

PRESTON SCHOOL DISTRICT NO. 201

FINANCIAL STATEMENTS

Year Ended June 30, 2016

PRESTON SCHOOL DISTRICT NO. 201

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FINANCIAL SECTION

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Independent Auditor's Report

Board of Trustees
Preston School District No. 201

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 Preston School District No. 201 (the School) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School'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.

Basis for Qualified Opinion on Governmental Activities

Management believes the costs of implementing GASB 45 (having actuarial calculations performed for other post-employment benefits) cannot be justified at this time. Accounting principles generally accepted in the United States of America require that a liability be recorded for other post-employment benefits, which would decrease net position, increase liabilities, and increase expenses in the governmental activities. The amount by which this departure would affect net position, liabilities, and expenses in the governmental activities has not been determined.

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 previously present fairly, in all material respects, the financial position of the governmental activities of the School, as of June 30, 2016, and the changes in financial position thereof for the year then ended in conformity 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 the School as of June 30, 2016, and the respective changes in financial position 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 budgetary comparison schedules, schedule of employer’s share of net pension liability, and schedule of employer contributions listed as required supplementary information in the table of contents be presented to supplement the basic financial statements. Such information, although not required to be 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, and 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.

Management has not included the management’s discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not 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, and historical context. Our opinion on the basic financial statements is not affected by not including this information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2016, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Quest CPAs, P.C.

Payette, Idaho
September 8, 2016

BASIC FINANCIAL STATEMENTS

PRESTON SCHOOL DISTRICT NO. 201

Statement of Net Position

June 30, 2016

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash & Investments	\$3,936,144
Receivables:	
Local Sources	909,082
State Sources	301,121
Federal Sources	144,666
Inventory	27,010
Total Current Assets	<u>5,318,023</u>
Noncurrent Assets	
Nondepreciable Capital Assets	820,576
Depreciable Net Capital Assets	13,370,499
Total Noncurrent Assets	<u>14,191,075</u>
Total Assets	<u>19,509,098</u>
Deferred Outflows of Resources	
Pension Sources	<u>2,324,327</u>
Total Deferred Outflows of Resources	<u>2,324,327</u>
Total Assets and Deferred Outflows of Resources	<u>\$21,833,425</u>
Liabilities	
Current Liabilities	
Accounts Payable	\$94,450
Salaries & Benefits Payable	1,394,616
Total Current Liabilities	<u>1,489,066</u>
Noncurrent Liabilities	
Net Pension Liability	3,570,433
Total Noncurrent Liabilities	<u>3,570,433</u>
Total Liabilities	<u>5,059,499</u>
Deferred Inflows of Resources	
Pension Sources	<u>2,302,980</u>
Total Deferred Inflows of Resources	<u>2,302,980</u>
Total Liabilities and Deferred Inflows of Resources	<u>7,362,479</u>
Net Position	
Net Investment in Capital Assets	14,191,075
Restricted:	
Special Programs	874,767
Debt Service	154
Capital Projects	702,366
Unrestricted (Deficit)	<u>(1,297,416)</u>
Total Net Position	<u>14,470,946</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	<u>\$21,833,425</u>

See Accompanying Notes

PRESTON SCHOOL DISTRICT NO. 201

Statement of Activities Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Changes in Net Position
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities
Governmental Activities					
Instructional Programs					
Elementary School	\$3,369,247		\$292,441		(\$3,076,806)
Secondary School	3,169,549	\$12,270	239,616		(2,917,663)
Alternative School	275,907				(275,907)
Special Education	1,123,618		538,855		(584,763)
Special Education Preschool	90,459		13,079		(77,380)
Gifted & Talented	0				0
School Activity	224,941				(224,941)
Support Service Programs					
Attendance - Guidance - Health	301,309				(301,309)
Special Education Support Services	208,560				(208,560)
Instruction Improvement	371,919		96,993		(274,926)
Educational Media	164,133				(164,133)
District Administration	210,727				(210,727)
School Administration	756,260				(756,260)
Business Operation	39,907				(39,907)
Buildings - Care	959,080				(959,080)
Maintenance - Student Occupied	348,583				(348,583)
Maintenance - Grounds	21,550				(21,550)
Security	38,192				(38,192)
Pupil-To-School Transportation	591,998				(591,998)
Pupil-Activity Transportation	14,665				(14,665)
Non-Instructional Programs					
Child Nutrition	1,031,411	220,980	859,320		48,889
Community Services	0				0
Capital Assets - Student Occupied	971,195		76,168		(895,027)
Capital Assets - Non-Student Occupied	0				0
Debt Service - Principal	0				0
Debt Service - Interest	0				0
Total	\$14,283,210	\$233,250	\$2,116,472	\$0	(11,933,488)
General Revenues					
					956,407
Local Taxes					296,218
Other Local Revenue					11,389,151
State Revenue					0
Federal Revenue					12,641,776
Total					12,641,776
Change in Net Position					
					708,288
Net Position - Beginning					
					13,762,658
Net Position - Ending					
					\$14,470,946

PRESTON SCHOOL DISTRICT NO. 201

Balance Sheet - Governmental Funds

June 30, 2016

	General Fund	Child Nutrition Fund	Debt Service Fund	Plant Facilities Fund
Assets				
Cash & Investments	\$2,602,487	\$777,702		\$44,305
Receivables:				
Local Sources	564,097		\$2,953	342,032
State Sources	265,968			
Federal Sources				
Due From Other Funds	179,819			
Inventory		27,010		
Total Assets	<u>\$3,612,371</u>	<u>\$804,712</u>	<u>\$2,953</u>	<u>\$386,337</u>
Liabilities				
Accounts Payable	\$92,658	\$1,792		
Due To Other Funds				
Salaries & Benefits Payable	1,347,959	46,657		
Total Liabilities	<u>1,440,617</u>	<u>48,449</u>	<u>\$0</u>	<u>\$0</u>
Deferred Inflows of Resources				
Unavailable Tax Revenues	2,139		2,799	50,107
Total Deferred Inflows of Resources	<u>2,139</u>	<u>0</u>	<u>2,799</u>	<u>50,107</u>
Fund Balances				
Restricted:				
Special Programs		729,253		
Debt Service			154	
Capital Projects				336,230
Nonspendable		27,010		
Unassigned	2,169,615			
Total Fund Balances	<u>2,169,615</u>	<u>756,263</u>	<u>154</u>	<u>336,230</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$3,612,371</u>	<u>\$804,712</u>	<u>\$2,953</u>	<u>\$386,337</u>

PRESTON SCHOOL DISTRICT NO. 201

Balance Sheet - Governmental Funds

June 30, 2016

	Other Governmental Funds	Total Governmental Funds
Assets		
Cash & Investments	\$511,650	\$3,936,144
Receivables:		
Local Sources	0	909,082
State Sources	35,153	301,121
Federal Sources	144,666	144,666
Due From Other Funds	0	179,819
Inventory	0	27,010
Total Assets	<u>\$691,469</u>	<u>\$5,497,842</u>
Liabilities		
Accounts Payable	\$0	\$94,450
Due To Other Funds	179,819	179,819
Salaries & Benefits Payable	0	1,394,616
Total Liabilities	<u>179,819</u>	<u>1,668,885</u>
Deferred Inflows of Resources		
Unavailable Tax Revenues	0	55,045
Total Deferred Inflows of Resources	<u>0</u>	<u>55,045</u>
Fund Balances		
Restricted:		
Special Programs	145,514	874,767
Debt Service	0	154
Capital Projects	366,136	702,366
Nonspendable	0	27,010
Unassigned	0	2,169,615
Total Fund Balances	<u>511,650</u>	<u>3,773,912</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$691,469</u>	<u>\$5,497,842</u>

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

Total Governmental Fund Balances \$3,773,912

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 14,191,075

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the funds. 55,045

Net pension liability and related pension source deferred outflow and deferred inflow of resources, are not due and payable in the current period and therefore are not reported in the funds. (3,549,086)

Net Position of Governmental Activities \$14,470,946

PRESTON SCHOOL DISTRICT NO. 201

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2016

	<u>General Fund</u>	<u>Child Nutrition Fund</u>	<u>Debt Service Fund</u>	<u>Plant Facilities Fund</u>
Revenues				
Local Taxes	\$35,332		\$7,342	\$902,584
Other Local Revenue	231,070	\$220,980		
State Revenue	11,382,742			
Federal Revenue		859,320		
Total Revenues	<u>11,649,144</u>	<u>1,080,300</u>	<u>7,342</u>	<u>902,584</u>
Expenditures				
Instructional Programs				
Elementary School	3,191,523			
Secondary School	3,079,538			
Alternative School	275,907			
Special Education	584,763			
Special Education Preschool	77,380			
Gifted & Talented				
School Activity	224,941			
Support Service Programs				
Attendance - Guidance - Health	301,309			
Special Education Support Services	208,560			
Instruction Improvement	274,926			
Educational Media	164,133			
District Administration	210,727			
School Administration	756,260			
Business Operation	39,907			
Buildings - Care	959,080			
Maintenance - Student Occupied	348,583			
Maintenance - Grounds	21,550			
Security	38,192			
Pupil-To-School Transportation	481,447			
Pupil-Activity Transportation	14,665			
Non-Instructional Programs				
Child Nutrition	15,559	1,015,852		
Community Services				
Capital Assets - Student Occupied				279,137
Capital Assets - Non-Student Occupied				
Debt Service - Principal				
Debt Service - Interest				
Total Expenditures	<u>11,268,950</u>	<u>1,015,852</u>	<u>0</u>	<u>279,137</u>
Excess (Deficiency) of Revenues Over Expenditures	380,194	64,448	7,342	623,447
Other Financing Sources (Uses)				
Transfers In		88,308		878
Transfers Out	(280,000)		(25,425)	(597,716)
Total Other Financing Sources (Uses)	<u>(280,000)</u>	<u>88,308</u>	<u>(25,425)</u>	<u>(596,838)</u>
Net Change in Fund Balances	100,194	152,756	(18,083)	26,609
Fund Balances - Beginning	2,069,421	603,507	18,237	309,621
Fund Balances - Ending	<u>\$2,169,615</u>	<u>\$756,263</u>	<u>\$154</u>	<u>\$336,230</u>

PRESTON SCHOOL DISTRICT NO. 201

Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Governmental Funds
 Year Ended June 30, 2016

	Other Governmental Funds	Total Governmental Funds
Revenues		
Local Taxes	\$0	\$945,258
Other Local Revenue	77,418	529,468
State Revenue	270,578	11,653,320
Federal Revenue	992,983	1,852,303
Total Revenues	1,340,979	14,980,349
Expenditures		
Instructional Programs		
Elementary School	292,441	3,483,964
Secondary School	219,089	3,298,627
Alternative School	0	275,907
Special Education	538,855	1,123,618
Special Education Preschool	13,079	90,459
Gifted & Talented	0	0
School Activity	0	224,941
Support Service Programs		
Attendance - Guidance - Health	0	301,309
Special Education Support Services	0	208,560
Instruction Improvement	96,993	371,919
Educational Media	0	164,133
District Administration	0	210,727
School Administration	0	756,260
Business Operation	0	39,907
Buildings - Care	0	959,080
Maintenance - Student Occupied	0	348,583
Maintenance - Grounds	0	21,550
Security	0	38,192
Pupil-To-School Transportation	0	481,447
Pupil-Activity Transportation	0	14,665
Non-Instructional Programs		
Child Nutrition	0	1,031,411
Community Services	0	0
Capital Assets - Student Occupied	710,123	989,260
Capital Assets - Non-Student Occupied	0	0
Debt Service - Principal	0	0
Debt Service - Interest	0	0
Total Expenditures	1,870,580	14,434,519
Excess (Deficiency) of Revenues Over Expenditures	(529,601)	545,830
Other Financing Sources (Uses)		
Transfers In	813,955	903,141
Transfers Out	0	(903,141)
Total Other Financing Sources (Uses)	813,955	0
Net Change in Fund Balances	284,354	545,830
Fund Balances - Beginning	227,296	3,228,082
Fund Balances - Ending	\$511,650	\$3,773,912

PRESTON SCHOOL DISTRICT NO. 201
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2016

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**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities**

Net Change in Fund Balances - Total Governmental Funds \$545,830

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

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the excess of capital outlays over (under) depreciation expense in the current period. (92,486)

Revenues in the statement of activities that do not provide current financial resources are deferred in the funds. 11,149

Changes in net pension liability and related pension source deferred outflow and deferred inflow of resources do not provide or require current financial resources and therefore are not reflected in the funds. 243,795

Change in Net Position of Governmental Activities \$708,288

PRESTON SCHOOL DISTRICT NO. 201

Statement of Fiduciary Net Position

June 30, 2016

	Private Purpose Trust Funds	Agency Funds - Student Activity	Total
Assets			
Cash & Investments	\$206,691	\$510,337	\$717,028
Total Assets	<u>\$206,691</u>	<u>\$510,337</u>	<u>\$717,028</u>
Liabilities			
Due to Student Groups		\$510,337	\$510,337
Total Liabilities	<u>\$0</u>	<u>510,337</u>	<u>510,337</u>
Net Position			
Restricted:			
Trust Activities	206,691		206,691
Total Net Position	<u>206,691</u>	<u>0</u>	<u>206,691</u>
Total Liabilities and Net Position	<u>\$206,691</u>	<u>\$510,337</u>	<u>\$717,028</u>

PRESTON SCHOOL DISTRICT NO. 201
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2016

	<u>Private Purpose Trust Funds</u>
Additions	
Contributions	\$456
Investment Income (Loss)	5,432
Total Additions	<u>5,888</u>
 Deductions	
Trust Expenses	4,859
Transfer to Idaho Community Foundation	550,000
Total Deductions	<u>554,859</u>
Change in Net Position	(548,971)
Net Position - Beginning	<u>755,662</u>
Net Position - Ending	<u><u>\$206,691</u></u>

PRESTON SCHOOL DISTRICT NO. 201

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Preston School District No. 201 (the School) provides public school educational services as authorized by Section 33 of Idaho Code. The School's boundaries for taxing and school enrollment purposes are located within Franklin and Bannock Counties.

These financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to school districts. The governmental accounting standards board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the School are discussed below.

Basic Financial Statements - Government-Wide Statements – The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, all the School's activities are categorized as governmental activities.

In the government-wide statement of net position, the activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The functions are also supported by general government revenues as reported in the statement of activities. The statement of activities reduces gross expenses (including depreciation when recorded) by related program revenues and operating and capital grants. Program revenues must be directly associated with the function. Internal activity between funds (when two or more funds are involved) is eliminated in the government-wide statement of activities. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function) are normally covered by general revenues.

The School reports expenditures in accordance with the State Department of Education's "Idaho Financial Accounting Reporting Management System" (IFARMS). IFARMS categorizes all expenditures by function, program and object. Accordingly, there is no allocation of indirect costs.

The government-wide focus is more on the sustainability of the School as an entity and the change in the School's net position resulting from the current year's activities. Fiduciary funds are not included in the government-wide statements.

Basic Financial Statements - Fund Financial Statements – The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred

PRESTON SCHOOL DISTRICT NO. 201

Notes to Financial Statements

outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds. Nonmajor funds by category are summarized into a single column. Generally accepted accounting principles set forth minimum criteria (percentage of assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures/expenses of the funds) for the determination of major funds.

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Major governmental funds of the School include:

General Fund – The general fund is the School's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Major special revenue funds include the child nutrition fund, which serves to account for providing nutritional meals to students (including subsidized meals).

Debt Service Fund – The debt service fund is used to account for the accumulation of funds for the periodic payment of principal and interest on long term debt.

Capital Projects Funds – Capital projects funds are used to account for the acquisition of capital assets. Major capital project funds include the plant facilities fund, used to account for the maintenance of facilities and other capital assets.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support School programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds. Fiduciary funds of the School include:

Private Purpose Trust Funds – Private purpose trust funds are used to account for the assets and related income producing and disbursement activities, for which the School acts as a trustee.

Agency Funds – Agency funds are used to account for assets held by the School on behalf of students.

Basis of Accounting – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

PRESTON SCHOOL DISTRICT NO. 201

Notes to Financial Statements

Activities in the government-wide and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within thirty days after year end. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on long-term debt which, if any, are recognized when due and payable.

Cash and Investments – Nearly all the cash and investment balances of the School's funds are pooled for investment purposes. The individual funds' portions of the pooled cash and investments are reported in each fund as cash and investments. Interest earned on pooled cash and investments is paid to the general fund unless Idaho Code specifies otherwise. Investments include the local government investment pool, reported and measured at amortized cost following the provisions of GASB 79 which provide for consistent measurement of investment value amongst pool participants.

Receivables – Receivables are reported net of any estimated uncollectible amounts.

Inventories – Material supplies on hand at year end are stated at cost using the first-in, first-out method.

Capital Assets and Depreciation – Capital assets purchased or acquired with an original cost of \$20,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation over the estimated useful lives of all depreciable assets is recorded using the straight line method, except for certain transportation vehicles which use the declining balance method.

Compensated Absences – The School provides certain compensated absences to its employees. The estimated amount of compensation for future amounts is deemed to be immaterial and, accordingly, no liability is recorded.

Pensions – For purposes of measuring the net pension liability and pension expense/revenue, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (the 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.

PRESTON SCHOOL DISTRICT NO. 201

Notes to Financial Statements

Deferred Outflows/Inflows of Resources – The School’s financial statements may report deferred outflows/inflows of resources. Deferred outflows of resources represent a consumption of net assets that apply to a future period. Deferred inflows of resources represent an acquisition of net assets that apply to a future period. Deferred outflows/inflows of resources generally represent amounts that are not available in the current period.

Net Position – Net position is assets plus deferred outflows of resources less liabilities less deferred inflows of resources. The net investment in capital assets component of net position consists of the historical cost of capital assets less accumulated depreciation less any outstanding debt that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets. Restricted net position consists of assets that are restricted by creditors, grantors, contributors, legislation, and other parties. All other net position not reported as restricted or net investment in capital assets is reported as unrestricted.

Fund Balance Classifications – Restrictions of the fund balance indicate portions that are legally or contractually segregated for a specific future use. Nonspendable portions of the fund balance are those amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Committed portions represent amounts that can only be used for specific purposes pursuant to formal action (i.e. board approval) of the reporting entity’s governing body. Assigned portions represent amounts that are constrained by the government’s intent to be used for a specific purpose. Remaining fund balances are reported as unassigned. When expenditures are incurred that qualify for either restricted or unrestricted resources, the School first utilizes restricted resources. When expenditures are incurred that qualify for either committed or assigned or unassigned resources, the School first utilizes committed resources then assigned resources before using unassigned resources.

Property Taxes – The School is responsible for levying property taxes, but the taxes are collected by the respective county. Taxes are levied by the second Monday in September for each calendar year. Taxes are due in two installments – December 20th and June 20th. A lien is filed on real property three years from the date of delinquency.

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

Interfund Activity – Interfund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

PRESTON SCHOOL DISTRICT NO. 201

Notes to Financial Statements

Use of 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.

Concentrations of Credit Risk – The School maintains its cash at insured financial institutions. Periodically, balances may exceed federally insured limits. The School does not have a formal policy concerning concentrations of credit risk.

Risk Management – The School is exposed to various risks related to its operations. Insurance is utilized to the extent practical to minimize these risks.

Nonmonetary Transactions – Items received via food commodities programs are recognized at their stated fair market value.

Subsequent Events – Subsequent events were evaluated through the date of the auditor’s report, which is the date the financial statements were available to be issued.

B. CASH AND INVESTMENTS

Cash and investments consist of the following at year end:

Cash - Deposits	\$2,812,878
Other Cash Equivalents	88,700
Local Government Investment Pool	1,751,594
Total	<u><u>\$4,653,172</u></u>

Deposits – At year end, the carrying amounts of the School's deposits were \$2,812,878 and the bank balances were \$3,057,769. Of the bank balances, \$1,048,380 was insured, \$189,318 was collateralized, and the remainder was uninsured and uncollateralized.

Investments – State statutes authorize government entities to invest in certain bonds, notes, accounts, investment pools, and other obligations of the state, U.S. Government, and U.S. corporations pursuant to Idaho Code 67-1210 and 67-1210A. These statutes are designed to help minimize the custodial risk that deposits may not be returned in the event of the failure of the issuer or other counterparty, interest rate risk resulting from fair value losses arising from rising interest rates, or credit risks that an issuer or other counterparty will not fulfill its obligations. The School's investment policy complies with state statutes.

The local government investment pool is managed by the state treasurer's office and is invested in accordance with state statutes and regulations. More information on the local governmental investment pool including regulatory information, restriction on withdrawals, and rating and risk information can be found at sto.idaho.gov. Government accounting standards board statements requires government entities to disclose credit quality ratings, concentration of credit risk, and

PRESTON SCHOOL DISTRICT NO. 201

Notes to Financial Statements

interest rate risk on investment balances. Investments in the local government investment pool are, due to their nature, not required to be rated in terms of credit quality, and are excluded from the other disclosure requirements.

C. RECEIVABLES

Receivables consist of the following at year end:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Plant Facilities Fund</u>	<u>Total</u>
Local Sources					
Local Taxes	\$13,056		\$2,953	\$342,032	\$358,041
Reimbursements	551,041				551,041
Total	<u>\$564,097</u>		<u>\$2,953</u>	<u>\$342,032</u>	<u>\$909,082</u>
State Sources					
Foundation Program	\$265,968				\$265,968
Special Programs		\$35,153			35,153
Total	<u>\$265,968</u>	<u>\$35,153</u>			<u>\$301,121</u>
Federal Sources					
Special Programs		\$144,666			\$144,666
Total		<u>\$144,666</u>			<u>\$144,666</u>

PRESTON SCHOOL DISTRICT NO. 201

Notes to Financial Statements

D. CAPITAL ASSETS

A summary of capital assets for the year is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets				
Land	\$820,576			\$820,576
Total	<u>820,576</u>	<u>\$0</u>	<u>\$0</u>	<u>820,576</u>
Depreciable Capital Assets				
Buildings	30,785,313	648,058		31,433,371
Equipment	4,724,211			4,724,211
Transportation	2,478,006			2,478,006
Subtotal	<u>37,987,530</u>	<u>648,058</u>	<u>0</u>	<u>38,635,588</u>
Accumulated Depreciation				
Buildings	18,120,378	628,668		18,749,046
Equipment	4,712,284	1,325		4,713,609
Transportation	1,691,883	110,551		1,802,434
Subtotal	<u>24,524,545</u>	<u>740,544</u>	<u>0</u>	<u>25,265,089</u>
Total	<u>13,462,985</u>	<u>(92,486)</u>	<u>0</u>	<u>13,370,499</u>
Net Capital Assets	<u>\$14,283,561</u>	<u>(\$92,486)</u>	<u>\$0</u>	<u>\$14,191,075</u>

Depreciation expense was charged to the following programs:

Capital Assets - Student Occupied	\$629,993
Pupil-To-School Transportation	<u>110,551</u>
Total	<u>\$740,544</u>

PRESTON SCHOOL DISTRICT NO. 201

Notes to Financial Statements

E. PENSION PLAN

Plan Description

The School 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.

Employee membership data related to the PERSI Base Plan, as of June 30, 2015 was as follows:

Active participants	67,008
Terminated and vested	42,657
Retirees and beneficiaries	11,859
Total	<u><u>121,524</u></u>

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.

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

PRESTON SCHOOL DISTRICT NO. 201

Notes to Financial Statements

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% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2015 it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% for general employees and 8.36% for police and firefighters. The School's contributions were \$880,279 for the year ended June 30, 2016.

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

At June 30, 2016, the School reported a liability for its proportionate share of the net pension liability. 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 School's proportion of the net pension liability was based on the School'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 School's proportion was 0.2711370 percent.

For the year ended June 30, 2016, the School recognized pension expense (revenue) of \$636,484. At June 30, 2016, the School 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		\$428,018
Changes in assumptions or other inputs	\$130,030	
Net difference between projected and actual earnings on pension plan investments	1,314,018	1,874,962
Employer contributions subsequent to the measurement date	880,279	
Total	<u>\$2,324,327</u>	<u>\$2,302,980</u>

\$880,279 reported as deferred outflows of resources related to pensions resulting from School contributions made subsequent to the measurement date will be recognized as an addition to the plan pension expense or reduction of the plan pension revenue in the year ending June 30, 2017.

PRESTON SCHOOL DISTRICT NO. 201

Notes to Financial Statements

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2014 the beginning of the measurement period ended June 30, 2015 is 5.5 years.

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:

Year Ended	
6/30/17	(\$366,251)
6/30/18	(366,251)
6/30/19	(366,251)
6/30/20	265,834
6/30/21	<u>(26,012)</u>
Total	<u>(\$858,931)</u>

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

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	4.25 – 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

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

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

PRESTON SCHOOL DISTRICT NO. 201

Notes to Financial Statements

An experience 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 2014 for the period from July 1, 2009 through June 30, 2013. The total pension liability as of June 30, 2015 is based on the results of an actuarial valuation date of July 1, 2015.

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.

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return*
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000 / Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI ACWI ex USA	15.00%	7.55%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Long-Term Expected Geometric Rate of Return			7.50%
Assumed Investment Expenses			0.40%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses			7.10%

*Arithmetic Return

PRESTON SCHOOL DISTRICT NO. 201

Notes to Financial Statements

Discount Rate

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

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

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the School'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%)
School's proportionate share of the net pension liability (asset)	<u>\$8,696,278</u>	<u>\$3,570,433</u>	<u>(\$691,027)</u>

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.

PRESTON SCHOOL DISTRICT NO. 201

Notes to Financial Statements

F. INTERFUND BALANCES AND TRANSFERS

Interfund balances at year end consist of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	
	<u>Governmental</u>	<u>Total</u>
General	\$179,819	\$179,819
Total	<u>\$179,819</u>	<u>\$179,819</u>

These interfund balances resulted from the time lag between when expenditures are incurred in a fund and when the fund is reimbursed for such expenditures.

Interfund transfers during the year consist of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>
General		\$280,000	Depreciation, Reimbursement
Child Nutrition	\$88,308		Reimbursement
Debt Service		25,425	Balance Transfer
Capital Construction	633,955		Balance Transfer, Support
Plant Facilities	878	597,716	Support
Nonmajor Governmental	180,000		Depreciation
Total	<u>\$903,141</u>	<u>\$903,141</u>	

REQUIRED SUPPLEMENTARY INFORMATION

PRESTON SCHOOL DISTRICT NO. 201

Budgetary Comparison Schedule -
General and Major Special Revenue Funds
Year Ended June 30, 2016

General Fund	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Revenues				
Local Taxes	\$27,140	\$27,140	\$35,332	\$8,192
Other Local Revenue	80,000	80,000	231,070	151,070
State Revenue	11,697,104	11,697,104	11,382,742	(314,362)
Federal Revenue	0	0	0	0
Total Revenues	<u>11,804,244</u>	<u>11,804,244</u>	<u>11,649,144</u>	<u>(155,100)</u>
Expenditures				
Instructional Programs				
Elementary School	3,289,245	3,289,245	3,191,523	97,722
Secondary School	3,686,968	3,686,968	3,079,538	607,430
Alternative School	291,167	291,167	275,907	15,260
Special Education	637,375	637,375	584,763	52,612
Special Education Preschool	73,186	73,186	77,380	(4,194)
Gifted & Talented	0	0	0	0
School Activity	231,700	231,700	224,941	6,759
Support Service Programs				
Attendance - Guidance - Health	220,200	220,200	301,309	(81,109)
Special Education Support Services	180,870	180,870	208,560	(27,690)
Instruction Improvement	218,742	218,742	274,926	(56,184)
Educational Media	178,342	178,342	164,133	14,209
District Administration	217,570	217,570	210,727	6,843
School Administration	818,975	818,975	756,260	62,715
Business Operation	43,070	43,070	39,907	3,163
Buildings - Care	959,975	959,975	959,080	895
Maintenance - Student Occupied	328,850	328,850	348,583	(19,733)
Maintenance - Grounds	12,000	12,000	21,550	(9,550)
Security	36,750	36,750	38,192	(1,442)
Pupil-To-School Transportation	492,800	492,800	481,447	11,353
Pupil-Activity Transportation	20,000	20,000	14,665	5,335
Non-Instructional Programs				
Child Nutrition	15,000	15,000	15,559	(559)
Community Services	0	0	0	0
Capital Assets - Student Occupied	71,459	71,459	0	71,459
Capital Assets - Non-Student Occupied	0	0	0	0
Debt Service - Principal	0	0	0	0
Debt Service - Interest	0	0	0	0
Total Expenditures	<u>12,024,244</u>	<u>12,024,244</u>	<u>11,268,950</u>	<u>755,294</u> *
Excess (Deficiency) of Revenues Over Expenditures	(220,000)	(220,000)	380,194	600,194
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	(180,000)	(180,000)	(280,000)	(100,000) *
Total Other Financing Sources (Uses)	<u>(180,000)</u>	<u>(180,000)</u>	<u>(280,000)</u>	<u>(100,000)</u>
Net Change in Fund Balances	<u>(400,000)</u>	<u>(400,000)</u>	<u>100,194</u>	<u>500,194</u>
Fund Balances - Beginning	<u>400,000</u>	<u>400,000</u>	<u>2,069,421</u>	<u>1,669,421</u>
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$2,169,615</u>	<u>\$2,169,615</u>

*Total expenditures (over) under appropriations are: \$655,294

PRESTON SCHOOL DISTRICT NO. 201

Budgetary Comparison Schedule -
 General and Major Special Revenue Funds
 Year Ended June 30, 2016

	Budgeted Amounts (GAAP Basis)		Actual Amounts	Final Budget Variance Positive (Negative)
	Original	Final		
Child Nutrition Fund				
Revenues				
Other Local Revenue	\$198,000	\$198,000	\$220,980	\$22,980
Federal Revenue	720,000	720,000	859,320	139,320
Total Revenues	<u>918,000</u>	<u>918,000</u>	<u>1,080,300</u>	<u>162,300</u>
Expenditures				
Non-Instructional Programs				
Child Nutrition	978,000	978,000	1,015,852	(37,852)
Total Expenditures	<u>978,000</u>	<u>978,000</u>	<u>1,015,852</u>	<u>(37,852) *</u>
Excess (Deficiency) of Revenues Over Expenditures	(60,000)	(60,000)	64,448	124,448
Other Financing Sources (Uses)				
Transfers In	0	0	88,308	88,308
Transfers Out	0	0	0	0 *
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>88,308</u>	<u>88,308</u>
Net Change in Fund Balances	(60,000)	(60,000)	152,756	212,756
Fund Balances - Beginning	60,000	60,000	603,507	543,507
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$756,263</u>	<u>\$756,263</u>

**Total expenditures (over) under appropriations are: (\$37,852)*

PRESTON SCHOOL DISTRICT NO. 201
Schedule of Employer's Share of Net Pension Liability
PERSI - Base Plan
Last 10 - Fiscal Years*

	<u>2016</u>	<u>2015</u>
School's portion of the net pension liability	0.2711370%	0.2757623%
School's proportionate share of the net pension liability	\$3,570,433	\$2,030,042
School's covered-employee payroll	\$7,776,316	\$7,621,661
School's proportional share of the net pension liability as a percentage of its covered-employee payroll	45.91%	26.64%
Plan fiduciary net position as a percentage of the total pension liability	91.38%	94.95%

*GASB 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, only those years for which information is available will be presented.

Data reported is measured using the beginning fiscal year measurement date (i.e. July 1).

PRESTON SCHOOL DISTRICT NO. 201

Schedule of Employer Contributions

PERSI - Base Plan

Last 10 - Fiscal Years*

	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$880,279	\$862,772
Contributions in relation to the statutorily required contribution	\$880,279	\$862,772
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
School's covered-employee payroll	\$7,776,316	\$7,621,661
Contributions as a percentage of covered-employee payroll	11.32%	11.32%

*GASB 68 requires ten years of information to be presented in this table. However, until a 10-year trend is compiled, only those years for which information is available will be presented.

Data reported is measured as of each year's fiscal year end.

SUPPLEMENTARY INFORMATION

PRESTON SCHOOL DISTRICT NO. 201
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds		
	Forest Reserve	Driver Education	Professional Technical
Assets			
Cash & Investments	\$139,105		
Receivables:			
Local Sources			
State Sources		\$7,500	\$27,653
Federal Sources			
Due From Other Funds			
Inventory			
Total Assets	\$139,105	\$7,500	\$27,653
Liabilities			
Accounts Payable			
Due To Other Funds		\$7,500	\$27,653
Salaries & Benefits Payable			
Total Liabilities	\$0	7,500	27,653
Deferred Inflows of Resources			
Unavailable Tax Revenues			
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Restricted:			
Special Programs	139,105		
Debt Service			
Capital Projects			
Nonspendable			
Unassigned			
Total Fund Balances	139,105	0	0
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$139,105	\$7,500	\$27,653

PRESTON SCHOOL DISTRICT NO. 201
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds		
	Technology	Substance Abuse	Title I-A ESEA IBP
Assets			
Cash & Investments		\$6,409	
Receivables:			
Local Sources			
State Sources			
Federal Sources			\$34,563
Due From Other Funds			
Inventory			
Total Assets	\$0	\$6,409	\$34,563
Liabilities			
Accounts Payable			
Due To Other Funds			\$34,563
Salaries & Benefits Payable			
Total Liabilities	\$0	\$0	34,563
Deferred Inflows of Resources			
Unavailable Tax Revenues			
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Restricted:			
Special Programs		6,409	
Debt Service			
Capital Projects			
Nonspendable			
Unassigned			
Total Fund Balances	0	6,409	0
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$0	\$6,409	\$34,563

PRESTON SCHOOL DISTRICT NO. 201
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds		
	Special Educ. IDEA Part B School-Age	Special Educ. IDEA Preschool	Perkins III Professional Technical Act
Assets			
Cash & Investments			
Receivables:			
Local Sources			
State Sources			
Federal Sources			\$23,478
Due From Other Funds			
Inventory			
Total Assets	\$0	\$0	\$23,478
Liabilities			
Accounts Payable			
Due To Other Funds			\$23,478
Salaries & Benefits Payable			
Total Liabilities	\$0	\$0	23,478
Deferred Inflows of Resources			
Unavailable Tax Revenues			
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Restricted:			
Special Programs			
Debt Service			
Capital Projects			
Nonspendable			
Unassigned			
Total Fund Balances	0	0	0
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$0	\$0	\$23,478

PRESTON SCHOOL DISTRICT NO. 201
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds	
	Title II-A	21st Century
	Improving Teacher Quality	CLC
Assets		
Cash & Investments		
Receivables:		
Local Sources		
State Sources		
Federal Sources	\$67,332	\$19,293
Due From Other Funds		
Inventory		
Total Assets	\$67,332	\$19,293
Liabilities		
Accounts Payable		
Due To Other Funds	\$67,332	\$19,293
Salaries & Benefits Payable		
Total Liabilities	67,332	19,293
Deferred Inflows of Resources		
Unavailable Tax Revenues		
Total Deferred Inflows of Resources	0	0
Fund Balances		
Restricted:		
Special Programs		
Debt Service		
Capital Projects		
Nonspendable		
Unassigned		
Total Fund Balances	0	0
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$67,332	\$19,293

PRESTON SCHOOL DISTRICT NO. 201
 Combining Balance Sheet - Nonmajor Governmental Funds
 June 30, 2016

	Capital Projects		Total
	Capital Construction	Bus Depreciation	
Assets			
Cash & Investments		\$366,136	\$511,650
Receivables:			
Local Sources			0
State Sources			35,153
Federal Sources			144,666
Due From Other Funds			0
Inventory			0
Total Assets	\$0	\$366,136	\$691,469
Liabilities			
Accounts Payable			\$0
Due To Other Funds			179,819
Salaries & Benefits Payable			0
Total Liabilities	\$0	\$0	179,819
Deferred Inflows of Resources			
Unavailable Tax Revenues			0
Total Deferred Inflows of Resources	0	0	0
Fund Balances			
Restricted:			
Special Programs			145,514
Debt Service			0
Capital Projects		366,136	366,136
Nonspendable			0
Unassigned			0
Total Fund Balances	0	366,136	511,650
Total Liabilities and Deferred Inflows of Resources and Fund Balances	\$0	\$366,136	\$691,469

PRESTON SCHOOL DISTRICT NO. 201
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2016

	Special Revenue Funds		
	Forest Reserve	Driver Education	Professional Technical
Revenues			
Local Taxes			
Other Local Revenue		\$12,720	
State Revenue		24,434	\$92,178
Federal Revenue	\$33,247		
Total Revenues	33,247	37,154	92,178
Expenditures			
Instructional Programs			
Elementary School			
Secondary School		37,154	87,068
Alternative School			
Special Education			
Special Education Preschool			
Gifted & Talented			
School Activity			
Support Service Programs			
Attendance - Guidance - Health			
Special Education Support Services			
Instruction Improvement			5,110
Educational Media			
District Administration			
School Administration			
Business Operation			
Buildings - Care			
Maintenance - Student Occupied			
Maintenance - Grounds			
Security			
Pupil-To-School Transportation			
Pupil-Activity Transportation			
Non-Instructional Programs			
Child Nutrition			
Community Services			
Capital Assets - Student Occupied			
Capital Assets - Non-Student Occupied			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	0	37,154	92,178
Excess (Deficiency) of Revenues Over Expenditures	33,247	0	0
Other Financing Sources (Uses)			
Transfers In			
Transfers Out			
Total Other Financing Sources (Uses)	0	0	0
Net Change in Fund Balances	33,247	0	0
Fund Balances - Beginning	105,858	0	0
Fund Balances - Ending	\$139,105	\$0	\$0

PRESTON SCHOOL DISTRICT NO. 201

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2016

	<u>Special Revenue Funds</u>		
	<u>Technology</u>	<u>Substance Abuse</u>	<u>Title I-A ESEA IBP</u>
Revenues			
Local Taxes			
Other Local Revenue			
State Revenue	\$120,809	\$33,157	
Federal Revenue			\$292,441
Total Revenues	<u>120,809</u>	<u>33,157</u>	<u>292,441</u>
Expenditures			
Instructional Programs			
Elementary School			292,441
Secondary School	44,641	26,748	
Alternative School			
Special Education			
Special Education Preschool			
Gifted & Talented			
School Activity			
Support Service Programs			
Attendance - Guidance - Health			
Special Education Support Services			
Instruction Improvement			
Educational Media			
District Administration			
School Administration			
Business Operation			
Buildings - Care			
Maintenance - Student Occupied			
Maintenance - Grounds			
Security			
Pupil-To-School Transportation			
Pupil-Activity Transportation			
Non-Instructional Programs			
Child Nutrition			
Community Services			
Capital Assets - Student Occupied	76,168		
Capital Assets - Non-Student Occupied			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>120,809</u>	<u>26,748</u>	<u>292,441</u>
Excess (Deficiency) of Revenues			
Over Expenditures	0	6,409	0
Other Financing Sources (Uses)			
Transfers In			
Transfers Out			
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	6,409	0
Fund Balances - Beginning	0	0	0
Fund Balances - Ending	<u>\$0</u>	<u>\$6,409</u>	<u>\$0</u>

PRESTON SCHOOL DISTRICT NO. 201

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2016

	<u>Special Revenue Funds</u>		
	<u>Special Educ. IDEA Part B School-Age</u>	<u>Special Educ. IDEA Preschool</u>	<u>Perkins III Professional Technical Act</u>
Revenues			
Local Taxes			
Other Local Revenue			
State Revenue			
Federal Revenue	\$405,047	\$13,079	\$23,478
Total Revenues	<u>405,047</u>	<u>13,079</u>	<u>23,478</u>
Expenditures			
Instructional Programs			
Elementary School			
Secondary School			23,478
Alternative School			
Special Education	404,752		
Special Education Preschool		13,079	
Gifted & Talented			
School Activity			
Support Service Programs			
Attendance - Guidance - Health			
Special Education Support Services			
Instruction Improvement	295		
Educational Media			
District Administration			
School Administration			
Business Operation			
Buildings - Care			
Maintenance - Student Occupied			
Maintenance - Grounds			
Security			
Pupil-To-School Transportation			
Pupil-Activity Transportation			
Non-Instructional Programs			
Child Nutrition			
Community Services			
Capital Assets - Student Occupied			
Capital Assets - Non-Student Occupied			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>405,047</u>	<u>13,079</u>	<u>23,478</u>
Excess (Deficiency) of Revenues			
Over Expenditures	0	0	0
Other Financing Sources (Uses)			
Transfers In			
Transfers Out			
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	0	0	0
Fund Balances - Beginning	0	0	0
Fund Balances - Ending	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

PRESTON SCHOOL DISTRICT NO. 201
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2016

	Special Revenue Funds	
	Title II-A	21st Century
	Improving	CLC
	Teacher Quality	CLC
Revenues		
Local Taxes		
Other Local Revenue		
State Revenue		
Federal Revenue	\$91,588	\$134,103
Total Revenues	91,588	134,103
Expenditures		
Instructional Programs		
Elementary School		
Secondary School		
Alternative School		
Special Education		134,103
Special Education Preschool		
Gifted & Talented		
School Activity		
Support Service Programs		
Attendance - Guidance - Health		
Special Education Support Services		
Instruction Improvement	91,588	
Educational Media		
District Administration		
School Administration		
Business Operation		
Buildings - Care		
Maintenance - Student Occupied		
Maintenance - Grounds		
Security		
Pupil-To-School Transportation		
Pupil-Activity Transportation		
Non-Instructional Programs		
Child Nutrition		
Community Services		
Capital Assets - Student Occupied		
Capital Assets - Non-Student Occupied		
Debt Service - Principal		
Debt Service - Interest		
Total Expenditures	91,588	134,103
Excess (Deficiency) of Revenues		
Over Expenditures	0	0
Other Financing Sources (Uses)		
Transfers In		
Transfers Out		
Total Other Financing Sources (Uses)	0	0
Net Change in Fund Balances	0	0
Fund Balances - Beginning	0	0
Fund Balances - Ending	\$0	\$0

PRESTON SCHOOL DISTRICT NO. 201
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2016

	Capital Projects		
	Capital Construction	Bus Depreciation	Total
Revenues			
Local Taxes			\$0
Other Local Revenue		\$64,698	77,418
State Revenue			270,578
Federal Revenue			992,983
Total Revenues	\$0	64,698	1,340,979
Expenditures			
Instructional Programs			
Elementary School			292,441
Secondary School			219,089
Alternative School			0
Special Education			538,855
Special Education Preschool			13,079
Gifted & Talented			0
School Activity			0
Support Service Programs			
Attendance - Guidance - Health			0
Special Education Support Services			0
Instruction Improvement			96,993
Educational Media			0
District Administration			0
School Administration			0
Business Operation			0
Buildings - Care			0
Maintenance - Student Occupied			0
Maintenance - Grounds			0
Security			0
Pupil-To-School Transportation			0
Pupil-Activity Transportation			0
Non-Instructional Programs			
Child Nutrition			0
Community Services			0
Capital Assets - Student Occupied	633,955		710,123
Capital Assets - Non-Student Occupied			0
Debt Service - Principal			0
Debt Service - Interest			0
Total Expenditures	633,955	0	1,870,580
Excess (Deficiency) of Revenues Over Expenditures	(633,955)	64,698	(529,601)
Other Financing Sources (Uses)			
Transfers In	633,955	180,000	813,955
Transfers Out			0
Total Other Financing Sources (Uses)	633,955	180,000	813,955
Net Change in Fund Balances	0	244,698	284,354
Fund Balances - Beginning	0	121,438	227,296
Fund Balances - Ending	\$0	\$366,136	\$511,650

PRESTON SCHOOL DISTRICT NO. 201
Combining Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2016

	Private Purpose Trust Funds		
	Dr. Orson Bowler Endowment	Bright	Total
Additions			
Contributions	\$456		\$456
Investment Income (Loss)	5,400	\$32	5,432
Total Additions	5,856	32	5,888
Deductions			
Trust Expenses	319	4,540	4,859
Transfer to Idaho Community Found.		550,000	550,000
Total Deductions	319	554,540	554,859
Change in Net Position	5,537	(554,508)	(548,971)
Net Position - Beginning	201,154	554,508	755,662
Net Position - Ending	\$206,691	\$0	\$206,691

PRESTON SCHOOL DISTRICT NO. 201
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

<u>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
US Dept of Agriculture			
<i>Passed Through Idaho Dept of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553		\$369,308
National School Lunch Program*	10.555		447,150
Summer Food Service Program for Children	10.559		42,862
Total Child Nutrition Cluster			<u>859,320</u>
Total US Dept of Agriculture			<u>859,320</u>
US Dept of Education			
<i>Passed Through Idaho Dept of Education:</i>			
Special Education Cluster:			
Special Education - Grants to States	84.027		405,047
Special Education - Preschool Grants	84.173		13,079
Total Special Education Cluster			<u>418,126</u>
Title I Grants to Local Educational Agencies	84.010		292,441
Career & Technical Education - Basic Grants to States	84.048		23,478
Twenty-First Century Community Learning Centers	84.287		134,103
Improving Teacher Quality State Grants	84.367		91,588
Total US Dept of Education			<u>959,736</u>
Total Expenditures of Federal Awards			<u>\$1,819,056</u>

NOTES:

A. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the School 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*. Because the schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

B. Summary of Significant Accounting Policies - Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

***C. Nonmonetary Assistance** - Included in the National School Lunch Program award is USDA food commodities stated at a fair market value of \$88,124.

OTHER REPORTS AND SCHEDULES



**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***

Board of Trustees
Preston School District No. 201

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 the governmental activities, each major fund, and the aggregate remaining fund information of the Preston School District No. 201 (the School), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 over financial reporting 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 the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 School's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

Quest CPAs, P.C.

Payette, Idaho
September 8, 2016



**Independent Auditor's Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by the Uniform Guidance**

Board of Trustees
Preston School District No. 201

Report on Compliance for Each Major Federal Program

We have audited Preston School District No. 201 (the School'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 the School's major federal programs for the year ended June 30, 2016. The School'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School'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 *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School'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 of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School 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 the School is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a 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 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 the School'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 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 in 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.

Quest CPAs, P.C.

Payette, Idaho
September 8, 2016

PRESTON SCHOOL DISTRICT NO. 201
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report being issued: Unmodified

- Each Major Fund
- Aggreg Remain Fund Info

Qualified

- Gov't Activities

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to the financial statements noted? No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

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

Any audit findings that are required to be reported in accordance with 2 CFR section 200.516(a)? No

Major program identification:

a. Child Nutrition Cluster – CFDA #10.553, 10.555, 10.559

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

Auditee qualified as a low-risk auditee? No