

West Bonner County School District No. 83

Financial Report

June 30, 2009

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Report of Independent Auditor

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Bonner County School District No. 83 ("the District"), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's non-major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the District as of June 30, 2008 and for the year then ended, were audited by another auditor whose report dated October 20, 2008, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of West Bonner County School District No. 83, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of the District, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 15 and the budgetary comparison schedule on page 39 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a separate report dated October 12, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

DeCoria, Maichel & Teague, P.S.

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

October 12, 2009

West Bonner County School District No. 83

Management's Discussion and Analysis *For the year ended June 30, 2009*

The management's discussion and analysis of the West Bonner County School District provides an overall review of the District's Statement of Net Assets, the Statement of Activities and fund financial statements. This discussion and analysis is divided into five sections, the Financial Highlights, Overview of the Financial Statements, Financial Analysis, Capital Asset and Debt Administration and Factors Bearing on the District's Future. The analysis provides information about all of the District's funds and focuses on the District's financial activities for the fiscal year ended June 30, 2009.

FINANCIAL HIGHLIGHTS

- At June 30, 2009, the District had an unrestricted fund balance deficit of \$114,105. This deficit balance is designated as the beginning fund balance for the 2009-10 budget. During the budget preparation process, funds are needed to help balance the budget and cover this deficit balance.
- The number of students attending West Bonner Schools averaged 1,433 students over the entire school year. We began the school year with 1,451 students and ended the year with 1,408 students. Our students generated 81.3 protected units on the February 15th state payment and 79.1 units on the July 15th state payment. The February state payment determines how much the state will fund for state reimbursed salaries and benefits and the July 15th payment determines the final allocation for discretionary funds. The total reimbursement for fiscal year 2008 was \$4,699,260 for salaries and \$847,747 for benefits. With the decrease of 2.2 units between the February and July payments, the District saw a decrease in state discretionary dollars of \$53,531.
 - Idaho school districts receive state funding based on student enrollment and average daily attendance. For example, our District had an average of 1,433 students last fiscal year and if these same students attended school about 95% of the time, our District would receive funding for 1,361 students. When students attend school more we receive more state funding, when students attend school less we receive less state funding.
- The most significant change in the general fund budget was when the Idaho legislators fundamentally changed the revenue sources for education funding. Prior to the 2006-07 fiscal year, school district funding was equalized – meaning districts would receive a certain funding level which was paid by both the state and local taxpayers. This prior funding meant that local taxpayers paid 3 mils to Idaho school districts for education. In the past, this comprised revenue sources of approximately 50% paid by the local taxpayers and 50% paid by state support. After the August 25, 2006 legislative session, equalization was repealed. The legislative action shifted the local property tax share of public education's funding to the State of Idaho's general fund revenue sources, making school districts subject almost exclusively to annual state appropriation funding. Current funding leaves school districts dependent on allocation-based funding. This shift relieved the local taxpayers of the 3 mils and turned the funding burden over to the State of Idaho to fund education.

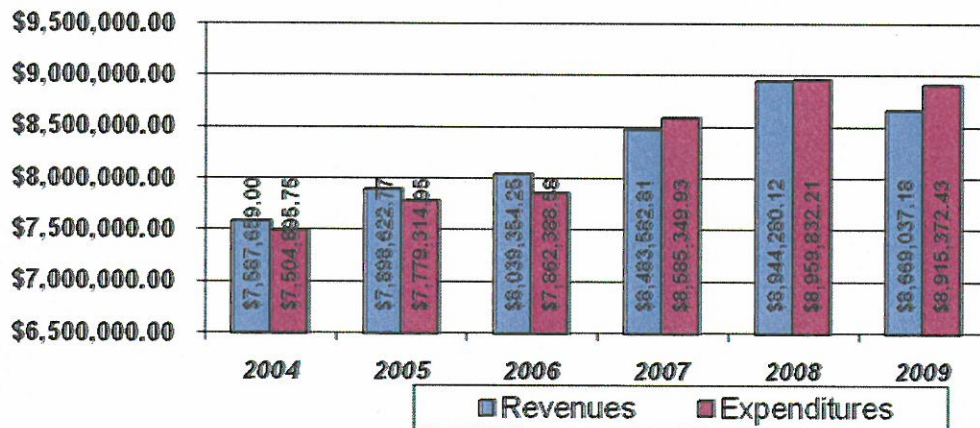
West Bonner County School District No. 83

Management's Discussion and Analysis For the year ended June 30, 2009

- Our District has had a supplemental levy in place since 2000 that has been used for instructional expenditures, capital purchases and facility improvements. These supplemental levies have been two-year, voter-approved levies set in place to provide funding for such items as textbooks, technology, teacher training, furniture, buses, school and library supply funds, extra curricular equipment funds and funding facility needs. The past supplemental levy was for fiscal years 2008 to 2010 and was approved for \$625,000 annually and \$1,325,000 total.
- The District established a Contingency Fund Policy in fiscal year 2005. The purpose of the policy is to maintain a General Fund Contingency Reserve Fund for unanticipated expenditures of a necessary, temporary and non-recurring nature. The total of all funds in this account shall not exceed 5% (five percent) of the combination of the District's General Fund, and supplemental and emergency levy amounts. The 5% amount for fiscal year ended June 30, 2009 would be an amount not to exceed \$443,861. A Board goal is to transfer any funds beyond those required for the adopted budget into contingency reserve. As of June 30, 2009, the balance of the contingency reserve is \$47,543.

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

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



West Bonner County School District No. 83

Management's Discussion and Analysis For the year ended June 30, 2009

Chart 1-A below illustrates the revenue sources of the General Fund (Fund 100) for the fiscal years ended in 2009, 2008, 2007, 2006 and 2005. Chart 1-A illustrates the shift in education funding from a public education support payment equalization funding formula to an annual state appropriation funding process.

Chart 1-A
General Fund Revenue Sources

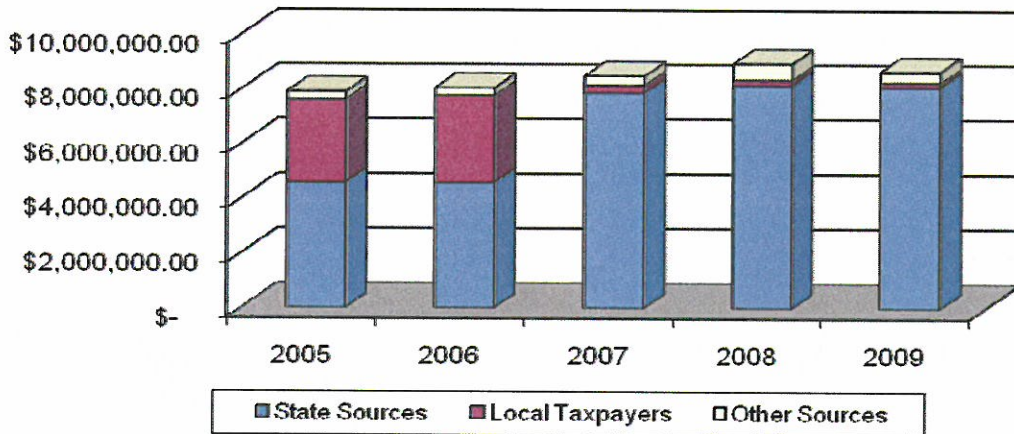
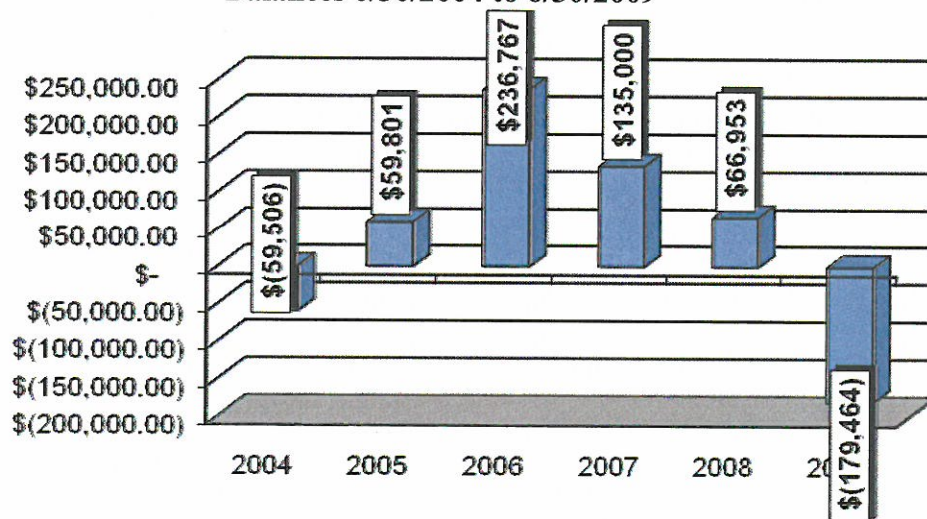


Chart 2 illustrates the changes in General Fund (Fund 100) fund balances from June 30, 2004 through June 30, 2009.

Chart 2
Comparison of General Fund (Fund No. 100)
Balances 6/30/2004 to 6/30/2009

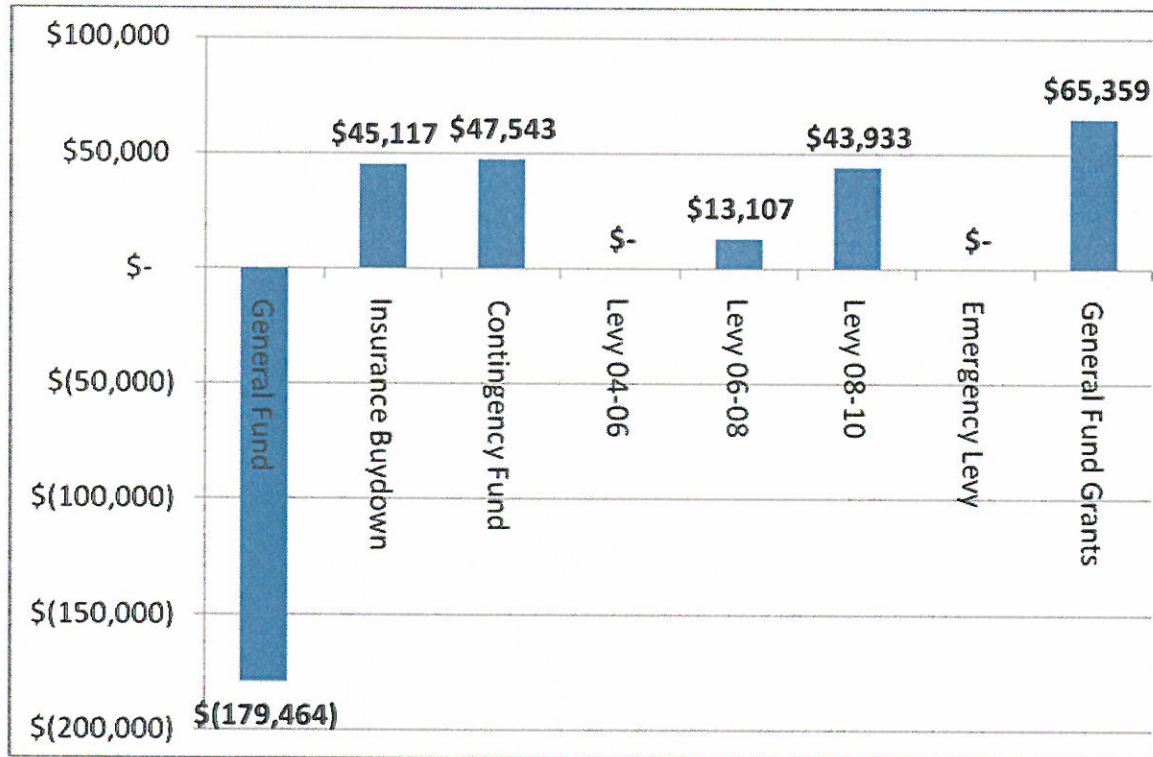


West Bonner County School District No. 83

Management's Discussion and Analysis For the year ended June 30, 2009

Chart 3 provides a summary of the General Fund Balance Sheet at June 30, 2009.

Fund Balances for all General Fund Accounts



OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

West Bonner County School District No. 83

Management's Discussion and Analysis *For the year ended June 30, 2009*

The notes to the financial statements provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position. The notes provide additional information that is essential to fully understand the data provided in the government-wide and fiduciary financial statements. The notes to financial statements can be found beginning on page 24.

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

District-Wide Statements

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

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

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

Fund Financial Statements

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

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

West Bonner County School District No. 83

Management's Discussion and Analysis *For the year ended June 30, 2009*

The District has two types of funds.

- **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets, which can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for funding future basic services. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Governmental fund information does not report on long-term commitments as is reported in the district-wide statements. Therefore, reconciliations of the differences between the governmental funds statements and the district-wide statements are included as separate statements.
- **Fiduciary funds** – The District serves as a trustee, or fiduciary, for student scholarship trust funds, 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.

FINANCIAL ANALYSIS

The District as a Whole

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

By far the largest portion of the District's net assets is in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment); less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The District's investment in capital assets, net of related debt, amounted to \$3,143,172, or 97.6% of the District's net assets as of June 30, 2009.

The District's net assets at June 30, 2009 and 2008 are \$3,220,183 and \$3,516,528, respectively. The District has had a decrease in net assets of \$296,345, or 8.4%.

West Bonner County School District No. 83

Management's Discussion and Analysis For the year ended June 30, 2009

Table 1 below provides a summary of the District's statement of net assets as of June 30, 2009 and 2008.

Table 1
STATEMENT OF NET ASSETS
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets	\$1,566,064	\$1,727,925
Capital assets, net of accumulated depreciation	<u>3,406,683</u>	<u>3,422,783</u>
Total assets	<u>4,972,747</u>	<u>5,150,708</u>
LIABILITIES		
Current liabilities	1,568,132	1,199,692
Noncurrent liabilities	<u>184,432</u>	<u>434,488</u>
Total liabilities	<u>1,752,564</u>	<u>1,634,180</u>
NET ASSETS		
Invested in capital assets, net of related debt	3,143,172	3,043,318
Restricted for:		
Grant purposes	327	65,789
Projects in process	4,735	4,635
Designated for specific purposes	149,700	--
Unrestricted net assets (deficit)	<u>(77,751)</u>	<u>402,786</u>
Total net assets	<u>\$3,220,183</u>	<u>\$3,516,528</u>

West Bonner County School District No. 83

Management's Discussion and Analysis For the year ended June 30, 2009

Table 2 below shows the changes in net assets for the fiscal years ended June 30, 2009 and 2008.

Table 2
Changes in Net Assets
Governmental Activities 2009 and 2008

REVENUES	2009	2008
Program Revenues:		
Charges for services	147,806	152,000
Operating grants and contributions	1,421,551	1,562,308
General Revenue:		
Property taxes, general purposes	679,601	698,550
State aid, unrestricted	8,258,145	8,362,711
Federal Forest	157,821	109,841
Interest and investment earnings	29,546	87,572
Gain on sales of capital assets	7,500	800
Other local sources	332,456	234,962
Total Revenues	<u>11,034,426</u>	<u>11,208,744</u>
EXPENSES		
Instructional services	6,159,813	6,822,053
Support services	4,510,863	3,853,506
Non-instructional programs	643,402	630,749
Interest on long-term debt	16,693	24,058
Total expenses	<u>11,330,771</u>	<u>11,330,366</u>
Change in net assets	(296,345)	(121,622)
Prior period adjustment	--	(26,829)
Net assets, beginning of year	<u>3,516,528</u>	<u>3,664,979</u>
Net assets, end of year	<u><u>3,220,183</u></u>	<u><u>3,516,528</u></u>

As shown above in **Table 2**, the West Bonner County School District relies on state support for 75% of its governmental activities. Additionally, local property tax support accounts for 6% of the District's governmental activities. The District had total revenues of \$11,034,426. Total expenditures exceeded revenues by \$296,345.

West Bonner County School District No. 83

Management's Discussion and Analysis For the year ended June 30, 2009

Table 3 shows that the District completed the year with a total governmental fund balance of \$49,637, which is down \$409,337 from the ending balance in fiscal year 2008, which was \$458,974. The general fund has not operated within its' anticipated revenue sources. Table 3 shows the excess (deficiency) of revenues and other financing sources over expenditures and other financing sources (uses) for the governmental funds for the fiscal years ending June 30, 2009 and 2008, with variances.

Table 3
Statement of Revenues and Expenditure, Governmental Funds
For the years ended June 30, 2009 and 2008

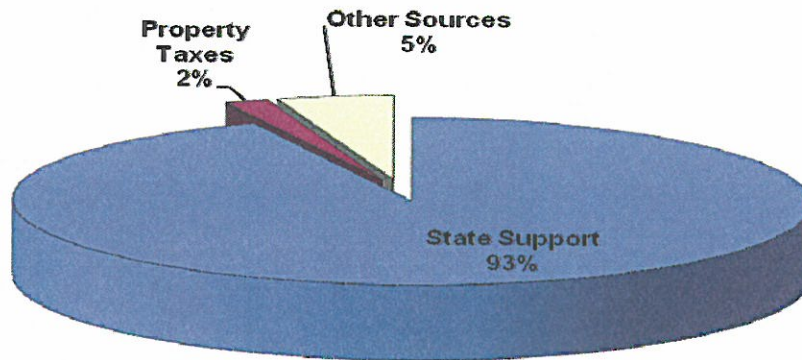
	2009	2008	Increase (Decrease)
REVENUES			
Property taxes	\$679,601	\$743,982	(\$64,381)
Interest and investment earnings	29,546	87,572	(58,026)
Other local revenue	480,262	384,093	96,169
State assistance and reimbursements	8,371,932	8,490,175	(118,243)
Other federal revenues	1,465,585	1,547,554	(81,969)
Total revenues	11,026,926	11,253,376	(226,450)
EXPENDITURES			
Instructional programs	6,135,834	6,625,286	(489,452)
Support service programs	4,333,582	3,664,444	669,138
Non-instruction programs	631,174	618,521	12,653
Capital asset program	210,526	375,751	(165,225)
Principal and interest	132,647	177,841	(45,194)
Total expenditures	11,443,763	11,461,843	(18,080)
Excess of Expenditures over Revenues	(416,837)	(208,467)	(208,370)
OTHER FINANCING SOURCES (USES)			
Gain on sales of capital assets	7,500	800	6,700
Proceeds from capital lease financing	0	45,987	(45,987)
Total other financing sources (uses)	7,500	46,787	(39,287)
Net changes in fund balances	(409,337)	(161,680)	(247,657)
Fund balance, beginning of year	458,974	620,654	(161,680)
Fund balance, end of year	49,637	\$458,974	(409,337)

West Bonner County School District No. 83

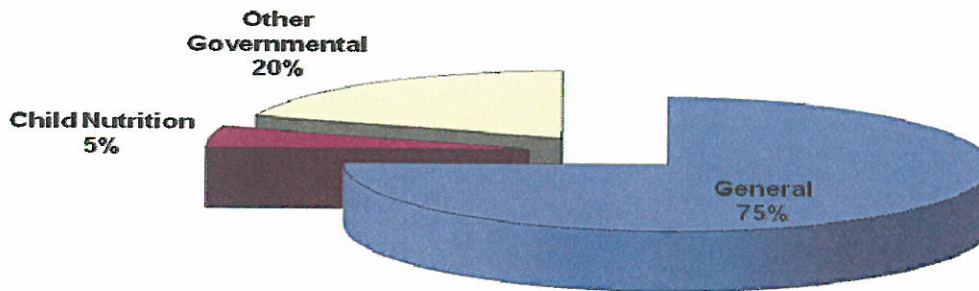
Management's Discussion and Analysis For the year ended June 30, 2009

Graph 1 below illustrates how the District receives its revenues for its General Fund. **Graph 2** below shows how the District receives its revenue for all governmental funds.

Graph 1
General Fund (Fund No. 100) Revenues FY 2009



Graph 2
Revenues for All Governmental Funds



General Fund Budgetary Highlights

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

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

West Bonner County School District No. 83

Management's Discussion and Analysis For the year ended June 30, 2009

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

West Bonner County School District has \$3,406,683 in capital assets, net of accumulated depreciation. These assets are made up of a broad range of items including buildings, sites, transportation equipment and other equipment. The District has a \$5,000 threshold for capitalization of fixed assets. This year's major additions totaled \$407,113 and included:

Building improvements district-wide totaling \$187,170; these improvements were paid by supplemental levy dollars.

Purchase of two 71-passenger school buses, totaling \$166,170; these purchases were paid by supplemental levy dollars.

Included in furniture and equipment additions were technology equipment purchases of \$12,398, which were paid by supplemental levy dollars, and the purchase of a tractor for \$36,376, which was also paid by supplemental levy dollars.

Long Term Debt

The District has no bonded indebtedness. The District has a total of \$320,298 of long term debt, which includes \$56,787 of compensated absences. The major portion of this debt is in an annual lease/purchase agreement with Wells Fargo Brokerage. Expenses are capital purchases under the energy management contract with Johnson Controls.

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

Table 4
Change in Long-Term Debt and
Current Maturities

	Compensated Absences	Capital Leases Payable	Total
Balance, July 1, 2008	\$ 55,023	\$379,465	\$434,488
Additions	65,823	--	65,823
Retirements/Payments	(64,059)	(115,954)	(180,013)
Balance, June 30, 2009	<u>\$ 56,787</u>	<u>\$263,511</u>	<u>\$320,298</u>

West Bonner County School District No. 83

Management's Discussion and Analysis For the year ended June 30, 2009

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- West Bonner County School District 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 school district salaries and benefits. Any expenses beyond state reimbursed salaries and benefits are paid by Entitlement Funds or *Discretionary Funds*.
- Discretionary Funds are paid through state support to the school district on a dollar amount per unit – units are calculated from student average daily attendance. The average entitlement amount paid to school districts since 2000 is \$24,486 per unit or a .98% increase per unit since 2000. Each year fixed costs such as fuel and utilities have increased substantially; yet the funding school districts use to pay these costs have not increased at the same pace or level. West Bonner County School District must be able to pay for its fixed costs and sometimes the Board must make budget reductions to have a balanced budget. Please see chart below for discretionary trend.

FY	Entitlement	Inc(Decr)	% Chge
1999-2000	\$ 23,217.27		
2000-01	\$ 24,440.40	\$ 1,223.13	5.27%
2001-02	\$ 22,935.54	\$(1,504.86)	-6.16%
2002-03	\$ 23,128.74	\$ 193.20	0.84%
2003-04	\$ 24,447.00	\$ 1,318.26	5.70%
2004-05	\$ 24,450.00	\$ 3.00	0.01%
2005-06	\$ 24,695.00	\$ 245.00	1.00%
2006-07	\$ 25,436.00	\$ 741.00	3.00%
2007-08	\$ 25,442.00	\$ 6.00	0.02%
2008-09	\$ 25,696.00	\$ 254.00	1.00%
2009-10	\$ 25,459.00	\$ (237.00)	-0.92%
Average	\$ 24,486.09	\$ 224.17	0.98%

- The District has declared a financial emergency for the 2009-10 school year per Idaho Code 33-522. The declaration is primarily due to the current economy and mandated state reductions. Even with the declaration of financial emergency the 2009-10 school year will be a very hard budget year.

West Bonner County School District No. 83

Management's Discussion and Analysis *For the year ended June 30, 2009*

- On June 2, 2009 the voters approved a one-year supplemental levy that primarily supports the co-curricular and extra curricular programs. Due to the mandated state reductions the District was unable to continue to fund these programs 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.
- An unknown factor on the District's financial future is the student population. It is unknown at this time what the expected student enrollment might be for the fall. The state of the local economy has caused the closure of local mills and businesses, leaving parents to move elsewhere for work.
- The Board of Trustees will present a supplemental levy to the local voting taxpayers for approval. The supplemental levy funds District purchases of textbooks, curriculum, technology, professional development, additional funds for classroom and library supplies, funds for athletic equipment and District facility needs. The levy to be proposed will be a replacement levy and will closely resemble supplemental levies presented in the past in both presentation and taxpayer cost.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

West Bonner County School District No. 83
Statement of Net Assets - District-Wide
June 30, 2009

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents (Note 6)	\$ 984,706
Receivables (Note 7)	560,624
Inventory	20,734
Total current assets	<u>1,566,064</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation and amortization (Note 8)	<u>3,406,683</u>
Total noncurrent assets	<u>3,406,683</u>
Total assets	<u>4,972,747</u>
LIABILITIES	
Current liabilities:	
Accounts payable	190,012
Accrued payroll and related liabilities	1,230,515
Deferred revenue	11,739
Accrued compensated absences, due within one year	14,306
Capital lease obligations, due within one year (Note 12)	<u>121,560</u>
Total current liabilities	<u>1,568,132</u>
Noncurrent liabilities:	
Accrued compensated absences, due after one year	42,481
Capital lease obligations, due after one year (Note 12)	<u>141,951</u>
Total noncurrent liabilities	<u>184,432</u>
Total liabilities	<u>1,752,564</u>
Commitments and contingencies (Notes 14, 15 and 16)	
NET ASSETS	
Invested in capital assets, net of related debt	3,143,172
Restricted for programs	327
Restricted for replacement of plant equipment	4,735
Designated for specific purposes	149,700
Unrestricted net assets (deficit)	<u>(77,751)</u>
Total net assets	<u>\$ 3,220,183</u>

West Bonner County School District No. 83
Statement of Activities - District-Wide
Year Ended June 30, 2009

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Elementary program	\$ 2,500,167	\$ -	\$ 389,124	\$ (2,111,043)
Secondary program	2,342,612	-	60,138	(2,282,474)
Alternative school program	140,749	-	-	(140,749)
Exceptional child, gifted and talented programs	999,752	-	338,004	(661,748)
Interscholastic and school activity programs	176,533	-	-	(176,533)
Total instruction	6,159,813	-	787,266	(5,372,547)
Support services:				
Attendance, guidance and health	319,359	-	37,305	(282,054)
Special services	175,036	-	-	(175,036)
Instruction improvement and educational media	341,361	-	162,994	(178,367)
District administration	509,455	-	-	(509,455)
School administration	735,943	-	-	(735,943)
Business operations	203,742	-	-	(203,742)
Custodial and maintenance	1,176,877	-	-	(1,176,877)
Transportation	734,850	-	-	(734,850)
Other educational costs	314,240	-	-	(314,240)
Total support services	4,510,863	-	200,299	(4,310,564)
Non-instruction programs:				
Child nutrition	641,637	147,806	433,986	(59,845)
Community service	1,765	-	-	(1,765)
Total non-instruction programs	643,402	147,806	433,986	(61,610)
Interest on long-term debt	16,693	-	-	(16,693)
Total governmental activities	\$ 11,330,771	\$ 147,806	\$ 1,421,551	(9,761,414)
General revenue:				
Property taxes, general purposes				679,601
Interest and investment earnings				29,546
Other local sources				332,456
State aid, unrestricted				8,258,145
Federal forest				157,821
Total general revenue				9,457,569
Deficiency of revenues under expenses before special items				(303,845)
Special items:				
Gain on sales of capital assets				7,500
Change in net assets				(296,345)
Total net assets, beginning of year				3,516,528
Total net assets, end of year				\$ 3,220,183

West Bonner County School District No. 83
Balance Sheet - Governmental Funds
June 30, 2009

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 691,870	\$ 292,836	\$ 984,706
Accounts receivable	456,655	103,969	560,624
Inventory	-	20,734	20,734
Due from other funds	79,801	523	80,324
Total assets	<u>\$ 1,228,326</u>	<u>\$ 418,062</u>	<u>\$ 1,646,388</u>
LIABILITIES AND FUND BALANCES			
Current liabilities:			
Accounts payable	\$ 28,722	\$ 161,290	\$ 190,012
Accrued payroll and related liabilities	1,073,187	157,328	1,230,515
Deferred revenue	84,161	11,739	95,900
Due to other funds	6,661	73,663	80,324
Total liabilities	<u>1,192,731</u>	<u>404,020</u>	<u>1,596,751</u>
Fund balances:			
Unreserved:			
General Fund deficit	(114,105)	-	(114,105)
Child Nutrition	-	8,980	8,980
Reserved for:			
Program requirements	-	327	327
Replacement of plant equipment	-	4,735	4,735
Designated:			
Designated for specific purposes	149,700	-	149,700
Total fund balances	<u>35,595</u>	<u>14,042</u>	<u>49,637</u>
Total liabilities and fund balances	<u>\$ 1,228,326</u>	<u>\$ 418,062</u>	<u>\$ 1,646,388</u>

West Bonner County School District No. 83
Reconciliation of the Balance Sheet - Governmental Funds
with the Statement of Net Assets - District-Wide
June 30, 2009

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

Total fund balances - Governmental Funds	\$	49,637
Property taxes receivable will be collected, but are not available soon enough to pay for current period liabilities, and are therefore reported as deferred revenue in the governmental funds.		84,161
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	\$	12,395,392
Accumulated depreciation is		(8,988,709)
		<u>3,406,683</u>
Noncurrent liabilities, including accrued compensated absences and capital leases, have not matured during the current period and therefore are not reported as liabilities in the governmental funds:		
Accrued compensated absences, due within one year		(14,306)
Accrued compensated absences, due after one year		(42,481)
Capital lease obligations, due within one year		(121,560)
Capital lease obligations, due after one year		(141,951)
		<u>(320,298)</u>
Total net assets - District-Wide	\$	<u><u>3,220,183</u></u>

West Bonner County School District No. 83
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2009

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 679,601	\$ -	\$ 679,601
Interest and investment earnings	29,546	-	29,546
Other local revenue	332,456	147,806	480,262
State assistance and reimbursements	8,162,106	209,826	8,371,932
National Forest Reserve	59,267	98,554	157,821
Other federal revenues	-	1,307,764	1,307,764
Total revenues	9,262,976	1,763,950	11,026,926
Expenditures:			
Instruction:			
Elementary programs	2,134,773	363,063	2,497,836
Secondary programs	2,263,911	60,138	2,324,049
Alternative school program	127,240	10,424	137,664
Exceptional child, gifted and talented programs	653,356	346,396	999,752
Interscholastic and school activity programs	176,533	-	176,533
Total instruction	5,355,813	780,021	6,135,834
Support services:			
Attendance, guidance and health	273,016	46,343	319,359
Special services	174,777	-	174,777
Instruction improvement and educational media	220,162	116,574	336,736
District administration	421,816	65,144	486,960
School administration	691,697	44,246	735,943
Business operations	203,742	-	203,742
Custodial and maintenance	1,196,246	-	1,196,246
Transportation	565,579	-	565,579
Other educational costs	312,466	1,774	314,240
Total support services	4,059,501	274,081	4,333,582
Non-instruction programs:			
Child nutrition programs	14,754	614,655	629,409
Community service programs	-	1,765	1,765
Total non-instruction programs	14,754	616,420	631,174
Capital asset programs	44,314	166,212	210,526
Principal and interest	132,647	-	132,647
Total expenditures	9,607,029	1,836,734	11,443,763
Deficiency of revenues under expenditures	(344,053)	(72,784)	(416,837)
Special items:			
Proceeds from sales of capital assets	-	7,500	7,500
Transfers from (to) other funds	(39,093)	39,093	-
Net changes in fund balances	(383,146)	(26,191)	(409,337)
Total fund balances, beginning of year	418,741	40,233	458,974
Total fund balances, end of year	\$ 35,595	\$ 14,042	\$ 49,637

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, 2009**

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

Net changes in fund balances - Governmental Funds	\$ (409,337)
Some property taxes will not be collected until several months after the District's fiscal year end, and therefore will not be available to pay liabilities of the current period. Accordingly, they are recorded as deferred tax revenues. They are however, recorded as revenue in the Statement of Activities - District-Wide. The increase in deferred tax revenues during the 2009 fiscal year is an adjustment.	15,096
In the Statement of Activities - District-Wide, certain operating revenues and expenses (e.g., property taxes, compensated absences, etc.) are measured by the amount earned or incurred during the year. In the governmental funds, however, revenues and expenditures for these items are measured by the amount of financial resources received or used (i.e., the the amount of cash received or paid). In the current fiscal year, the effect on net assets in the Statement of Activities - District-Wide exceeded the change in fund balances in the governmental funds.	(1,958)
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, \$423,213, exceed capital outlays, \$407,113, during the current fiscal year.	(16,100)
Repayment of capital lease obligations is an expenditure in the governmental funds, but the repayment reduces liabilities in the Statement of Net Assets - District-Wide	115,954
Change in net assets - District-Wide	<u>\$ (296,345)</u>

West Bonner County School District No. 83
Statement of Net Assets - Fiduciary Funds
June 30, 2009

	Student Scholarship Fund	AFLAC Cafeteria Plan Fund	Student Activity Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,661	\$ 12,852	\$ 150,011
Total assets	<u>1,661</u>	<u>12,852</u>	<u>150,011</u>
LIABILITIES			
Current liabilities:			
Deposits due to others	-	12,852	-
Due to student groups	-	-	150,011
Total liabilities	<u>-</u>	<u>\$ 12,852</u>	<u>\$ 150,011</u>
NET ASSETS			
Held for benefit of others	<u>\$ 1,661</u>		

West Bonner County School District No. 83
Statement of Changes in Net Assets - Fiduciary Funds
Year Ended June 30, 2009

	Student Scholarship Fund
Additions:	
Contributions	\$ 303
Interest and investment earnings	3
Total additions	<u>306</u>
Deductions:	
Scholarships paid	-
Total deductions	<u>-</u>
Change in net assets	306
Net assets, beginning of year	<u>1,355</u>
Net assets, end of year	<u><u>\$ 1,661</u></u>

West Bonner County School District No. 83
Notes to Financial Statements
June 30, 2009

1. Organization

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

2. District-Wide and Fund Financial Statements

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

Management's Discussion and Analysis

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

District-Wide Financial Statements

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

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2009

2. District-Wide and Fund Financial Statements, Continued

District-Wide Financial Statements, Continued

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

The Statement of Activities – District-Wide presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function. The District does not charge indirect expenses to programs or functions. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information on the District's funds, including its fiduciary funds. Separate statements for each fund category – *Governmental* and *Fiduciary* – are presented. The emphasis of fund financial statements is on major governmental funds, with each displayed separately.

Budgetary Comparison Schedules

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

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2009

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

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

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

The District reports the following major governmental fund:

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

The District reports the following fiduciary funds:

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

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

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2009

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

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

4. Budgetary Information

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

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

- a) The District publishes a proposed budget for public review.
- b) Public hearings are set to obtain taxpayer comments.
- c) Prior to July 1, the budget is adopted by resolution of the Board of Trustees and published.
- d) The final budget is then filed with the State Department of Education. Expenditures may not legally exceed budgeted appropriations at the fund level.

During the fiscal year ended June 30, 2009, the budget was amended to reflect revised revenue and expense estimates. The amendment was properly approved by the Board of Trustees.

5. Summary of Significant Accounting Policies

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

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2009

5. Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

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

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

Investments

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

Receivables

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

Inventory

The District's inventory is valued at the lower of cost, using the first-in, first-out (FIFO) method, or net realizable value, and is recorded as expenditures when consumed rather than when purchased.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2009

5. Summary of Significant Accounting Policies, Continued

Capital Assets

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

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

	<u>Years</u>
Buildings	30 to 40
Building improvements	20 to 30
Modular units	30
Furniture and equipment	3 to 20
Buses	8
Other vehicles	3 to 5

Liabilities

Liabilities shown on the fund financial statements are those which will become due and payable within one year of the financial statement date. On the district-wide financial statements, liabilities that become due and payable within one year of the financial statement date are included in current liabilities, while liabilities that become due and payable after that time are shown as noncurrent liabilities.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2009

5. Summary of Significant Accounting Policies, Continued

Compensated Absences

District employees are entitled to certain compensated absences based on their length of service with the District. Vested or accumulated vacation leave that has matured, as that term is defined by accounting principles generally accepted in the United States of America as applied to local governmental units, and which is expected to be liquidated with expendable, available financial resources, is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are reported as a noncurrent liability in the district-wide financial statements.

Net Assets

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

Fund Balances

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

Encumbrances

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

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2009

5. Summary of Significant Accounting Policies, Continued

Property Taxes

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

Grant Revenue

The District receives financial assistance from governmental agencies in the form of grants, which are accounted for in special revenue funds. Revenue is deemed earned and thus recognized when applicable program expenditures are recorded. Funds received but not earned at June 30, 2009, are recorded as deferred revenue.

Use of Restricted Resources

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

Use of Estimates

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

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2009

6. Cash and Cash Equivalents

Cash and cash equivalents consist of deposits held in checking accounts, a money market account and certificates of deposit with local banks, and investments in the State of Idaho Treasurer's Local Government Investment Pool (LGIP). Bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank. In addition, through the Transaction Account Guarantee Program (TAGP) all non-interest bearing accounts are fully covered by the FDIC through December 31, 2009. The short-term investment pools are not evidenced by securities that exist in physical or book entry form and accordingly, are not categorized for credit risk.

The carrying amount of deposits at June 30, 2009, including investments in the LGIP, consists of and appears in the financial statements as summarized below:

Cash in banks	\$ 520,533
LGIP, weighted average maturities of 58 days	<u>628,697</u>
	<u>\$1,149,230</u>
Cash and cash equivalents, Statement of Net Assets – District-Wide	\$ 984,706
Cash and cash equivalents, Statement of Net Assets – Fiduciary Funds	<u>164,524</u>
Carrying amount of bank deposits	<u>\$1,149,230</u>

The carrying amount of bank deposits and the LGIP on the District's books at June 30, 2009 was \$1,149,230 (including deposits held for fiduciary funds), and bank balances and the State Treasurer's balances totaled \$1,240,759. The differences between the carrying amount of bank deposits and the LGIP on the District's books and the bank balances and the State Treasurer's balances consist of outstanding checks and deposits not processed by the bank and the State Treasurer as of June 30, 2009.

A summary of the total insured and uninsured balances at June 30, 2009 is as follows:

Total bank and LGIP balances	\$1,240,759
Bank balances insured by FDIC	<u>(612,062)</u>
Uninsured balances in LGIP	<u>\$ 628,697</u>

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2009

7. Receivables

Receivables as of June 30, 2009 are as follows:

Property taxes receivable	\$ 248,705
Delinquent property taxes receivable	84,161
State support receivable	42,447
Grants receivable	183,927
Accounts receivable	<u>1,384</u>
Total receivables	<u>\$ 560,624</u>

Delinquent property taxes receivable consist of property taxes levied but not collected as of June 30, 2009, or within 60 days after June 30, 2009. These amounts have been offset by a deferred revenue liability in the governmental fund financial statements.

State support receivable consists of revenues due to the District under the State's school district funding model that were received in July and August 2009.

Grants receivable consist of revenues earned by the District from various state or federal grants that were received by the District in July and August 2009.

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, 2009 is as follows:

Governmental activities:

	Balance June 30, 2008	Additions	Disposals	Balance June 30, 2009
Buildings, building improvements and portable units	\$8,875,535	\$ 187,170	\$ --	\$9,062,705
Furniture and equipment	1,536,750	53,773	--	1,590,523
Buses	1,390,231	166,170	(47,578)	1,508,823
Other vehicles	<u>63,290</u>	<u>--</u>	<u>--</u>	<u>63,290</u>
Capital assets in service	11,865,806	407,113	(47,578)	12,225,341
Accumulated depreciation	<u>(8,613,074)</u>	<u>(423,213)</u>	<u>47,578</u>	<u>(8,988,709)</u>
	3,252,732	(16,100)	--	3,236,632
Land	<u>170,051</u>	<u>--</u>	<u>--</u>	<u>170,051</u>
	<u>\$3,422,783</u>	<u>\$ (16,100)</u>	<u>\$ --</u>	<u>\$3,406,683</u>

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2009

8. Capital Assets, Continued

Capital assets used by governmental activities include leased equipment with a cost of \$892,099 and accumulated amortization of \$348,479 at June 30, 2009 (see Note 12).

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

Governmental activities:	
Instructional services:	
Elementary program	\$ 105,097
Secondary program	96,773
Alternative school program	3,085
	<u>204,955</u>
Support services:	
Special services	259
Instruction improvement and education media	4,625
District administration	22,495
Custodial and maintenance	9,380
Transportation	169,271
	<u>206,030</u>
Non-instruction programs	
Child nutrition	12,228
	<u>\$ 423,213</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 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 revenues are received. When grant money is received, the paying fund is reimbursed for the payments made on behalf of the receiving fund.

Interfund receivables and payables at June 30, 2009 are summarized as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Vocational Education Fund	\$ 7,293
General Fund	Title I-A	3,695
General Fund	Title VI Part B Fund	38,508
General Fund	Title VI Part B Preschool Fund	1,404
General Fund	Title V-A Innovative Fund	588
General Fund	Carl Perkins Fund	22,175
Title I-B	General Fund	523
General Grants Fund	Supplemental Levy Fund 2008-2010	77
General Fund	Supplemental Levy Fund 2008-2010	6,061

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2009

10. Interfund Transfers

Interfund transfers for the year ended June 30, 2009 are summarized as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Reason</u>	<u>Amount</u>
Forest Fund	General Fund	Craig Wyden Forest Funds	\$ 98,554
School Maintenance Fund	General Fund	Per House Bill 473	96,040
General Fund	Title VIB Fund	Cover deficit balance	77,968
Contingency Fund	General Fund	Board-Approved transfer	75,000
General Fund	Bus Acquisition	Transfer state-reimbursed funds	68,462
Supplemental Levy 08-10	Bus Acquisitions	Cover deficit balance	59,320
Supplemental Levy 06-08	Supp Levy 08-10	Transfer Levy balances	35,564
Supplemental Levy 06-08	General Fund	Close out 2006-2008 Levy Fund	32,705
Supplemental Levy 08-10	Bus Acquisitions	Levy-approved purchase	31,029
Supplemental Levy 04-06	General Fund	Close out 2004-2006 Levy Fund	19,655
Supplemental Levy 08-10	Supp Levy 06-08	Post Effective Schools budgets	15,000
Supplemental Levy 08-10	General Fund	Maintenance salaries	13,820
Emergency Levy	General Fund	Close out Emergency Levy Fund	7,784
Title I-A	General Fund	Indirect cost	5,320
General Fund	Supp Levy 06-08	For Effective Schools	4,059
General Fund	General Grants Fund	Fund Healthy Directions 08-09	3,000
Supplemental Levy 08-10	Supp Levy 06-08	For Effective Schools	2,904
General Fund	Title VIB Preschool	Cover deficit balance	2,255
General Fund	General Grants Fund	Extended school year	1,925
Supplemental Levy 08-10	Supp Levy 04-06	Levy-approved maintenance	1,754
General Fund	General Grants Fund	To cover overage in remediation	1,703
General Fund	Title I-B Fund	Cover deficit balance	523
State Drug Free	General Fund	Indirect cost	350
Federal Drug Free	General Fund	Indirect cost	200

11. Short-Term Borrowings

The District had no short-term borrowings outstanding at June 30, 2009, nor were there any short-term borrowings or repayments during the year then ended.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2009

12. Long-Term Obligations

Capital Lease Obligations

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

<u>Year Ending June 30,</u>	
2010	\$ 129,203
2011	113,853
2012	<u>35,268</u>
Total future minimum lease payments	278,324
Less amount representing interest	<u>(14,813)</u>
Present value of net minimum lease payments	263,511
Less amount due within one year	<u>(121,560)</u>
Amount due after one year	<u>\$ 141,951</u>

Interest expense recorded associated with the capital lease obligations totaled \$16,693 for the year ended June 30, 2009.

A summary of changes in long-term obligations of the District for the year ended June 30, 2009 is as follows:

	Long-Term Obligations June 30, 2008	Long-Term Obligations Incurred	Long-Term Obligations Paid	Long-Term Obligations June 30, 2009	Due Within One Year
Capital lease obligations	\$ 379,465	\$ --	\$ (115,954)	\$ 263,511	\$ 121,560
Accrued compensated absences	<u>55,023</u>	<u>65,823</u>	<u>(64,059)</u>	<u>56,787</u>	<u>14,306</u>
	<u>\$ 434,488</u>	<u>\$ 65,823</u>	<u>\$ (180,013)</u>	<u>\$ 320,298</u>	<u>\$ 135,866</u>

13. Public Employees Retirement System

The Public Employee Retirement System of Idaho (PERSI), the PERSI Base Plan, is a cost-sharing, multiple-employer public retirement system that was created by the Idaho State Legislature. It is a defined benefit plan that requires both the member and the employer to contribute. The Plan provides benefits based on members' years of service, age and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provides for other political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI upon request.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2009

13. Public Employees Retirement System, Continued

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each year of credited service, the annual service retirement allowance is 2.0% of the average monthly salary for the highest consecutive 42 months of employment.

The contribution requirements of the District and its employees are established, and may be amended by, the PERSI Board of Trustees. For the year ended June 30, 2009, the required contribution rate as a percentage of covered payroll for members was 6.23% for general members. The employer contribution rate as a percentage of covered payroll was 10.39% for general members. The District's employer contributions required and paid were \$682,211, \$669,596, and \$655,422 for the three years ended June 30, 2009, 2008, and 2007, respectively.

14. Risk Management

Insurance

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

Litigation

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

15. Contingent Liabilities

The District receives significant financial assistance from federal and state governmental agencies in the form of grants, which are governed by various rules and regulations of the grantor agencies. The disbursement of funds received under these programs generally requires compliance with 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 collectibility of any related receivables at June 30, 2009 may be impaired. Based on prior experience, the District administration believes such amounts, if any, would be immaterial.

West Bonner County School District No. 83
Notes to Financial Statements, Continued
June 30, 2009

16. Economic Dependency

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

Required Supplementary Information

West Bonner County School District No. 83
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2009

			Actual	Variances	
			Modified	Positive/(Negative)	
	Budgeted Amounts		Accrual	Original	Final
	Original	Final	Basis	to Final	to Actual
Revenues:					
Property taxes	\$ 781,726	\$ 762,226	\$ 679,601	\$ (19,500)	\$ (82,625)
Interest and investment earnings	75,000	32,000	29,546	(43,000)	(2,454)
Other local revenue	186,388	214,055	332,456	27,667	118,401
State assistance and reimbursements	8,142,571	8,327,013	8,162,106	184,442	(164,907)
National Forest Reserve	75,403	75,403	59,267	-	(16,136)
Total revenues	9,261,088	9,410,697	9,262,976	149,609	(147,721)
Expenditures:					
Instruction:					
Elementary programs	2,143,854	2,163,722	2,134,773	(19,868)	28,949
Secondary programs	2,225,084	2,288,041	2,263,911	(62,957)	24,130
Alternative school program	125,406	127,500	127,240	(2,094)	260
Exceptional child, gifted and talented programs	585,026	657,860	653,356	(72,834)	4,504
Interscholastic and school activity programs	169,133	182,163	176,533	(13,030)	5,630
Total instruction	5,248,503	5,419,286	5,355,813	(170,783)	63,473
Support services:					
Attendance, guidance and health	286,526	282,742	273,016	3,784	9,726
Special services	171,587	180,033	174,777	(8,446)	5,256
Instruction improvement and educational media	236,848	236,280	220,162	568	16,118
District administration	376,855	379,705	421,816	(2,850)	(42,111)
School administration	717,559	690,499	691,697	27,060	(1,198)
Business operations	192,063	213,073	203,742	(21,010)	9,331
Custodial and maintenance	1,261,494	1,291,842	1,196,246	(30,348)	95,596
Transportation	587,176	573,472	565,579	13,704	7,893
Other educational costs	406,475	407,287	312,466	(812)	94,821
Total support services	4,236,583	4,254,933	4,059,501	(18,350)	195,432
Child nutrition programs	16,023	15,000	14,754	1,023	246
Capital asset programs	41,609	41,609	44,314	-	(2,705)
Principal and interest	126,048	127,254	132,647	(1,206)	(5,393)
Total expenditures	9,668,766	9,858,082	9,607,029	(189,316)	251,053
Excess (deficiency) of revenues over (under) expenditures	(407,678)	(447,385)	(344,053)	338,925	103,332
Special items:					
Proceeds from capital leases	-	-	-	-	-
Transfers from (to) other funds	(3,206)	104,556	(39,093)	107,762	143,649
Net change in fund balance	(410,884)	(342,829)	(383,146)	446,687	246,981
Total fund balance, beginning of year	410,884	342,829	418,741	(68,055)	75,912
Total fund balance, end of year	\$ -	\$ -	\$ 35,595	\$ 378,632	\$ 322,893

West Bonner County School District No. 83
Notes to Budgetary Comparison Schedule
June 30, 2009

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

The District overspent its adopted budget in certain of its governmental funds, as follows:

<u>Fund</u>	<u>Times Budget Exceeded</u>
General Fund	4

Supplementary Information

West Bonner County School District No. 83
Combining Balance Sheet - General Fund
June 30, 2009

ASSETS									
	General Fund	Medical Insurance Fund	Contingency Fund	Supplemental Levy 2004-2006	Supplemental Levy 2006-2008	Supplemental Levy 2008-2010	Emergency Levy	General Grants Fund	Total General Fund
Cash and cash equivalents	\$ 667,229	\$ 63,005	\$ 47,543	\$ -	\$ 3,594	\$ (145,384)	\$ -	\$ 55,883	\$ 691,870
Accounts receivable	238,770	-	-	-	9,513	195,455	-	12,917	456,655
Due from other funds	79,724	-	-	-	-	-	-	77	79,801
Total assets	\$ 985,723	\$ 63,005	\$ 47,543	\$ -	\$ 13,107	\$ 50,071	\$ -	\$ 68,877	\$ 1,228,326
LIABILITIES AND FUND BALANCES									
Current liabilities:									
Accounts payable	\$ 27,246	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,476	\$ 28,722
Accrued payroll and related liabilities	1,053,257	17,888	-	-	-	-	-	2,042	1,073,187
Deferred revenue	84,161	-	-	-	-	-	-	-	84,161
Due to other funds	523	-	-	-	-	6,138	-	-	6,661
Total liabilities	1,165,187	17,888	-	-	-	6,138	-	3,518	1,192,731
Fund balances:									
Unreserved:									
General Fund	(179,464)	-	-	-	-	-	-	65,359	(114,105)
Designated fund balances:									
Designated for specific purposes	-	45,117	47,543	-	13,107	43,933	-	-	149,700
Total fund balances	(179,464)	45,117	47,543	-	13,107	43,933	-	65,359	35,595
Total liabilities and fund balances	\$ 985,723	\$ 63,005	\$ 47,543	\$ -	\$ 13,107	\$ 50,071	\$ -	\$ 68,877	\$ 1,228,326

West Bonner County School District No. 83

LIABILITIES AND FUND BALANCES

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West Bonner County School District No. 83
Combining Balance Sheet - Non-Major State Funds
June 30, 2009

ASSETS							
	Start-up Grant Fund	Building Maintenance Fund	Drivers Education Fund	Vocational Education Fund	Technology Grant Fund	State Drug Free Grant Fund	Total Non-Major State Funds
Cash and cash equivalents	\$ 1,327	\$ -	\$ 2,375	\$ -	\$ -	\$ 7,303	\$ 11,005
Accounts receivable	-	-	-	8,514	-	-	8,514
Total assets	\$ 1,327	\$ -	\$ 2,375	\$ 8,514	\$ -	\$ 7,303	\$ 19,519
LIABILITIES AND FUND BALANCES							
Current liabilities:							
Accounts payable	\$ -	\$ -	\$ 2,375	\$ -	\$ -	\$ -	\$ 2,375
Accrued payroll and related liabilities	-	-	-	1,221	-	-	1,221
Deferred revenue	1,000	-	-	-	-	7,303	8,303
Due to other funds	-	-	-	7,293	-	-	7,293
Total liabilities	1,000	-	2,375	8,514	-	7,303	19,192
Fund balances:							
Reserved for:							
Program requirements	327	-	-	-	-	-	327
Total fund balances	327	-	-	-	-	-	327
Total liabilities and fund balances	\$ 1,327	\$ -	\$ 2,375	\$ 8,514	\$ -	\$ 7,303	\$ 19,519

West Bonner County School District No. 83
Combining Balance Sheet - Non-Major Federal Funds
June 30, 2009

	Federal Forest Fund		Title I-A Fund		Title I-B Fund		Title VI Part B Fund		Title VI Part B Preschool Fund		Title V-A Innovative Fund		Carl Perkins Fund		Title II-A Fund		Title IV-A Safe & Drug Free Schools Fund		Total Non-Major Federal Funds	
ASSETS																				
Cash and cash equivalents	\$	-	\$	-	\$	10,655	\$	77,968	\$	2,255	\$	-	\$	-	\$	679	\$	3,436	\$	94,993
Accounts receivable	-	-	49,896	-	-	-	-	-	2,030	-	588	-	26,099	-	15,458	-	-	-	94,071	-
Due from other funds	-	-	-	-	523	-	-	-	-	-	-	-	-	-	-	-	-	-	523	-
Total assets	\$	-	\$	49,896	\$	11,178	\$	77,968	\$	4,285	\$	588	\$	26,099	\$	16,137	\$	3,436	\$	189,587
LIABILITIES AND FUND BALANCES																				
Current liabilities:																				
Accounts payable	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Accrued payroll and related liabilities	-	-	46,201	-	11,178	-	39,460	-	2,881	-	-	-	3,924	-	16,137	-	-	-	119,781	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,436	-	3,436	-
Due to other funds	-	-	3,695	-	-	-	38,508	-	1,404	-	588	-	22,175	-	-	-	-	-	66,370	-
Total liabilities	-	-	49,896	-	11,178	-	77,968	-	4,285	-	588	-	26,099	-	16,137	-	3,436	-	189,587	-
Fund balances:																				
Reserved for:																				
Program requirements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities and fund balances	\$	-	\$	49,896	\$	11,178	\$	77,968	\$	4,285	\$	588	\$	26,099	\$	16,137	\$	3,436	\$	189,587

West Bonner County School District No. 83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund
Year Ended June 30, 2009

	General Fund	Medical Insurance Fund	Contingency Fund	Supplemental Levy 2004-2006	Supplemental Levy 2006-2008	Supplemental Levy 2008-2010	Emergency Levy	General Grants Fund	Total General Fund
Revenues:									
Property taxes	\$ 34,364	\$ -	\$ -	\$ -	\$ 41,178	\$ 604,059	\$ -	\$ -	\$ 679,601
Interest and investment earnings	28,064	19	-	-	-	1,463	-	-	29,546
Other local revenue	170,092	89,872	-	(3,260)	4,041	-	-	71,711	332,456
State assistance and reimbursements	8,085,172	-	-	-	-	-	-	76,934	8,162,106
Other federal revenues	-	-	-	-	-	-	-	59,267	59,267
Total revenues	8,317,692	89,891	-	(3,260)	45,219	605,522	-	207,912	9,262,976
Expenditures:									
Instruction:									
Elementary programs	2,027,226	-	17,773	-	4,606	26,107	21	59,040	2,134,773
Secondary programs	2,186,170	-	-	-	987	22,137	-	54,617	2,263,911
Alternative school program	126,645	-	-	-	139	203	-	253	127,240
Exceptional child, gifted and talented programs	642,589	-	-	-	1,026	5,551	-	4,190	653,356
Interscholastic and school activity programs	152,599	-	-	-	293	23,641	-	-	176,533
Total instruction	5,135,229	-	17,773	-	7,051	77,639	21	118,100	5,355,813
Support services:									
Attendance, guidance and health	231,079	-	-	-	-	39,325	-	2,612	273,016
Special services	136,825	-	-	-	-	-	-	37,952	174,777
Instruction improvement and educational media	161,303	-	-	-	27,935	12,863	-	18,061	220,162
District administration	179,186	44,774	-	-	-	191,498	-	6,358	421,816
School administration	691,697	-	-	-	-	-	-	-	691,697
Business operations	203,742	-	-	-	-	-	-	-	203,742
Custodial and maintenance	1,051,230	-	-	-	-	145,016	-	-	1,196,246
Transportation	565,579	-	-	-	-	-	-	-	565,579
Other educational costs	255,216	-	-	-	41,727	5,082	282	10,159	312,466
Total support services	3,475,857	44,774	-	-	69,662	393,784	282	75,142	4,059,501
Child nutrition programs	14,754	-	-	-	-	-	-	-	14,754
Capital asset programs	-	-	-	1,754	42,560	-	-	-	44,314
Principal and interest	132,647	-	-	-	-	-	-	-	132,647
Total expenditures	8,758,487	44,774	17,773	1,754	119,273	471,423	303	193,242	9,607,029
Excess (deficiency) of revenues over (under) expenditures	(440,795)	45,117	(17,773)	(5,014)	(74,054)	134,099	(303)	14,670	(344,053)
Special items:									
Transfers from (to) other funds	194,378	-	(75,000)	(17,900)	(45,398)	(90,166)	(7,784)	2,777	(39,093)
Net changes in fund balances	(246,417)	45,117	(92,773)	(22,914)	(119,452)	43,933	(8,087)	17,447	(383,146)
Total fund balances, beginning of year	66,953	-	140,316	22,914	132,559	-	8,087	47,912	418,741
Total fund balances, end of year	\$ (179,464)	\$ 45,117	\$ 47,543	\$ -	\$ 13,107	\$ 43,933	\$ -	\$ 65,359	\$ 35,595

See accompanying Report of Independent Auditor.

West Bonner County School District No. 83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Non-Major Governmental Funds
Year Ended June 30, 2009

	Child Nutrition Fund	Total Non-Major State Funds	Total Non-Major Federal Funds	Plant Facility Fund	Bus Acquisition Fund	Total Non-Major Governmental Funds
Revenues:						
Other local revenue	\$ 147,806	\$ -	\$ -	\$ -	\$ -	\$ 147,806
State assistance and reimbursements	-	209,826	-	-	-	209,826
National Forest Reserve	-	-	98,554	-	-	98,554
Other federal revenues	433,986	-	873,778	-	-	1,307,764
Total revenues	581,792	209,826	972,332	-	-	1,763,950
Expenditures:						
Instruction:						
Elementary programs	-	-	363,063	-	-	363,063
Secondary programs	-	34,039	26,099	-	-	60,138
Alternative school program	-	-	10,424	-	-	10,424
Exceptional child, gifted and talented programs	-	-	346,396	-	-	346,396
Total instruction	-	34,039	745,982	-	-	780,021
Support services:						
Attendance, guidance and health	-	36,849	9,494	-	-	46,343
Instruction improvement and educational media	-	-	116,574	-	-	116,574
District administration	-	65,144	-	-	-	65,144
School administration	-	-	44,246	-	-	44,246
Other educational costs	-	1,774	-	-	-	1,774
Total support services	-	103,767	170,314	-	-	274,081
Non-instruction programs:						
Child nutrition programs	614,655	-	-	-	-	614,655
Community service programs	-	-	1,765	-	-	1,765
Total non-instruction programs	614,655	-	1,765	-	-	616,420
Capital asset programs	-	-	-	-	166,212	166,212
Total expenditures	614,655	137,806	918,061	-	166,212	1,836,734
Excess (deficiency) of revenues over (under) expenditures	(32,863)	72,020	54,271	-	(166,212)	(72,784)
Special items:						
Proceeds from sales of capital assets	-	-	-	100	7,400	7,500
Transfers from (to) other funds	-	(96,390)	(23,328)	-	158,811	39,093
Net changes in fund balances	(32,863)	(24,370)	30,943	100	(1)	(26,191)
Total fund balances, beginning of year	41,843	24,697	(30,943)	4,635	1	40,233
Total fund balances, end of year	\$ 8,980	\$ 327	\$ -	\$ 4,735	\$ -	\$ 14,042

See accompanying Report of Independent Auditor.

West Bonner County School District No. 83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Non-Major State Funds
Year Ended June 30, 2009

	Start-up Grant Fund	Building Maintenance Fund	Drivers Education Fund	Vocational Education Fund	Technology Grant Fund	State Drug Free Grant Fund	Total Non-Major State Funds
Revenues:							
State assistance and reimbursements	\$ -	\$ 96,039	\$ 2,375	\$ 31,664	\$ 52,137	\$ 27,611	\$ 209,826
Total revenues	-	96,039	2,375	31,664	52,137	27,611	209,826
Expenditures:							
Instruction:							
Secondary programs	-	-	2,375	31,664	-	-	34,039
Total instruction	-	-	2,375	31,664	-	-	34,039
Support services:							
Attendance, guidance and health	-	-	-	-	-	36,849	36,849
District administration	-	-	-	-	65,144	-	65,144
Other educational costs	-	-	-	-	1,774	-	1,774
Total support services	-	-	-	-	66,918	36,849	103,767
Total expenditures	-	-	2,375	31,664	66,918	36,849	137,806
Excess (deficiency) of revenues over (under) expenditures	-	96,039	-	-	(14,781)	(9,238)	72,020
Special items:							
Transfers from (to) other funds	-	(96,040)	-	-	-	(350)	(96,390)
Net changes in fund balances	-	(1)	-	-	(14,781)	(9,588)	(24,370)
Total fund balances, beginning of year	327	1	-	-	14,781	9,588	24,697
Total fund balances, end of year	\$ 327	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 327

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, 2009

	Federal Forest Fund	Title I-A Fund	Title I-B Fund	Title VI Part B Fund	Title VI Part B Preschool Fund	Title V-A Innovative Fund	Carl Perkins Fund	Title II-A Fund	Title IV-A Safe & Drug Free Schools Fund	Total Non-Major Federal Funds
Revenues:										
National Forest Reserve	\$ 98,554	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,554
Other federal revenues	-	331,372	57,752	323,936	14,068	588	26,099	110,269	9,694	873,778
Total revenues	98,554	331,372	57,752	323,936	14,068	588	26,099	110,269	9,694	972,332
Expenditures:										
Instruction:										
Elementary programs	-	275,509	87,554	-	-	-	-	-	-	363,063
Secondary programs	-	-	-	-	-	-	26,099	-	-	26,099
Alternative school program	-	10,424	-	-	-	-	-	-	-	10,424
Exceptional child, gifted and talented programs	-	-	-	332,324	14,072	-	-	-	-	346,396
Total instruction	-	285,933	87,554	332,324	14,072	-	26,099	-	-	745,982
Support services:										
Attendance, guidance and health	-	-	-	-	-	-	-	-	9,494	9,494
Instruction improvement and educational media	-	-	-	-	-	3,458	-	113,116	-	116,574
School administration	-	38,356	5,890	-	-	-	-	-	-	44,246
Total support services	-	38,356	5,890	-	-	3,458	-	113,116	9,494	170,314
Community service programs	-	1,765	-	-	-	-	-	-	-	1,765
Total expenditures	-	326,054	93,444	332,324	14,072	3,458	26,099	113,116	9,494	918,061
Excess (deficiency) of revenues over (under) expenditures	98,554	5,318	(35,692)	(8,388)	(4)	(2,870)	-	(2,847)	200	54,271
Special items:										
Transfers from (to) other funds	(98,554)	(5,320)	523	77,968	2,255	-	-	-	(200)	(23,328)
Net changes in fund balances	-	(2)	(35,169)	69,580	2,251	(2,870)	-	(2,847)	-	30,943
Total fund balances, beginning of year	-	2	35,169	(69,580)	(2,251)	2,870	-	2,847	-	(30,943)
Total fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

West Bonner County School District No. 83
Schedule of Changes in Student Activity Funds
Year Ended June 30, 2009

	Balances, June 30, 2008	Receipts	Disbursements	Balances, June 30, 2009
Idaho Hill Elementary	\$ 8,629	\$ 3,845	\$ 6,259	\$ 6,215
Priest Lake Elementary	9,240	7,237	3,865	12,612
Priest River Elementary	18,909	29,949	30,124	18,734
Priest River Junior High	16,236	32,397	35,551	13,082
Priest River Lamanna High	115,598	178,665	195,156	99,107
PREP Alternative High School	572	186	497	261
Totals	<u>\$ 169,184</u>	<u>\$ 252,279</u>	<u>\$ 271,452</u>	<u>\$ 150,011</u>

Compliance Reports



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Bonner County School District No. 83 ("the District"), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 09-1 and 09-2 to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the District's internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We do not consider Findings 09-1 and 09-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of the Board of Trustees, management, the State of Idaho, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DeCoria, Maichel & Teague, P.S.

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

October 12, 2009

West Bonner County School District No. 83
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor Program Title	State Pass - Through ID Number	Federal CFDA Number	Expenditures
U.S. Department of Education			
Passed Through State			
Department of Education:			
Title I-A - Local Education Agencies	S010A070012	84.010	\$ 116,212
Title I-A - Local Education Agencies	S010A080012	84.010	215,163
Title I-B - Early Reading First	S357A060013	84.357	93,443
Title II-A - Teacher Quality	S367A070011	84.367A	113,116
Title IV-A - Safe and Drug Free Schools	Q186A070013	84.186A	9,695
Title V-A - State Grants for Innovative Programs	S298A070052	84.298	3,458
Title VI-B - Federal Special Education K-12	H027A080088	84.027	332,324
Title VI-B - Federal Special Education Preschool	H173A080030	84.173	14,072
Carl Perkins Federal Vocational Education	V048A070012	84.048	26,099
Schools and Roads Grants to States (Federal Forest)	--	10.665	98,554
Education of Homeless Children	S196A070013	84.196	7,212
Social Services Block Grant	G-0801IDSOSR	93.667	37,952
Total U.S. Department of Education			<u>1,067,300</u>
U.S. Department of Agriculture			
Passed Through State			
Department of Education:			
Child Nutrition Cluster:			
USDA School Breakfast Program	2008IN109947	10.553	13,441
USDA School Breakfast Program	2009IN109947	10.553	99,942
USDA National School Lunch Program	2008IN109947	10.555	29,354
USDA National School Lunch Program	2009IN109947	10.555	264,263
USDA Summer Food Service Program for Children	2008IN109947	10.559	15,444
USDA Summer Food Service Program for Children	2009IN109947	10.559	1,220
USDA Fresh Fruit and Vegetable Program	2008IN770347	10.582	1,809
USDA Fresh Fruit and Vegetable Program	2009IL160347	10.582	9,979
Total U.S. Department of Agriculture			<u>435,452</u>
			<u>\$ 1,502,752</u>

West Bonner County School District No. 83
Note to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

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 Applicable to
Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of West Bonner County School District No. 83 ("the District"), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, West Bonner County School District No. 83 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the Board of Trustees, management, the State of Idaho, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DeCoria, Maichel & Teague, P.S.

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

October 12, 2009

**West Bonner County School District No. 83
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009**

Section I – Summary of Auditor’s Results:

Financial Statements

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

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

When evaluating the lack of segregation of duties and overspending its adopted budget, we have concluded that these significant deficiencies do not constitute material weaknesses.

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

Federal Awards

The audit identified no significant deficiencies for internal control over major programs.

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

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

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

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.010	Title I-A – Local Education Agencies
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children

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

The auditee qualified as a high-risk auditee.

West Bonner County School District No. 83
Schedule of Findings and Questioned Costs, Continued
Year Ended June 30, 2009

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 09-1

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

West Bonner County School District No. 83
Schedule of Findings and Questioned Costs, Continued
Year Ended June 30, 2009

Finding 09-2

Condition	The District overspent its adopted budget in its General Fund a total of four times.
Criteria	An effective system of internal controls requires that the District operate within its adopted budget. Idaho Statute 33-701 states that the Board of Trustees shall "review the school district budget periodically and make appropriate budget adjustments to reflect the availability of funds and the requirements of the school district."
Effect	By overspending its adopted budget, the District is out of compliance with Idaho Statute 33-701.
Cause	The District failed to adequately monitor expenditures and amend the budget to account for additional expenditures throughout the year.
Recommendation	We recommend that the District monitor its expenditures versus the adopted budget as the year progresses. If it appears that the budget is going to be overspent, the budget should be officially amended by the District's Board of Trustees to cover the additional expenditures.
Management's Response	The District's management will monitor its compliance with budget adherence and initiate budget amendments, if necessary, prior to the end of the fiscal year.

West Bonner County School District No. 83
Schedule of Findings and Questioned Costs, Continued
Year Ended June 30, 2009

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, 2009

Finding 08-1

Condition: The prior auditor's review of the general journal entries revealed a material entry made to reclassify expenses in the General Fund from the special education function to elementary and secondary functions. As a result, the special education expenses were materially misstated.

Status: This condition was remedied during fiscal year ended June 30, 2009.

Finding 08-2

Condition: The prior auditor's review of the general journal entries revealed a material entry made to reclassify expenses in the General Fund from the special education function to elementary and secondary functions. As a result, the Idaho State Department of Education Maintenance of Effort Assurance for 2007-2008 report was materially misstated.

Status: This condition was remedied during fiscal year ended June 30, 2009.

Finding 08-3

Condition: The Idaho State Department of Education requires quarterly cash balance reports for the Title VI-B program to be submitted within 15 days following the end of the quarter. The prior auditor's review of the cash balance reports revealed that the District was not consistently filing their cash balance reports on a timely basis.

Status: This condition was remedied during fiscal year ended June 30, 2009.