

MOSCOW SCHOOL DISTRICT NO. 281

Moscow, Idaho

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2016



INTRODUCTORY SECTION



MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

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INTRODUCTORY SECTION

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Moscow School District No. 281

650 N. Cleveland St. Moscow, ID 83843 (208) 882-1120 fax (208) 883-4440 www.msd281.org

Dr. Gregory J. Bailey, Superintendent
Jennifer Johnson, Business Manager

Carrie Brooks, Director of Curriculum
Shannon Richards, Director of Special Services

October 13, 2016

Board of Trustees
Moscow School District No. 281
650 N. Cleveland Street
Moscow, ID 83843

Idaho State Code requires that each school district publish, within 120 days of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and an audit report in accordance with auditing standards generally accepted in the United States of America by certified public accountants. Pursuant to that requirement, we hereby issue the Annual Financial Report of the Moscow School District for the fiscal year ended June 30, 2016.

This report consists of management's representations concerning the finances of Moscow School District. Management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Moscow School District's financial statements have been audited by Hayden Ross, PLLC, and a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ending June 30, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Moscow School District was part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair representation of the financial statements, but also on the audited internal controls and compliance with legal requirements, with special emphasis on

internal controls and legal requirements involving the administration of federal awards. These reports are available in the District's Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditor.

Profile of Moscow School District

The Moscow School District is located in Latah County, Idaho. The hub of the District is the City of Moscow, home to over 25,060 residents and students. The area outside the city limits comprises the Palouse region which is rich farmland that produces the vast majority of America's seed peas, split peas, and lentils. Other agricultural commodities produced are barley, malting barley, hay, grass seed, livestock, and soft white wheat, which is the area's largest cash crop.

Moscow is the home of the University of Idaho with a student enrollment of 11,500 and over 5,500 employees. The University is the largest employer in the Moscow community. In addition to Moscow's fine businesses and the University of Idaho, Moscow is just 10 miles away from Pullman, Washington. Pullman is home of Washington State University and Schweitzer Engineering Laboratories, both of which employ many of our community members.

The District provides a program of public education from a developmental preschool through grade 12. Fall enrollment for the 2015/2016 school year was 2,315, a decrease of 8 students from the previous year. Fall student population included 990 kindergarten through fifth grade students housed in four elementary schools. The middle school population is housed in one building with an enrollment of 488 students sixth through eighth grades and one high school building with an enrollment of 797 students ninth through twelfth grades. The District also includes an alternative high school with an average enrollment of 12 students for the 2015/2016 school year. The developmental preschool program is housed at the largest elementary school and reached a total student enrollment of 40 students during the 2015/2016 school year. Enrollment figures for 2015/2016 are based on the October 31, 2015 enrollment report.

The educational programs include an extensive gifted/talented program K-12, a developmental preschool program for qualified children ages 3 to 5, professional technical programs at the secondary school, and a regional alternative high school serving students from ninth to twelfth grades from throughout Latah county. The District is the charter authorizer for Moscow Charter School, which serves students K-7 with a 2015/2016 enrollment of 170 students.

The District consists of four elementary school buildings ranging in age from 88 years to the newest building at age 48, one middle school building constructed in 1958, one high school building constructed in 1938, one administrative building constructed in 1997, and one support services facility constructed in 2000. This facility contains the district warehouse, bus garage, maintenance shop, and office space for support services personnel.

The District is governed by a Board of Trustees consisting of five members. District Trustees are elected for four-year terms. The trustees represent the patrons in their respective zones within the school district and are elected by the electors in those zones.

The annual budget serves as the foundation for the District's financial planning and control. The Board is required to hold a public hearing prior to adopting a budget. Budget to actual comparisons are included in the financial statements of this report.

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body and is fiscally independent of other state and local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes. The District is an independent school district and is not included in any other governmental reporting entity. Consequently, the District's financial statements include the funds of those organizational entities for which its elected governing board is financially accountable. The District's major operations include education, pupil transportation, construction and maintenance of facilities, and food service.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment in which the District operates.

Idaho Code provides that the Board of Trustees of any school district that has, for at least seven consecutive years, been authorized through an election to certify a supplemental levy that has annually been equal to or greater than twenty percent of the total general maintenance and operation fund, may submit the question of an indefinite term supplemental levy to the electors of the district. In 1991, the Board of Trustees submitted the question of an indefinite levy and electors voted positively. Voters approved increases to the indefinite term supplemental levy in 1995, 2002, 2007 and 2011.

General Fund Balance

The General Fund balance increased by \$611,740 resulting in a June 30, 2016 fund balance of \$5,147,712.

Cash Management

The District deposits cash on a daily basis into a demand account. Cash in excess of monthly operating needs is invested with the State Treasurer's Local Government Investment Pool which purchases fully collateralized securities, and local banks' governmental investment pools are uncollateralized. The state investment pool earned an average of .34 percent interest. The District earned interest revenue of \$28,316 on all investments for the year ended June 30, 2016. The District's investment policy is to minimize credit and market risk while maintaining a competitive yield.

Debt Administration

Under current state statutes, the District's general obligation bonded debt issuances are subject to the legal limitation based on five percent (5%) of the total assessment of all taxable property in the district. Legal debt margin on June 30, 2016 was \$58,061,358. Legal debt margin is based on five percent of the assessed value of all property in the District's boundaries less bonded indebtedness.

An election held May 2013 authorized the sale of bonds to generate \$10.8M for school renovation projects. Said bond sale closed August 15, 2013. The District assumed long-term debt of \$10,470,000.

Risk Management

The District is not a member of any insurance pool. The District purchases individual coverage through an insurance agency which solicits competitive bids. The District Safety Officer and the Directors of Facilities and Transportation routinely review all accident reports and make recommendations for change to lower risk. In addition, the District utilizes the services of risk control specialists employed by its liability insurance carrier.

Retirement Program

The District participates in the State operated Public Employee Retirement System of Idaho. The District's responsibility to the system is the payment of a predetermined percentage of the salaries paid.

Each member of the business office staff has our sincere appreciation for the contributions made in the preparation of this report. Appreciation also goes to the members of the Audit Committee for their time and expertise. Their contribution to this report is invaluable.

In closing, without the leadership and support of the Board of Trustees, preparation of this report would not have been possible.

Sincerely,

Gregory J. Bailey, Ph.D.
Superintendent

Jennifer Johnson
Business Manager

Moscow School District No. 281

Moscow, Idaho

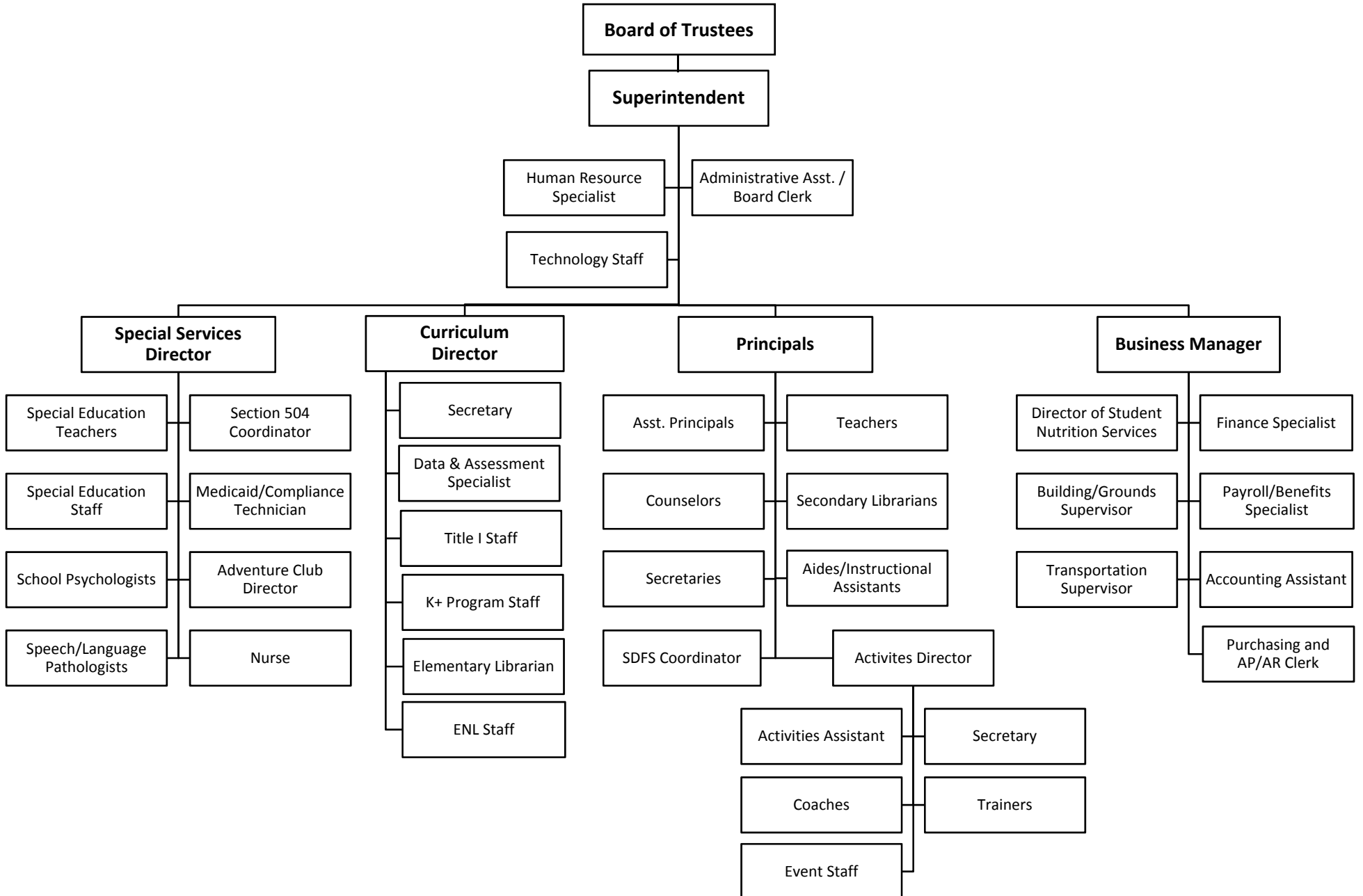
List of Principal Officials

June 30, 2016

Greg Bailey	Superintendent
Jennifer Johnson	Business Manager / Treasurer
Carrie Brooks	Director, Curriculum
Shannon Richards	Director, Special Services
Angela Packard	Clerk, Board of Trustees
Erik Perryman	Principal, Moscow High School
Brett Clevenger	Asst. Principal, Moscow High School
Lance Abendroth	Asst. Principal / Activities Dir, Moscow High School
Bill Marineau	Principal, Paradise Creek Regional High School
Kevin Hill	Principal, Moscow Middle School
Evan Hecker	Principal, Moscow Middle School
Kendra McMillan	Principal, Lena Whitmore Elementary School
Kim Mikolajczyk	Principal, McDonald Elementary School
Craig Allen	Principal, Russell Elementary School
Bill Marineau	Principal, West Park Elementary School
Mimi Pengilly	Director, Student Nutrition Services
Lorne Barr	Director, Building / Grounds Supervisor
Greg Harris	Director, Transportation

Moscow School District No. 281

Organizational Chart



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Moscow School District No. 281
Moscow, Idaho 83843

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Moscow School District No. 281, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

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

Basis for Qualified Opinion on Governmental Activities

Moscow School District No. 281 was required to update Other Post-Employment Benefits liability pursuant to the requirements of GASB Statement 45. The District believes that the future cost of the increase to the liability previously calculated in 2011 is not material to the financial statements and the cost of updating the estimated cost cannot be justified at the current time.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities of Moscow School District No. 281, as of June 30, 2016, and the changes in financial position and 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 each major fund and the aggregate remaining fund information of Moscow School District No. 281, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows, and the respective budget comparison for the General Fund, Debt Service Fund and Capital Projects Funds, 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 analysis on pages 4-9 and the net pension liability related schedules on page 40 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 Moscow School District No. 281'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 the Title 2 U.S. Code of Federal Regulations 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 the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2016 on our consideration of the Moscow School District No. 281's internal control over financial reporting and 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 to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Moscow School District No. 281's internal control over financial reporting and compliance.

Hayden Ross, PLLC

Moscow, Idaho
October 10, 2016

MOSCOW SCHOOL DISTRICT NO.281

Moscow, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2016

The discussion and analysis of the Moscow School District No. 281's financial performance provides an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2016. Readers are encouraged to consider this information in conjunction with additional information furnished in the letter of transmittal.

Economic Conditions and Outlook

The State has taken a number of actions between 2008-2013 to manage the school appropriations in reaction to the 2008 recession and the continuing weakness in the economy which adversely affected State General Fund revenues. These actions included utilizing one-time moneys from Federal American Recovery and Reinvestment Act (ARRA) and State endowment funds as well as funds from the Stabilization Fund to partially offset the reduction in appropriations from the State General Fund in order to sustain School Appropriations.

At the district level, State budget reductions included maintenance, transportation, textbooks, classroom supplies and salaries. Moscow School District responded to these reductions by cutting positions through attrition, reducing administrator's contract days, reducing discretionary spending, eliminating furniture budgets and deferring many capital maintenance projects.

The Governor formed a broad-based task force to make recommendations on education reform proposals including public school funding beginning 2014. State Salary and Benefit Apportionment funding increased in 2015/2016 by 3% compared to last year. The Legislature also increased Entitlement funding per support unit by 6.5% over the previous year. Moscow's averaged daily attendance remained stagnant keeping our support units close to the same level as in 2014/2015.

In November, 2011 Moscow School District taxpayers voted to approve an increase to the Indefinite Supplemental Levy by \$1.97 million. Typically the indefinite levy will have the buying power for 5-7 years before another increase is determined.

In an effort to meet Idaho's constitutional mandate to provide for safe school facilities, the 2006 legislature passed legislation requiring districts to allocate two percent of the replacement value of student occupied school buildings to be used exclusively for the maintenance and repair of student occupied buildings. Local resources of \$539,407 were needed to cover the mandate for fiscal year 2015/2016.

Financial Highlights

- Assets and deferred outflows of resources of the district exceeded liabilities and deferred inflows of resources at the close of 2015/2016 by \$6,810,587.
- Total net position increased by \$796,377 from prior year.

- At the close of the current fiscal year, governmental funds reported combined ending fund balances of \$8,670,223, an increase of \$422,212 over prior year.
- The District had bonded indebtedness at the end of fiscal year 2015/2016 of \$9,745,000.

Major Initiatives

The majority of the bond projects have been completed (see page 9 for current year results). The fiscal year 2015/2016 was the third year of the bond and the bond projects budgets consisted of:

<u>Project</u>	<u>Budget</u>
ADA Bathroom at the High School	\$18,000
Various Upgrades at the Fieldhouse	\$15,000
ADA Bleachers and Ramp at Middle School	\$42,500
Security in all buildings	\$300,000
Asphalt Project at the Middle School	\$200,400

Moscow School District and the City of Moscow entered into a joint agreement to develop the Moscow School District Community Playfields. Construction started in May, 2014 with expected substantial completion November 2014. Toward the development, the District pledged up to \$1,623,172 and the City pledged up to \$1,869,517. Ongoing maintenance costs and usage will be shared between the District and the City of Moscow. Since the District owns the property, development costs are paid by the District and the City reimburses their share of the expense to the District. The City’s reimbursement is reflected as local revenue.

Moscow School District takes part in the federal program known as E-rate. The E-rate program is administered by the Universal Service Administration Company (USAC). This program provides eligible schools and libraries discounts for eligible services and components. This ESL identifies Category 1 funding as telecommunications services, telecoms and internet access services. Category 2 funding consists of internal connections, basic maintenance and managed internal broadband services, for which eligible applicants may seek E-rate support. As part of the FY16 E-rate Modernization Order that restructured how schools were funded via USAC for Category 1 and 2 funding, Moscow School District was able to take advantage of this initiative and upgrade its network infrastructure. This upgrade has created a more robust network capable of supporting ongoing growth and expansion.

The School District was awarded the Federal Carol M. White Physical Education Program (PEP) Grant in 2013/2014. The PEP Grant has established a comprehensive, sustainable physical education program based on Idaho Content Standards. The Grant has also provided training and assessment to all K-12 students. All students have been provided with access to a PE program that benefits their nutrition, fitness, health and activity.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Moscow School 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 required 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 *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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 District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accrued uncollected taxes and earned but unused vacation leave).

The statements present an aggregate view of the District's finances. Government-wide statements contain useful long-term information as well as information for the just-completed fiscal year. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, should be considered.

In the government-wide financial statements, the District's activities are all classified as government activities. Government activities include all regular and special education, all educational support activities, administration, custodial, maintenance, transportation, and child nutrition service. Most of these activities are supported by property taxes and formula aide from the State of Idaho.

Fund financial statements: Funds are accounting devices the District uses to track sources of funding and spending for specific programs and to demonstrate compliance with various regulatory requirements. Fund financial statements generally report operation in more detail than the government-wide statements. These statements focus on their most significant or "major" funds and not on the District as a whole.

Governmental funds: Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported on the "modified accrual" basis of 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 District's general government operations and the basic services it provides.

Fiduciary funds: The District serves as trustee, or fiduciary, for student organizations. The assets of these organizations belong to the organization, and not the District. The District is responsible

for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These assets are excluded from the District-wide financial statements because the District cannot use these assets to finance its operations.

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

Financial Information

Accounting System and Budgetary Control: In developing and evaluating the District’s accounting system, consideration is given to the adequacy of internal accounting controls.

Internal control is a process affected by Moscow School District’s governing board, administration, faculty and staff, designed to provide reasonable assurance, not absolute, regarding the achievements of objectives in the following categories: 1) effectiveness and efficiency of operations, 2) reliability of financial reporting; and 3) compliance with applicable laws and regulations. The concept of reasonable assurance recognizes that: 1) the cost of control should not exceed the benefit likely to be derived; and 2) the evaluation of costs and benefits requires estimates and judgments by management.

The financial statements meet requirements as set forth by the Governmental Accounting Standards Board and the Idaho Financial Accounting Reporting Management System of the Idaho Department of Education. Generally accepted accounting principles promulgated by GASB as appropriate for school districts have been followed in handling financial transactions and in preparation of reports.

Activities of the General Fund, special revenue funds, debt service fund, and Capital Projects Funds are included in the annual budget. Budgetary control is maintained by the issuance of monthly financial statements which reflect current and year-to-date expenditures and encumbrances in comparison to budgeted amounts. Anticipated expenditures are reviewed to determine that sufficient funds are available prior to issuance of purchase orders or other commitments. As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve as a useful indicator of a district’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,810,587 for fiscal year end June 30, 2016.

STATEMENT OF NET POSITION

Assets	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Current assets	23,514,374	23,040,519
Capital assets (net of depreciation)	<u>14,981,488</u>	<u>15,438,526</u>
Total assets	<u>38,495,862</u>	<u>38,479,045</u>

Deferred outflows of resources	<u>4,596,317</u>	<u>2,020,542</u>
Liabilities		
Current liabilities	5,190,910	5,172,049
Noncurrent liabilities	<u>16,358,037</u>	<u>13,695,773</u>
Total liabilities	<u>21,548,947</u>	<u>18,867,822</u>
Deferred inflows of resources	<u>14,732,645</u>	<u>15,617,556</u>
Net position		
Net investment in capital assets	5,073,117	\$5,107,925
Restricted	3,290,106	2,471,544
Unrestricted	<u>(1,552,636)</u>	<u>(1,565,259)</u>
Total net position	<u>\$6,810,587</u>	<u>\$6,014,210</u>

Liabilities – Current liabilities are accounts payable, other post-employment retirement benefits and accrued compensated absences, as well as the current portion of the general obligation bonds. Noncurrent liabilities are general obligation bonds.

Changes in Net Position – The tables below illustrate the changes in net position for the fiscal year 2015/2016. The District relies on state and federal support for 44.19% of its governmental activities. The District had total revenues of \$25,069,652 and total expenses of \$24,273,275 that generated an increase in net position of \$796,377.

CHANGES IN NET POSITION FROM OPERATING RESULTS
All Governmental Activities

	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues		
Charges for Services	774,548	789,985
Grants	2,245,520	2,309,741
General Revenues		
Property Taxes Levied	10,640,181	10,275,474
State/Federal Funding	11,077,334	10,582,310
Other	<u>332,069</u>	<u>1,516,205</u>
Total Revenues	<u>25,069,652</u>	<u>25,473,715</u>
Expenses		
Instructional	12,965,259	11,292,908
Support Services	8,621,317	7,643,060
Child Nutrition	763,593	709,906
Community Service	328,338	743,335
Capital Objects	260,789	224,630
Debt service and issuance	360,595	456,234
Depreciation – unallocated	<u>973,384</u>	<u>829,734</u>
Total Expenses	<u>24,273,275</u>	<u>21,899,806</u>

Increase in Net Position

\$796,377

\$3,573,909

DISTRICT'S FUNDS FINANCIAL ANALYSIS

General Fund – The General Fund is the maintenance and operation fund for the District. At the end of the current fiscal year, the General Fund balance was \$5,147,712 which is up 13.49% from the ending balance in the prior fiscal year of \$4,535,972.

For the third time in several years, funding levels slightly increased over prior year. The District continued to monitor expenditures carefully and continued to reduce where possible. Historical experience has proven that as time passes, the indefinite levy dollars lose buying power. When this occurs, fund balance is used to cover the difference between revenues and expenditures until the levy potentially is increased.

Expenditures in the General Fund totaled \$20,780,670 an increase of 4% from the prior year. Most of the increase can be attributed to salary/benefit increases and capital object purchases. The 2015/2016 General Fund salaries totaled \$12,837,154 while the associated benefits of retirement, social security, workers compensation, and health care costs added \$5,206,251 to arrive at 86.8% of the District's General Fund expenditures.

Capital Projects Funds – The Capital Projects Funds are used for capital construction, building and site improvement, remodeling, equipment and vehicle replacement, and to maintain and update the District's technology infrastructure. At the end of the current fiscal year, the balances in the Capital Projects Funds total \$2,200,256. Year-end construction in progress projects are listed on page 5. The District has three years to spend bond dollars. We are currently in year three of the bond projects. In addition to the construction in progress, projects in FY17 will include completion of security enhancements in all buildings, asphalt replacement completion, wheelchair lift upgrades at the high school, a water treatment system, and sidewalk installations at the middle school and district office. Network upgrades, ADA bleacher seating and ramp, ADA bathroom upgrade at the high school, asphalt replacement project and flooring replacement have begun in FY16.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances. Any questions or requests for additional information should be directed to the District's Business Manager, Jennifer Johnson, at the District's Administrative Building, 650 N. Cleveland Street, Moscow, ID 83843, by phone at (208) 892-1122, or by email at johnsonj@msd281.org.

FINANCIAL STATEMENTS



MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

STATEMENT OF NET POSITION
June 30, 2016

Assets

Current assets	
Cash	2,676,051
Investments	4,085,237
Due from other funds	1,325,751
Taxes receivable	316,474
Unbilled taxes receivable	10,209,137
Due from other governmental units	4,621,242
Inventory and prepaid expenses	280,482
Total current assets	<u>23,514,374</u>

Noncurrent assets	
Non-depreciated capital assets	543,634
Depreciated capital assets	25,001,826
Less: accumulated depreciation	<u>(10,563,972)</u>
Total noncurrent assets	<u>14,981,488</u>

Total Assets 38,495,862

Deferred Outflows of Resources

Pension related items	<u>4,596,317</u>
-----------------------	------------------

Liabilities

Current liabilities	
Due to other funds	1,645,282
Accounts payable and other current liabilities	2,828,019
Other post retirement benefits	217,563
Accrued compensated absences	100,046
Current portion of long-term debt	400,000
Total current liabilities	<u>5,190,910</u>

Noncurrent liabilities	
Noncurrent portion of long-term debt	9,345,000
Net pension liability	<u>7,013,037</u>
Total noncurrent liabilities	<u>16,358,037</u>

Total Liabilities 21,548,947

Deferred Inflows of Resources

Unavailable property tax revenue	10,209,137
Pension related items	<u>4,523,508</u>

Total Deferred Inflows of Resources 14,732,645

Net Position

Net investment in capital assets	5,073,117
Restricted for:	
Debt service	652,342
Bond capital projects	1,548,489
Capital projects	651,767
Grant programs	497,299
Unrestricted	<u>(1,612,427)</u>
Total Net Position	<u>\$ 6,810,587</u>

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Functions/Programs					
Governmental activities:					
Preschool- grade K-12 instruction	12,965,259	15,120	690,925	-	(12,259,214)
Support services:					
Pupil support	1,993,584	-	573,418	-	(1,420,166)
Staff support	967,830	-	-	-	(967,830)
General administration	841,425	-	-	-	(841,425)
School/business administration	2,253,701	-	-	-	(2,253,701)
Maintenance/custodial	1,815,022	-	-	-	(1,815,022)
Transportation	749,755	60,035	503,674	-	(186,046)
Community Service	328,338	511,845	-	-	183,507
Child nutrition	763,751	187,548	454,970	-	(121,233)
Capital objects	260,789	-	-	-	(260,789)
Debt service and issuance	360,595	-	22,691	-	(337,904)
Depreciation- unallocated	973,384	-	-	-	(973,384)
Total School District	<u>\$ 24,273,433</u>	<u>\$ 774,548</u>	<u>\$ 2,245,678</u>	<u>\$ -</u>	<u>(21,253,207)</u>
General Revenues					
Taxes					
Property taxes levied for general purposes					9,893,826
Property taxes levied for debt service					746,355
Federal and State aid not restricted to specific purpose					11,077,334
Other local revenue					324,739
Interest and investment earnings					28,316
Special items - disposal of capital assets					(20,986)
Total Revenues					<u>22,049,584</u>
Change in Net Position					796,377
Net Position - beginning					<u>6,014,210</u>
Net Position - ending					<u>\$ 6,810,587</u>

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2016

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets:					
Cash	2,173,499	-	502,552	-	2,676,051
Investments	2,730,381	306,488	1,048,368	-	4,085,237
Due from other funds	-	54,424	640,377	630,950	1,325,751
Taxes receivable	293,790	22,684	-	-	316,474
Unbilled taxes receivable	9,468,137	741,000	-	-	10,209,137
Other receivables	3,849,070	268,746	22,500	480,926	4,621,242
Inventories	60,144	-	-	-	60,144
Prepaid supplies and costs	176,357	-	-	43,981	220,338
Total assets	<u>18,751,378</u>	<u>1,393,342</u>	<u>2,213,797</u>	<u>1,155,857</u>	<u>23,514,374</u>
Deferred outflows of resources	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 18,751,378</u>	<u>\$ 1,393,342</u>	<u>\$ 2,213,797</u>	<u>\$ 1,155,857</u>	<u>\$ 23,514,374</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
Liabilities:					
Due to other funds	1,388,891	-	-	256,391	1,645,282
Accounts payable	155,673	-	13,541	19,182	188,396
Accrued payroll and benefits	2,284,645	-	-	191,607	2,476,252
Accrued compensated absences	97,092	-	-	2,954	100,046
Total liabilities	<u>3,926,301</u>	<u>-</u>	<u>13,541</u>	<u>470,134</u>	<u>4,409,976</u>
Deferred inflows of resources:					
Deferred revenue	209,228	15,810	-	-	225,038
Unavailable property tax revenue	9,468,137	741,000	-	-	10,209,137
Total deferred inflows of resources	<u>9,677,365</u>	<u>756,810</u>	<u>-</u>	<u>-</u>	<u>10,434,175</u>
Fund balances:					
Nonspendable:					
Inventories	60,144	-	-	-	60,144
Prepaid supplies and costs	176,357	-	-	43,981	220,338
Restricted for:					
Grant programs	-	-	-	453,318	453,318
Bond capital projects	-	-	1,548,489	-	1,548,489
Bond debt payments	-	636,532	-	-	636,532
Capital projects	-	-	651,767	-	651,767
Assigned to:					
Capital projects	-	-	-	188,424	188,424
Bond rating	550,000	-	-	-	550,000
Unassigned	4,361,211	-	-	-	4,361,211
Total fund balances	<u>5,147,712</u>	<u>636,532</u>	<u>2,200,256</u>	<u>685,723</u>	<u>8,670,223</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 18,751,378</u>	<u>\$ 1,393,342</u>	<u>\$ 2,213,797</u>	<u>\$ 1,155,857</u>	<u>\$ 23,514,374</u>

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30, 2016

Total Fund Balances- Governmental Funds	8,670,223
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p>	
Cost of capital assets	25,545,460
Accumulated depreciation	(10,563,972)
<p>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.</p>	
	225,038
<p>Certain pension related items are recorded as a deferred outflow or inflow of resources and recognized in future periods for governmental activities (see note 6):</p>	
Deferred outflow of resources	4,596,317
Deferred inflow of resources	(4,523,508)
<p>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.</p>	
	(163,371)
<p>Other post employment benefits are accrued and expensed in the statements of net assets and activities. However, in the government funds, the accrual and expense did not meet the same criteria.</p>	
	(217,563)
<p>Long term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:</p>	
General Obligation Bonds	
Series 2013A (Taxable)	(185,000)
Series 2013B (Tax Exempt)	(9,560,000)
Net pension liability	(7,013,037)
Total net position - governmental activities	<u>\$ 6,810,587</u>

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Local	10,045,965	745,377	189,629	806,550	11,787,521
State	11,209,328	22,691	-	62,566	11,294,585
Federal	336,630	-	-	1,691,797	2,028,427
Total revenue	<u>21,591,923</u>	<u>768,068</u>	<u>189,629</u>	<u>2,560,913</u>	<u>25,110,533</u>
EXPENDITURES					
Instruction	12,362,004	-	-	916,253	13,278,257
Support	8,418,009	-	-	573,418	8,991,427
Non-instruction	657	-	-	1,113,888	1,114,545
Debt service	-	782,825	-	-	782,825
Capital outlay	-	-	521,267	-	521,267
Total expenditures	<u>20,780,670</u>	<u>782,825</u>	<u>521,267</u>	<u>2,603,559</u>	<u>24,688,321</u>
Excess (deficiency) of revenues over/under expenditures	<u>811,253</u>	<u>(14,757)</u>	<u>(331,638)</u>	<u>(42,646)</u>	<u>422,212</u>
Other financing sources (uses);					
Transfers in	25,087	-	196,600	28,000	249,687
Transfers out	(224,600)	-	-	(25,087)	(249,687)
Total other financing sources (uses)	<u>(199,513)</u>	<u>-</u>	<u>196,600</u>	<u>2,913</u>	<u>-</u>
Net change in fund balances	611,740	(14,757)	(135,038)	(39,733)	422,212
Fund balances - Beginning of year	<u>4,535,972</u>	<u>651,289</u>	<u>2,335,294</u>	<u>725,456</u>	<u>8,248,011</u>
Fund balances - End of year	<u>\$ 5,147,712</u>	<u>\$ 636,532</u>	<u>\$ 2,200,256</u>	<u>\$ 685,723</u>	<u>\$ 8,670,223</u>

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Net change in fund balances- total governmental funds		422,212
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 shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities		
Capital outlays	537,332	
Depreciation expense	<u>(973,384)</u>	(436,052)
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.		
		2,230
Net pension liability adjustments:		
Fiscal year 2015 employer PERSI contributions recognized as pension expense in the current year	(1,691,675)	
Fiscal year 2016 employer PERSI contributions deferred to subsequent year	1,759,921	
Pension related amortization expense	<u>360,464</u>	428,710
Loss on disposal of assets		
		(20,986)
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.		
		(19,737)
Repayment of long-term debt obligations is an expenditure in the governmental funds but the repayment reduces liabilities in the statement of net position		
		<u>420,000</u>
Change in Net Position		<u>\$ 796,377</u>

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variances Favorable (Unfavorable)	
				Original to Actual	Amended to Actual
REVENUES					
Local:					
Taxes	9,825,639	9,825,639	9,915,318	89,679	89,679
Earnings on investments	10,000	10,000	23,068	13,068	13,068
Other	44,000	55,000	107,579	63,579	52,579
Total local	<u>9,879,639</u>	<u>9,890,639</u>	<u>10,045,965</u>	<u>166,326</u>	<u>155,326</u>
State:					
Base support program	8,450,382	8,728,308	8,695,542	245,160	(32,766)
Transportation	495,000	495,000	503,674	8,674	8,674
Tuition equivalency	18,400	18,400	37,441	19,041	19,041
Benefit apportionment	1,125,585	1,167,713	1,160,727	35,142	(6,986)
Other state support	602,254	517,625	528,486	(73,768)	10,861
Lottery/additional state maintenance	132,911	135,307	135,307	2,396	-
Revenue in lieu of/tax replacement	-	-	148,151	148,151	148,151
Total State	<u>10,824,532</u>	<u>11,062,353</u>	<u>11,209,328</u>	<u>384,796</u>	<u>146,975</u>
Federal:					
Other	-	150,000	336,630	336,630	186,630
Total revenue	<u>20,704,171</u>	<u>21,102,992</u>	<u>21,591,923</u>	<u>887,752</u>	<u>488,931</u>
EXPENDITURES					
Instruction:					
Salaries	8,516,345	8,582,993	8,420,115	96,230	162,878
Benefits	3,383,468	3,409,703	3,359,853	23,615	49,850
Purchased services	168,407	174,925	152,092	16,315	22,833
Supplies-materials	386,772	501,292	405,295	(18,523)	95,997
Capital objects	15,300	21,746	22,583	(7,283)	(837)
Insurance	3,800	3,800	2,066	1,734	1,734
Total instruction	<u>12,474,092</u>	<u>12,694,459</u>	<u>12,362,004</u>	<u>112,088</u>	<u>332,455</u>
Support:					
Salaries	4,294,863	4,476,703	4,417,039	(122,176)	59,664
Benefits	1,791,040	1,846,502	1,846,398	(55,358)	104
Purchased services	1,556,625	1,529,726	1,586,408	(29,783)	(56,682)
Supplies-materials	432,786	400,120	291,220	141,566	108,900
Capital objects	164,353	194,808	136,067	28,286	58,741
Insurance	140,454	141,075	140,877	(423)	198
Total support	<u>8,380,121</u>	<u>8,588,934</u>	<u>8,418,009</u>	<u>(37,888)</u>	<u>170,925</u>
Non-instruction:					
Supplies-materials	-	-	657	(657)	(657)
Contingency reserve	595,000	595,000	-	595,000	595,000
Total expenditures	<u>21,449,213</u>	<u>21,878,393</u>	<u>20,780,670</u>	<u>668,543</u>	<u>1,097,723</u>
Excess (deficiency) of revenues over/under expenditures	<u>(745,042)</u>	<u>(775,401)</u>	<u>811,253</u>	<u>1,556,295</u>	<u>1,586,654</u>
Other financing sources (uses):					
Transfers in	31,477	37,200	25,087	(6,390)	(12,113)
Transfers out	(222,600)	(224,600)	(224,600)	(2,000)	-
Total other financing sources (uses)	<u>(191,123)</u>	<u>(187,400)</u>	<u>(199,513)</u>	<u>(8,390)</u>	<u>(12,113)</u>
Net change in fund balance	<u>\$ (936,165)</u>	<u>\$ (962,801)</u>	<u>611,740</u>	<u>\$ 1,547,905</u>	<u>\$ 1,574,541</u>
Fund balance - Beginning of year			<u>4,535,972</u>		
Fund balance - End of year			<u>\$ 5,147,712</u>		

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)	
				Original to Actual	Amended to Actual
REVENUES					
Local:					
Taxes	905,000	751,200	744,600	(160,400)	(6,600)
Earnings on investment	200	200	777	577	577
Total local	<u>905,200</u>	<u>751,400</u>	<u>745,377</u>	<u>(159,823)</u>	<u>(6,023)</u>
State:					
Other state support	45,382	22,700	22,691	(22,691)	(9)
Total revenues	<u>950,582</u>	<u>774,100</u>	<u>768,068</u>	<u>(182,514)</u>	<u>(6,032)</u>
EXPENDITURES					
Debt service:					
Principal	1,232,345	1,062,565	420,000	812,345	642,565
Interest	362,831	362,824	362,825	6	(1)
Total expenditures	<u>1,595,176</u>	<u>1,425,389</u>	<u>782,825</u>	<u>812,351</u>	<u>642,564</u>
Net change in fund balance	<u>\$ (644,594)</u>	<u>\$ (651,289)</u>	(14,757)	<u>\$ 629,837</u>	<u>\$ 636,532</u>
Fund balance - Beginning of year			<u>651,289</u>		
Fund balance - End of year			<u>\$ 636,532</u>		

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

CAPITAL PROJECTS FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended June 30, 2016

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)	
				Original to Actual	Amended to Actual
REVENUES					
Local:					
Earnings on investments	3,000	2,000	4,471	1,471	2,471
Other	30,000	107,702	185,158	155,158	77,456
Total revenues	33,000	109,702	189,629	156,629	79,927
EXPENDITURES					
Purchased services	-	9,800	9,542	(9,542)	258
Capital objects	2,619,821	2,631,796	511,725	2,108,096	2,120,071
Total expenditures	2,619,821	2,641,596	521,267	2,098,554	2,120,329
Excess (deficiency) of revenues over/under expenditures	(2,586,821)	(2,531,894)	(331,638)	2,255,183	2,200,256
Other financing sources (uses):					
Transfers in	196,600	196,600	196,600	-	-
Net change in fund balance	\$ (2,390,221)	\$ (2,335,294)	(135,038)	\$ 2,255,183	\$ 2,200,256
Fund balance- Beginning of year			2,335,294		
Fund balance- End of year			\$ 2,200,256		

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

AGENCY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets		
Due from other funds	<u>319,531</u>	
Total assets		319,531
Deferred outflows of resources		<u>-</u>
Total assets and deferred outflows of resources		<u>319,531</u>

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Due to student groups	<u>319,531</u>	
Total liabilities		319,531
Deferred inflows of resources		<u>-</u>
Total liabilities and deferred inflows of resources		<u>319,531</u>

NET POSITION		<u><u>\$ -</u></u>
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MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 Summary of Significant Accounting Policies

The financial statements of the Moscow School District No. 281 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 Moscow School District No. 281 is the basic level of government which has financial accountability and control over all activities related to the public school education in the City of Moscow. 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. In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 14 which are included in the District's reporting entity.

Basis of Presentation - 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 as there are no "business-type activities" within the school district.

The statement of activities present's 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 classified as program revenues, including all taxes and state foundation aid, are presented as general revenues.

NOTE 1 Summary of Significant Accounting Policies (Continued)

- **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 non-major 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.** These restricted funds are used to make the principal and interest payments for outstanding general obligation bonds.
- **Capital Projects Funds.** These funds are 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 fund types:

- **Agency funds.** These funds account for amounts held by the District for endowments, revolving trust and activity accounts as dictated by the individual group. Operations of these groups are not considered a part of District financial operations.

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. Property taxes, state support and grant revenues are susceptible to accrual.

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.

NOTE 1 Summary of Significant Accounting Policies (Continued)

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.

Budgets - Budgets are adopted on a basis consistent with governmental accounting principles utilizing the modified accrual basis of accounting. Annual appropriated budgets are adopted for the general, special revenue, debt service funds, and capital project funds. All annual appropriations lapse at fiscal year end. Expenditures may not legally exceed budgeted appropriation at the fund total level.

Encumbrances represent commitments relating to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because commitments will be honored during the subsequent year and included in the following year's budgeted expenditures.

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

1. No later than 28 days prior to its Annual Meeting, the Board of Trustees shall have prepared a budget in a form prescribed by the State Superintendent of Public Instruction and shall have called and caused to be held a public hearing.
2. At such public hearing, or at a special meeting held no later than 14 days after the public hearing, shall adopt a budget for the ensuing year.
3. Notice of the hearing shall be posted for at least 10 days prior to the date of the hearing and published once in the newspaper of record for the County.
4. The public hearing is set to obtain taxpayer, patron and community comments.
5. The Annual Meeting shall be on the date of the District's regular July meeting of each year.

Management may amend the budget without seeking the approval of the Board for revisions that do not increase the total budget.

Cash and Investments - The District's cash includes amounts in demand deposits and checking/savings accounts in local depositories. Investments are deposited in the Idaho State

NOTE 1 Summary of Significant Accounting Policies (Continued)

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

Short-Term Inter-fund 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 inter-fund loans are classified as "inter-fund receivables/payables." Interfund balances have been eliminated when applicable, on the statement of net position.

Prepaid Supplies - Prepaid supplies are valued at cost on the first-in, first-out basis. Prepaid supplies in the General Fund consist of expendable supplies added to inventory at the time individual items are purchased. Reported prepaid supplies are equally offset by a fund balance reserve that indicates that they do not constitute resources available for expenditure even though they are a component of net current assets. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Capital 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 \$10,000. All purchases and improvements to facilities that 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 "Moscow 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, not to exceed 60 days. Accrued compensated absences total \$100,046. Employees are not paid for unused sick leave upon termination of employment with the District. The District has no responsibility for any other salary-related compensation when an employee leaves the District.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as a fund liability of the governmental fund that will pay it. The General Fund generally liquidates vested or accumulated vacation leave. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Long-Term Obligations - Long-term debt includes the amount of general obligation bonds outstanding.

Inter-fund Transactions - Inter-fund transactions, excluding inter-fund receivables and payables, are reported as operating transfers.

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

GASB 54, Fund Balance Definitions - 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, 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 amounts not contained in the other classifications.

Reserves represent those portions of fund equity not available for expenditures or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Reserved balances are as follows:

Projects – The capital projects accounts for the acquisition of fixed assets or construction of major capital projects in various schools and grounds.

Special Programs – Special revenue funds restricted by grant award.

Encumbrances – Unliquidated obligations that will be expended upon vendor performances. Year ended June 30, 2016 budget commitments.

Bond Rating – To improve and protect District future bond rating as recommended by the Bond Council.

NOTE 1 Summary of Significant Accounting Policies (Continued)

Nonspendable balances are as follows:

Inventories – Supplies inventory.

Prepaid Supplies and Costs – Principally paper, transportation parts, supplies and food.

Deferred Revenue - Deferred revenue in the General and Debt Service Funds represent property taxes recorded but not estimated to be collected within 60 days of the end of the accounting period.

Unavailable Property Taxes Revenue – Unavailable property tax revenue in the General Fund and Debt Service Fund represents the property taxes levied for 2016 that is measurable but unavailable to the District, and therefore recorded as a deferred inflow or resources in both the governmental fund and the government-wide financial statements.

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.

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.

Subsequent Events – Subsequent events have been evaluated through the date of the auditor’s report. 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. The market value for the district as of December 31, 2015 was \$1,356,127,167.

The District’s tax levy rate for the year ending June 30, 2016 was 5.42902% per \$100 of value for the payment of the 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 for the year ended June 30, 2016 was 75.02315% per \$100 of value. The total tax levy amount certified for the year ended June 30, 2016 was \$10,287,260 with total tax collections at \$10,071,561.

NOTE 2 Property Tax (Continued)

The lien date for taxes is January 1 for the current year. The assessment date is the fourth Monday in July. All taxing district budgets with corresponding levy rates are submitted by the County to the State Tax Commission on the second Monday in September.

Taxes are due in two equal installments, the first on December 20th and the second on June 20th. Due dates and collection dates are the same. Current supplemental levy tax collections for the year ended June 30, 2016 were 97.9% of the tax levy. Property taxes levied for 2015 are recorded as receivables if uncollected and a deferred revenue amount is recorded to the extent of taxes not estimated to be collected within 60 days of the end of the accounting period.

	General Fund	Debt Service Fund	Total
Taxes receivable at June 30, 2016	293,790	22,684	316,474
Less: Taxes collected by the County			
Treasurer by August 31, 2016	<u>84,562</u>	<u>6,874</u>	<u>91,436</u>
Deferred revenue	<u>\$209,228</u>	<u>\$15,810</u>	<u>\$225,038</u>

In accordance with GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the District has recognized the 2016 property tax levy as an asset. This levy is an enforceable legal claim created during the fiscal year. The 2016 property tax levy funds are considered unavailable as of June 30, 2016. The total property taxes levy for 2016 of \$10,209,137 is recorded as uncollected but are not considered available at June 30, 2016. The entire receivable is considered a deferred inflow of resources.

NOTE 3 Cash and Investments

Components of cash and investments at June 30, 2016 are as follows:

	Bank Balance	Carrying Balance
Checking account- U.S. Bank	\$287,334	\$165,810
Savings account - Wells Fargo	\$2,057,941	\$2,510,241
Total Cash	\$2,345,275	\$2,676,051

Deposits were with U.S. Bank and Wells Fargo Bank, of which up to \$250,000 at each bank was covered by Federal Deposit Insurance. The remaining balances of \$37,334 at U.S. Bank and \$1,807,941 at Wells Fargo Bank are in excess of the FDIC insured limits and are un-collateralized and unsecured.

Investments	Book Value	Market Value	Maturity – Less than 1 year
Idaho State Treasurer Local Government Investment Pool	\$4,085,237	\$4,085,237	\$4,085,237

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

NOTE 3

Cash and Investments (Continued)

Idaho Code. Authorized investments include bonds, treasury bills, interest-bearing notes, and other obligations of the U.S. Government, general obligation or revenue 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 policy and the Local Government Investment Pool financial statements which can be obtained by writing P.O. Box 83720, Boise, ID 83720-0091.

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

NOTE 4 Changes in Capital Assets

are exempt from disclosure. The district has no policy limiting the amount it may invest in any one issuer.

A summary of changes in general capital assets is as follows:

	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
Depreciated Capital Assets:				
Sites	547,356	3,510,646	-	4,058,002
Buildings	16,952,394	809,642	-	17,762,036
Equipment	947,331	136,369	-	1,083,700
Vehicles	<u>2,064,460</u>	<u>177,572</u>	<u>(143,944)</u>	<u>2,098,088</u>
Total depreciated capital assets	<u>20,511,541</u>	<u>4,632,229</u>	<u>(143,944)</u>	<u>25,001,826</u>
Non-depreciated Capital Assets:				
Land	533,161	-	-	533,161
Construction in progress – sites	3,401,408	-	(3,401,408)	-
Construction in progress – building	<u>705,962</u>	<u>10,473</u>	<u>(705,962)</u>	<u>10,473</u>
Total non-depreciated capital assets	<u>4,640,531</u>	<u>10,473</u>	<u>(4,107,370)</u>	<u>543,634</u>
Total capital assets	<u>25,152,072</u>	<u>4,642,702</u>	<u>(4,251,314)</u>	<u>25,543,460</u>
Accumulated Depreciation:				
Sites	342,526	137,875	-	480,401
Building	7,861,115	546,171	-	8,407,286
Equipment	513,879	112,493	-	626,372
Vehicles	<u>996,026</u>	<u>176,845</u>	<u>(122,958)</u>	<u>1,049,913</u>
Total accumulated depreciation	<u>9,713,546</u>	<u>973,384</u>	<u>(122,958)</u>	<u>10,563,972</u>
Net capital assets	<u>\$15,438,526</u>	<u>\$3,671,318</u>	<u>\$(4,128,356)</u>	<u>\$14,981,488</u>

NOTE 5 Long Term Liabilities

The following is a summary of bond transactions of the District for the year ended June 30, 2016.

Bonds payable @ July 1, 2015	10,165,000
Debt acquired	-
Debt retired	<u>(420,000)</u>
Bonds payable @ June 30, 2016	<u>\$9,745,000</u>

Bonds payable at June 30, 2016 consisted of the following issue:

General Obligation Bonds

Series 2013A (Taxable)

Original issue of \$910,000 due August 15, 2016.

Interest ranges from 1.0% to 1.25%.

185,000

NOTE 5 Long Term Liabilities (Continued)

Series 2013B (Tax-Exempt)

Original issue of \$9,560,000 due August 15, 2033.

Interest ranges from 3.0% to 4.25% 9,560,000

Total \$9,745,000

The annual requirements to amortize bond debt outstanding as of June 30, 2016 included interest as follows:

<u>Series 2013A</u>			
<u>Date of Redemption</u>	<u>Bond Principal</u>	<u>Interest Requirement</u>	<u>Total Requirement</u>
8/15/16	<u>\$185,000</u>	<u>\$1,156</u>	<u>\$186,156</u>
<u>Series 2013B</u>			
<u>Date of Redemption</u>	<u>Bond Principal</u>	<u>Interest Requirement</u>	<u>Total Requirement</u>
8/15/16	215,000	178,947	393,947
2/15/17		174,647	174,647
8/15/17	410,000	174,647	584,647
2/15/18		166,447	166,447
8/15/18	430,000	166,447	596,447
2/15/19		157,847	157,847
8/15/19	445,000	157,847	602,847
2/15/20		151,172	151,172
8/15/20	460,000	151,172	611,172
2/15/21		144,272	144,272
8/15/21	470,000	144,272	614,272
2/15/22		137,222	137,222
8/15/22	485,000	137,222	622,222
2/15/23		129,947	129,947
8/15/23	500,000	129,947	629,947
2/15/24		122,447	122,447
8/15/24	515,000	122,447	637,447
2/15/25		114,722	114,722
8/15/25	530,000	114,722	644,722
2/15/26		104,122	104,122
8/15/26	555,000	104,122	659,122
2/15/27		93,022	93,022
8/15/27	575,000	93,022	668,022
2/15/28		81,522	81,522
8/15/28	600,000	81,522	681,522
2/15/29		69,522	69,522
8/15/29	620,000	69,522	689,522
2/15/30		57,122	57,122

Series 2013B			
<u>Date of Redemption</u>	<u>Bond Principal</u>	<u>Interest Requirement</u>	<u>Total Requirement</u>
8/15/30	645,000	57,122	702,122
2/15/31		43,819	43,819
8/15/31	675,000	43,819	718,819
2/15/32		29,475	29,475
8/15/32	700,000	29,475	729,475
2/15/33		14,600	14,600
8/15/33	<u>730,000</u>	<u>14,600</u>	<u>744,600</u>
Total	<u>\$9,560,000</u>	<u>\$3,762,801</u>	<u>\$13,322,801</u>

Totals			
<u>Date of Redemption</u>	<u>Bond Principal</u>	<u>Interest Requirement</u>	<u>Total Requirement</u>
2017	400,000	354,750	754,750
2018	410,000	341,094	751,094
2019	430,000	324,294	754,294
2020	445,000	309,019	754,019
2021	460,000	295,444	755,444
2022	470,000	281,494	751,494
2023	485,000	267,169	752,169
2024	500,000	252,394	752,394
2025	515,000	237,169	752,169
2026	530,000	218,844	748,844
2027	555,000	197,144	752,144
2028	575,000	174,544	749,544
2029	600,000	151,044	751,044
2030	620,000	126,644	746,644
2031	645,000	100,941	745,941
2032	675,000	73,294	748,294
2033	700,000	44,075	744,075
2034	<u>730,000</u>	<u>14,600</u>	<u>744,600</u>
Totals	<u>\$9,745,000</u>	<u>\$3,763,957</u>	<u>\$13,508,957</u>

During the year ended June 30, 2016, the following changes occurred:

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>
Series 2013A	605,000	-	(420,000)	185,000
Series 2013B	<u>9,560,000</u>	-	-	<u>9,560,000</u>
Totals	<u>\$10,165,000</u>	<u>\$ -</u>	<u>(\$420,000)</u>	<u>\$9,745,000</u>

The District's legal debt limit is calculated at 5% of the fair market value of property located within the District, calculated as follows:

Market value at December 31, 2015	\$1,356,127,167
Debt limitation (5% of assessed market value)	<u>5%</u>
Debt Limitation	67,806,358
Less bonded debt at June 30, 2016	<u>(9,745,000)</u>
Legal Debt Margin	<u><u>\$58,061,358</u></u>

As of June 30, 2016, \$636,532 was available in the debt service fund to service the general obligation bonds.

NOTE 6 Pension Plan

In accordance with GASB 68, *Accounting and Financial Reporting for Pensions*, which became effective for the year ended June 30, 2016, 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, 2015. All amounts are as of June 30, 2015 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.

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.

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

NOTE 6 Pension Plan (Continued)

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, 2016 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 \$1,759,920, \$1,683,583 and \$1,645,883, for the three years ended June 30, 2016, 2015, and 2014, respectively.

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

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability as of June 30, 2015. The net pension liability was measured as of July 1, 2015, 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 July 1, 2015, the District's proportion was 0.5325667 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, 2016 has not been completed at the time of issuance. The pension expense (revenue) for the year ending June 30, 2015 was calculated at \$1,397,516.

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	840,712
Changes in assumptions or other inputs	255,404	-
Net difference between projected and actual earning on pension plan investments	2,580,993	3,682,796

NOTE 6 Pension Plan (Continued)

Employer contributions subsequent to the measurement date	<u>1,759,920</u>	<u>-</u>
Total	<u>\$4,596,317</u>	<u>\$4,523,508</u>

\$1,759,920 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, 2017.

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:

For the Year Ending June 30:	Amount to be Recognized
2016	(719,390)
2017	(719,390)
2018	(719,390)
2019	522,150
2020	(51,093)

Actuarial Assumptions

The total pension liability in the July 1, 2015 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	1.0%

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

An experienced study was performed in 2012 for the period July, 1 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2015 for the period from July 1, 2009 through June 30, 2013. The net pension liability as of June 30, 2015 is based on the results on the results of an actuarial valuation date of June 30, 2015.

NOTE 6 Pension Plan (Continued)

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 consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

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

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Russell 3000	55.00%	6.9%
Developed Foreign Equities	MSCI ACWI ex USA	15.00%	7.55%
 <u>Actuarial Assumptions</u>			
Assumed Inflation Mean			3.25%
Assumed Inflation Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Standard Deviation			13.34%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			.40%
Long-Term Expected 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

NOTE 6 Pension Plan (Continued)

liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

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:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	\$17,081,211	\$7,013,037	\$(1,357,314)

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.

Payables to the pension plan

At June 30, 2015, 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 Other Post-Employment Benefits

The District's Employee Group Benefits Plan is a single-employer plan that provides health insurance benefits to eligible retirees and their dependents from the time of retirement until the employee/retiree reaches age 65 and becomes eligible for Medicare benefits. Retirees pay 100% of the premium cost for themselves and their dependents.

No assets of Moscow School District meet the definition of plan assets under GASB 43 or 45. The unfunded actuarial accrued liability is amortized over a 25-year period on an open basis beginning July 1, 2008.

The actuarial funding method used to determine the cost of the Moscow School District No. 281 Employee Group Benefits Plan is the projected unit credit funding method. The objective

NOTE 7 Other Post-Employment Benefits (Continued)

under this method is to fund each participant's benefits under the plan as they accrue. Thus, the total benefit to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The Annual Required Contribution (ARC) for the plan has been determined under the projected unit credit cost method as of June 30, 2011. Several assumptions were made by the consulting actuaries in determining the ARC, including use of a 45 percent participation rate and a 4.25 percent discount rate for this valuation, which is considered reasonable for school districts. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year, and amortize any unfunded actuarial liabilities (or funding excess) over a period of twenty-five years. The District funds the benefits on a pay-as-you-go basis from the general assets.

The following table shows the components of the District's net OPEB obligation to provide access to district healthcare benefits for those retirees who have not yet reached age 65 and become eligible for benefits under Medicare. The annual required contribution is recorded as a non current liability.

Valuation Results Highlights	FY Ending June 30, 2009	FY Ending June 30, 2011	Percentage Change
Annual Required Contribution (ARC)	\$154,438	\$217,563	40.9%
Accrued Liability	\$1,749,811	\$2,039,700	16.6%
Accrued Liability Assets	\$0	\$0	
Funded Status	0%	0%	
Total Participants	348	353	1.4%

After considering the cost of the actuarial study, the Board of Trustees voted to discontinue the GASB 45 actuarial valuation for the year ended June 30, 2016.

NOTE 8 Risk Management

The District purchases commercial insurance to cover the risk of property loss and legal liability. Management feels the level of coverage is adequate to cover any risk of loss. A general summary of the insurance coverage in effect at June 30, 2016 is as follows:

Property - \$65,605,930 blanket limit. Replacement cost coverage with a \$2,500 deductible. In addition to the blanket limit, the following coverages are included in the plan:

Newly Acquired or Constructed Property Building	\$1,000,000
Newly Acquired or Constructed Property Business – Personal Property	500,000
Personal Effects	50,000
Property of Others	50,000
Restoration of Data – On Premises	100,000
Restoration of Data – Off Premises	15,000
Restoration of Valuable Papers – On Premises	100,000

NOTE 8 Risk Management (Continued)

Restoration of Valuable Papers – Off Premises	100,000
Property Off-Premises	
Property at Unscheduled Locations	100,000
Personal Property in Transit	100,000
Installation Coverage	15,000
Trees, Shrubs and Plants	25,000
Extra Expense	25,000
Reward Payments	5,000
Money and Securities	
Inside Premises	5,000
Outside Premises	5,000
Storage of Duplicate Data and Records	50,000
Accounts Receivable	
On Premises	100,000
Off Premises	100,000
Restoration of Valuable Papers and Records	
On Premises	100,000
Off Premises	100,000
Debris Removal – Additional Limit	500,000
Fire Department Service Charge	25,000
Pollutant Clean Up and Removal 12 Month – Aggregate	50,000
Inventory and Appraisals	10,000
Recharge of Fire Protection Equipment Resulting From Other Than a Covered Cause of Loss	10,000
Backup of Sewer or Drains	25,000
Business Income	250,000
General Liability	
Per Occurrence	2,000,000
Aggregate Limit	5,000,000
Liability, Automobiles	
Combined Single Limit	3,000,000
Auto Medical Payments	1,000
Uninsured Motorists	250,000
Underinsured Motorists	250,000

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 9 Contingent Liabilities

The District participates in a number of state and federally assisted grant programs, mainly Title I, IDEA Part B and the National School Lunch Program. These programs were subjected to financial and compliance audits as outlined in *OMB Compliance Supplement* during the course of the annual audit of the District’s records and are subject to additional audits by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time; although the District expects such amounts, if any, to be immaterial.

NOTE 10 – 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 with “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. Transfers consist of:

Transfers from the General Fund to:

Child Nutrition	23,000
Arts in Education	5,000
Plant Facilities	<u>196,600</u>
	<u>\$224,600</u>

Transfers to the General Fund from

Title I-A, ESEA	14,628
Title II-A, ESEA – Improving Teacher Quality	4,280
Federal Grants	<u>6,179</u>
	<u>\$25,087</u>

<u>Fund</u>	<u>To</u>	<u>From</u>
General	25,087	224,600
Child Nutrition	23,000	-
Title I-A, ESEA	-	14,628
Title II-A, ESEA	-	4,280
Arts in Education	5,000	-
Federal Grants	-	6,179
Plant Facilities	<u>196,600</u>	-
Total	<u>\$249,687</u>	<u>\$249,687</u>

NOTE 10 Interfund Receivables, Payables and Transfers (Continued)

The composition of interfund receivables and payables as of June 30, 2016 was as follows:

	<u>Due from Other</u>	<u>Due to Other</u>
	<u>Funds</u>	<u>Funds</u>
General Fund		1,388,891
Special Revenue Funds:		
Federal Forest	188,424	-
Local Special Projects	26,845	-
After School Programs Activities	227,491	-
Activities	69,155	-
Art in Education	4,502	-
Health Education	3,027	-
Insurance Excess Reserve and Broker Consulting	331	-
Driver Education	15,062	-
State Professional Technical	-	1,607
State Technology	10,276	-
Title IA ESEA Improving Basic Programs	-	71,853
IDEA Part B Preschool	-	93,438
IDEA Part B School Age	-	3,671
Perkins III Professional Technical Act	-	28,587
Title IIA ESEA Improving Teacher Quality	-	9,012
Federal Grants	-	48,223
Child Nutrition	85,837	-
Debt Service	54,424	-
Plant Facilities	598,868	-
Capital Construction Projects	41,509	-
Agency Funds	<u>319,531</u>	-
Total	<u>\$1,645,282</u>	<u>\$1,645,282</u>

REQUIRED SUPPLEMENTARY INFORMATION



MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2016

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

PERSI – Base Plan

As of June 30,

	<u>2015</u>	<u>2014</u>
Employer's portion of the net pension liability	0.53257%	0.53668%
Employer's proportionate share of the net pension liability	\$ 7,013,037	\$ 3,950,772
Employer's covered employee payroll	\$ 14,872,736	\$ 14,543,201
Employer's proportional share of the net pension liability as a percentage of its covered employee payroll	47.15%	27.17%
Plan fiduciary net position as a percentage of the total	91.38%	94.95%

Schedule of District Contributions*

PERSI – Base Plan

As of June 30,

	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 1,688,610	\$ 1,645,842
Contributions in relation to the statutorily required contribution	\$ (1,688,610)	\$ (1,645,842)
Contribution (deficiency) excess	\$ -	\$ -
Employer's covered employee payroll	\$ 14,872,736	\$ 14,543,201
Contributions as a percentage of covered employee payroll	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 Moscow School District NO. 281, will present information for those years for which information is available.

Data reported is measured as of June 30, 2015.

Notes to the Supplementary Information

As of June 30, 2016

Change of Assumptions - Amounts reported as of June 30, 2014 reflect an adjustment of the investment rate of return to 7.10 percent, net of pension plan investment expense.

SUPPLEMENTARY INFORMATION



MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

NONMAJOR SPECIAL REVENUE FUND DESCRIPTIONS

These funds are used to account for the proceeds of specific revenue sources or to finance specific activities as required by law or administrative regulations.

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.

Driver Education Fund – To account for costs of providing a driver education program. Financing for the program is provided through the State Department of Education and by student fees.

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

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

IDEA Part B School Age Fund – To account for designated Federal revenue spent on programs to provide for special testing, physical therapy, teacher aides, equipment and materials, etc. in special education.

IDEA Part B Preschool Fund – To account for designated Federal revenue spent on programs for preschool-aged special needs students. The District supplements the staffing for this program.

Perkins III Professional Technical Act Fund – To account for designated Federal revenue spent for educating students that are economically disadvantaged, handicapped or with limited English proficiency about opportunities available in vocational education.

State Technology Fund – To account for State and Federal money spent toward technology improvements throughout the District.

State Professional Technical Fund – To account for designated State revenue spent on equipment and materials for vocational programs.

Title II A ESEA Fund – To account for designated Federal revenue spent on improving the skills of teachers and instruction in mathematics and science.

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

NONMAJOR SPECIAL REVENUE FUND DESCRIPTIONS (CONTINUED)

Other Special Revenue Funds:

Federal Special Grants Fund – To account for Federal grant money to be spent on specific programs and projects.

After School Programs Fund – To account for locally funded after-school childcare programs.

Activities Fund – To account for locally funded activities accounts. Includes revenues such as gate fees and expenses such as game management.

Arts in Education Fund – To account for designated Federal revenue spent on bringing consultants and resident artists into the School District to enhance sequential and visual arts programs.

Health Education Network Fund – To account for Federal funds used to promote health awareness.

Local Special Projects Fund – To account for local grant money to be spent on specific programs and projects.

Insurance Broker and Excess Reserve Fund – To negotiate medical insurance costs and to account for excess insurance reserves.

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2016

	Child Nutrition	Driver Education	Federal Forest Reserve	Title I-A ESEA	IDEA Part B School Age	IDEA Part B Preschool
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets:						
Due from other funds	85,837	15,062	188,424	-	-	-
Other receivables	13,591	3,500	-	117,071	163,916	7,278
Prepaid supplies and costs	43,981	-	-	-	-	-
Total assets	143,409	18,562	188,424	117,071	163,916	7,278
Deferred outflows of resources	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 143,409	\$ 18,562	\$ 188,424	\$ 117,071	\$ 163,916	\$ 7,278
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities:						
Due to other funds	-	-	-	71,853	93,438	3,671
Accounts payable	3,920	315	-	1,328	507	-
Accrued payroll and benefits	56,421	-	-	43,890	69,971	3,607
Accrued compensated absences	-	-	-	-	-	-
Total liabilities	60,341	315	-	117,071	163,916	7,278
Deferred inflows of resources	-	-	-	-	-	-
Fund balances:						
Nonspendable:						
Inventories	43,981	-	-	-	-	-
Restricted for:						
Grant programs	39,087	18,247	-	-	-	-
Assigned to:						
Capital objects	-	-	188,424	-	-	-
Total fund balances	83,068	18,247	188,424	-	-	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 143,409	\$ 18,562	\$ 188,424	\$ 117,071	\$ 163,916	\$ 7,278

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (CONTINUED)
June 30, 2016

	State Technology	Professional Technical	Perkins III - Professional Technical Act	Title II-A, ESEA Improving Teacher Quality	Other Special Revenue Funds	Totals
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets:						
Due from other funds	10,276	-	-	-	331,351	630,950
Other receivables	-	6,912	29,032	16,055	123,571	480,926
Prepaid supplies and costs	-	-	-	-	-	43,981
Total assets	<u>10,276</u>	<u>6,912</u>	<u>29,032</u>	<u>16,055</u>	<u>454,922</u>	<u>1,155,857</u>
Deferred outflows of resources	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 10,276	\$ 6,912	\$ 29,032	\$ 16,055	\$ 454,922	\$ 1,155,857
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE						
Liabilities:						
Due to other funds	-	1,607	28,587	9,012	48,223	256,391
Accounts payable	-	3,942	-	3,041	6,129	19,182
Accrued payroll and benefits	-	1,363	445	4,002	11,908	191,607
Accrued compensated absences	-	-	-	-	2,954	2,954
Total liabilities	<u>-</u>	<u>6,912</u>	<u>29,032</u>	<u>16,055</u>	<u>69,214</u>	<u>470,134</u>
Deferred inflows of resources	-	-	-	-	-	-
Fund balances:						
Nonspendable:						
Inventories	-	-	-	-	-	43,981
Restricted for:						
Grant programs	10,276	-	-	-	385,708	453,318
Assigned to:						
Capital projects	-	-	-	-	-	188,424
Total fund balances	<u>10,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>385,708</u>	<u>685,723</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,276	\$ 6,912	\$ 29,032	\$ 16,055	\$ 454,922	\$ 1,155,857

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2016

	Child Nutrition	Driver Education	Federal Forest Reserve	Title I-A ESEA	IDEA Part B School Age	IDEA Part B Preschool
Revenue						
Local						
Lunch sales	187,548	-	-	-	-	-
Other	92,037	15,120	-	-	-	-
Total local	279,585	15,120	-	-	-	-
State						
Restricted grants	-	13,875	-	-	-	-
Other state support	-	-	-	-	-	-
Total state	-	13,875	-	-	-	-
Federal						
School lunch reimbursement	453,545	-	-	-	-	-
Restricted grants	1,425	-	-	342,785	479,705	22,636
Other	-	-	35,050	-	-	-
Total federal	454,970	-	35,050	342,785	479,705	22,636
Total revenues	734,555	28,995	35,050	342,785	479,705	22,636
Expenditures						
Instruction						
Salaries	-	18,773	-	216,658	210,418	12,984
Benefits	-	3,806	-	82,539	125,336	8,987
Purchased services	-	375	-	638	46,696	-
Supplies-materials	-	915	-	3,231	-	665
Capital objects	-	7,530	-	8,820	-	-
Total instruction	-	31,399	-	311,886	382,450	22,636
Support						
Salaries	-	-	-	10,776	62,869	-
Benefits	-	-	-	3,343	34,386	-
Purchased services	-	-	-	-	-	-
Supplies-materials	-	-	-	-	-	-
Capital objects	-	-	-	-	-	-
Total support	-	-	-	14,119	97,255	-
Non-instruction						
Salaries	271,803	-	-	-	-	-
Benefits	154,538	-	-	-	-	-
Purchased services	6,538	-	-	-	-	-
Supplies-materials	338,624	-	-	2,152	-	-
Capital objects	4,134	-	-	-	-	-
Total non-instruction	775,637	-	-	2,152	-	-
Total expenditures	775,637	31,399	-	328,157	479,705	22,636
Excess (deficiency) of revenues over/under expenditures	(41,082)	(2,404)	35,050	14,628	-	-
Other financing sources (uses):						
Transfers in	23,000	-	-	-	-	-
Transfers out	-	-	-	(14,628)	-	-
Total other financing sources (uses)	23,000	-	-	(14,628)	-	-
Net change in fund balances	(18,082)	(2,404)	35,050	-	-	-
Fund balance- Beginning of year	101,150	20,651	153,374	-	-	-
Fund Balance - End of year	\$ 83,068	\$ 18,247	\$ 188,424	\$ -	\$ -	\$ -

Moscow, Idaho
Moscow, Idaho

ALL SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED)
For the Year Ended June 30, 2016

	State Technology	State Professional Technical	Perkins III - Professional Technical Act	Title II-A, ESEA Improving Teacher Quality	Other Special Revenue Funds	Totals
Revenue						
Local						
Lunch sales	-	-	-	-	-	187,548
Other	-	-	-	-	511,845	619,002
Total local	-	-	-	-	511,845	806,550
State						
Restricted grants	19,529	25,162	-	-	-	58,566
Other state support	-	-	-	-	4,000	4,000
Total state	19,529	25,162	-	-	4,000	62,566
Federal						
School lunch reimbursement	-	-	-	-	-	453,545
Restricted grants	-	-	29,052	92,196	235,403	1,203,202
Other	-	-	-	-	-	35,050
Total federal	-	-	29,052	92,196	235,403	1,691,797
Total revenues	19,529	25,162	29,052	92,196	751,248	2,560,913
Expenditures						
Instruction						
Salaries	-	6,885	-	19,433	13,187	498,338
Benefits	-	1,409	-	6,955	2,036	231,068
Purchased services	-	3,619	-	17,806	50,959	120,093
Supplies-materials	-	9,953	-	149	31,205	46,118
Capital objects	-	3,296	-	-	990	20,636
Total instruction	-	25,162	-	44,343	98,377	916,253
Support						
Salaries	-	-	20,149	3,400	36,398	133,592
Benefits	-	-	1,674	608	10,541	50,552
Purchased services	15,173	-	20	37,362	215,488	268,043
Supplies-materials	-	-	3,424	2,203	22,579	28,206
Capital objects	395	-	3,785	-	88,845	93,025
Total support	15,568	-	29,052	43,573	373,851	573,418
Non-instruction						
Salaries	-	-	-	-	239,766	511,569
Benefits	-	-	-	-	60,102	214,640
Purchased services	-	-	-	-	16,559	23,097
Supplies-materials	-	-	-	-	19,263	360,039
Capital objects	-	-	-	-	409	4,543
Total non-instruction	-	-	-	-	336,099	1,113,888
Total expenditures	15,568	25,162	29,052	87,916	808,327	2,603,559
Excess (deficiency) of revenues over/under expenditures	3,961	-	-	4,280	(57,079)	(42,646)
Other financing sources (uses):						
Transfers in	-	-	-	-	5,000	28,000
Transfers out	-	-	-	(4,280)	(6,179)	(25,087)
Total other financing sources (uses)	-	-	-	(4,280)	(1,179)	2,913
Net change in fund balances	3,961	-	-	-	(58,258)	(39,733)
Fund balance- Beginning of year	6,315	-	-	-	443,966	725,456
Fund Balance - End of year	\$ 10,276	\$ -	\$ -	\$ -	\$ 385,708	\$ 685,723

MOSCOW SCHOOL DISTRICT NO. 281
 Moscow, Idaho

OTHER SPECIAL REVENUE FUNDS
 SUPPLEMENTAL SCHEDULE OF FUND ACTIVITY
 For the Year Ended June 30, 2016

	Budgeted Revenue	Actual Revenue	Budgeted Expenditures	Actual Expenditures	Transfers In (Out)	Beginning Fund Balance	Ending Fund Balance
Federal Special Projects	384,451	235,403	389,195	229,224	(6,179)	4,744	4,744
After School Programs	323,000	395,231	545,449	338,773	-	222,250	278,708
Activities	93,300	99,599	147,363	84,252	-	54,063	69,410
Arts In Education	5,000	-	5,444	789	5,000	443	4,654
Health Education Network	-	-	3,157	130	-	3,157	3,027
Local Special Projects	14,350	21,015	34,347	16,179	-	19,998	24,834
Insurance Broker Consulting	-	-	139,311	138,980	-	139,311	331
	<u>\$ 820,101</u>	<u>\$ 751,248</u>	<u>\$ 1,264,266</u>	<u>\$ 808,327</u>	<u>\$ (1,179)</u>	<u>\$ 443,966</u>	<u>\$ 385,708</u>

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

CAPITAL PROJECTS FUND DESCRIPTIONS

Plant Facilities Fund – This fund is established to account for appropriated funds to acquire plant facility items. Financing is provided by tax revenues.

Capital Construction Projects Fund – This fund is established to account for restricted funds used for bond capital projects. Revenue was generated through the sale of general obligation bonds.

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
June 30, 2016

	<u>Plant Facilities</u>	<u>Capital Construction Projects</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets:			
Cash	-	502,552	502,552
Investments	62,047	986,321	1,048,368
Due from other funds	598,868	41,509	640,377
Other receivables	336	22,164	22,500
Total assets	<u>661,251</u>	<u>1,552,546</u>	<u>2,213,797</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflow of resources	<u>\$ 661,251</u>	<u>\$ 1,552,546</u>	<u>\$ 2,213,797</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities:			
Accounts payable	<u>9,484</u>	<u>4,057</u>	<u>13,541</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance:			
Restricted for capital projects	651,767	-	651,767
Restricted for bond capital projects	-	1,548,489	1,548,489
Total fund balance	<u>651,767</u>	<u>1,548,489</u>	<u>2,200,256</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 661,251</u>	<u>\$ 1,552,546</u>	<u>\$ 2,213,797</u>

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
June 30, 2016

	Plant Facilities	Capital Construction Projects	Total
REVENUES			
Local:			
Earnings on investments	-	4,471	4,471
Other	60,035	125,123	185,158
Total revenues	60,035	129,594	189,629
EXPENDITURES			
Purchased services	-	9,542	9,542
Capital objects	297,875	213,850	511,725
Total expenditures	297,875	223,392	521,267
Excess (deficiency) of revenues over (under) expenditures	(237,840)	(93,798)	(331,638)
Other financing sources:			
Transfers in	196,600	-	196,600
Net change in fund balances	(41,240)	(93,798)	(135,038)
Fund balance - Beginning of year	693,007	1,642,287	2,335,294
Fund balance - End of year	\$ 651,767	\$ 1,548,489	\$ 2,200,256

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

PLANT FACILITIES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL
June 30, 2016

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local:			
Other	60,035	38,000	22,035
	<u>60,035</u>	<u>38,000</u>	<u>22,035</u>
EXPENDITURES			
Capital objects	297,875	927,607	629,732
	<u>297,875</u>	<u>927,607</u>	<u>629,732</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(237,840)</u>	<u>(889,607)</u>	<u>651,767</u>
Other financing sources:			
Transfers in	196,600	196,600	-
	<u>196,600</u>	<u>196,600</u>	<u>-</u>
Net change in fund balance	(41,240)	<u>\$ (693,007)</u>	<u>\$ 651,767</u>
Fund balance - Beginning of year	<u>693,007</u>		
Fund balance - End of year	<u>\$ 651,767</u>		

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

CAPITAL CONSTRUCTION PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL
June 30, 2016

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local:			
Earnings on investments	4,471	2,000	2,471
Other	<u>125,123</u>	<u>69,702</u>	<u>55,421</u>
Total revenues	<u>129,594</u>	<u>71,702</u>	<u>57,892</u>
EXPENDITURES			
Purchased services	9,542	9,800	258
Capital objects	<u>213,850</u>	<u>1,704,189</u>	<u>1,490,339</u>
Total expenditures	<u>223,392</u>	<u>1,713,989</u>	<u>1,490,597</u>
Net change in fund balance	(93,798)	<u>\$ (1,642,287)</u>	<u>\$ 1,548,489</u>
Fund balance - Beginning of year	<u>1,642,287</u>		
Fund balance - End of year	<u>\$ 1,548,489</u>		

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

AGENCY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets:				
Due From:				
Administrative Activities	33,088	301,520	298,707	35,900
District Admin and Elementary	49,930	77,450	70,799	56,580
Middle School	65,743	54,153	55,851	64,045
Senior High School	137,327	246,505	220,826	163,005
Total assets	286,088	679,627	646,184	319,531
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflow of resources	286,088	679,627	646,184	319,531
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Liabilities:				
Due to student groups:				
Administrative Activities	33,088	301,520	298,707	35,900
District Admin and Elementary	49,930	77,450	70,799	56,580
Middle School	65,743	54,153	55,851	64,045
Senior High School	137,327	246,505	220,826	163,005
Total liabilities	286,088	679,627	646,184	319,531
Deferred inflows of resources	-	-	-	-
Total liabilities and deferred outflow of resources	286,088	679,627	646,184	319,531
NET POSITION				
Total net position	\$ -	\$ -	\$ -	\$ -

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

ADMINISTRATIVE ACTIVITIES
STATEMENT OF CHANGES IN FIDUCIARY TRUST ACCOUNTS
For the Year Ended June 30, 2016

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Sales Tax / Accounts Payable	2,701	271,960	267,036	7,624
Activities Administration	-	3,406	3,406	-
IHSAA	2,806	2	-	2,808
Concessions	17,182	22,876	27,742	12,317
AAU	492	-	-	492
Calendar	2,225	-	-	2,225
Invitationals / Tournaments	3,165	975	263	3,876
Donations / Grants	4,517	2,300	259	6,559
Total	<u>\$ 33,088</u>	<u>\$ 301,520</u>	<u>\$ 298,707</u>	<u>\$ 35,900</u>

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

DISTRICT ADMINISTRATION AND ELEMENTARY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY TRUST ACCOUNTS
For the Year Ended June 30, 2016

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Sales Tax / Accounts Payable	1,925	32,904	35,435	(606)
District Office	506	78	516	68
Mentor Program	2,019	2,266	1,558	2,727
D/W lost-damaged textbooks	3,818	185	-	4,003
Leadership-Scholarships/Travel	530	-	393	137
MHS IDFY	4	-	-	4
MMS Speak Out/IDFY	1,432	4,176	2,876	2,732
Crisis Team	3	-	-	3
Special Education	1,964	690	848	1,807
Russell - Donations	-	5,815	4,388	1,427
Russell - Chorus	1,376	2,204	2,106	1,474
Russell - Student Council ASB	139	20	-	159
Russell - lost-damaged textbooks	463	-	-	463
Russell - Revolving	2,165	1,979	1,628	2,516
Librarian - Donations	12	-	-	12
Russell - Librarian	775	1,091	1,114	751
West Park - Donations	2,086	-	0.08	2,086
West Park - Student Council ASB	8	-	-	8
West Park - Revolving	4,875	5,723	1,811	8,787
West Park - Librarian	1,284	660	414	1,530
McDonald - Revolving	14,188	9,046	6,519	16,715
McDonald - Librarian	2,356	474	1,047	1,783
Lena Whitmore - Revolving	7,148	7,620	8,786	5,982
Lena Whitmore - Librarian	855	2,518	1,359	2,013
Total	\$ 49,930	\$ 77,450	\$ 70,799	\$ 56,580

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

MIDDLE SCHOOL
STATEMENT OF CHANGES IN FIDUCIARY TRUST ACCOUNTS
For the Year Ended June 30, 2016

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Science	130	1,400	1,511	19
Foreign Language	3,112	-	-	3,112
Physical Education	3,247	3,096	70	6,274
Industrial Arts	1,022	-	-	1,022
Cross Country	538	907	716	729
Track	186	2,539	2,300	424
Boys Basketball	488	1,123	1,507	105
Football	3,238	1,677	2,866	2,048
Wrestling	191	302	133	360
Girls Basketball	460	734	1,163	32
Cheerleaders	38	932	925	45
Volleyball	324	-	-	324
Donations	4,133	3,630	3,113	4,650
Band	-	550	61	489
Orchestra	6,942	732	765	6,910
World Expo	-	1,907	1,810	97
Earth Club was Art	1,119	337	438	1,017
Drama	2,868	75	722	2,221
Future Problem Solving	80	400	-	480
Tech Club	2,374	6,391	6,857	1,907
Student Council - ASB	13,783	9,363	14,004	9,142
Student Publications	444	6,858	6,369	933
Environmental Group	375	-	-	375
URSA Major	23	385	409	-
Staff Wellness	349	-	184	165
Math Counts	231	600	-	831
Student Pop	6,181	1,197	-	7,378
Ambassadors	1,651	-	-	1,651
Class of 2019	80	-	-	80
Locks	1,491	-	-	1,491
Teacher Pop	507	430	937	-
Student Aid	2,841	261	-	3,101
DW Lost/Damaged Textbooks	3,766	15	-	3,781
JH Library Revolving	2,774	135	60	2,849
Science Camp	755	8,176	8,931	-
Total	\$ 65,743	\$ 54,153	\$ 55,851	\$ 64,045

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

SENIOR HIGH SCHOOL
STATEMENT OF CHANGES IN FIDUCIARY TRUST ACCOUNTS
For the Year Ended June 30, 2016

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Science	1,514	-	-	1,514
Cross Country	3,430	2,707	3,033	3,105
Golf	1,193	20	93	1,121
Tennis	454	196	150	500
Track	415	-	84	331
Baseball	543	-	-	543
Boys Basketball	3,843	326	1,009	3,160
Boys Soccer	-	2,330	2,192	138
Football	3,052	19,233	19,778	2,506
Wrestling	3,077	4,275	4,542	2,811
Girls Basketball	1,132	100	450	782
Cheerleaders	1,801	6,196	7,997	-
Girls Soccer	4,266	1,409	350	5,325
Softball	1,218	1,294	237	2,275
Volleyball	2,244	8,676	5,955	4,965
Donations	8,116	4,385	2,107	10,393
Student Store	3,556	6,595	6,694	3,457
Chorus	2,448	12,805	10,719	4,534
Band	2,068	14,416	7,607	8,877
Chess Club	54	-	-	54
Glee Club	820	-	-	820
Spanish	468	-	70	398
International	1,804	9,230	8,564	2,471
Counselor	225	18,222	17,070	1,377
Harmony	582	-	-	582
Art	1,845	450	-	2,295
Debate	1,209	-	-	1,209
Drama	10,697	6,929	3,923	13,703
Knowledge Masters	864	300	50	1,114
Business Prof of America	4,823	18,868	22,633	1,059
Future Problem Solving	1,097	275	125	1,247
JH / HS Bowl	630	-	-	630
Tech Club	2,324	1,795	5,028	(909)
National Honor Society	10,663	2,501	3,085	10,078
Natural Helpers	436	1,908	1,100	1,243
Political Science	85	-	-	85
Student Council - ASB	1,240	16,632	12,436	5,436
Student Publications	508	29,728	24,376	5,860
Environmental Group	3,115	19,034	17,022	5,126
Destination Imagination	335	-	-	335
Innervision	4	-	-	4
Math	2	234	184	52
Student Pop	865	1,626	-	2,490
Career Fair	12	-	-	12
Human Rights	742	-	742	-
Gay Alliance	334	-	-	334
Class of 2014	1,627	-	1,200	427
Class of 2015	2,003	128	1,568	562
Class of 2016	7,342	4,812	10,796	1,357
Class of 2017	2,506	5,693	1,678	6,520
Class of 2018	683	2,729	1,317	2,095
Class of 2019	-	2,066	814	1,251
Chemistry	1,521	186	1,135	571
Locks	6,732	1,269	328	7,673
Office General	5,088	91	-	5,179
Teachers' Pop	762	189	-	951
Buddy Club	2,581	9,752	4,994	7,340
Robotics	150	175	-	325
DW Lost/Damaged Textbooks	5,372	1,735	1,466	5,641
HS Library Revolving	4,071	603	1,399	3,275
Good Things	379	-	-	379
Parent Advisory Committee	668	50	718	-
Key Club	558	450	428	580
Donations - Alt HS	2,318	2,013	2,057	2,274
Fund Raising - Alt HS	2,692	1,870	1,521	3,041
Student Store - Alt HS	126	-	-	126
Total	\$ 137,327	\$ 246,505	\$ 220,826	\$ 163,005

SINGLE AUDIT SECTION



MOSCOW SCHOOL DISTRICT NO. 272

Moscow, Idaho

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2016**

	<u>Federal CFDA Number</u>	<u>Through Grantor's Number</u>	<u>Federal Grant Number</u>	<u>Expenditures</u>
U. S. Department of Agriculture				
Passed through State Department of Education				
Child Nutrition Cluster:				
National School Lunch Program	10.555	16-281	201616N109947	286,038
Food Distribuiton (non-cash)	10.555	16-281	201616N109947	64,120
Breakfast program	10.553	16-281	201616N109947	75,835
Summer Food Service Program for Children	10.559	16-281	201616N109947	32,112
Total Child Nutrition Cluster				<u>458,105</u>
Other Programs				
Team Nutrition Grant	10.574	16-281	201515N350330	1,275
Total U.S. Department of Agriculture				<u>459,380</u>
U.S. Department of Education				
Passed through State Department of Education				
Special Education Cluster				
Part B, IDEA - School Age	84.027	16-281	H027A150088	479,705
Part B, IDEA - Preschool	84.173	16-281	H173A150030	22,636
Total Special Education Cluster				<u>502,341</u>
Other Programs				
Title I-A,ESEA - Improving Basic Programs	84.010	16-281	S010A150012	342,785
Career and Technical Education	84.367	16-281	S367A150011	92,196
Rural Education	84.048	16-281	V048A140012	29,052
Carol M. White Physical Education Program	84.215f	16-281	S358B140012	235,403
Total Other Programs				<u>699,436</u>
Total U.S. Department of Education				<u>1,201,777</u>
Total Expenditures of Federal Awards				<u>\$ 1,661,157</u>

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Moscow School District No. 281 under programs of the federal government for the year ended June 30, 2016. 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 Moscow School District No. 281, it is not intended to and does not present the financial position, changes in net position, or cash flows of Moscow School District No. 281.

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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) Moscow School District No. 281 has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. The value of the non-cash assistance for the year ended June 30, 2016 was \$64,120. At June 30, 2016, the organization had \$2,596 food commodities in inventory.

**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
Moscow School District No. 281
Moscow, ID 83843

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, each major fund, and the aggregate remaining fund information of Moscow School District No. 281, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise Moscow School District No. 281's basic financial statements, and have issued our report thereon dated October 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Moscow School District No. 281'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 Moscow School District No. 281's internal control. Accordingly, we do not express an opinion on the effectiveness of the Moscow School District No. 281'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 Moscow School District No. 281'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
October 10, 2016

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
Moscow School District No. 281
Moscow, ID 83843

Report on Compliance for Each Major Federal Program

We have audited Moscow School District No. 281'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 Moscow School District No. 281's major federal programs for the year ended June 30, 2016. Moscow School District No. 281'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 Moscow School District No. 281'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 Moscow School District No. 281'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 Moscow School District No. 281's compliance.

Opinion on Each Major Federal Program

In our opinion, Moscow School District No. 281 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, 2016.

Report on Internal Control Over Compliance

Management of Moscow School District No. 281 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 Moscow School District No. 281'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 Moscow School District No. 281'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
October 10, 2016

MOSCOW SCHOOL DISTRICT NO. 281
Moscow, Idaho

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

Financial Statements

Type of auditor's report issued –

Governmental activities	Qualified
Each major fund and the aggregate remaining fund information	Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial

statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditor's report issued –

on compliance for major programs unmodified

Any audit finding disclosed that are required

to be reported in accordance with Section
 2 CFR section 200.516(a)? yes X no

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
10.555, 10.553, 10.556 84.010	Child Nutrition Cluster Title I

Dollar threshold used to distinguish between
 Type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no