

West Bonner County School District No. 83

Financial Report

June 30, 2011

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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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a separate report dated October 21, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the schedule of funding progress on pages 3 through 11, 39 and 41, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining general fund and non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining general fund and non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

DeCoria, Maichel & Teague, P.S.

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

October 21, 2011

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

The management's discussion and analysis of the financial performance of West Bonner County School District No. 83 provides an overall narrative review of the District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance. Information contained in this section is supplemented by the more detailed information contained elsewhere in the District's financial statements, notes to financial statements and any accompanying supplementary information. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

The number of students attending West Bonner schools averaged 1,293 students over the entire school year. We began the school year with 1,301 students and ended the year with 1,281 students. Our average daily student attendance generated 72.5 protected units on the July 15th state payment for salary and benefit apportionment. The total reimbursement for last fiscal year was \$3,873,772 for salaries and \$698,828 for benefits.

The 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 voter-approved levies to provide funding for such items as textbooks, technology, teacher training, furniture, buses, school and library supply funds, extra curricular equipment funds and funding facility needs.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$209,838, which represents a 6% increase from fiscal year 2010.
- In the governmental funds, General Fund revenues for fiscal years 2011 and 2010 account for \$8,900,563 and \$9,141,722, or 84% and 83%, of total revenues, respectively. The General Fund consists of the General Fund (Fund 100), Medical Insurance Fund, Contingency Fund, Supplemental Levy Fund, Education Jobs Fund and General Fund Grants. Other state and federal fund revenues, in the form of charges for services and grants and contributions, accounted for \$1,671,739 and \$1,955,931, or 16% and 17%, of total revenues for 2011 and 2010, respectively.
- In the governmental funds, General Fund expenditures account for \$8,755,529 and \$9,080,823 in expenditures, or 84% and 83%, of all expenditures for fiscal years 2011 and 2010 respectively. Other state and federal fund expenditures accounted for \$1,670,760, or 16% of total expenditures, for 2011, and \$1,859,265, or 17% of total expenditures, for 2010.

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

- The General Fund's fund balance was \$294,731 and \$136,765 for fiscal year ending 2011 and 2010 respectively. The General Fund's fund balance increased by \$157,966 from 2010 to 2011.
- Long term debt decreased by \$114,478 from 2010. This decrease was due to the annual payment of long-term debt outstanding. In addition, the liability for compensated absences decreased by \$1,712 for 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-Wide Financial Statements. The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The Statement of Net Assets presents information on all District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The district-wide financial statements outline functions of the District that are principally supported by state revenues, property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instruction, and capital assets programs.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

- **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 left at year-end that are available for funding future basic services. Consequently, the governmental funds financial 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 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, employee's 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.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund.

Additionally, a Schedule of Expenditures of Federal Awards, as required by OMB Circular A-133, can be found in this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net Assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3,458,970 as of June 30, 2011.

By far the largest portion of the District's net assets is invested 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.

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

Table 1 presents the District's summarized statements of net assets for the fiscal years ended June 30, 2011 and 2010.

Table 1
Statements of Net Assets

ASSETS	June 30, 2011	June 30, 2010	% Change
Current Assets	\$1,728,966	\$1,479,952	16.8%
Noncurrent Assets	3,145,583	3,256,757	-3.4%
Total Assets	4,874,549	4,736,709	2.9%
LIABILITIES			
Current Liabilities	1,315,044	1,401,413	-6.2%
Noncurrent Liabilities	100,535	86,164	16.7%
Total Liabilities	1,415,579	1,487,577	-4.8%
NET ASSETS			
Invested in capital assets, net of related debt	3,110,666	3,107,362	0.1%
Restricted for programs	68,271	47,094	45.0%
Restricted for replacement of plant equipment	58,484	4,735	1,135.1%
Designated for specific purposes	205,498	101,254	103.0%
Unrestricted net assets (deficit)	16,051	(11,313)	241.9%
Total Net Assets	\$3,458,970	\$3,249,132	6.5%

Changes in net assets. As shown in **Table 2**, the District relies significantly on state support (65%) for funding of its governmental activities. Additionally, local property tax support accounts for 16% of the District's governmental activities. The District had total revenues of \$10,680,399. Total revenues exceeded total expenditures by \$209,838.

Table 2
Changes in Net Assets

REVENUES	2011	2010
<i>Program Revenues:</i>		
Charges for services	\$108,100	\$126,430
Operating grants and contributions	1,632,100	2,760,458
<i>General Revenue:</i>		
Property taxes, general purposes	1,729,065	1,208,363
State aide, unrestricted	6,907,463	6,601,161
Federal Forest	77,061	81,782
Interest and investment earnings	1,172	11,337
Other local sources	225,438	266,532
Total Revenues	10,680,399	11,056,063

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

Table 2, Continued
Changes in Net Assets

EXPENSES	2011	2010
Instructional services	\$5,716,712	\$6,156,443
Support services	4,189,821	4,068,052
Non-instructional services	531,145	599,651
Capital asset programs	4,785	--
Interest on long-term debt	28,098	18,100
Total Expenses	10,470,561	10,842,246
Loss on disposal of capital assets	--	(84,282)
Change in net assets	209,838	129,535
Net assets, beginning of year	3,249,132	3,119,597
Net assets, end of year	\$3,458,970	\$3,249,132

Governmental Activities. The following table presents the cost of the District's major functional activities: instructional programs, support service programs, non-instruction programs, capital asset program, and principal and interest. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

EXPENDITURES	2011	2010	% Change
Instructional Programs	\$4,649,000	\$5,127,079	-9.3%
Support Service Programs	4,028,607	3,815,894	5.6%
Non-instructional Programs	19,871	(4,224)	570.4%
Capital Asset Program	4,785	--	-100.0%
Interest on Long-Term Debt	28,098	18,100	55.2%
Net Expenses	\$8,730,361	\$8,956,849	-2.5%
REVENUES			
Property taxes	\$1,729,065	\$1,208,363	43.1%
Interest and investment earnings	1,172	11,337	-89.7%
Other local revenue	225,438	266,532	-15.4%
State assistance and reimbursements	6,907,463	6,601,161	4.6%
Other federal revenues	77,061	1,083,273	-92.9%
Net Revenues	\$8,940,199	\$9,170,666	-2.5%

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

Net cost of governmental activities was financed primarily by general revenue, which is made up of primarily state support payments of \$6,907,463 for 2011 and \$6,601,161 for 2010.

Investment earnings accounted for \$1,172 for 2011 and \$11,337 for 2010 of total revenues.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$353,215, an increase of \$146,013, which includes a contingency reserve balance of \$158,992. The contingency reserve balance is a committed fund balance and can be used only for the specific purposes determined by a formal action of the Board of Trustees. The District has restricted fund balances totaling \$126,755 for General Fund grants and bus acquisitions. Restricted fund balance can only be spent on specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The District has an assigned fund balance of \$46,506 for the Medical Insurance Fund and instruction. Assigned fund balances are those balances that are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted or committed. The District also has an unassigned fund balance (deficit) of \$(8,064) within the supplemental levy funds. Unassigned fund balances are the residual portion of fund balances for the District's general fund and include all spendable amounts not included in other classifications.

The General Fund is the principal operating fund of the District. On June 30, 2011, the General Fund had an unassigned fund balance (deficit) of \$(8,064), which is offset by nonspendable fund balance of \$8,064 for prepaid expenses. The net fund balance was due entirely to the voters approving \$150,000 of the 2011-12 supplemental levy to be used for deficit reduction.

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.

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

CAPTIAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. West Bonner County School District No. 83 has \$3,145,583 in capital assets, net of accumulated depreciation and amortization. These assets are made up of a broad range of items including buildings, improvements, transportation equipment and other equipment. The District has a \$5,000 threshold for capitalization of fixed assets. This year's major additions totaled \$212,057 and included building improvements paid by supplemental levy dollars, a bus and other District equipment.

Long-Term Debt. The District has no bonded indebtedness. The District has a total of \$89,961 of long-term debt, which includes \$55,044 of compensated absences, and \$34,917 of capital lease obligations. Capital lease obligations relate to the purchase of equipment under the energy management contract with Johnson Controls.

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

Table 4
Change in Long-Term Debt and
Current Maturities

	Compensated Absences	Capital Leases Payable	Total
Balance, July 1, 2010	\$56,756	\$149,395	\$206,151
Additions	73,649	--	73,649
Retirements/Payments	75,361	114,478	189,839
Balance, June 30, 2011	\$55,044	\$34,917	\$89,961

Additional information on the District's long-term debt can be found in Note 12 included in this report.

CURRENT ISSUES

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

- The District relies solely on state support for salaries, benefits and fixed 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 District's salaries and benefits. Any expenses above state reimbursed salaries and benefits are paid by entitlement funds or *Discretionary Funds* and voter approved supplemental levy funds.

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

- Discretionary Funds are paid through state support to the District on a per unit dollar amount – units are calculated from student average daily attendance. The average entitlement amount paid to school districts since 2000 is \$23,905 per unit, or a 1.21% decrease per unit since 2000. Each year fixed 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 or level. West Bonner County School District must be able to pay for its fixed costs and sometimes the Board must make budget reductions to have a balanced budget. Please see chart below for discretionary 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%
2009-10	25,459.00	(237.00)	-0.92%
2010-11	21,795.00	(3,664.00)	-14.39%
2011-12	19,626.00	(2,169.00)	-9.95%
Average	\$ 23,905.23	\$ (299.27)	-1.21%

- On May 17, 2011 the District's 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 supplemental levy expenditures until such time 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 will fund 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.

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011

- Legislative changes from the 2011 sessions created several laws that significantly impact the operations of the educational system. A significant change to school district funding lies in Idaho Code 33-1004E and the District's salary-based apportionment. The salary-based apportionment shall be adjusted by the following percentages and estimated amounts. These funds are to be re-directed to pay for performance stipends to be awarded to teachers. The District, including the individual schools and teachers, would need to qualify to be able to access these funds. However, the District is still responsible to pay base salaries beyond these reduction amounts. *Note: The loss in funding amount is based upon 2011-12 enrollment figures. This number could increase or decrease as student enrollment varies.*

	Reduction Percentage	Loss in Funding
FY 2012	-1.67%	\$ (68,981.05)
FY 2013	-4.05%	\$ (167,289.38)
FY 2014	-6.30%	\$ (260,227.93)
FY 2015	-6.42%	\$ (265,184.65)
FY 2016	-6.21%	\$ (256,510.39)
FY 2017	-5.74%	\$ (237,096.56)

- Another factor that significantly impacts the financial operations of school finance is the legislative change made under Idaho Code 33-1004, section H. This law states that the District may employ fewer positions than funded without a reduction in the number of funded positions being imposed, subject to the following percentages: FY 2012 = 6%, FY 2013 = 8%, and FY 2014 and each year thereafter = 10%. This law allows the District to hire fewer teachers than the student/teacher ratio reimbursed. The District is then allowed to use the funds that would have been paid to these teachers as District discretionary funds. This means that funding reductions are forcing the District to implement more online courses and hire fewer teachers. This change in the law may have significant bearing in future years as discretionary funds are decreased or remain flat. Districts will be forced to implement this portion of the law just to pay necessary expenditures such as utilities and fuel costs.

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 Buttrey, Business Manager
DebraButtrey@westbonnerschools.org
134 Main Street
Priest River, Idaho 83856
(208) 448-4439

West Bonner County School District No. 83
Statement of Net Assets - District-Wide
June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents (Note 6)	\$ 109,856
Receivables (Note 7)	1,590,084
Prepaid expenses	8,064
Inventory	<u>20,962</u>
Total current assets	<u>1,728,966</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation and amortization (Note 8)	<u>3,145,583</u>
Total noncurrent assets	<u>3,145,583</u>
Total assets	<u>4,874,549</u>
LIABILITIES	
Current liabilities:	
Accounts payable	94,381
Accrued payroll and related liabilities	1,129,532
Deferred revenue	1,170
Accrued compensated absences, due within one year (Note 12)	55,044
Capital lease obligations, due within one year (Note 12)	<u>34,917</u>
Total current liabilities	<u>1,315,044</u>
Noncurrent liabilities:	
Other postemployment benefit obligations, net (Note 13)	<u>100,535</u>
Total noncurrent liabilities	<u>100,535</u>
Total liabilities	<u>1,415,579</u>
Commitments and contingencies (Notes 14, 15 and 17)	
NET ASSETS	
Invested in capital assets, net of related debt	3,110,666
Restricted for program requirements	68,271
Restricted for replacement of plant equipment	58,484
Designated for specific purposes	46,506
Unrestricted net assets	<u>175,043</u>
Total net assets	<u>\$ 3,458,970</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, 2011

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Elementary programs	\$ 2,398,981	\$ -	\$ 379,939	\$ (2,019,042)
Secondary programs	2,087,214	-	74,780	(2,012,434)
Alternative school program	105,813	-	-	(105,813)
Exceptional child, gifted and talented programs	884,341	-	448,471	(435,870)
Interscholastic and school activity programs	240,363	-	164,522	(75,841)
Total instruction	5,716,712	-	1,067,712	(4,649,000)
Support services:				
Attendance, guidance and health	144,020	-	2,777	(141,243)
Special services	256,789	-	-	(256,789)
Instruction improvement and educational media	523,792	-	114,239	(409,553)
District administration	264,016	-	4,071	(259,945)
School administration	505,469	-	40,127	(465,342)
Business operations	172,134	-	-	(172,134)
Custodial and maintenance	1,163,423	-	-	(1,163,423)
Transportation	690,552	-	-	(690,552)
Other educational costs	469,626	-	-	(469,626)
Total support services	4,189,821	-	161,214	(4,028,607)
Non-instruction programs:				
Child nutrition programs	529,154	108,100	401,183	(19,871)
Community service programs	1,991	-	1,991	-
Total non-instruction programs	531,145	108,100	403,174	(19,871)
Capital asset programs	4,785	-	-	(4,785)
Interest on long-term debt	28,098	-	-	(28,098)
Total governmental activities	\$ 10,470,561	\$ 108,100	\$ 1,632,100	(8,730,361)
General revenue:				
Property taxes, general purposes				1,729,065
Interest and investment earnings				1,172
Other local sources				225,438
State aid, unrestricted				6,907,463
Federal forest				77,061
Total general revenue				8,940,199
Change in net assets				209,838
Total net assets, beginning of year				3,249,132
Total net assets, end of year				\$ 3,458,970

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

West Bonner County School District No. 83
Balance Sheet - Governmental Funds
June 30, 2011

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 34,174	\$ 75,682	\$ 109,856
Receivables	1,232,569	357,515	1,590,084
Prepaid expenses	8,064	-	8,064
Inventory	-	20,962	20,962
Due from other funds	269,847	-	269,847
Total assets	<u>\$ 1,544,654</u>	<u>\$ 454,159</u>	<u>\$ 1,998,813</u>
LIABILITIES AND FUND BALANCES			
Current liabilities:			
Accounts payable	\$ 94,203	\$ 178	\$ 94,381
Accrued payroll and related liabilities	968,366	161,166	1,129,532
Deferred revenue	150,668	1,170	151,838
Due to other funds	36,686	233,161	269,847
Total liabilities	<u>1,249,923</u>	<u>395,675</u>	<u>1,645,598</u>
Fund balances:			
Nonspendable:			
Prepaid expenses	8,064	-	8,064
Inventories	-	20,962	20,962
Restricted for:			
Program requirements	89,233	(20,962)	68,271
Replacement of plant equipment	-	58,484	58,484
Committed for:			
Unforeseen expenditures	158,992	-	158,992
Assigned to:			
Instruction	2,481	-	2,481
Support services	44,025	-	44,025
Unassigned	(8,064)	-	(8,064)
Total fund balances	<u>294,731</u>	<u>58,484</u>	<u>353,215</u>
Total liabilities and fund balances	<u>\$ 1,544,654</u>	<u>\$ 454,159</u>	<u>\$ 1,998,813</u>

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

West Bonner County School District No. 83
Reconciliation of the Balance Sheet - Governmental Funds
with the Statement of Net Assets - District-Wide
June 30, 2011

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

Total fund balances - Governmental Funds	\$	353,215	
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.			150,668
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	\$	12,333,457	
Accumulated depreciation is		(9,187,874)	
			3,145,583
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		(55,044)	
Capital lease obligations, due within one year		(34,917)	
Other postemployment benefit obligations, net		(100,535)	
			(190,496)
Total net assets - District-Wide	\$	3,458,970	

West Bonner County School District No. 83**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds**
Year Ended June 30, 2011

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 1,620,968	\$ -	\$ 1,620,968
Interest and investment earnings	1,172	-	1,172
Other local revenue	225,438	108,100	333,538
State assistance and reimbursements	6,888,463	50,115	6,938,578
National Forest Reserve	-	77,061	77,061
Other federal revenues	164,522	1,436,463	1,600,985
Total revenues	8,900,563	1,671,739	10,572,302
Expenditures:			
Instruction:			
Elementary programs	1,894,424	369,447	2,263,871
Secondary programs	2,020,292	74,780	2,095,072
Alternative school program	105,044	-	105,044
Exceptional child, gifted and talented programs	435,870	448,471	884,341
Interscholastic and school activity programs	240,363	-	240,363
Total instruction	4,695,993	892,698	5,588,691
Support services:			
Attendance, guidance and health	141,243	2,777	144,020
Special services	256,789	-	256,789
Instruction improvement and educational media	406,932	114,239	521,171
District administration	252,681	4,071	256,752
School administration	465,342	40,127	505,469
Business operations	172,134	-	172,134
Custodial and maintenance	1,176,858	-	1,176,858
Transportation	560,777	-	560,777
Other educational costs	469,626	-	469,626
Total support services	3,902,382	161,214	4,063,596
Non-instruction programs:			
Child nutrition programs	14,528	534,122	548,650
Community service programs	-	1,991	1,991
Total non-instruction programs	14,528	536,113	550,641
Capital asset programs	50	80,735	80,785
Principal and interest	142,576	-	142,576
Total expenditures	8,755,529	1,670,760	10,426,289
Excess of revenues over expenditures	145,034	979	146,013
Special items:			
Transfers from (to) other funds	12,932	(12,932)	-
Net changes in fund balances	157,966	(11,953)	146,013
Total fund balances, beginning of year	136,765	70,437	207,202
Total fund balances, end of year	\$ 294,731	\$ 58,484	\$ 353,215

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

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, 2011

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

Net changes in fund balances - Governmental Funds	\$ 146,013
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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 increase in deferred tax revenues during the 2011 fiscal year is an adjustment.

108,097

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 earned exceeded compensated absences and other postemployment benefits paid by \$47,576.

(47,576)

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, \$323,231, exceeds capital outlays, \$212,057, during the current fiscal year.

(111,174)

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	114,478
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Change in net assets - District-Wide	<u>\$ 209,838</u>
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West Bonner County School District No. 83
Statement of Net Assets - Fiduciary Funds
June 30, 2011

	Student Scholarship Fund	AFLAC Cafeteria Plan Fund	Student Activity Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,369	\$ 20,669	\$ 137,380
Total assets	<u>1,369</u>	<u>20,669</u>	<u>137,380</u>
LIABILITIES			
Current liabilities:			
Deposits due to employees	-	\$ 20,669	\$ -
Due to student groups	-	-	137,380
Total liabilities	<u>-</u>	<u>20,669</u>	<u>137,380</u>
NET ASSETS			
Held for benefit of others	<u>\$ 1,369</u>		

West Bonner County School District No. 83
Statement of Changes in Net Assets - Fiduciary Funds
Year Ended June 30, 2011

	Student Scholarship Fund
Additions:	
Contributions	\$ 250
Interest and investment earnings	1
Total additions	251
Deductions:	
Scholarships paid	125
Total deductions	125
Change in net assets	126
Net assets, beginning of year	1,243
Net assets, end of year	<u>\$ 1,369</u>

West Bonner County School District No. 83
Notes to Financial Statements
June 30, 2011

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

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* (GASB No. 34) defines the financial reporting requirements and the reporting model for the annual financial reports of state and local governments. 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.

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.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2011

2. District-Wide and Fund Financial Statements, Continued

District-Wide Financial Statements, Continued

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.

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.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2011

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

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 unassigned 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.

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.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2011

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, 2011, 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:

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. Additionally, deposits in the State of Idaho Treasurer's Local Government Investment Pool (LGIP) are available to the District on demand and, accordingly, are considered to be cash equivalents.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2011

5. Summary of Significant Accounting Policies, Continued

Investments

The District invests in the 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.

Receivables

Receivables shown on the governmental fund financial statements are recognized as revenue for which payment was received within 60 days after the financial statement date. All receivables, regardless of when they are collected, are recognized as revenue 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.

Capital Assets

Capital assets are reported in the district-wide financial statements and 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

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2011

5. Summary of Significant Accounting Policies, Continued

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. 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.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2011

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 March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* (GASB No. 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB No. 54, which became effective for fiscal years beginning after June 15, 2010, requires the fund balance amounts to be properly reported within one of the following fund balance classifications (also, see Note 16):

Nonspendable: The portion of fund balance that is not expected to be converted to cash, such as inventories and prepaid expenses, if any;

Restricted: The portion of fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation;

Committed: The portion of fund balance that can be used only for the specific purposes determined by a formal action of the District's Board of Trustees (the District's highest level of decision-making authority);

Assigned: The portion of fund balance that is intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted or committed; and

Unassigned: The residual portion of fund balance for the District's General Fund and includes all spendable amounts not included in the other classifications.

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 formal budgetary integration in the General Fund. Encumbrances outstanding at fiscal year-end are reported as fund balance since they do not constitute expenditures or liabilities. An appropriation equal to the outstanding year-end encumbrance is made in the succeeding year. Unspent appropriations lapse at year-end.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2011

5. Summary of Significant Accounting Policies, Continued

Encumbrances, Continued

The District's encumbrance policy is for fiscal year-end individual encumbrances exceeding \$50,000 to be considered significant encumbrances. All encumbrances outstanding at year-end are reported either as committed fund balance or assigned fund balance in the General Fund, or as restricted fund balance in other funds, if any (see Note 16). At June 30, 2011, there were no significant encumbrances.

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.

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, 2011 are recorded as deferred revenue.

Use of Restricted Resources and Fund Balance Spending Policy

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

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then, restricted fund balances for specific purposes are determined (not including nonspendable amounts). Then, any remaining fund balance amounts for the non-general funds are classified as restricted fund balance.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2011

5. Summary of Significant Accounting Policies, Continued

Use of Restricted Resources and Fund Balance Spending Policy, Continued

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

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 October 21, 2011, the date as of which these financial statements are issued. With the exception of the item described in Note 11, no material subsequent events have occurred since June 30, 2011 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. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's bank deposits in interest-bearing accounts at each financial institution were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at June 30, 2011. In addition, all non-interest bearing accounts are fully covered by FDIC.

The carrying amount of cash and cash equivalents at June 30, 2011 appears in the financial statements as summarized below:

Cash and cash equivalents, Statement of Net Assets – District-Wide	\$ 109,856
Cash and cash equivalents, Statement of Net Assets – Fiduciary Funds	<u>159,418</u>
	<u>\$ 269,274</u>

Bank balances at June 30, 2011 totaled \$357,908. 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, 2011. At June 30, 2011, all of the District bank balances were fully insured by FDIC.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2011

7. Receivables

Receivables as of June 30, 2011 are as follows:

Property taxes receivable	\$ 519,782
Delinquent property taxes receivable	150,668
State support receivable	476,644
Grants receivable	426,020
Accounts receivable	<u>16,970</u>
Total receivables	<u>\$ 1,590,084</u>

Property taxes receivable consist of property taxes received within the first 60 days after June 30, 2011.

Delinquent property taxes receivable consist of property taxes levied but not collected as of June 30, 2011, or within 60 days after June 30, 2011. 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 2011.

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 2011.

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

8. Capital Assets

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

	Balance June 30, 2010	Additions	Transfers	Disposals	Balance June 30, 2011
Buildings, building improvements and portable units	\$ 9,313,035	\$ 110,509	\$ --	\$ --	\$ 9,423,544
Furniture and equipment	1,066,201	25,548	--	--	1,091,749
Buses	1,508,823	76,000	--	--	1,584,823
Other vehicles	<u>63,290</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>63,290</u>
Capital assets in service	11,951,349	212,057	--	--	12,163,406
Accumulated depreciation	<u>(8,864,643)</u>	<u>(323,231)</u>	<u>--</u>	<u>--</u>	<u>(9,187,874)</u>
	3,086,706	(111,174)	--	--	2,975,532
Land	<u>170,051</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>170,051</u>
Total capital assets	<u>\$ 3,256,757</u>	<u>\$ (111,174)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,145,583</u>

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2011

8. Capital Assets, Continued

Capital assets used by governmental activities include leased equipment with a cost of \$892,099 and accumulated amortization of \$392,524 at June 30, 2011 (see Note 12).

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

Instructional services:	
Elementary program	\$ 87,534
Secondary program	86,370
Alternative school program	<u>769</u>
	<u>174,673</u>
Support services:	
Instruction improvement and education media	8,066
District administration	7,264
Custodial and maintenance	2,846
Transportation	<u>129,775</u>
	<u>147,951</u>
Non-instruction programs:	
Child nutrition	<u>607</u>
	<u>\$ 323,231</u>

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, 2011 are summarized as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Vocational Education Fund	\$ 7,441
General Fund	Homeless Grant Fund	55
General Fund	Title I-A	66,903
General Fund	Education Jobs Fund	36,686
General Fund	Title II-A Fund	49,965
General Fund	Title VI Part B Fund	77,666
General Fund	Title VI Part B Preschool Fund	2,287
General Fund	Carl Perkins Fund	28,844

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2011

10. Interfund Transfers

Interfund transfers for the year ended June 30, 2011 are summarized as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Reason</u>	<u>Amount</u>
Supplemental Levy 10-11	General Fund	Transfer Levy balances	\$ 612,368
Supplemental Levy 10-11	Supp Levy 11-12	Transfer Levy balances	73,980
Supplemental Levy 09-10	Supp Levy 11-12	Transfer Levy balances	201
General Fund	Contingency Fund	Designate for contingency	305,646
General Fund	Bus Acquisition	Purchase of bus	68,390
General Fund	Supp Levy 10-11	State reduction of salaries	40,380
General Fund	Child Nutrition	Cover excess costs	6,231
Forest Fund	General Fund	Craig Wyden Forest Funds	77,061
Medical Insurance Fund	General Fund	Board approved transfer	30,000
Supplemental Levy 11-12	General Grants Fund	Transfer grant funds	8,005
General Grants Fund	General Fund	Close out old grants	1,348
Supplemental Levy 08-10	Supp Levy 11-12	Close out 2008-2010 Levy Fund	7,275
Supplemental Levy 08-10	General Grants Fund	Close out 2008-2010 Levy Fund	1,037
Supplemental Levy 08-10	General Fund	Close out 2008-2010 Levy Fund	56
Title I-A	General Fund	Indirect cost	6,975
Title VI-B	General Fund	Indirect cost	3,494
Title VI-BP	General Fund	Indirect cost	23
Contingency Fund	General Fund	Cover excess costs	146,654

11. Short-Term Borrowings

During 2011, the District borrowed \$400,000 from Wells Fargo under a short-term borrowing agreement. During 2011, the District paid principal and interest, totaling \$404,722, which reduced the balance of the outstanding short-term borrowings to zero. At June 30, 2011, the District had no short-term borrowings outstanding.

Additionally, subsequent to June 30, 2011, the District borrowed \$400,000 from Wells Fargo under a short-term borrowing agreement. During July 2011, the District paid principal and interest, totaling \$400,611, which reduced the balance of the outstanding short-term borrowings to zero.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2011

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:

Future minimum lease payments due during 2012	\$ 35,268
Less amount representing interest	<u>(351)</u>
Present value of net minimum lease payments	34,917
Less amount due within one year	<u>(34,917)</u>
Amount due after one year	<u>\$ --</u>

Interest expense recorded associated with the capital lease obligations totaled \$4,577 for the year ended June 30, 2011.

A summary of changes in long-term obligations of the District for the year ended June 30, 2011 is as follows:

	Long-Term Obligations June 30, 2010	Long-Term Obligations Incurred	Long-Term Obligations Paid	Long-Term Obligations June 30, 2011	Due Within One Year
Capital lease obligations	\$ 149,395	\$ --	\$ (114,478)	\$ 34,917	\$ 34,917
Accrued compensated absences	<u>56,756</u>	<u>73,649</u>	<u>(75,361)</u>	<u>55,044</u>	<u>55,044</u>
	<u>\$ 206,151</u>	<u>\$ 73,649</u>	<u>\$ (189,839)</u>	<u>\$ 89,961</u>	<u>\$ 89,961</u>

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.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2011

13. Other Postemployment Benefits, Continued

Beginning in fiscal year 2010, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 45 (GASB No. 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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. The District does not explicitly contribute towards the cost of these benefits for retirees.

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

Funding Policy

As required by GASB No. 45, an actuary determines 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.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2011

13. Other Postemployment Benefits, Continued

Funding Policy, Continued

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, 2011, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contributions	\$ 90,958
Interest on net OPEB obligation	2,178
Adjustment to annual required contributions	<u>(2,050)</u>
Annual OPEB cost	91,086
Contributions made ⁽¹⁾	<u>(41,798)</u>
Increase in net OPEB obligation	49,288
Net OPEB obligation, beginning of year	<u>51,247</u>
Net OPEB obligation, end of year	<u>\$ 100,535</u>

The District's annual OPEB cost, the actual contribution, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended June 30, 2011, 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, 2011	\$ 91,086	\$ 41,798	45.89%	\$ 100,535
June 30, 2010	125,284	174,623	139.38%	51,247
June 30, 2009	119,890	19,304	16.10%	100,586

⁽¹⁾Calculated as an implicit rate subsidy of \$158 per retiree per month multiplied by 264 retiree-months of coverage during the year. The total of \$41,798 is credited against the District's cost to provide health insurance for active employees for the fiscal year ended June 30, 2011.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2011

13. Other Postemployment Benefits, Continued

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, 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, 2010	\$ --	\$657,446	\$657,446	0.00%	\$6,181,194	10.64%

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 Schedule of Funding Progress, presented as required supplementary information on page 41, presents 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, 2010. 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 1.3% and 14.5% for plan years 2010 and 2011, respectively, based on actual plan renewal rates, with plan year 2012 having a medical cost trend rate of 8.5%, reduced by decrements to an ultimate rate of 5.0% after 7 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, 2011 was 25 years.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2011

13. Other Postemployment Benefits, Continued

Actuarial Methods and Assumptions, Continued

Several factors have caused the Actuarial Accrued Liability (AAL) to change since the initial valuation date of July 1, 2009. These factors include, but are not limited to, the passage of time; increases in healthcare premiums greater than anticipated; changes in actuarial methods and assumptions; and changes in plan eligibility and benefit provisions. The estimated changes in the AAL from July 1, 2008 to July 1, 2010, the two most recent valuation dates, are summarized as follows:

Actuarial accrued liability as of July 1, 2008	\$ 757,500
Claim cost experience change	(255,454)
Retiree contribution change	(42,209)
Census and other changes	<u>197,609</u>
Actuarial accrued liability as of July 1, 2010	<u>\$ 657,446</u>

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 to 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, 2011, 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 \$622,311, \$651,284 and \$682,211 for the three years ended June 30, 2011, 2010 and 2009, respectively.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2011

15. Commitments and Contingencies

Operating Leases

The District has entered into certain office equipment leases, which are accounted for as operating leases. The leases require monthly payments ranging from \$611 to \$1,298 and have remaining terms of three years. Rent expense for the year ended June 30, 2011 was \$29,900.

Future minimum rental payments required under office equipment operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2011 are as follows.

Year Ending June 30,

2012	\$ 35,880
2013	35,880
2014	5,980

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.

Grants and Contracts

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, 2011 may be impaired. Based on prior experience, the District's administration believes such amounts, if any, would be immaterial.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2011

16. Fund Equity

GASB 54 requires the fund balance amounts to be properly reported within one of five categories (see Note 5). Specific amounts reported as committed and assigned are summarized below:

Committed: The District's Committed Fund Balance is fund balance reporting required by the District's Board of Trustees, either because of a Board policy or because of motions that passed at Board meetings. At June 30, 2011, there were no portions of fund balance reported as committed as a result of Board policies or as a result of motions passed at Board meetings.

Assigned: The District's Assigned Fund Balance is fund balance reporting occurring by the Board administration authority, as designated by the District's superintendent. At June 30, 2011, amounts reported as Assigned Fund Balance represent General Fund amounts available to be used on District expenditures in accordance with the above policy.

Restrictions of net assets reported in the district-wide financial statements are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific restrictions on net assets are summarized below:

Replacement of Plant Equipment: The amount is restricted for capital outlay expenditures, in accordance with Idaho State statutes.

Programs: The amount is restricted for expenditures in accordance with the terms and conditions specified in the grant and contract agreements.

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.

Required Supplementary Information

West Bonner County School District No. 83
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2011

	Budgeted Amounts		Actual Modified Accrual Basis	Variances	
				Positive/(Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Property taxes	\$ 1,644,699	\$ 1,647,196	\$ 1,620,968	\$ 2,497	\$ (26,228)
Interest and investment earnings	10,000	1,000	1,172	(9,000)	172
Other local revenue	77,417	359,327	225,438	281,910	(133,889)
State assistance and reimbursements	6,694,164	6,942,781	6,888,463	248,617	(54,318)
Other federal revenues	285,515	324,633	164,522	39,118	(160,111)
Total revenues	8,711,795	9,274,937	8,900,563	563,142	(374,374)
Expenditures:					
Instruction:					
Elementary programs	1,918,837	1,919,925	1,894,424	(1,088)	25,501
Secondary programs	2,079,941	2,058,207	2,020,292	21,734	37,915
Alternative school program	106,275	105,267	105,044	1,008	223
Exceptional child, gifted and talented programs	499,591	441,215	435,870	58,376	5,345
Interscholastic and school activity programs	240,051	238,688	240,363	1,363	(1,675)
Total instruction	4,844,695	4,763,302	4,695,993	81,393	67,309
Support services:					
Attendance, guidance and health	158,636	155,079	141,243	3,557	13,836
Special services	207,602	257,248	256,789	(49,646)	459
Instruction improvement and educational media	200,218	409,258	406,932	(209,040)	2,326
District administration	229,816	216,059	252,681	13,757	(36,622)
School administration	494,246	465,347	465,342	28,899	5
Business operations	172,472	180,697	172,134	(8,225)	8,563
Custodial and maintenance	1,132,014	1,189,134	1,176,858	(57,120)	12,276
Transportation	490,727	550,729	560,777	(60,002)	(10,048)
Other educational costs	668,842	659,530	469,626	9,312	189,904
Total support services	3,754,573	4,083,081	3,902,382	(328,508)	180,699
Child nutrition programs	15,000	14,529	14,528	471	1
Capital asset programs	-	-	50	-	(50)
Principal and interest	126,697	142,577	142,576	(15,880)	1
Total expenditures	8,740,965	9,003,489	8,755,529	(262,524)	247,960
Excess (deficiency) of revenues over (under) expenditures	(29,170)	271,448	145,034	825,666	(126,414)
Special items:					
Transfers from (to) other funds	(166,040)	(337,529)	12,932	(171,489)	(350,461)
Net change in fund balance	(195,210)	(66,081)	157,966	654,177	(476,875)
Total fund balance, beginning of year	195,210	66,081	136,765	(129,129)	70,684
Total fund balance, end of year	\$ -	\$ -	\$ 294,731	\$ 525,048	\$ (406,191)

West Bonner County School District No. 83
Notes to Budgetary Comparison Schedule
June 30, 2011

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 39 discloses five instances 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
Schedule of Funding Progress - Other Postemployment Benefits
June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	\$ 757,500	\$ 757,500	0.00%	\$ 6,364,467	11.90%
July 1, 2010	-	657,446	657,446	0.00%	6,181,194	10.64%

West Booner County School District No. 83
Combining Balance Sheet - General Fund
June 30, 2011

ASSETS

	General Fund	Medical Insurance Fund	Contingency Fund	Supplemental Levy 2008-2010	Supplemental Levy 2009-2010	Supplemental Levy 2010-2011	Supplemental Levy 2011-2012	Education Jobs Fund	General Grants Fund	Total General Fund
Cash and cash equivalents	\$ 143,108	\$ 60,211	\$ 158,992	\$ 16,643	\$ (12,022)	\$ (478,814)	\$ 67,291	\$ -	\$ 78,765	\$ 34,174
Receivables	694,955	-	-	8,130	2,695	458,285	-	50,504	18,000	1,232,569
Prepaid expenses	8,064	-	-	-	-	-	-	-	-	8,064
Due from other funds	269,847	-	-	-	-	-	-	-	-	269,847
Total assets	\$ 1,115,974	\$ 60,211	\$ 158,992	\$ 24,773	\$ (9,327)	\$ (20,529)	\$ 67,291	\$ 50,504	\$ 96,765	\$ 1,544,654

LIABILITIES AND FUND BALANCES

Current liabilities:

Accounts payable	\$ 93,994	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 209	\$ 94,203
Accrued payroll and related liabilities	871,312	16,186	-	-	-	59,727	-	13,818	7,323	968,366
Deferred revenue	150,668	-	-	-	-	-	-	-	-	150,668
Due to other funds	-	-	-	-	-	-	-	36,686	-	36,686
Total liabilities	1,115,974	16,186	-	-	-	59,727	-	50,504	7,532	1,249,923

Fund balances:

Nonspendable:										
Prepaid expenses	8,064	-	-	-	-	-	-	-	-	8,064
Restricted for:										
Program requirements	-	-	-	-	-	-	-	-	89,233	89,233
Committed for:										
Unforeseen expenditures	-	-	158,992	-	-	-	-	-	-	158,992
Assigned to:										
Instruction	-	-	-	24,773	(9,327)	(80,256)	67,291	-	-	2,481
Support services	-	44,025	-	-	-	-	-	-	-	44,025
Unassigned	(8,064)	-	-	-	-	-	-	-	-	(8,064)
Total fund balances	-	44,025	158,992	24,773	(9,327)	(80,256)	67,291	-	89,233	294,731
Total liabilities and fund balances	\$ 1,115,974	\$ 60,211	\$ 158,992	\$ 24,773	\$ (9,327)	\$ (20,529)	\$ 67,291	\$ 50,504	\$ 96,765	\$ 1,544,654

West Bonner County School District No. 83
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2011

ASSETS						
	Total Non-Major State Funds	Total Non-Major Federal Funds	Child Nutrition Fund	Plant Facility Fund	Bus Acquisition Fund	Total Non-Major Governmental Funds
Cash and cash equivalents	\$ 1,170	\$ 1,470	\$ 14,558	\$ -	\$ 58,484	\$ 75,682
Receivables	8,726	348,334	455	-	-	357,515
Inventory	-	-	20,962	-	-	20,962
Due from other funds	-	-	-	-	-	-
Total assets	\$ 9,896	\$ 349,804	\$ 35,975	\$ -	\$ 58,484	\$ 454,159
LIABILITIES AND FUND BALANCES						
Current liabilities:						
Accounts payable	\$ -	\$ -	\$ 178	\$ -	\$ -	\$ 178
Accrued payroll and related liabilities	1,230	124,139	35,797	-	-	161,166
Deferred revenue	1,170	-	-	-	-	1,170
Due to other funds	7,496	225,665	-	-	-	233,161
Total liabilities	9,896	349,804	35,975	-	-	395,675
Fund balances:						
Nonspendable:						
Inventories	-	-	20,962	-	-	20,962
Restricted for:						
Program requirements	-	-	(20,962)	-	-	(20,962)
Replacement of plant equipment	-	-	-	-	58,484	58,484
Total fund balances	-	-	-	-	58,484	58,484
Total liabilities and fund balances	\$ 9,896	\$ 349,804	\$ 35,975	\$ -	\$ 58,484	\$ 454,159

West Bonner County School District No. 83
Combining Balance Sheet - Non-Major State Funds
June 30, 2011

ASSETS							Total
	Start-up Grant Fund	Homeless Grant Fund	Drivers Education Fund	Vocational Education Fund	Technology Grant Fund	Non-Major State Funds	
Cash and cash equivalents	\$ 1,170	\$ -	\$ -	\$ -	\$ -	\$ -	1,170
Receivables	-	55	-	8,671	-	-	8,726
Total assets	\$ 1,170	\$ 55	\$ -	\$ 8,671	\$ -	\$ -	9,896
LIABILITIES AND FUND BALANCES							
Current liabilities:							
Accrued payroll and related liabilities	\$ -	\$ -	\$ -	\$ 1,230	\$ -	\$ -	1,230
Deferred revenue	1,170	-	-	-	-	-	1,170
Due to other funds	-	55	-	7,441	-	-	7,496
Total liabilities	1,170	55	-	8,671	-	-	9,896
Fund balances:							
Restricted for:							
Program requirements	-	-	-	-	-	-	-
Total fund balances	-	-	-	-	-	-	-
Total liabilities and fund balances	\$ 1,170	\$ 55	\$ -	\$ 8,671	\$ -	\$ -	9,896

West Bonner County School District No. 83
Combining Balance Sheet - Non-Major Federal Funds
June 30, 2011

ASSETS									
	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
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,470	\$ 1,470
Receivables	-	119,228	145,530	4,551	29,060	49,965	-	-	348,334
Total assets	\$ -	\$ 119,228	\$ 145,530	\$ 4,551	\$ 29,060	\$ 49,965	\$ -	\$ 1,470	\$ 349,804
LIABILITIES AND FUND BALANCES									
Current liabilities:									
Accrued payroll and related liabilities	\$ -	\$ 52,325	\$ 67,864	\$ 2,264	\$ 216	\$ -	\$ -	\$ 1,470	\$ 124,139
Due to other funds	-	66,903	77,666	2,287	28,844	49,965	-	-	225,665
Total liabilities	-	119,228	145,530	4,551	29,060	49,965	-	1,470	349,804
Fund balances:									
Restricted for:	-	-	-	-	-	-	-	-	-
Program requirements	-	-	-	-	-	-	-	-	-
Total fund balances	-	-	-	-	-	-	-	-	-
Total liabilities and fund balances	\$ -	\$ 119,228	\$ 145,530	\$ 4,551	\$ 29,060	\$ 49,965	\$ -	\$ 1,470	\$ 349,804

West Bonner County School District No. 83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund
Year Ended June 30, 2011

	General Fund	Medical Insurance Fund	Contingency Fund	Supplemental Levy 2008-2010	Supplemental Levy 2009-2010	Supplemental Levy 2010-2011	Supplemental Levy 2011-2012	Education Jobs Fund	General Grants Fund	Total General Fund
Revenues:										
Property taxes	\$ 134,282	\$ -	\$ -	\$ 50,189	\$ 25,824	\$ 1,410,673	\$ -	\$ -	\$ -	\$ 1,620,968
Interest and investment earnings	915	257	-	-	-	-	-	-	-	1,172
Other local revenue	139,836	61,071	-	-	-	-	-	-	24,531	225,438
State assistance and reimbursements	6,861,432	-	-	-	-	-	-	-	27,031	6,888,463
Other federal revenues	-	-	-	-	-	-	-	118,359	46,163	164,522
Total revenues	7,136,465	61,328	-	50,189	25,824	1,410,673	-	118,359	97,725	8,900,563
Expenditures:										
Instruction:										
Elementary programs	1,806,988	-	-	47,708	1,840	12,195	-	-	25,693	1,894,424
Secondary programs	1,957,381	-	-	7,998	257	16,762	-	-	37,894	2,020,292
Alternative school program	104,235	-	-	54	-	553	-	-	202	105,044
Exceptional child, gifted and talented programs	425,821	-	-	205	-	5,611	-	-	4,233	435,870
Interscholastic and school activity programs	388	-	-	2,727	-	237,248	-	-	-	240,363
Total instruction	4,294,813	-	-	58,692	2,097	272,369	-	-	68,022	4,695,993
Support services:										
Attendance, guidance and health	92,271	-	-	12,285	-	36,687	-	-	-	141,243
Special services	256,789	-	-	-	-	-	-	-	-	256,789
Instruction improvement and educational media	120,082	-	-	2,934	-	268,975	5,447	-	9,494	406,932
District administration	138,634	46,852	-	8,279	-	58,916	-	-	-	252,681
School administration	465,342	-	-	-	-	-	-	-	-	465,342
Business operations	160,693	-	-	-	-	11,441	-	-	-	172,134
Custodial and maintenance	1,044,520	-	-	6,109	-	126,229	-	-	-	1,176,858
Transportation	517,731	-	-	-	3,970	39,076	-	-	-	560,777
Other educational costs	319,999	-	-	-	-	31,268	-	118,359	-	469,626
Total support services	3,116,061	46,852	-	29,607	3,970	572,592	5,447	118,359	9,494	3,902,382
Child nutrition programs	14,528	-	-	-	-	-	-	-	-	14,528
Capital asset programs	-	-	-	-	-	-	50	-	-	50
Principal and interest	142,576	-	-	-	-	-	-	-	-	142,576
Total expenditures	7,567,978	46,852	-	88,299	6,067	844,961	5,497	118,359	77,516	8,755,579
Excess (deficiency) of revenues over (under) expenditures	(431,513)	14,476	-	(38,110)	19,757	565,712	(5,497)	-	20,209	145,034
Special items:										
Transfers from (to) other funds	457,332	(30,000)	158,992	(8,368)	(201)	(645,968)	73,451	-	7,694	12,932
Net changes in fund balances	25,819	(15,524)	158,992	(46,478)	19,556	(80,256)	67,954	-	27,903	157,966
Total fund balances, beginning of year	(25,819)	59,549	-	71,251	(28,883)	-	(663)	-	61,330	136,765
Total fund balances, end of year	\$ -	\$ 44,025	\$ 158,992	\$ 24,773	\$ (9,327)	\$ (80,256)	\$ 67,291	\$ -	\$ 89,233	\$ 294,731

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 Governmental Funds
Year Ended June 30, 2011

	Total Non-Major State Funds	Total Non-Major Federal Funds	Child Nutrition Fund	Plant Facility Fund	Bus Acquisition Fund	Total Non-Major Governmental Funds
Revenues:						
Other local revenue	\$ -	\$ -	\$ 108,100	\$ -	\$ -	\$ 108,100
State assistance and reimbursements	50,115	-	-	-	-	50,115
National Forest Reserve	-	77,061	-	-	-	77,061
Other federal revenues	-	1,016,280	401,183	-	19,000	1,436,463
Total revenues	50,115	1,093,341	509,283	-	19,000	1,671,739
Expenditures:						
Instruction:						
Elementary programs	-	369,447	-	-	-	369,447
Secondary programs	45,720	29,060	-	-	-	74,780
Exceptional child, gifted and talented programs	-	448,471	-	-	-	448,471
Total instruction	45,720	846,978	-	-	-	892,698
Support services:						
Attendance, guidance and health	324	2,453	-	-	-	2,777
Instruction improvement and educational media	-	114,239	-	-	-	114,239
District administration	4,071	-	-	-	-	4,071
School administration	-	40,127	-	-	-	40,127
Total support services	4,395	156,819	-	-	-	161,214
Non-instruction programs:						
Child nutrition programs	-	-	534,122	-	-	534,122
Community service programs	-	1,991	-	-	-	1,991
Capital asset programs	-	1,991	534,122	-	-	536,113
Total non-instruction programs	-	-	-	4,735	76,000	80,735
Total expenditures	50,115	1,005,788	534,122	4,735	76,000	1,670,760
Excess (deficiency) of revenues over (under) expenditures	-	87,553	(24,839)	(4,735)	(57,000)	979
Special items:						
Transfers from (to) other funds	-	(87,553)	6,231	-	68,390	(12,932)
Net changes in fund balances	-	-	(18,608)	(4,735)	11,390	(11,953)
Total fund balances, beginning of year	-	-	18,608	4,735	47,094	70,437
Total fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ 58,484	\$ 58,484

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, 2011

	Start-up Grant Fund	Homeless Grant Fund	Drivers Education Fund	Vocational Education Fund	Technology Grant Fund	Total Non-Major State Funds
Revenues:						
State assistance and reimbursements	\$ -	\$ 324	\$ 13,250	\$ 32,470	\$ 4,071	\$ 50,115
Total revenues	-	324	13,250	32,470	4,071	50,115
Expenditures:						
Instruction:						
Secondary programs	-	-	13,250	32,470	-	45,720
Total instruction	-	-	13,250	32,470	-	45,720
Support services:						
Attendance, guidance and health	-	324	-	-	-	324
District administration	-	-	-	-	4,071	4,071
Total support services	-	324	-	-	4,071	4,395
Total expenditures	-	324	13,250	32,470	4,071	50,115
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	-
Special items:						
Transfers from (to) other funds	-	-	-	-	-	-
Net changes in fund balances	-	-	-	-	-	-
Total fund balances, beginning of year	-	-	-	-	-	-
Total fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying Report of Independent Auditor.

West Banner County School District No. 83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Non-Major Federal Funds
Year Ended June 30, 2011

	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
Revenues:									
National Forest Reserve	\$ 77,061	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,061
Other federal revenues	-	418,540	436,680	15,308	29,060	107,311	6,928	2,453	1,016,280
Total revenues	77,061	418,540	436,680	15,308	29,060	107,311	6,928	2,453	1,093,341
Expenditures:									
Instruction:									
Elementary programs	-	369,447	-	-	-	-	-	-	369,447
Secondary programs	-	-	-	-	29,060	-	-	-	29,060
Exceptional child, gifted and talented programs	-	-	433,186	15,285	-	-	-	-	448,471
Total instruction	-	369,447	433,186	15,285	29,060	-	-	-	846,978
Support services:									
Attendance, guidance and health	-	-	-	-	-	-	-	2,453	2,453
Instruction improvement and educational media	-	-	-	-	-	107,311	6,928	-	114,239
School administration	-	40,127	-	-	-	-	-	-	40,127
Total support services	-	40,127	-	-	-	107,311	6,928	2,453	156,819
Community service programs	-	1,991	-	-	-	-	-	-	1,991
Total expenditures	-	411,565	433,186	15,285	29,060	107,311	6,928	2,453	1,005,788
Excess (deficiency) of revenues over (under) expenditures	77,061	6,975	3,494	23	-	-	-	-	87,553
Special items:									
Transfers from (to) other funds	(77,061)	(6,975)	(3,494)	(23)	-	-	-	-	(87,553)
Net changes in fund balances	-	-	-	-	-	-	-	-	-
Total fund balances, beginning of year	-	-	-	-	-	-	-	-	-
Total fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

West Bonner County School District No. 83
Schedule of Changes in Student Activity Funds
Year Ended June 30, 2011

	Balances, June 30, 2010	Receipts	Disbursements	Balances, June 30, 2011
Idaho Hill Elementary	\$ 7,485	\$ 8,067	\$ 5,253	\$ 10,299
Priest Lake Elementary	8,231	264	784	7,711
Priest River Elementary	18,914	34,450	30,809	22,555
Priest River Junior High	12,085	17,607	16,483	13,209
Priest River Lamanna High	111,648	249,859	278,006	83,501
PREP Alternative High School	259	100	254	105
Totals	<u>\$ 158,622</u>	<u>\$ 310,347</u>	<u>\$ 331,589</u>	<u>\$ 137,380</u>

Compliance Reports



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

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, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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.

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 11-1 to be a significant deficiency 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 response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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

October 21, 2011

West Bonner County School District No. 83
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor Program Title	State Pass - Through ID Number	Federal CFDA Number	Expenditures	
U.S. Department of Education				
Passed Through State				
Department of Education:				
Local Education Agencies Cluster:				
Title I-A - Local Education Agencies	S010A090012	84.010	\$ 38,118	
Title I-A - Local Education Agencies	S010A100012	84.010	239,174	
ARRA Title I-A - Local Education Agencies	S389A090012	84.389	141,248	
				\$ 418,540
Title II-A - Teacher Quality	S367A090011	84.367		31,689
Title II-A - Teacher Quality	S367A100011	84.367		75,622
ARRA Title II-D - Competitive Technology	S386A090012	84.386		6,928
Title IV-A - Safe and Drug Free Schools	Q186A090013	84.186		2,453
Title IV-A - Gaining Early Awareness and Readiness for Undergraduate Programs	P334S060003	84.334		38,339
Special Education Cluster:				
Title VI-B - Federal Special Education K-12	H027A100088	84.027	325,146	
Title VI-B - Federal Special Education Preschool	H173A100030	84.173	13,648	
ARRA Title VI-B - Federal Special Education K-12	H391A090088	84.391	111,534	
ARRA Title VI-B - Federal Special Education Preschool	H392A090030	84.392	1,660	
				451,988
ARRA Education Jobs Fund	S410A100013	84.410		118,359
Carl Perkins Federal Vocational Education	V048A100012	84.048		29,060
Statewide Data Systems	R372A090025	84.372		7,500
Education of Homeless Children	S196A090013	84.196		324
Total U.S. Department of Education				1,180,802
U.S. Department of Agriculture				
Passed Through State				
Department of Education:				
Child Nutrition Cluster:				
Non-Cash Assistance (Commodities):				
USDA National School Lunch Program	2010IN109947	10.555	11,303	
USDA National School Lunch Program	2011IN109947	10.555	21,371	
Cash Assistance:				
USDA School Breakfast Program	2010IN109947	10.553	9,320	
USDA School Breakfast Program	2011IN109947	10.553	83,017	
USDA National School Lunch Program	2010IN109947	10.555	25,490	
USDA National School Lunch Program	2011IN109947	10.555	227,091	
USDA Summer Food Service Program for Children	2010IN109947	10.559	14,709	
USDA Summer Food Service Program for Children	2011IN109947	10.559	1,220	
				393,521
USDA Fresh Fruit and Vegetable Program	2011CL160347	10.582		7,662
Schools and Roads Grants to States (Federal Forest)	--	10.665		77,061
Total U.S. Department of Agriculture				478,244
U.S. Environmental Protection Agency				
Passed Through State				
Department of Environmental Quality:				
ARRA State Clean Diesel Grant Program	2D-96087601-3	66.040		19,000
Total U.S. Environmental Protection Agency				19,000
Total Federal Financial Assistance			\$	1,678,046

West Bonner County School District No. 83
Note to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

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.



**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, 2011. 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, 2011.

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

October 21, 2011

**West Bonner County School District No. 83
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011**

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 one significant deficiency in internal control.

The significant deficiency in internal control was not considered to be a material weakness.

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>
	Child Nutrition Cluster:
10.553	USDA School Breakfast Program
10.555	USDA National School Lunch Program
10.559	USDA Summer Food Service Program for Children
84.410	ARRA Education Jobs Fund

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, 2011

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 11-1

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, 2011

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, 2011

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.

Status: This condition still exists as of June 30, 2011. See Finding 11-1.

Finding 10-2

Condition: The District did not implement Governmental Accounting Standards Board (GASB) Statement No. 45 (GASB No. 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* 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.

Status: This condition was corrected during the year ended June 30, 2011.