

**Lapwai School District #341
Nez Perce County
Lapwai, Idaho**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Lapwai School District #341's financial performance provides an overview of the School District's financial activities for the fiscal year ending June 30, 2016. Please read it in conjunction with the financial statements, which follow this narrative.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Lapwai School District #341's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nathan Weeks, Business Manager, Lapwai School District #341, 404 S Main St, Lapwai, Idaho 83540 or phone 208-843-2622 extension 200 or by email: nweeks@lapwai.org.

FINANCIAL HIGHLIGHTS

- Many small things happened in 2015-2016 which had direct effects on the school district's financial situation and will be explained as part of this report.
 - 1) Healthy Economic environment affecting the whole country
 - 2) Improved Funding from The State of Idaho
 - 3) Strong support from the Nez Perce Tribe
 - 4) Bringing students home from Northwest Children's Home
 - 5) Addressing Maintenance needs.
- The School District's Net Change in Fund Balance Under Total Governmental Funds (see *Independent Auditor's financial statement page 8*) shows a positive Net Change of \$30,541 from the fiscal year ending June 30 2015. Total Revenue increased \$896,269. The biggest change was in the increase in Beginning Fund Balance of \$465,072. State Support reported in the General Fund showed an increase of \$109,250 from the first year of implementing the career ladder and increased operation support. Total Expenditures increased \$865,728 over the prior year. The next large notable change was an increase of \$69,759 in Medicaid reimbursements. This was due to staff changes which brought in several new special education employees to address continuing needs of special needs students and to bring students back to the district that had been attending Northwest Children's Home. The efforts of these specialized employees was largely covered by Medicaid thereby reducing the net cost.
- The positively growing national and state economy allowed the legislature to provide more funding for public schools. The Career Ladder legislation increased funding for teachers while operations funding was increased as well.
- Investment Earnings saw a 107% increase of \$2,572. This was caused by more being invested but also the interest rates doubling from the State Treasurer's Local Government Investment Pool. The interest rate increased from .1919% in July, 2015 to .5289% in June, 2016.

- With the improved financial picture, A new bus was purchased in Fiscal Year 2015 and again in Fiscal Year 2016. Plans are to replace another bus next year. A 1996 Subaru Impreza was replaced with a 2016 Subaru Forester. The vehicle is used for Driver's Education, transportation support and other district needs.
- Also with the improved financial situation, many lingering maintenance needs were tackled. These included more work on the auditorium with asbestos removal and new ceiling tile. New carpet was installed in the auditorium as well. Some of the other needs that were addressed include security cameras, computer network server upgrades, sprinkler system installation, and a greenhouse for agricultural education.

Public School Account Reporting

The District uses Idaho Financial Accounting Reporting Management System (IFARMS) for reporting its budgeting and accounting reports. This allows Lapwai School District #341 to be uniform with all reports at the state level and still be flexible for local management needs.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements of Lapwai School District #341. The Statement of Net Assets and the Statement of Activities provide information about the activities of the School District as a whole and present a longer term view of the School District's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements provide more detail than the government-wide statements. The combining statements are broken out into 24 Funds as follows:

- Fund 100 - General Fund
- Fund 230 – Nez Perce Tribe Elementary
- Fund 231 – Nez Perce Tribe Native Arts
- Fund 232 – Grants - Nez Perce Tribe and Others
- Fund 234 – Nez Perce Tribe Literature Grant
- Fund 235 – Nez Perce Tribe Job Skills
- Fund 243 – State Vocational
- Fund 244 – Nez Perce Tribe Reading Grant
- Fund 246 – Substance Abuse Prevention
- Fund 251 - Title I-A Fund
- Fund 257 – Part B Fund
- Fund 258 – Part B Preschool
- Fund 262 - REAP Fund (Rural Education)
- Fund 267 – Title VII-A Indian Education
- Fund 268 – Johnson O'Malley Fund
- Fund 271 - Title II Fund (Improving Teacher Quality)
- Fund 278 – Gear Up Grant
- Fund 284 – Elementary Counseling Grant
- Fund 290 – 291 - Food Service Funds
- Fund 310 - Bond Interest / Redemption Fund
- Fund 421 – Bus Depreciation Fund
- Fund 710 – Scholarship Fund
- Agency Funds – Student Activity Funds

Reporting the School as a Whole - The Combining Statements

Our analysis of the School as a whole is cautious. One of the most important questions asked about the School District's finances is, "Is the School as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. You can think of the School District's net assets—the difference between assets and liabilities—as one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the School District's property tax base and the condition of the School District's facilities, to assess the overall health of the School.

Reporting the School District's Most Significant Funds Fund Financial Statements

Our analysis of the School District's major funds begins on page VII. The fund statements provide detailed information about the most significant funds, not the School as a whole. Some funds are required to be established by State and Federal Laws. However, the District establishes other Funds to help it control and manage money for particular purposes (like the Nez Perce Tribe Grant Funds and the Scholarship Fund) or to show that it is meeting legal responsibilities for using certain grants, and other money. The School District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

- **Proprietary funds** - Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprise and/or where the intent is that they be financed primarily from user charges. Therefore, their primary operating statement is the statement of revenues and expenses and their equity consists of separate invested and earned monies.
- **Fiduciary Funds** - Fiduciary Trust Funds are used to account for activities undertaken by a government on behalf of, or in fiduciary capacity for, some other persons or groups. Fiduciary funds are accounted for as either proprietary or governmental, depending on the nature of the responsibilities of the government (or fiduciary). Private Purpose Trust Funds (such as the Scholarship Fund) are treated like governmental funds.
- **Student Body Funds** - Student Body Funds are fiduciary funds held in trust by the school for student activity and/or clubs and organization. In order to be classified as an ASB (Associated Student Body) fund, there must be a club or organization advisor and the students must have a say in how these funds are expended.

CHARTS AND EXAMINATIONS OF INDIVIDUAL ACCOUNTS AND FUNDS

In order to examine various aspects of finances for Lapwai School District #341, the following charts and information are put together to explain portions of the District's financial activities.

General Fund Snapshot

This table shows the changes in several key areas in the General Fund: State Support, Impact Aid, Total Revenue, Expenditures, Fund Balance and changes in Fund Balance of the last 11 years. State support has ebbed and flowed with changes in student population and economic conditions. Impact Aid has increased slowly over time with the biggest increase coming after it was removed from sequestration.

The two accompanying charts show Impact Aid Revenue and the General Fund Balance over this same time period.

Fund Revenue - comparing 2014-2015 with 2015-2016 Actual Revenues

This following charts compare each fund making up the school district's actual revenues and expenses for the years 2014-2015 and 2015-2016.

The first page shows the General Fund which makes up nearly the majority of the total financial picture.

The following page shows the remaining funds.

The Nez Perce Tribal Funds are used to account for multi-year grants made based on applications received each year. The biggest source of these funds are profits from the tribal casinos that are distributed to school district based on successful grant applications. Some other grant funds are accounted for in Fund 232.

State Vocational Funds are for Career Technical programs for Agriculture Education and Business Technology.

The Substance Abuse Education Fund is for drug-free youth activities based on grant funds.

The Title I funds are used for reading intervention and school improvement grant activities. The funds are used to pay for a Literacy Teacher and several paraprofessionals.

Part B and Part B Preschool funds are used in the special education department. Revenue in both funds decreased somewhat as has been the case for several years due to Federal cutbacks. These Part B funds in general are used to pay for Paraprofessional Aides. As these funds decrease, the payroll burden shifts to the general fund for those staff positions.

REAP funds are federal monies to assist small, rural schools in meeting their needs. These funds have been used to pay for one paraprofessional. The revenue in this fund increased by .19%.

Title VII-A and Johnson O'Malley funds are used for after school programs and culturally relevant instruction.

Gear Up funds are part of a multi-year grant to promote college and career options on a larger scale.

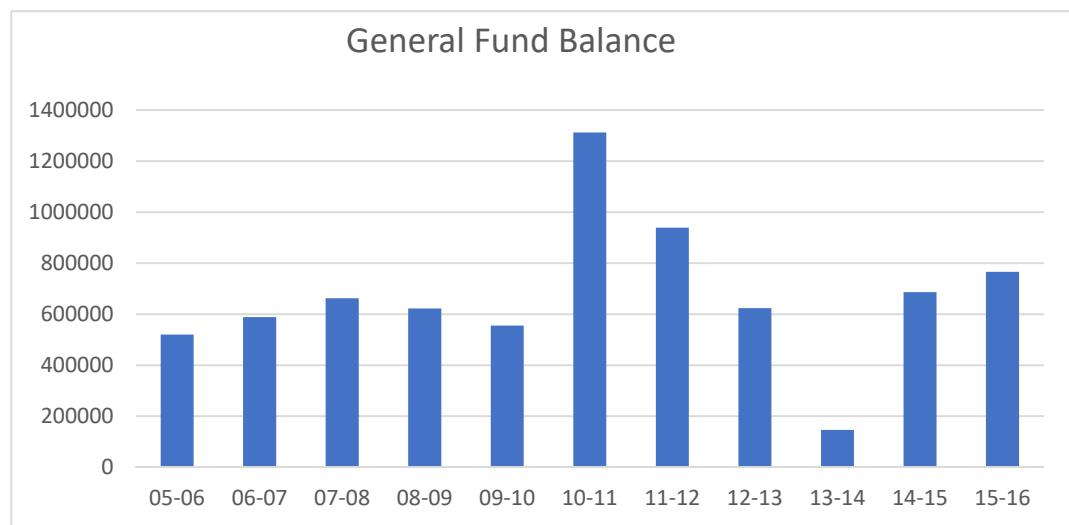
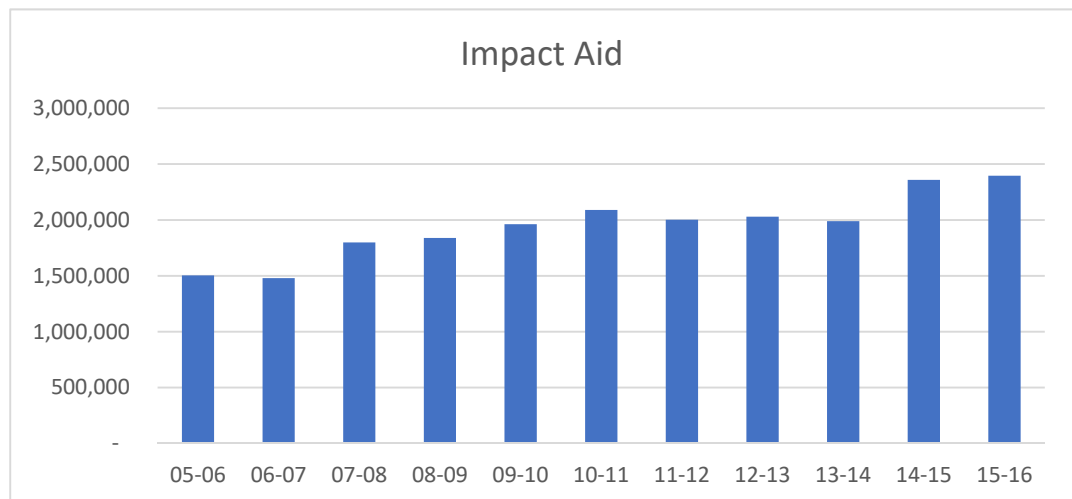
Elementary Counseling Grant funds are used for additional counseling and paraprofessional support.

Food Service Revenues have increased by nearly 5%. The District is on a Provision II program due to high poverty rates for the students. All students eat breakfast, lunch and snack for free under this program.

The Bond Interest and Redemption fund is used to account for activity relating to the bond used to construct the Middle/High School. The revenues this last year consisted of \$42,767 of State support and the balance from the property tax levy. The levy is set to raise enough to make the payment required for the year. The bond is set to be paid off in 2024.

General Fund Snapshot

Year	State Support	Impact Aid	Total Revenue	Expenditures	Balance	Change
05-06	2,656,185	1,504,075	4,615,304	4,537,714	519,843	
06-07	3,066,434	1,479,323	4,702,533	4,709,168	588,719	68,876
07-08	3,153,824	1,799,132	5,282,164	5,208,147	662,736	74,017
08-09	3,242,896	1,838,451	5,328,609	5,368,778	622,566	(40,170)
09-10	2,697,341	1,962,693	5,425,961	5,493,496	555,035	(67,531)
10-11	2,946,254	2,089,130	5,625,618	4,868,455	1,312,198	757,163
11-12	2,766,448	2,002,735	5,110,359	5,483,822	938,736	(373,462)
12-13	2,680,130	2,028,930	4,911,071	5,237,174	623,263	(315,473)
13-14	2,812,116	1,988,816	5,091,183	5,567,801	146,645	(476,618)
14-15	2,939,766	2,358,701	5,641,240	5,101,090	686,794	540,149
15-16	3,049,016	2,396,203	5,973,639	5,894,277	766,156	79,362



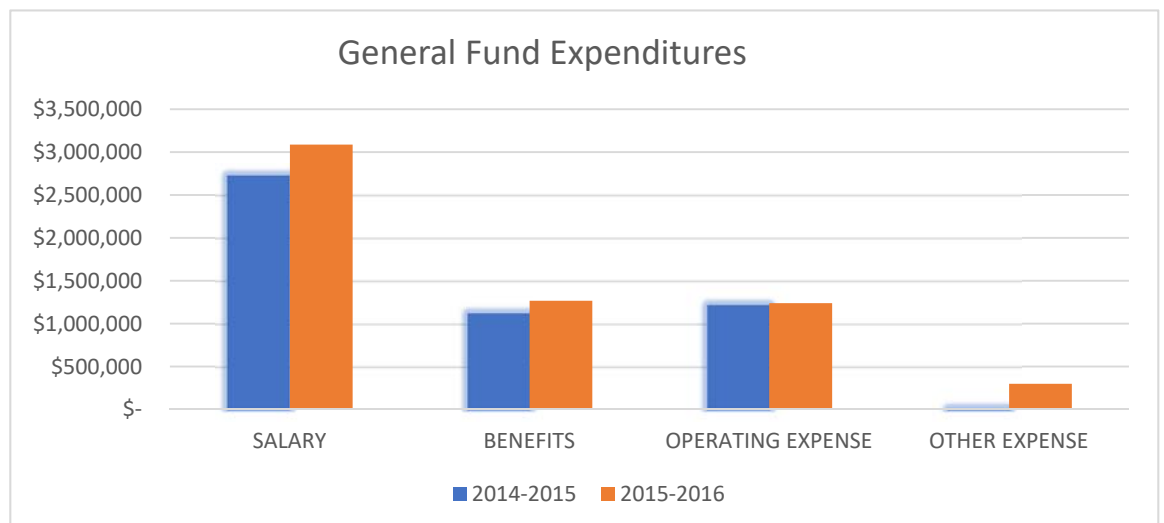
GENERAL FUND REVENUE ONLY

Revenue Breakdown by Category

REVENUE CATEGORY	2014-2015 ACTUAL	2015-2016 ACTUAL	DIFFERENCE	% Inc.
Tort	\$ 31,123	\$ 33,946	\$ 2,823	9.07%
Non-Levied Taxes	6,986	8,098	1,112	15.92%
Penalty & Interest	2,584	2,781	197	7.61%
Investment Earnings	2,394	4,966	2,572	107.42%
Grants	13,487	63,726	50,239	372.50%
Other Local Revenue	44,684	101,908	57,224	128.06%
State Apportionment	2,273,225	2,347,749	74,524	3.28%
Transportation Support	131,725	112,787	(18,938)	-14.38%
Benefit Apportionment	308,584	316,417	7,833	2.54%
Other State Support	174,224	195,381	21,157	12.14%
Lottery/State Maintenance	47,242	71,916	24,674	52.23%
Taxes in Lieu of	4,766	4,766	-	0.00%
Impact Aid	2,358,701	2,396,203	37,502	1.59%
Medicaid Revenue	239,804	309,563	69,759	29.09%
Other Revenue	1,711	3,433	1,722	100.62%
Total Revenue	\$ 5,641,240	\$ 5,973,638	330,677	6.85%

COMPARES 2014-2015 WITH 2015-2016 EXPENDITURES GENERAL FUND EXPENDITURES

BUDGET CATEGORY	2014-2015 Actual	2015-2016 Actual	% Inc/Dec
ISALARY	\$ 2,732,072	\$ 3,088,305	13.04%
BENEFITS	1,126,567	1,266,741	12.44%
OPERATING EXPENSE	1,223,912	1,239,465	1.27%
OTHER EXPENSE	18,539	299,766	1516.95%
TOTAL ALL EXPENSES	\$ 5,101,090	\$ 5,894,277	15.55%



COMPARE 2014-2015 WITH 2015-2016 ACTUAL REVENUES

ALL FUNDS

Revenue Breakdown by Fund

FUND CATEGORY	2014-2015 Actual	2015-2016 Actual	DIFFERENCE	% Inc/Dec
Beginning Balance	\$ 482,595	\$ 947,667	\$ 465,072	96.37%
General Fund	5,641,240	5,973,638	332,398	5.89%
Nez Perce Tribal Funds	109,189	30,496	(78,693)	-72.07%
State Vocational	18,829	21,105	2,276	12.09%
Substance Abuse Prevention	92,774	110,943	18,169	19.58%
Title I-A	310,069	376,393	66,324	21.39%
Part B	128,225	120,732	(7,493)	-5.84%
Part B Preschool	3,013	2,964	(49)	-1.63%
REAP	28,225	28,279	54	0.19%
Title VII-A	85,802	88,096	2,294	2.67%
Johnson O'Malley	16,644	-	(16,644)	-100.00%
Improve Teacher Quality	21,911	49,588	27,677	126.32%
Gear Up	40,268	41,212	944	2.35%
Elementary Counseling Grant	190,406	242,965	52,559	27.60%
Food Service	322,931	338,391	15,460	4.79%
Bond Interest & Redemption	284,445	289,013	4,568	1.61%
Bus Depreciation	13,006	24,358	11,352	87.28%
Total All Funds	<u>\$ 7,789,572</u>	<u>\$ 8,685,841</u>	<u>896,269</u>	<u>11.51%</u>

COMPARE 2014-2015 WITH 2015-2016 ACTUAL REVENUES

ALL FUNDS

Expense Breakdown by Fund

FUND CATEGORY	2014-2015 Actual	2015-2016 Actual	DIFFERENCE	% Inc.
General Fund	\$ 5,101,090	\$ 5,894,277	\$ 793,187	15.55%
Nez Perce Tribal Funds	87,436	49,388	(38,048)	0.00%
State Vocational	18,829	21,105	2,276	0.00%
Substance Abuse Prevention	92,914	107,852	14,938	0.00%
Title I-A	310,069	376,393	66,324	0.00%
Part B	128,225	120,732	(7,493)	0.00%
Part B Preschool	3,013	2,964	(49)	0.00%
REAP	28,225	28,279	54	0.00%
Title VII-A	85,802	88,096	2,294	0.00%
Johnson O'Malley	30,329	27,089	(3,240)	0.00%
Improve Teacher Quality	21,911	49,588	27,677	0.00%
Gear Up	41,415	42,629	1,214	0.00%
Elementary Counseling Grant	189,548	243,824	54,276	0.00%
Food Service	366,717	351,847	(14,870)	0.00%
Bond Interest & Redemption	279,249	279,213	(37)	0.00%
Bus Depreciation	57,133	24,358	(32,775)	0.00%
Total All Funds	<u>\$ 6,841,905</u>	<u>\$ 7,707,633</u>	<u>\$ 865,728</u>	<u>12.65%</u>

