

LAKE PEND OREILLE SCHOOL  
DISTRICT No. 84

FINANCIAL STATEMENTS  
JUNE 30, 2022

**Lake Pend Oreille School District No. 84**  
**June 30, 2022**

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Lake Pend Oreille School District No. 84

June 30, 2022

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Lake Pend Oreille School District No. 84  
Ponderay, ID 83852

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the financial statements of the governmental activities, fiduciary activities, each major fund, and the aggregate remaining fund information of Lake Pend Oreille School District No. 84, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Lake Pend Oreille School District No. 84's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, fiduciary activities, each major fund, and the aggregate remaining fund information of Lake Pend Oreille School District No. 84, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lake Pend Oreille School District No. 84, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Pend Oreille School District No. 84's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lake Pend Oreille School District No. 84's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lake Pend Oreille School District No. 84's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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

## INDEPENDENT AUDITOR'S REPORT (CONCLUDED)

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Pend Oreille School District No. 84's financial statements. The combining and individual nonmajor fund financial statements, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2022, on our consideration of Lake Pend Oreille School District No. 84'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 effectiveness of Lake Pend Oreille School District No. 84's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake Pend Oreille School District No. 84's internal control over financial reporting and compliance.

*Magnuson, McHugh & Company, P.A.*

Magnuson, McHugh, & Co., P.A.

October 14, 2022

**FINANCIAL SECTION**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



## Lake Pend Oreille School District

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

Lake Pend Oreille School District No. 84's (the "District") annual report for the fiscal year ending June 30, 2022, includes a series of basic financial statements that show information for the District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities provide information about all the District's activities and present both a short-term and long-term view of the District's finances. The fund financial statements provide information about all the District's funds. Information about these funds, such as the District's General Fund, is important, but will also give insight into the District's overall financial soundness as reported in the Statement of Net Position and the Statement of Activities.

#### **FINANCIAL HIGHLIGHTS: The following items merit specific mention in fiscal year 2022:**

**Fiscal Year 2022 had Less Financial Uncertainty than Prior Year:** Fiscal year 2022 offered more financial certainty at the local, state, and federal financial levels compared to fiscal year 2021.

- (1) Local Property Tax Funding Certainty: District Passes an Indefinite Term Supplemental Levy in November 2019 and was Effective July 2021** – Our district passed an Indefinite Term Supplemental Levy in November 2019 with an effective date 18 months into the future, namely July 1, 2021, or the beginning of the 2022 fiscal year. Forty-one percent (41%) of the eligible voters, or 8,290 people, approved a permanent \$12,700,000 per year property tax levy, with a 51.3% passage margin. Our district now joins 5 other Idaho districts to hold an Indefinite Term Levy. Moreover, this provides significant stability for our district's overall funding, as it has eliminated the necessity of running a 2-year Supplemental Levy every other election year. The ballot was contested by an eligible citizen in December 2020 and a district judge upheld the validity of our ballot in March 2020. Our district's levy rate dropped by 8% compared to the prior year's rate.
- (2) Permanent Maintenance and Operations Supplemental Property Tax Levy represents 33.1% of the General Fund Revenues in FY22** – A supplemental (instructional) levy has been in place for 22 consecutive years and has been used for salaries/benefits, curriculum, technology, facilities maintenance, and interscholastic activities. The State Department of Education includes all supplemental levy budget line items as part of the General Fund; for the reader's benefit, page 60 provides a detailed summary of the Supplemental Levy activities, which otherwise is included as the General Fund in the audit report.

The District received \$13.2 million of property tax from the supplemental levy this year or representing 32.7% of General Fund revenues. If this levy had not been in place, the District's alternative would have been to implement austere and devastating spending cuts in fiscal year 2022. It has become apparent that without the increased use of property tax levies by Idaho school districts that districts would be operationally devastated. The big jump in the supplemental override share of total property tax levies in Idaho started in fiscal year 2007 and is almost entirely due to the sales tax/property tax swap that occurred in that year. Now all except 22 school districts of 114 join the list for a total of 90 (or 79%) districts with voter-approved overrides in fiscal year 2022, levying a combined total of \$218,251,000.

Most importantly, the supplemental levy is fulcrum to the District's ability to continue our programs. The supplemental levy funds 1/3 of all the District's General Fund staff. The district's overall net taxable value increased by 14.1% in FY2022, the third sizeable appreciation since a trend of plummeting valuations starting 2010-11. The statewide average Supplemental Tax rate was .00166; LPOSD's Supplemental Tax rate was .00183. The statewide Total Tax rate was .00247; LPOSD's Total Tax rate was .00187, or 25% below this average. Moreover, LPOSD's tax rate represented 25% of the average Bonner County property taxpayer's tax bill in year 2022, which is below the statewide average of 28.1%.

More staggering is the fact that there was \$587,665,000 in property tax voter approved levies in 2022, which equals 21% of the state's entire K-12 fiscal year 2022 appropriation!

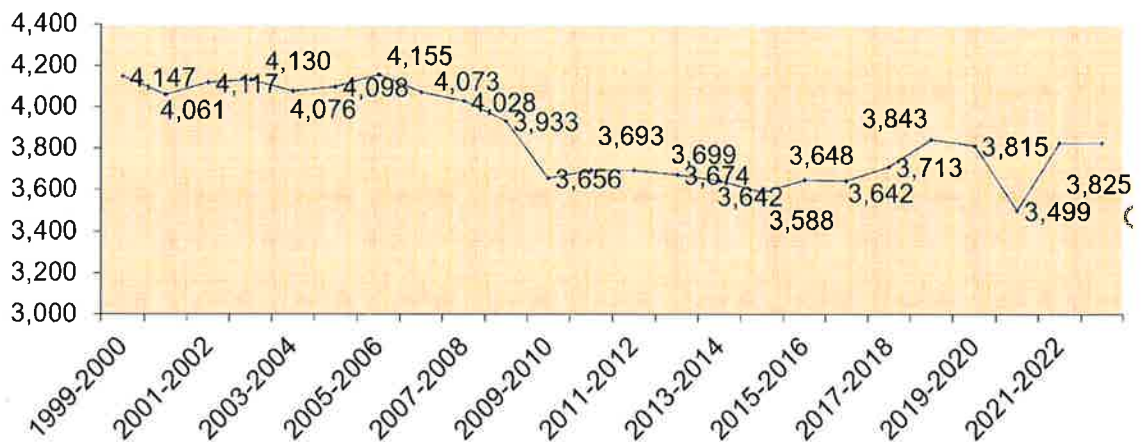
## Lake Pend Oreille School District

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

**FINANCIAL HIGHLIGHTS:** The following items merit specific mention in fiscal year 2022 (Continued):

- (3) **Student Enrollment Count Certainty but High Absenteeism. The District Anticipated a Return to Pre-pandemic Student Enrollment Levels in FY2022, which was Actualized** – Student enrollment rebounded after its precipitous drop in FY2021 school year, an increase of 392 students. Districts were funded in FY21 on enrollment by a temporary State Board rule, that expired before this school year. Districts across the state, even those with normal attendance numbers, were concerned (including LPOSD) about the return to attendance-based funding in FY2022. The ADA of students in the first 9 weeks of school determines 75% of a school district's funding in Idaho. Hence, swapping back to enrollment-based numbers to alleviate pressure of weighing funding needs against student health needs during a contagious pandemic (with high absenteeism) seemed prudent. As the school year 21-22 opened, it was quickly and abundantly clear that districts were experiencing as high as 20% student absenteeism. Concurrently, the governor's office and the state board of education dialogued on this matter, passing a second temporary rule with a retro-active rule to August 2022 to change back to enrollment-based funding in fiscal year 2022. Finally, our district has structured our fiscal year 2023 budget based on the actual 3,825 enrollment count for fiscal year 2022.

**Student Enrollment- Fall-LPOSD**



- (4) **Continued Federal Covid Relief Funding Certainty;** In December 2020 Congress passed a second Covid stimulus bill, ESSER II, CRRSA. In March 2022, a third Covid relief package, ESSER III, ARPA was passed by Congress. Supplanting (or to replace current expenses in the General Fund) was allowed by the US Treasury if each expense met the bill's qualifying expenditure categories for both CRRSA and ARPA. Our district fully spent its CRRSA allocation in FY22 and partially spent its ARPA allocation. Most salient, supplanting was permitted for qualifying expenses, allowing our General Fund reserve funds to increase by \$3 million directly tied to this supplanting factor.

## Lake Pend Oreille School District

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

#### FINANCIAL HIGHLIGHTS: The following items merit specific mention in fiscal year 2022 (Continued):

- (5) **State Funding Certainty: Record State Revenue** – Idaho legislators, the Governor's office, the Joint Finance and Appropriations Committee and the Economic Outlook Revenue and Assessment Committee contended with projecting state revenue forecasts in January 2022 amidst a continued Covid 19 pandemic, chronic labor and supply chain shortages and emerging high inflation. Notably, the state was awash in record levels of cash, with a record budget surplus building amid far better than expected economic performance coming out of the pandemic, even as hundreds of millions in federal aid flowed out to states including Idaho. Idaho's ever-growing budget surplus was trending at this point in time towards a record-shattering \$800 million and as the legislative session months continued, revenue projections only kept increasing. Ultimately JFAC recommended an 11.3% increase to the K-12 appropriation (the largest increase in the last 3 decades) for fiscal year 2022-2023, and it was adopted. For LPOSD, the state's increase translates into an additional \$3,580,000 over fiscal year 2021-2022.
- (6) **More Stability: General Fund fund balance \$5,852,389 increase in fiscal year 2022** – The District has made a protracted effort to build its fund balance to exceed 15%. The District's current fund balance, less restricted grants of \$746,256, represents 38.2% of FY22 revenues or is the equivalent of ninety-nine (99) working days of expenditure. The District increased its General Fund fund-balance by \$5,852,389 from \$9,385,207 in fiscal year 2021 to \$15,237,596 in fiscal year 2022. However, \$746,256 is obligated by local grant parameters. Hence, the actual real cash increase in our General Fund balance is \$5,106,133, with an ending balance of \$14,491,340. The increase in fund balance this year was partially budgeted, coupled with a large infusion of unanticipated state revenues due to a temporary change in the funding formula, and the direct result of the following varied factors:
- Budgeted and anticipated Supplanting (shifting) of General Fund expenditures to the federal ESSER funding packages -CRRSA and ARPA totaling \$3,238,000.
  - Budgeted and anticipated use and allowance of unrestricted indirect costs charged to ESSER funding packages, which generated \$535,000 of revenue to the General Fund.
  - An unbudgeted transfer from the Child Nutrition Fund to the General Fund repaying loans from prior fiscal years, where historically the Child Nutrition Fund operated at a deficit, of \$500,000. This loan repayment was the result of the USDA temporary universal free breakfast and lunch program to all students with considerably higher reimbursement rates to school districts. This temporary universal free meals program ended in June 2022.
  - An unbudgeted \$2 million in additional state foundation distribution, where districts were paid on enrollment versus average daily attendance through a State Board of Education's temporary rule.

Finally, the district had budgeted both contingency and buffer dollars totaling \$330,000, which served to support staffing additions as class size and pandemic demands warranted. Level spending discipline was, otherwise, exercised district wide. The district transferred all allowable expenses from the General Fund to the Covid federal dollars. More specifically, the district plans to spend all of its ESSER dollars with the fiscal strategy of maintaining our Indefinite Term Supplemental Levy at its current annual levy amount, thereby not bloating or increasing costs or setting our district up for a financial "cliff" in 2024. ESSER dollars expire September 30, 2024.

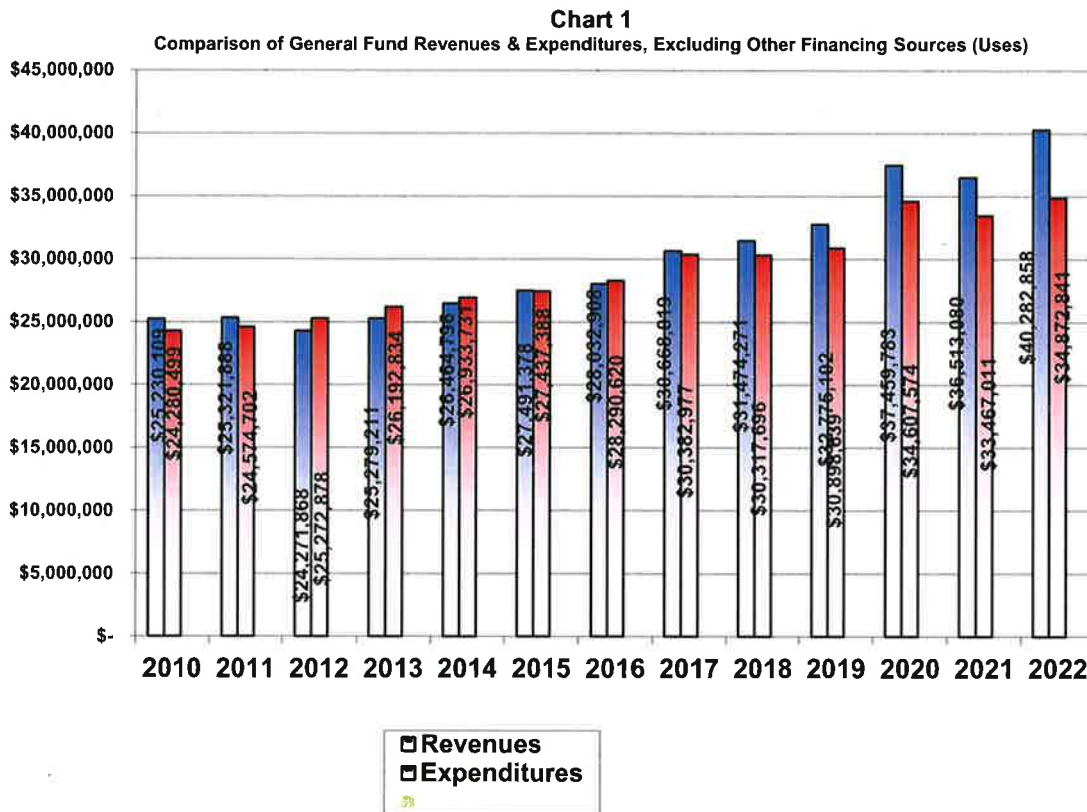
# Lake Pend Oreille School District

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

**FINANCIAL HIGHLIGHTS: The following items merit specific mention in fiscal year 2022 (Continued):**

It is also notable that the District's Plant Fund's fund balance is arguably non-existent for capital outlay given the overall demands, a balance of \$434,253 on June 30, 2022.

Chart 1 below illustrates the variations of General Fund revenues and expenditures, excluding other financing sources (uses) for the fiscal years ending June 30, 2010, through June 30, 2022.

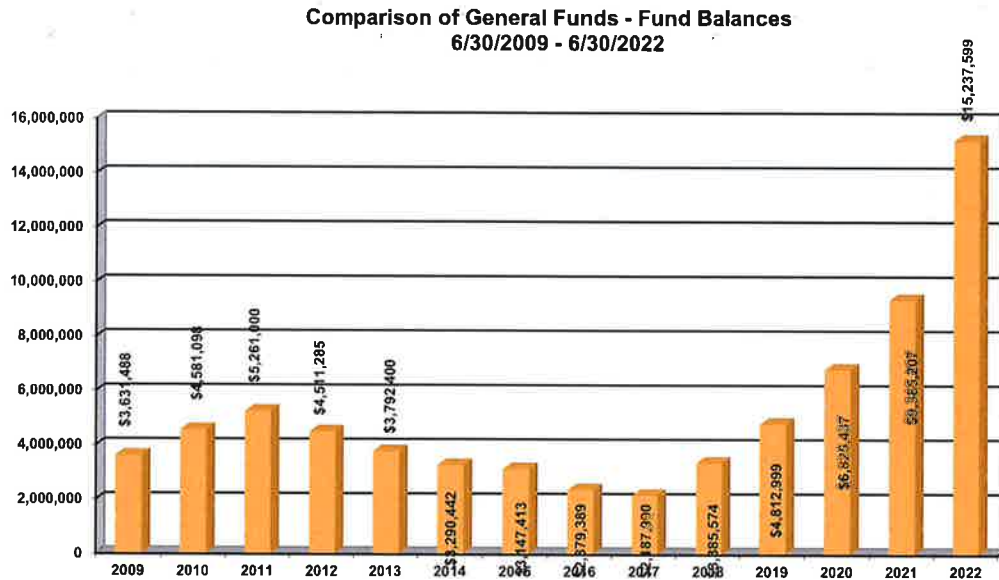


# Lake Pend Oreille School District

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

**FINANCIAL HIGHLIGHTS:** The following items merit specific mention in fiscal year 2022 (Concluded):

Chart 2, below, illustrates the changes in General Fund balances from June 30, 2009, through June 30, 2022.



The School District established a Designated Operating Reserve Policy in fiscal year 2005. The policy's goal is to maintain a General Fund Operating Reserve equivalent to 5% (five percent) of the combination of its General Fund revenue plus the maintenance and operating costs included in any Supplemental Levy. The district achieved this policy goal in fiscal year 2018. In September 2005, the District established said Operating Reserve. The District analyzes annually at fiscal year end the appropriate funding level for future contributions from its General Fund fund-balance. Minimum future annual contribution allocations were \$100,000 until the 5% goal was achieved. This policy explicitly prohibits the District from using budgetary procedure to balance a current budget at the expense of future budgets. The current assigned operating reserve balance as of June 30, 2022, is \$2,000,000.

In fiscal year 2017-2018, our Board established a Plant Fund reserve. The fiscal year 2022 contribution was \$200,000, bringing the Plant Fund fund balance to \$434,253. The Board plans and expects to continue an annual contribution to the Plant Fund reserve until a successful Plant or Bond Levy is approved by our voters.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

## Lake Pend Oreille School District

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

#### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

- The statement of net position 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.

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 29.

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, this report also presents a Schedule of Findings and Questioned Costs. This report is helpful in that it highlights any issues that the auditor may have questioned along with the District's response.

#### 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 position and how they have changed. Comparative data to the prior year is available. Net position, 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 position 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.

# Lake Pend Oreille School District

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

### OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

#### 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 or to show that it is properly using certain revenues (like grants). A prime example can be found on page 60, where our district has elected to separate the Indefinite Term Maintenance and Operations Supplemental Levy from our General Fund.

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, an explanation of the differences between the governmental funds and the District-wide statements is included as a separate statement.
- Fiduciary funds – The District serves as a trustee, or fiduciary, for student organizations and scholarship trust 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.

### FINANCIAL ANALYSIS

#### The District as a Whole

##### Net Position

Net position, which is the difference between total assets and total liabilities, are one indicator of the financial condition of the District. When revenues exceed expenses, the result is an increase in net position. When expenses exceed revenues, the result is a decrease in net position. The relationship between revenues and expenses can be thought of as the District's operating results. The District's net position, as measured in the Statement of Net Position, can be one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position - as measured in the Statement of Activities- are one indicator of whether its financial health is improving or deteriorating. However, the District's goal and mission is to provide success for each child's education, not to generate profits as companies do. For this reason, many other nonfinancial factors should be considered in assessing the overall health of the District.

**Lake Pend Oreille School District**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2022**

**FINANCIAL ANALYSIS (CONTINUED)**

Net Position (Concluded)

As shown in Table 1, the District's net position increased in year 2022. Its net position is now \$32,801,896 compared to \$23,982,804 last year. By far the largest portion of the District's net position 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. These capital assets amount to \$20,820,454 or 62% of the District's net position. Also shown in Table 1 is a separation out of restricted net position when legal constraints from debt covenants and enabling legislation to limit our ability to use that net position for the District's day-to-day operations.

The District's combined net position increased by \$8,819,092 in the current fiscal year. The nexus of our net position increase is the direct result of GASB 68 and 75; this standard ties pension accounting to the amount of defined pension benefits that have been earned by current and former employees at the balance sheet, regardless of whether resources are set aside to fund them. The net effect on cash flow is zero but the net effect on net position is significant (Note 9) provides the detail required in calculating the district's net pension liability.

Table 1 provides a summary of the District's net position.

Table 1  
Lake Pend Oreille School District No. 84  
Statements of Net Position

	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 26,706,326	\$ 19,020,860
Capital assets	20,820,454	21,174,849
Total assets	<u>47,526,780</u>	<u>40,195,709</u>
Deferred outflows of resources	<u>10,736,333</u>	<u>7,364,087</u>
Long-term liabilities outstanding	2,813,926	17,823,643
Other liabilities	5,133,663	4,799,089
Total liabilities	<u>7,947,589</u>	<u>22,622,732</u>
Deferred inflows of resources	<u>17,513,628</u>	<u>954,260</u>
Net position:		
Net investment in capital assets	20,820,454	21,174,849
Restricted	1,912,343	1,465,204
Unrestricted	10,069,099	1,342,751
Total net position	<u>\$ 32,801,896</u>	<u>\$ 23,982,804</u>



## Lake Pend Oreille School District

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

#### FINANCIAL ANALYSIS (CONTINUED)

As shown in Table 2, the Lake Pend Oreille School District relies on local property taxes for approximately 26% of its governmental activities. Additionally, state appropriations account for approximately 52% of the District's governmental activities. The District had total revenues of \$50.5 million.

Changes in net position Table 2 shows the changes in net position for the fiscal year 2022.

Table 2  
Lake Pend Oreille School District No. 84  
Changes in Net Position

	<u>2022</u>	<u>2021</u>
Revenues:		
Program revenues:		
Charges for services	\$ 68,257	\$ 54,444
Operating grants and contributions	9,469,496	7,194,891
General revenue:		
Property taxes	13,252,077	13,054,142
State revenues	26,061,764	22,694,126
Grants and contributions not restricted to specific programs	161,794	127,717
Federal assistance to State	3,296	9,231
Student body	964,184	682,011
Miscellaneous	602,590	161,217
Total revenues	<u>50,583,458</u>	<u>43,977,779</u>
Expenses:		
Instructional services	24,846,160	22,888,043
Support services programs	18,032,634	16,705,294
Non-instruction programs	1,577,740	1,472,951
Interest on long-term debt	-	212
Change in OPEB obligation	36,799	103,641
Change in net pension liability	277,418	5,324,210
Unallocated actual PERSI contributions	<u>(3,006,385)</u>	<u>(2,800,350)</u>
Total expenses	<u>41,764,366</u>	<u>43,694,001</u>
Increase (decrease) in net position	8,819,092	283,778
Net position – beginning	23,982,804	23,699,026
Net position – ending	<u>\$ 32,801,896</u>	<u>\$ 23,982,804</u>

## Lake Pend Oreille School District

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

#### FINANCIAL ANALYSIS (CONTINUED)

##### Governmental Funds

The District completed the year with a total governmental fund balance of \$18,442,287, which is up by \$6,348,878 from the ending balance in fiscal year 2021.

The major funds – The General Fund total fund balance is \$15,237,596, which includes \$12,491,340 in unassigned funds, \$746,256 restricted for grant purposes, and \$2,000,000 in assigned funds for reserves. Table 3 shows the excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses) for the governmental funds for the fiscal years ending June 30, 2022 and 2021, with variances.

Table 3  
Statements of Revenues and Expenditures  
Governmental Funds  
For the years ended 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
<b>REVENUES</b>			
Property taxes	\$ 13,120,660	\$ 13,110,128	\$ 10,532
Tuition	405	-	405
Interest	103,897	121,407	(17,510)
Other local revenue	932,176	385,738	546,438
Student body	964,184	682,011	282,173
State support	26,554,483	23,060,677	3,493,806
Other federal revenues	8,769,036	6,696,633	2,072,403
Total revenues	<u>50,444,841</u>	<u>44,056,594</u>	<u>6,388,247</u>
<b>EXPENDITURES</b>			
Instructional programs	23,993,039	22,161,778	1,831,261
Support service programs	17,096,586	15,736,386	1,360,200
Non-instruction programs	1,577,740	1,472,951	104,789
Capital asset program	1,435,798	1,155,085	280,713
Debt service (P&I)	-	24,848	(24,848)
Total expenditures	<u>44,103,163</u>	<u>40,551,048</u>	<u>3,552,115</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	3,032,027	4,297,979	(1,265,952)
Transfers out	(3,032,027)	(4,297,979)	1,265,952
Sale of fixed assets	7,200	3,350	3,850
Total other financing sources (uses)	<u>7,200</u>	<u>3,350</u>	<u>3,850</u>
Net change in fund balance	<u>\$ 6,348,878</u>	<u>\$ 3,508,896</u>	<u>\$ 2,839,982</u>

# Lake Pend Oreille School District

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

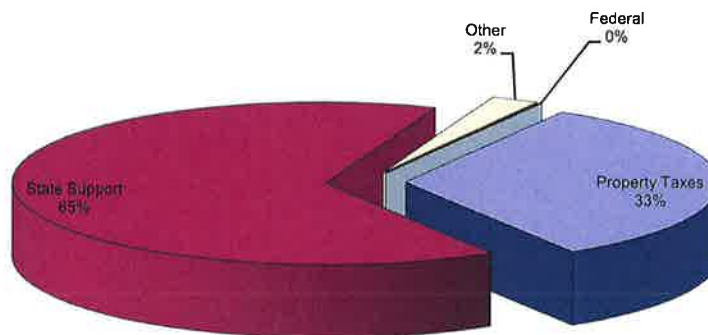
### FINANCIAL ANALYSIS (CONTINUED)

This Graph 1 visually illustrates revenue in the General Fund. The funding structure in terms of percentage breakdown of revenues did not significantly alter compared to last fiscal year. However, the largest dollar changes, compared to last fiscal year are: an increase \$3.4 million received from the state foundation formula as mostly the direct result of a per student enrollment increase of 326 students coupled with an overall state K-12 appropriation increase of 3.8%.

Graph 1 below illustrates how the District receives its revenues for its General Fund.

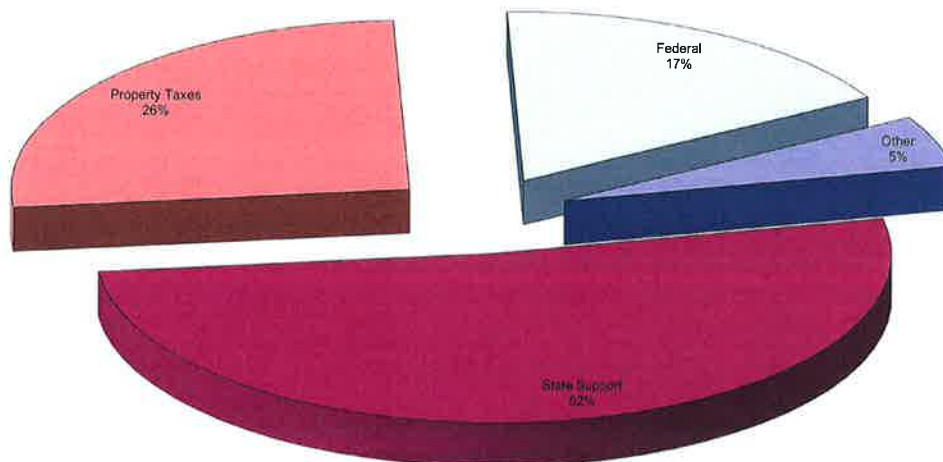
Graph 1

**General Fund Revenues FY2022**



Graph 2 below shows how the District receives its revenue for all governmental funds. Of note, compared to last year, the federal percentage has increased from 15% to 17%.

**Revenues For All Governmental Funds FY2022**



## Lake Pend Oreille School District

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

#### FINANCIAL ANALYSIS (CONCLUDED)

##### General Fund Budgetary Highlights

The District adopts an original budget in June for the subsequent year. The budget is, on an as needed basis, often amended later in the fiscal year, typically in the spring, following determination of the first attendance period and certification of all levies on property taxes. The District administration determined that it was not necessary to amend its budget in fiscal year 2022. Nonetheless, there are still differences between the final budget amounts and the actual results at year-end. A schedule showing the District's original budget compared to amounts actually paid and received for major funds can be found on pages 60 and 61 in the required supplementary information section of the financial statement.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### Capital Assets

The Lake Pend Oreille School District has \$20,820,454 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 capitalization threshold for fixed assets is \$5,000. This year's major additions totaled \$1,435,798 and included:

- Purchase of 5, 72-passenger school buses for pupil transport, totaling \$554,664. Additionally, there is \$576,311 in bus acquisition fund reserves for future fleet replacement.
- Continued installation and implementation of district-wide technology upgrades and equipment, which included a federal grant that funded \$430,100 in purchases of Chromebooks, as well as servers and switches totaling \$45,392 from General Fund purchases. COVID-19 dramatically increased the demand to deliver online learning capabilities.
- \$37,385 in Special Education playground equipment funded by federal dollars and \$60,654 in Child Nutrition milk coolers, ovens and ranges were also funded by federal funding.
- Construction In Progress expenses of \$125,715 were also incurred for HVAC, a Northside Elementary classroom, Sandpoint Middle School roof, Sandpoint High School locker room, and a Child Nutrition freezer and building addition improvements. These projects will be completed in fiscal year 2023.

Additionally, the District has a nominal \$434,253 in combined Plant Funds' reserves at fiscal year-end. No voter approved property tax levy to finance capital improvements is in place to meet the capital expenditure needs of the district. Again, this is a major hurdle when assessing our district's overall financial position.

##### Long-Term Debt

The District has no bonded indebtedness. The District has long-term debt of \$234,320 for compensated absences and \$2,579,606 of other post-employment benefits, (pointing out to the reader that the GASB 68 and 75 statement reporting requirement of net pension asset is \$495,717). The District has decreased its long-term capital lease indebtedness by 100% during the last 17 years: this decrease, in turn, has allowed our District to channel more funds to support instruction.

**Lake Pend Oreille School District**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2022**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)**

Long-Term Debt (Concluded)

Table 5 below shows changes in long-term debt along with current maturities.

Change in Long-Term Debt and  
Current Maturities  
Table 4

	<b>Compensated Absences</b>
Balance, June 30, 2021	\$ 235,344
Additions	-
Retirements/payments	(1,024)
Balance, June 30, 2022	\$ 234,320
 Long-term portion	 \$ 234,320
 Total	 \$ 234,320

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

The economy, legislative or voter-approved changes, and district demographics are key factors in determining the District's financial outlook in future years. Currently known circumstances that will impact the District's financial status in the future are:

- **Federal ESSER Funding Pivotal to District's Future Financial Position:** Due to extraordinary pandemic related financial conditions, we cannot discuss factors bearing on the district's future without accenting and highlighting the pivotal role of the federal ESSER packages. They were not only are key in formulating the FY22 budget but also future budgets. These one-time ESSER federal funding packages platform our very budget structure through September 30, 2024. Equally significant for the district's long-term financial planning, the ESSER dollars will facilitate increasing the General Fund's reserves. In turn, the build up of General Fund reserves will ensure that our Indefinite Term Supplemental Levy, at an annual fixed amount, will allow our district to operate within this levy amount capacity for the several fiscal cycles ahead. The district will expend \$3.8 million of ESSER III funding in fiscal year 2023, thereby almost completely draining this one-time funding source.

## Lake Pend Oreille School District

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

#### FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- **Lack of Plant Levy or Bond Measure Continues to Deteriorate District's Overall Fiscal Soundness:** For our district, the absence or inability to pass a construction levy financially positions and completely hamstrings and deteriorates our overall fiscal health long-term. The district's last bond was almost 60 years ago; the district's last plant levy was in 2008. The need to invest and improve our facilities was identified through an extensive strategic planning process, ranking it as the district's top need. A Facility Advisory Committee started working in August 2018; this work included both a professional building assessment as well as an expert demography report. Over the course of this past fiscal year, our school board publicly reviewed each school's or campus' condition outlined in this report. Our district has \$434,000 in Plant Fund fund balance and no other constitutional funding mechanism available to us except passage of either a property tax Bond or Plant Levy to upgrade or construct new facilities. Presently and for the last several decades, our district has operated in the absence of a facilities levy; in 2022, 80% of public school districts in Idaho had facility levies in place.
- **Ybarra asks for an 6.9% funding boost for FY2024:** In early September 2022, State Superintendent Ybarra released her draft budget request for fiscal year 2024. Her proposal would push general fund spending for schools to a record \$2.5 billion, amounting to a 6.9% increase over current. Of that increase, about one-third is necessary to fund nondiscretionary spending that supports programs already required by Idaho law. Highlights include, restoring remaining pandemic triggered holdbacks and continuing to improve salaries for teachers and support staff: \$59.1 million to increase funding for the Career Ladder which allocates teacher pay, including an additional step for veteran teachers: a 8.5% increase in base salary for classified school support staff: and a 8.3% increase in operational funding. The governor will unveil his spending blueprint on January 2, 2023, the first day of the legislative session. Polling data in September 2022 suggests that Ybarra will not be reelected in two months, providing a new state superintendent the opportunity to modify the budget request for FY24 in February 2023.
- **The State of Idaho Closed Out the 2022 fiscal year with Record Surplus:** Revenue and budget news are important in public education because K-12 is our state's largest expense every year. Reserve funds are important because reserves can be used to help soften holdbacks or cuts in the event of a recession or in this case, a pandemic economy. After the last recession devastated states' budgets, legislatures passed laws that forced their successors to start stashing away money for the next recession, including Idaho policymakers. Now Idaho ranks 6<sup>th</sup> in the nation for the size of our reserve balances, ending its fiscal year 2022 with a record setting \$1.3 billion. From a policy lens, Idaho is now awash in enough cash to address a lot of issues or to start a lot of policy fights.
- **Governor Little calls for a Special Session, Held on Sept 1<sup>st</sup> and 2<sup>nd</sup>:** Governor Little stated one overarching goal for calling his special session: helping households and schools cope with inflation that has reached a 40-year high. The record surplus detailed in the bullet above provided the governor with the funding source to introduce a proposal to provide one-time \$500 million tax credits, \$150 million in ongoing income tax cuts and \$410 million in ongoing education funding. House Bill 1 passed quickly, of which \$330 million is directly for K-12 public school districts. Next steps are: (1) for the 2023 Idaho legislature to appropriate this funding for FY24 and forward, as well as, and most salient, (2) determine how these new funds would flow (the formula for distribution) to public school districts.

## Lake Pend Oreille School District

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2022

#### FACTORS BEARING ON THE DISTRICT'S FUTURE (CONCLUDED)

**Other:**

- A new superintendent was hired effective July 1, 2022, Dr. Becky Meyer. Dr. Meyer returns to LPOSD after a 7-year hiatus, serving as the superintendent during that time period in a neighboring district. A top priority for her is to develop a rolling 5-year strategic plan with stakeholder input.
- At some point soon, it is needed and expected that a recommendation will be made to the School Board, which will most likely may result in a future construction and/or safety/security ballot measure.
- Districts nationwide will wrestle with what will happen when ESSER emergency funding runs out. LPOSD is well positioned in this domain and has been strategic to ensure there will be no financial cliff to navigate. Additionally, almost 100% of these funds will be spent by fiscal year end 2023.
- Chronic labor shortages, coupled with astronomical increases to housing prices locally, are acutely affecting LPOSD's hiring and applicant pools. LPOSD increased average classified pay by 14% and average teacher pay by 8.25% in fiscal year 2023.
- The Idaho State Board of Education has approved another temporary rule allowing public schools to continue to base school funding on student enrollment rather than actual attendance for fiscal year 2023. Board members aspire to work with legislators to create a permanent solution when the legislature convenes in January.
- November elections will select 45 new Idaho legislators of the 105 legislative official body, as well as 11 of the 20 membership seats on the powerful, budget setting committee called Joint Finance Appropriations Committee. Discord in the Idaho legislature is expected to continue in the 2023 session as the Republican party continues to bifurcate.

The District will continue its efforts to educate and communicate to the public on the financial, facility, and capital equipment needs and conditions of our District.

#### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayer, customer, 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:

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