

West Bonner County School District No. 83

Financial Report

June 30, 2014

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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, 2014, 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, 2014, 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 14, the budgetary comparison schedule on page 43, and the schedule of funding progress – other postemployment benefits on page 45 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 10, 2014, 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 10, 2014

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014

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, 2014. 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 1,210 students over the entire school year. Our average daily student attendance generated 63.05 units on the July 15th state payment for salary and benefit apportionment. The total reimbursement for last fiscal year was \$3,438,309 for salaries and \$652,247 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 2014 increased \$211,672, which represents a 7% increase from fiscal year 2013.
- In the governmental funds, General Fund revenues for fiscal years 2014 and 2013 account for \$9,571,565 and \$8,670,471, or 86% and 85% of total revenues, respectively. 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 \$1,529,172 and \$1,519,849, or 14% and 15% of total revenues for fiscal years 2014 and 2013, respectively.
- In the governmental funds, General Fund expenditures account for \$9,236,841 and \$9,049,973 in expenditures, or 85% of all expenditures for fiscal years 2014 and 2013, respectively. Other state and federal fund expenditures accounted for \$1,588,252 and \$1,562,775, or 15% of total expenditures for fiscal years 2014 and 2013, respectively.

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
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For the Year Ended June 30, 2014

- The General Fund's fund balance was \$565,411 and \$254,056 for fiscal years ending 2014 and 2013, respectively. The General Fund's fund balance increased by \$311,355 from 2013 to 2014.
- Long-term debt decreased by \$4,129 from 2013. This decrease was due to the liability for compensated absences for 2014.

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 are comprised of 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, 2014

- **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 \$3,334,665 as of June 30, 2014.

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, 2014

Table 1 presents the District's summarized Statements of Net Position for the fiscal years ended June 30, 2014 and 2013.

Table 1
Statements of Net Position

ASSETS	June 30, 2014	June 30, 2013	% Change
Current Assets	\$2,134,867	\$1,877,030	13.7%
Noncurrent Assets	2,856,503	2,866,933	-0.4%
Total Assets	4,991,370	4,743,963	5.2%
LIABILITIES			
Current Liabilities	1,336,935	1,344,319	-0.5%
Noncurrent Liabilities	319,770	276,651	15.6%
Total Liabilities	1,656,705	1,620,970	2.2%
NET POSITION			
Net investment in capital assets	2,856,503	2,866,933	-0.4%
Restricted for program requirements	72,657	32,663	122.4%
Restricted for replacement of plant equipment	63,230	91,941	-31.2%
Designated for specific purposes	119,087	-9,437	1361.9%
Unrestricted net position	233,188	140,893	65.5%
Total Net Position	\$3,334,665	\$3,122,993	6.8%

Changes in net position. As shown in **Table 2**, the District relies significantly on state support (54%) for funding of its governmental activities. Additionally, local property tax support accounts for 29% of the District's governmental activities. The District had total revenues of \$11,086,185. Total revenues exceeded total expenses by \$211,672.

Table 2
Changes in Net Position

REVENUES	2014	2013
<i>Program Revenues:</i>		
Charges for services	\$59,930	\$72,926
Operating grants and contributions	1,413,936	1,387,915
<i>General Revenue:</i>		
Property taxes, general purposes	3,211,013	2,537,345
State aid, unrestricted	5,975,639	5,751,369
Federal Forest	55,844	112,547
Interest and investment earnings	266	37
Other local sources	362,557	341,201
Gain on disposal of capital assets	7,000	5,700
Total Revenues	11,086,185	10,209,040

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014

Table 2, Continued
Changes in Net Position

EXPENSES	2014	2013
Instructional services	\$5,613,124	\$5,788,201
Support services	4,496,875	4,270,794
Non-instructional services	576,666	563,653
Capital asset programs	155,143	163
Debt service	32,705	35,880
Total Expenses	10,874,513	10,658,691
Change in net position	211,672	-449,651
Net position, beginning of year	3,122,993	3,572,644
Net position, end of year	\$3,334,665	\$3,122,993

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	2014	2013	% Change
Instructional programs	\$4,870,764	\$4,964,019	-1.9%
Support service programs	4,292,487	4,142,850	3.6%
Non-instructional programs	49,548	54,938	-9.8%
Capital asset programs	155,143	163	95079.8%
Debt service	32,705	35,880	-8.8%
Net Expenses	\$9,400,647	\$9,197,850	2.2%
REVENUES			
Property taxes	\$3,211,013	\$2,537,345	26.6%
Interest and investment earnings	266	37	618.9%
Other local revenue	362,557	341,201	6.3%
State assistance and reimbursements	5,975,639	5,751,369	3.9%
Other federal revenues	55,844	112,547	-50.4%
Net Revenues	\$9,605,319	\$8,742,499	9.9%

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Net cost of governmental activities was financed primarily by general revenue, which is primarily made up of state support payments of \$5,975,639 for 2014 and \$5,751,369 for 2013. Investment earnings accounted for \$266 in 2014 and \$37 for 2013 of total revenues.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$628,641, an increase of \$282,644, which includes a contingency reserve balance of \$373,667. 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 \$135,887 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 \$162,430 for the Medical Insurance Fund and an assigned fund balance deficit of \$(43,343) 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, 2014

CAPTIAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. West Bonner County School District No. 83 has \$2,856,503 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 \$285,854 and included building improvements paid by supplemental levy dollars.

Long-Term Debt. The District has no bonded indebtedness. The District has a total of \$45,677 of long-term debt, which consists 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, 2013	\$49,806
Additions	82,082
Retirements/Payments	86,211
Balance, June 30, 2014	\$45,677

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, 2014

- 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 \$23,365 per unit, and is a .91% 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.
- Discretionary funding is lower than it was in 1999. Based on the 63.05 units generated in the 2013-14 the total discretionary funds received were \$1,261,000. Through the years school districts have lost thousands of dollars in funding as the discretionary funds decrease. Based upon a simple calculation using the funding level from 1999 and the current year 63.05 units, discretionary funds would have been \$1,463,832. That means that we are funded \$202,832 less than we were in 1999. Further, if we take our highest funding level in 2008, we are funded \$359,133 less than we were in 2008. This reduction of funding is a significant factor for increased levies. Please see chart below for discretionary trend.

FY	Entitlement	Inc(Decr)	% Change
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%
2013-14	20,000.00	294.00	1.49%
Average	\$ 23,364.93	\$ (229.81)	-.91%

- The District ran a supplemental levy in March that was unsuccessful. Our Board of Trustees approved to re-run the levy for \$3,000,000. On May 20, 2014 the District's voters approved a one-year supplemental levy that primarily supports the District, the co-curricular and extra-curricular programs, and facility improvements. Due to the state reductions throughout the years, the District is unable to continue to fund these expenditures from its General Fund discretionary dollars. These expenditures will continue to be supplemental levy expenditures until such time the state supports the funding of these programs.

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- Our District relies heavily on the levy for 25% of the General Fund support. The levy supports our schools current level of operations and programs. An unsuccessful levy for our district would significantly change our operations. Our district would be forced to make decisions that impact current school operations, current academic offerings, our school resource officer; technology and library funds; athletic programs, other programs such as band, choir, drama, leadership; textbooks and supplies; facility needs and staffing priorities.
- The Board of Trustees will present a supplemental levy to the local voting taxpayers for approval. 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.
- The chart below indicates the state revenue support and local property tax support per student in our District. The highest level of property tax support per student was in the 2005-06 school year where 49.9% of student support was property tax based. The current level of property tax support is 34.1%. State support and property tax support are the two major budget factors for our District.

Revenues per Student (Property Tax & State Revenue)

	99-00	00-01	01-02	02-03	03-04	04-05	05-06	06-07
Property Tax / Student	\$1,573.32	\$1,779.05	\$1,889.07	\$2,141.05	\$2,170.99	\$2,272.63	\$2,345.56	\$469.59
State Revenues / Student	\$1,952.82	\$2,449.23	\$2,510.77	\$2,420.67	\$2,408.95	\$2,439.97	\$2,354.96	\$5,224.73
Total Revenues / Student	\$3,526.14	\$4,228.28	\$4,399.28	\$4,561.72	\$4,579.94	\$4,712.60	\$4,700.52	\$5,694.32
Local Property Tax	44.6%	42.1%	42.9%	46.9%	47.4%	48.2%	49.9%	8.2%
State Revenues	55.4%	57.9%	57.1%	53.1%	52.6%	51.8%	50.1%	91.8%

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014

	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15 Est.
Property Tax / Student	\$425.56	\$472.73	\$879.98	\$1,235.32	\$2,032.66	\$2,083.70	\$2,664.87	\$2,626.97
State Revenues / Student	\$5,507.20	\$5,909.30	\$5,750.75	\$5,397.19	\$5,063.49	\$4,964.99	\$5,146.76	\$5,028.88
Total Revenues / Student	\$5,932.76	\$6,382.03	\$6,630.73	\$6,632.51	\$7,096.15	\$7,048.69	\$7,811.63	\$7,655.85
Local Property Tax	7.2%	7.4%	13.3%	18.6%	28.6%	29.6%	34.1%	34.3%
State Revenues	92.8%	92.6%	86.7%	81.4%	71.4%	70.4%	65.9%	65.7%

- The chart below demonstrates the shift in property tax funding for school purposes. The average annual property tax funding from 1998 through the current year is \$262,246,462. Prior to 2006, the property owner was assessed 3 mils for every \$1,000 in property value. After 2006, property taxes were assessed levy rates that have been voter approved. Through the years, the average amount assessed has not changed significantly for schools; however, the means to gain the funding has shifted drastically. The chart below further demonstrates that the funding needs for schools has not changed, but instead the burden on the local schools to attain funding through local levies to support the current levels of operations and programs has changed. Without supplemental levies, schools statewide would see significant changes in their operations.

Tax Levies for School Purposes – Entire State

	Supplemental Levies	3 Mils on Taxpayer	Total
1998-99	53,196,841	197,495,859	250,692,700
1999-00	58,718,930	209,603,128	268,322,058
2000-01	59,738,199	220,878,113	280,616,312
2001-02	59,669,623	225,606,136	285,275,759
2002-03	62,198,140	247,677,638	309,875,778
2003-04	66,234,771	261,984,529	328,219,300
2004-05	67,948,099	271,928,764	339,876,863
2005-06	76,716,455	293,538,739	370,255,194

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014

2006-07	78,744,582	87,324,780	166,069,362
2007-08	101,031,075	91,923,844	192,954,919
2008-09	108,093,637	96,904,589	204,998,226
2009-10	113,966,808	96,959,562	210,926,370
2010-11	136,286,769	96,978,808	233,265,577
2011-12	139,631,365	89,100,410	228,731,775
2012-13	168,961,794	84,699,282	253,661,076
2013-14	188,094,647	84,107,483	272,202,130

- The State of Idaho is striving to increase education funding each year. However, each increment of new or additional funding has “strings attached” and most funds cannot be used at the local level to support General Fund uses and ease the taxpayers’ burden. The State Department of Education issued a press release stating that for the 2014-15 school year, the Legislature’s budget-setting committee approved a 5.1% increase in funding for Idaho’s K-12 public schools, which would result in state general funds for Idaho’s public schools being higher than fiscal year 2008 levels for the first time. However, what is not mentioned in the press release is that while total funding for education may be higher, school districts cannot use all of the increased funding because most of the funds are earmarked for specific purposes, such as Leadership Awards and Premiums, Teacher Incentive Awards, Idaho Safe & Drug Free Schools, Idaho Digital Learning Academy, Advanced Opportunities, Technology and Pilot Programs, Instructional Management System, Student Achievement Assessments, Administrative Evaluation, Core Standards Professional Development and Content and Curriculum.
- Funds available to schools for use at the district level and at their own discretion are the salary base increase of 1% and the \$2,401 increase per unit in discretionary funding. This is an estimated General Fund increase of \$205,250; which was accounted for and planned in the 2014-15 budget and levy proposal.

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, 2014

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents (Note 6)	\$ 293,338
Receivables (Note 7)	1,816,983
Prepaid expenses	3,701
Inventory	20,845
Total current assets	2,134,867
Noncurrent assets:	
Capital assets, net of accumulated depreciation and amortization (Note 8)	2,856,503
Total noncurrent assets	2,856,503
Total assets	4,991,370
LIABILITIES	
Current liabilities:	
Accounts payable	120,952
Accrued payroll and related liabilities	1,103,065
Unearned grant revenue	67,241
Accrued compensated absences, due within one year (Note 12)	45,677
Total current liabilities	1,336,935
Noncurrent liabilities:	
Other postemployment benefit obligations, net (Note 13)	319,770
Total noncurrent liabilities	319,770
Total liabilities	1,656,705
Commitments and contingencies (Notes 14, 15 and 17)	
NET POSITION	
Net investment in capital assets	2,856,503
Restricted for program requirements	72,657
Restricted for replacement of plant equipment	63,230
Designated for specific purposes	119,087
Unrestricted net position	223,188
Total net position	\$ 3,334,665

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, 2014

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Elementary programs	\$ 2,222,863	\$ -	\$ 379,205	\$ (1,843,658)
Secondary programs	1,888,890	-	59,110	(1,829,780)
Alternative school program	105,638	-	15,340	(90,298)
Vocational education	221,277	-	-	(221,277)
Exceptional child, gifted and talented programs	878,923	-	288,167	(590,756)
Interscholastic and school activity programs	278,852	-	538	(278,314)
Summer school	16,681	-	-	(16,681)
Total instruction	5,613,124	-	742,360	(4,870,764)
Support services:				
Attendance, guidance and health	319,545	-	-	(319,545)
Special services	355,202	-	-	(355,202)
Instruction improvement and educational media	909,539	-	122,111	(787,428)
District administration	282,495	-	69,191	(213,304)
School administration	527,357	-	13,086	(514,271)
Business operations	286,061	-	-	(286,061)
Custodial and maintenance	1,223,793	-	-	(1,223,793)
Transportation	592,883	-	-	(592,883)
Total support services	4,496,875	-	204,388	(4,292,487)
Non-instruction programs:				
Child nutrition programs	574,901	59,930	465,423	(49,548)
Community service programs	1,765	-	1,765	-
Total non-instruction programs	576,666	59,930	467,188	(49,548)
Capital asset programs	155,143	-	-	(155,143)
Debt service	32,705	-	-	(32,705)
Total governmental activities	<u>\$ 10,874,513</u>	<u>\$ 59,930</u>	<u>\$ 1,413,936</u>	<u>(9,400,647)</u>
General revenue:				
Property taxes, general purposes				3,211,013
Interest and investment earnings				266
Other local sources				362,557
State aid, unrestricted				5,975,639
National forest reserve				55,844
Gain on disposal of capital assets				7,000
Total general revenue				<u>9,612,319</u>
Change in net position				211,672
Total net position, beginning of year				<u>3,122,993</u>
Total net position, end of year				<u>\$ 3,334,665</u>

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

West Bonner County School District No. 83
Balance Sheets - Governmental Funds
June 30, 2014

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets:			
Cash and cash equivalents	\$ 163,992	\$ 129,346	\$ 293,338
Receivables	1,459,496	357,487	1,816,983
Prepaid expenses	3,701	-	3,701
Inventory	-	20,845	20,845
Due from other funds	215,355	-	215,355
Total assets and deferred outflows of resources	<u>\$ 1,842,544</u>	<u>\$ 507,678</u>	<u>\$ 2,350,222</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Current liabilities:			
Accounts payable	\$ 120,842	\$ 110	\$ 120,952
Accrued payroll and related liabilities	940,198	162,867	1,103,065
Unearned grant revenue	1,125	66,116	67,241
Due to other funds	-	215,355	215,355
Total liabilities	<u>1,062,165</u>	<u>444,448</u>	<u>1,506,613</u>
Deferred inflows of resources:			
Unearned property taxes	<u>214,968</u>	<u>-</u>	<u>214,968</u>
Total deferred inflows of resources	<u>214,968</u>	<u>-</u>	<u>214,968</u>
Fund balances:			
Nonspendable:			
Prepaid expenses	3,701	-	3,701
Inventories	-	20,845	20,845
Restricted for:			
Program requirements	72,657	-	72,657
Replacement of plant equipment	-	63,230	63,230
Committed for:			
Unforeseen expenditures	373,667	-	373,667
Assigned to:			
Instruction	(43,343)	-	(43,343)
Support services	162,430	-	162,430
Unassigned	<u>(3,701)</u>	<u>(20,845)</u>	<u>(24,546)</u>
Total fund balances	<u>565,411</u>	<u>63,230</u>	<u>628,641</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,842,544</u>	<u>\$ 507,678</u>	<u>\$ 2,350,222</u>

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

West Bonner County School District No. 83
Reconciliation of the Balance Sheets - Governmental Funds
with the Statement of Net Position - District-Wide
June 30, 2014

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

Total fund balances - Governmental Funds		\$	628,641
Property taxes receivable will be collected, but are not available soon enough to pay for current period liabilities, and are therefore reported as deferred inflows of resources in the governmental funds.			214,968
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	\$	12,760,040	
Accumulated depreciation is		<u>(9,903,537)</u>	
			2,856,503
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		(45,677)	
Other postemployment benefit obligations, net		<u>(319,770)</u>	
			<u>(365,447)</u>
Total net position - District-Wide		\$	<u><u>3,334,665</u></u>

West Bonner County School District No. 83
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2014

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 3,232,565	\$ -	\$ 3,232,565
Interest and investment earnings	266	-	266
Other local revenue	362,557	59,930	422,487
State assistance and reimbursements	5,975,639	107,552	6,083,191
National Forest Reserve	-	55,844	55,844
Other federal revenues	538	1,305,846	1,306,384
Total revenues	9,571,565	1,529,172	11,100,737
Expenditures:			
Instruction:			
Elementary programs	1,721,986	369,743	2,091,729
Secondary programs	1,744,475	59,110	1,803,585
Alternative school program	89,681	15,340	105,021
Vocational education	221,277	-	221,277
Exceptional child, gifted and talented programs	590,756	288,167	878,923
Interscholastic and school activity programs	278,852	-	278,852
Summer school	16,681	-	16,681
Total instruction	4,663,708	732,360	5,396,068
Support services:			
Attendance, guidance and health	319,545	-	319,545
Special services	355,202	-	355,202
Instruction improvement and educational media	781,298	122,111	903,409
District administration	210,643	69,191	279,834
School administration	514,271	13,086	527,357
Business operations	286,061	-	286,061
Custodial and maintenance	1,219,402	-	1,219,402
Transportation	580,528	-	580,528
Total support services	4,266,950	204,388	4,471,338
Non-instruction programs:			
Child nutrition programs	13,645	557,657	571,302
Community service programs	-	1,765	1,765
Total non-instruction programs	13,645	559,422	573,067
Capital asset programs	259,833	92,082	351,915
Debt service	32,705	-	32,705
Total expenditures	9,236,841	1,588,252	10,825,093
Excess (deficiency) of revenues over (under) expenditures	334,724	(59,080)	275,644
Other financing sources (uses):			
Proceeds from sales of capital assets	-	7,000	7,000
Transfers from (to) other funds	(23,369)	23,369	-
Net changes in fund balances	311,355	(28,711)	282,644
Total fund balances, beginning of year	254,056	91,941	345,997
Total fund balances, end of year	\$ 565,411	\$ 63,230	\$ 628,641

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, 2014**

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

Net changes in fund balances - Governmental Funds	\$ 282,644
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Some property taxes will not be collected until several months after the District's fiscal year end, and therefore will not be available to pay liabilities of the current period. Accordingly, they are recorded as deferred inflows of resources. They are, however, recorded as revenue in the Statement of Activities - District-Wide. The increase in unearned property taxes during the 2014 fiscal year is an adjustment.

(21,552)

In the Statement of Activities - District-Wide, certain operating expenses (e.g., compensated absences) and certain non-pension retirement benefits (e.g., other postemployment benefits) are measured by the amount earned 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, compensated absences and other postemployment benefits earned exceeded compensated absences and other postemployment benefits paid by \$38,990.

(38,990)

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, \$296,284, exceeds capital outlays, \$285,854, during the current fiscal year.

(10,430)

Change in net position - District-Wide	<u>\$ 211,672</u>
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West Bonner County School District No. 83
Statement of Net Position - Fiduciary Funds
June 30, 2014

	Student Scholarship Fund	AFLAC Cafeteria Plan Fund	Student Activity Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,893	\$ 30,305	\$ 119,426
Total assets	<u>1,893</u>	<u>30,305</u>	<u>119,426</u>
LIABILITIES			
Current liabilities:			
Deposits due to employees	\$ -	\$ 30,305	\$ -
Due to student groups	-	-	119,426
Total liabilities	<u>-</u>	<u>30,305</u>	<u>119,426</u>
NET POSITION			
Held for benefit of others	<u>1,893</u>		

West Bonner County School District No. 83
Statement of Changes in Net Position - Fiduciary Funds
Year Ended June 30, 2014

	Student Scholarship Fund
	<hr/>
Additions:	
Contributions	\$ 808
	<hr/>
Total additions	808
	<hr/>
Deductions:	
Scholarships paid	-
	<hr/>
Total deductions	-
	<hr/>
Change in net position	808
	<hr/>
Net position, beginning of year	1,085
	<hr/>
Net position, end of year	\$ 1,893
	<hr/> <hr/>

West Bonner County School District No. 83
Notes to Financial Statements
June 30, 2014

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, 2014

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, 2014

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. The revenue of the fund consists primarily of local property taxes and state funds. 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, 2014

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 held 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, 2014, 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

Accounting Principles Generally Accepted in the United States of America

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, 2014

5. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

GASB Statement No. 63 amended the former net assets reporting requirements by incorporating deferred inflows of resources and deferred outflows of resources into the definitions of required financial statement components and renamed *Net Assets* as *Net Position*. The District's financial statements were 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 is effective for the District beginning in the fiscal year ended June 30, 2014. Implementation did not have a material impact on the District's financial results.

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.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of Statement No. 71 is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of Statement No. 71 are required to be applied simultaneously with the provisions of Statement No. 68.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2014

5. Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Cash received by the District in its governmental funds is pooled for investment purposes. Interest earned on the balances in the pooled accounts is allocated to the participating funds in proportion to the average daily balances in each fund. The District considers investments in the cash management pool and all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. 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.

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.

Inventories

Inventories, which consist of food supplies, are reported at the lower of cost (first-in, first out) 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. Donated food commodities are reported in the Child Nutrition Fund as revenue and expense when received.

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.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2014

5. Summary of Significant Accounting Policies, Continued

Capital Assets, Continued

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

Accrued Liabilities and Long-Term Obligations

Liabilities shown on the governmental 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 agreements with the local education association, 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, 2014

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 (see Note 13).

Net Position

Net position represents the difference between assets plus deferred outflows, and liabilities plus deferred inflows. Net position is comprised of the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following four components.

Net investment in capital assets. This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net position. This component of net position consists of amounts subject to constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Designated net position. This component of net position consists of amounts that have been designated by the Board of Directors to be set aside for future capacity-related and capital improvements.

Unrestricted net position. This component of net position consists of amounts that do not meet the definition of "net investment in capital assets," "restricted" or "designated."

Use of Restricted Resources

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

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2014

5. Summary of Significant Accounting Policies, Continued

Fund Balances

GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* (GASB Statement No. 54), defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB Statement No. 54 requires the fund balance amounts to be properly reported within one of the following fund balance classifications (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);

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, 2014, there were no significant encumbrances.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2014

5. Summary of Significant Accounting Policies, Continued

Fund Balance Spending Policy

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.

Property Taxes

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

Grant Revenue

The District receives financial assistance from governmental agencies in the form of grants, which are accounted for in special revenue funds. Revenue is deemed earned and thus recognized when applicable program expenditures are recorded. Funds received but not earned at June 30, 2014 are recorded as unearned grant revenue.

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.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2014

5. Summary of Significant Accounting Policies, Continued

Subsequent Events

The District has evaluated subsequent events through October 10, 2014, the date as of which these financial statements were available to be issued. No material subsequent events have occurred since June 30, 2014 that required recognition or disclosure in these financial statements.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of deposits held in checking accounts, a money market account and certificates of deposit with a local bank. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's bank deposits in interest-bearing accounts at each financial institution were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at June 30, 2014.

The carrying amount of cash and cash equivalents at June 30, 2014 appears in the financial statements as summarized below:

Cash and cash equivalents, Statement of Net Position – District-Wide	\$ 293,338
Cash and cash equivalents, Statement of Net Position – Fiduciary Funds	<u>151,624</u>
	<u>\$ 444,962</u>

Bank balances at June 30, 2014 totaled \$536,307. 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, 2014.

A summary of the total insured and uninsured bank balances at June 30, 2014 is as follows:

Total bank balances	\$ 536,307
Portion insured by FDIC	<u>(250,000)</u>
Uninsured balances	<u>\$ 286,307</u>

7. Receivables

Receivables as of June 30, 2014 are as follows:

Property taxes receivable	\$ 1,013,451
Delinquent property taxes receivable	214,968
State support receivable	153,494
Grants receivable	428,404
Accounts receivable	<u>6,666</u>
Total receivables	<u>\$ 1,816,983</u>

Property taxes receivable consist of property taxes received within the first 60 days after June 30, 2014.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2014

7. Receivables, Continued

Delinquent property taxes receivable consist of property taxes levied but not collected as of June 30, 2014, or within 60 days after June 30, 2014. These amounts have been offset by a deferred inflow of resources 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 2014.

Grants receivable consist of revenues earned by the District from various state or federal grants but not collected by the District as of June 30, 2014.

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, 2014 is as follows:

	Balance June 30, 2013	Additions	Transfers	Disposals	Balance June 30, 2014
Buildings, building improvements and portable units	\$ 9,626,234	\$ 196,772	\$ --	\$ --	\$ 9,823,006
Furniture and equipment	1,091,749	--	--	--	1,091,749
Buses	1,608,449	89,082	--	(116,413)	1,581,118
Other vehicles	<u>96,616</u>	<u>--</u>	<u>--</u>	<u>(2,500)</u>	<u>94,116</u>
Capital assets in service	12,423,048	285,854	--	(118,913)	12,589,989
Accumulated depreciation	<u>(9,726,166)</u>	<u>(296,284)</u>	<u>--</u>	<u>118,913</u>	<u>(9,903,537)</u>
	2,696,882	(10,430)	--	--	2,686,452
Land	<u>170,051</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>170,051</u>
Total capital assets	<u>\$ 2,866,933</u>	<u>\$ (10,430)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,856,503</u>

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2014

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	\$ 92,144
Secondary programs	85,305
Alternative school program	<u>617</u>
	<u>178,066</u>
Support services:	
Instruction improvement and educational media	6,130
District administration	2,661
Custodial and maintenance	4,391
Transportation	<u>101,437</u>
	<u>114,619</u>
Non-instruction programs:	
Child nutrition program	<u>3,599</u>
	<u>\$ 296,284</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, 2014 are summarized as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Vocational Education Fund	\$ 6,532
General Fund	Title I-A Fund	69,111
General Fund	Title VI Part B Fund	45,641
General Fund	Title VI Part B Preschool Fund	2,930
General Fund	REAP Fund	220
General Fund	Carl Perkins Fund	18,735
General Fund	Title II-A Fund	21,393
General Fund	GEAR UP Fund	2,837
General Fund	Child Nutrition Fund	47,956

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2014

10. Interfund Transfers

Interfund transfers for the year ended June 30, 2014 are summarized as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Reason</u>	<u>Amount</u>
General Fund	Supp Levy 12-13	Cover levy revenue shortfall	\$ 39,678
General Fund	Insurance Buydown	Transfer insurance rebate	40,500
General Fund	Contingency Fund	Transfer carryover balance	95,544
Supplemental Levy 11-12	Contingency Fund	Transfer additional revenues	13,130
General Grants Fund	Contingency Fund	Transfer carryover balance	59,061
General Fund	Food Services	To cover Food Services deficit	32,304
General Fund	Bus Acquisitions	Transfer depreciation funds	56,371
Supplemental Levy 13-14	General Fund	Budgeted transfer for shortfall	1,980,172
Insurance Buydown	General Fund	Budgeted transfer for insurance	90,225
Forest Fund	General Fund	Budgeted transfer	55,844
Title I-A	General Fund	Indirect cost	7,000
Title II-A	General Fund	Indirect cost	2,462

11. Short-Term Borrowings

The District had no short-term borrowings or repayments during 2014.

12. Long-Term Obligations

A summary of changes in long-term obligations of the District for the year ended June 30, 2014 is as follows:

	<u>Long-Term Obligations June 30, 2013</u>	<u>Long-Term Obligations Incurred</u>	<u>Long-Term Obligations Paid</u>	<u>Long-Term Obligations June 30, 2014</u>	<u>Due Within One Year</u>
Accrued compensated absences	\$ 49,806	\$ 82,082	\$ (86,211)	\$ 45,677	\$ 45,677

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2014

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 employees' 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, 2014

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 premiums, including the resulting 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, 2014, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contributions	\$ 80,630
Interest on net OPEB obligation	11,758
Adjustment to annual required contributions	<u>(11,066)</u>
Annual OPEB cost	81,322
Contributions made ⁽¹⁾	<u>(38,203)</u>
Increase in net OPEB obligation	43,119
Net OPEB obligations, beginning of year	<u>276,651</u>
Net OPEB obligations, end of year	<u>\$ 319,770</u>

⁽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 \$38,203 is credited against the District's cost to provide health insurance for active employees for the fiscal year ended June 30, 2014.

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, 2014, 2013 and 2012 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, 2014	\$ 81,322	\$ 38,203	46.98%	\$ 319,770
June 30, 2013	179,356	48,425	27.00%	276,651
June 30, 2012	84,501	39,567	46.82%	145,720

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2014

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, 2014

13. Other Postemployment Benefits, Continued

Actuarial Methods and Assumptions, Continued

Several factors have caused the Actuarial Accrued Liability (AAL) to change since the previous 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, 2014, the required contribution rate as a percentage of covered payrolls for members was 6.79% for general members. The employer contribution rate as a percentage of covered payroll was 11.32% for general members. The District's employer contributions required and paid were \$687,269, \$615,005 and \$606,367 for the three years ended June 30, 2014, 2013 and 2012, respectively.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2014

15. Commitments and Contingencies

Operating Leases

The District has entered into an office equipment lease for eight copiers, which is accounted for as an operating lease. The lease requires monthly payments of \$2,470 and has a remaining term of twenty-six months. Rent expense for the year ended June 30, 2014 was \$32,705.

Future minimum rental payments required under the office equipment operating lease, which has an initial or remaining noncancelable lease term in excess of one year as of June 30, 2014, are as follows:

Year Ending June 30,

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, 2014

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, 2014 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, 2014, amounts reported as Committed Fund Balance represent unforeseen expenditures, totaling \$373,667, 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, 2014, 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, 2014

			Actual	Variances	
			Modified	Positive/(Negative)	
	Budgeted Amounts		Accrual	Original	Final
	Original	Final	Basis	to Final	to Actual
Revenues:					
Property taxes	\$ 3,142,763	\$ 3,193,804	\$ 3,232,565	\$ 51,041	\$ 38,761
Interest and investment earnings	10	200	266	190	66
Other local revenue	68,648	261,251	362,557	192,603	101,306
State assistance and reimbursements	5,727,061	5,993,155	5,975,639	266,094	(17,516)
Other federal revenues	-	-	538	-	538
Total revenues	8,938,482	9,448,410	9,571,565	509,928	123,155
Expenditures:					
Instruction:					
Elementary programs	1,753,495	1,766,545	1,721,986	(13,050)	44,559
Secondary programs	1,790,012	1,773,653	1,744,475	16,359	29,178
Alternative school program	95,193	90,989	89,681	4,204	1,308
Vocational programs	237,186	225,292	221,277	11,894	4,015
Exceptional child, gifted and talented programs	538,057	604,137	590,756	(66,080)	13,381
Interscholastic and school activity programs	295,403	295,403	278,852	-	16,551
Summer school	13,136	16,681	16,681	(3,545)	-
Total instruction	4,722,482	4,772,700	4,663,708	(50,218)	108,992
Support services:					
Attendance, guidance and health	233,670	222,747	319,545	10,923	(96,798)
Special services	321,466	355,976	355,202	(34,510)	774
Instruction improvement and educational media	669,995	957,958	781,298	(287,963)	176,660
District administration	217,625	192,296	210,643	25,329	(18,347)
School administration	530,001	515,095	514,271	14,906	824
Business operations	291,403	291,086	286,061	317	5,025
Custodial and maintenance	1,169,216	1,223,077	1,219,402	(53,861)	3,675
Transportation	652,598	617,880	580,528	34,718	37,352
Total support services	4,085,974	4,376,115	4,266,950	(290,141)	109,165
Child nutrition programs	12,997	13,645	13,645	(648)	-
Capital asset programs	243,059	258,781	259,833	(15,722)	(1,052)
Debt service	35,881	39,416	32,705	(3,535)	6,711
Total expenditures	9,100,393	9,460,657	9,236,841	(360,264)	223,816
Excess (deficiency) of revenues over (under) expenditures	(161,911)	(12,247)	334,724	149,664	346,971
Other financing sources (uses):					
Transfers from (to) other funds	107,505	(42,159)	(23,369)	(149,664)	18,790
Net change in fund balance	(54,406)	(54,406)	311,355	-	365,761
Total fund balance, beginning of year	254,056	254,056	254,056	-	-
Total fund balance, end of year	\$ 199,650	\$ 199,650	\$ 565,411	\$ -	\$ 365,761

West Bonner County School District No. 83
Notes to Budgetary Comparison Schedule
June 30, 2014

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 43 discloses three 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, 2014

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, 2014

	General Fund	Medical Insurance Fund	Contingency Fund	Supplemental Levy 2011-2012	Supplemental Levy 2012-2013	Supplemental Levy 2013-2014	General Grants Fund	Total General Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES								
Assets:								
Cash and cash equivalents	\$ 537,698	\$ 163,885	\$ 373,667	\$ (12,168)	\$ (5,671)	\$ (907,897)	\$ 14,478	\$ 163,992
Receivables	448,725	-	-	12,168	6,896	920,790	70,917	1,459,496
Prepaid expenses	3,701	-	-	-	-	-	-	3,701
Due from other funds	215,355	-	-	-	-	-	-	215,355
Total assets and deferred outflows of resources	<u>\$ 1,205,479</u>	<u>\$ 163,885</u>	<u>\$ 373,667</u>	<u>\$ -</u>	<u>\$ 1,225</u>	<u>\$ 12,893</u>	<u>\$ 85,395</u>	<u>\$ 1,842,544</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Current liabilities:								
Accounts payable	\$ 105,659	\$ 1,455	\$ -	\$ -	\$ -	\$ 13,428	\$ 300	\$ 120,842
Accrued payroll and related liabilities	884,852	-	-	-	-	44,033	11,313	940,198
Unearned grant revenue	-	-	-	-	-	-	1,125	1,125
Total liabilities	<u>990,511</u>	<u>1,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,461</u>	<u>12,738</u>	<u>1,062,165</u>
Deferred inflows of resources:								
Unearned property taxes	214,968	-	-	-	-	-	-	214,968
Total deferred inflows of resources	<u>214,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,968</u>
Fund balances:								
Nonspendable:								
Prepaid expenses	3,701	-	-	-	-	-	-	3,701
Restricted for:								
Program requirements	-	-	-	-	-	-	72,657	72,657
Committed for:								
Unforeseen expenditures	-	-	373,667	-	-	-	-	373,667
Assigned to:								
Instruction	-	-	-	-	1,225	(44,568)	-	(43,343)
Support services	-	162,430	-	-	-	-	-	162,430
Unassigned	(3,701)	-	-	-	-	-	-	(3,701)
Total fund balances	<u>-</u>	<u>162,430</u>	<u>373,667</u>	<u>-</u>	<u>1,225</u>	<u>(44,568)</u>	<u>72,657</u>	<u>565,411</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,205,479</u>	<u>\$ 163,885</u>	<u>\$ 373,667</u>	<u>\$ -</u>	<u>\$ 1,225</u>	<u>\$ 12,893</u>	<u>\$ 85,395</u>	<u>\$ 1,842,544</u>

See accompanying Report of Independent Auditor.

West Bonner County School District No. 83
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2014

	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	\$ 66,077	\$ 39	\$ -	\$ 63,230	\$ 129,346
Receivables	7,470	284,362	65,655	-	357,487
Inventory	-	-	20,845	-	20,845
Total assets	<u>\$ 73,547</u>	<u>\$ 284,401</u>	<u>\$ 86,500</u>	<u>\$ 63,230</u>	<u>\$ 507,678</u>
LIABILITIES AND FUND BALANCES					
Current liabilities:					
Accounts payable	\$ -	\$ -	\$ 110	\$ -	\$ 110
Accrued payroll and related liabilities	938	123,495	38,434	-	162,867
Unearned grant revenue	66,077	39	-	-	66,116
Due to other funds	<u>6,532</u>	<u>160,867</u>	<u>47,956</u>	<u>-</u>	<u>215,355</u>
Total liabilities	<u>73,547</u>	<u>284,401</u>	<u>86,500</u>	<u>-</u>	<u>444,448</u>
Fund balances:					
Nonspendable:					
Inventories	-	-	20,845	-	20,845
Restricted for:					
Replacement of plant equipment	-	-	-	63,230	63,230
Unassigned	<u>-</u>	<u>-</u>	<u>(20,845)</u>	<u>-</u>	<u>(20,845)</u>
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,230</u>	<u>63,230</u>
Total liabilities and fund balances	<u>\$ 73,547</u>	<u>\$ 284,401</u>	<u>\$ 86,500</u>	<u>\$ 63,230</u>	<u>\$ 507,678</u>

West Bonner County School District No. 83
Combining Balance Sheet - Non-Major State Funds
June 30, 2014

	Drivers Education Fund	Vocational Education Fund	Technology Grant Fund	State Drug Free Grant Fund	Total Non-Major State Funds
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 62,077	\$ 4,000	\$ 66,077
Receivables	-	7,470	-	-	7,470
Total assets	<u>\$ -</u>	<u>\$ 7,470</u>	<u>\$ 62,077</u>	<u>\$ 4,000</u>	<u>\$ 73,547</u>
LIABILITIES AND FUND BALANCES					
Current liabilities:					
Accrued payroll and related liabilities	\$ -	\$ 938	\$ -	\$ -	\$ 938
Unearned grant revenue	-	-	62,077	4,000	66,077
Due to other funds	-	6,532	-	-	6,532
Total liabilities	<u>-</u>	<u>7,470</u>	<u>62,077</u>	<u>4,000</u>	<u>73,547</u>
Fund balances:					
Restricted for:					
Program requirements	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 7,470</u>	<u>\$ 62,077</u>	<u>\$ 4,000</u>	<u>\$ 73,547</u>

West Bonner County School District No. 83
Combining Balance Sheet - Non-Major Federal Funds
June 30, 2014

	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	Title IV-A Safe & Drug Free Schools Fund	Total Non-Major Federal Funds
ASSETS										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39	\$ 39
Receivables	-	135,990	89,300	5,530	220	18,735	21,393	13,194	-	284,362
Total assets	<u>\$ -</u>	<u>\$ 135,990</u>	<u>\$ 89,300</u>	<u>\$ 5,530</u>	<u>\$ 220</u>	<u>\$ 18,735</u>	<u>\$ 21,393</u>	<u>\$ 13,194</u>	<u>\$ 39</u>	<u>\$ 284,401</u>
LIABILITIES AND FUND BALANCES										
Current liabilities:										
Accrued payroll and related liabilities	\$ -	\$ 66,879	\$ 43,659	\$ 2,600	\$ -	\$ -	\$ -	\$ 10,357	\$ -	\$ 123,495
Unearned grant revenue	-	-	-	-	-	-	-	-	39	39
Due to other funds	-	69,111	45,641	2,930	220	18,735	21,393	2,837	-	160,867
Total liabilities	<u>-</u>	<u>135,990</u>	<u>89,300</u>	<u>5,530</u>	<u>220</u>	<u>18,735</u>	<u>21,393</u>	<u>13,194</u>	<u>39</u>	<u>284,401</u>
Fund balances:										
Restricted for:										
Program requirements	-	-	-	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<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>\$ 135,990</u>	<u>\$ 89,300</u>	<u>\$ 5,530</u>	<u>\$ 220</u>	<u>\$ 18,735</u>	<u>\$ 21,393</u>	<u>\$ 13,194</u>	<u>\$ 39</u>	<u>\$ 284,401</u>

West Bonner County School District No. 83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund
Year Ended June 30, 2014

	General Fund	Medical Insurance Fund	Contingency Fund	Supplemental Levy 2011-2012	Supplemental Levy 2012-2013	Supplemental Levy 2013-2014	General Grants Fund	Total General Fund
Revenues:								
Property taxes	\$ 193,806	\$ -	\$ -	\$ 65,135	\$ 93,236	\$ 2,880,388	\$ -	\$ 3,232,565
Interest and investment earnings	266	-	-	-	-	-	-	266
Other local revenue	45,498	117,022	-	-	-	-	200,037	362,557
State assistance and reimbursements	5,948,012	-	-	-	-	-	27,627	5,975,639
Other federal revenues	400	-	-	-	-	-	138	538
Total revenues	6,187,982	117,022	-	65,135	93,236	2,880,388	227,802	9,571,565
Expenditures:								
Instruction:								
Elementary programs	1,687,975	-	-	989	9,636	7,378	16,008	1,721,986
Secondary programs	1,709,843	-	-	1,179	4,893	13,369	15,191	1,744,475
Alternative school program	88,494	-	-	463	246	478	-	89,681
Vocational programs	221,277	-	-	-	-	-	-	221,277
Exceptional child, gifted and talented programs	589,887	-	-	-	-	869	-	590,756
Interscholastic and school activity programs	-	-	-	-	2,200	276,652	-	278,852
Summer school	16,681	-	-	-	-	-	-	16,681
Total instruction	4,314,157	-	-	2,631	16,975	298,746	31,199	4,663,708
Support services:								
Attendance, guidance and health	73,216	-	-	-	-	129,819	116,510	319,545
Special services	355,202	-	-	-	-	-	-	355,202
Instruction improvement and educational media	519,314	-	-	4,718	21,549	229,486	6,231	781,298
District administration	184,699	25,944	-	-	-	-	-	210,643
School administration	514,271	-	-	-	-	-	-	514,271
Business operations	286,061	-	-	-	-	-	-	286,061
Custodial and maintenance	1,212,095	-	-	-	7,307	-	-	1,219,402
Transportation	553,923	-	-	-	-	26,900	(295)	580,528
Total support services	3,698,781	25,944	-	4,718	28,856	386,205	122,446	4,266,950
Child nutrition programs	13,645	-	-	-	-	-	-	13,645
Capital asset programs	-	-	-	-	-	259,833	-	259,833
Debt service	32,705	-	-	-	-	-	-	32,705
Total expenditures	8,059,288	25,944	-	7,349	45,831	944,784	153,645	9,236,841
Excess (deficiency) of revenues over (under) expenditures	(1,871,306)	91,078	-	57,786	47,405	1,935,604	74,157	334,724
Other financing sources (uses):								
Transfers from (to) other funds	1,871,306	(49,725)	167,735	(13,130)	39,678	(1,980,172)	(59,061)	(23,369)
Net changes in fund balances	-	41,353	167,735	44,656	87,083	(44,568)	15,096	311,355
Total fund balances, beginning of year	-	121,077	205,932	(44,656)	(85,858)	-	57,561	254,056
Total fund balances, end of year	\$ -	\$ 162,430	\$ 373,667	\$ -	\$ 1,225	\$ (44,568)	\$ 72,657	\$ 565,411

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, 2014

	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	\$ -	\$ -	\$ 59,930	\$ -	\$ 59,930
State assistance and reimbursements	107,552	-	-	-	107,552
National Forest Reserve	-	55,844	-	-	55,844
Other federal revenues	-	840,423	465,423	-	1,305,846
Total revenues	107,552	896,267	525,353	-	1,529,172
Expenditures:					
Instruction:					
Elementary programs	-	369,743	-	-	369,743
Secondary programs	38,361	20,749	-	-	59,110
Alternative school program	-	15,340	-	-	15,340
Exceptional child, gifted and talented programs	-	288,167	-	-	288,167
Total instruction	38,361	693,999	-	-	732,360
Support services:					
Instruction improvement and educational media	-	122,111	-	-	122,111
District administration	69,191	-	-	-	69,191
School administration	-	13,086	-	-	13,086
Total support services	69,191	135,197	-	-	204,388
Non-instruction programs:					
Child nutrition programs	-	-	557,657	-	557,657
Community service programs	-	1,765	-	-	1,765
Total non-instruction programs	-	1,765	557,657	-	559,422
Capital asset programs	-	-	-	92,082	92,082
Total expenditures	107,552	830,961	557,657	92,082	1,588,252
Excess (deficiency) of revenues over (under) expenditures	-	65,306	(32,304)	(92,082)	(59,080)
Other financing sources (uses):					
Proceeds from sales of capital assets	-	-	-	7,000	7,000
Transfers from (to) other funds	-	(65,306)	32,304	56,371	23,369
Net changes in fund balances	-	-	-	(28,711)	(28,711)
Total fund balances, beginning of year	-	-	-	91,941	91,941
Total fund balances, end of year	\$ -	\$ -	\$ -	\$ 63,230	\$ 63,230

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, 2014

	Drivers Education Fund	Vocational Education Fund	Technology Grant Fund	State Drug Free Grant Fund	Total Non-Major State Funds
Revenues:					
State assistance and reimbursements	\$ 11,500	\$ 26,861	\$ 69,191	\$ -	\$ 107,552
Total revenues	11,500	26,861	69,191	-	107,552
Expenditures:					
Instruction:					
Secondary programs	11,500	26,861	-	-	38,361
Total instruction	11,500	26,861	-	-	38,361
Support services:					
District administration	-	-	69,191	-	69,191
Total support services	-	-	69,191	-	69,191
Total expenditures	11,500	26,861	69,191	-	107,552
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, 2014

	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	Title IV-A Safe & Drug Free Schools Fund	Total Non-Major Federal Funds
Revenues:										
National Forest Reserve	\$ 55,844	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,844
Other federal revenues	-	406,934	275,597	12,570	2,014	18,735	84,919	39,582	72	840,423
Total revenues	55,844	406,934	275,597	12,570	2,014	18,735	84,919	39,582	72	896,267
Expenditures:										
Instruction:										
Elementary programs	-	369,743	-	-	-	-	-	-	-	369,743
Secondary programs	-	-	-	-	2,014	18,735	-	-	-	20,749
Alternative school program	-	15,340	-	-	-	-	-	-	-	15,340
Exceptional child, gifted and talented programs	-	-	275,597	12,570	-	-	-	-	-	288,167
Total instruction	-	385,083	275,597	12,570	2,014	18,735	-	-	-	693,999
Support services:										
Instruction improvement and educational media	-	-	-	-	-	-	82,457	39,582	72	122,111
School administration	-	13,086	-	-	-	-	-	-	-	13,086
Total support services	-	13,086	-	-	-	-	82,457	39,582	72	135,197
Community service programs	-	1,765	-	-	-	-	-	-	-	1,765
Total expenditures	-	399,934	275,597	12,570	2,014	18,735	82,457	39,582	72	830,961
Excess (deficiency) of revenues over (under) expenditures	55,844	7,000	-	-	-	-	2,462	-	-	65,306
Other financing sources (uses):										
Transfers from (to) other funds	(55,844)	(7,000)	-	-	-	-	(2,462)	-	-	(65,306)
Net changes in fund balances	-	-	-	-	-	-	-	-	-	-
Total fund balances, beginning of year	-	-	-	-	-	-	-	-	-	-
Total fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

West Bonner County School District No. 83
Schedule of Changes in Student Activity Funds
Year Ended June 30, 2014

	Balances, June 30, 2013	Receipts	Disbursements	Balances, June 30, 2014
Idaho Hill Elementary	\$ 13,436	\$ 8,825	\$ 15,155	\$ 7,106
Priest Lake Elementary	7,802	-	9	7,793
Priest River Elementary	19,723	19,470	17,270	21,923
Priest River Junior High	13,438	19,183	20,021	12,600
Priest River Lamanna High	68,900	158,175	157,248	69,827
PREP Alternative High School	177	-	-	177
Totals	<u>\$ 123,476</u>	<u>\$ 205,653</u>	<u>\$ 209,703</u>	<u>\$ 119,426</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, 2014, 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 10, 2014.

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 14-1, 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 10, 2014

West Bonner County School District No. 83
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor Program Title	State Pass - Through ID Number	Federal CFDA Number	Expend
U.S. Department of Education			
Passed Through Idaho State			
Department of Education:			
Local Education Agencies Cluster:			
Title I-A - Local Education Agencies	S010A120012	84.010	\$ 63,422
Title I-A - Local Education Agencies	S010A130012	84.010	<u>343,511</u>
Title II-A - Teacher Quality	S367A120011	84.367	18,032
Title II-A - Teacher Quality	S367A130011	84.367	66,888
Title IV-A - Gaining Early Awareness and Readiness for Undergraduate Programs	P334S110016	84.334	249
Title IV-A - Gaining Early Awareness and Readiness for Undergraduate Programs	P334S110016	84.334	<u>39,334</u>
Special Education Cluster:			
Title VI-B - Federal Special Education K-12	H027A120088	84.027	275,597
Title VI-BP - Federal Special Education Preschool	H173A130030	84.173	<u>12,570</u>
Carl Perkins Federal Vocational Education	V048A120012	84.048	
Rural Education Achievement Program	S358B130012	84.358	
21st Century Grant	S287C130012	84.287	
Total U.S. Department of Education			
U.S. Department of Agriculture			
Passed Through Idaho State			
Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
USDA National School Lunch Program	2014ICN109947	10.555	43,469
Cash Assistance:			
USDA School Breakfast Program	2014ICN109947	10.553	99,761
USDA National School Lunch Program	2014ICN109947	10.555	273,684
USDA Summer Food Service Program for Children	2013IN109947	10.559	<u>19,874</u>
USDA Fresh Fruit and Vegetable Program	2014ICL160347	10.582	
Schools and Roads Grants to States (Forest Reserve)	--	10.665	
Total U.S. Department of Agriculture			
U.S. National Endowment for the Humanities			
Passed Through Idaho State			
Department of Education:			
National Endowment of the Arts - Promotion of the Arts	1261002056	45.025	
U.S. Department of Education			
Passed Through Idaho State			
Department of Education:			
College Access Challenge Grant Program	R372A120037	84.378	

West Bonner County School District No. 83
Note to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

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 West Bonner County School District No. 83's ("the District") compliance 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, 2014. 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, 2014.

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 of 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 10, 2014

**West Bonner County School District No. 83
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

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 over financial reporting.

The significant deficiency in internal control over financial reporting 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>
	Child Nutrition Cluster:
10.553	USDA School Breakfast Program
10.555	USDA National School Lunch Program
10.555	USDA National School Lunch Program (Commodities)
10.559	USDA Summer Food Service Program

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, 2014

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 14-1

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, 2014

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, 2014

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.

Status: This condition still exists as of June 30, 2014. See Finding 14-1.