

West Bonner County School District No. 83

Financial Report

June 30, 2015

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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, 2015, 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, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 5 and 18 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statements No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, effective July 1, 2014. The financial statements as of and for the year ended June 30, 2014 have been restated for this change. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, the budgetary comparison schedule on page 47, the schedule of funding progress – other postemployment benefits on page 49, and the schedules of employer's share of net pension liability and employer contributions on pages 50 and 51, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 16, 2015, 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, PS

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

October 16, 2015

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

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, 2015. 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 1,142 students over the entire school year. Our average daily student attendance generated 61.77 units on the July 15th state payment for salary and benefit apportionment. The total reimbursement for last fiscal year was \$3,397,652 for salaries and \$644,535 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 2015 increased \$939,886, which represents a 705% increase from fiscal year 2014.
- In the governmental funds, General Fund revenues for fiscal years 2015 and 2014 account for \$9,734,101 and \$9,571,565, or 84% and 86% 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 \$1,880,186 and \$1,529,172, or 16% and 14% of total revenues for fiscal years 2015 and 2014, respectively.
- In the governmental funds, General Fund expenditures for fiscal years 2015 and 2014 account for \$9,021,601 and \$9,236,841, or 81% and 85% of total expenditures, respectively. Other state and federal fund expenditures accounted for \$2,079,142 and \$1,588,252, or 19% and 15% of total expenditures for fiscal years 2015 and 2014, respectively.

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

- The General Fund's fund balance was \$1,102,546 and \$565,411 for fiscal years ending 2015 and 2014, respectively. The General Fund's fund balance increased by \$537,135 from 2014 to 2015.
- Long-term debt, including compensated absences, other postemployment benefit obligations and net pension liability decreased by \$2,493,332 from 2014. The decrease was due primarily to the performance of the Public Employee Retirement System of Idaho (PERSI) Base Plan's investments in comparison to the prior year, which reduced the District's net pension liability by approximately \$2.5 million. This was partially offset by changes in the deferred outflows and deferred inflows of resources related to the net pension liability.

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, liabilities and deferred inflows/outflows of resources, 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, 2015

- **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's share of the PERSI Base Plan's net pension liability and the District's contribution to the PERSI Base Plan.

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 \$806,485 as of June 30, 2015.

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, 2015

Table 1 presents the District's summarized Statements of Net Position for the fiscal years ended June 30, 2015 and 2014.

Table 1
Statements of Net Position

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	June 30, 2015	June 30, 2014 (restated)	% Change
Current Assets	\$2,695,489	\$2,134,867	26.3%
Noncurrent Assets	2,808,423	2,856,503	-1.7%
Deferred Outflows of Resources	819,568	662,080	23.8%
Total Assets and Deferred Outflows of Resources	6,323,480	5,653,450	11.9%
LIABILITIES AND DEFERRED OUTFLOWS OF RESOURCES			
Current Liabilities	1,376,639	1,336,935	3.0%
Noncurrent Liabilities	1,952,504	4,449,916	-56.1%
Deferred Inflows of Resources	2,187,852	-	100.0%
Total Liabilities and Deferred Inflows of Resources	5,516,995	5,786,851	-4.7%
NET POSITION			
Net investment in capital assets	2,808,423	2,856,503	-1.7%
Restricted for program requirements	77,455	72,657	6.6%
Restricted for replacement of plant equipment	37,767	63,230	-40.3%
Designated for specific purposes	325,645	119,087	173.5%
Unrestricted net position	(2,442,805)	(3,244,878)	24.7%
Total Net Position	\$ 806,485	\$ (133,401)	704.6%

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Changes in net position. As shown in **Table 2**, the District relies significantly on state support (53%) for funding of its governmental activities. Additionally, local property tax support accounts for 28% of the District's governmental activities. The District had total revenues of \$11,625,741. Total revenues exceeded total expenses by \$939,886.

Table 2
Changes in Net Position

REVENUES	2015	2014
<i>Program Revenues:</i>		
Charges for services	\$ 49,931	\$ 59,930
Operating grants and contributions	1,795,210	1,413,936
<i>General Revenue:</i>		
Property taxes, general purposes	3,211,905	3,211,013
State aid, unrestricted	6,156,981	5,975,639
Federal Forest	49,519	55,844
Interest and investment earnings	241	266
Other local sources	357,454	362,557
Gain on disposal of capital assets	4,500	7,000
Total Revenues	11,625,741	11,086,185
EXPENSES	2015	2014
Instructional services	\$ 5,557,680	\$ 5,613,124
Support services	4,420,547	4,496,875
Non-instructional services	560,414	576,666
Capital asset programs	119,878	155,143
Debt service	27,336	32,705
Total Expenses	10,685,855	10,874,513
Change in net position	939,886	211,672
Net position, beginning of year	(133,401)	3,122,993
Prior period adjustment	-	(3,468,066)
Net position, end of year	\$ 806,485	\$ (133,401)

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.

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

Table 3
Net Cost of Governmental Activities

EXPENDITURES	2015	2014	% Change
Instructional programs	\$4,620,640	\$4,870,764	-5.1%
Support service programs	4,000,460	4,292,487	6.8%
Non-instructional programs	72,400	49,548	46.1%
Capital asset programs	119,878	155,143	-22.7%
Debt service	27,336	32,705	-16.4%
Net Expenses	\$8,840,714	\$9,400,647	-6.0%
REVENUES			
Property taxes	\$3,211,905	\$3,211,013	0.0%
Interest and investment earnings	241	266	-9.4%
Other local revenue	357,454	362,557	-1.4%
State assistance and reimbursements	6,156,981	5,975,639	3.0%
Other federal revenues	49,519	55,844	-11.3%
Net Revenues	\$9,776,100	\$9,605,319	1.8%

Net cost of governmental activities was financed primarily by general revenue, which is primarily made up of state support payments of \$6,156,981 for 2015 and \$5,975,639 for 2014. Investment earnings accounted for \$241 in 2015 and \$266 for 2014 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 \$1,146,685, an increase of \$518,044, which includes a contingency reserve balance of \$672,457. 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 \$115,222 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 \$198,619 for the Medical Insurance Fund and an assigned fund balance of \$127,026 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.

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS, CONTINUED

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.

CAPTIAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. West Bonner County School District No. 83 has \$2,808,423 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 \$248,968 and included building improvements paid by supplemental levy dollars.

Long-Term Debt. The District has no bonded indebtedness. The District has a total of \$2,002,261 of long-term debt, which consists of compensated absences, other postemployment benefit obligations and net pension liability. The deferred outflows and deferred inflows of resources related to the net pension liability reduce the District's net position by \$1,368,284.

Table 4 below shows changes in compensated absences along with current maturities.

Table 4
Change in Compensated Absences and
Current Maturities

Balance, July 1, 2014	\$45,677
Additions	89,648
Retirements/Payments	85,568
Balance, June 30, 2015	\$49,757

Additional information on the District's compensated absences, other postemployment benefit obligations and net pension liability can be found in Notes 12, 13 and 14, respectively, included in this report.

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

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.
- 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 \$23,305 per unit with a .04% 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.

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%
2014-15	22,401.00	2,401.00	12.01%
Average	\$ 23,304.68	\$ (54.42)	-.04%

WEST BONNER COUNTY SCHOOL DISTRICT NO. 83
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

- On March 10, 2015 the District's voters approved a two-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.

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
Jennifer Phillips, Business Manager
JenniferPhillips@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, 2015

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents (Note 6)	\$ 589,296
Receivables (Note 7)	2,071,789
Prepaid expenses	15,079
Inventory	19,325
	<u>2,695,489</u>
Total current assets	2,695,489
Noncurrent assets:	
Capital assets, net of accumulated depreciation and amortization (Note 8)	2,808,423
	<u>2,808,423</u>
Total noncurrent assets	2,808,423
Deferred outflows of resources:	
Contributions made subsequent to the measurement date (Note 14)	687,273
Changes of assumptions or other inputs (Note 14)	132,295
	<u>819,568</u>
Total deferred outflows of resources	819,568
Total assets and deferred outflows of resources	<u>6,323,480</u>
LIABILITIES	
Current liabilities:	
Accounts payable	118,104
Accrued payroll and related liabilities	1,194,260
Unearned grant revenue	14,518
Accrued compensated absences, due within one year (Note 12)	49,757
	<u>1,376,639</u>
Total current liabilities	1,376,639
Noncurrent liabilities:	
Other postemployment benefit obligations, net (Note 13)	363,210
Net pension liability (Note 14)	1,589,294
	<u>1,952,504</u>
Total noncurrent liabilities	1,952,504
Deferred inflows of resources:	
Net difference between projected and actual earnings on investments (Note 14)	1,990,566
Differences between expected and actual experience (Note 14)	197,286
	<u>2,187,852</u>
Total deferred inflows of resources	2,187,852
Total liabilities and deferred inflows of resources	<u>5,516,995</u>
Commitments and contingencies (Notes 15 and 17)	
NET POSITION	
Net investment in capital assets	2,808,423
Restricted for program requirements	77,455
Restricted for replacement of plant equipment	37,767
Designated for specific purposes	325,645
Unrestricted net position	(2,442,805)
	<u>(2,442,805)</u>
Total net position	<u>\$ 806,485</u>

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, 2015

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Elementary programs	\$ 2,156,699	\$ -	\$ 523,220	\$ (1,633,479)
Secondary programs	1,904,479	-	97,462	(1,807,017)
Alternative school program	99,191	-	-	(99,191)
Vocational education	213,073	-	-	(213,073)
Exceptional child, gifted and talented programs	885,790	-	301,884	(583,906)
Interscholastic and school activity programs	281,118	-	14,474	(266,644)
Summer school	17,330	-	-	(17,330)
Total instruction	5,557,680	-	937,040	(4,620,640)
Support services:				
Attendance, guidance and health	353,837	-	-	(353,837)
Special services	377,109	-	-	(377,109)
Instruction improvement and educational media	954,347	-	256,285	(698,062)
District administration	266,985	-	97,379	(169,606)
School administration	583,552	-	66,423	(517,129)
Business operations	270,269	-	-	(270,269)
Custodial and maintenance	1,074,917	-	-	(1,074,917)
Transportation	539,531	-	-	(539,531)
Total support services	4,420,547	-	420,087	(4,000,460)
Non-instruction programs:				
Child nutrition program	557,046	49,931	434,715	(72,400)
Community service programs	3,368	-	3,368	-
Total non-instruction programs	560,414	49,931	438,083	(72,400)
Capital asset programs	119,878	-	-	(119,878)
Debt service	27,336	-	-	(27,336)
Total governmental activities	\$ 10,685,855	\$ 49,931	\$ 1,795,210	(8,840,714)
General revenue:				
Property taxes, general purposes				3,211,905
Interest and investment earnings				241
Other local sources				357,454
State aid, unrestricted				6,156,981
National forest reserve				49,519
Gain on disposal of capital assets				4,500
Total general revenue				9,780,600
Change in net position				939,886
Total net position, beginning of year (Note 18)				(133,401)
Total net position, end of year				\$ 806,485

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, 2015

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets:			
Cash and cash equivalents	\$ 518,249	\$ 71,047	\$ 589,296
Receivables	1,730,272	341,517	2,071,789
Prepaid expenses	15,079	-	15,079
Inventory	-	19,325	19,325
Due from other funds	177,359	-	177,359
Total assets and deferred outflows of resources	<u>\$ 2,440,959</u>	<u>\$ 431,889</u>	<u>\$ 2,872,848</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 117,087	\$ 1,017	\$ 118,104
Accrued payroll and related liabilities	999,404	194,856	1,194,260
Unearned grant revenue	-	14,518	14,518
Due to other funds	-	177,359	177,359
Total liabilities	<u>1,116,491</u>	<u>387,750</u>	<u>1,504,241</u>
Deferred inflows of resources:			
Unearned property taxes	<u>221,922</u>	<u>-</u>	<u>221,922</u>
Total deferred inflows of resources	<u>221,922</u>	<u>-</u>	<u>221,922</u>
Fund balances:			
Nonspendable:			
Prepaid expenses	15,079	-	15,079
Inventories	-	19,325	19,325
Restricted for:			
Program requirements	77,455	-	77,455
Replacement of plant equipment	-	37,767	37,767
Committed for:			
Unforeseen expenditures	672,457	-	672,457
Assigned to:			
Instruction	127,026	-	127,026
Support services	198,619	-	198,619
Unassigned	<u>11,910</u>	<u>(12,953)</u>	<u>(1,043)</u>
Total fund balances	<u>1,102,546</u>	<u>44,139</u>	<u>1,146,685</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,440,959</u>	<u>\$ 431,889</u>	<u>\$ 2,872,848</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, 2015

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

Total fund balances - Governmental Funds		\$ 1,146,685
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.		221,922
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	\$ 12,953,911	
Accumulated depreciation is	<u>(10,145,488)</u>	
		2,808,423
Noncurrent liabilities, including accrued compensated absences other postemployment benefit obligations and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds:		
Accrued compensated absences, due within one year	(49,757)	
Other postemployment benefit obligations, net	(363,210)	
Net pension liability	<u>(1,589,294)</u>	
		(2,002,261)
Deferred outflows and deferred inflows of resources pertaining to the net pension liability are not financial resources and therefore are not reported as assets or liabilities in governmental funds.		
Contributions made subsequent to the measurement date	687,273	
Changes of assumptions or other inputs	132,295	
Net difference between projected and actual earnings on investments	(1,990,566)	
Differences between expected and actual experience	<u>(197,286)</u>	
		<u>(1,368,284)</u>
Total net position - District-Wide		<u>\$ 806,485</u>

West Bonner County School District No. 83
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2015

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 3,204,951	\$ -	\$ 3,204,951
Interest and investment earnings	241	-	241
Other local revenue	357,454	49,931	407,385
State assistance and reimbursements	6,156,981	140,721	6,297,702
National Forest Reserve	-	49,519	49,519
Other federal revenues	14,474	1,640,015	1,654,489
Total revenues	9,734,101	1,880,186	11,614,287
Expenditures:			
Instruction:			
Elementary programs	1,637,797	500,779	2,138,576
Secondary programs	1,833,322	97,462	1,930,784
Alternative school program	103,504	-	103,504
Vocational education	225,796	-	225,796
Exceptional child, gifted and talented programs	638,053	301,884	939,937
Interscholastic and school activity programs	293,804	-	293,804
Summer school	18,332	-	18,332
Total instruction	4,750,608	900,125	5,650,733
Support services:			
Attendance, guidance and health	384,771	-	384,771
Special services	390,912	-	390,912
Instruction improvement and educational media	731,138	256,285	987,423
District administration	167,056	97,379	264,435
School administration	558,320	66,423	624,743
Business operations	279,373	-	279,373
Custodial and maintenance	1,090,593	-	1,090,593
Transportation	549,786	-	549,786
Total support services	4,151,949	420,087	4,572,036
Non-instruction programs:			
Child nutrition programs	13,914	551,347	565,261
Community service programs	-	3,368	3,368
Total non-instruction programs	13,914	554,715	568,629
Capital asset programs	77,794	204,215	282,009
Debt service	27,336	-	27,336
Total expenditures	9,021,601	2,079,142	11,100,743
Excess (deficiency) of revenues over (under) expenditures	712,500	(198,956)	513,544
Other financing sources (uses):			
Proceeds from sales of capital assets	-	4,500	4,500
Transfers from (to) other funds	(175,365)	175,365	-
Net changes in fund balances	537,135	(19,091)	518,044
Total fund balances, beginning of year	565,411	63,230	628,641
Total fund balances, end of year	\$ 1,102,546	\$ 44,139	\$ 1,146,685

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

West Bonner County School District No. 83

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds with the Statement of Activities - District-Wide
Year Ended June 30, 2015**

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

Net changes in fund balances - Governmental Funds	\$ 518,044
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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 2015 fiscal year is an adjustment.	6,954
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In the Statement of Activities - District-Wide, pension expense (revenue) is actuarially determined and adjusted by amortization of deferred outflows and deferred inflows of resources. In the governmental funds, however, pension expenditures are measured by the amount of financial resources used (i.e., the amount of contributions actually paid). The difference between contributions paid and the changes in the District's proportionate share of the Base Plan's net pension liability and the related deferred outflows and deferred inflows of resources is an adjustment.

	510,488
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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.

	(47,520)
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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, \$297,048, exceeds capital outlays, \$248,968, during the current fiscal year.

	(48,080)
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Change in net position - District-Wide	
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	<u>\$ 939,886</u>
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West Bonner County School District No. 83
Statement of Net Position - Fiduciary Funds
June 30, 2015

	Student Scholarship Fund	AFLAC Cafeteria Plan Fund	Student Activity Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,713	\$ 32,023	\$ 126,010
Total assets	<u>2,713</u>	<u>\$ 32,023</u>	<u>\$ 126,010</u>
LIABILITIES			
Current liabilities:			
Deposits due to employees	-	\$ 32,023	\$ -
Due to student groups	-	-	126,010
Total liabilities	<u>-</u>	<u>\$ 32,023</u>	<u>\$ 126,010</u>
NET POSITION			
Held for benefit of others	<u>\$ 2,713</u>		

West Bonner County School District No. 83
Statement of Changes in Net Position - Fiduciary Funds
Year Ended June 30, 2015

	Student Scholarship Fund
	<hr/>
Additions:	
Contributions	\$ 850
	<hr/>
Total additions	850
	<hr/>
Deductions:	
Bank charges	30
	<hr/>
Total deductions	30
	<hr/>
Change in net position	820
	<hr/>
Net position, beginning of year	1,893
	<hr/>
Net position, end of year	\$ 2,713
	<hr/> <hr/>

West Bonner County School District No. 83
Notes to Financial Statements
June 30, 2015

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, 2015

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, 2015

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, 2015

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, 2015, 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. 63 amended the current net position 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.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2015

5. Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements, Continued

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 established accounting and financial reporting standards that reclassified 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 limited the use of the term deferred in financial statement presentations. This statement was 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 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. Statement No. 68 is effective for the District beginning in the fiscal year ended June 30, 2015. Implementation required the restatement of amounts previously not reported as liabilities, deferred inflows and deferred outflows of resources on the District's Statement of Net Position – District-Wide for the fiscal year ended June 30, 2014 (see Note 18).

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, 2015

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.

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.

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

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

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2015

5. Summary of Significant Accounting Policies, Continued

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.

Pensions

For purposes of measuring the net pension liability and pension expense (revenue), information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan), and additions to, or deductions from, the Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2015

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, 2015

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, 2015, there were no significant encumbrances.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2015

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, 2015 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, 2015

5. Summary of Significant Accounting Policies, Continued

Subsequent Events

The District has evaluated subsequent events through October 16, 2015, the date as of which these financial statements were available to be issued. No material subsequent events have occurred since June 30, 2015 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 and a money market account 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 at the financial institution were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at June 30, 2015.

The carrying amount of cash and cash equivalents at June 30, 2015 appears in the financial statements as summarized below:

Cash and cash equivalents, Statement of Net Position – District-Wide	\$ 589,296
Cash and cash equivalents, Statement of Net Position – Fiduciary Funds	<u>160,746</u>
	<u>\$ 750,042</u>

Bank balances at June 30, 2015 totaled \$837,774. 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, 2015.

A summary of the total insured and uninsured bank balances at June 30, 2015 is as follows:

Total bank balances	\$ 837,774
Portion insured by FDIC	<u>(250,000)</u>
Uninsured balances	<u>\$ 587,774</u>

7. Receivables

Receivables as of June 30, 2015 are as follows:

Property taxes receivable	\$ 1,016,057
Delinquent property taxes receivable	221,922
State support receivable	366,985
Grants receivable	465,287
Accounts receivable	<u>1,538</u>
Total receivables	<u>\$ 2,071,789</u>

Property taxes receivable consist of property taxes received within the first 60 days after June 30, 2015.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2015

7. Receivables, Continued

Delinquent property taxes receivable consist of property taxes levied but not collected as of June 30, 2015, or within 60 days after June 30, 2015. 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 2015.

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, 2015.

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, 2015 is as follows:

	Balance June 30, 2014	Additions	Transfers	Disposals	Balance June 30, 2015
Buildings, building improvements and portable units	\$ 9,823,006	\$ 119,559	\$ --	\$ --	\$ 9,942,565
Furniture and equipment	1,091,749	--	--	--	1,091,749
Buses	1,581,118	86,838	--	(52,717)	1,615,239
Other vehicles	<u>94,116</u>	<u>20,691</u>	<u>--</u>	<u>(2,380)</u>	<u>112,427</u>
Capital assets in service	12,589,989	227,088	--	(55,097)	12,761,980
Accumulated depreciation	<u>(9,903,537)</u>	<u>(297,048)</u>	<u>--</u>	<u>55,097</u>	<u>(10,145,488)</u>
	2,686,452	(69,960)	--	--	2,616,492
Land	<u>170,051</u>	<u>21,880</u>	<u>--</u>	<u>--</u>	<u>191,931</u>
Total capital assets	<u>\$ 2,856,503</u>	<u>\$ (48,080)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,808,423</u>

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2015

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	\$ 90,680
Secondary programs	82,723
Alternative school program	<u>617</u>
	<u>174,020</u>
Support services:	
Instruction improvement and educational media	5,349
District administration	5,844
Custodial and maintenance	11,505
Transportation	<u>96,154</u>
	<u>118,852</u>
Non-instruction programs:	
Child nutrition program	<u>4,176</u>
	<u>\$ 297,048</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, 2015 are summarized as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Vocational Education Fund	\$ 5,833
General Fund	Title I-A Fund	59,672
General Fund	Title VI Part B Fund	32,931
General Fund	Title VI Part B Preschool Fund	556
General Fund	REAP Fund	4,353
General Fund	Carl Perkins Fund	26,056
General Fund	GEAR UP Fund	13,383
General Fund	Title IV-A Fund	34,575

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2015

10. Interfund Transfers

Interfund transfers for the year ended June 30, 2015 are summarized as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Reason</u>	<u>Amount</u>
General Fund	General Grants	Cover levy revenue shortfall	\$ 8,905
General Fund	Supp Levy 13-14	Cover levy revenue shortfall	17,756
General Fund	Supp Levy 14-15	Cover levy revenue shortfall	9,834
General Fund	Contingency	Transfer carryover balance	298,790
General Fund	Child Nutrition	To cover Food Services deficit	73,073
General Fund	Title VI-B Preschool	To cover operating shortfall	822
General Fund	Plant Facility	Building purchase	117,378
General Fund	Bus Acquisition	Transfer depreciation funds	56,874
General Grants	General Fund	Transfer carryover balance	58,555
Supplemental Levy 13-14	General Fund	Transfer additional revenues	3,581
Supplemental Levy 14-15	General Fund	Budgeted transfer for shortfall	2,021,679
Medical Insurance	General Fund	Budgeted transfer for insurance	70,500
Federal Forest	General Fund	Budgeted transfer	49,519
Title I-A	General Fund	Indirect cost	15,285
Title II-A	General Fund	Indirect cost	2,214
Title VI-B	General Fund	Indirect cost	5,764

11. Short-Term Borrowings

The District had no short-term borrowings or repayments during 2015.

12. Accrued Compensated Absences

A summary of the changes in accrued compensated absences of the District for the year ended June 30, 2015 is as follows:

	<u>Balance June 30, 2014</u>	<u>Obligations Incurred</u>	<u>Obligations Paid</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Accrued compensated absences	\$ 45,677	\$ 89,648	\$ (85,568)	\$ 49,757	\$ 49,757

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2015

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, 2015

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, 2015, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contributions	\$ 99,211
Interest on net OPEB obligation	13,590
Adjustment to annual required contributions	<u>(12,791)</u>
Annual OPEB cost	100,010
Contributions made ⁽¹⁾	<u>(56,570)</u>
Increase in net OPEB obligation	43,440
Net OPEB obligations, beginning of year	<u>319,770</u>
Net OPEB obligations, end of year	<u>\$ 363,210</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 \$56,570 is credited against the District's cost to provide health insurance for active employees for the fiscal year ended June 30, 2015.

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, 2015, 2014 and 2013 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, 2015	\$ 99,211	\$ 56,570	57.02%	\$ 363,210
June 30, 2014	81,322	38,203	46.98%	319,770
June 30, 2013	179,356	48,425	27.00%	276,651

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2015

13. Other Postemployment Benefits, Continued

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, 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, 2014	\$ --	\$931,719	\$931,719	0.00%	\$6,056,417	15.38%

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 49, 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, 2014. 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 9.1% for plan year 2014, based on actual plan renewal rates, with plan year 2015 having a medical cost trend rate of 7.5%, reduced by decrements to an ultimate rate of 4.5% after 7 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, 2015

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, 2012. 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, 2012 to July 1, 2014, the two most recent valuation dates, are summarized as follows:

Actuarial accrued liability as of July 1, 2012	\$ 710,650
Passage of time	(17,491)
Claim cost experience change	384,968
Retiree contribution change	(148,457)
Census and other changes	<u>2,049</u>
Actuarial accrued liability as of July 1, 2014	<u>\$ 931,719</u>

14. Public Employee Retirement System of Idaho Base Plan

Plan Description

The District contributes to the Base Plan, which is a cost-sharing, multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the PERSI Board, which is comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members be Idaho citizens who are not members of the Base Plan, except by reason of having served on the Board.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (five months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months. Amounts in parenthesis represent police/firefighters.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2015

14. Public Employee Retirement System of Idaho Base Plan, Continued

Pension Benefits, Continued

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases, up to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates, which are expressed as percentages of annual covered payroll, if current rates are actuarially determined to be inadequate or in excess of the rates needed to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% (72%) of the employer rate. As of June 30, 2015, the required contribution rate as a percentage of covered payroll for members was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) of covered compensation. The District's employer contributions required and paid were \$687,273, \$662,080 and \$615,005 for the three years ended June 30, 2015, 2014 and 2013, respectively.

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$1,589,294 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the Base Plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2014, the District's proportionate allocation was 0.002158908.

For the year ended June 30, 2015, the District recognized net pension revenue of \$510,488.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2015

14. Public Employee Retirement System of Idaho Base Plan, Continued

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ --	\$ 197,286
Changes of assumptions or other inputs	132,295	--
Net difference between projected and actual earnings on investments	--	1,990,566
Contributions made subsequent to the measurement date	<u>687,273</u>	<u>--</u>
Total	<u>\$ 819,568</u>	<u>\$ 2,187,852</u>

The amount reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date, in the amount of \$687,273, will be recognized as a reduction of the net pension liability in the year ending June 30, 2016.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) was determined at July 1, 2014, the beginning of the measurement period ended June 30, 2014, is 5.6 years.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ending June 30,

2016	\$ (511,770)
2017	(511,770)
2018	(511,770)
2019	(511,770)
2020	<u>(8,477)</u>
	<u>\$ (2,055,557)</u>

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2015

14. Public Employee Retirement System of Idaho Base Plan, Continued

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.50 – 10.25%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1.00%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male police/firefighters
- Forward one year for female police/firefighters
- Set back one year for all general employees and all beneficiaries

An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2014 is based on the results of an actuarial valuation date of July 1, 2014.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2015

14. Public Employee Retirement System of Idaho Base Plan, Continued

Actuarial Assumptions, Continued

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2014.

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Fixed Income	Barclays Aggregate	30%	0.80%
Broad US Equities	Wilshire 5000 / Russell 3000	55%	6.90%
Developed Foreign Equities	MSCI EAFE	15%	7.55%
Assumed inflation – mean			3.25%
Assumed inflation – standard deviation			2.00%
Portfolio arithmetic mean return			8.42%
Portfolio standard deviation			13.34%
Portfolio long-term expected rate of return			7.50%
Less: assumed investment expenses			<u>0.40%</u>
Long-term expected rate of return, net of investment expenses			<u>7.10%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the Base Plan's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense, but without reduction for pension plan administrative expense.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2015

14. Public Employee Retirement System of Idaho Base Plan, Continued

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or higher than the current rate:

	1% Decrease (<u>6.10%</u>)	Current Rate (<u>7.10%</u>)	1% Increase (<u>8.10%</u>)
Employer's proportionate share of net pension liability (asset)	\$ 5,519,154	\$ 1,589,294	\$ (1,677,565)

Pension Plan Fiduciary Net Position

Detailed information about the Base Plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the Pension Plan

At June 30, 2015, the District reported \$204,632 in payables to the defined benefit pension plan for legally required employer contributions or employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

15. Commitments and Contingencies

Operating Leases

During 2014, the District entered into an office equipment lease for eight copiers, which was accounted for as an operating lease. The lease requires monthly payments of \$2,470 and has a remaining term of fourteen months. Rent expense for the year ended June 30, 2015 was \$29,641.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2015

15. Commitments and Contingencies, Continued

Operating Leases, Continued

Future minimum rental payments required under the office equipment operating lease are as follows:

Year Ending June 30,

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.

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, 2015 may be impaired. Based on prior experience, the District's administration believes such amounts, if any, would be immaterial.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2015

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, 2015, amounts reported as Committed Fund Balance represent unforeseen expenditures, totaling \$672,457, 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, 2015, 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:

Program Requirements: 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.

18. Prior Period Adjustment

GASB Statements No. 68 and 71 became effective for the District during 2015 (see Note 5). Implementation of GASB Statements No. 68 and 71 impacted the District's deferred outflows of resources, liabilities and net position for the year ended June 30, 2014. Contribution payments associated with the pension have historically been recorded as an expense in the current year. Under GASB Statement No. 68, pension expense (revenue) is actuarially determined and adjusted by amortization of deferred outflows and deferred inflows of resources. Prior to the issuance of GASB Statement No. 68, the District was not required to record their proportionate share of the net pension liability. Additionally, under GASB Statements No. 68 and 71, any contributions made subsequent to the net pension liability measurement date are classified as deferred outflows of resources.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2015

18. Prior Period Adjustment, Continued

The effects of the retroactive implementation of GASB Statements No. 68 and 71 require a restatement of the financial statements as of June 30, 2014, as follows:

	As Previously <u>Reported</u>	As <u>Restated</u>
Statement of Net Position		
Deferred outflows of resources:		
Contributions made subsequent to the measurement date	\$ --	\$ 662,080
Noncurrent liabilities:		
Net pension liability	--	4,130,146
Net Position	3,334,665	(133,401)

Required Supplementary Information

West Bonner County School District No. 83
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2015

			Actual	Variances	
			Modified	Positive/(Negative)	
	Budgeted Amounts		Accrual	Original	Final
	Original	Final	Basis	to Final	to Actual
Revenues:					
Property taxes	\$ 3,207,411	\$ 3,223,411	\$ 3,204,951	\$ 16,000	\$ (18,460)
Interest and investment earnings	-	250	241	250	(9)
Other local revenue	65,882	111,940	357,454	46,058	245,514
State assistance and reimbursements	5,912,115	6,059,193	6,156,981	147,078	97,788
Other federal revenues	-	-	14,474	-	14,474
Total revenues	9,185,408	9,394,794	9,734,101	209,386	339,307
Expenditures:					
Instruction:					
Elementary programs	1,832,833	1,661,844	1,637,797	170,989	24,047
Secondary programs	1,892,548	1,928,177	1,833,322	(35,629)	94,855
Alternative school program	96,169	107,365	103,504	(11,196)	3,861
Vocational programs	226,273	225,799	225,796	474	3
Exceptional child, gifted and talented programs	579,081	645,806	638,053	(66,725)	7,753
Interscholastic and school activity programs	318,834	318,834	293,804	-	25,030
Summer school	16,514	18,334	18,332	(1,820)	2
Total instruction	4,962,252	4,906,159	4,750,608	56,093	155,551
Support services:					
Attendance, guidance and health	224,769	282,987	384,771	(58,218)	(101,784)
Special services	317,881	391,722	390,912	(73,841)	810
Instruction improvement and educational media	802,230	832,711	731,138	(30,481)	101,573
District administration	212,328	148,728	167,056	63,600	(18,328)
School administration	542,321	560,484	558,320	(18,163)	2,164
Business operations	292,208	282,435	279,373	9,773	3,062
Custodial and maintenance	1,194,635	1,153,229	1,090,593	41,406	62,636
Transportation	624,003	578,067	549,786	45,936	28,281
Total support services	4,210,375	4,230,363	4,151,949	(19,988)	78,414
Child nutrition programs	13,475	13,914	13,914	(439)	-
Capital asset programs	123,500	123,500	77,794	-	45,706
Debt service	32,695	29,822	27,336	2,873	2,486
Total expenditures	9,342,297	9,303,758	9,021,601	38,539	282,157
Excess (deficiency) of revenues over (under) expenditures	(156,889)	91,036	712,500	247,925	621,464
Other financing sources (uses):					
Transfers from (to) other funds	156,889	(91,036)	(175,365)	(247,925)	(84,329)
Net change in fund balance	-	-	537,135	-	537,135
Total fund balance, beginning of year	565,411	565,411	565,411	-	-
Total fund balance, end of year	\$ 565,411	\$ 565,411	\$ 1,102,546	\$ -	\$ 537,135

West Bonner County School District No. 83
Notes to Budgetary Comparison Schedule
June 30, 2015

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 47 discloses two 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, 2015

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%
July 1, 2014	-	931,719	931,719	0.00%	6,056,417	15.38%

West Bonner County School District No. 83
Schedule of Employer's Share of Net Pension Liability - PERSI Base Plan
Last 10 Fiscal Years *

Fiscal Year	Employer's Portion of NPL	Employer's Proportionate Share of NPL (a)	Employer's Covered Employee Payroll (b)	Employer's NPL as a Percentage of Covered Payroll (a/b)	Plan Net Position as a Percentage of Total Pension Liability
2015	0.002158908	\$ 1,589,294	\$ 6,071,306	26.18%	94.95%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Data reported is measured as of July 1, 2014.

West Bonner County School District No. 83
Schedule of Employer Contributions - PERSI Base Plan
Last 10 Fiscal Years *

Fiscal Year	Statutorily Required Contribution (a)	Actual Employer Contribution (b)	Contribution Excess (Deficiency) (b-a)	Employer's Covered Employee Payroll (c)	Contributions as a Percentage of Covered Employee Payroll (b / c)
2014	\$ 662,200	\$ 662,080	\$ (120)	\$ 5,849,827	11.32%
2015	687,272	687,273	1	6,071,306	11.32%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Data reported is measured as of June 30, 2015.

West Bonner County School District No. 83
Notes to PERSI Base Plan Schedules
June 30, 2015

1. Changes in Benefit Terms

There were no changes in benefit terms during the Plan year ended June 30, 2014.

2. Changes in Composition of the Population

There were no changes in the composition of the population during the Plan year ended June 30, 2014.

3. Changes in Assumptions

There were no changes in actuarial assumptions during the Plan year ended June 30, 2014.

Other Supplementary Information

West Bonner County School District No. 83
Combining Balance Sheet - General Fund
June 30, 2015

	General Fund	Medical Insurance Fund	Contingency Fund	Supplemental Levy 2012-2013	Supplemental Levy 2013-2014	Supplemental Levy 2014-2015	General Grants Fund	Total General Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES								
Assets:								
Cash and cash equivalents	\$ 444,950	\$ 203,141	\$ 672,457	\$ 1,125	\$ (7,240)	\$ (764,578)	\$ (31,606)	\$ 518,249
Receivables	672,874	-	-	-	21,741	911,887	123,770	1,730,272
Prepaid expenses	15,079	-	-	-	-	-	-	15,079
Due from other funds	177,359	-	-	-	-	-	-	177,359
Total assets and deferred outflows of resources	<u>\$ 1,310,262</u>	<u>\$ 203,141</u>	<u>\$ 672,457</u>	<u>\$ 1,125</u>	<u>\$ 14,501</u>	<u>\$ 147,309</u>	<u>\$ 92,164</u>	<u>\$ 2,440,959</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 112,565	\$ 4,522	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,087
Accrued payroll and related liabilities	948,786	-	-	-	-	35,909	14,709	999,404
Total liabilities	<u>1,061,351</u>	<u>4,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,909</u>	<u>14,709</u>	<u>1,116,491</u>
Deferred inflows of resources:								
Unearned property taxes	221,922	-	-	-	-	-	-	221,922
Total deferred inflows of resources	<u>221,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,922</u>
Fund balances:								
Nonspendable:								
Prepaid expenses	15,079	-	-	-	-	-	-	15,079
Restricted for:								
Program requirements	-	-	-	-	-	-	77,455	77,455
Committed for:								
Unforeseen expenditures	-	-	672,457	-	-	-	-	672,457
Assigned to:								
Instruction	-	-	-	1,125	14,501	111,400	-	127,026
Support services	-	198,619	-	-	-	-	-	198,619
Unassigned	11,910	-	-	-	-	-	-	11,910
Total fund balances	<u>26,989</u>	<u>198,619</u>	<u>672,457</u>	<u>1,125</u>	<u>14,501</u>	<u>111,400</u>	<u>77,455</u>	<u>1,102,546</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,310,262</u>	<u>\$ 203,141</u>	<u>\$ 672,457</u>	<u>\$ 1,125</u>	<u>\$ 14,501</u>	<u>\$ 147,309</u>	<u>\$ 92,164</u>	<u>\$ 2,440,959</u>

See accompanying Report of Independent Auditor.

West Bonner County School District No. 83
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2015

	Total Non-Major State Funds	Total Non-Major Federal Funds	Child Nutrition Fund	Plant Facility Fund	Bus Acquisition Fund	Total Non-Major Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets:						
Cash and cash equivalents	\$ 9,950	\$ 4,568	\$ 18,762	\$ -	\$ 37,767	\$ 71,047
Receivables	7,227	327,918	6,372	-	-	341,517
Inventory	-	-	19,325	-	-	19,325
Total assets and deferred outflows of resources	<u>\$ 17,177</u>	<u>\$ 332,486</u>	<u>\$ 44,459</u>	<u>\$ -</u>	<u>\$ 37,767</u>	<u>\$ 431,889</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 441	\$ 278	\$ 298	\$ -	\$ -	\$ 1,017
Accrued payroll and related liabilities	953	156,114	37,789	-	-	194,856
Unearned grant revenue	9,950	4,568	-	-	-	14,518
Due to other funds	5,833	171,526	-	-	-	177,359
Total liabilities	<u>17,177</u>	<u>332,486</u>	<u>38,087</u>	<u>-</u>	<u>-</u>	<u>387,750</u>
Fund balances:						
Nonspendable:						
Inventories	-	-	19,325	-	-	19,325
Restricted for:						
Replacement of plant equipment	-	-	-	-	37,767	37,767
Unassigned	-	-	(12,953)	-	-	(12,953)
Total fund balances	<u>-</u>	<u>-</u>	<u>6,372</u>	<u>-</u>	<u>37,767</u>	<u>44,139</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,177</u>	<u>\$ 332,486</u>	<u>\$ 44,459</u>	<u>\$ -</u>	<u>\$ 37,767</u>	<u>\$ 431,889</u>

West Bonner County School District No. 83
Combining Balance Sheet - Non-Major State Funds
June 30, 2015

	Drivers Education Fund	Vocational Education Fund	Technology Grant Fund	State Drug Free Grant Fund	Total Non-Major State Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets:					
Cash and cash equivalents	\$ -	\$ -	\$ 5,950	\$ 4,000	\$ 9,950
Receivables	-	7,227	-	-	7,227
Total assets and deferred outflows of resources	<u>\$ -</u>	<u>\$ 7,227</u>	<u>\$ 5,950</u>	<u>\$ 4,000</u>	<u>\$ 17,177</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 441	\$ -	\$ -	\$ 441
Accrued payroll and related liabilities	-	953	-	-	953
Unearned grant revenue	-	-	5,950	4,000	9,950
Due to other funds	-	5,833	-	-	5,833
Total liabilities	<u>-</u>	<u>7,227</u>	<u>5,950</u>	<u>4,000</u>	<u>17,177</u>
Fund balances:					
Restricted for:					
Program requirements	-	-	-	-	-
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 7,227</u>	<u>\$ 5,950</u>	<u>\$ 4,000</u>	<u>\$ 17,177</u>

West Bonner County School District No. 83
Combining Balance Sheet - Non-Major Federal Funds
June 30, 2015

	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 AND DEFERRED OUTFLOWS OF RESOURCES										
Assets:										
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,568	\$ -	\$ -	\$ 4,568
Receivables	-	136,729	80,618	3,524	6,913	26,056	11,522	17,435	45,121	327,918
Total assets and deferred outflows of resources	\$ -	\$ 136,729	\$ 80,618	\$ 3,524	\$ 6,913	\$ 26,056	\$ 16,090	\$ 17,435	\$ 45,121	\$ 332,486
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 278	\$ 278
Accrued payroll and related liabilities	-	77,057	47,687	2,968	2,560	-	11,522	4,052	10,268	156,114
Unearned grant revenue	-	-	-	-	-	-	4,568	-	-	4,568
Due to other funds	-	59,672	32,931	556	4,353	26,056	-	13,383	34,575	171,526
Total liabilities	-	136,729	80,618	3,524	6,913	26,056	16,090	17,435	45,121	332,486
Fund balances:										
Restricted for:										
Program requirements	-	-	-	-	-	-	-	-	-	-
Total fund balances	-	-	-	-	-	-	-	-	-	-
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 136,729	\$ 80,618	\$ 3,524	\$ 6,913	\$ 26,056	\$ 16,090	\$ 17,435	\$ 45,121	\$ 332,486

West Bonner County School District No. 83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund
Year Ended June 30, 2015

	General Fund	Medical Insurance Fund	Contingency Fund	Supplemental Levy 2012-2013	Supplemental Levy 2013-2014	Supplemental Levy 2014-2015	General Grants Fund	Total General Fund
Revenues:								
Property taxes	\$ 212,886	\$ -	\$ -	\$ (100)	\$ 112,857	\$ 2,879,308	\$ -	\$ 3,204,951
Interest and investment earnings	241	-	-	-	-	-	-	241
Other local revenue	36,572	135,976	-	-	-	-	184,906	357,454
State assistance and reimbursements	6,011,480	-	-	-	-	-	145,501	6,156,981
Other federal revenues	-	-	-	-	-	-	14,474	14,474
Total revenues	6,261,179	135,976	-	(100)	112,857	2,879,308	344,881	9,734,101
Expenditures:								
Instruction:								
Elementary programs	1,589,323	-	-	-	13,641	13,996	20,837	1,637,797
Secondary programs	1,758,902	-	-	-	1,202	56,901	16,317	1,833,322
Alternative school program	103,009	-	-	-	(30)	525	-	103,504
Vocational education	225,796	-	-	-	-	-	-	225,796
Exceptional child, gifted and talented programs	635,128	-	-	-	90	2,835	-	638,053
Interscholastic and school activity programs	-	-	-	-	4,181	289,623	-	293,804
Summer school	18,332	-	-	-	-	-	-	18,332
Total instruction	4,330,490	-	-	-	19,084	363,880	37,154	4,750,608
Support services:								
Attendance, guidance and health	177,724	-	-	-	28,694	53,821	124,532	384,771
Special services	390,912	-	-	-	-	-	-	390,912
Instruction improvement and educational media	357,983	-	-	-	20,185	224,750	128,220	731,138
District administration	137,117	29,287	-	-	-	-	652	167,056
School administration	558,320	-	-	-	-	-	-	558,320
Business operations	279,373	-	-	-	-	-	-	279,373
Custodial and maintenance	1,090,593	-	-	-	-	-	-	1,090,593
Transportation	514,093	-	-	-	-	35,818	(125)	549,786
Total support services	3,506,115	29,287	-	-	48,879	314,389	253,279	4,151,949
Child nutrition program:	13,914	-	-	-	-	-	-	13,914
Capital asset program:	-	-	-	-	-	77,794	-	77,794
Debt service	27,336	-	-	-	-	-	-	27,336
Total expenditures	7,877,855	29,287	-	-	67,963	756,063	290,433	9,021,601
Excess (deficiency) of revenues over (under) expenditures	(1,616,676)	106,689	-	(100)	44,894	2,123,245	54,448	712,500
Other financing sources (uses):								
Transfers from (to) other funds	1,643,665	(70,500)	298,790	-	14,175	(2,011,845)	(49,650)	(175,365)
Net changes in fund balances	26,989	36,189	298,790	(100)	59,069	111,400	4,798	537,135
Total fund balances, beginning of year	-	162,430	373,667	1,225	(44,568)	-	72,657	565,411
Total fund balances, end of year	\$ 26,989	\$ 198,619	\$ 672,457	\$ 1,125	\$ 14,501	\$ 111,400	\$ 77,455	\$ 1,102,546

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, 2015

	Total Non-Major State Funds	Total Non-Major Federal Funds	Child Nutrition Fund	Plant Facility Fund	Bus Acquisition Fund	Total Non-Major Governmental Funds
Revenues:						
Other local revenue	\$ -	\$ -	\$ 49,931	\$ -	\$ -	\$ 49,931
State assistance and reimbursements	140,721	-	-	-	-	140,721
National Forest Reserve	-	49,519	-	-	-	49,519
Other federal revenues	-	1,205,300	434,715	-	-	1,640,015
Total revenues	140,721	1,254,819	484,646	-	-	1,880,186
Expenditures:						
Instruction:						
Elementary programs	-	500,779	-	-	-	500,779
Secondary programs	43,342	54,120	-	-	-	97,462
Exceptional child, gifted and talented programs	-	301,884	-	-	-	301,884
Total instruction	43,342	856,783	-	-	-	900,125
Support services:						
Instruction improvement and educational media	-	256,285	-	-	-	256,285
District administration	97,379	-	-	-	-	97,379
School administration	-	66,423	-	-	-	66,423
Total support services	97,379	322,708	-	-	-	420,087
Non-instruction programs:						
Child nutrition programs	-	-	551,347	-	-	551,347
Community service programs	-	3,368	-	-	-	3,368
Total non-instruction programs	-	3,368	551,347	-	-	554,715
Capital asset programs	-	-	-	117,378	86,837	204,215
Total expenditures	140,721	1,182,859	551,347	117,378	86,837	2,079,142
Excess (deficiency) of revenues over (under) expenditures	-	71,960	(66,701)	(117,378)	(86,837)	(198,956)
Other financing sources (uses):						
Proceeds from sales of capital assets	-	-	-	-	4,500	4,500
Transfers from (to) other funds	-	(71,960)	73,073	117,378	56,874	175,365
Net changes in fund balances	-	-	6,372	-	(25,463)	(19,091)
Total fund balances, beginning of year	-	-	-	-	63,230	63,230
Total fund balances, end of year	\$ -	\$ -	\$ 6,372	\$ -	\$ 37,767	\$ 44,139

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, 2015

	Drivers Education Fund	Vocational Education Fund	Technology Grant Fund	State Drug Free Grant Fund	Total Non-Major State Funds
Revenues:					
State assistance and reimbursements	\$ 7,750	\$ 26,583	\$ 97,379	\$ 9,009	\$ 140,721
Total revenues	7,750	26,583	97,379	9,009	140,721
Expenditures:					
Instruction:					
Secondary programs	7,750	26,583	-	9,009	43,342
Total instruction	7,750	26,583	-	9,009	43,342
Support services:					
District administration	-	-	97,379	-	97,379
Total support services	-	-	97,379	-	97,379
Total expenditures	7,750	26,583	97,379	9,009	140,721
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, 2015

	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	\$ 49,519	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,519
Other federal revenues	-	585,855	294,295	12,531	28,064	26,056	75,522	34,277	148,700	1,205,300
Total revenues	49,519	585,855	294,295	12,531	28,064	26,056	75,522	34,277	148,700	1,254,819
Expenditures:										
Instruction:										
Elementary programs	-	500,779	-	-	-	-	-	-	-	500,779
Secondary programs	-	-	-	-	28,064	26,056	-	-	-	54,120
Exceptional child, gifted and talented programs	-	-	288,531	13,353	-	-	-	-	-	301,884
Total instruction	-	500,779	288,531	13,353	28,064	26,056	-	-	-	856,783
Support services:										
Instruction improvement and educational media	-	-	-	-	-	-	73,308	34,277	148,700	256,285
School administration	-	66,423	-	-	-	-	-	-	-	66,423
Total support services	-	66,423	-	-	-	-	73,308	34,277	148,700	322,708
Community service programs	-	3,368	-	-	-	-	-	-	-	3,368
Total expenditures	-	570,570	288,531	13,353	28,064	26,056	73,308	34,277	148,700	1,182,859
Excess (deficiency) of revenues over (under) expenditures	49,519	15,285	5,764	(822)	-	-	2,214	-	-	71,960
Other financing sources (uses):										
Transfers from (to) other funds	(49,519)	(15,285)	(5,764)	822	-	-	(2,214)	-	-	(71,960)
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, 2015

	Balances, June 30, 2014	Receipts	Disbursements	Balances, June 30, 2015
Idaho Hills Elementary	\$ 7,106	\$ 8,463	\$ 7,918	\$ 7,651
Priest Lake Elementary	7,793	-	-	7,793
Priest River Elementary	21,923	20,187	12,652	29,458
Priest River Junior High	12,600	19,646	21,192	11,054
Priest River Lamanna High	69,827	199,905	199,855	69,877
PREP Alternative High School	177	-	-	177
Totals	<u>\$ 119,426</u>	<u>\$ 248,201</u>	<u>\$ 241,617</u>	<u>\$ 126,010</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, 2015, 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 16, 2015.

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 2015-001, 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 the 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.
Spokane, Washington

October 16, 2015

West Bonner County School District No. 83
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor Program Title	State Pass - Through ID Number	Federal CFDA Number	Expenditures
U.S. Department of Education			
Passed Through Idaho State			
Department of Education:			
Local Education Agencies Cluster:			
Title I-A - Local Education Agencies	S010A130012	84.010	\$ 52,726
Title I-A - Local Education Agencies	S010A140012	84.010	533,129
			\$ 585,855
Title II-A - Teacher Quality	S367A140011	84.367	18,921
Title II-A - Teacher Quality	S367A130011	84.367	56,601
			75,522
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	34,028
			34,277
Special Education Cluster:			
Title VI-B - Federal Special Education K-12	H027A130133	84.027	8,831
Title VI-B - Federal Special Education K-12	H027A140088	84.027	285,464
Title VI-BP - Federal Special Education Preschool	H173A140030	84.173	12,531
			306,826
Carl Perkins Federal Vocational Education	V048A130012	84.048	26,056
Rural Education Achievement Program	S358B130012	84.358	28,064
Children's Health Insurance Program	RC072800	93.767	14,474
Twenty-First Century Community Learning Centers	S287C130012	84.287	148,700
Total U.S. Department of Education			1,219,774
U.S. Department of Agriculture			
Passed Through Idaho State			
Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
USDA National School Lunch Program	2015IN109947	10.555	37,160
Cash Assistance:			
USDA School Breakfast Program	2015IN109947	10.553	109,779
USDA National School Lunch Program	2015IN109947	10.555	232,475
USDA Summer Food Service Program for Children	2014IN109947	10.559	24,009
			366,263
USDA Fresh Fruit and Vegetable Program	2014IL160347	10.582	31,292
Schools and Roads Grants to States (Forest Reserve)	--	10.665	49,519
Total U.S. Department of Agriculture			484,234
Total Federal Financial Assistance			\$ 1,704,008

West Bonner County School District No. 83
Note to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

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, 2015. 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, 2015.

Report on Internal Control Over Compliance

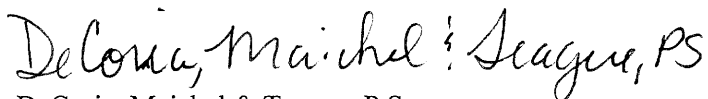
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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.
Spokane, Washington

October 16, 2015

**West Bonner County School District No. 83
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

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

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 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>
	Special Education Cluster:
84.027	Title VI-B – Federal Special Education K-12
84.173	Title VI-BP – Federal Special Education Preschool
84.287	Twenty-First Century Community Learning Centers

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, 2015

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 2015-001

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 District's staff 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, 2015

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, 2015

Finding 2014-001

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, 2015. See Finding 2015-001.