

**LAKELAND JOINT SCHOOL DISTRICT No. 272**

**Rathdrum, Idaho**

**Audited Financial Statements  
For the Year Ended June 30, 2018**

# **LAKELAND JOINT SCHOOL DISTRICT NO. 272**

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For the Year Ended June 30, 2018**



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**Rathdrum, Idaho**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Lakeland Joint School District No. 272  
Rathdrum, Idaho 83858

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Lakeland Joint School District No. 272, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Summary of Opinions**

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Aggregate Discretely Presented Component Unit	Qualified
General Fund	Unmodified
Debt Service Fund	Unmodified
Capital Projects Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

### ***Basis for Qualified Opinion on the Aggregate Discretely Presented Component Unit***

The financial statements of Lakeland Education Foundation, Inc. have not been audited, and we were not engaged to audit the Lakeland Education Foundation, Inc. financial statements as part of our audit of the Lakeland Joint School District No. 272's basic financial statements. Lakeland Education Foundation, Inc.'s financial activities are included in the District's basic financial statements as a discretely presented component unit and represent all of the assets, net position, revenues and expenses, respectively, of the District's aggregate discretely presented component unit.

### ***Qualified Opinions***

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinions on the Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position the aggregate discretely presented component unit of Lakeland Joint School District No. 272, as of June 30, 2018 and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified 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 Lakeland Joint School District No. 272, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund, Debt Service Fund, and Capital Projects Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and on pages 5 through 10, the net pension liability schedules on page 45, and the other post-employment benefits liability schedule on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lakeland Joint School District No. 272's basic financial statements. The introductory section, combining and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to underlying accounting and other records used to prepare the basic financial statements. Such information has been subject 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 basic 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 September 28, 2018, on our consideration of the Lakeland Joint School District No. 272's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lakeland Joint School District No. 272's internal control over financial reporting and compliance.

*Hayden Ross, PLLC*

Moscow, Idaho  
September 28, 2018

**LAKELAND JOINT SCHOOL DISTRICT NO. 272**  
**Rathdrum, Idaho**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2018**

As management of the Lakeland Joint School District No. 272 (District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2018.

**Financial Highlights**

**State Revenue Increases for 2017-18 Fiscal Year**

First reporting period enrollment funding units were 213.01 for FY 2017-18. This is slightly less when compared to FY 2016-17 funding units of 213.31. Funding units were flat for 2017-18. However, increases in entitlement revenue and salary-based revenue resulted in a \$1,210,508 increase in state apportionment revenues for the general fund.

**General Fund Balance Increases over the 2017-18 Fiscal Year**

The School District's ending fund balance increased by \$2,799,745 compared to the prior year. This increase was due to increased State Apportionment, an increase in the District's supplemental levy, and close monitoring of discretionary expenditures. At the close of the 2017-18 fiscal year, the \$3,960,953 fund balance consists of \$5,500 of non-spendable and the remaining fund balance of \$3,955,453 is unassigned. The ending fund balance is 12.7% of general fund expenditures. This is above the minimum fund balance requirement of 5% as outlined in Board policy 7050 and a dramatic improvement from the 2016-17 fiscal year.

**Supplemental Property Tax Levy Revenue**

In the 2017-18 fiscal year, the School District's supplemental property tax levy generated \$8,994,353, 25.28% of the total General Fund revenues for the 2017-18 fiscal year. This revenue comes from a 2-year supplemental property tax levy expiring in June 30, 2019. The School District board also passed an emergency levy of \$425,541 to provide additional revenue in the 2017-18 fiscal year.

In March of 2017, the patrons of Lakeland School District approved a 2-year supplemental property tax levy and 5-year plant facility levy. The 2-year supplemental levy will expire in June 30, 2019 and is \$8,990,534 for each fiscal year. The plant facility levy will expire June 30, 2022 and authorizes the District to collect \$1,146,520 each year.

**Revenue and Resources**

Enrollment and Attendance - A key component in preparing the annual budget is a projection of funding from the State. The majority of this funding is based on a formula which measures average daily attendance (ADA). Enrollment is projected by utilizing a cohort model taking into

account 2 year, 3 year, and 5 year averages. These numbers are also compared to a roll forward of Spring enrollment to the upcoming school year.

The School District's actual ADA generated 212.54 support units for the year, compared to 212.46 from the 2016-17 fiscal year. School Districts received \$26,748 per support unit in 2017-18, up from \$25,696 in 2016-17. The projection for support units for the 2018-19 fiscal year is 210.00.

State Support - State support revenue increased nearly \$1,356,776 due to increases in State Apportionment and also increases to non-statutory support allocations.

Bond Interest Stabilization Payment – In 2017-18, the School District received a bond interest stabilization payment of \$39,418. This revenue helps reduce the burden on the local property tax-payer for bond interest.

### **Revenue Anticipation Notes**

In the summer of 2017, the District issued one Revenue Anticipation Note totaling 1.5M. The note was issued to meet cash flow needs and finance current operations. The District paid back the note (principal and interest) in August of 2017 after the collection of the August Idaho State apportionment payment. With the improvement of the District's general fund balance, the District did not need to issue a Revenue Anticipation Note for the summer of 2018.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components:

- 1) Government-wide Financial Statements,
- 2) Fund Financial Statements, and
- 3) Notes to the Financial Statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statements present an aggregate view of the District's finances. They contain useful long-term information for the just completed fiscal year.

The statement of net position presents information on all of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as

the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. In the statements, the District's activities are all classified as government 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 formula aid from the State of Idaho.

**Fund financial statements.** A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund statements generally report operations in more detail than the government-wide statements.

Some funds are required by state law and bond covenants. The District establishes other funds to control and manage money for particular purposes (i.e. repaying long-term debt.) The District has two types of funds: Governmental and Fiduciary.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs.

**Notes to the financial statements.** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**Required Supplementary Information.** The net pension liability schedules provide additional information required by GASB 68. The other post-employment benefits liability schedules provide additional information required by GASB 75.

**Other information.** The supplementary information referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements.

**Government -Wide Financial Analysis  
Statement of Net Position**

	<u>2018</u>	<u>2017</u>	<u>Change</u>
<b>Assets</b>			
Current and other assets	23,987,590	19,375,539	4,612,051
Capital assets, net	26,600,177	26,435,466	164,711
<b>Total Assets</b>	<u><b>50,587,767</b></u>	<u><b>45,811,005</b></u>	<u><b>4,776,762</b></u>
<b>Deferred Outflows of Resources</b>	<u><b>4,010,024</b></u>	<u><b>8,758,546</b></u>	<u><b>(4,748,522)</b></u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	5,540,977	4,906,992	633,985
Long-term liabilities Outstanding	20,402,133	22,563,294	(2,161,161)
<b>Total Liabilities</b>	<u><b>25,943,110</b></u>	<u><b>27,470,286</b></u>	<u><b>(1,527,176)</b></u>
<b>Deferred Inflows of Resources</b>	<u><b>14,614,469</b></u>	<u><b>16,157,964</b></u>	<u><b>(1,543,495)</b></u>
<b>Net Position</b>			
Net investment in capital assets	16,696,122	15,394,706	1,301,416
Restricted	2,725,522	2,696,329	29,193
Unrestricted	(5,381,432)	(7,149,734)	1,768,302
<b>Total Net Position</b>	<u><u><b>\$ 14,040,212</b></u></u>	<u><u><b>\$ 10,941,301</b></u></u>	<u><u><b>\$ 3,098,911</b></u></u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, net position as of June 30, 2018 was \$14,040,212.

The District uses capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Government- Wide Financial Analysis**  
**Changes in Net Position**

	<u>2017 - 2018</u>	<u>2016 - 2017</u>	<u>Change</u>
<b>Revenues</b>			
Program Revenues:			
Charges for services	474,558	439,973	34,585
Operating grants and contributions	4,903,237	4,127,376	775,861
Capital grants and contributions	39,418	39,417	1
Property taxes	12,664,564	8,652,193	4,012,371
Federal and state revenues	23,199,341	21,867,058	1,332,283
Sale or compensation for disposal of fixed assets	43,890	232,201	(188,311)
Interest and investment earnings	81,564	24,169	57,395
Other	380,152	580,715	(200,563)
<b>Total Revenues</b>	<u>41,786,724</u>	<u>35,963,102</u>	<u>5,823,622</u>
<b>Expenses</b>			
Program Expenses:			
Preschool - 12 Instruction	20,642,951	18,578,362	2,064,589
Support services			
Pupil support	2,222,561	1,935,252	287,309
Staff support	1,628,128	1,498,308	129,820
General administration	1,005,809	771,357	234,452
School/business administration	3,017,327	2,422,065	595,262
Maintenance/custodial	3,436,289	2,897,194	539,095
Transportation	1,456,224	1,601,879	(145,655)
Other services	8,970	13,664	(4,694)
Child Nutrition	1,463,375	1,391,591	71,784
Capital Outlay	307,811	339,222	(31,411)
Debt Services	352,039	380,764	(28,725)
Depreciation, unallocated	1,318,456	1,352,076	(33,620)
<b>Total Expenses</b>	<u>36,859,940</u>	<u>33,181,734</u>	<u>3,711,826</u>
<b>Change in Net Position</b>	4,926,784	2,781,368	2,145,416
<b>Net Position – Beginning</b>	10,941,301	8,159,933	2,781,368
<b>Net Position – Prior Period Adjustment</b>	(1,827,873)	-	(1,827,873)
<b>Net Position – Ending</b>	<u>\$ 14,040,212</u>	<u>\$ 10,941,301</u>	<u>\$ 3,098,911</u>

## District Funds

**General fund.** The General Fund is the chief operating fund of the District. At the end of the current fiscal year the ending fund balance was \$3,960,953. The unassigned fund balance increased by \$2,799,745 during the current fiscal year.

## Capital Asset and Debt Administration

**Capital Assets.** The Capital Projects Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

### Governmental Activities Capital Assets Net of Accumulated Depreciation

	<u>2017 - 2018</u>	<u>2016 - 2017</u>	<u>Change</u>
Sites	1,333,484	1,353,484	(20,000)
Construction in progress	-	64,762	(64,762)
Buildings	24,220,493	23,860,531	359,962
Equipment	496,805	471,579	25,226
Transportation	549,395	685,110	(135,715)
Total Net Assets	<u>\$ 26,600,177</u>	<u>\$ 26,435,466</u>	<u>\$ 164,711</u>

At year end, the capital projects fund has a total fund balance of \$118,945.

**Long-term Debt.** The Debt Service Fund has a total fund balance of \$1,834,954, all of which is reserved for the payment of debt service on general obligation bonds. The fund balance increased by \$356,551.

At year end the District had \$9,755,000 in general obligation bonds outstanding. The debt of the District is secured by an annual tax levy authorized in past years by the patrons.

**Requests for Information.** This financial report is designed to provide a general overview of the Lakeland Joint School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Brian Wallace, Chief of Finance and Operations, Lakeland Joint School District, PO Box 39, Rathdrum, ID 83858.

## **FINANCIAL STATEMENTS**



**LAKELAND JOINT SCHOOL DISTRICT NO. 272**

Rathdrum, Idaho

**STATEMENT OF NET POSITION**

June 30, 2018

**ASSETS**

Current assets	
Cash	2,172,616
Investments	2,547,918
Taxes receivable	274,956
Unbilled taxes receivable	12,977,098
Other receivables:	
Due from other governmental units	5,962,060
Other	9,227
Prepaid expenses	5,500
Inventory	38,215
Total current assets	<u>23,987,590</u>

Noncurrent assets	
Non-depreciated capital assets	1,333,484
Depreciated capital assets	52,453,884
Less: accumulated depreciation	<u>(27,187,191)</u>
Total noncurrent assets	<u>26,600,177</u>

Total assets	<u>50,587,767</u>
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**DEFERRED OUTFLOWS OF RESOURCES**

Pension related items	3,999,859
OPEB related items	<u>10,165</u>
Total deferred outflows of resources	<u>4,010,024</u>

**LIABILITIES**

Current liabilities	
Accounts payable and other current liabilities	4,355,977
Current portion of long-term debt	<u>1,185,000</u>
Total current liabilities	<u>5,540,977</u>

Noncurrent liabilities	
Noncurrent portion of long-term debt	8,570,000
Net pension liability	9,861,050
Other post employment benefit payable	<u>1,971,083</u>
Total noncurrent liabilities	<u>20,402,133</u>

Total liabilities	<u>25,943,110</u>
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**DEFERRED INFLOWS OF RESOURCES**

Unavailable property tax revenue	12,977,098
Deferred revenue	24,262
OPEB related items	74,833
Pension related items	<u>1,538,276</u>
Total deferred inflows of resources	<u>14,614,469</u>

**NET POSITION**

Net investment in capital assets	16,696,122
Restricted for:	
Debt service	1,864,360
Capital projects	137,498
Grant programs	723,664
Unrestricted	<u>(5,381,432)</u>

Total net position	<u>\$ 14,040,212</u>
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LAKELAND JOINT SCHOOL DISTRICT NO. 272

Rathdrum, Idaho

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>FUNCTIONS/PROGRAMS</b>					
Governmental activities:					
Instruction	20,642,951	-	2,310,174	-	(18,332,777)
Support Services:					
Pupil support	2,222,561	-	423,210	-	(1,799,351)
Staff support	1,628,128	-	-	-	(1,628,128)
General administration	1,005,809	-	-	-	(1,005,809)
School/business administration	3,017,327	-	-	-	(3,017,327)
Maintenance/custodial	3,436,289	-	-	-	(3,436,289)
Transportation	1,456,224	-	1,111,249	-	(344,975)
Other services	8,970	-	-	-	(8,970)
Child Nutrition	1,463,375	474,558	1,058,604	-	69,787
Capital Outlay	307,811	-	-	-	(307,811)
Debt Services	352,039	-	-	39,418	(312,621)
Depreciation, unallocated	1,318,456	-	-	-	(1,318,456)
Total School District	<u>\$ 36,859,940</u>	<u>\$ 474,558</u>	<u>\$ 4,903,237</u>	<u>\$ 39,418</u>	<u>(31,442,727)</u>
<b>General revenues</b>					
Taxes					
					9,663,731
					58,170
					1,787,865
					1,154,798
					23,199,341
					43,890
					380,152
					81,564
					<u>36,369,511</u>
					4,926,784
					10,941,301
					(1,827,873)
					<u>\$ 14,040,212</u>

LAKELAND JOINT SCHOOL DISTRICT NO. 272

Rathdrum, Idaho

GOVERNMENTAL FUNDS  
BALANCE SHEET  
June 30, 2018

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Assets:					
Cash	2,172,616	-	-	-	2,172,616
Investments	1,694,765	853,153	-	-	2,547,918
Due from other funds	-	326,245	118,944	766,110	1,211,299
Taxes receivable	208,924	40,487	25,545	-	274,956
Unbilled taxes receivable	9,790,278	2,040,300	1,146,520	-	12,977,098
Other receivables:					
Due from other governmental units	4,301,959	644,475	416,144	599,482	5,962,060
Other	9,227	-	-	-	9,227
Prepaid expenses	5,500	-	-	-	5,500
Inventory	-	-	-	38,215	38,215
Total assets	<u>18,183,269</u>	<u>3,904,660</u>	<u>1,707,153</u>	<u>1,403,807</u>	<u>25,198,889</u>
Deferred outflows of resources	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 18,183,269</u>	<u>\$ 3,904,660</u>	<u>\$ 1,707,153</u>	<u>\$ 1,403,807</u>	<u>\$ 25,198,889</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Due to other funds	545,625	-	376,857	288,817	1,211,299
Accounts payable	109,207	-	46,278	54,235	209,720
Accrued payroll and benefits	3,620,169	-	-	312,829	3,932,998
Total liabilities	<u>4,275,001</u>	<u>-</u>	<u>423,135</u>	<u>655,881</u>	<u>5,354,017</u>
Deferred inflows of resources:					
Deferred revenue	157,037	29,406	18,553	24,262	229,258
Unavailable property tax revenue	9,790,278	2,040,300	1,146,520	-	12,977,098
Total deferred inflows of resources	<u>9,947,315</u>	<u>2,069,706</u>	<u>1,165,073</u>	<u>24,262</u>	<u>13,206,356</u>
Fund balances:					
Nonspendable	5,500	-	-	38,215	43,715
Restricted	-	1,834,954	118,945	685,449	2,639,348
Unassigned	3,955,453	-	-	-	3,955,453
Total fund balances	<u>3,960,953</u>	<u>1,834,954</u>	<u>118,945</u>	<u>723,664</u>	<u>6,638,516</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 18,183,269</u>	<u>\$ 3,904,660</u>	<u>\$ 1,707,153</u>	<u>\$ 1,403,807</u>	<u>\$ 25,198,889</u>

LAKELAND JOINT SCHOOL DISTRICT NO. 272

Rathdrum, Idaho

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF  
GOVERNMENTAL ACTIVITIES

June 30, 2018

Total fund balances - governmental funds	6,638,516
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in government funds:	
Cost of capital assets	53,787,368
Accumulated depreciation	(27,187,191)
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	204,996
In the statement of activities, operating expenses are incurred when an exchange transaction takes place. However, in the government funds the expense did not meet the same criteria.	(64,204)
Certain pension related items are recorded as deferred outflow or inflow of resources and recognized in futures periods for governmental activities:	
Deferred outflow of resources	3,999,859
Deferred inflow of resources	(1,538,276)
Certain OPEB related items are recorded as deferred outflow or inflow of resources and recognized in futures periods for governmental activities:	
Deferred outflow of resources	10,165
Deferred inflow of resources	(74,833)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the government fund financial statements, an interest expenditure is reported when paid.	(149,055)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. These liabilities consisted of the following:	
General obligation bonds	(9,755,000)
Other post-employment benefits liability	(1,971,083)
Net pension liability	(9,861,050)
Total net position - governmental activities	<u>\$ 14,040,212</u>

LAKELAND JOINT SCHOOL DISTRICT NO. 272

Rathdrum, Idaho

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2018

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local	9,826,167	1,792,808	1,181,506	758,969	13,559,450
State	23,886,779	39,418	-	720,591	24,646,788
Federal	367,918	-	-	3,127,290	3,495,208
Total revenues	<u>34,080,864</u>	<u>1,832,226</u>	<u>1,181,506</u>	<u>4,606,850</u>	<u>41,701,446</u>
<b>EXPENDITURES</b>					
Instruction	18,721,817	-	-	2,464,487	21,186,304
Support	12,388,591	-	31,873	586,667	13,007,131
Non-instruction	-	-	-	1,567,189	1,567,189
Capital asset program	-	-	1,690,412	-	1,690,412
Debt service	13,069	1,475,675	-	-	1,488,744
Total expenditures	<u>31,123,477</u>	<u>1,475,675</u>	<u>1,722,285</u>	<u>4,618,343</u>	<u>38,939,780</u>
Excess (deficiency) of revenue over (under) expenditures	<u>2,957,387</u>	<u>356,551</u>	<u>(540,779)</u>	<u>(11,493)</u>	<u>2,761,666</u>
Other financing sources (uses):					
Sale or compensation on disposal of fixed assets	3,784	-	60,106	-	63,890
Transfer in	-	-	160,294	1,132	161,426
Transfer out	(161,426)	-	-	-	(161,426)
Total other financing sources (uses)	<u>(157,642)</u>	<u>-</u>	<u>220,400</u>	<u>1,132</u>	<u>63,890</u>
Net change in fund balance	2,799,745	356,551	(320,379)	(10,361)	2,825,556
Fund balance (deficit) -beginning of year	<u>1,161,208</u>	<u>1,478,403</u>	<u>439,324</u>	<u>734,025</u>	<u>3,812,960</u>
Fund balance-end of year	<u>\$ 3,960,953</u>	<u>\$ 1,834,954</u>	<u>\$ 118,945</u>	<u>\$ 723,664</u>	<u>\$ 6,638,516</u>

LAKELAND JOINT SCHOOL DISTRICT NO. 272

Rathdrum, Idaho

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds 2,825,556

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and allocated over their estimated useful lives as annual depreciation expense in the statement of activities:

Capital outlays	1,503,167	
Depreciation expense	<u>(1,318,456)</u>	184,711

Some property taxes will not be collected for several months after the District's fiscal year ends and they are not considered as "available" revenues in the governmental funds. Instead they are counted as deferred tax revenues. They are however, recorded as revenues in the statement of activities. 41,388

Proceeds from the sale of capital assets are recorded as a gain for governmental funds, however, in the Statement of Activities, the gain is reduced by the remaining net depreciable basis associated with the disposed assets. (20,000)

Net pension liability adjustments:

Fiscal year 2017 employer PERSI contributions recognized as pension expense in the current year. (2,239,769)

Fiscal year 2018 employer PERSI contributions deferred to subsequent year 2,451,435

Pension related amortization expense	<u>627,710</u>	839,376
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Other post-employment benefits liability adjustments:

Change in OPEB liability	(68,860)	
OPEB related amortization expense	<u>16,234</u>	(52,626)

In the statement of activities, operating expenses are incurred when an exchange transaction takes place. However, in the government funds the expense did not meet the same criteria. (28,326)

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due. 16,705

Repayment of the principal on general bonded indebtedness is an expenditure in the governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities:

General obligation bonds		<u>1,120,000</u>
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Net change in net position of governmental activities \$ 4,926,784

**LAKELAND JOINT SCHOOL DISTRICT NO. 272**  
Rathdrum, Idaho

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variances	
				Favorable Original to Actual	(Unfavorable) Amended to Actual
<b>REVENUES</b>					
Local:					
Taxes	9,100,534	9,100,534	9,683,895	583,361	583,361
Earnings on investments	22,000	22,000	76,084	54,084	54,084
Other	75,000	75,000	66,188	(8,812)	(8,812)
<b>Total local</b>	<b>9,197,534</b>	<b>9,197,534</b>	<b>9,826,167</b>	<b>628,633</b>	<b>628,633</b>
State:					
Base program	18,691,866	18,691,866	18,761,914	70,048	70,048
Transportation	1,100,000	1,100,000	1,111,249	11,249	11,249
Tuition equivalency	30,000	30,000	29,156	(844)	(844)
Benefit apportionment	2,475,213	2,475,213	2,480,687	5,474	5,474
Other state support	939,076	939,076	1,004,986	65,910	65,910
Lottery/additional state maintenance	262,528	262,528	264,514	1,986	1,986
Revenue in lieu of taxes	63,977	63,977	63,978	1	1
Other state revenue	-	-	170,295	170,295	170,295
<b>Total state</b>	<b>23,562,660</b>	<b>23,562,660</b>	<b>23,886,779</b>	<b>324,119</b>	<b>324,119</b>
Federal:					
Unrestricted	200,000	200,000	367,918	167,918	167,918
<b>Total revenues</b>	<b>32,960,194</b>	<b>32,960,194</b>	<b>34,080,864</b>	<b>1,120,670</b>	<b>1,120,670</b>
<b>EXPENDITURES</b>					
Instruction:					
Salaries	14,177,791	14,177,791	13,716,771	461,020	461,020
Benefits	4,546,090	4,546,090	4,127,901	418,189	418,189
Purchased services	300,466	300,466	529,604	(229,138)	(229,138)
Supplies-materials	461,447	461,447	338,351	123,096	123,096
Capital outlay	-	-	9,190	(9,190)	(9,190)
<b>Total instruction</b>	<b>19,485,794</b>	<b>19,485,794</b>	<b>18,721,817</b>	<b>763,977</b>	<b>763,977</b>
Support:					
Salaries	7,038,280	7,038,280	7,282,144	(243,864)	(243,864)
Benefits	2,415,504	2,415,504	2,189,094	226,410	226,410
Purchased services	2,102,528	2,102,528	2,105,431	(2,903)	(2,903)
Supplies-materials	703,035	703,035	663,900	39,135	39,135
Capital outlay	-	-	8,853	(8,853)	(8,853)
Insurance - judgment	143,215	143,215	139,169	4,046	4,046
<b>Total support</b>	<b>12,402,562</b>	<b>12,402,562</b>	<b>12,388,591</b>	<b>13,971</b>	<b>13,971</b>
Debt service:					
Interest	-	-	13,069	(13,069)	(13,069)
Contingency	250,000	250,000	-	250,000	250,000
<b>Total expenditures</b>	<b>32,138,356</b>	<b>32,138,356</b>	<b>31,123,477</b>	<b>1,014,879</b>	<b>1,014,879</b>
Excess (deficiency) of revenues over (under) expenditures	821,838	821,838	2,957,387	2,135,549	2,135,549
Other financing sources (uses):					
Sale or compensation on disposal of fixed assets	-	-	3,784	3,784	3,784
Transfer out	(466,722)	(466,722)	(161,426)	305,296	305,296
<b>Total other financing sources (uses)</b>	<b>(466,722)</b>	<b>(466,722)</b>	<b>(157,642)</b>	<b>309,080</b>	<b>309,080</b>
<b>Net change in fund balance</b>	<b>\$ 355,116</b>	<b>\$ 355,116</b>	<b>2,799,745</b>	<b>\$ 2,444,629</b>	<b>\$ 2,444,629</b>
Fund balance -beginning of year			1,161,208		
Fund balance-end of year			<u>\$ 3,960,953</u>		

**LAKELAND JOINT SCHOOL DISTRICT NO. 272**

Rathdrum, Idaho

**DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended June 30, 2018**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variances Favorable (Unfavorable)</b>	
				<b>Original to Actual</b>	<b>Amended to Actual</b>
<b>REVENUES</b>					
Local:					
Taxes	1,774,175	1,774,175	1,787,328	13,153	13,153
Earnings on investments	-	-	5,480	5,480	5,480
Total local	<u>1,774,175</u>	<u>1,774,175</u>	<u>1,792,808</u>	<u>18,633</u>	<u>18,633</u>
State:					
Other state support	<u>39,418</u>	<u>39,418</u>	<u>39,418</u>	-	-
Total revenues	<u>1,813,593</u>	<u>1,813,593</u>	<u>1,832,226</u>	<u>18,633</u>	<u>18,633</u>
<b>EXPENDITURES</b>					
Debt service:					
Principal	1,120,000	1,120,000	1,120,000	-	-
Interest	<u>354,175</u>	<u>354,175</u>	<u>355,675</u>	<u>(1,500)</u>	<u>(1,500)</u>
Total expenditures	<u>1,474,175</u>	<u>1,474,175</u>	<u>1,475,675</u>	<u>(1,500)</u>	<u>(1,500)</u>
Net change in fund balance	<u>\$ 339,418</u>	<u>\$ 339,418</u>	356,551	<u>\$ 17,133</u>	<u>\$ 17,133</u>
Fund balance-beginning of year			<u>1,478,403</u>		
Fund balance-end of year			<u>\$ 1,834,954</u>		

**LAKELAND JOINT SCHOOL DISTRICT NO. 272**  
Rathdrum, Idaho

**CAPITAL PROJECTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variances Favorable (Unfavorable)	
				<u>Original to Actual</u>	<u>Amended to Actual</u>
<b>REVENUES</b>					
Local:					
Taxes	1,146,520	1,146,520	1,151,953	5,433	5,433
Other local	-	-	29,553	29,553	29,553
Total revenues	<u>1,146,520</u>	<u>1,146,520</u>	<u>1,181,506</u>	<u>34,986</u>	<u>34,986</u>
<b>EXPENDITURES</b>					
Support:					
Capital objects	-	-	31,873	(31,873)	(31,873)
Capital asset program					
Purchased services	-	-	206,472	(206,472)	(206,472)
Supplies-materials	-	-	4,721	(4,721)	(4,721)
Capital objects	1,446,520	1,446,520	1,479,219	(32,699)	(32,699)
Total capital asset program	<u>1,446,520</u>	<u>1,446,520</u>	<u>1,690,412</u>	<u>(243,892)</u>	<u>(243,892)</u>
Total expenditures	<u>1,446,520</u>	<u>1,446,520</u>	<u>1,722,285</u>	<u>(275,765)</u>	<u>(275,765)</u>
Excess (deficiency) of revenues over (under) expenditures	(300,000)	(300,000)	(540,779)	(240,779)	(240,779)
Other financing sources (uses)					
Sale or compensation on disposal of fixed assets	-	-	60,106	60,106	60,106
Transfer in	300,000	300,000	160,294	(139,706)	(139,706)
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>220,400</u>	<u>(79,600)</u>	<u>(79,600)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(320,379)	<u>\$ (320,379)</u>	<u>\$ (320,379)</u>
Fund balance-beginning of year			<u>439,324</u>		
Fund balance-end of year			<u>\$ 118,945</u>		

**LAKELAND JOINT SCHOOL DISTRICT NO. 272**

Rathdrum, Idaho

**FIDUCIARY FUNDS AND COMPONENT UNIT  
STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2018**

	<u>Agency Funds</u>	<u>Component Unit Lakeland Education Foundation, Inc.</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
Assets:		
Cash	143,185	107,057
Investments	400,511	-
Total assets	<u>543,696</u>	<u>107,057</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u><u>\$ 543,696</u></u>	<u><u>\$ 107,057</u></u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		
Liabilities:		
Due to student groups	543,696	-
Total liabilities	<u>543,696</u>	<u>-</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>543,696</u>	<u>-</u>
<b>NET POSITION</b>		
Restricted	<u>-</u>	<u>107,057</u>
Total net position	<u><u>\$ -</u></u>	<u><u>\$ 107,057</u></u>

**LAKELAND JOINT SCHOOL DISTRICT NO. 272**

Rathdrum, Idaho

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**COMPONENT UNIT - LAKELAND EDUCATION FOUNDATION, INC.**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

**June 30, 2018**

**ADDITIONS**

Net investment income	1,033
Restricted donations	20,469

Total revenues	<u>21,502</u>
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**DEDUCTIONS**

Administrative expenses	2,192
Scholarship awards	16,124

Total expenses	<u>18,316</u>
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<b>Change in net position</b>	<b>3,186</b>
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<b>Net position - beginning</b>	<u>103,871</u>
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<b>Net position - ending</b>	<u><u>\$ 107,057</u></u>
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**LAKELAND JOINT SCHOOL DISTRICT NO. 272**  
**Rathdrum, Idaho**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 1      Summary of Significant Account Policies**

The financial statements of the Lakeland Joint School District No. 272 have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

**Reporting Entity**

The Lakeland Joint School District No. 272 is the basic level of government, which has financial accountability, and control over all activities related to the public school education within the District. The Board receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined by GASB pronouncements, since Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary financial accountability for fiscal matters. The unaudited financial statements of the Lakeland Education Foundation, Inc., a component unit, are presented discretely on the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

**Basis of Presentation, Fund Accounting** - District-wide Statements: The statement of net position and the statement of activities display information about the financial activities of the overall District, except for fiduciary activities. Only governmental-type activities are shown, since there are no "business-type activities" within the District. The District eliminates internal activity on the statement of net position.

The statement of activities presents a comparison between direct expenses and program revenues for each different function of the District's governmental activities.

- ) Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses – expenses of the District related to the administration and support of the District's programs, such as personnel and accounting – are not allocated to programs.
- ) Program revenues include (a) 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

## NOTE 1 Summary of Significant Account Policies (Continued)

classified as program revenues, including all taxes and state foundation aid, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- ) General Fund. This is the District's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.
- ) Debt Service Fund. This fund is used to account for the financial resources that are legally restricted for the retirement of District general obligation bonds.
- ) Capital Projects Fund. This fund is used to account for financial resources that are legally restricted for the acquisition, construction, or major repair of school property.

The District reports the following fiduciary types:

- ) Agency funds. These funds account for assets held by the District as an agent for various student groups and clubs.

Component Unit:

- ) The District reports the net position and changes in net position of one component unit, the Lakeland Education Foundation, Inc. The component unit financial statements are presented pursuant to GASB 61 because the economic resources received by the Foundation are held for the direct benefit of the District and its students.
- ) The unaudited statements of the Lakeland Education Foundation, Inc. are fiduciary in nature and are not included in the activity of the government wide financial statements.

**Basis of Accounting** - The District-wide and fiduciary fund (excepting agency funds) financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. State support for grant revenues are susceptible to accrual.

## **NOTE 1      Summary of Significant Account Policies (Continued)**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by cost-reimbursement grants and general revenues. When program expenses are incurred, the related revenue of cost-reimbursement grants is recognized.

**Restricted Resources** - The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Budgets** - Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for general, special revenue, and capital projects funds.

The Board of Trustees follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At least 14 days prior to the public hearing the District publishes a proposed budget for public review.
2. A public hearing is set to obtain taxpayers comments.
3. The final budget is adopted by resolution of the Board at the regular June meeting of the Board of Directors.
4. Prior to July 15, the final budget is filed with the State Department of Education.

The budget is a plan of spending under which expenditures may not exceed the budget at the fund level.

**Cash and Investments** - The District's cash includes amounts in demand deposits and savings accounts in local depositories. Investments are deposited in the Idaho State Treasurer's Local Government Investment Pool, which allow school districts within the state of Idaho to pool their funds for investments purposes.

Interest income is defined as non-operating revenue.

Deposits in State Treasurer's local government investment pool are stated at cost, which approximates market. All funds are invested in accordance with Section 67-1210 and 67-1210A

## **NOTE 1      Summary of Significant Account Policies (Continued)**

of the Idaho Code. The primary objectives of the investment pool, in order of priority, are safety, liquidity, and yield.

**Short-Term Interfund Loans Receivables/Payables** - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." Interfund balances have been eliminated, when applicable, on the statement of net position.

**Inventory** - The District does not follow the practice of capitalizing expendable supplies at year-end in the General Fund. All supplies are recorded as expenditures in the period in which they were purchased. However, in the Child Nutrition Fund, the District records inventory of food commodities at cost at year-end.

**General Fixed Assets** - Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

The Board has set a capitalization threshold of \$5,000. All purchases and improvements to facilities, which are not considered repairs, are capitalized and depreciated using the straight-line method in the government-wide statements and proprietary funds. Lives for buildings and improvements range from 15–30 years. Lives for equipment range from 3–10 years. Vehicles and school buses have estimated lives of 10-20 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**Accumulated Unpaid Vacation and Sick Pay** - Under the terms of the "Lakeland Joint School District Personnel Manual" District employees are granted vacation and sick leave in varying amounts. In the event an employee leaves the District's services, unused vacation credits are compensated at the employee's current rate of pay, ranging from 0 - 15 days. Vacation does not roll over from year to year. Employees are not paid for unused sick leave upon termination of employment with the District.

**Long Term Obligations** - In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Deferred Compensation** - The Sick Leave Bank represents a type of long-term payroll protection insurance for absences beyond the employee's accumulated sick leave. Participation is optional

## **NOTE 1      Summary of Significant Account Policies (Continued)**

for all employees eligible for the Idaho Public Employees Retirement System, with all new participants contributing one sick leave day.

The Bank is administered by an in-District five-member committee as provided in the Teacher Negotiated Agreement. At June 30, 2018 there were 327 hours of sick leave for classified employees, and 133 days for certified employees.

**Encumbrances** - The District does not utilize an encumbrance system.

**Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Fund Balance** - The *nonspendable* fund balance category includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers (grants), or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, *assigned* fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amount not contained in the other classifications. The Districts fund balance policy is to maintain an unassigned fund balance of not less than five percent (5%) and not more than seven and one half percent (7.5%) of the general fund expenses budget for the fiscal year.

**Deferred Revenue** - Deferred revenue in the General, Debt Service and Capital Projects Funds represent property taxes recorded but not estimated to be collected within sixty days of the end of the accounting period.

**Unavailable Property Tax Revenue** - Unavailable property tax revenue in the General Fund, Debt Service Fund and Capital Projects Fund represent the property taxes levied for 2018 that is measurable but unavailable to the District, and therefore recorded as a deferred inflow of resources in both the governmental funds and the government-wide financial statements.

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

## NOTE 1 Summary of Significant Account Policies (Continued)

**Subsequent Events** - Management has evaluated subsequent events through the date of the audit report. This is the date the financial statements were available to be issued. Management has concluded that no material subsequent events have occurred.

## NOTE 2 Property Tax

The District's property tax is levied each October on the value listed as of the prior January 1 for all real property located in the District. A revaluation of all property is required to be completed no less than every five years. The market value for the District as of January 1, 2017 upon which the 2017 levy was based was \$2,710,162,474.

The District's levy was 0.21268% per \$100 of market valuation for tort liability insurance and claims 4.18903% per \$100 for school plant facilities, and 6.54638% per \$100 for the payment of principal and interest on long-term debt. The combined tax rate to finance educational services other than the payment of principal and interest on long-term debt and plant facility acquisitions for the year ended June 30, 2018 was 34.59735% per \$100. The District was required to pass an override levy in the amount of 32.84861% per \$100 and qualified for an emergency levy in the amount of 1.53606% per \$100. The total tax levy for the year ended June 30, 2018 was \$12,389,016 with total tax collections being \$12,149,086.

Taxes are due in two equal installments on the December 20 and June 20 following the levy date. Current tax collections for the year ended June 30, 2018 were 98.07% of the tax levy. Property taxes levied for 2017 are recorded as receivables if uncollected and a deferred revenue amount is recorded to the extent of taxes not estimated to be collected within sixty days of the end of the accounting period.

In accordance with GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the District has recognized the 2018 property tax levy as an asset. This levy is an enforceable legal claim created during the fiscal year. The total property taxes levy for 2018 of \$12,977,098 is recorded as uncollected but are not considered available at June 30, 2018. The entire receivable is considered a deferred inflow of resources.

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Total taxes receivable at June 30, 2018	208,924	40,487	25,545	274,956
Less: Taxes estimated to be collected by the County Treasurer by August 31, 2018	(51,887)	(11,081)	(6,992)	(69,960)
Deferred revenue	<u>\$ 157,037</u>	<u>\$ 29,406</u>	<u>\$ 18,553</u>	<u>\$ 204,996</u>

### NOTE 3 Cash and Investments

#### Deposits

	<u>Carrying Amount</u>	<u>Bank Balance</u>
<b>Cash</b>		
Checking and Savings Accounts	\$ 2,315,801	\$ 3,471,632

Deposits were with Wells Fargo of which \$250,000 of interest bearing accounts and non-interest bearing accounts were covered by Federal Deposit Insurance. The remaining balance of \$3,114,575 is in excess of the FDIC insured limit and is uncollateralized and unsecured.

#### Investments

Detail of investments at June 30, 2018 are as follows:

	<u>Rate</u>	<u>General Fund</u>	<u>Agency</u>	<u>Total</u>
State Treasurer's Pool	Variable	2,547,918	400,511	2,948,429
Total		<u>\$ 2,547,918</u>	<u>\$ 400,511</u>	<u>\$ 2,948,429</u>

The District's investments, except for amounts held in the State Treasurer's Pool, are classified as uncollateralized.

#### **Investment Maturities:**

<u>External Investment Pool</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Less than 1 Year</u>	<u>1-8 Years</u>
State Investment Pool	<u>\$ 2,948,429</u>	<u>\$ 2,948,429</u>	<u>\$ 2,948,429</u>	<u>\$ -</u>

The State Treasurer's Local Government Investment Pool is managed by the State of Idaho Treasurer's office. All funds are invested in accordance with Section 67-1210 and 67-1210A of Idaho Code. Authorized investments include bonds, treasury bills, interest-bearing notes, and other obligations of the U.S. Government, general obligation or revenue bonds of the State of Idaho or other local governments within the state of Idaho, bonds, debentures, or other similar obligations issued by the farm credit system or by public corporations of the state of Idaho, repurchase agreements covered by any legal investment for the state of Idaho, tax anticipation bonds or notes and income and revenue anticipation bonds or notes of taxing districts of the state of Idaho, revenue bonds of institutions of higher education of the state of Idaho, and time deposits and savings accounts in amounts not to exceed applicable insurance limits. The primary objectives of the investment pool, in order of priority, are safety, liquidity, and yield.

Participants have overnight availability to their funds, up to \$10 million. Withdrawals of \$10 million or more require three business days' notification.

The State Treasurer's investment policies and the Local Government Investment Pool financial statements can be obtained by writing P.O. Box 83720, Boise, ID 83720-0091.

### NOTE 3 Cash and Investments (Continued)

*Custodial credit risk* for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. Custodial credit risk for investments is the risk that in the event of the failure of the counter party (e.g. broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District does not have a policy restricting the amount of deposits and investments subject to custodial credit risk.

*Credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization such as Moody's or Standard & Poor's. The investments of the District at year-end are not required to be rated. The District does not have a policy regarding credit risk.

*Interest rate risk* is the risk that changes in market interest rates will adversely impact the fair value of an investment. Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rate. At year-end, the District is not subject to interest rate risk as all investments are held in the State Treasurer's Local Government Investment Pool, which has a maturity of 91 days. The District does not have a policy regarding interest rate risk.

*Concentration of credit risk* is the risk that concentration of investments with one issuer represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when five percent of the total investments of the entity are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The district has no policy limiting the amount it may invest in any one issuer.

### NOTE 4 Changes in Capital Assets

A summary of changes in capital assets and accumulated depreciation is as follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Capital assets not being depreciated</b>					
Land	1,353,484	-	(20,000)	-	1,333,484
Construction in progress	64,762	-	-	(64,762)	-
Total capital assets not being depreciated	<u>1,418,246</u>	<u>-</u>	<u>(20,000)</u>	<u>(64,762)</u>	<u>1,333,484</u>

## NOTE 4 Changes in Capital Assets (Continued)

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
<b>Capital assets being depreciated</b>					
Buildings	45,217,107	1,360,725	-	64,762	46,642,594
Equipment	1,768,896	142,442	-	-	1,911,338
Transportation	3,899,952	-	-	-	3,899,952
Total depreciated assets	<u>50,885,955</u>	<u>1,503,167</u>	<u>-</u>	<u>64,762</u>	<u>52,453,884</u>
<b>Less: Accumulated Depreciation</b>					
Buildings	(21,356,576)	(1,065,525)	-	-	(22,422,101)
Equipment	(1,297,317)	(117,216)	-	-	(1,414,533)
Transportation	(3,214,842)	(135,715)	-	-	(3,350,557)
Total accumulated depreciation	<u>(25,868,735)</u>	<u>(1,318,456)</u>	<u>-</u>	<u>-</u>	<u>(27,187,191)</u>
Governmental Activities Assets	<u>\$ 26,435,466</u>	<u>\$ 184,711</u>	<u>\$ (20,000)</u>	<u>\$ -</u>	<u>\$ 26,600,177</u>

## NOTE 5 Long Term Debt

The following is a summary of bond transactions of the District for the year ended June 30, 2018:

Bonds payable @ June 30, 2017	10,875,000
Debt retired	(1,120,000)
Bonds payable @ June 30, 2018	<u>\$ 9,755,000</u>

Bonds payable at June 30, 2018, are comprised of the following individual issues:

### General Obligation Bonds:

#### **2012 Refunding Series**

Original issue of \$3,955,000 due August 15, 2023. Interest is stated at 3.0%

2,750,000

#### **2013 Refunding Series**

Original issue of \$8,490,000 due August 15, 2025. Interest varies between 2.0% and 4.0%

7,005,000

Total

\$ 9,755,000

**NOTE 5 Long Term Debt (Continued)**

The annual requirements to amortize all debt outstanding as of June 30, 2018 including interest payments are as follows:

<b>Date of Redemption</b>	<b>Interest Rate</b>	<b>2012 Refunding Series</b>		
		<b>Bond Principal</b>	<b>Interest Requirement</b>	<b>Total Requirement</b>
8/15/2018	3.00	425,000	41,250	466,250
2/15/2019	3.00	-	34,875	34,875
8/15/2019	3.00	440,000	34,875	474,875
2/15/2020	3.00	-	28,275	28,275
8/15/2020	3.00	455,000	28,275	483,275
2/15/2021	3.00	-	21,450	21,450
8/15/2021	3.00	460,000	21,450	481,450
2/15/2022	3.00	-	14,550	14,550
8/15/2022	3.00	480,000	14,550	494,550
2/15/2023	3.00	-	7,350	7,350
8/15/2023	3.00	490,000	7,350	497,350
Total		<u>\$ 2,750,000</u>	<u>\$ 254,250</u>	<u>\$ 3,004,250</u>

<b>Date of Redemption</b>	<b>Interest Rate</b>	<b>2013 Refunding Series</b>		
		<b>Bond Principal</b>	<b>Interest Requirement</b>	<b>Total Requirement</b>
8/15/2018	4.00	760,000	125,675	885,675
2/15/2019	4.00	-	110,475	110,475
8/15/2019	4.00	790,000	110,475	900,475
2/15/2020	4.00	-	94,675	94,675
8/15/2020	4.00	825,000	94,675	919,675
2/15/2021	4.00	-	78,175	78,175
8/15/2021	4.00	855,000	78,175	933,175
2/15/2022	4.00	-	61,075	61,075
8/15/2022	4.00	890,000	61,075	951,075
2/15/2023	3.00	-	43,275	43,275
8/15/2023	3.00	925,000	43,275	968,275
2/15/2024	3.00	-	29,400	29,400
8/15/2024	3.00	975,000	29,400	1,004,400
2/15/2025	3.00	-	14,775	14,775
8/15/2025	3.00	985,000	14,775	999,775
Total		<u>\$ 7,005,000</u>	<u>\$ 989,375</u>	<u>\$ 7,994,375</u>

**NOTE 5 Long Term Debt (Continued)**

<u>Date of Redemption</u>	<u>Combined Totals</u>		<u>Total Requirement</u>
	<u>Bond Principal</u>	<u>Interest Requirement</u>	
2019	1,185,000	312,275	1,497,275
2020	1,230,000	290,700	1,520,700
2021	1,280,000	245,900	1,525,900
2022	1,315,000	199,250	1,514,250
2023	1,370,000	151,250	1,521,250
2024	1,415,000	101,250	1,516,250
2025	975,000	58,800	1,033,800
2026	985,000	29,550	1,014,550
Totals	<u>\$ 9,755,000</u>	<u>\$ 1,388,975</u>	<u>\$ 11,143,975</u>

Changes in long-term bond obligations: During the year ended June 30, 2018, the following changes occurred in liabilities:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
2012 Refunding series	3,165,000	-	415,000	2,750,000	425,000
2013 Refunding series	7,710,000	-	705,000	7,005,000	760,000
Totals	<u>\$ 10,875,000</u>	<u>\$ -</u>	<u>\$ 1,120,000</u>	<u>\$ 9,755,000</u>	<u>\$ 1,185,000</u>

The District's Legal Debt Margin is calculated at 5% of the fair market value of property located within the District. At June 30, 2018 the Legal Debt Margin was:

Market Value at January 1, 2017	2,710,162,474
Percentage allowed	5%
Debt Limitation	<u>135,508,124</u>
Less Bonded debt at June 30, 2018	9,755,000
Legal Debt Margin	<u>\$ 125,753,124</u>

As of June 30, 2018, \$1,834,954 was available in the debt service fund to service the general obligation bonds.

In July 2017, the District obtained a Revenue Anticipation Note, series 2017, in the amount of \$1,500,000 at an interest rate of 2.43% per annum. It was paid in full in FY18.

## **NOTE 6      Pension Plan**

In accordance with GASB 68, *Accounting and Financial Reporting for Pensions*, which became effective for the year ended June 30, 2015, the financial reporting and note disclosures are based off the most recent audited financial statements of PERSI, which was completed for the period ended June 30, 2017. All amounts are as of June 30, 2017 unless otherwise noted.

### *Plan Description*

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

That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

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

### *Pension Benefits*

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months. Amounts in parenthesis represent police/firefighters.

## **NOTE 6 Pension Plan (Continued)**

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

### *Member and Employer Contributions*

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

The contribution rates for employees are set by statute at 60% (72%) of the employer rate. As of June 30, 2018 it was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) of covered compensation. The District's employer contributions required and paid were \$2,451,435, \$2,239,769 and \$2,094,991 for the three years ended June 30, 2018, 2017, and 2016, respectively.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability as of June 30, 2017. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2017, the District's proportion was 0.6273618 percent.

The District's pension expense (revenue) is calculated and made available as part of PERSI's annual audit. PERSI's audit for the year ended June 30, 2018 has not been completed at the time of issuance. The pension expense (revenue) for the year ending June 30, 2017 was calculated at \$1,593,186.

**NOTE 6 Pension Plan (Continued)**

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	1,366,067	888,397
Changes in assumptions or other inputs	182,357	-
Net difference between projected and actual earning on pension plan investments	-	590,816
Change in proportionate share	-	59,063
Employer contributions subsequent to the measurement date	<u>2,451,435</u>	<u>-</u>
<b>Total</b>	<b><u>\$3,999,859</u></b>	<b><u>\$1,538,276</u></b>

\$2,451,435 is reported as deferred outflow of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

<b><u>For the Year Ending June 30:</u></b>	<b><u>Amount to be Recognized</u></b>
2018	(536,081)
2019	926,449
2020	262,874
2021	(584,033)

## NOTE 6 Pension Plan (Continued)

### *Actuarial Assumptions*

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary Increases	4.5 – 10.00%
Salary Inflation	3.75%
Investment rate of return	7.10% net of investment expenses
Cost-of-living adjustments	1%

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

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

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

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses Callan Associates 2016 capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

## NOTE 6 Pension Plan (Continued)

<u>Asset Class</u>	<u>Expected Return*</u>	<u>Expected Risk</u>	<u>Strategic Normal</u>	<u>Strategic Ranges</u>
Equities			70%	66%-77%
Broad Domestic Equity	9.15%	19.00%	55%	50%-65%
International	9.25%	20.20%	15%	10%-20%
Fixed Income	3.05%	3.75%	30%	23%-33%
Cash	2.25%	.90%	0%	0%-5%
<u>Total Fund</u>	<u>Expected Return*</u>	<u>Expected Inflation</u>	<u>Expected Real Return</u>	<u>Expected Risk</u>
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

\*Expected arithmetic return net of feeds and expenses

Data provided by Callan Associates 2015

### Actuarial Assumptions

Assumed Inflation Mean	3.25%
Assumed Inflation Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.08%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	.40%
Long-Term Expected Geometric Rate of Return, Net Investment Expenses	7.10%

### *Discount Rate*

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

## NOTE 6 Pension Plan (Continued)

*Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
Employer's proportionate share of the net pension liability (asset)	22,919,109	9,861,050	(990,543)

### *Pension plan fiduciary net position*

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

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

### *Payables to the pension plan*

At June 30, 2018, the District reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

## NOTE 7 Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

## NOTE 8 Excess of Actual Expenditures over Budget in Individual Funds

The following funds had an excess of actual expenditures over budget for the year ended June 30, 2018:

<u>Fund</u>	<u>Excess</u>
Debt Service	1,500
Child Nutrition	16,827
Federal Forest	3,612
Title I-A - ESSA Improving Basic Programs	360,087
Literacy Intervention	8,336
IDEA Part B (611 School Age 3-21)	119,329
State Professional Technical	20,194
Title II-A ESEA - Improving Teacher Quality	12,969
State Substance Abuse	52,343
Technology Grant	182,127
Perkins III Professional Technical Act	12,302
Gifted and Talented	191
Title IV-A, ESSA - Student Support and Academic Enrichment	13,940
Miscellaneous Grant	76,322
Capital Projects fund	275,765

To meet the student's education needs, the Board of Trustees approved the additional expenditures when additional funding became available. Idaho Code Section 33-701 allows the District to make budget adjustments to reflect the availability of funds and the requirements of the school district.

## NOTE 9 Interfund Receivables, Payables and Transfers

Generally accepted accounting principles require disclosure of certain information concerning individual funds including:

**Interfund Transfers** - Transfers to support the operations of other funds are recorded as "Transfers" and are classified as "Other financing sources or uses." Idaho Code and State Department of Education Regulations mandate transfers into the Capital Projects Fund to cover the depreciation reimbursement, and transfers into the Child Nutrition Fund from the General Fund to provide a matching contribution. Total transfers are as follows:

	<u>Out</u>	<u>In</u>
General	161,721	-
Child Nutrition	-	1,427
School Plant Facility Fund	-	160,294
Total	<u>\$ 161,721</u>	<u>\$ 161,721</u>

## NOTE 9 Interfund Receivables, Payables and Transfers (Continued)

The composition of Interfund receivables and payables as of June 30, 2018 was as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	-	545,625
Special Revenue Funds:		
Federal Forest Reserve	18,681	-
Before and After School Enrichment	203,881	-
Literacy Intervention	15,890	-
State Professional Technical	82	-
Gifted and Talented	17,381	-
Technology Grant	244,309	-
State Substance Abuse	11,248	-
Title IV-A, ESSA - Student Support and Academic Enrichment	-	12,000
Miscellaneous Grant	16,954	-
Title I-A ESSA – Improving Basic Programs	-	99,977
IDEA Part B (611 School Age 3-21)		70,264
IDEA Part B (619 Pre-School Age 3-5)	2,704	-
Perkins III Professional Technical Act	-	66,268
Title II-A, ESEA – Supporting Effective Instruction	-	40,308
Child Nutrition	234,980	-
Debt Service Fund	326,245	-
Capital Projects Fund	118,944	376,857
Total	<u>\$ 1,211,299</u>	<u>\$ 1,211,299</u>

## NOTE 10 Risk Management

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. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

## NOTE 11 Other Post-Employment Benefits

### Summary of Significant Accounting Policies

For purposes of measuring the net Other Post-Employment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Lakeland Joint School District Employee Group Benefit Plan have been determined based the requirements of GASB 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions. The Plan has been calculated using the entry age normal funding method.

## **NOTE 11    Other Post-Employment Benefits (Continued)**

### **General Information about the OPEB Plan**

The Lakeland Joint School District Employee Group Benefit Plan is a single-employer defined benefit OPEB plan that provides benefits to current and future retirees.

### ***Retirement and Dependent Medical Benefit Eligibility***

Upon separation from public school employment by retirement in accordance with Chapter 13, Title 59, Idaho Code, a retiree may continue to pay premiums for the retiree and the retiree's dependents at the rate for the active employee's group health, long-term care, vision, prescription drug and dental insurance programs as maintained by the employer for the active employees until the retiree and/or the retiree's spouse becomes eligible for Medicare at which time the district shall make available a supplemental program to Medicare for the eligible individual (Medicare Retirees).

### ***Eligibility for Retirement***

Normal retirement eligibility is age 65 with five years of service, including six months of membership service. Early retirement eligibility is age 55 with five years of service, including six months of membership coverage.

### ***Medicare Retirees***

Medicare retirees are defined as retirees who are 65 years of age or older, are not included in the District's plan, and Medicare will be considered their primary plan. Medicare Retirees and eligible dependents who enroll in Medicare (both Part A and Part B) are eligible to participate in the Statewide School Retiree Program that supplements Medicare.

### ***Funding***

The District's OPEB plan is funded under a pay-as-you-go funding method. Under this method, the District has not set aside any assets (nor accumulated any assets in a trust) that meet the definition of plan assets under GASB 74 or 75 to offset the OPEB liability. Therefore, the Net OPEB liability is equal to the Total OPEB liability.

### **OPEB Benefits**

The health care benefits are contracted by the District through group medical and dental plans. The medical and dental plans includes an annual deductible, coinsurance payment requirements, and an annual out-of-pocket maximum for the member/family. The prescription drug benefit is provided through a tiered system comprising of the type of prescription (generic, preferred brand, and non-preferred brand) and the method of purchase.

## NOTE 11 Other Post-Employment Benefits (Continued)

### Census Data

As of June 30, 2017, the valuation date, the District had 367 active (future retirees) participants and 35 inactive (current retirees) participants.

### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the Employer reported a liability of \$1,971,083 of the net OPEB liability. The net OPEB liability was measured as of May 17, 2018 with a roll forward date as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

For the year ended June 30, 2018, the Employer recognized OPEB expense of \$202,182. At June 30, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	-	37,994
Changes in assumptions or other inputs	<u>10,165</u>	<u>36,839</u>
Total	<u>\$10,165</u>	<u>\$74,833</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows

<b>Year ended June 30:</b>	
2019	5,306
2020	5,306
2021	5,306
2022	5,306
2023	5,306
Thereafter	\$38,138

## NOTE 11 Other Post-Employment Benefits (Continued)

### Actuarial assumptions

<b>Valuation Date</b>	June 30, 2017
<b>Measurement Date</b>	May 17, 2018
<b>Roll forward Date</b>	June 30, 2018
<b>Interest/Discount Rate</b>	3.95% as of the measurement date, 3.87% as of the roll forward date
<b>Projected Payroll Increases</b>	3.75%
<b>Health Care Cost Trend Rate</b>	Medical: between 3.8% and 7.0% Dental: between 2.0% and 4.3% Prescription Drugs: between 3.8% and 7.0%
<b>Retiree Contributions</b>	Retiree contributions are assumed to increase to match the health care cost trends.

### Participation

For future retirees, participation rates were assumed to be 45.0% for medical coverage and 25.0% for dental coverage. Actual spouse information is used for current retirees. Future retired members who elect to participate in the plan are assumed to be married at a rate of 60.0%. 70.0% of the future retirees who elect medical or dental coverage and married are assumed to elect spousal coverage as well. Males are assumed to be three years older than females.

### Mortality

For active members, inactive members and healthy retirees, mortality rates were based on the RP2000 Combined Healthy Mortality Table adjusted with generational mortality adjustments using Scale AA, set back three years for both males and females. For disabled retirees, mortality rates were based on the RP2000 Disabled Mortality Table adjusted with generational mortality adjustments using Scale AA, set back one year for males and set forward two years for females.

### Interest/Discount rate

The interest rate is based on the 20-year municipal bond index.

### Sensitivity Disclosures

The following presents the net OPEB liability of the Plan as of June 30, 2018, calculated using the discount rate of 3.87%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	<b>1% Decrease (2.87%)</b>	<b>Current Discount Rate (3.87%)</b>	<b>1% Increase (4.87%)</b>
Net OPEB liability	\$2,092,473	\$1,971,083	\$1,854,900

## NOTE 11 Other Post-Employment Benefits (Continued)

The following presents the net OPEB liability of the Plan as of June 30, 2018, calculated using the assumed health care cost trend rate, as well as what the net OPEB liability would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	\$1,787,018	\$1,971,083	\$2,184,970

### Summary of the Change in OPEB Liability

<b>Total OPEB Liability – Beginning of Year</b>	\$ 1,902,223
Service Cost	131,354
Interest	76,134
Plan Design Changes	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions or Other Inputs	10,928
Benefit Payments (Estimated)	(149,556)
<b>Total OPEB Liability – End of Year</b>	\$ 1,971,083

## NOTE 12 Prior Period Adjustment

For the fiscal year ended June 30, 2017, PERSI retroactively applied the provision of GASB 68 paragraph 54 and netted the deferred inflows and deferred outflows of resources related to the differences between expected and actual investment earnings. The District has presented these amounts in the same manner as PERSI's presentation. The change reduced the total deferred outflow and deferred inflow of resources by \$2,912,843 respectively, as of June 30, 2017. The adjustment had no effect on the beginning net position or the change in net position in the prior year.

Additionally, as a result of implementing GASB 75 related to other post-employment benefits, a prior period adjustment was made to record the estimated liability as of June 30, 2017. The change increased deferred inflows of resources by \$80,902 increased noncurrent liability by \$1,746,971 and reduced unrestricted net position by \$1,827,873.

## REQUIRED SUPPLEMENTARY INFORMATION



**LAKELAND JOINT SCHOOL DISTRICT NO. 272**  
Rathdrum, Idaho

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**REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of the District's Share of Net Pension Liability\***

<b>PERSI - Base Plan</b>				
<b>As of June 30,</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's portion of the net pension liability	0.6273618%	0.6318364%	0.6539498%	0.6570844%
Employer's proportionate share of the net pension liability	9,861,050	12,808,294	8,611,455	4,837,170
Employer's covered employee payroll	18,479,302	18,479,302	18,316,951	17,801,272
Employer's proportional share of the net pension liability as a percentage of its covered employee payroll	53.36%	69.31%	47.01%	27.17%
Plan fiduciary net position as a percentage of the total	90.68%	87.26%	91.38%	94.95%

**Schedule of the District's Contributions\***

<b>PERSI - Base Plan</b>				
<b>As of June 30,</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Statutorily required contribution	2,205,750	2,091,857	2,073,479	2,015,104
Contributions in relation to the statutorily required contribution	(2,205,750)	(2,091,857)	(2,073,479)	(2,015,104)
Contribution (deficiency) excess	-	-	-	-
Employer's covered employee payroll	19,485,424	18,479,302	18,316,951	17,801,272
Contributions as a percentage of covered employee payroll	11.32%	11.32%	11.32%	11.32%

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

Data is reported is measured as of June 30, 2017.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**As of June 30, 2017**

Change of Assumptions. There were no changes of assumptions as of June 30, 2017.

**LAKELAND JOINT SCHOOL DISTRICT NO. 272**  
**Rathdrum, Idaho**

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**OTHER POST EMPLOYMENT BENEFITS LIABILITY SCHEDULE**

**As of June 30,**

	<b>2018</b>	<b>2017</b>
Service Cost	131,354	121,220
Interest	76,134	76,652
Changes of benefit terms	-	-
Differences between expected and actual experience	-	(44,156)
Changes of assumptions or other inputs	10,928	(42,815)
Benefit payments	(149,556)	(129,326)
Net change in total OPEB Liability	68,860	(18,425)
Total OPEB liability - beginning	1,902,223	1,920,648
Total OPEB liability-ending	\$ 1,971,083	\$ 1,902,223
Covered-employee payroll	17,372,039	16,744,134
Total OPEB liability as a percentage of covered- employee payroll	11.35%	11.36%

\*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those use for which information is available.

**NOTES TO THE OTHER POST EMPLOYMENT BENEFITS LIABILITY SCHEDULE**

**As of June 30, 2018**

Change of Assumptions. Amounts reported as of June 30, 2018 include changes in status, trend, discount, and other inputs.

## **SUPPLEMENTARY INFORMATION**



LAKELAND JOINT SCHOOL DISTRICT NO. 272

Rathdrum, Idaho

GENERAL FUND  
SCHEDULE OF EXPENDITURES BY FUNCTION - BUDGET AND ACTUAL  
For the Year Ended June 30, 2018

	Actual	Budget	Variance Favorable (Unfavorable)
<b>INSTRUCTION</b>			
Elementary school:			
Salaries	6,127,965	6,138,847	10,882
Benefits	1,848,935	1,983,014	134,079
Purchased services	27,004	58,708	31,704
Supplies-materials	128,355	189,750	61,395
Capital outlay	9,190	-	(9,190)
Total elementary school	<u>8,141,449</u>	<u>8,370,319</u>	<u>228,870</u>
Secondary school:			
Salaries	5,387,841	5,496,741	108,900
Benefits	1,666,862	1,750,953	84,091
Purchased services	222,908	46,246	(176,662)
Supplies-materials	130,907	248,111	117,204
Total secondary school	<u>7,408,518</u>	<u>7,542,051</u>	<u>133,533</u>
Alternative School:			
Salaries	351,876	445,236	93,360
Benefits	101,837	127,656	25,819
Purchased services	1,841	1,812	(29)
Supplies-materials	5,755	7,286	1,531
Total alternative school	<u>461,309</u>	<u>581,990</u>	<u>120,681</u>
Special education:			
Salaries	1,192,748	1,335,860	143,112
Benefits	373,600	503,456	129,856
Purchased services	1,587	1,500	(87)
Supplies-materials	2,793	10,500	7,707
Total special education	<u>1,570,728</u>	<u>1,851,316</u>	<u>280,588</u>
Special education preschool:			
Salaries	12,067	-	(12,067)
Benefits	7,415	-	(7,415)
Total special education preschool	<u>19,482</u>	<u>-</u>	<u>(19,482)</u>
Gifted and talented:			
Salaries	52,453	76,125	23,672
Benefits	16,519	26,937	10,418
Purchased services	2,581	2,000	(581)
Supplies-materials	3,695	5,500	1,805
Total gifted and talented	<u>75,248</u>	<u>110,562</u>	<u>35,314</u>
Interscholastic:			
Salaries	511,652	609,732	98,080
Benefits	96,381	138,546	42,165
Purchased services	273,683	190,200	(83,483)
Supplies-materials	65,844	250	(65,594)
Total interscholastic	<u>947,560</u>	<u>938,728</u>	<u>(8,832)</u>
School Activity:			
Supplies-materials	1,002	-	(1,002)

**LAKELAND JOINT SCHOOL DISTRICT NO. 272**

Rathdrum, Idaho

**GENERAL FUND  
SCHEDULE OF EXPENDITURES BY FUNCTION - BUDGET AND ACTUAL (Continued)  
For the Year Ended June 30, 2018**

	<b>Actual</b>	<b>Budget</b>	<b>Variance Favorable (Unfavorable)</b>
<b>INSTRUCTION (Continued)</b>			
Summer School:			
Salaries	80,169	75,250	(4,919)
Benefits	16,352	15,528	(824)
Supplies-materials	-	50	50
Total summer school	96,521	90,828	(5,693)
<b>TOTAL INSTRUCTION</b>			
Salaries	13,716,771	14,177,791	461,020
Benefits	4,127,901	4,546,090	418,189
Purchased services	529,604	300,466	(229,138)
Supplies-materials	338,351	461,447	123,096
Capital outlay	9,190	-	(9,190)
Total instruction	\$ 18,721,817	\$ 19,485,794	\$ 763,977
<b>SUPPORT</b>			
Attendance, guidance and health:			
Salaries	1,009,912	928,408	(81,504)
Benefits	301,193	223,311	(77,882)
Purchased services	2,383	5,000	2,617
Supplies-materials	8,729	10,300	1,571
Total attendance, guidance and health	1,322,217	1,167,019	(155,198)
Special education support services:			
Salaries	539,393	376,911	(162,482)
Benefits	158,029	74,266	(83,763)
Purchased services	221,656	188,665	(32,991)
Supplies-materials	7,288	8,400	1,112
Total special education support services	926,366	648,242	(278,124)
Instruction improvement program:			
Salaries	33,842	277,514	243,672
Benefits	8,353	74,655	66,302
Purchased services	45,234	66,739	21,505
Supplies-materials	30,841	14,500	(16,341)
Total instruction improvement program	118,270	433,408	315,138

LAKELAND JOINT SCHOOL DISTRICT NO. 272

Rathdrum, Idaho

GENERAL FUND  
 SCHEDULE OF EXPENDITURES BY FUNCTION - BUDGET AND ACTUAL (Continued)  
 For the Year Ended June 30, 2018

	Actual	Budget	Variance Favorable (Unfavorable)
<b>SUPPORT (Continued)</b>			
Educational media:			
Salaries	288,034	383,493	95,459
Benefits	97,118	206,882	109,764
Supplies-materials	32,384	33,457	1,073
Total educational media	<u>417,536</u>	<u>623,832</u>	<u>206,296</u>
Instruction related technology:			
Salaries	408,989	259,275	(149,714)
Benefits	135,543	145,635	10,092
Purchased services	158,285	142,204	(16,081)
Supplies-materials	83,782	32,000	(51,782)
Total instruction related technology	<u>786,599</u>	<u>579,114</u>	<u>(207,485)</u>
Board of education:			
Purchased services	60,623	56,000	(4,623)
Supplies-materials	2,301	2,800	499
Insurance - judgment	27,834	33,574	5,740
Total board of education	<u>90,758</u>	<u>92,374</u>	<u>1,616</u>
District administration:			
Salaries	597,678	470,569	(127,109)
Benefits	176,149	136,669	(39,480)
Purchased services	28,911	26,160	(2,751)
Supplies-materials	17,391	31,558	14,167
Capital outlay	8,853	-	(8,853)
Total district administration	<u>828,982</u>	<u>664,956</u>	<u>(164,026)</u>
School administration:			
Salaries	1,932,511	1,722,676	(209,835)
Benefits	599,675	572,987	(26,688)
Purchased services	1,092	6,500	5,408
Supplies-materials	55,938	22,418	(33,520)
Total school administration	<u>2,589,216</u>	<u>2,324,581</u>	<u>(264,635)</u>
Business operations:			
Salaries	259,146	246,187	(12,959)
Benefits	72,791	46,827	(25,964)
Purchased services	4,556	12,240	7,684
Supplies-materials	170	10,500	10,330
Total business operations	<u>336,663</u>	<u>315,754</u>	<u>(20,909)</u>
Administrative technology:			
Salaries	1,501	-	(1,501)
Benefits	295	-	(295)
Purchased services	158,816	232,000	73,184
Supplies-materials	6,600	20,000	13,400
Total administrative technology	<u>167,212</u>	<u>252,000</u>	<u>84,788</u>

LAKELAND JOINT SCHOOL DISTRICT NO. 272

Rathdrum, Idaho

GENERAL FUND  
SCHEDULE OF EXPENDITURES BY FUNCTION - BUDGET AND ACTUAL (Continued)  
For the Year Ended June 30, 2018

	Actual	Budget	Variance Favorable (Unfavorable)
<b>SUPPORT (Continued)</b>			
Buildings-care program (custodial):			
Salaries	777,277	763,116	(14,161)
Benefits	269,446	335,469	66,023
Purchased services	1,129,488	1,067,770	(61,718)
Supplies-materials	58,830	60,000	1,170
Insurance - judgment	83,501	82,181	(1,320)
Total buildings-care program (custodial)	<u>2,318,542</u>	<u>2,308,536</u>	<u>(10,006)</u>
Maintenance - non-student occupied:			
Purchased services	22,425	43,000	20,575
Supplies-materials	3,920	25,000	21,080
Total maintenance - non-student occupied	<u>26,345</u>	<u>68,000</u>	<u>41,655</u>
Maintenance - student occupied:			
Salaries	515,786	604,429	88,643
Benefits	151,351	207,807	56,456
Purchased services	215,931	185,700	(30,231)
Supplies-materials	72,772	115,000	42,228
Total maintenance - student occupied	<u>955,840</u>	<u>1,112,936</u>	<u>157,096</u>
Maintenance - grounds:			
Purchased services	356	-	(356)
Supplies-materials	3,274	-	(3,274)
Total maintenance - grounds	<u>3,630</u>	<u>-</u>	<u>(3,630)</u>
Security:			
Salaries	4,710	-	(4,710)
Benefits	360	-	(360)
Purchased services	7,344	-	(7,344)
Supplies-materials	149	-	(149)
Total security	<u>12,563</u>	<u>-</u>	<u>(12,563)</u>
Pupil-to-school transportation:			
Salaries	911,857	1,005,702	93,845
Benefits	210,879	390,996	180,117
Purchased services	48,331	57,550	9,219
Supplies-materials	245,265	307,102	61,837
Insurance - judgment	13,917	13,415	(502)
Total pupil-to-school transportation	<u>1,430,249</u>	<u>1,774,765</u>	<u>344,516</u>
General transportation:			
Salaries	1,508	-	(1,508)
Benefits	7,912	-	(7,912)
Purchased services	-	13,000	13,000
Supplies-materials	34,266	10,000	(24,266)
Insurance - judgment	13,917	14,045	128
Total general transportation	<u>57,603</u>	<u>37,045</u>	<u>(20,558)</u>
<b>TOTAL SUPPORT</b>			
Salaries	7,282,144	7,038,280	(243,864)
Benefits	2,189,094	2,415,504	226,410
Purchased services	2,105,431	2,102,528	(2,903)
Supplies-materials	663,900	703,035	39,135
Capital outlay	8,853	-	(8,853)
Insurance - judgment	139,169	143,215	4,046
Total support	<u>\$ 12,388,591</u>	<u>\$ 12,402,562</u>	<u>\$ 13,971</u>

**LAKELAND JOINT SCHOOL DISTRICT NO. 272**  
**Rathdrum, Idaho**

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**NONMAJOR SPECIAL REVENUE FUNDS**

**Child Nutrition Fund** - To account for costs of operating the school lunch program at the District. Financing is provided by State and Federal assistance and by sales of lunches. Reporting is done as a special revenue fund rather than as an enterprise fund due to the large amounts of State and Federal assistance received by the program.

**Federal Forest Reserve Fund** - To account for unrestricted Federal revenue received from the U.S. Department of Agriculture. This Fund has been used for special capital outlay projects.

**Title I-A, ESSA – Improving Basic Programs Fund** - To account for restricted Federal revenue to be spent on programs to provide special instruction to disadvantaged students.

**Before and After School Enrichment Fund** - To account for local revenues supporting a before and after school enrichment program.

**Literacy Intervention Fund** - To account for revenues supporting literacy intervention.

**IDEA Part B (611 School Age 3-21)** - To account for restricted Federal revenue to be spent on programs to provide for special testing, physical therapy, teacher aids, equipment and materials, etc. in special education.

**IDEA Part B (619 Pre-School Age 3-5)** - To account for restricted Federal revenue to be spent on programs to provide for preschool handicapped (3-5 years old) in the same manner provided for school age children in IDEA Part B program.

**State Professional Technical Fund** - To account for restricted State revenue to be spent on equipment and materials for vocational programs.

**Title II-A, ESEA – Supporting Effected Instruction Fund** - To account for restricted Federal revenue to be spent on in-service training of math and/or science teachers.

**State Substance Abuse Fund** - To account for restricted State revenue to be spent on drug education in-service training for teachers and parents and materials for classroom.

**Technology Grant Fund** - To account for restricted State revenue to be spent on capital outlay projects.

**Perkins III – Professional Technical Act Fund** - To account for restricted Federal revenue to be spent on vocational training.

**Gifted and Talented Fund** - To account for State revenues to be spent on in service training for the gifted and talented program.

**Professional Technical Academy** - To account for Local revenues to be spent on salaries and benefits in vocational activities.

**Idaho Reading Initiative Grant Fund** - To account for State revenues to be spent on interventions for kindergarten through third grade students whose reading scores fall below grade level.

**Miscellaneous Grant Fund** - To account for State and Local revenue to be spent on the current needs of the District as indicated by each grant.

**Title IV-A ESSA – Student Support and Academic Enrichment Fund** - To account for Federal revenue for student support and academic enrichment.

**LAKELAND JOINT SCHOOL DISTRICT NO. 272**  
Rathdrum, Idaho

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2018

	Child Nutrition	Federal Forest	Title I-A - ESSA Improving Basic Programs	Before and After School Enrichment	Literacy Intervention	IDEA Part B (611 School Age 3-21)	IDEA Part B (619 Pre-School Age 3-5)	State Professional Technical	Title II-A ESEA - Supporting Effective Instruction
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>									
Assets:									
Due from other funds	234,980	18,681	-	203,881	15,890	-	2,704	82	-
Other receivables:									
State reimbursements	-	-	-	2,190	-	-	-	-	-
Federal reimbursements	9,832	-	236,315	-	-	203,605	1,350	-	61,917
Inventory	38,215	-	-	-	-	-	-	-	-
Total assets	<u>283,027</u>	<u>18,681</u>	<u>236,315</u>	<u>206,071</u>	<u>15,890</u>	<u>203,605</u>	<u>4,054</u>	<u>82</u>	<u>61,917</u>
Deferred outflows of resources	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 283,027</u>	<u>\$ 18,681</u>	<u>\$ 236,315</u>	<u>\$ 206,071</u>	<u>\$ 15,890</u>	<u>\$ 203,605</u>	<u>\$ 4,054</u>	<u>\$ 82</u>	<u>\$ 61,917</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>									
Liabilities:									
Due to other funds	-	-	99,977	-	-	70,264	-	-	40,308
Accounts payable	51,337	-	667	-	2,109	40	-	82	-
Accrued payroll and benefits	-	-	135,671	3,455	10,984	133,301	4,054	-	21,609
Total liabilities	<u>51,337</u>	<u>-</u>	<u>236,315</u>	<u>3,455</u>	<u>13,093</u>	<u>203,605</u>	<u>4,054</u>	<u>82</u>	<u>61,917</u>
Deferred inflows of resources	-	-	-	24,262	-	-	-	-	-
Fund balances:									
Nonspendable	38,215	-	-	-	-	-	-	-	-
Restricted	193,475	18,681	-	178,354	2,797	-	-	-	-
Total fund balances	<u>231,690</u>	<u>18,681</u>	<u>-</u>	<u>178,354</u>	<u>2,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 283,027</u>	<u>\$ 18,681</u>	<u>\$ 236,315</u>	<u>\$ 206,071</u>	<u>\$ 15,890</u>	<u>\$ 203,605</u>	<u>\$ 4,054</u>	<u>\$ 82</u>	<u>\$ 61,917</u>

**LAKELAND JOINT SCHOOL DISTRICT NO. 272**  
Rathdrum, Idaho

**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET (Continued)**  
June 30, 2018

	State Substance Abuse	Technology Grant	Perkins III Professional Technical Act	Gifted and Talented	Professional Technical Academy	Idaho Reading Initiative Grant	Title IV-A, ESSA - Student Support and Academic Enrichment	Miscellaneous Grant	Combining Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>									
Assets:									
Due from other funds	11,248	244,309	-	17,381	-	-	-	16,954	766,110
Other receivables:									
State reimbursements	-	-	-	-	-	-	-	2,250	4,440
Federal reimbursements	-	-	70,023	-	-	-	12,000	-	595,042
Inventory	-	-	-	-	-	-	-	-	38,215
Total assets	<u>11,248</u>	<u>244,309</u>	<u>70,023</u>	<u>17,381</u>	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>19,204</u>	<u>1,403,807</u>
Deferred outflows of resources	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 11,248</u>	<u>\$ 244,309</u>	<u>\$ 70,023</u>	<u>\$ 17,381</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,000</u>	<u>\$ 19,204</u>	<u>\$ 1,403,807</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>									
Liabilities:									
Due to other funds	-	-	66,268	-	-	-	12,000	-	288,817
Accounts payable	-	-	-	-	-	-	-	-	54,235
Accrued payroll and benefits	-	-	3,755	-	-	-	-	-	312,829
Total liabilities	<u>-</u>	<u>-</u>	<u>70,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,000</u>	<u>-</u>	<u>655,881</u>
Deferred inflows of resources	-	-	-	-	-	-	-	-	24,262
Fund balances:									
Nonspendable	-	-	-	-	-	-	-	-	38,215
Restricted	11,248	244,309	-	17,381	-	-	-	19,204	685,449
Total fund balances	<u>11,248</u>	<u>244,309</u>	<u>-</u>	<u>17,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,204</u>	<u>723,664</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 11,248</u>	<u>\$ 244,309</u>	<u>\$ 70,023</u>	<u>\$ 17,381</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,000</u>	<u>\$ 19,204</u>	<u>\$ 1,403,807</u>

LAKELAND JOINT SCHOOL DISTRICT NO. 272  
Rathdrum, Idaho

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2018

	Child Nutrition	Federal Forest	Title I-A - ESSA Improving Basic Programs	Before and After School Enrichment	Literacy Intervention	IDEA Part B (611 School Age 3-21)	IDEA Part B (619 Pre-School Age 3-5)	State Professional Technical	Title II-A ESEA - Supporting Effective Instruction
<b>REVENUES</b>									
Local:									
Lunch sales	474,558	-	-	-	-	-	-	-	-
Other	1,356	-	-	270,025	-	-	-	-	-
Total local	475,914	-	-	270,025	-	-	-	-	-
State:									
Restricted	-	-	-	-	152,886	-	-	91,409	-
Other state revenue	-	-	-	-	-	-	-	-	-
Total state	-	-	-	-	152,886	-	-	91,409	-
Federal:									
School lunch reimbursement	966,408	-	-	-	-	-	-	-	-
Unrestricted	-	26,681	-	-	-	-	-	-	-
Restricted	78,256	-	969,983	-	-	821,652	20,096	-	160,251
Total federal	1,044,664	26,681	969,983	-	-	821,652	20,096	-	160,251
Total revenues	1,520,578	26,681	969,983	270,025	152,886	821,652	20,096	91,409	160,251
<b>EXPENDITURES</b>									
Instruction:									
Salaries	-	-	656,186	178,436	116,708	629,181	14,500	-	32,279
Benefits	-	-	199,728	42,377	31,635	189,324	5,596	-	9,969
Purchased services	-	-	88,831	6,891	39	321	-	9,493	-
Supplies-materials	-	-	24,559	7,966	1,707	2,826	-	79,202	-
Capital objects	-	-	-	-	-	-	-	2,714	-
Total instruction	-	-	969,304	235,670	150,089	821,652	20,096	91,409	42,248
Support:									
Salaries	-	-	-	642	-	-	-	-	89,103
Benefits	-	-	-	87	-	-	-	-	28,900
Purchased services	-	8,000	679	-	-	-	-	-	-
Supplies-materials	-	-	-	241	-	-	-	-	-
Total support	-	8,000	679	970	-	-	-	-	118,003
Non-instruction:									
Salaries	339	-	-	-	-	-	-	-	-
Benefits	107	-	-	-	-	-	-	-	-
Purchased services	784,981	-	-	-	-	-	-	-	-
Supplies-materials	659,391	-	-	-	-	-	-	-	-
Capital objects	103,814	-	-	-	-	-	-	-	-
Insurance - judgment	18,557	-	-	-	-	-	-	-	-
Total non-instruction	1,567,189	-	-	-	-	-	-	-	-
Total expenditures	1,567,189	8,000	969,983	236,640	150,089	821,652	20,096	91,409	160,251
Excess (deficiency) of revenues over (under) expenditures	(46,611)	18,681	-	33,385	2,797	-	-	-	-
Other financing sources (uses) Transfers in	1,132	-	-	-	-	-	-	-	-
Net change in fund balance	(45,479)	18,681	-	33,385	2,797	-	-	-	-
Fund balance-beginning of year	277,169	-	-	144,969	-	-	-	-	-
Fund balance-end of year	\$ 231,690	\$ 18,681	\$ -	\$ 178,354	\$ 2,797	\$ -	\$ -	\$ -	\$ -

LAKELAND JOINT SCHOOL DISTRICT NO. 272  
Rathdrum, Idaho

NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Continued)  
For the Year Ended June 30, 2018

	State Substance Abuse	Technology Grant	Perkins III Professional Technical Act	Gifted and Talented	Professional Technical Academy	Idaho Reading Initiative Grant	Title IV-A, ESSA - Student Support and Academic Enrichment	Miscellaneous Grant	Combining Total
<b>REVENUES</b>									
Local:									
Lunch sales	-	-	-	-	-	-	-	-	474,558
Other	-	-	-	-	-	-	-	13,030	284,411
Total local	-	-	-	-	-	-	-	13,030	758,969
State:									
Restricted	56,172	340,357	-	8,519	-	-	-	15,355	664,698
Other state revenue	-	-	-	-	-	-	-	55,893	55,893
Total state	56,172	340,357	-	8,519	-	-	-	71,248	720,591
Federal:									
School lunch reimbursement	-	-	-	-	-	-	-	-	966,408
Unrestricted	-	-	-	-	-	-	-	-	26,681
Restricted	-	-	70,023	-	-	-	13,940	-	2,134,201
Total federal	-	-	70,023	-	-	-	13,940	-	3,127,290
Total revenues	56,172	340,357	70,023	8,519	-	-	13,940	84,278	4,606,850
<b>EXPENDITURES</b>									
Instruction:									
Salaries	-	-	26,853	-	-	-	-	6,499	1,660,642
Benefits	-	-	8,447	-	-	-	-	1,159	488,235
Purchased services	-	-	-	-	-	-	13,940	9,970	129,485
Supplies-materials	-	-	14,716	191	-	-	-	52,244	183,411
Capital objects	-	-	-	-	-	-	-	-	2,714
Total instruction	-	-	50,016	191	-	-	13,940	69,872	2,464,487
Support:									
Salaries	-	-	14,840	-	-	-	-	-	104,585
Benefits	-	-	5,167	-	-	-	-	-	34,154
Purchased services	90,605	-	-	-	-	-	-	-	99,284
Supplies-materials	17,064	324,889	-	-	-	-	-	6,450	348,644
Total support	107,669	324,889	20,007	-	-	-	-	6,450	586,667
Non-instruction:									
Salaries	-	-	-	-	-	-	-	-	339
Benefits	-	-	-	-	-	-	-	-	107
Purchased services	-	-	-	-	-	-	-	-	784,981
Supplies-materials	-	-	-	-	-	-	-	-	659,391
Capital objects	-	-	-	-	-	-	-	-	103,814
Insurance - judgment	-	-	-	-	-	-	-	-	18,557
Total non-instruction	-	-	-	-	-	-	-	-	1,567,189
Total expenditures	107,669	324,889	70,023	191	-	-	13,940	76,322	4,618,343
Excess (deficiency) of revenues over (under) expenditures	(51,497)	15,468	-	8,328	-	-	-	7,956	(11,493)
Other financing sources (uses) Transfers in	-	-	-	-	-	-	-	-	1,132
Net change in fund balance	(51,497)	15,468	-	8,328	-	-	-	7,956	(10,361)
Fund balance-beginning of year	62,745	228,841	-	9,053	-	-	-	11,248	734,025
Fund balance-end of year	\$ 11,248	\$ 244,309	\$ -	\$ 17,381	\$ -	\$ -	\$ -	\$ 19,204	\$ 723,664

LAKELAND JOINT SCHOOL DISTRICT NO. 272

Rathdrum, Idaho

NONMAJOR SPECIAL REVENUE FUNDS  
 COMBINING STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
 For the Year Ended June 30, 2018

	<u>Revenues</u>	<u>Budget</u>	<u>Variance</u>	<u>Expenses</u>	<u>Budget</u>	<u>Variance</u>
Special revenue fund:						
Child Nutrition	1,521,710	1,482,055	39,655	1,567,189	1,550,362	(16,827)
Federal Forest	26,681	4,388	22,293	8,000	4,388	(3,612)
Title I-A - ESSA Improving Basic Programs	969,983	658,484	311,499	969,983	609,896	(360,087)
Before and After School Enrichment	270,025	343,000	(72,975)	236,640	309,888	73,248
Literacy Intervention	152,886	141,753	11,133	150,089	141,753	(8,336)
IDEA Part B (611 School Age 3-21)	821,652	772,141	49,511	821,652	702,323	(119,329)
IDEA Part B (619 Pre-School Age 3-5)	20,096	20,350	(254)	20,096	20,350	254
State Professional Technical	91,409	75,843	15,566	91,409	71,215	(20,194)
Title II-A ESEA - Supporting Effective Instruction	160,251	147,282	12,969	160,251	147,282	(12,969)
State Substance Abuse	56,172	55,326	846	107,669	55,326	(52,343)
Technology Grant	340,357	336,800	3,557	324,889	142,762	(182,127)
Perkins III Professional Technical Act	70,023	57,721	12,302	70,023	57,721	(12,302)
Gifted and Talented	8,519	-	8,519	191	-	(191)
Professional Technical Academy	-	166,722	(166,722)	-	166,722	166,722
Idaho Reading Initiative Grant	-	-	-	-	-	-
Title IV-A, ESSA - Student Support and Academic Enrichment	13,940	-	13,940	13,940	-	(13,940)
Miscellaneous Grant	84,278	-	84,278	76,322	-	(76,322)
Total	<u>\$ 4,607,982</u>	<u>\$ 4,261,865</u>	<u>\$ 346,117</u>	<u>\$ 4,618,343</u>	<u>\$ 3,979,988</u>	<u>\$ (638,355)</u>

**SINGLE AUDIT SECTION**



**LAKELAND JOINT SCHOOL DISTRICT NO. 272**

Rathdrum, Idaho

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2018

	Federal CFDA Number	Pass Through Grantor's Number	Federal Grant Number	Expenditures
<b>U. S. Department of Agriculture</b>				
Passed through State Department of Education				
Child Nutrition Cluster				
School Lunch	10.555	17-272	201818N109947	697,165
School Lunch - Commodities	10.555	17-272	Not Available	78,256
Breakfast Program	10.553	17-272	201818N109947	161,643
Summer Food	10.559	17-272	201717N109947	23,746
Total Child Nutrition Cluster				960,810
Other Programs				
Fresh Fruit and Vegetable	10.582	17-272	201818L160347	32,211
State Administrative Expenses for Child Nutrition	10.560	17-272	201717N253347	1,003
Child and Adult Care Food Program	10.558	17-272	201818N109947	50,639
Total Other Programs				83,853
Direct through U.S. Department of Agriculture				
Forest Service Schools and Roads Cluster				
Schools and Roads - Grants to States	10.665	N/A	Not Available	8,000
Total U.S. Department of Agriculture				1,052,663
<b>U.S. Department of Education</b>				
Passed through State Department of Education				
Special Education (IDEA) Cluster				
Part B, IDEA - School Age	84.027	17-272	H027A170088	821,652
Part B, IDEA - Preschool	84.173	17-272	H173A170030	20,096
Total Special Education Cluster				841,748
Other Programs				
Title I-A, ESEA - Improving Basic Programs	84.010	17-272	S010A170012	969,983
Perkins III, Professional Technical	84.048	17-272	V048A160012	70,023
Title II-A, ESEA - Improving Teacher Quality	84.367	17-272	S367A170011	160,251
State Support and Academic Enrichment Program	84.424	17-272	S424A170013	13,940
Total Other Programs				1,214,197
Total U.S. Department of Education				2,055,945
<b>Total Expenditures</b>				<b>\$ 3,108,608</b>

**LAKELAND JOINT SCHOOL DISTRICT NO. 272**  
**Rathdrum, Idaho**

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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended June 30, 2018**

**NOTE 1      Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Lakeland Joint School District No. 272 under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Lakeland Joint School District No. 272, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Lakeland Joint School District No. 272.

**NOTE 2      Summary of Significant Accounting Policies**

- (1) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Lakeland Joint School District No. 272 has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3      Food Distribution**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2018 the School District had received food commodities totaling \$78,256.

**NOTE 4      Sub-Recipients**

There were no awards passed through to sub-recipients.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Lakeland Joint School District No. 272  
Rathdrum, Idaho 83858

We have audited, in accordance with the 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, the financial statements of governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Lakeland Joint School District No. 272, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise Lakeland Joint School District No. 272's basic financial statements, and have issued our report thereon dated September 28, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lakeland Joint School District No. 272's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lakeland Joint School District No. 272's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lakeland Joint School District No. 272's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during

our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lakeland Joint School District No. 272's financial statements are free from 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*.

### **Purpose of this Report**

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

*Hayden Ross, PLLC*

Moscow, Idaho  
September 28, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees  
Lakeland Joint School District No. 272  
Rathdrum, Idaho 83858

**Report on Compliance for Each Major Federal Program**

We have audited Lakeland Joint School District No. 272's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lakeland Joint School District No. 272's major federal programs for the year ended June 30, 2018. Lakeland Joint School District No. 272's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Lakeland Joint School District No. 272's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Lakeland Joint School District No. 272's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Lakeland Joint School District No. 272's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Lakeland Joint School District No. 272 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### **Report on Internal Control Over Compliance**

Management of Lakeland Joint School District No. 272 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lakeland Joint School District No. 272's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Lakeland Joint School District No. 272's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Hayden Ross, PLLC*

Moscow, Idaho  
September 28, 2018

**LAKELAND JOINT SCHOOL DISTRICT NO. 272**  
**Rathdrum, Idaho**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For The Year Ended June 30, 2018**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued:

Discretely Presented Component Unit Governmental Activities, Each Major Fund and Aggregate Remaining Fund Information	Qualified  Unmodified
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Internal control over financial reporting:

- material weakness(es) identified?	_____ yes	_____ <input checked="" type="checkbox"/> no
- significant deficiency(ies) identified?	_____ yes	_____ <input checked="" type="checkbox"/> none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes                      \_\_\_\_\_  no

*Federal Awards*

Internal control over major programs:

- material weakness(es) identified?	_____ yes	_____ <input checked="" type="checkbox"/> no
- significant deficiency(ies) identified?	_____ yes	_____ <input checked="" type="checkbox"/> none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

\_\_\_\_\_ yes                      \_\_\_\_\_  no

*Identification of major programs:*

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.556, 10.559 84.010	Child Nutrition Cluster Title I-A, ESEA - Improving Basic Programs

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

\_\_\_\_\_ yes                      \_\_\_\_\_  no

**LAKELAND JOINT SCHOOL DISTRICT NO. 272**  
**Rathdrum, Idaho**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**For The Year Ended June 30, 2018**

**Section II - Financial Statement Findings**

None.

**Section III - Federal Award Findings and Questioned Costs**

None.