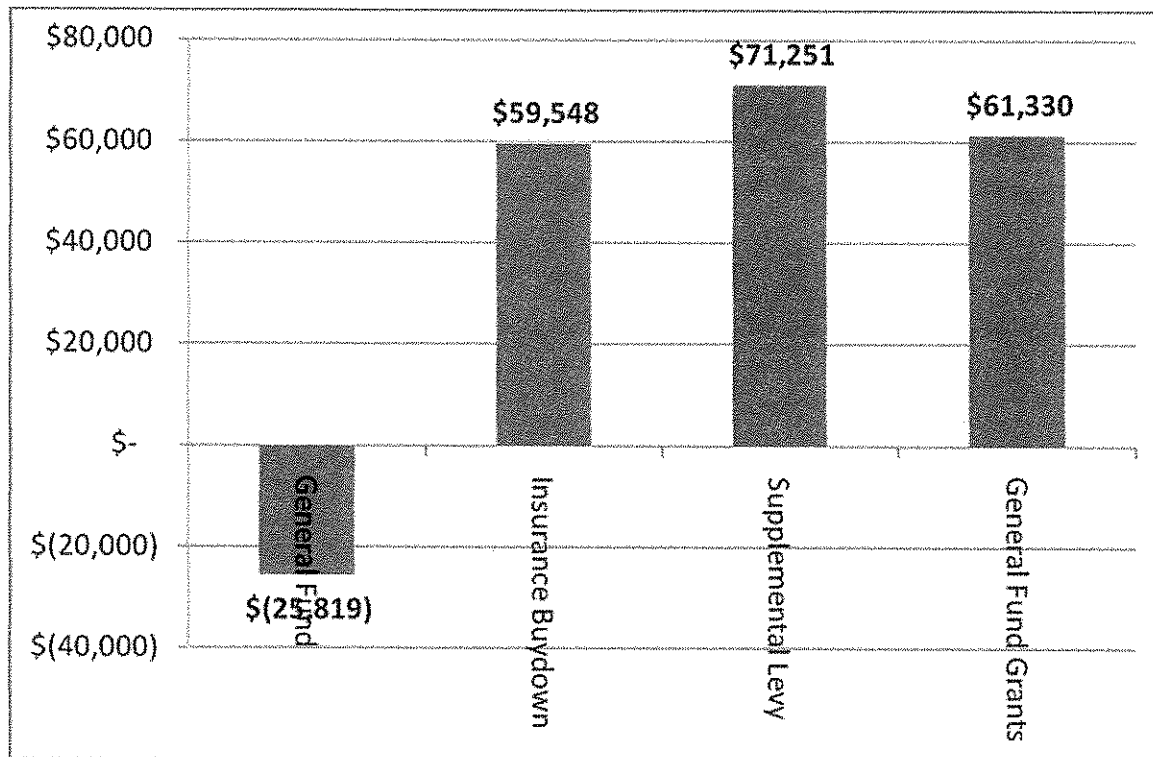


## West Bonner County School District No. 83

### Management's Discussion and Analysis For the year ended June 30, 2010

Chart 3 provides a summary of the General Fund Balance Sheet at June 30, 2010.

**Fund Balances for all General Fund Accounts**



### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial report consists of three parts: management's discussion and analysis; the basic financial statements, including notes to the financial statements; and other required supplementary information.

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

- The statement of net assets and statement of activities provide information on a district-wide basis. These statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information, as well as information for the just-completed fiscal year.
- The remaining statements are fund financial statements that focus on individual parts of the District. Fund financial statements generally report operations in more detail than the district-wide statements.



# **West Bonner County School District No. 83**

## **Management's Discussion and Analysis** *For the year ended June 30, 2010*

The notes to the financial statements provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position. The notes provide additional information that is essential to fully understand the data provided in the government-wide and fiduciary financial statements. The notes to financial statements can be found beginning on page 23.

Required supplementary information further explains and supports the financial statements by including a comparison of the District's budget data for the year. In addition to the basic financial statements and accompanying notes, a Schedule of Findings and Questioned Costs is also included, which highlights any significant or material issues that the auditor may have questioned along with the District's responses.

### **District-Wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The two district-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's overall financial position.

- Increases or decreases in the District's net assets are one indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, should be considered.

In the district-wide financial statements, the District's activities are all classified as governmental activities. Governmental activities include all regular and special education, all educational support activities, administration, transportation and food services. Most of these activities are supported by property taxes and state formula driven support.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds and not on the District as a whole. Funds are accounting devices the District uses to keep track of sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like grants).

# **West Bonner County School District No. 83**

## **Management's Discussion and Analysis** *For the year ended June 30, 2010*

The District has two types of funds.

- **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets, which can readily be converted to cash, flow in and out and (2) the balances remaining at year-end that are available for funding future basic services. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Governmental fund information does not report on long-term commitments as is reported in the district-wide statements. Therefore, reconciliations of the differences between the governmental funds statements and the district-wide statements are included as separate statements.
- **Fiduciary funds** – The District serves as a trustee, or fiduciary, for student scholarship trust funds, employees' cafeteria plan funds, and student activity funds. The assets of these organizations belong to the organization, and not the District. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

### **FINANCIAL ANALYSIS**

#### **The District as a Whole**

Net Assets: Net assets, which represent the difference between total assets and total liabilities, is one indicator of the financial condition of the District. When revenues exceed expenses, the result is an increase in net assets. When expenses exceed revenues, the result is a decrease in net assets. The District's net assets are one way to measure the District's financial position. Increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating.

By far the largest portion of the District's net assets is in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment); less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. These capital assets, net of related debt, amount to \$3,107,362 or 95.6% of the District's net assets.

The District's net assets at June 30, 2010 and 2009 are \$3,249,132 and \$3,119,597, respectively. During 2010, the District had an increase in net assets of \$129,535, or 4.2%.

## West Bonner County School District No. 83

### Management's Discussion and Analysis For the year ended June 30, 2010

**Table 1** below provides a summary of the District's statement of net assets as of June 30, 2010 and June 30, 2009.

**Table 1**  
**STATEMENT OF NET ASSETS**  
**June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u> <u>(restated)</u>
<b>ASSETS</b>		
Current and other assets	\$ 1,479,952	\$ 1,566,064
Capital assets, net of accumulated depreciation	<u>3,256,757</u>	<u>3,406,683</u>
Total assets	<u>4,736,709</u>	<u>4,972,747</u>
<b>LIABILITIES</b>		
Current liabilities	1,401,413	1,568,132
Noncurrent liabilities	<u>86,164</u>	<u>285,018</u>
Total liabilities	<u>1,487,577</u>	<u>1,853,150</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	3,107,362	3,143,172
Restricted for:		
Program requirements	47,094	327
Replacement of plant equipment	4,735	4,735
Unrestricted		
Designated for specific purposes	101,254	149,700
Unrestricted deficit	<u>(11,313)</u>	<u>(178,337)</u>
Total net assets	<u>\$ 3,249,132</u>	<u>\$ 3,119,597</u>

# West Bonner County School District No. 83

## Management's Discussion and Analysis For the year ended June 30, 2010

**Changes in net assets** Table 2 below shows the changes in net assets for the fiscal years ended June 30, 2010 and 2009.

**Table 2**  
**Changes in Net Assets**  
**Government Activities 2010 and 2009**

	<b>2010</b>	<b>2009 (restated)</b>
<b>REVENUES</b>		
Program Revenues:		
Charges for services	\$ 126,430	\$ 147,806
Operating grants and contributions	2,760,458	1,421,551
General Revenue:		
Property taxes, general purposes	1,208,363	679,601
State aid, unrestricted	6,601,161	8,258,145
Federal Forest	81,782	157,821
Interest and investment earnings	11,337	29,546
Other local sources	266,532	332,456
Total Revenues	<u>11,056,063</u>	<u>11,026,926</u>
<b>EXPENSES</b>		
Instructional services	6,156,443	6,260,399
Support services	4,068,052	4,510,863
Non-instructional programs	599,651	643,402
Interest on long-term debt	18,100	16,693
Total expenses	<u>10,842,246</u>	<u>11,431,357</u>
Gain (loss) on sales of capital assets	<u>(84,282)</u>	<u>7,500</u>
<b>Change in net assets</b>	129,535	(396,931)
<b>Net assets, beginning of year</b>	<u>3,119,597</u>	<u>3,516,528</u>
<b>Net assets, end of year</b>	<u>\$ 3,249,132</u>	<u>\$ 3,119,597</u>

As shown above in **Table 2**, the West Bonner County School District No. 83 relies on state support for approximately 60% of its governmental activities. Additionally, local property tax support accounts for approximately 11% of the District's governmental activities. The District had total revenues of \$11,056,063. Total revenues exceeded expenses by \$213,817, before loss on sales of capital assets.

# West Bonner County School District No. 83

## Management's Discussion and Analysis For the year ended June 30, 2010

**Table 3**  
**Statement of Revenues and Expenditure, Governmental Funds**  
**For the years ended June 30, 2010 and 2009**

<b>REVENUES</b>	<b>2010</b>	<b>2009</b>	<b>Increase (Decrease)</b>
Property taxes	\$1,249,953	\$ 679,601	\$ 570,352
Interest and investment earnings	11,337	29,546	(18,209)
Other local revenue	392,962	480,262	(87,300)
State assistance and reimbursements	6,729,378	8,371,932	(1,642,554)
Other federal revenues	2,714,023	1,465,585	1,248,438
Total revenues	<u>11,097,653</u>	<u>11,026,926</u>	<u>70,727</u>
<b>EXPENDITURES</b>			
Instructional programs	6,037,528	6,135,834	(98,306)
Support service programs	4,161,302	4,333,582	(172,280)
Non-instruction programs	609,042	631,174	(22,132)
Capital asset program	--	210,526	(210,526)
Principal and interest	132,216	132,647	(431)
Total expenditures	<u>10,940,088</u>	<u>11,443,763</u>	<u>(574,402)</u>
Excess (deficiency) of revenues over (under) expenditures	157,565	(416,837)	574,402
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sales of capital assets	--	7,500	(7,500)
Total other financing sources (uses)	<u>--</u>	<u>7,500</u>	<u>(7,500)</u>
Net changes in fund balances	157,565	(409,337)	566,902
Fund balance, beginning of year	49,637	458,974	(409,337)
Fund balance, end of year	<u>\$ 207,202</u>	<u>\$ 49,637</u>	<u>157,565</u>

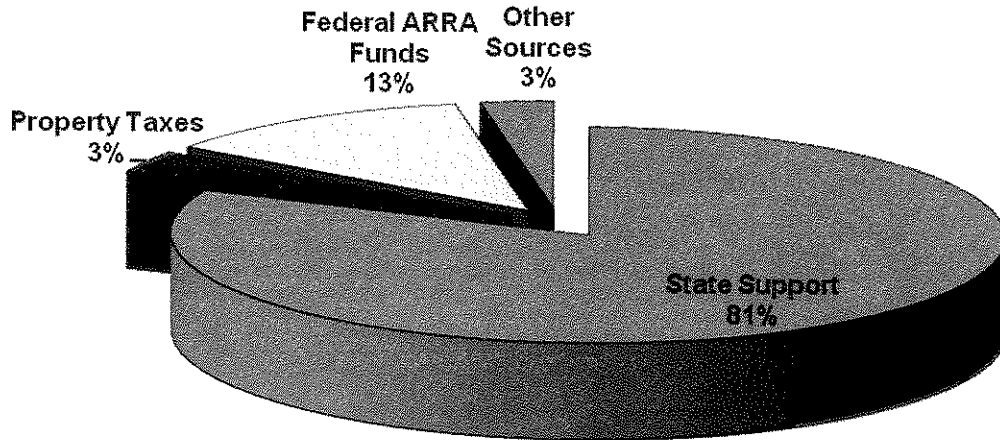
**Table 3** shows that the District completed the year with combined total governmental fund balances of \$207,202, which is an increase of \$157,565 from the combined ending balances in fiscal year 2009, which was \$49,637. Table 3 shows the excess (deficiency) of revenues over (under) expenditures and other financing sources (uses) for the governmental funds for the fiscal years ended June 30, 2010 and 2009, with changes.

# West Bonner County School District No. 83

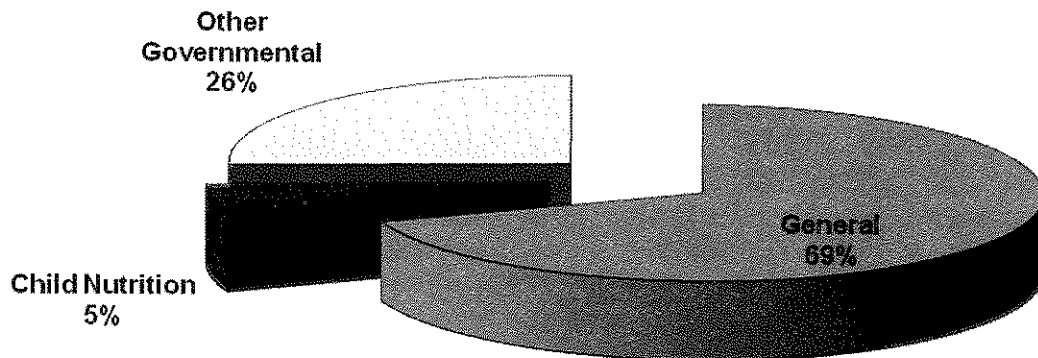
## Management's Discussion and Analysis For the year ended June 30, 2010

**Graph 1** below illustrates the District's fiscal year 2010 sources of revenues for its General Fund. **Graph 2** below shows the District's fiscal year 2010 sources of revenues for all governmental funds.

**Graph 1**  
**General Fund (Fund No. 100) Revenues FY 2010**



**Graph 2**  
**Revenues for All Governmental Funds**



# West Bonner County School District No. 83

## Management's Discussion and Analysis For the year ended June 30, 2010

### General Fund Budgetary Highlights

The District adopts an original budget in June for the subsequent year. The budget is then often amended later in the fiscal year, typically in February or March, following determination of the first attendance period and certification of all levies on property taxes.

State revenues are primarily driven through the measurement of attendance for the first nine weeks of the school year. The changes in state revenues due to this snapshot in time for the purposes of wage and benefits appropriation were addressed in the December amendment process.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

West Bonner County School District No. 83 has \$3,256,757 in capital assets, net of accumulated depreciation. These assets are made up of a broad range of items including buildings, sites, transportation equipment and other equipment. The District has a \$5,000 threshold for capitalization of fixed assets. This year's additions totaled \$261,980, including building improvements of \$250,330 that were paid by supplemental levy dollars, and furniture and equipment totaling \$11,650.

#### Long Term Debt

The District has no bonded indebtedness. The District has a total of \$206,151 of long term debt, which includes \$56,756 of compensated absences. The major portion of this debt is an annual lease/purchase agreement with Wells Fargo Brokerage for the performance guarantee contract.

- **Table 4** below shows changes in long-term debt along with current maturities.

**Table 4**  
**Change in Long-Term Debt and**  
**Current Maturities**

	<b>Compensated Absences</b>	<b>Capital Leases Payable</b>	<b>Total</b>
Balance, July 1, 2009	\$ 56,787	\$ 263,511	\$ 320,298
Additions	57,268	--	57,268
Retirements/Payments	(57,299)	(114,116)	(171,415)
Balance, June 30, 2010	<u>\$ 56,756</u>	<u>\$ 149,395</u>	<u>\$ 206,151</u>

## West Bonner County School District No. 83

### Management's Discussion and Analysis For the year ended June 30, 2010

#### FACTORS BEARING ON THE DISTRICT'S FUTURE

Currently known factors that will impact the District's financial status in the future are:

- West Bonner County School District No. 83 relies solely on state support for salaries, benefits and other costs such as utilities and fuel. This approach to budget building makes it more difficult each year to present an adopted budget without budget reductions. Since our state revenues are generated by student enrollment and average daily attendance, the percentage of time a student attends school determines the funding level for that student. The current funding levels from state support do not pay 100% of the school district salaries and benefits. Any expenses beyond state reimbursed salaries and benefits are paid by entitlement funds or discretionary funds.
- Discretionary Funds are paid through state support to the school district on a dollar amount per unit – units are calculated from student average daily attendance. The average entitlement amount paid to school districts since 2000 is \$24,486 per unit or a .98% increase per unit since 2000. Each year, costs such as fuel and utilities have increased substantially, yet the funding school districts receive to pay these costs have not increased at the same rate. West Bonner County School District No. 83 must be able to pay these costs and sometimes the Board must make budget reductions to have a balanced budget. Please see the chart below for discretionary funds trend.

FY	Entitlement	Inc(Decr)	% Chge
1999-2000	\$ 23,217.27		
2000-01	\$ 24,440.40	\$ 1,223.13	5.27%
2001-02	\$ 22,935.54	\$(1,504.86)	-6.16%
2002-03	\$ 23,128.74	\$ 193.20	0.84%
2003-04	\$ 24,447.00	\$ 1,318.26	5.70%
2004-05	\$ 24,450.00	\$ 3.00	0.01%
2005-06	\$ 24,695.00	\$ 245.00	1.00%
2006-07	\$ 25,436.00	\$ 741.00	3.00%
2007-08	\$ 25,442.00	\$ 6.00	0.02%
2008-09	\$ 25,696.00	\$ 254.00	1.00%
2009-2010	\$ 25,459.00	\$ (237.00)	-0.92%
Average	\$ 24,486.09	\$ 224.17	0.98%

- The District has declared a financial emergency for the 2010-11 school year, in accordance with Idaho Code 33-522. The declaration is primarily due to the current economy and mandated state reductions. Even with the declaration of financial emergency the 2010-11 school year will be a very hard budget year.



## **West Bonner County School District No. 83**

### **Management's Discussion and Analysis** *For the year ended June 30, 2010*

- On May 18, 2010, the voters approved a one-year supplemental levy that primarily supports the state reduction imposed on the District, the co-curricular and extra-curricular programs, and facility improvements. Due to the mandated state reductions, the District is unable to continue to fund these expenditures from its general fund discretionary dollars. These expenditures may continue to be funded by supplemental levy expenditures until such time as the state supports the funding of these programs.
- The Board of Trustees will present a supplemental levy to the local voting taxpayers for approval. The supplemental levy funds district purchases of textbooks, curriculum, technology, professional development, additional funds for classroom and library supplies, funds for athletic equipment and district facility needs. The levy to be proposed will be a replacement levy and will closely resemble supplemental levies presented in the past in both presentation and taxpayer cost.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

West Bonner County School District  
Debra Schaper, Business Manager  
DebraSchaper@westbonnerschools.org  
221 Main Street  
Priest River, Idaho 83856  
(208) 448-4439

**West Bonner County School District No. 83**  
**Statement of Net Assets - District-Wide**  
**June 30, 2010**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and cash equivalents (Note 6)	\$ 414,436
Receivables (Note 7)	1,039,694
Inventory	<u>25,822</u>
Total current assets	<u>1,479,952</u>
<b>Noncurrent assets:</b>	
Capital assets, net of accumulated depreciation and amortization (Note 8)	<u>3,256,757</u>
Total noncurrent assets	<u>3,256,757</u>
Total assets	<u>4,736,709</u>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	4,848
Accrued payroll and related liabilities	1,220,090
Deferred revenue	5,241
Accrued compensated absences, due within one year (Note 12)	56,756
Capital lease obligations, due within one year (Note 12)	<u>114,478</u>
Total current liabilities	<u>1,401,413</u>
<b>Noncurrent liabilities:</b>	
Capital lease obligations, due after one year (Note 12)	34,917
Other postemployment benefit obligations, net (Note 13)	<u>51,247</u>
Total noncurrent liabilities	<u>86,164</u>
Total liabilities	<u>1,487,577</u>
Commitments and contingencies (Notes 14 through 17)	
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,107,362
Restricted for programs	47,094
Restricted for replacement of plant equipment	4,735
Designated for specific purposes	101,254
Unrestricted net assets (deficit)	<u>(11,313)</u>
Total net assets	<u>\$ 3,249,132</u>

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

**West Bonner County School District No. 83**  
**Statement of Activities - District-Wide**  
**Year Ended June 30, 2010**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Elementary program	\$ 2,450,032	\$ -	\$ 392,363	\$ (2,057,669)
Secondary program	2,335,369	-	60,583	(2,274,786)
Alternative school program	120,121	-	12,889	(107,232)
Exceptional child, gifted and talented programs	997,960	-	552,281	(445,679)
Interscholastic and school activity programs	252,961	-	11,248	(241,713)
Total instruction	6,156,443	-	1,029,364	(5,127,079)
Support services:				
Attendance, guidance and health	327,995	-	45,341	(282,654)
Special services	221,151	-	-	(221,151)
Instruction improvement and educational media	306,266	-	109,912	(196,354)
District administration	449,280	-	58,021	(391,259)
School administration	577,062	-	38,884	(538,178)
Business operations	161,971	-	-	(161,971)
Custodial and maintenance	1,055,246	-	-	(1,055,246)
Transportation	653,322	-	-	(653,322)
Other educational costs	315,759	-	-	(315,759)
Total support services	4,068,052	-	252,158	(3,815,894)
Non-instruction programs:				
Child nutrition	596,918	126,430	474,712	4,224
Community service	2,733	-	2,733	-
Total non-instruction programs	599,651	126,430	477,445	4,224
Interest on long-term debt	18,100	-	-	(18,100)
Total governmental activities	\$ 10,842,246	\$ 126,430	\$ 1,758,967	(8,956,849)
<b>General revenue:</b>				
Property taxes, general purposes				1,208,363
Interest and investment earnings				11,337
Other local sources				266,532
State aid, unrestricted				6,601,161
State Fiscal Stabilization Fund grant				1,001,491
Federal forest				81,782
Total general revenue				9,170,666
Excess of revenues over expenses before special items				213,817
<b>Special items:</b>				
Loss on disposal of capital assets				(84,282)
Change in net assets				129,535
Total net assets, beginning of year (Note 18)				3,119,597
Total net assets, end of year				\$ 3,249,132

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

**West Bonner County School District No. 83**  
**Balance Sheet - Governmental Funds**  
**June 30, 2010**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 334,654	\$ 79,782	\$ 414,436
Accounts receivable	667,998	371,696	1,039,694
Inventory	-	25,822	25,822
Due from other funds	220,665	-	220,665
Total assets	<u>\$ 1,223,317</u>	<u>\$ 477,300</u>	<u>\$ 1,700,617</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 510	\$ 4,338	\$ 4,848
Accrued payroll and related liabilities	1,043,471	176,619	1,220,090
Deferred revenue	42,571	5,241	47,812
Due to other funds	-	220,665	220,665
Total liabilities	<u>1,086,552</u>	<u>406,863</u>	<u>1,493,415</u>
<b>Fund balances:</b>			
Unreserved:			
General Fund	35,511	-	35,511
Child Nutrition	-	18,608	18,608
Reserved for:			
Program requirements	-	47,094	47,094
Replacement of plant equipment	-	4,735	4,735
Designated:			
Designated for specific purposes	101,254	-	101,254
Total fund balances	<u>136,765</u>	<u>70,437</u>	<u>207,202</u>
Total liabilities and fund balances	<u>\$ 1,223,317</u>	<u>\$ 477,300</u>	<u>\$ 1,700,617</u>

**West Bonner County School District No. 83**  
**Reconciliation of the Balance Sheet - Governmental Funds**  
**with the Statement of Net Assets - District-Wide**  
**June 30, 2010**

**Amounts reported for governmental activities in the Statement of Net Assets - District-Wide are different because:**

Total fund balances - Governmental Funds	\$ 207,202
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Property taxes receivable will be collected, but are not available soon enough to pay for current period liabilities, and are therefore reported as deferred revenue in the governmental funds.	42,571
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 12,121,400	
Accumulated depreciation is	<u>(8,864,643)</u>	
		3,256,757

Noncurrent liabilities, including accrued compensated absences, capital leases, and other postemployment benefit obligations, net are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds:

Accrued compensated absences, due within one year	(56,756)	
Capital lease obligations, due within one year	(114,478)	
Capital lease obligations, due after one year	(34,917)	
Other postemployment benefit obligations, net	<u>(51,247)</u>	
		<u>(257,398)</u>

Total net assets - District-Wide	<u><u>\$ 3,249,132</u></u>
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**West Bonner County School District No. 83**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**  
**Year Ended June 30, 2010**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property taxes	\$ 1,249,953	\$ -	\$ 1,249,953
Interest and investment earnings	11,337	-	11,337
Other local revenue	266,532	126,430	392,962
State assistance and reimbursements	6,601,161	128,217	6,729,378
National Forest Reserve	-	81,782	81,782
Other federal revenues	1,012,739	1,619,502	2,632,241
Total revenues	9,141,722	1,955,931	11,097,653
<b>Expenditures:</b>			
Instruction:			
Elementary programs	2,029,672	386,780	2,416,452
Secondary programs	2,190,220	60,583	2,250,803
Alternative school program	106,463	12,889	119,352
Exceptional child, gifted and talented programs	445,679	552,281	997,960
Interscholastic and school activity programs	252,961	-	252,961
Total instruction	5,024,995	1,012,533	6,037,528
Support services:			
Attendance, guidance and health	282,654	45,341	327,995
Special services	221,151	-	221,151
Instruction improvement and educational media	188,288	109,912	298,200
District administration	378,011	58,348	436,359
School administration	538,178	38,884	577,062
Business operations	161,971	-	161,971
Custodial and maintenance	1,302,730	-	1,302,730
Transportation	520,075	-	520,075
Other educational costs	315,759	-	315,759
Total support services	3,908,817	252,485	4,161,302
Non-instruction programs:			
Child nutrition programs	14,795	591,514	606,309
Community service programs	-	2,733	2,733
Total non-instruction programs	14,795	594,247	609,042
Principal and interest	132,216	-	132,216
Total expenditures	9,080,823	1,859,265	10,940,088
Excess of revenues over expenditures	60,899	96,666	157,565
<b>Special items:</b>			
Transfers from (to) other funds	40,271	(40,271)	-
Net changes in fund balances	101,170	56,395	157,565
Total fund balances, beginning of year	35,595	14,042	49,637
Total fund balances, end of year	\$ 136,765	\$ 70,437	\$ 207,202

**West Bonner County School District No. 83**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds with the Statement of Activities - District-Wide  
Year Ended June 30, 2010**

**Amounts reported for governmental activities in the Statement of Activities - District-Wide  
are different because:**

Net changes in fund balances - Governmental Funds	\$ 157,565
Some property taxes will not be collected until several months after the District's fiscal year end, and therefore will not be available to pay liabilities of the current period. Accordingly, they are recorded as deferred tax revenues. They are, however, recorded as revenue in the Statement of Activities - District-Wide. The decrease in deferred tax revenues during the 2010 fiscal year is an adjustment.	(41,590)
In the Statement of Activities - District-Wide, certain operating expenses (e.g., compensated absences) and certain non-pension retirement benefits (e.g., other postemployment benefits) are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (i.e., the amount actually paid). In the current year, compensated absences and other postemployment benefits paid exceeded compensated absences and other postemployment benefits earned by \$49,370.	49,370
Capital outlays to purchase capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities - District-Wide, the cost of these assets is allocated over their estimated useful lives as depreciation. This is the amount by which depreciation, \$327,624, exceeds capital outlays, \$261,980, during the current fiscal year.	(65,644)
Repayment of capital lease obligations is an expenditure in the governmental funds, but the repayment reduces liabilities in the Statement of Net Assets - District-Wide	114,116
In the governmental funds, proceeds from sales of capital assets, if any, are recognized as revenues. However, in the Statement of Activities, the book value of capital assets disposed of is deducted from the proceeds to determine the gain or loss on the disposal of capital assets. The net book value of capital assets disposed of in the current fiscal year was \$84,282.	(84,282)
Change in net assets - District-Wide	<u>\$ 129,535</u>

**West Bonner County School District No. 83**  
**Statement of Net Assets - Fiduciary Funds**  
**June 30, 2010**

	Student Scholarship Fund	AFLAC Cafeteria Plan Fund	Student Activity Funds
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 1,243	\$ 20,320	\$ 158,622
Total assets	<u>1,243</u>	<u>20,320</u>	<u>158,622</u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Deposits due to employees	-	20,320	-
Due to student groups	-	-	158,622
Total liabilities	<u>-</u>	<u>\$ 20,320</u>	<u>158,622</u>
<b>NET ASSETS</b>			
Held for benefit of others	<u>\$ 1,243</u>		



**West Bonner County School District No. 83**  
**Statement of Changes in Net Assets - Fiduciary Funds**  
**Year Ended June 30, 2010**

	Student Scholarship Fund
<b>Additions:</b>	
Contributions	\$ 439
Interest and investment earnings	1
Total additions	<u>440</u>
<b>Deductions:</b>	
Scholarships paid	<u>858</u>
Total deductions	<u>858</u>
Change in net assets	(418)
Net assets, beginning of year	<u>1,661</u>
Net assets, end of year	<u><u>\$ 1,243</u></u>

**West Bonner County School District No. 83**  
**Notes to Financial Statements**  
**June 30, 2010**

**1. Organization**

West Bonner County School District No. 83 ("the District") is governed by a locally elected five-member Board of Trustees ("the Board"), which has governance responsibilities over all activities related to public elementary and secondary school education in western Bonner County. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding entities. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since board members are elected by the public; have decision-making authority; have the power to designate management; have the responsibility to significantly influence operations; and have primary accountability for fiscal matters. Additionally, the District has no component units which are required to be included in its reporting entity.

**2. District-Wide and Fund Financial Statements**

The Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* (GASB No. 34), in June 1999. The statement established financial reporting requirements and a reporting model for the annual financial reports of state and local governments. GASB No. 34 was developed to make annual reports more comprehensive, easier to understand, and more useful to people who use governmental financial information to make decisions. The financial information required by GASB No. 34 includes:

Management's Discussion and Analysis

The management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities in a narrative format. An analysis of the District's overall financial position and results of operations is included to assist users in assessing whether the financial position has improved or deteriorated as a result of the year's activities.

District-Wide Financial Statements

The district-wide financial statements, including the Statement of Net Assets – District-Wide and the Statement of Activities – District-Wide, report information on all of the non-fiduciary activities of the District. These statements report the *governmental activities* of the District. Governmental transactions are generally financed through taxes, intergovernmental revenues, and other nonexchange transactions.

**West Bonner County School District No. 83**  
**Notes to Financial Statements, Continued**  
**June 30, 2010**

**2. District-Wide and Fund Financial Statements, Continued**

*District-Wide Financial Statements, Continued*

In general, the effect of interfund transactions has been eliminated from the district-wide financial statements. Exceptions to this general rule are transactions between the District's governmental and fiduciary activities. Elimination of these transactions would distort the direct costs and program revenues reported for the various functions concerned.

The Statement of Activities – District-Wide presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function. The District does not charge indirect expenses to programs or functions. Program 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 on 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 funds, with each displayed separately.

*Budgetary Comparison Schedules*

Budgetary comparison schedules are presented as required supplementary information to demonstrate whether resources were obtained and used in accordance with the District's legally adopted budgets (see Note 4). The District may revise the original budgets over the course of the year for various reasons. Under the reporting model prescribed by GASB No. 34, budgetary information continues to be provided, and includes comparisons of the District's original adopted budgets to the final budgets and actual results.

**West Bonner County School District No. 83**  
**Notes to Financial Statements, Continued**  
**June 30, 2010**

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

The district-wide and fiduciary funds financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the accrual basis, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements stipulated by the provider have been met and satisfied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collected 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 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, judgments, compensated absences and early retirement liabilities, which are recognized to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

The District reports the following major governmental fund:

*General Fund:* The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. This is a budgeted fund, and any unreserved or unencumbered fund balances are considered as resources available for use.

The District reports the following fiduciary funds:

*Student Scholarship Fund:* The Student Scholarship Fund is a private-purpose trust fund used to account for funds donated for scholarships awarded to graduating seniors who will be attending college, vocational or technical training schools. This fund does not include revenues and expenditures for general operations of the District.

*AFLAC Cafeteria Plan Fund:* The AFLAC Cafeteria Plan Fund is an agency fund used to account for funds withheld from employees' paychecks for reimbursement of medical expenses. This fund has no net assets, assets are equal to liabilities, and it does not include revenues and expenditures for general operations of the District.

**West Bonner County School District No. 83**  
**Notes to Financial Statements, Continued**  
**June 30, 2010**

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

Student Activity Funds: The Student Activity Funds are agency funds used to account for activities of student groups and other types of activities requiring clearing accounts. These funds have no net assets, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the District.

**4. Budgetary Information**

Budgets are adopted on a modified accrual basis, consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- a) The District publishes a proposed budget for public review.
- b) Public hearings are set to obtain taxpayer comments.
- c) Prior to July 1, the budget is adopted by resolution of the Board of Trustees and published.
- d) The final budget is then filed with the State Department of Education. Expenditures may not legally exceed budgeted appropriations at the functional level. The legal level of budgetary control is the functional level at which the Board must approve any over-expenditures of appropriations or transfers of appropriated amounts.

During the fiscal year ended June 30, 2010, the budget was amended to reflect revised revenue and expense estimates. The amendment was properly approved by the Board of Trustees.

**5. Summary of Significant Accounting Policies**

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles and standards. The District follows Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The more significant accounting policies of the District are described as follows:

**West Bonner County School District No. 83**  
**Notes to Financial Statements, Continued**  
**June 30, 2010**

**5. Summary of Significant Accounting Policies, Continued**

Cash and Cash Equivalents

Cash received by the District in its governmental funds is pooled for investment purposes. Interest earned on the balances in the pooled accounts is allocated to the participating funds in proportion to the average daily balances in each fund.

The District considers investments in the cash management pool and all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments

The District invests in the State of Idaho Treasurer's Local Government Investment Pool (LGIP). Investments are authorized by Board policy as permitted by Idaho Code, section 67-1210. Deposits in the LGIP are stated at fair market value, which approximates cost, and consist of local certificates of deposit, repurchase agreements and U.S. government securities. Due to the short-term nature of these investments, the amounts are reported as cash and cash equivalents in the accompanying financial statements.

Receivables

Receivables shown on the governmental fund financial statements are those for which payment was received within 60 days after the financial statement date. All receivables, regardless of when they are collected, are recognized in the district-wide financial statements. Such receivables are shown net of any allowances for uncollectible amounts.

Inventory

The District's inventory is valued at the lower of cost, using the first-in, first-out (FIFO) method, or net realizable value, or if donated, at fair value when received. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**West Bonner County School District No. 83**  
**Notes to Financial Statements, Continued**  
**June 30, 2010**

**5. Summary of Significant Accounting Policies, Continued**

Capital Assets

Capital assets are reported in the district-wide financial statements, and are reported as expenditures in the governmental fund financial statements. Purchased or constructed capital assets are reported at historical cost, less accumulated depreciation. If historical cost is unknown, estimated historical cost is used. Donated capital assets are recorded at estimated fair market value at the date of donation, less accumulated depreciation. Costs of routine repairs and maintenance that do not improve or extend the useful lives of the related assets are not capitalized. The District uses a capitalization threshold of \$5,000. When capital assets are sold or otherwise disposed of, the cost and associated accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the Statement of Activities – District-Wide.

All reported capital assets except land and construction in progress are depreciated. Depreciation is calculated on capital assets using the straight-line method over the estimated useful lives of those assets, as follows:

	<u>Years</u>
Buildings, building improvements and portable units	20 to 40
Furniture and equipment	3 to 20
Buses	8
Other vehicles	3 to 5

Liabilities

Liabilities shown on the fund financial statements are those that have become due and payable at the end of the fiscal year, which are expected to be paid during the upcoming fiscal year, and are reported as an expenditure and fund liability of the governmental fund that will pay it. On the district-wide financial statements, liabilities that become due and payable within one year after the financial statement date are included in current liabilities, while liabilities that become due and payable after that time are shown as noncurrent liabilities.

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences* (GASB No. 16). Compensated absences consist of accumulated sick, personal and vacation leave balances that are unpaid by the financial statement date.

**West Bonner County School District No. 83**  
**Notes to Financial Statements, Continued**  
**June 30, 2010**

**5. Summary of Significant Accounting Policies, Continued**

Compensated Absences, Continued

All eligible employees of the District receive personal leave at the beginning of the year. In accordance with GASB No. 16, no liability is recorded for non-vesting accumulated rights to receive sick pay.

Under the terms of association agreements, employees earn vacation in amounts that vary based on tenure and classification. The District records a liability for accumulated unused vacation for all eligible employees.

Accumulated personal and vacation leave that has become due and payable at the end of the fiscal year, which is expected to be paid during the upcoming fiscal year, is reported as an expenditure and fund liability of the governmental fund that will pay it. The District has reported all accumulated personal and vacation leave as a current obligation in the district-wide financial statements. The District's management believes that any accumulated personal and vacation leave that is not expected to be utilized by employees during the upcoming fiscal year is immaterial to the financial statements taken as a whole.

When an employee terminates employment with the District, unused personal and sick leave hours are paid at the employee's current hourly rate.

Postemployment Benefit Obligations Other than Pensions

The District maintains a postemployment benefit plan, available to all employees of the District who become eligible for these benefits if they remain employed until normal retirement age. Eligible retirees may participate in the District's healthcare plan by paying premiums equal to those charged for the District's active employees. The District does not explicitly contribute towards the cost of these benefits for retirees. While the District does not directly contribute towards the cost of benefits for retirees, the ability to obtain coverage at an active employee rate constitutes a significant economic benefit to the retirees, called an "implicit subsidy" under GASB No. 45.

The postemployment benefit plan is accounted for in accordance with GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which was adopted effective July 1, 2009 (see Note 18).



**West Bonner County School District No. 83**  
**Notes to Financial Statements, Continued**  
**June 30, 2010**

**5. Summary of Significant Accounting Policies, Continued**

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary process in the governmental funds.

Property Taxes

In accordance with Idaho State Law, an ad valorem property tax is levied in September for each calendar year. Taxes are recorded by the District using the modified accrual basis of accounting. Levies are made on the second Monday of September. All of the personal property taxes are due on or before June 20 of the following year. One-half of the real property taxes are due on or before both June 20 and December 20 of the following year. Property taxes attach as an enforceable lien on property as of January 1 of the following year. Notice of foreclosure is filed with the County Clerk on property three years from the date of delinquency. The property tax revenue is budgeted for the ensuing fiscal year. Bonner County acts as an agent for the District in both the assessment and collection of property taxes. The County remits tax revenues to the District monthly, with the majority of the collections being remitted in January and July.

**West Bonner County School District No. 83**  
**Notes to Financial Statements, Continued**  
**June 30, 2010**

**5. Summary of Significant Accounting Policies, Continued**

Grant Revenue

The District receives financial assistance from governmental agencies in the form of grants, which are accounted for in special revenue funds. Revenue is deemed earned and thus recognized when applicable program expenditures are recorded. Funds received but not earned at June 30, 2010, are recorded as deferred revenue.

Use of Restricted Resources

When expenditures qualify to be paid out of both restricted and unrestricted resources, it is the policy of the District to use restricted resources first.

Use of Estimates

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

Subsequent Events

The District has evaluated subsequent events through November 5, 2010, which is the date that these financial statements are issued. With the exception of the item described in Note 11, no material subsequent events have occurred since June 30, 2010 that required recognition or disclosure in these financial statements.

**6. Cash and Cash Equivalents**

Cash and cash equivalents consist of deposits held in checking accounts, a money market account and certificates of deposit with a local bank. Bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank.

The carrying amount of cash and cash equivalents at June 30, 2010 consists of and appears in the financial statements as summarized below:

Cash and cash equivalents, Statement of Net Assets – District-Wide	\$ 414,436
Cash and cash equivalents, Statement of Net Assets – Fiduciary Funds	<u>180,185</u>
	<u>\$ 594,621</u>

**West Bonner County School District No. 83**  
**Notes to Financial Statements, Continued**  
**June 30, 2010**

**6. Cash and Cash Equivalents, Continued**

Bank balances at June 30, 2010 totaled \$841,628. The differences between the carrying amount of cash and cash equivalents on the District's books and the bank balances consist of outstanding checks and deposits not processed by the bank as of June 30, 2010.

A summary of the total insured and uninsured balances at June 30, 2010 is as follows:

Total bank and LGIP balances	\$ 841,628
Bank balances insured by FDIC	<u>(250,000)</u>
Uninsured balances in LGIP	<u>\$ 591,628</u>

**7. Receivables**

Receivables as of June 30, 2010 are as follows:

Property taxes receivable	\$ 405,833
Delinquent property taxes receivable	42,571
State support receivable	219,594
Grants receivable	365,963
Accounts receivable	<u>5,733</u>
Total receivables	<u>\$1,039,694</u>

Delinquent property taxes receivable consist of property taxes levied but not collected as of June 30, 2010, or within 60 days after June 30, 2010. These amounts have been offset by a deferred revenue liability in the governmental fund financial statements.

State support receivable consists of revenues due to the District under the State's school district funding model that were received in July and August 2010.

Grants receivable consist of revenues earned by the District from various state or federal grants that were received by the District in July and August 2010.

No allowance has been made for uncollectible amounts, as management believes any such potential amounts are immaterial.

**West Bonner County School District No. 83**  
**Notes to Financial Statements, Continued**  
**June 30, 2010**

**8. Capital Assets**

Capital asset activity for the year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Additions	Transfers	Disposals	Balance June 30, 2010
Buildings, building improvements and portable units	\$ 9,062,705	\$ 250,330	\$ --	\$ --	\$ 9,313,035
Furniture and equipment	1,590,523	11,650	--	(535,972)	1,066,201
Buses	1,508,823	--	--	--	1,508,823
Other vehicles	63,290	--	--	--	63,290
Capital assets in service	12,225,341	261,980	--	(535,972)	11,951,349
Accumulated depreciation	(8,988,709)	(327,624)	--	451,690	(8,864,643)
	3,236,632	(65,644)	--	(84,282)	3,086,706
Land	170,051	--	--	--	170,051
Total capital assets	\$ 3,406,683	\$ (65,644)	\$ --	\$ (84,282)	\$ 3,256,757

Capital assets used by governmental activities include leased equipment with a cost of \$892,099 and accumulated amortization of \$390,920 at June 30, 2010 (see Note 12).

Depreciation expense recorded in the Statement of Activities – District-Wide was charged to governmental functions as follows:

Governmental activities:

Instructional services:

Elementary program	\$ 82,950
Secondary program	84,566
Alternative school program	769
	<u>168,285</u>

Support services:

Instruction improvement and education media	8,066
District administration	12,921
Custodial and maintenance	2,846
Transportation	133,247
	<u>157,080</u>

Non-instruction programs:

Child nutrition	2,259
	<u>\$ 327,624</u>

**West Bonner County School District No. 83**  
**Notes to Financial Statements, Continued**  
**June 30, 2010**

**9. Interfund Receivables and Payables**

Interfund receivables and payables arise primarily from one fund holding cash on behalf of another fund in order to limit the number of bank accounts held by the District. Interfund receivables and payables may also arise from one fund making payments on behalf of another fund to cover expenditures until grant reimbursements are received. When grant reimbursements are received, the paying fund is reimbursed for the payments made on behalf of the receiving fund.

Interfund receivables and payables at June 30, 2010 are summarized as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Vocational Education Fund	\$ 3,268
General Fund	Title I-A	56,803
General Grants Fund	Title II-A Fund	44
General Fund	Title II-D Fund	31,716
General Fund	Title IV-A Safe and Drug Free Schools	14
General Fund	Title VI Part B Fund	100,067
General Fund	Title VI Part B Preschool Fund	6,134
General Fund	Carl Perkins Fund	22,619

**10. Interfund Transfers**

Interfund transfers for the year ended June 30, 2010 are summarized as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Reason</u>	<u>Amount</u>
Supplemental Levy 09-10	General Fund	Transfer Levy balances	\$ 214,800
Forest Fund	General Fund	Craig Wyden Forest Funds	81,782
Medical Insurance Fund	General Fund	Board approved transfer	30,000
General Grants Fund	General Fund	Close out old grants	16,790
Supplemental Levy 08-10	General Fund	Close out 2008-2010 Levy Fund	9,282
Title I-A	General Fund	Indirect cost	5,583
Contingency Fund	General Fund	Close out Contingency Fund	22,887
General Fund	Bus Acquisition	Transfer state-reimbursed funds	75,386
Bus Acquisition Fund	Supp Levy 08-10	Purchase of bus	28,292

**11. Short-Term Borrowings**

The District had no short-term borrowings outstanding at June 30, 2010, nor were there any short-term borrowings or repayments during the year then ended.

**West Bonner County School District No. 83**  
**Notes to Financial Statements, Continued**  
**June 30, 2010**

**11. Short-Term Borrowings, Continued**

Subsequent to June 30, 2010, the District borrowed \$400,000 from Wells Fargo under a short-term borrowing agreement. During October 2010, the District paid principal and interest, totaling \$404,722, reducing the balance of the outstanding short-term borrowings to zero.

**12. Long-Term Obligations**

Capital Lease Obligations

The District leases office equipment under long-term agreements that represent capital leases. Future minimum lease payments under the capital lease obligations are as follows:

Year Ending June 30,

2011	\$ 119,054
2012	<u>35,268</u>
Total future minimum lease payments	154,322
Less amount representing interest	<u>(4,927)</u>
Present value of net minimum lease payments	149,395
Less amount due within one year	<u>(114,478)</u>
Amount due after one year	<u>\$ 34,917</u>

Interest expense recorded associated with the capital lease obligations totaled \$18,100 for the year ended June 30, 2010.

A summary of changes in long-term obligations of the District for the year ended June 30, 2010 is as follows:

	Long-Term Obligations June 30, 2009	Long-Term Obligations Incurred	Long-Term Obligations Paid	Long-Term Obligations June 30, 2010	Due Within One Year
Capital lease obligations	\$ 263,511	\$ --	\$ (114,116)	\$ 149,395	\$ 114,478
Accrued compensated absences	<u>56,787</u>	<u>57,268</u>	<u>(57,299)</u>	<u>56,756</u>	<u>56,756</u>
	<u>\$ 320,298</u>	<u>\$ 57,268</u>	<u>\$ (171,415)</u>	<u>\$ 206,151</u>	<u>\$ 171,234</u>

**West Bonner County School District No. 83**  
**Notes to Financial Statements, Continued**  
**June 30, 2010**

**13. Other Postemployment Benefits**

The District offers medical, dental, long-term care, prescription drug and vision insurance benefits to its retirees and their dependents, accounted for as an Other Postemployment Benefit (OPEB). The District does not explicitly contribute towards the cost of these benefits for retirees.

Governmental Accounting Standards Board (GASB) Statement No. 45 (GASB No. 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* became effective for the District beginning in fiscal year 2009. However, the effects of this statement were not implemented in the District's fiscal year 2009 financial statements and, accordingly, a prior period adjustment was recorded (see Note 18). This statement established standards for measurement, recognition and reporting of non-pension postemployment benefits including medical, dental, long-term care, prescription drug and vision insurance benefits offered to retirees of the District. Historically, the District did not recognize any expense associated with this plan because the District did not explicitly contribute towards the cost of these benefits for retirees. However, the ability for retirees to obtain coverage at rates similar to active employees constitutes a significant economic benefit to the retirees. GASB No. 45 requires that the District recognize the implicit cost of its retiree postemployment benefit plan during the period of the employee's active employment while the benefits are being earned. The Unfunded Actuarial Accrued Liability (UAAL) is required to be disclosed in order to accurately account for the total future cost of postemployment benefits and the financial impact on the District.

Plan Description

The District offers medical, dental, long-term care, prescription drug and vision insurance benefits to its retirees and their dependents. All employees of the District may become eligible for these benefits if they remain employed until normal retirement age. Additionally, employees who are eligible for early retirement may also become eligible for these benefits.

Employees who have attained the normal retirement age of 65, or the early retirement age of 55, and completed 5 years of contractual service with the District are eligible to retire and participate in the District's healthcare plan by paying premiums equal to those charged for the District's active employees. Spouses and eligible dependent children of retirees may also be covered. Upon separation from the District and meeting the eligibility requirements, premiums for the retiree and the retiree's dependents are covered by the District until the retiree or the retiree's spouse becomes eligible for Medicare, at which time the District shall make available a supplemental program to Medicare for the eligible individual.

The ability to participate in the District's health plans by self-paying the premiums ends at age 65.

**West Bonner County School District No. 83**  
**Notes to Financial Statements, Continued**  
**June 30, 2010**

**13. Other Postemployment Benefits, Continued**

Funding Policy

As required by GASB No. 45, an actuary will determine the District's Annual Required Contributions (ARC) at least once every two fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total unfunded actuarial accrued liability (UAAL) over a period not to exceed 30 years.

GASB No. 45 does not require pre-funding of other postemployment benefits. Therefore, the District's funding policy is to continue to pay implicit subsidies for retirees as they become due. The District has elected not to establish an irrevocable trust at this time.

The Board of Trustees reserves the authority to review and amend this funding policy from time to time, in order to ensure that the funding policy continues to best suit the circumstances of the District.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the District's annual OPEB cost for the fiscal year ended June 30, 2010, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contributions	\$ 124,985
Interest on net OPEB obligation	5,095
Adjustment to annual required contributions	<u>(4,796)</u>
Annual OPEB cost (expense)	125,284
Contributions made	<u>(174,623)</u>
Decrease in net OPEB obligation	(49,339)
Net OPEB obligation, beginning of year	<u>100,586</u>
Net OPEB obligation, end of year	<u>\$ 51,247</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended June 30, 2010 and 2009 are summarized as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 125,284	\$ 174,623	139.38%	\$ 51,247
June 30, 2009	119,890	19,304	16.10%	100,586



**West Bonner County School District No. 83**  
**Notes to Financial Statements, Continued**  
**June 30, 2010**

**13. Other Postemployment Benefits, Continued**

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2008, the date of the most recent actuarial valuation, was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Projected Unit Credit Actuarial Accrued Liability</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2008	\$ --	\$ 757,500	\$ 757,500	0.00%	\$ 6,364,467	11.90%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the Annual Required Contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The District's first actuarial valuation, which was performed during fiscal year 2010, related to fiscal year 2009, the initial year of required implementation. As a result, the schedule of funding progress illustrated above is a single-year presentation. In future years, the schedule of funding progress will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

The plan's most recent actuarial valuation was performed as of July 1, 2008. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 4.25% investment rate of return (net of administrative expenses), and an annual medical cost trend rate of 3.5%, 1.3% and 14.5% for plan years 2008, 2009 and 2010 respectively, based on actual plan renewal rates, with plan year 2011 having a medical cost trend rate of 6.5%, reduced by decrements to an ultimate rate of 5.0% after 3 years. Additionally, the assumptions included a participation rate of 45.0% and a projected payroll increase of 2.5%. The District's unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 25 years. The remaining amortization period as of June 30, 2010 was 25 years.

**West Bonner County School District No. 83**  
**Notes to Financial Statements, Continued**  
**June 30, 2010**

**14. Public Employee Retirement System**

The Public Employee Retirement System of Idaho (PERSI), the PERSI Base Plan, is a cost-sharing, multiple-employer public retirement system that was created by the Idaho State Legislature. It is a defined benefit plan that requires 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 provides for other political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI upon request.

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 age specified for their employment classification. For each year of credited service, the annual service retirement allowance is 2.0% of the average monthly salary for the highest consecutive 42 months of employment.

The contribution requirements of the District and its employees are established, and may be amended by, the PERSI Board of Trustees. For the year ended June 30, 2010, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members. The employer contribution rate as a percentage of covered payroll was 10.39% for general members. The District's employer contributions required and paid were \$651,284, \$682,211 and \$669,596 for the three years ended June 30, 2010, 2009 and 2008, respectively.

**15. Risk Management**

Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Settled claims did not exceed coverage during any of the past three fiscal years.

Litigation

The District is occasionally named as a defendant in lawsuits arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a material adverse effect on the accompanying district-wide financial statements and, accordingly, no provision for loss has been recorded.

**West Bonner County School District No. 83**  
**Notes to Financial Statements, Continued**  
**June 30, 2010**

**16. Contingent Liabilities**

The District receives significant financial assistance from federal and state governmental agencies in the form of grants, which are governed by various rules and regulations of the grantor agencies. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and is subject to audit by the District's independent auditors and other governmental auditors. Therefore, to the extent that the District has not complied with the terms and conditions governing the grants, refunds of any money received may be required, and the collectability of any related receivables at June 30, 2010 may be impaired. Based on prior experience, the District's administration believes such amounts, if any, would be immaterial.

**17. Economic Dependency**

The District receives a large portion of its funding from the State of Idaho. Therefore, the District is economically dependent on the State of Idaho for its continued operations.

**18. Prior Period Adjustment**

The District's financial statements for the year ended June 30, 2009 did not reflect the implementation of GASB No. 45, and the resulting Other Postemployment Benefit Obligations, Net. This omission requires a restatement of the District's financial statements for the year ended June 30, 2009.

The effects of the restatements on the financial statements as of and for the year ended June 30, 2009 are as follows:

	As Previously Reported		As Restated
Statement of Net Assets – District-Wide:			
Other postemployment benefit obligations, net	\$	--	\$ 100,586
Unrestricted net assets (deficit)		(77,751)	(178,337)
Statement of Activities – District-Wide:			
Total expenses – Governmental Activities		11,330,771	11,431,357
Total net assets, end of year – Governmental Activities		3,220,183	3,119,597

## **Required Supplementary Information**

**West Bonner County School District No. 83**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2010**

			Actual	Variances	
			Modified	Positive/(Negative)	
	Budgeted Amounts		Accrual	Original	Final
	Original	Final	Basis	to Final	to Actual
<b>Revenues:</b>					
Property taxes	\$ 793,809	\$ 1,281,004	\$ 1,249,953	\$ 487,195	\$ (31,051)
Interest and investment earnings	20,000	5,372	11,337	(14,628)	5,965
Other local revenue	126,769	274,504	266,532	147,735	(7,972)
State assistance and reimbursements	7,489,545	7,638,938	6,601,161	149,393	(1,037,777)
National Forest Reserve	-	7,882	1,012,739	7,882	1,004,857
Total revenues	8,430,123	9,207,700	9,141,722	777,577	(65,978)
<b>Expenditures:</b>					
Instruction:					
Elementary programs	2,052,480	2,068,923	2,029,672	(16,443)	39,251
Secondary programs	2,139,032	2,230,553	2,190,220	(91,521)	40,333
Alternative school program	120,129	107,400	106,463	12,729	937
Exceptional child, gifted and talented programs	362,692	455,073	445,679	(92,381)	9,394
Interscholastic and school activity programs	279,919	256,347	252,961	23,572	3,386
Total instruction	4,954,252	5,118,296	5,024,995	(164,044)	93,301
Support services:					
Attendance, guidance and health	299,997	294,757	282,654	5,240	12,103
Special services	244,701	221,611	221,151	23,090	460
Instruction improvement and educational media	203,259	210,157	188,288	(6,898)	21,869
District administration	358,205	356,581	378,011	1,624	(21,430)
School administration	622,554	538,184	538,178	84,370	6
Business operations	162,101	161,976	161,971	125	5
Custodial and maintenance	1,341,194	1,314,371	1,302,730	26,823	11,641
Transportation	542,583	524,075	520,075	18,508	4,000
Other educational costs	384,517	362,654	315,759	21,863	46,895
Total support services	4,159,111	3,984,366	3,908,817	174,745	75,549
Child nutrition programs	15,000	14,796	14,795	204	1
Capital asset programs	-	-	-	-	-
Principal and interest	132,647	132,217	132,216	430	1
Total expenditures	9,261,010	9,249,675	9,080,823	11,335	168,852
Excess (deficiency) of revenues over (under) expenditures	(830,887)	(41,975)	60,899	766,242	102,874
<b>Special items:</b>					
Proceeds from capital leases	-	-	-	-	-
Transfers from (to) other funds	(43,558)	82,995	40,271	126,553	42,724
Net change in fund balance	(874,445)	41,020	101,170	892,795	145,598
Total fund balance, beginning of year	148,701	(43,510)	35,595	(192,211)	79,105
Total fund balance, end of year	\$ -	\$ (2,490)	\$ 136,765	\$ 700,584	\$ 224,703

**West Bonner County School District No. 83**  
**Notes to Budgetary Comparison Schedule**  
**June 30, 2010**

**1. Basis of Presentation**

The budgetary comparison schedule has been prepared on the modified accrual basis of accounting, which is the same basis of accounting used in the governmental funds financial statements.

**2. Expenditures in Excess of Budgeted Amounts**

As disclosed in Note 1 above, the budgetary comparison schedule has been prepared in conformance with the presentation used in the preparation of the Governmental Funds financial statements. This presentation differs from the account groupings required by Idaho Statutes for Board of Trustees' budgetary control at the functional level, as described in Note 4 to the Financial Statements. As a result, the Budgetary Comparison Schedule for the General Fund at page 41 discloses one instance in which actual expenditures exceeded budgeted expenditures. In fact, there were no instances in which General Fund expenditures exceeded budgeted expenditures at the functional levels required by Idaho Statutes.

## **Supplementary Information**

West Bonner County School District No. 83  
Combining Balance Sheet - General Fund  
June 30, 2010

ASSETS							
	General Fund	Medical Insurance Fund	Contingency Fund	Supplemental Levy 2006-2008	Supplemental Levy 2008-2010	Supplemental Levy 2009-2010	Total General Fund
Cash and cash equivalents	\$ 472,502	\$ 107,436	\$ -	\$ (663)	\$ (122,997)	\$ (157,835)	\$ 334,654
Accounts receivable	283,592	-	-	-	210,349	144,933	667,998
Due from other funds	220,665	-	-	-	-	-	220,665
Total assets	\$ 976,759	\$ 107,436	\$ -	\$ (663)	\$ 87,352	\$ (12,902)	\$ 1,223,317

LIABILITIES AND FUND BALANCES

<b>Current liabilities:</b>							
Accounts payable	\$ 510	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 510
Accrued payroll and related liabilities	959,497	47,887	-	-	16,101	15,981	1,043,471
Deferred revenue	42,571	-	-	-	-	-	42,571
Due to other funds	-	-	-	-	-	-	-
Total liabilities	1,002,578	47,887	-	-	16,101	15,981	1,086,552

<b>Fund balances:</b>							
Unreserved:							
General Fund	(25,819)	-	-	-	-	-	35,511
Designated fund balances:							
Designated for specific purposes	-	59,549	-	(663)	71,251	(28,883)	101,254
Total fund balances	(25,819)	59,549	-	(663)	71,251	(28,883)	136,765
Total liabilities and fund balances	\$ 976,759	\$ 107,436	\$ -	\$ (663)	\$ 87,352	\$ (12,902)	\$ 1,223,317



**West Bonner County School District No. 83**  
**Combining Balance Sheet - Non-Major Governmental Funds**  
**June 30, 2010**

	ASSETS					LIABILITIES AND FUND BALANCES				
	Child Nutrition Fund	Total Non-Major State Funds	Total Non-Major Federal Funds	Plant Facility Fund	Bus Acquisition Fund	Total Non-Major Governmental Funds				
Cash and cash equivalents	\$ 22,712	\$ 5,241	\$ -	\$ 4,735	\$ 47,094	\$ 79,782				
Accounts receivable	5,733	4,497	361,466	-	-	371,696				
Inventory	25,822	-	-	-	-	25,822				
Due from other funds	-	-	-	-	-	-				
Total assets	\$ 54,267	\$ 9,738	\$ 361,466	\$ 4,735	\$ 47,094	\$ 477,300				
LIABILITIES AND FUND BALANCES										
Current liabilities:										
Accounts payable	\$ -	\$ -	\$ 4,338	\$ -	\$ -	\$ 4,338				
Accrued payroll and related liabilities	35,659	1,229	139,731	-	-	176,619				
Deferred revenue	-	5,241	-	-	-	5,241				
Due to other funds	-	3,268	217,397	-	-	220,665				
Total liabilities	35,659	9,738	361,466	-	-	406,863				
Fund balances:										
Unreserved:										
Child Nutrition	18,608	-	-	-	-	18,608				
Reserved for:										
Program requirements	-	-	-	-	47,094	47,094				
Replacement of plant equipment	-	-	-	4,735	-	4,735				
Total fund balances	18,608	-	-	4,735	47,094	70,437				
Total liabilities and fund balances	\$ 54,267	\$ 9,738	\$ 361,466	\$ 4,735	\$ 47,094	\$ 477,300				

West Bonner County School District No. 83  
Combining Balance Sheet - Non-Major State Funds  
June 30, 2010

	Start-up Grant Fund	Homeless Grant Fund	Drivers Education Fund	Vocational Education Fund	Technology Grant Fund	State Drug Free Grant Fund	Total Non-Major State Funds
Cash and cash equivalents	\$ 1,170	\$ -	\$ -	\$ -	\$ 4,071	\$ -	\$ 5,241
Accounts receivable	-	-	-	4,497	-	-	4,497
Total assets	\$ 1,170	\$ -	\$ -	\$ 4,497	\$ 4,071	\$ -	\$ 9,738
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Current liabilities:</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related liabilities	-	-	-	1,229	-	-	1,229
Deferred revenue	1,170	-	-	-	4,071	-	5,241
Due to other funds	-	-	-	3,268	-	-	3,268
Total liabilities	1,170	-	-	4,497	4,071	-	9,738
<b>Fund balances:</b>							
Reserved for:							
Program requirements	-	-	-	-	-	-	-
Total fund balances	-	-	-	-	-	-	-
Total liabilities and fund balances	\$ 1,170	\$ -	\$ -	\$ 4,497	\$ 4,071	\$ -	\$ 9,738

West Bonner County School District No. 83  
Combining Balance Sheet - Non-Major Federal Funds  
June 30, 2010

	Federal Forest Fund		Title I-A Fund		Title VI Part B Fund		Title VI Part B Preschool Fund		Carl Perkins Fund		Title II-A Fund		Title II-D Fund		Title IV-A Safe & Drug Free Schools Fund		Total Non-Major Federal Funds	
<b>ASSETS</b>																		
Cash and cash equivalents	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Accounts receivable	-	-	119,133	-	169,408	-	8,406	-	25,209	-	7,580	-	31,716	-	14	-	361,466	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	\$	-	\$	119,133	\$	169,408	\$	8,406	\$	25,209	\$	7,580	\$	31,716	\$	14	\$	361,466
<b>LIABILITIES AND FUND BALANCES</b>																		
<b>Current liabilities:</b>																		
Accounts payable	\$	-	\$	4,338	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	4,338
Accrued payroll and related liabilities	-	-	57,992	-	69,341	-	2,272	-	2,590	-	7,536	-	-	-	-	-	139,731	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	56,803	-	100,067	-	6,134	-	22,619	-	44	-	31,716	-	14	-	217,397	-
Total liabilities	-	-	119,133	-	169,408	-	8,406	-	25,209	-	7,580	-	31,716	-	14	-	361,466	-
<b>Fund balances:</b>																		
Reserved for:																		
Program requirements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities and fund balances	\$	-	\$	119,133	\$	169,408	\$	8,406	\$	25,209	\$	7,580	\$	31,716	\$	14	\$	361,466

West Bonner County School District No. 83  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund  
Year Ended June 30, 2010

	General Fund	Medical Insurance Fund	Contingency Fund	Supplemental Levy 2006-2008	Supplemental Levy 2008-2010	Supplemental Levy 2009-2010	General Grants Fund	Total General Fund
<b>Revenues:</b>								
Property taxes	\$ 141,034	\$ -	\$ -	\$ -	\$ 666,034	\$ 442,885	\$ -	\$ 1,249,953
Interest and investment earnings	5,271	339	-	-	5,044	683	-	11,337
Other local revenue	117,630	90,457	-	-	-	-	58,445	266,532
State assistance and reimbursements	6,538,198	-	-	-	-	-	62,963	6,601,161
Other federal revenues	1,001,491	-	-	-	-	-	11,248	1,012,739
Total revenues	7,803,624	90,796	-	-	671,078	443,568	132,656	9,141,722
<b>Expenditures:</b>								
Instruction:								
Elementary programs	1,930,538	-	24,656	-	29,642	3,923	40,913	2,029,672
Secondary programs	2,113,185	-	-	-	21,689	4,831	50,515	2,190,220
Alternative school program	104,198	-	-	-	550	250	1,465	106,463
Exceptional child, gifted and talented programs	436,741	-	-	-	6,174	-	2,764	445,679
Interscholastic and school activity programs	2,339	-	-	-	22,090	228,532	-	252,961
Total instruction	4,587,001	-	24,656	-	80,145	237,536	95,657	5,024,995
Support services:								
Attendance, guidance and health	231,782	-	-	-	48,567	-	2,305	282,654
Special services	221,024	-	-	-	-	-	127	221,151
Instruction improvement and educational media	144,899	-	-	13,769	13,997	-	15,623	188,288
District administration	149,684	46,365	-	-	177,623	-	4,339	378,011
School administration	538,178	-	-	-	-	-	-	538,178
Business operations	161,971	-	-	-	-	-	-	161,971
Custodial and maintenance	1,052,401	-	-	-	250,329	-	-	1,302,730
Transportation	499,960	-	-	-	-	20,115	-	520,075
Other educational costs	221,806	-	-	-	92,109	-	1,844	315,759
Total support services	3,221,705	46,365	-	13,769	582,625	20,115	24,238	3,908,817
Child nutrition programs	14,795	-	-	-	-	-	-	14,795
Principal and interest	132,216	-	-	-	-	-	-	132,216
Total expenditures	7,955,717	46,365	24,656	13,769	662,770	257,651	119,895	9,080,823
Excess (deficiency) of revenues over (under) expenditures	(152,093)	44,431	(24,656)	(13,769)	8,308	185,917	12,761	60,899
<b>Special items:</b>								
Transfers from (to) other funds	305,738	(30,000)	(22,887)	-	19,010	(214,800)	(16,790)	40,271
Net changes in fund balances	153,645	14,431	(47,543)	(13,769)	27,318	(28,883)	(4,029)	101,170
Total fund balances, beginning of year	(179,464)	45,118	47,543	13,106	43,933	-	65,359	35,595
Total fund balances, end of year	\$ (25,819)	\$ 59,549	\$ -	\$ (663)	\$ 71,251	\$ (28,883)	\$ 61,330	\$ 136,765

West Bonner County School District No. 83  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
Not-Major Governmental Funds  
Year Ended June 30, 2010

	Child Nutrition Fund	Total Non-Major State Funds	Total Non-Major Federal Funds	Plant Facility Fund	Bus Acquisition Fund	Total Non-Major Governmental Funds
<b>Revenues:</b>						
Other local revenue	\$ 126,430	\$ -	\$ -	\$ -	\$ -	\$ 126,430
State assistance and reimbursements	-	128,217	-	-	-	128,217
National Forest Reserve	-	-	81,782	-	-	81,782
Other federal revenues	474,712	-	1,144,790	-	-	1,619,502
Total revenues	601,142	128,217	1,226,572	-	-	1,955,931
<b>Expenditures:</b>						
Instruction:						
Elementary programs	-	-	386,780	-	-	386,780
Secondary programs	-	35,374	25,209	-	-	60,583
Alternative school program	-	-	12,889	-	-	12,889
Exceptional child, gifted and talented programs	-	-	552,281	-	-	552,281
Total instruction	-	35,374	977,159	-	-	1,012,533
Support services:						
Attendance, guidance and health	-	34,822	10,519	-	-	45,341
Instruction improvement and educational media	-	-	109,912	-	-	109,912
District administration	-	58,348	-	-	-	58,348
School administration	-	-	38,884	-	-	38,884
Other educational costs	-	-	-	-	-	-
Total support services	-	93,170	159,315	-	-	252,485
Non-instruction programs:						
Child nutrition programs	591,514	-	-	-	-	591,514
Community service programs	-	-	2,733	-	-	2,733
Total non-instruction programs	591,514	-	2,733	-	-	594,247
Total expenditures	591,514	128,544	1,139,207	-	-	1,859,265
Excess (deficiency) of revenues over (under) expenditures	9,628	(327)	87,365	-	-	96,666
<b>Special items:</b>						
Proceeds from sales of capital assets	-	-	-	-	-	-
Transfers from (to) other funds	-	-	(87,365)	-	47,094	(40,271)
Net changes in fund balances	9,628	(327)	-	-	47,094	56,395
Total fund balances, beginning of year	8,980	327	-	4,735	-	14,042
Total fund balances, end of year	\$ 18,608	\$ -	\$ -	\$ 4,735	\$ 47,094	\$ 70,437

See accompanying Report of Independent Auditor.

**West Bonner County School District No. 83**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Non-Major State Funds**  
**Year Ended June 30, 2010**

	Start-up Grant Fund	Homeless Grant Fund	Drivers Education Fund	Vocational Education Fund	Technology Grant Fund	State Drug Free Grant Fund	Total Non-Major State Funds
<b>Revenues:</b>							
State assistance and reimbursements	\$ -	\$ 2,049	\$ 8,375	\$ 26,672	\$ 58,348	\$ 32,773	\$ 128,217
Total revenues	-	2,049	8,375	26,672	58,348	32,773	128,217
<b>Expenditures:</b>							
Instruction:							
Secondary programs	327	-	8,375	26,672	-	-	35,374
Total instruction	327	-	8,375	26,672	-	-	35,374
Support services:							
Attendance, guidance and health	-	2,049	-	-	-	32,773	34,822
District administration	-	-	-	-	58,348	-	58,348
Other educational costs	-	-	-	-	-	-	-
Total support services	-	2,049	-	-	58,348	32,773	93,170
Total expenditures	327	2,049	8,375	26,672	58,348	32,773	128,544
Excess (deficiency) of revenues over (under) expenditures	(327)	-	-	-	-	-	(327)
<b>Special items:</b>							
Transfers from (to) other funds	-	-	-	-	-	-	-
Net changes in fund balances	(327)	-	-	-	-	-	(327)
Total fund balances, beginning of year	327	-	-	-	-	-	327
Total fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## West Bonner County School District No. 83

## Combining Statement of Revenue

Year Ended June 30, 2010

[illegible]

**West Bonner County School District No. 83**  
**Schedule of Changes in Student Activity Funds**  
**Year Ended June 30, 2010**

	<b>Balances, June 30, 2009</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Balances, June 30, 2010</b>
Idaho Hill Elementary	\$ 6,215	\$ 5,600	\$ 4,330	\$ 7,485
Priest Lake Elementary	12,612	1,710	6,091	8,231
Priest River Elementary	18,734	32,598	32,418	18,914
Priest River Junior High	13,082	24,619	25,616	12,085
Priest River Lamanna High	99,107	239,246	226,705	111,648
PREP Alternative High School	261	400	402	259
Totals	<u>\$ 150,011</u>	<u>\$ 304,173</u>	<u>\$ 295,562</u>	<u>\$ 158,622</u>



## **Compliance Reports**



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**Report on Compliance and 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  
West Bonner County School District No. 83  
Priest River, Idaho

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Bonner County School District No. 83 ("the District"), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 5, 2010. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 10-1 and 10-2 to be significant deficiencies in internal control over financial reporting.

Our consideration of the District's internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **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*.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

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

*DeCoria, Maichel & Teague, P.S.*

DeCoria, Maichel & Teague, P.S.  
Spokane, Washington

November 5, 2010

**West Bonner County School District No. 83**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2010**

Federal Grantor/ Pass-Through Grantor Program Title	State Pass - Through ID Number	Federal CFDA Number	Expenditures
<b>U.S. Department of Education</b>			
<b>Passed Through State</b>			
<b>Department of Education:</b>			
State Fiscal Stabilization Funds	S394A090013	84.394	\$ 1,001,491
Local Education Agencies Cluster:			
Title I-A - Local Education Agencies	S010A080012	84.010	\$ 101,647
Title I-A - Local Education Agencies	S010A090012	84.010	240,427
Title I-A - School Improvement	S010A070012	84.010A	6,000
ARRA Title I-A - Local Education Agencies	S389A090012	84.389	98,795
			446,869
Title II-A - Teacher Quality	S367A080011	84.367A	18,984
Title II-A - Teacher Quality	S367A090011	84.367A	59,212
ARRA Title II-D - Competitive Technology	S386A090013	84.386	31,716
Title IV-A - Safe and Drug Free Schools	Q186A080013	84.186A	8,057
Title IV-A - Safe and Drug Free Schools	Q186A090013	84.186A	2,462
Title IV-A - Gaining Early Awareness and Readiness for Undergraduate Programs	P334S060003	84.334	47,872
Local Education Agencies Cluster:			
Title VI-B - Federal Special Education K-12	H027A090088	84.027	330,532
ARRA Title VI-B - Federal Special Education K-12	H391A090088	84.391	196,098
Title VI-B - Federal Special Education Preschool	H173A080030	84.173	4,285
Title VI-B - Federal Special Education Preschool	H173A090030	84.173	9,488
ARRA Title VI-B - Federal Special Education Preschool	H392A090030	84.392	11,877
			552,280
Carl Perkins Federal Vocational Education	V048A080012	84.048	25,209
Education of Homeless Children	S196A080013	84.196	1,138
Education of Homeless Children	S196A090013	84.196	911
Total U.S. Department of Education			2,196,201
<b>U.S. Department of Agriculture</b>			
<b>Passed Through State</b>			
<b>Department of Education:</b>			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
USDA National School Lunch Program	2009IN109947	10.555	15,332
USDA National School Lunch Program	2010IN109947	10.555	31,975
Cash Assistance:			
USDA School Breakfast Program	2009IN109947	10.553	10,211
USDA School Breakfast Program	2010IN109947	10.553	97,739
USDA National School Lunch Program	2009IN109947	10.555	26,752
USDA National School Lunch Program	2010IN109947	10.555	249,912
USDA Summer Food Service Program for Children	2009IN109947	10.559	19,545
USDA Summer Food Service Program for Children	2010IN109947	10.559	5,733
USDA Children Nutrition Discretionary Grants	2009IA200347	10.579	8,111
USDA Fresh Fruit and Vegetable Program	2009IL160347	10.582	2,637
USDA Fresh Fruit and Vegetable Program	2010IL160347	10.582	4,625
USDA Fresh Fruit and Vegetable Program	2010CL160347	10.582	2,140
			474,712
Schools and Roads Grants to States (Federal Forest)	--	10.665	81,782
Total U.S. Department of Agriculture			556,494
<b>Total Federal Financial Assistance</b>			<b>\$ 2,752,695</b>

**West Bonner County School District No. 83**  
**Note to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2010**

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of West Bonner County School District No. 83 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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

Board of Trustees  
West Bonner County School District No. 83  
Priest River, Idaho

**Compliance**

We have audited the compliance of West Bonner County School District No. 83 ("the District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, West Bonner County School District No. 83 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

## Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

*DeCoria, Maichel & Teague, P.S.*

DeCoria, Maichel & Teague, P.S.  
Spokane, Washington

November 5, 2010

**West Bonner County School District No. 83  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

**Section I – Summary of Auditor’s Results:**

*Financial Statements*

The report of independent auditor expressed an unqualified opinion on the basic financial statements of West Bonner County School District No. 83.

The audit of the financial statements of West Bonner County School District No. 83 disclosed two significant deficiencies in internal control.

The significant deficiencies in internal control were not considered to be material weaknesses.

The audit disclosed no compliance findings material to the financial statements of West Bonner County School District No. 83.

*Federal Awards*

The audit identified no material weaknesses for internal control over compliance.

The report of independent auditor expressed an unqualified opinion on compliance for major programs.

The audit disclosed no compliance findings that are required to be reported in accordance with Section 510(a) of Circular A-133.

**Identification of Major Programs:**

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.394	State Fiscal Stabilization Funds
	Title I Local Education Agencies Cluster:
84.010	Title I-A – Grants to Local Education Agencies
84.010A	Title I-A – School Improvement
84.389	ARRA Title I-A – Grants to Local Education Agencies
	Special Education Cluster:
84.027	Title VI-B Federal Special Education K-12
84.173	Title VI-BP Federal Special Education Preschool
84.391	ARRA Title VI-B Federal Special Education K-12
84.392	ARRA Title VI-BP Federal Special Education Preschool

The dollar threshold used to distinguish type A and B programs was \$300,000.

The auditee qualified as a high-risk auditee.



**West Bonner County School District No. 83**  
**Schedule of Findings and Questioned Costs, Continued**  
**Year Ended June 30, 2010**

**Section II – Financial Statement Findings:**

This section identifies the significant deficiencies, material weaknesses, and instances of non-compliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**Finding 10-1**

Condition	The size of the District's staff is not large enough to permit an adequate segregation of duties for an effective system of internal control.
Criteria	An effective system of internal control requires that closely related duties be segregated.
Effect	The concentration of closely related duties and responsibilities by a small staff makes it difficult to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records.
Cause	The District's staff is too small to allow adequate segregation of duties.
Recommendation	Although the organization is not large enough to permit an adequate segregation of duties for an effective system of internal accounting control, we recommend that officials be aware that the condition does exist.
Management's Response	Management and the Board of Trustees are aware of this condition and have made a conscious decision to accept the resulting degree of risk because of cost or other considerations.

**West Bonner County School District No. 83**  
**Schedule of Findings and Questioned Costs, Continued**  
**Year Ended June 30, 2010**

**Finding 10-2**

Condition	The District did not implement Governmental Accounting Standards Board (GASB) Statement No. 45 (GASB No. 45), <i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</i> during its fiscal year ended June 30, 2009. As a result, other postemployment benefit obligations, net and expenses were understated by the Annual OPEB cost, less actual contributions made as of and for the year ended June 30, 2009. Because the District does not explicitly contribute towards the cost of these benefits, management assumed that no obligation would be incurred. However, the ability for retirees to obtain coverage at rates similar to active employees constitutes a significant economic benefit to the retirees and GASB No. 45 requires that the District recognize the implicit cost of its retiree postemployment benefit plan during the period of the employee's active employment while the benefits are being earned. Because management was not familiar with the requirements of GASB No. 45, the error was not identified.
Criteria	An effective system of internal controls includes ensuring that all new accounting principles are reviewed and implemented, when applicable, and adjusting the recorded balances, if necessary.
Effect	In connection with performing our audit testing, we proposed a prior period adjustment to correctly state the District's other postemployment benefit obligations, net and the related Annual OPEB cost, less actual contributions made. Statement on Auditing Standards No. 115, <i>Communicating Internal Control Related Matters Identified in an Audit</i> (SAS No. 115), indicates that restatement of previously issued financial statements to reflect the correction of a material misstatement due to error or fraud should at least be regarded as a significant deficiency.
Cause	The District's management did not completely review and implement all new accounting principles, when applicable.
Recommendation	We recommend that procedures for reviewing and implementing all new accounting principles be developed, documented and implemented. The implementation of such procedures should reduce or eliminate the need for audit adjustments.

**West Bonner County School District No. 83**  
**Schedule of Findings and Questioned Costs, Continued**  
**Year Ended June 30, 2010**

**Finding 10-2, Continued**

Management's Response	The District will implement a procedure to review the status of all new accounting principles for applicability to the District and implement policies, when necessary. This should avoid a repeat of the condition discussed in this finding.
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**West Bonner County School District No. 83**  
**Schedule of Findings and Questioned Costs, Continued**  
**Year Ended June 30, 2010**

**Section III – Federal Award Findings and Questioned Costs**

This section identifies the audit findings (significant deficiencies, material weaknesses, and instances of non-compliance, including questioned costs) related to federal awards that are required to be reported in accordance with OMB Circular A-133.

There were no findings in the current year.

**West Bonner County School District No. 83**  
**Status of Prior Year Findings**  
**Year Ended June 30, 2010**

**Finding 09-1**

Condition: The size of the District's staff is not large enough to permit an adequate segregation of duties for an effective system of internal control.

Status: This condition still exists as of June 30, 2010. See Finding 10-1.

**Finding 09-2**

Condition: The District overspent its adopted budget in its General Fund a total of four times.

Status: This condition was corrected during the year ended June 30, 2010.