

West Bonner County School District No. 83

Financial Report

June 30, 2013

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Report of Independent Auditor

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the budgetary comparison schedule on page 41, and the schedule of funding progress – other postemployment benefits on page 43, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual General Fund and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 also not a required part of the basic financial statements.

The combining and individual General Fund and nonmajor fund financial statements, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual General Fund and nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated October 15, 2013, 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* in considering the District's internal control over financial reporting and compliance.

DeCoria, Maichel & Teague, P.S.

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

October 15, 2013

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

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, 2013. 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 1,215 students over the entire school year. Our average daily student attendance generated 63.11 units on the July 15th state payment for salary and benefit apportionment. The total reimbursement for last fiscal year was \$3,335,274 for salaries and \$601,683 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, extracurricular equipment funds and funding facility needs.

FINANCIAL HIGHLIGHTS

- Total net position for 2013 decreased \$449,651, which represents a 12.6% decrease from fiscal year 2012.
- In the governmental funds, General Fund revenues for fiscal years 2013 and 2012 account for \$8,670,471 and \$8,899,778, or 85% of total revenues, for both fiscal years. The General Fund consists of the General Fund (Fund 100), Medical Insurance Fund, Contingency Fund, Supplemental Levy Fund, and General Grants Fund. Other state and federal fund revenues, in the form of charges for services and grants and contributions, accounted for \$1,519,849 and \$1,550,793, or 15% of total revenues for both fiscal years.
- In the governmental funds, General Fund expenditures account for \$9,049,973 and \$8,600,814 in expenditures, or 85% and 86%, of all expenditures for fiscal years 2013 and 2012, respectively. Other state and federal fund expenditures accounted for \$1,562,775, or 15% of total expenditures, for 2013, and \$1,440,247, or 14% of total expenditures, for 2012.

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

- The General Fund's fund balance was \$254,056 and \$626,203 for fiscal year ending 2013 and 2012, respectively. The General Fund's fund balance decreased by \$372,147 from 2012 to 2013.
- Long-term debt increased by \$10,245 from 2012. This increase was due to the liability for compensated absences for 2013.

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 Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, 2013

- **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 Position. Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$3,122,993 as of June 30, 2013.

By far the largest portion of the District's net position 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, 2013

Table 1 presents the District's summarized statements of net assets for the fiscal years ended June 30, 2013 and 2012.

Table 1
Statements of Net Position

ASSETS	June 30, 2013	June 30, 2012	% Change
Current Assets	\$1,877,030	\$2,130,233	-11.9%
Noncurrent Assets	2,866,933	2,921,700	-1.9%
Total Assets	4,743,963	5,051,933	-6.1%
LIABILITIES			
Current Liabilities	1,344,319	1,333,569	0.8%
Noncurrent Liabilities	276,651	145,720	89.9%
Total Liabilities	1,620,970	1,479,289	9.6%
NET POSITION			
Invested in capital assets, net of related debt	2,866,933	2,921,700	-1.9%
Restricted for programs	32,663	63,490	-48.6%
Restricted for replacement of plant equipment	91,941	113,529	-19.0%
Designated for specific purposes	-9,437	63,358	-114.9%
Unrestricted net position	140,893	410,567	-65.7%
Total Net Position	\$3,122,993	\$3,572,644	-12.6%

Changes in net position. As shown in **Table 2**, the District relies significantly on state support (56%) for funding of its governmental activities. Additionally, local property tax support accounts for 25% of the District's governmental activities. The District had total revenues of \$10,209,040. Total expenditures exceeded total revenues by \$449,651.

Table 2
Changes in Net Position

REVENUES	2013	2012
<i>Program Revenues:</i>		
Charges for services	\$72,926	\$88,967
Operating grants and contributions	1,387,915	1,653,870
<i>General Revenue:</i>		
Property taxes, general purposes	2,537,345	2,531,462
State aide, unrestricted	5,751,369	5,924,286
Federal Forest	112,547	70,467
Interest and investment earnings	37	461
Other local sources	341,201	253,890
Gain on disposal of capital assets	5,700	0
Total Revenues	10,209,040	10,523,403

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

Table 2, Continued
Changes in Net Position

EXPENSES	2013	2012
Instructional services	\$5,788,201	\$5,907,549
Support services	4,270,794	3,881,618
Non-instructional services	563,653	538,949
Capital asset programs	163	44,771
Debt service	35,880	36,842
Total Expenses	10,658,691	10,409,729
Change in net position	-449,651	113,674
Net position, beginning of year	3,572,644	3,458,970
Net position, end of year	\$3,122,993	\$3,572,644

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	2013	2012	% Change
Instructional programs	\$4,964,019	\$4,928,732	0.7%
Support service programs	4,142,850	3,666,254	13.0%
Non-instructional programs	54,938	-9,707	-666.0%
Capital asset programs	163	44,771	-99.6%
Debt service	35,880	36,842	-2.6%
Net Expenses	\$9,197,850	\$8,666,892	6.1%
REVENUES			
Property taxes	\$2,537,345	\$2,531,462	0.2%
Interest and investment earnings	37	461	-92.0%
Other local revenue	341,201	253,890	34.4%
State assistance and reimbursements	5,751,369	5,924,286	-2.9%
Other federal revenues	112,547	70,467	59.7%
Net Revenues	\$8,742,499	\$8,780,566	-.4%

Net cost of governmental activities was financed primarily by general revenue, which is made up of primarily state support payments of \$5,751,369 for 2013 and \$5,924,286 for 2012. Investment earnings accounted for \$37 for 2013 and \$461 for 2012 of total revenues.

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

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 \$345,997, a decrease of \$416,728, which includes a contingency reserve balance of \$205,932. 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 \$124,604 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 \$121,077 for the Medical Insurance Fund and an assigned fund balance deficit of \$(130,514) for 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 General Fund is the principal operating fund of the District.

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, 2013

CAPTIAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. West Bonner County School District No. 83 has \$2,866,933 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 \$244,606 and included building improvements paid by supplemental levy dollars.

Long-Term Debt. The District has no bonded indebtedness. The District has a total of \$49,806 of long-term debt, which consisted of compensated absences.

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
Balance, July 1, 2012	\$39,561
Additions	80,389
Retirements/Payments	70,144
Balance, June 30, 2013	\$49,806

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, 2013

- 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 \$23,605 per unit, and is a 1.09% 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%
2012-13	19,706.00	80.00	0.41%
Average	\$ 23,605.28	\$ (270.10)	-1.09%

- On May 21, 2013 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, 2013

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@sd83.org
134 Main Street
Priest River, Idaho 83856
(208) 448-4439

West Bonner County School District No. 83
Statement of Net Position - District-Wide
June 30, 2013

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents (Note 6)	\$ 447,527
Receivables (Note 7)	1,397,214
Prepaid expenses	7,391
Inventory	24,898
Total current assets	1,877,030
Noncurrent assets:	
Capital assets, net of accumulated depreciation and amortization (Note 8)	2,866,933
Total noncurrent assets	2,866,933
Total assets	4,743,963
LIABILITIES	
Current liabilities:	
Accounts payable	129,822
Accrued payroll and related liabilities	1,121,366
Deferred revenue	43,325
Accrued compensated absences, due within one year (Note 12)	49,806
Total current liabilities	1,344,319
Noncurrent liabilities:	
Other postemployment benefit obligations, net (Note 13)	276,651
Total noncurrent liabilities	276,651
Total liabilities	1,620,970
Commitments and contingencies (Notes 14, 15 and 17)	
NET POSITION	
Invested in capital assets, net of related debt	2,866,933
Restricted for program requirements	32,663
Restricted for replacement of plant equipment	91,941
Designated for specific purposes	(9,437)
Unrestricted net position	140,893
Total net position	\$ 3,122,993

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

West Bonner County School District No. 83
Statement of Activities - District-Wide
Year Ended June 30, 2013

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Elementary programs	\$ 2,227,729	\$ -	\$ 371,715	\$ (1,856,014)
Secondary programs	2,078,970	-	136,029	(1,942,941)
Alternative school program	96,487	-	-	(96,487)
Vocational education	217,997	-	-	(217,997)
Exceptional child, gifted and talented programs	869,686	-	310,218	(559,468)
Interscholastic and school activity programs	284,300	-	6,220	(278,080)
Summer school	13,032	-	-	(13,032)
Total instruction	5,788,201	-	824,182	(4,964,019)
Support services:				
Attendance, guidance and health	332,623	-	-	(332,623)
Special services	339,730	-	-	(339,730)
Instruction improvement and educational media	654,026	-	83,560	(570,466)
District administration	265,081	-	14,772	(250,309)
School administration	563,193	-	29,612	(533,581)
Business operations	280,265	-	-	(280,265)
Custodial and maintenance	1,237,968	-	-	(1,237,968)
Transportation	597,908	-	-	(597,908)
Total support services	4,270,794	-	127,944	(4,142,850)
Non-instruction programs:				
Child nutrition programs	561,014	72,926	433,150	(54,938)
Community service programs	2,639	-	2,639	-
Total non-instruction programs	563,653	72,926	435,789	(54,938)
Capital asset programs	163	-	-	(163)
Debt service	35,880	-	-	(35,880)
Total governmental activities	<u>\$ 10,658,691</u>	<u>\$ 72,926</u>	<u>\$ 1,387,915</u>	<u>(9,197,850)</u>
General revenue:				
Property taxes, general purposes				2,537,345
Interest and investment earnings				37
Other local sources				341,201
State aid, unrestricted				5,751,369
National forest reserve				112,547
Gain on disposal of capital assets				5,700
Total general revenue				8,748,199
Change in net position				(449,651)
Total net position, beginning of year				3,572,644
Total net position, end of year				<u>\$ 3,122,993</u>

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

West Bonner County School District No. 83
Balance Sheet - Governmental Funds
June 30, 2013

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 299,932	\$ 147,595	\$ 447,527
Receivables	1,126,451	270,763	1,397,214
Prepaid expenses	7,391	-	7,391
Inventory	-	24,898	24,898
Due from other funds	132,789	-	132,789
Total assets	<u>\$ 1,566,563</u>	<u>\$ 443,256</u>	<u>\$ 2,009,819</u>
LIABILITIES AND FUND BALANCES			
Current liabilities:			
Accounts payable	\$ 129,229	\$ 593	\$ 129,822
Accrued payroll and related liabilities	946,758	174,608	1,121,366
Deferred revenue	236,520	43,325	279,845
Due to other funds	-	132,789	132,789
Total liabilities	<u>1,312,507</u>	<u>351,315</u>	<u>1,663,822</u>
Fund balances:			
Nonspendable:			
Prepaid expenses	7,391	-	7,391
Inventories	-	24,898	24,898
Restricted for:			
Program requirements	57,561	(24,898)	32,663
Replacement of plant equipment	-	91,941	91,941
Committed for:			
Unforeseen expenditures	205,932	-	205,932
Assigned to:			
Instruction	(130,514)	-	(130,514)
Support services	121,077	-	121,077
Unassigned	(7,391)	-	(7,391)
Total fund balances	<u>254,056</u>	<u>91,941</u>	<u>345,997</u>
Total liabilities and fund balances	<u>\$ 1,566,563</u>	<u>\$ 443,256</u>	<u>\$ 2,009,819</u>

West Bonner County School District No. 83
Reconciliation of the Balance Sheet - Governmental Funds
with the Statement of Net Position - District-Wide
June 30, 2013

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

Total fund balances - Governmental Funds		\$	345,997
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.			236,520
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	\$	12,593,099	
Accumulated depreciation is		<u>(9,726,166)</u>	
			2,866,933
Noncurrent liabilities, including accrued compensated absences 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		(49,806)	
Other postemployment benefit obligations, net		<u>(276,651)</u>	
			<u>(326,457)</u>
Total net position - District-Wide		\$	<u><u>3,122,993</u></u>

West Bonner County School District No. 83
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2013

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 2,524,325	\$ -	\$ 2,524,325
Interest and investment earnings	37	-	37
Other local revenue	341,201	72,926	414,127
State assistance and reimbursements	5,798,688	53,359	5,852,047
National Forest Reserve	-	112,547	112,547
Other federal revenues	6,220	1,281,017	1,287,237
Total revenues	8,670,471	1,519,849	10,190,320
Expenditures:			
Instruction:			
Elementary programs	1,784,653	362,109	2,146,762
Secondary programs	1,862,067	136,029	1,998,096
Alternative school program	95,870	-	95,870
Vocational education	217,997	-	217,997
Exceptional child, gifted and talented programs	559,468	310,218	869,686
Interscholastic and school activity programs	284,300	-	284,300
Summer school	13,032	-	13,032
Total instruction	4,817,387	808,356	5,625,743
Support services:			
Attendance, guidance and health	332,623	-	332,623
Special services	339,730	-	339,730
Instruction improvement and educational media	561,856	83,560	645,416
District administration	245,429	14,772	260,201
School administration	533,581	29,612	563,193
Business operations	280,265	-	280,265
Custodial and maintenance	1,233,353	-	1,233,353
Transportation	571,449	-	571,449
Total support services	4,098,286	127,944	4,226,230
Non-instruction programs:			
Child nutrition programs	13,507	543,908	557,415
Community service programs	-	2,639	2,639
Total non-instruction programs	13,507	546,547	560,054
Capital asset programs	84,913	79,928	164,841
Debt service	35,880	-	35,880
Total expenditures	9,049,973	1,562,775	10,612,748
Deficiency of revenues under expenditures	(379,502)	(42,926)	(422,428)
Other financing sources (uses):			
Proceeds from sales of capital assets	-	5,700	5,700
Transfers from (to) other funds	7,355	(7,355)	-
Net changes in fund balances	(372,147)	(44,581)	(416,728)
Total fund balances, beginning of year	626,203	136,522	762,725
Total fund balances, end of year	\$ 254,056	\$ 91,941	\$ 345,997

The accompanying notes are an integral part of the basic 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, 2013**

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

Net changes in fund balances - Governmental Funds \$ (416,728)

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 2013 fiscal year is an adjustment.

13,020

In the Statement of Activities - District-Wide, certain operating expenses (e.g., claims and compensated absences) and certain non-pension retirement benefits (e.g., other postemployment benefits) are measured by the amount earned or incurred 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, claims, compensated absences and other postemployment benefits paid exceeded compensated absences and other postemployment benefits earned by \$8,824.

8,824

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, \$299,373, exceeds capital outlays, \$244,606, during the current fiscal year.

(54,767)

Change in net position - District-Wide

\$ (449,651)

West Bonner County School District No. 83
Statement of Net Position - Fiduciary Funds
June 30, 2013

	Student Scholarship Fund	AFLAC Cafeteria Plan Fund	Student Activity Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,893	\$ 30,655	\$ 123,476
Total assets	<u>1,893</u>	<u>30,655</u>	<u>123,476</u>
LIABILITIES			
Current liabilities:			
Deposits due to employees	\$ -	\$ 30,655	\$ -
Deferred revenue	808	-	-
Due to student groups	-	-	123,476
Total liabilities	<u>808</u>	<u>30,655</u>	<u>123,476</u>
NET POSITION			
Held for benefit of others	<u>\$ 1,085</u>		

West Bonner County School District No. 83
Statement of Changes in Net Position - Fiduciary Funds
Year Ended June 30, 2013

	Student Scholarship Fund
	<hr/>
Additions:	
Contributions	\$ 130
	<hr/>
Total additions	130
	<hr/>
Deductions:	
Scholarships paid	164
	<hr/>
Total deductions	164
	<hr/>
Change in net position	(34)
	<hr/>
Net position, beginning of year	1,119
	<hr/>
Net position, end of year	\$ 1,085
	<hr/> <hr/>

West Bonner County School District No. 83
Notes to Financial Statements
June 30, 2013

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 Position – 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, 2013

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 Schedule

The budgetary comparison schedule is presented as required supplementary information to demonstrate whether resources were obtained and used in accordance with the District’s legally adopted budget (see Note 4). The District may revise the original budget 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 budget to the final budget 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, 2013

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 position, 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 position, 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, 2013

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, 2013, 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 has adopted and applied all applicable GASB pronouncements, including GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Recent Accounting Pronouncements

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 62; GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*; and GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB 53*, were all effective for the District beginning in the fiscal year ended June 30, 2013. Implementation of these statements did not have a material impact on the District's financial results.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2013

5. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

GASB Statement No. 63 amends the current net assets reporting requirements by incorporating deferred inflows of resources and deferred outflows of resources into the definitions of required financial statement components and renames *Net Assets* as *Net Position*. The District's financial statements have been modified to conform to the requirements of this statement. Implementation did not have a material impact on the District's financial results.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities as deferred outflows or deferred inflows of resources, or as outflows or inflows of resources. This statement also limits the use of the term deferred in financial statement presentations. This statement will be effective for the District beginning in the fiscal year ending June 30, 2014. The District is currently assessing the financial statement impact of adopting this statement, but does not believe that its impact will be material.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions. This statement establishes standards for measuring and recognizing liabilities, deferred outflows and deferred inflows of resources and expenses. For defined benefit pension plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosure and required supplementary information about pensions are also addressed. GASB Statement No. 68 will be effective for the District beginning in the fiscal year ending June 30, 2015. The District is currently evaluating the financial statement impact of adopting this statement.

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, 2013

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, if any, 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, 2013

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 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 vacation leave hours are paid at the employee's current hourly rate.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2013

5. Summary of Significant Accounting Policies, Continued

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.

Net Position

Net position represents the difference between assets plus deferred outflows, and liabilities plus deferred inflows. Net position 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 position is reported as restricted when there are limitations imposed on its 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 used 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);

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2013

5. Summary of Significant Accounting Policies, Continued

Fund Balances, Continued

Assigned: The portion of fund balance that is intended to be used by the District for specific purposes, but does 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.

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, 2013, 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 December 20 of the current year or June 20 of the following year. Property taxes attach as an enforceable lien on property as of January 1 of the following year. Notice of foreclosure is filed with the County Clerk on property three years from the date of delinquency. The property tax revenue is budgeted for the ensuing fiscal year. Bonner County acts as an agent for the District in both the assessment and collection of property taxes. The County remits tax revenues to the District monthly, with the majority of the collections being remitted in January and July.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2013

5. Summary of Significant Accounting Policies, Continued

Grant Revenue

The District receives financial assistance from governmental agencies in the form of grants, which are accounted for in special revenue funds. Revenue is deemed earned and thus recognized when applicable program expenditures are recorded. Funds received but not earned at June 30, 2013 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 governmental funds other than the General Fund are classified as restricted fund balance.

It is possible for governmental funds other than the General Fund to have negative unassigned fund balances when non-spendable amounts plus restricted amounts exceed the positive fund balance.

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 15, 2013, the date as of which these financial statements were available to be issued. No material subsequent events have occurred since June 30, 2013 that required recognition or disclosure in these financial statements.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2013

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, 2013.

The carrying amount of cash and cash equivalents at June 30, 2013 appears in the financial statements as summarized below:

Cash and cash equivalents, Statement of Net Position – District-Wide	\$ 447,527
Cash and cash equivalents, Statement of Net Position – Fiduciary Funds	<u>156,024</u>
	<u>\$ 603,551</u>

Bank balances at June 30, 2013 totaled \$618,124. The differences between the carrying amount of cash and cash equivalents on the District's books and the bank balances consisted of outstanding checks and deposits not processed by the bank as of June 30, 2013.

A summary of the total insured and uninsured bank balances at June 30, 2013 is as follows:

Total bank balances	\$ 618,124
Portion insured by FDIC	<u>(250,000)</u>
Uninsured balances	<u>\$ 368,124</u>

7. Receivables

Receivables as of June 30, 2013 are as follows:

Property taxes receivable	\$ 801,527
Delinquent property taxes receivable	236,520
State support receivable	59,320
Grants receivable	297,797
Accounts receivable	<u>2,050</u>
Total receivables	<u>\$ 1,397,214</u>

Property taxes receivable consist of property taxes received within the first 60 days after June 30, 2013.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2013

7. Receivables, Continued

Delinquent property taxes receivable consist of property taxes levied but not collected as of June 30, 2013, or within 60 days after June 30, 2013. 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 2013.

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 2013.

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, 2013 is as follows:

	Balance June 30, 2012	Additions	Transfers	Disposals	Balance June 30, 2013
Buildings, building improvements and portable units	\$ 9,494,882	\$ 131,352	\$ --	\$ --	\$ 9,626,234
Furniture and equipment	1,091,749	--	--	--	1,091,749
Buses	1,584,823	79,928	--	(56,302)	1,608,449
Other vehicles	<u>63,290</u>	<u>33,326</u>	<u>--</u>	<u>--</u>	<u>96,616</u>
Capital assets in service	12,234,744	244,606	--	(56,302)	12,423,048
Accumulated depreciation	<u>(9,483,095)</u>	<u>(299,373)</u>	<u>--</u>	<u>56,302</u>	<u>(9,726,166)</u>
	2,751,649	(54,767)	--	--	2,696,882
Land	<u>170,051</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>170,051</u>
Total capital assets	<u>\$ 2,921,700</u>	<u>\$ (54,767)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,866,933</u>

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2013

8. Capital Assets, Continued

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

Instructional services:		
Elementary programs	\$	89,791
Secondary programs		80,874
Alternative school program		<u>617</u>
		<u>171,282</u>
Support services:		
Instruction improvement and educational media		8,610
District administration		4,880
Custodial and maintenance		4,615
Transportation		<u>106,387</u>
		<u>124,492</u>
Non-instruction programs:		
Child nutrition program		<u>3,599</u>
	\$	<u>299,373</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, 2013 are summarized as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Vocational Education Fund	\$ 5,114
General Fund	Title I-A Fund	40,606
General Fund	Title VI Part B Fund	24,730
General Fund	Title VI Part B Preschool Fund	1,170
General Fund	REAP Fund	23,452
General Fund	Carl Perkins Fund	25,880
General Fund	Title II-A Fund	7,811
General Fund	GEAR UP Fund	4,026

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2013

10. Interfund Transfers

Interfund transfers for the year ended June 30, 2013 are summarized as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Reason</u>	<u>Amount</u>
General Fund	Bus Acquisition	Purchase of bus	\$ 52,640
General Fund	Carl Perkins Fund	Cover 11-12 excess cost	473
General Fund	Insurance Buydown	Deposit insurance rebate	17,025
General Fund	Food Services	Cover excess cost	14,744
Contingency Fund	General Fund	Cover excess costs	218,821
Supplemental Levy 10-11	Contingency Fund	Close out funds to contingency	1,188
Supplemental Levy 11-12	Contingency Fund	Close out funds to contingency	4,948
Supplemental Levy 12-13	General Fund	Transfer Levy balances	1,554,361
Contingency Fund	Supp Levy 12-13	Cover excess cost	25,874
General Grants Fund	Contingency Fund	Close out old grants	5,603
Federal Forest Fund	General Fund	Craig Wyden Forest Funds	65,228
Title I-A	General Fund	Indirect cost	7,520
Title II-A	General Fund	Indirect cost	2,464

11. Short-Term Borrowings

The District had no short-term borrowings or repayments during 2013.

12. Long-Term Obligations

A summary of changes in long-term obligations of the District for the year ended June 30, 2013 is as follows:

	<u>Long-Term Obligations June 30, 2012</u>	<u>Long-Term Obligations Incurred</u>	<u>Long-Term Obligations Paid</u>	<u>Long-Term Obligations June 30, 2013</u>	<u>Due Within One Year</u>
Accrued compensated absences	\$ 39,561	\$ 80,389	\$ (70,144)	\$ 49,806	\$ 49,806

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2013

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). 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. The District does not explicitly contribute towards the cost of these benefits for retirees.

Governmental Accounting Standards Board (GASB) Statement No. 45 (GASB No. 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* 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

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, 2013

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, 2013, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contributions	\$ 178,991
Interest on net OPEB obligation	6,193
Adjustment to annual required contributions	<u>(5,828)</u>
Annual OPEB cost	179,356
Contributions made ⁽¹⁾	<u>(48,425)</u>
Increase in net OPEB obligation	130,931
Net OPEB obligations, beginning of year	<u>145,720</u>
Net OPEB obligations, end of year	<u>\$ 276,651</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, 2013, 2012 and 2011 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, 2013	\$ 179,356	\$ 48,425	27.00%	\$ 276,651
June 30, 2012	84,501	39,567	46.82%	145,720
June 30, 2011	91,086	41,798	45.89%	100,535

⁽¹⁾Calculated as an implicit rate subsidy based on the number of retirees per month multiplied by retiree-months of coverage during the year. The total of \$48,425 is credited against the District's cost to provide health insurance for active employees for the fiscal year ended June 30, 2013.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2013

13. Other Postemployment Benefits, Continued

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012, the date of the most recent actuarial valuation, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Projected Unit Credit Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2012	\$ --	\$710,650	\$710,650	0.00%	\$6,122,257	11.61%

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 43, 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, 2012. 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 2.8% for plan year 2012, based on actual plan renewal rates, with plan year 2013 having a medical cost trend rate of 9.0%, reduced by decrements to an ultimate rate of 5.0% after 8 years. Additionally, the assumptions included a participation rate of 45.0% and a projected annual 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.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2013

13. Other Postemployment Benefits, Continued

Actuarial Methods and Assumptions, Continued

Several factors have caused the Actuarial Accrued Liability (AAL) to change since the most recent valuation date of July 1, 2010. 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, 2010 to July 1, 2012, the two most recent valuation dates, are summarized as follows:

Actuarial accrued liability as of July 1, 2010	\$ 657,446
Passage of time	134,892
Claim cost experience change	(281,801)
Retiree contribution change	206,344
Census and other changes	<u>(6,231)</u>
Actuarial accrued liability as of July 1, 2012	<u>\$ 710,650</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 highest average monthly salary for 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, 2013, 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 \$615,005, \$606,367 and \$622,311 for the three years ended June 30, 2013, 2012 and 2011, respectively.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2013

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 one year. In addition, subsequent to June 30, 2013, the District entered into a lease for eight copiers, which is also accounted for as an operating lease. The lease requires monthly payments of \$2,470 and expires in August 2016. Rent expense for the year ended June 30, 2013 was \$33,434.

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, 2013, including the lease for eight copiers entered into subsequent to June 30, 2013, are as follows:

Year Ending June 30,

2014	\$ 30,681
2015	29,641
2016	29,641
2017	4,940

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.

Additionally, the District is aware of one significant outstanding claim relating to an incident that occurred during 2012. If the claim results in an unfavorable ruling, and the claim is not covered by insurance or exceeds insurance coverage, there exists a reasonable possibility of a material adverse impact on the District for the period in which the ruling occurs, or future periods. However, as the claim is in the discovery phase, no reasonable estimate of any potential losses can be determined at this time.

Litigation

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

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2013

15. Commitments and Contingencies, Continued

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, 2013 may be impaired. Based on prior experience, the District's administration believes such amounts, if any, would be immaterial.

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, 2013, amounts reported as Committed Fund Balance represent unforeseen expenditures, totaling \$205,932, which is reported within the General Fund.

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, 2013, 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 position 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 position are summarized below:

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

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

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, 2013

			Actual	Variances	
			Modified	Positive/(Negative)	
	Budgeted Amounts		Accrual	Original	Final
	Original	Final	Basis	to Final	to Actual
Revenues:					
Property taxes	\$ 2,472,368	\$ 2,551,812	\$ 2,524,325	\$ 79,444	\$ (27,487)
Interest and investment earnings	500	10	37	(490)	27
Other local revenue	58,840	273,244	341,201	214,404	67,957
State assistance and reimbursements	5,566,017	5,818,444	5,798,688	252,427	(19,756)
Other federal revenues	-	53,559	6,220	53,559	(47,339)
Total revenues	8,097,725	8,697,069	8,670,471	599,344	(26,598)
Expenditures:					
Instruction:					
Elementary programs	1,881,910	1,793,979	1,784,653	87,931	9,326
Secondary programs	1,771,112	1,939,352	1,862,067	(168,240)	77,285
Alternative school program	91,348	97,098	95,870	(5,750)	1,228
Vocational programs	216,351	217,998	217,997	(1,647)	1
Exceptional child, gifted and talented programs	479,061	559,542	559,468	(80,481)	74
Interscholastic and school activity programs	299,006	297,644	284,300	1,362	13,344
Summer school	15,452	13,032	13,032	2,420	-
Total instruction	4,754,240	4,918,645	4,817,387	(164,405)	101,258
Support services:					
Attendance, guidance and health	198,980	299,832	332,623	(100,852)	(32,791)
Special services	192,622	339,730	339,730	(147,108)	-
Instruction improvement and educational media	566,567	588,802	561,856	(22,235)	26,946
District administration	156,940	211,614	245,429	(54,674)	(33,815)
School administration	504,071	533,580	533,581	(29,509)	(1)
Business operations	265,653	280,265	280,265	(14,612)	-
Custodial and maintenance	1,132,639	1,199,266	1,233,353	(66,627)	(34,087)
Transportation	567,036	573,218	571,449	(6,182)	1,769
Total support services	3,584,508	4,026,307	4,098,286	(441,799)	(71,979)
Child nutrition programs	12,736	13,507	13,507	(771)	-
Capital asset programs	84,397	84,397	84,913	-	(516)
Debt service	35,881	35,880	35,880	1	-
Total expenditures	8,471,762	9,078,736	9,049,973	(606,974)	28,763
Excess (deficiency) of revenues over (under) expenditures	(374,037)	(381,667)	(379,502)	(7,630)	2,165
Other financing sources (uses):					
Transfers from (to) other funds	146,845	211,475	7,355	64,630	(204,120)
Net change in fund balance	(227,192)	(170,192)	(372,147)	57,000	(201,955)
Total fund balance, beginning of year	626,203	626,203	626,203	-	-
Total fund balance, end of year	\$ 399,011	\$ 456,011	\$ 254,056	\$ 57,000	\$ (201,955)

West Bonner County School District No. 83
Notes to Budgetary Comparison Schedule
June 30, 2013

1. Basis of Presentation

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

2. Expenditures in Excess of Budgeted Amounts

As disclosed in Note 1 above, the budgetary comparison schedule has been prepared in conformance with the presentation used in the preparation of the Governmental Funds financial statements. This presentation differs from the account groupings required by Idaho Statutes for Board of Trustees' budgetary control at the functional level, as described in Note 4 to the Financial Statements. As a result, the Budgetary Comparison Schedule for the General Fund at page 41 discloses 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.

West Bonner County School District No. 83
Schedule of Funding Progress - Other Postemployment Benefits
June 30, 2013

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%
July 1, 2012	-	710,650	710,650	0.00%	6,122,257	11.61%

Other Supplementary Information

West Bonner County School District No. 83
Combining Balance Sheet - General Fund
June 30, 2013

	General Fund	Medical Insurance Fund	Contingency Fund	Supplemental Levy 2010-2011	Supplemental Levy 2011-2012	Supplemental Levy 2012-2013	General Grants Fund	Total General Fund
ASSETS								
Cash and cash equivalents	\$ 694,958	\$ 127,792	\$ 205,932	\$ -	\$ (53,286)	\$ (729,649)	\$ 54,185	\$ 299,932
Receivables	374,734	-	-	-	8,630	716,054	27,033	1,126,451
Prepaid expenses	7,391	-	-	-	-	-	-	7,391
Due from other funds	132,789	-	-	-	-	-	-	132,789
Total assets	<u>\$ 1,209,872</u>	<u>\$ 127,792</u>	<u>\$ 205,932</u>	<u>\$ -</u>	<u>\$ (44,656)</u>	<u>\$ (13,595)</u>	<u>\$ 81,218</u>	<u>\$ 1,566,563</u>
LIABILITIES AND FUND BALANCES								
Current liabilities:								
Accounts payable	\$ 122,514	\$ 6,715	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129,229
Accrued payroll and related liabilities	850,838	-	-	-	-	72,263	23,657	946,758
Deferred revenue	236,520	-	-	-	-	-	-	236,520
Total liabilities	<u>1,209,872</u>	<u>6,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,263</u>	<u>23,657</u>	<u>1,312,507</u>
Fund balances:								
Nonspendable:								
Prepaid expenses	7,391	-	-	-	-	-	-	7,391
Restricted for:								
Program requirements	-	-	-	-	-	-	57,561	57,561
Committed for:								
Unforeseen expenditures	-	-	205,932	-	-	-	-	205,932
Assigned to:								
Instruction	-	-	-	-	(44,656)	(85,858)	-	(130,514)
Support services	-	121,077	-	-	-	-	-	121,077
Unassigned	(7,391)	-	-	-	-	-	-	(7,391)
Total fund balances	<u>-</u>	<u>121,077</u>	<u>205,932</u>	<u>-</u>	<u>(44,656)</u>	<u>(85,858)</u>	<u>57,561</u>	<u>254,056</u>
Total liabilities and fund balances	<u>\$ 1,209,872</u>	<u>\$ 127,792</u>	<u>\$ 205,932</u>	<u>\$ -</u>	<u>\$ (44,656)</u>	<u>\$ (13,595)</u>	<u>\$ 81,218</u>	<u>\$ 1,566,563</u>

See accompanying Report of Independent Auditor.

West Bonner County School District No. 83
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2013

	Total Non-Major State Funds	Total Non-Major Federal Funds	Child Nutrition Fund	Bus Acquisition Fund	Total Non-Major Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 43,325	\$ -	\$ 12,329	\$ 91,941	\$ 147,595
Receivables	6,071	260,475	4,217	-	270,763
Inventory	-	-	24,898	-	24,898
Total assets	<u>\$ 49,396</u>	<u>\$ 260,475</u>	<u>\$ 41,444</u>	<u>\$ 91,941</u>	<u>\$ 443,256</u>
LIABILITIES AND FUND BALANCES					
Current liabilities:					
Accounts payable	\$ 16	\$ -	\$ 577	\$ -	\$ 593
Accrued payroll and related liabilities	941	132,800	40,867	-	174,608
Deferred revenue	43,325	-	-	-	43,325
Due to other funds	5,114	127,675	-	-	132,789
Total liabilities	<u>49,396</u>	<u>260,475</u>	<u>41,444</u>	<u>-</u>	<u>351,315</u>
Fund balances:					
Nonspendable:					
Inventories	-	-	24,898	-	24,898
Restricted for:					
Program requirements	-	-	(24,898)	-	(24,898)
Replacement of plant equipment	-	-	-	91,941	91,941
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,941</u>	<u>91,941</u>
Total liabilities and fund balances	<u>\$ 49,396</u>	<u>\$ 260,475</u>	<u>\$ 41,444</u>	<u>\$ 91,941</u>	<u>\$ 443,256</u>

**West Bonner County School District No. 8
Combining Balance Sheet - Non-Major State Fund
June 30, 2013**

	Drivers Education Fund	Vocational Education Fund	Technology Grant Fund	Total Non-Major State Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 43,325	\$ 43,325
Receivables	-	6,071	-	6,071
Total assets	<u>\$ -</u>	<u>\$ 6,071</u>	<u>\$ 43,325</u>	<u>\$ 49,396</u>
LIABILITIES AND FUND BALANCES				
Current liabilities:				
Accounts payable	\$ -	\$ 16	\$ -	\$ 16
Accrued payroll and related liabilities	-	941	-	941
Deferred revenue	-	-	43,325	43,325
Due to other funds	-	5,114	-	5,114
Total liabilities	<u>-</u>	<u>6,071</u>	<u>43,325</u>	<u>49,396</u>
Fund balances:				
Restricted for:				
Program requirements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 6,071</u>	<u>\$ 43,325</u>	<u>\$ 49,396</u>

West Bonner County School District No. 83
Combining Balance Sheet - Non-Major Federal Funds
June 30, 2013

	Federal Forest Fund	Title I-A Fund	Title VI Part B Fund	Title VI Part B Preschool Fund	REAP Fund	Carl Perkins Fund	Title II-A Fund	GEAR UP Fund	Total Non-Major Federal Funds
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables	-	102,198	76,531	3,628	23,452	26,131	18,950	9,585	260,475
Total assets	<u>\$ -</u>	<u>\$ 102,198</u>	<u>\$ 76,531</u>	<u>\$ 3,628</u>	<u>\$ 23,452</u>	<u>\$ 26,131</u>	<u>\$ 18,950</u>	<u>\$ 9,585</u>	<u>\$ 260,475</u>
LIABILITIES AND FUND BALANCES									
Current liabilities:									
Accrued payroll and related liabilities	\$ -	\$ 61,592	\$ 51,801	\$ 2,458	\$ -	\$ 251	\$ 11,139	\$ 5,559	\$ 132,800
Due to other funds	-	40,606	24,730	1,170	23,452	25,880	7,811	4,026	127,675
Total liabilities	<u>-</u>	<u>102,198</u>	<u>76,531</u>	<u>3,628</u>	<u>23,452</u>	<u>26,131</u>	<u>18,950</u>	<u>9,585</u>	<u>260,475</u>
Fund balances:									
Restricted for:									
Program requirements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 102,198</u>	<u>\$ 76,531</u>	<u>\$ 3,628</u>	<u>\$ 23,452</u>	<u>\$ 26,131</u>	<u>\$ 18,950</u>	<u>\$ 9,585</u>	<u>\$ 260,475</u>

West Bonner County School District No. 83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund
Year Ended June 30, 2013

	General Fund	Medical Insurance Fund	Contingency Fund	Supplemental Levy 2010-2011	Supplemental Levy 2011-2012	Supplemental Levy 2012-2013	General Grants Fund	Total General Fund
Revenues:								
Property taxes	\$ 201,812	\$ -	\$ -	\$ -	\$ 89,116	\$ 2,233,397	\$ -	\$ 2,524,325
Interest and investment earnings	10	27	-	-	-	-	-	37
Other local revenue	62,973	105,537	-	-	-	-	172,691	341,201
State assistance and reimbursements	5,782,893	-	-	-	-	-	15,795	5,798,688
Other federal revenues	4,980	-	-	-	-	-	1,240	6,220
Total revenues	6,052,668	105,564	-	-	89,116	2,233,397	189,726	8,670,471
Expenditures:								
Instruction:								
Elementary programs	1,641,091	-	-	-	14,421	110,479	18,662	1,784,653
Secondary programs	1,787,904	-	-	-	14,639	20,307	39,217	1,862,067
Alternative school program	95,234	-	-	-	198	438	-	95,870
Vocational programs	217,997	-	-	-	-	-	-	217,997
Exceptional child, gifted and talented programs	555,028	-	-	-	1,404	-	3,036	559,468
Interscholastic and school activity programs	-	-	2,798	-	3,187	278,315	-	284,300
Summer school	13,032	-	-	-	-	-	-	13,032
Total instruction	4,310,286	-	2,798	-	33,849	409,539	60,915	4,817,387
Support services:								
Attendance, guidance and health	86,152	-	-	-	-	128,373	118,098	332,623
Special services	339,730	-	-	-	-	-	-	339,730
Instruction improvement and educational media	358,255	-	-	2,492	33,207	159,771	8,131	561,856
District administration	206,661	36,869	-	1,176	-	-	723	245,429
School administration	533,581	-	-	-	-	-	-	533,581
Business operations	280,265	-	-	-	-	-	-	280,265
Custodial and maintenance	1,115,030	-	58,784	-	-	59,539	-	1,233,353
Transportation	537,903	-	-	-	-	33,546	-	571,449
Total support services	3,457,577	36,869	58,784	3,668	33,207	381,229	126,952	4,098,286
Child nutrition programs	13,507	-	-	-	-	-	-	13,507
Capital asset programs	-	-	-	-	84,913	-	-	84,913
Debt service	35,880	-	-	-	-	-	-	35,880
Total expenditures	7,817,250	36,869	61,582	3,668	151,969	790,768	187,867	9,049,973
Excess (deficiency) of revenues over (under) expenditures	(1,764,582)	68,695	(61,582)	(3,668)	(62,853)	1,442,629	1,859	(379,502)
Other financing sources (uses):								
Transfers from (to) other funds	1,763,513	17,025	(232,957)	(1,188)	(4,948)	(1,528,487)	(5,603)	7,355
Net changes in fund balances	(1,069)	85,720	(294,539)	(4,856)	(67,801)	(85,858)	(3,744)	(372,147)
Total fund balances, beginning of year	1,069	35,357	500,471	4,856	23,145	-	61,305	626,203
Total fund balances, end of year	\$ -	\$ 121,077	\$ 205,932	\$ -	\$ (44,656)	\$ (85,858)	\$ 57,561	\$ 254,056

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, 2013

	Total Non-Major State Funds	Total Non-Major Federal Funds	Child Nutrition Fund	Bus Acquisition Fund	Total Non-Major Governmental Funds
Revenues:					
Other local revenue	\$ -	\$ -	\$ 72,926	\$ -	\$ 72,926
State assistance and reimbursements	53,359	-	-	-	53,359
National Forest Reserve	-	112,547	-	-	112,547
Other federal revenues	-	847,867	433,150	-	1,281,017
Total revenues	53,359	960,414	506,076	-	1,519,849
Expenditures:					
Instruction:					
Elementary programs	-	362,109	-	-	362,109
Secondary programs	38,587	97,442	-	-	136,029
Exceptional child, gifted and talented programs	-	310,218	-	-	310,218
Total instruction	38,587	769,769	-	-	808,356
Support services:					
Instruction improvement and educational media	-	83,560	-	-	83,560
District administration	14,772	-	-	-	14,772
School administration	-	29,612	-	-	29,612
Total support services	14,772	113,172	-	-	127,944
Non-instruction programs:					
Child nutrition programs	-	-	543,908	-	543,908
Community service programs	-	2,639	-	-	2,639
Total non-instruction programs	-	2,639	543,908	-	546,547
Capital asset programs	-	-	-	79,928	79,928
Total expenditures	53,359	885,580	543,908	79,928	1,562,775
Excess (deficiency) of revenues over (under) expenditures	-	74,834	(37,832)	(79,928)	(42,926)
Other financing sources (uses):					
Proceeds from sales of capital assets	-	-	-	5,700	5,700
Transfers from (to) other funds	-	(74,739)	14,744	52,640	(7,355)
Net changes in fund balances	-	95	(23,088)	(21,588)	(44,581)
Total fund balances, beginning of year	-	(95)	23,088	113,529	136,522
Total fund balances, end of year	\$ -	\$ -	\$ -	\$ 91,941	\$ 91,941

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, 2013

	Drivers Education Fund	Vocational Education Fund	Technology Grant Fund	Total Non-Major State Funds
Revenues:				
State assistance and reimbursements	\$ 13,125	\$ 25,462	\$ 14,772	\$ 53,359
Total revenues	13,125	25,462	14,772	53,359
Expenditures:				
Instruction:				
Secondary programs	13,125	25,462	-	38,587
Total instruction	13,125	25,462	-	38,587
Support services:				
District administration	-	-	14,772	14,772
Total support services	-	-	14,772	14,772
Total expenditures	13,125	25,462	14,772	53,359
Net changes in fund balances	-	-	-	-
Total fund balances, beginning of year	-	-	-	-
Total fund balances, end of year	\$ -	\$ -	\$ -	\$ -

West Bonner County School District No. 83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Non-Major Federal Funds
Year Ended June 30, 2013

	Federal Forest Fund	Title I-A Fund	Title VI Part B Fund	Title VI Part B Preschool Fund	REAP Fund	Carl Perkins Fund	Title II-A Fund	GEAR UP Fund	Total Non-Major Federal Funds
Revenues:									
National Forest Reserve	\$ 65,228	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,319	\$ 112,547
Other federal revenues	-	401,880	297,066	13,152	24,087	25,658	86,024	-	847,867
Total revenues	65,228	401,880	297,066	13,152	24,087	25,658	86,024	47,319	960,414
Expenditures:									
Instruction:									
Elementary programs	-	362,109	-	-	-	-	-	-	362,109
Secondary programs	-	-	-	-	24,087	26,131	-	47,224	97,442
Exceptional child, gifted and talented program:	-	-	297,066	13,152	-	-	-	-	310,218
Total instruction	-	362,109	297,066	13,152	24,087	26,131	-	47,224	769,769
Support services:									
Instruction improvement and educational medi:	-	-	-	-	-	-	83,560	-	83,560
School administrator	-	29,612	-	-	-	-	-	-	29,612
Total support services	-	29,612	-	-	-	-	83,560	-	113,172
Community service programs	-	2,639	-	-	-	-	-	-	2,639
Total expenditures	-	394,360	297,066	13,152	24,087	26,131	83,560	47,224	885,580
Excess (deficiency) of revenues over (under) expenditures	65,228	7,520	-	-	-	(473)	2,464	95	74,834
Other financing sources (uses):									
Transfers from (to) other funds	(65,228)	(7,520)	-	-	-	473	(2,464)	-	(74,739)
Net changes in fund balances	-	-	-	-	-	-	-	95	95
Total fund balances, beginning of year	-	-	-	-	-	-	-	(95)	(95)
Total fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

West Bonner County School District No. 83
Schedule of Changes in Student Activity Funds
Year Ended June 30, 2013

	Balances, June 30, 2012	Receipts	Disbursements	Balances, June 30, 2013
Idaho Hill Elementary	\$ 9,249	\$ 16,099	\$ 11,912	\$ 13,436
Priest Lake Elementary	7,618	184	-	7,802
Priest River Elementary	18,980	18,616	17,873	19,723
Priest River Junior High	11,724	19,531	17,817	13,438
Priest River Lamanna High	78,452	166,039	175,591	68,900
PREP Alternative High School	112	65	-	177
Totals	<u>\$ 126,135</u>	<u>\$ 220,534</u>	<u>\$ 223,193</u>	<u>\$ 123,476</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, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 15, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 13-1, that we consider to be a significant deficiency.

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*.

District's Response to Finding

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.

Purpose of this Report

The sole purpose of this report is to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DeCoria, Maichel & Teague, P.S.

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

October 15, 2013

West Bonner County School District No. 83
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor Program Title	State Pass - Through ID Number	Federal CFDA Number	Expenditures
U.S. Department of Education			
Passed Through Idaho State			
Department of Education:			
Local Education Agencies Cluster:			
Title I-A - Local Education Agencies	S010A110012	84 010	\$ 49,705
Title I-A - Local Education Agencies	S010A120012	84 010	352,175
			\$ 401,880
Title II-A - Teacher Quality	S367A110011	84 367	12,783
Title II-A - Teacher Quality	S367A120011	84.367	73,241
			86,024
Title IV-A - Gaining Early Awareness and Readiness for Undergraduate Programs	P334S110016	84 334	47,319
Special Education Cluster:			
Title VI-B - Federal Special Education K-12	H027A110088	84.027	2,202
Title VI-B - Federal Special Education K-12	H027A120088	84.027	294,864
Title VI-BP - Federal Special Education Preschool	H173A120030	84.173	13,152
			310,218
Carl Perkins Federal Vocational Education	V048A120012	84.048	25,658
Rural Education Achievement Program	S358B120012	84.358	24,087
Special Education - State Personnel Development	H323A070020	84.323	4,980
Total U.S. Department of Education			900,166
U.S. Department of Agriculture			
Passed Through Idaho State			
Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
USDA National School Lunch Program	2013IN109947	10.555	37,339
Cash Assistance:			
USDA School Breakfast Program	2012IN109947	10.553	10,326
USDA School Breakfast Program	2013IN109947	10.553	95,509
USDA National School Lunch Program	2012IN109947	10.555	25,861
USDA National School Lunch Program	2013IN109947	10.555	234,596
USDA Summer Food Service Program for Children	2012IN109947	10.559	20,015
			423,646
USDA Fresh Fruit and Vegetable Program	2012OL160347	10.582	726
USDA Fresh Fruit and Vegetable Program	2013ICL160347	10.582	8,778
			9,504
Schools and Roads Grants to States (Federal Forest)	--	10.665	65,228
Total U.S. Department of Agriculture			498,378
U.S. National Endowment for the Humanities			
Passed Through Idaho State			
Department of Education:			
National Endowment of the Arts - Promotion of the Arts	1161002042	45.025	1,240
Total U.S. National Endowment for the Humanities			1,240
Total Federal Financial Assistance			\$ 1,399,784

West Bonner County School District No. 83
Note to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of West Bonner County School District No. 83 ("the District") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, West Bonner County School District No. 83, complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 over compliance 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The sole purpose of this report on internal control over compliance is to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

DeCoria, Maichel & Teague, P.S.,

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

October 15, 2013

**West Bonner County School District No. 83
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013**

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 a 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 significant deficiencies for internal control over major programs.

The audit identified no material weaknesses for internal control over major programs.

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

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

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.010	Title I Local Education Agencies Cluster: Title I-A Local Education Agencies

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

The auditee qualified as a low-risk auditee.

West Bonner County School District No. 83
Schedule of Findings and Questioned Costs, Continued
Year Ended June 30, 2013

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 13-1

Condition	The size of the District's staff is not large enough to permit a complete segregation of duties for an effective system of internal control over financial reporting.
Criteria	An effective system of internal control over financial reporting 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 a complete system of automatic internal checks on the accuracy and reliability of the accounting records.
Cause	The District's staff is too small to allow a complete segregation of duties.
Recommendation	Although the organization is not large enough to permit a complete segregation of duties for an effective system of internal control over financial reporting, 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, 2013

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, 2013

Finding 12-1

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

Status: This condition still exists as of June 30, 2013. See Finding 13-1.