

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT

GRANBY, MISSOURI

BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2016

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INDEPENDENT AUDITORS' REPORT

Board of Education
East Newton County R-VI School District
Granby, Missouri

We have audited the basic financial statements of the governmental activities and each major fund of the East Newton County R-VI 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 the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 District'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 District'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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of East Newton County R-VI as of June 30, 2016, and the respective changes in modified cash basis financial position thereof for the year then ended, in conformity with the basis of accounting described in Note A.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The pension information and budgetary comparison information on pages 31-37, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 November 22, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 District's internal control over financial reporting and compliance.

Board of Education
East Newton County R-VI
Granby, Missouri

Other Financial Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Newton County R-VI School District's basic financial statements. The data contained under Other Financial Information, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The Other Financial Information 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 22, 2016

GOVERNMENT-WIDE FINANCIAL STATEMENTS

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
 STATEMENT OF NET POSITION – MODIFIED CASH BASIS
 June 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 4,816,609
Investments	<u>1,324,743</u>
TOTAL ASSETS	<u><u>\$ 6,141,352</u></u>
NET POSITION	
Restricted for debt service	\$ 254,360
Restricted for professional development	18,907
Restricted for student activities	180,866
Restricted for scholarships	52,309
Restricted for bond proceeds spending	3,351,042
Unrestricted	<u>2,283,868</u>
TOTAL NET POSITION	<u><u>\$ 6,141,352</u></u>

See accompanying notes.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2016

	Cash Disbursements	Program Cash Receipts		Capital Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ (7,949,141)	\$ 356,449	\$ 818,295	\$ 14,911	\$ (6,759,486)
Student services	(464,067)	-	123,011	-	(341,056)
Instructional staff support	(887,175)	-	44,988	-	(842,187)
Building administration	(725,241)	-	-	-	(725,241)
General administration	(501,232)	-	-	-	(501,232)
Operation of plant	(1,280,901)	-	-	-	(1,280,901)
Transportation	(801,795)	2,440	206,351	-	(593,004)
Food services	(698,126)	102,188	534,066	-	(61,872)
Community services	(166,503)	-	153,509	-	(12,994)
Facilities acquisition and construction	(666,530)	-	-	-	(666,530)
Debt service	(555,098)	-	-	-	(555,098)
NET PROGRAM (DISBURSEMENTS) RECEIPTS	\$ (14,695,809)	\$ 461,077	\$ 1,880,220	\$ 14,911	(12,339,601)
General Receipts:					
Ad valorem tax receipts					2,242,666
Prop C sales tax receipts					1,437,370
Other tax receipts					16,742
County receipts					420,969
State receipts					6,822,411
Interest receipts					286,778
Other receipts					9,017
TOTAL GENERAL RECEIPTS					11,235,953
Special Items:					
Sale of bonds					4,000,000
Net insurance recovery					4,798
Sale of school buses					47,255
Sale of other property					971
TOTAL SPECIAL ITEMS					4,053,024
INCREASE IN NET POSITION					2,949,376
NET POSITION - Beginning of year					3,191,476
NET POSITION - End of year					\$ 6,140,852

See accompanying notes.

FUND FINANCIAL STATEMENTS

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
 STATEMENT OF ASSETS AND FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH
 BASIS
 June 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 800,632	\$ -	\$ 129,603	\$ 3,886,374	\$ 4,816,609
Investments	1,199,862	-	124,757	124	1,324,743
TOTAL ASSETS	<u>\$ 2,000,494</u>	<u>\$ -</u>	<u>\$ 254,360</u>	<u>\$ 3,886,498</u>	<u>\$ 6,141,352</u>
FUND BALANCES					
Restricted for:					
Debt service	\$ -	\$ -	\$ 254,360	\$ -	\$ 254,360
Professional development	18,907	-	-	-	18,907
Student activities	180,866	-	-	-	180,866
Scholarships	52,309	-	-	-	52,309
Bond proceeds spending	-	-	-	3,351,042	3,351,042
Assigned to capital outlay	-	-	-	535,456	535,456
Unassigned	1,748,412	-	-	-	1,748,412
TOTAL FUND BALANCES	<u>\$ 2,000,494</u>	<u>\$ -</u>	<u>\$ 254,360</u>	<u>\$ 3,886,498</u>	<u>\$ 6,141,352</u>

See accompanying notes.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES –
 GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
 Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
RECEIPTS					
Local	\$ 2,524,955	\$ 1,282,428	\$ 326,810	\$ 307,681	\$ 4,441,874
County	327,247	60,952	32,770	-	420,969
State	417,212	6,737,898	-	122,391	7,277,501
Federal	653,846	786,695	-	-	1,440,541
Other	2,440	9,336	-	-	11,776
TOTAL RECEIPTS	3,925,700	8,877,309	359,580	430,072	13,592,661
DISBURSEMENTS					
Instruction	775,829	7,132,102	-	41,210	7,949,141
Student services	176,439	287,628	-	-	464,067
Instructional staff support	410,406	472,173	-	4,596	887,175
Building administration	220,073	505,168	-	-	725,241
General administration	197,149	304,083	-	-	501,232
Operation of plant	1,127,916	-	-	152,985	1,280,901
Transportation	684,110	15,000	-	102,685	801,795
Food service	698,126	-	-	-	698,126
Community services	5,348	161,155	-	-	166,503
Facilities acquisition and construction	-	-	-	666,530	666,530
Debt service	-	-	460,625	94,473	555,098
TOTAL DISBURSEMENTS	4,295,396	8,877,309	460,625	1,062,479	14,695,809
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(369,696)	-	(101,045)	(632,407)	(1,103,148)
OTHER FINANCING SOURCES					
Sale of bonds	-	-	-	4,000,000	4,000,000
Net insurance recovery	-	-	-	4,798	4,798
Sale of school buses	-	-	-	47,255	47,255
Sale of other property	395	-	-	576	971
TOTAL OTHER FINANCING SOURCES	395	-	-	4,052,629	4,053,024
EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	(369,301)	-	(101,045)	3,420,222	2,949,876
FUND BALANCE, July 1, 2015	2,369,795	-	355,405	466,276	3,191,476
FUND BALANCE, June 30, 2016	<u>\$ 2,000,494</u>	<u>\$ -</u>	<u>\$ 254,360</u>	<u>\$ 3,886,498</u>	<u>\$ 6,141,352</u>

See accompanying notes.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's accounting policies conform to the modified cash basis of accounting, which is characteristic of local governmental units of this type.

Financial Reporting Entity

The District is organized under the laws of the State of Missouri and is a primary government governed by an elected seven-member board. The District is not financially accountable for any other organization, nor is it a component unit of any other primary governmental entity.

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements present governmental activities generally financed through taxes, intergovernmental receipts, and other non-exchange transactions.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, fund equity, receipts and disbursements. The District has only governmental funds. The governmental funds of the District are all considered major funds by the Department of Elementary and Secondary Education.

The funds presented in the accompanying basic financial statements include all funds established under Missouri Revised Statutes and controlled by the Board of Education. The purpose of each fund is:

General Fund - Accounts for disbursements for non-certified employees, school transportation costs, operation of plant, fringe benefits, student body activities, community services, the food service program, and any disbursements not accounted for in other funds.

Special Revenue Fund - Accounts for receipts for certified employees involved in administration and instruction, and includes receipts restricted by the State for the payment of teacher salaries and taxes allocated to this fund based on the District's tax levy.

Debt Service Fund - Accounts for receipts restricted, committed, or assigned for the retirement of principal and interest on the Districts' long-term debt.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Projects Fund - Accounts for taxes and other receipts restricted, committed, or assigned for acquisition or construction of major capital assets and other capital outlay as defined by State of Missouri statutes.

Basis of Accounting

The government-wide Statement of Net Position and Statement of Activities and the fund financial statements are presented using the modified cash basis of accounting. This basis recognizes assets, net position/fund equity, receipts, and disbursements when they result from cash transactions. The modification to the cash basis of accounting relates to the presentation of investments. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenditures (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Capital Outlay

General fixed assets are recorded as disbursements in the Capital Projects Fund at the time the goods received are paid for.

Compensated Absences

Vacation time, personal business days, and sick leave are considered as disbursements in the year paid. Such amounts unused that are vested in the employee are payable upon termination at varying rates depending on length of service.

Long-Term Debt

Long-term debt arising from cash transactions of the governmental funds is not reported in the government-wide financial statements or the fund financial statements, which is consistent with the modified cash basis of accounting. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as disbursements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Teachers' Salaries

The salary payment schedule of the District for the 2015-2016 school year requires the payment of salaries for a twelve-month period. Consequently, the July and August 2016, payroll checks are included in the financial statements as disbursements in the month of June. This practice has been consistently followed in previous years.

Pooled Cash and Investments

Cash and investments of the individual funds are combined to form a pool of cash and investments with the exception of the Debt Service Fund, which is kept in separate bank accounts. Investments of the pooled accounts consist primarily of certificates of deposit and money market accounts, carried at cost, which approximates market.

Inventories

Inventories are valued at cost and consist of food and educational materials. The cost is recorded as a disbursement at the time inventory is purchased.

Equity Classification

In the government-wide financial statements, net position are classified in two components as follows:

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of “restricted”.

It is the District’s policy to first use restricted net position prior to the use of unrestricted net position when disbursements are made for purposes for which both restricted and unrestricted net position are available.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources as follows:

Nonspendable fund balance – This classification 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.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted fund balance – This classification reflects the constraints imposed on resources either a) externally by creditors, grantors, contributors, or laws and regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Education – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action imposing the commitment.

Assigned fund balance – This classification reflects the amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is used to report negative fund balances in other governmental funds.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Program Receipts

Amounts reported as program receipts include 1) charges to students or others for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. All other governmental receipts are reported as general receipts. All taxes are classified as general receipts even if restricted for a specific purpose.

NOTE B – CASH AND EQUIVALENTS

State statutes require that the District's deposits be collateralized in the name of the District by the trust department of a bank that does not hold the collateralized deposits. As of June 30, 2016, all bank balances on deposit were entirely insured or collateralized with securities; with the exception of funds held at Hometown Bank on June 30, 2016. The amount of unsecured deposits at June 30, 2016 was \$83,584.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE C – INVESTMENTS

Investments of the District as of June 30, 2016, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Certificates of Deposit	2/6/2017 - 4/27/2017	\$ 552,304
Missouri Securities Investment Program (MOSIP) - Cash Management Funds	N/A	647,685
Pro-rata shares of investment contracts with BOK Financial through the Missouri School District Direct Deposit Program	N/A	124,754
		<u>\$ 1,324,743</u>

Certificates of Deposit

Certificates of deposit with maturities in excess of three months at the date of purchase are classified as investments but are considered deposits for custodial risk determination. State statutes require that the District's deposits be collateralized in the name of the District by the trust department of a bank that does not hold the collateralized deposits. As of June 30, 2016, all certificates of deposit are entirely insured or collateralized with securities.

Investment Contracts with BOK Financial

Funds on deposit with BOK Financial are invested in investment contracts in which the District has a pro-rata share of the investment contract. The investment contracts are in accordance with Section 165.051 and Section 360 of the Missouri Revised Statutes through the Missouri School District Direct Deposit Program. The investment contracts are with credit providers whose unsecured long-term debt is rated at the time of such agreement in either of the two highest rating categories by a nationally recognized rating service. Fair market value approximates cost.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE C – INVESTMENTS (continued)

Missouri Securities Investment Program

District funds in the Missouri Securities Investment Program are invested in cash management funds in which the District has a pro-rata share. The funds are invested in accordance with Section 165.051 of the Missouri Revised Statutes and the cash management fund has a current rating of AAAM. Fair market value approximates cost.

The District does not have a policy on interest rate risk.

NOTE D – TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The county collects the property tax and remits it to the District.

The District also receives sales tax collected by the State and remitted based on eligible pupils. The District is required to reduce its property tax levy by one-half the amount of sales tax estimated to be received in the subsequent calendar year unless the voters have approved a waiver of the rollback provision. The District has voted a full waiver of the rollback provision.

The assessed valuation of the tangible taxable property for the calendar year 2015 for purposes of local taxation was:

Real estate		\$ 50,393,920
Personal property		<u>19,699,004</u>
	TOTAL ASSESSED VALUATION	<u><u>\$ 70,092,924</u></u>

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2015 for purposes of local taxation was:

	<u>Unadjusted</u>	<u>Adjusted</u>
General Fund	\$ 2.7500	\$ 2.7500
Debt Service Fund	<u>.4691</u>	<u>.4691</u>
	TOTAL LEVY	<u><u>\$ 3.2191</u></u>

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE D – TAXES (continued)

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2016, aggregated approximately 100 percent of the current assessment computed on the basis of the levy as shown above.

NOTE E – GENERAL OBLIGATION BONDS PAYABLE

Bonds payable at June 30, 2016, consist of:

\$1,340,000 general obligation refunding bond issue dated December 17, 2013, due in varying annual installments through March 1, 2019; interest at 1.00% to 2.00%	\$ 610,000
\$4,000,000 general obligation bond issue dated June 2, 2016, due in varying annual installments through March 1, 2036; interest at 1.00% to 5.00%	<u>4,000,000</u>
	<u>\$ 4,610,000</u>

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

	<u>Total</u>
Bonds Payable, July 1, 2015	\$ 1,055,000
Bonds issued	4,000,000
Bonds retired	<u>(445,000)</u>
Bonds Payable, June 30, 2016	<u>\$ 4,610,000</u>

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE E – GENERAL OBLIGATION BONDS PAYABLE (continued)

Debt service requirements are:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 305,000	\$ 100,041	\$ 405,041
2018	305,000	128,512	433,512
2019	-	124,700	124,700
2020	175,000	124,700	299,700
2021	175,000	122,950	297,950
2022	200,000	120,938	320,938
2023	200,000	118,338	318,338
2024	200,000	115,538	315,538
2025	200,000	112,537	312,537
2026	225,000	109,337	334,337
2027	225,000	105,400	330,400
2028	225,000	101,125	326,125
2029	250,000	96,625	346,625
2030	250,000	91,250	341,250
2031	250,000	81,250	331,250
2032	250,000	71,250	321,250
2033	275,000	58,750	333,750
2034	300,000	45,000	345,000
2035	300,000	30,000	330,000
2036	300,000	15,000	315,000
	<u>\$ 4,610,000</u>	<u>\$ 1,873,241</u>	<u>\$ 6,483,241</u>

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a district to 15 percent of the assessed valuation of the district. The legal debt margin (excluding state assessed railroad and utility) of the District at June 30, 2016, was:

Constitutional debt limit	\$ 10,513,939
General obligation bonds payable	(4,610,000)
Amount available in Debt Service Fund	<u>254,360</u>
LEGAL DEBT MARGIN	<u><u>\$ 6,158,299</u></u>

NOTE F – RETIREMENT PLANS

Public School Retirement System of Missouri and Public Education Employee Retirement System of Missouri

Summary of Significant Accounting Policies

Financial reporting information included in the notes to the financial statements pertaining to the District's participation in the Public School Retirement System of Missouri and the Public Education Employee Retirement System of Missouri (PSRS and PEERS, also referred to as the Systems) are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* as applicable to the District's modified cash basis of accounting.

The financial statements were prepared using the modified cash basis of accounting. Therefore, member and employer contributions are recognized when paid and the District's net pension liability, deferred outflows and inflows of resources related to pensions are not recorded in these financial statements.

General Information about the Pension Plan

Plan Description. PSRS is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. PSRS also includes certificated employees of PSRS, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the State of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989. The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined not to be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of Sections 169.070 (9) RSMo, known as the "2/3's statute." PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members' benefits are further calculated at two-thirds the normal benefit amount.

Plan Description. PEERS is a mandatory cost-sharing multiple employer retirement system for all public school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators, and community college employees (except the Community College of St. Louis). Employees of covered districts who work 20 or more hours per week on a regular basis and who are not contributing members of the Public School Retirement System of Missouri (PSRS) must contribute to PEERS. Employees of PSRS who do not hold Missouri educator certificates also contribute to PEERS. PEERS was established as a trust fund by an Act of the Missouri General Assembly effective October 13, 1965. Statutes governing the System are found in Sections 169.600 - 169.715 and Sections 169.560 - 169.595 RSMo. The statutes place responsibility for the operation of PEERS on the Board of Trustees of the Public School Retirement System of Missouri.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE F – RETIREMENT PLANS (continued)

Benefits Provided. PSRS is a defined benefit plan providing retirement, disability, and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the “Rule of 80” (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55% benefit factor is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the “Rule of 80” but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

Benefits Provided. PEERS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the “Rule of 80” (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional temporary .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are younger than age 55 and who do not qualify under the “Rule of 80” but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

Summary Plan descriptions detailing the provisions of the plans can be found on the Systems’ website at www.psr-peers.org.

Cost-of-Living Adjustments (“COLA”). The Board of Trustees has established a policy of providing a 2.00% COLA for years in which the CPI increases between 0.00% and 5.00%. If the CPI increase is greater than 5.00%, the Board will provide a COLA of 5.00%. If the CPI decreases, no COLA is provided. For any PSRS member retiring on or after July 1, 2001, such adjustments commence on the second January after commencement of benefits and occur annually thereafter. For PEERS members, such adjustments commence on the fourth January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80% of the original benefit for any member.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE F – RETIREMENT PLANS (continued)

Contributions. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2015 and 2016. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay. Contributions for employees of the State of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

Contributions. PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2015 and 2016. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay.

The District's contributions to PSRS and PEERS were \$978,471 and \$124,081, respectively, for the year ended June 30, 2016.

Pension Liability

At June 30, 2016, the District had a liability of \$8,854,243 for its proportionate share of PSRS' net pension liability and \$634,687 for its proportionate share of PEERS' net pension liability. In total the District had a net pension liability of \$9,218,930. The net pension liability for the plans in total was measured as of June 30, 2015, and determined by an actuarial valuation as of that date. The District's proportionate share of the total net pension liability was based on the ratio of its actual contributions paid to PSRS and PEERS of \$976,142 and \$123,418, respectively, for the year ended June 30, 2015, relative to the actual contributions of \$656,578,122 for PSRS and \$102,864,099 for PEERS from all participating employers. At June 30, 2015, the District's proportionate share was 0.1480% for PSRS and 0.1186% for PEERS.

Actuarial Assumptions

Actuarial valuations of the Systems involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was conducted in 2011 and the next experience study is scheduled for 2016. Significant actuarial assumptions and other inputs used to measure the total pension liability:

- Measurement Date – June 30, 2015
- Valuation Date – June 30, 2015

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE F – RETIREMENT PLANS (continued)

- Expected Return on Investments – 8.00%, net of investment expenses and including 2.5% inflation
- Inflation – 2.50%
- Total Payroll Growth
 - PSRS – 3.50% per annum, consisting of 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.
 - PEERS – 3.75% per annum, consisting of 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.
- Future Salary Increases
 - PSRS – 4.00% - 10.00%, depending on service and including 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.00% to 7.00%.
 - PEERS – 5.00% - 12.00%, depending on service and including 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.75% to 8.75%.
- Cost-Of-Living Increases
 - PSRS – 2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increase.
 - PEERS – 2.0% compounded annually, beginning on the fourth January after retirement and capped at 80% lifetime increase.
- Mortality Assumption:
 - Actives
 - PSRS – RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
 - PEERS – RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
 - Non-Disabled Retirees, Beneficiaries and Survivors
 - PSRS – RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.
 - PEERS – RP 2000 Mortality Table set forward one year for males and no set back/forward for females, then projected to 2016 using Scale AA.
 - Disabled Retirees
 - PSRS – RP 2000 Disabled Mortality Table
 - PEERS – RP 2000 Disabled Mortality Table

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE F – RETIREMENT PLANS (continued)

- Changes in Actuarial Assumptions and Methods – There were no changes in actuarial assumptions or methods for the June 30, 2015, valuation.
- Fiduciary Net Position – The Systems issue a publicly available financial report that can be obtained at www.psr-peers.org.
- Expected Rate of Return – The long-term expected rate of return on the Systems’ investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems’ target allocation as of June 30, 2015, is summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cashflows.

Asset Class	Target Asset Allocation	Long-Term Expected Real Return Arithmetic Basis	Weighted Long-Term Expected Real Return Arithmetic Basis
U.S. Public Equity	27.0%	5.85%	1.58%
Public Credit	12.0%	2.44%	0.29%
Hedged Assets	6.0%	5.22%	0.31%
Non-U.S. Public Equity	15.0%	6.64%	1.00%
U.S. Treasuries	16.0%	1.01%	0.16%
U.S. TIPS	4.0%	1.12%	0.04%
Private Credit	2.0%	7.61%	0.15%
Private Equity	10.5%	8.61%	0.90%
Private Real Estate	7.5%	4.60%	0.35%
Total	100.0%		4.78%
		Inflation	2.50%
		Long-term arithmetical nominal return	7.28%
		Effect of covariance matrix	0.81%
		Long-term expected geometric return	8.09%

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE F – RETIREMENT PLANS (continued)

- Discount Rate – The discount rate used to measure the total pension liability was 8.00% as of June 30, 2015, and is consistent with the long-term expected geometric return on the Systems’ investments. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the Systems’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.
- Discount Rate Sensitivity – The sensitivity of the District’s net pension liability to changes in the discount rate is presented below. The District’s net pension liability calculated using the discount rate of 8.0% is presented as well as the net pension liability using a discount rate that is 1.0% lower (7.0%) or 1.0% higher (9.0%) than the current rate.

PSRS

Discount Rate	<u>1% Decrease (7.00%)</u>	<u>Current Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Proportionate share of the Net Pension Liability / (Asset)	\$ 15,787,984	\$ 8,584,243	\$ 2,533,903

PEERS

Discount Rate	<u>1% Decrease (7.00%)</u>	<u>Current Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Proportionate share of the Net Pension Liability / (Asset)	\$ 1,281,329	\$ 634,687	\$ 88,008

NOTE G – CLAIMS AND ADJUSTMENTS

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulation, the District may be required to reimburse the grantor government. As of June 30, 2016, disbursements have not been audited by grantor governments, but the District believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the District.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE H – COMPENSATED ABSENCES PAYABLE

Compensated absences payable at June 30, 2016, consists of accumulated sick leave by District employees. District employees may accumulate up to 90 sick days. Upon termination or retirement from the District employees are paid for one-half of the unused sick days at the rate of \$20 per sick day, up to a maximum of \$500. Total compensated absences payable at June 30, 2016, was \$110,360.

NOTE I – RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has transferred its risk by obtaining coverage from commercial insurance companies. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

NOTE J – POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note F, the District makes available post-retirement healthcare benefits to all employees who retire from the District. Participation by retirees in the District health plan is subjected to terms and conditions set forth in the Board policy. The cost of the coverage is charged to the retiree at a blended rate for all employees. The District has not made a formal evaluation or projection on the future cost of the existing health care benefit plan in relation to retirees.

NOTE K – DNR ENERGY LOAN PAYABLE

The District entered into a loan agreement on October 20, 2010, with the Missouri Department of Natural Resources through the Energy Efficiency Leveraged Loan Program for a maximum amount of \$135,295 with zero interest. The District drew \$77,975 of the proceeds towards the total amount allowed during the year ended June 30, 2011, and drew an additional \$51,896 during the year ended June 30, 2012. The District will make semi-annual payments of \$9,959 on August 1 and February 1 each year. The following is a summary of loan transactions for the year ended June 30, 2016:

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE K – DNR ENERGY LOAN PAYABLE (continued)

Balance, June 30, 2015	\$ 60,161
Loan Additions	-
Loan Payments	(19,917)
Balance, June 30, 2016	<u>\$ 40,244</u>

Debt service requirements are:

Year Ended June 30,	Principal
2017	\$ 19,917
2018	19,917
2019	410
	<u>\$ 40,244</u>

NOTE L – CAPITAL LEASES PAYABLE

The District has entered into the following lease agreements:

- Series July 1, 2013, bus lease agreement with LJ Hart & Company for the purchase of three buses which cost \$244,170. There was a down payment of \$49,087 and a trade-in of \$9,300. The lease is for three years with interest at 2.25% for \$185,783.
- Series August 1, 2013, equipment lease agreement with LJ Hart & Company for the purchase of scoreboards which cost \$56,675. The lease is for seven years with interest at 2.75% for \$56,675.
- Series June 4, 2015, lease certificates of participation were issued in the amount of \$283,000, with interest at 2.75%. The purpose of the lease is to acquire, construct, improve, extend, repair, remodel, renovate, furnish and equip buildings and facilities.
- Series October 6, 2015 bus lease agreement with LJ Hart & Company for the purchase of three buses which cost \$251,820 with interest at 2.40%. The lease is for five years.

Although these agreements provide for cancellation of the leases at the District’s option at the renewal dates, the District does not foresee exercising its options to cancel.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE L – CAPITAL LEASES PAYABLE (continued)

The following is a schedule of the future minimum lease payments under the leases (assuming noncancellation):

Year Ended June 30,	2013 Bus Lease	2015 Bus Lease	2013 Equipment Lease	2015 Certificates of Participation	Total
2017	\$ 49,087	\$ 45,004	\$ 9,011	\$ 7,782	\$ 110,884
2018	49,087	45,004	9,011	60,782	163,884
2019	-	45,004	9,011	61,326	115,341
2020	-	45,005	9,011	59,813	113,829
2021	-	45,005	9,011	63,300	117,316
2022	-	-	-	61,650	61,650
	98,174	225,022	45,055	314,653	682,904
LESS INTEREST	(3,216)	(15,336)	(3,490)	(31,653)	(53,695)
	<u>\$ 94,958</u>	<u>\$ 209,686</u>	<u>\$ 41,565</u>	<u>\$ 283,000</u>	<u>\$ 629,209</u>

The following represents the changes in the net lease payments for the year ended June 30, 2016:

Balance, June 30, 2015	\$ 207,670
Lease Additions	534,820
Lease Payments	(113,281)
Balance, June 30, 2016	<u>\$ 629,209</u>

NOTE M – COMMITMENTS

At June 30, 2016, the District had the following commitments:

Committed To	Purpose	Contract Amount	Amount Paid	Amount Remaining
Control Technology & Solutions	Upgrades to District Buildings	\$ 4,206,316	\$ 648,958	\$ 3,557,358

SUPPLEMENTARY INFORMATION

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
 SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS – PSRS AND PEERS
 Year Ended June 30, 2016

Public School Retirement System (PSRS)

<u>Year Ended*</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Actual Covered Member Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
6/30/2015	0.1480%	\$ 6,071,812	\$ 6,571,877	92.39%	89.34%
6/30/2016	0.1487%	8,584,243	6,732,012	127.51%	85.78%

Public Education Employee Retirement System (PEERS)

<u>Year Ended*</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Actual Covered Member Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
6/30/2015	0.1186%	\$ 433,087	\$ 1,728,902	25.05%	91.33%
6/30/2016	0.1200%	634,687	1,799,092	35.28%	88.28%

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

*The data provided in the schedule is based as of the measurement date of the Systems' net pension liability, which is as of the beginning of the District's fiscal year.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
 SCHEDULES OF EMPLOYER CONTRIBUTIONS – PSRS AND PEERS
 Year Ended June 30, 2016

Public School Retirement System (PSRS)

<u>Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess / (Deficiency)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/2013	\$ 941,463	\$ 941,463	\$ -	\$ 6,499,377	14.49%
6/30/2014	952,924	952,924	-	6,571,877	14.50%
6/30/2015	976,142	976,142	-	6,732,012	14.50%
6/30/2016	978,471	978,471	-	6,752,328	14.49%

Public Education Employee Retirement System (PEERS)

<u>Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess / (Deficiency)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/2013	\$ 118,998	\$ 118,998	\$ -	\$ 1,734,677	6.86%
6/30/2014	118,603	118,603	-	1,728,902	6.86%
6/30/2015	123,418	123,418	-	1,799,092	6.86%
6/30/2016	124,081	124,081	-	1,808,759	6.86%

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
RECEIPTS				
Local	\$ 2,361,831	\$ 2,537,933	\$ 2,524,955	\$ (12,978)
County	290,000	327,247	327,247	-
State	970,540	1,079,523	417,212	(662,311)
Federal	780,175	799,748	653,846	(145,902)
Other	-	2,440	2,440	-
TOTAL RECEIPTS	4,402,546	4,746,891	3,925,700	(821,191)
DISBURSEMENTS				
Instruction	721,361	707,169	775,829	(68,660)
Student services	181,644	176,439	176,439	-
Instructional staff support	443,143	415,894	410,406	5,488
Building administration	223,209	219,984	220,073	(89)
General administration	195,576	197,149	197,149	-
Operation of plant	1,131,941	1,162,191	1,127,916	34,275
Transportation	708,749	689,353	684,110	5,243
Food service	621,918	698,126	698,126	-
Community services	7,900	5,348	5,348	-
TOTAL DISBURSEMENTS	4,235,441	4,271,653	4,295,396	(23,743)
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	167,105	475,238	(369,696)	(844,934)
OTHER FINANCING SOURCES (USES)				
Sale of other property	-	335	395	60
Operating transfers (out)	(104,753)	(451,849)	-	451,849
TOTAL OTHER FINANCING SOURCES (USES)	(104,753)	(451,514)	395	451,909
EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	62,352	23,724	(369,301)	(393,025)
FUND BALANCE, July 1, 2015	2,369,795	2,369,795	2,369,795	-
FUND BALANCE, June 30, 2016	\$ 2,432,147	\$ 2,393,519	\$ 2,000,494	\$ (393,025)

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND
 Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
RECEIPTS				
Local	\$ 1,456,045	\$ 1,456,762	\$ 1,282,428	\$ (174,334)
County	136,500	136,500	60,952	(75,548)
State	6,168,527	6,170,758	6,737,898	567,140
Federal	820,560	822,525	786,695	(35,830)
Other	1,150	9,086	9,336	250
TOTAL RECEIPTS	8,582,782	8,595,631	8,877,309	281,678
DISBURSEMENTS				
Instruction	6,987,972	7,291,599	7,132,102	159,497
Student services	295,073	287,628	287,628	-
Instructional staff support	453,237	472,340	472,173	167
Building administration	514,883	505,168	505,168	-
General administration	275,007	304,083	304,083	-
Transportation	-	15,000	15,000	-
Community services	161,363	171,662	161,155	10,507
TOTAL DISBURSEMENTS	8,687,535	9,047,480	8,877,309	170,171
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(104,753)	(451,849)	-	451,849
OTHER FINANCING SOURCES				
Operating transfers in	104,753	451,849	-	(451,849)
EXCESS OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	-	-	-	-
FUND BALANCE, July 1, 2015	-	-	-	-
FUND BALANCE, June 30, 2016	\$ -	\$ -	\$ -	\$ -

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
 Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Local	\$ 320,944	\$ 330,437	\$ 326,810	\$ (3,627)
County	25,700	32,770	32,770	-
TOTAL RECEIPTS	346,644	363,207	359,580	(3,627)
DISBURSEMENTS				
Debt service	302,942	460,625	460,625	-
TOTAL DISBURSEMENTS	302,942	460,625	460,625	-
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	43,702	(97,418)	(101,045)	(3,627)
FUND BALANCE, July 1, 2015	355,405	355,405	355,405	-
FUND BALANCE, June 30, 2016	<u>\$ 399,107</u>	<u>\$ 257,987</u>	<u>\$ 254,360</u>	<u>\$ (3,627)</u>

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – CAPITAL PROJECTS FUND
 Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
RECEIPTS				
Local	\$ 25,403	\$ 26,820	\$ 307,681	\$ 280,861
State	103,515	103,515	122,391	18,876
TOTAL RECEIPTS	128,918	130,335	430,072	299,737
DISBURSEMENTS				
Instruction	20,000	41,210	41,210	-
Instructional staff support	6,000	4,596	4,596	-
Building administration	3,000	-	-	-
General administration	3,000	-	-	-
Operation of plant	162,000	277,845	152,985	124,860
Transportation	47,918	88,052	102,685	(14,633)
Food services	5,000	-	-	-
Facilities acquisition and construction	69,324	666,530	666,530	-
Debt service	39,606	94,472	94,473	(1)
TOTAL DISBURSEMENTS	355,848	1,172,705	1,062,479	110,226
(DEFICIT) OF RECEIPTS				
OVER DISBURSEMENTS	(226,930)	(1,042,370)	(632,407)	409,963
OTHER FINANCING SOURCES				
Sale of bonds	-	-	4,000,000	4,000,000
Net insurance recovery	-	115,024	4,798	(110,226)
Sale of school buses	-	47,255	47,255	-
Sale of other property	2,000	2,000	576	(1,424)
TOTAL OTHER				
FINANCING SOURCES	2,000	164,279	4,052,629	3,888,350
EXCESS (DEFICIT) OF RECEIPTS				
AND OTHER SOURCES				
OVER DISBURSEMENTS	(224,930)	(878,091)	3,420,222	4,298,313
FUND BALANCE, July 1, 2015	466,276	466,276	466,276	-
FUND BALANCE, June 30, 2016	\$ 241,346	\$ (411,815)	\$ 3,886,498	\$ 4,298,313

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
NOTE TO BUDGETARY COMPARISON SCHEDULES
June 30, 2016

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with Chapter 67, RSMo, the District adopts a budget for each fund.
- 2) Prior to July, the superintendent, who serves as the Budget Officer, submits to the Board of Education a proposed budget for the fiscal year beginning on the following July 1. The budget includes estimated receipts and proposed disbursements for all District funds. Budgeted disbursements cannot exceed beginning available monies plus estimated receipts for the year.
- 3) A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Education, the budget document is available for public inspection.
- 4) Prior to July 1, the budget is legally enacted by a vote of the Board of Education.
- 5) Subsequent to its formal approval of the budget, the Board of Education has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements. Budgeted amounts are as originally adopted, or as amended by the Board of Education. Individual amendments were not material to the original appropriations, which were amended.
- 6) Budgets for District funds are prepared and adopted on the modified cash basis (budget basis).

OTHER FINANCIAL INFORMATION

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE
Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
LOCAL					
Current taxes	\$ 1,737,563	\$ -	\$ 296,340	\$ -	\$ 2,033,903
Delinquent taxes	178,346	-	30,417	-	208,763
School district trust fund (Prop C)	155,757	1,281,613	-	-	1,437,370
Financial institution tax	-	-	-	25	25
M & M surcharge taxes	-	-	-	16,717	16,717
Tuition from individuals	-	717	-	-	717
Earnings on investments	2,788	98	53	283,839	286,778
Food service program	102,130	-	-	-	102,130
Food service non-program	58	-	-	-	58
Student activities	346,396	-	-	-	346,396
Other	1,917	-	-	7,100	9,017
TOTAL LOCAL	2,524,955	1,282,428	326,810	307,681	4,441,874
COUNTY					
Fines, escheats, etc.	-	60,952	-	-	60,952
State assessed utilities	327,247	-	32,770	-	360,017
TOTAL COUNTY	327,247	60,952	32,770	-	420,969
STATE					
Basic formula	-	6,285,009	-	-	6,285,009
Transportation	169,106	-	-	-	169,106
Early childhood special education	11,337	176,546	-	-	187,883
Basic formula - classroom trust fund	214,961	214,961	-	107,480	537,402
Educational screening program	3,744	25,640	-	-	29,384
Vocational / Technical aid	1,175	15,545	-	10,250	26,970
Food services	6,068	-	-	-	6,068
Vocational/Tech ed enhancement grant	-	-	-	4,661	4,661
High need fund	10,321	20,035	-	-	30,356
Elementary field trips reimbursement	500	-	-	-	500
Assessment grant	-	162	-	-	162
TOTAL STATE	417,212	6,737,898	-	122,391	7,277,501

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE (continued)
Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
FEDERAL					
Medicaid	65,011	-	-	-	65,011
IDEA grants	1,012	1,965	-	-	2,977
IDEA	28,943	151,758	-	-	180,701
Early childhood special education	-	37,555	-	-	37,555
School lunch program	398,461	-	-	-	398,461
School breakfast program	129,537	-	-	-	129,537
ESEA, Title I	12,321	503,762	-	-	516,083
Title I, Part C - migrant education	-	8,116	-	-	8,116
ESEA, Title II, Part A	18,561	55,775	-	-	74,336
Title VI, Part B	-	27,764	-	-	27,764
TOTAL FEDERAL	<u>653,846</u>	<u>786,695</u>	-	-	<u>1,440,541</u>
OTHER SOURCES					
Sale of bonds	-	-	-	4,000,000	4,000,000
Net insurance recovery	-	-	-	4,798	4,798
Sale of school buses	-	-	-	47,255	47,255
Sale of other property	395	-	-	576	971
Contracted educational services	-	9,336	-	-	9,336
Transportation from other LEAs for disabled students	2,440	-	-	-	2,440
TOTAL OTHER SOURCES	<u>2,835</u>	<u>9,336</u>	-	<u>4,052,629</u>	<u>4,064,800</u>
TOTAL RECEIPTS	<u>\$ 3,926,095</u>	<u>\$ 8,877,309</u>	<u>\$ 359,580</u>	<u>\$ 4,482,701</u>	<u>\$ 17,645,685</u>

The above presentation agrees to the Annual Secretary of the Board Report.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
SCHEDULE OF DISBURSEMENTS BY OBJECT
Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Salaries	\$ 1,470,816	\$ 6,771,296	\$ -	\$ -	\$ 8,242,112
Teacher retirement	18,600	971,786	-	-	990,386
Non-teacher retirement	81,312	44,221	-	-	125,533
Social security	82,455	42,361	-	-	124,816
Medicare	20,431	93,458	-	-	113,889
Employee insurance	239,195	736,479	-	-	975,674
Tuition	-	217,708	-	-	217,708
Professional services	28,019	-	-	-	28,019
Audit	17,400	-	-	-	17,400
Technical services	114,311	-	-	-	114,311
Legal services	6,991	-	-	-	6,991
Property services	128,275	-	-	-	128,275
Travel	40,197	-	-	-	40,197
Property insurance	91,757	-	-	-	91,757
Liability insurance	10,479	-	-	-	10,479
Fidelity premium	100	-	-	-	100
Other purchased services	616,892	-	-	-	616,892
General supplies	846,875	-	-	-	846,875
Regular textbook	46,650	-	-	-	46,650
Library books	23,209	-	-	-	23,209
Periodicals	22,522	-	-	-	22,522
Food service	439	-	-	-	439
Energy supplies	388,471	-	-	-	388,471
Buildings	-	-	-	817,441	817,441
Equipment - general	-	-	-	36,562	36,562
Equipment - instructional	-	-	-	25,951	25,951
School buses	-	-	-	88,052	88,052
Principal	-	-	445,000	19,917	464,917
Interest	-	-	15,013	10,356	25,369
Fees	-	-	612	64,200	64,812
TOTAL DISBURSEMENTS	\$ 4,295,396	\$ 8,877,309	\$ 460,625	\$ 1,062,479	\$ 14,695,809

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
 SCHEDULE OF TRANSPORTATION COSTS ELIGIBLE FOR STATE AID
 Year Ended June 30, 2016

	District Owned	Disabled District Owned	Total
Certified salaries	\$ 15,000	\$ -	\$ 15,000
Non-certified salaries	391,567	36,350	427,917
Employee benefits	68,634	2,781	71,415
Purchased services	730	-	730
Supplies	130,984	15,819	146,803
Capital outlay	14,633	-	14,633
Depreciation, net of adjustment	88,511	-	88,511
	<u>\$ 710,059</u>	<u>\$ 54,950</u>	<u>\$ 765,009</u>
Lease purchase of school buses			
Lease Principal			<u>\$ 88,052</u>
Lease Interest			<u>\$ 3,170</u>



**INDEPENDENT AUDITORS' 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 Education
East Newton County R-VI School District
Granby, Missouri

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 accompanying financial statements of the governmental activities and each major fund of East Newton County R-VI as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise East Newton County R-VI's basic financial statements and have issued our report thereon dated November 22, 2016.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the East Newton County R-VI'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 a 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 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. It is identified as finding 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the East Newton County R-VI'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*.

We noted certain other matters that we reported to management of East Newton County R-VI in a separate letter dated November 22, 2016.

Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 22, 2016



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

Board of Education
East Newton County R-VI
Granby, Missouri

Report on Compliance for Each Major Federal Program

We have audited East Newton County R-VI'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 East Newton County R-VI's major federal programs for the year ended June 30, 2016. The East Newton County R-VI'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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for East Newton County R-VI School District's major federal program 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 East Newton County R-VI School District'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 the East Newton County R-VI's compliance.

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Member of The Leading Edge Alliance

Opinion on Each Major Federal Program

In our opinion, the East Newton County R-VI 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 East Newton County R-VI 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 the East Newton County R-VI'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 the District'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 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.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 22, 2016

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Missouri Department of Elementary and Secondary Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	2015IN109943	\$ -	\$ 32,926
		2016N109943	-	96,611
			-	129,537
National School Lunch Program - Cash	10.555	2015IN109943	-	91,321
		2016N109943	-	307,140
			-	398,461
- Commodities	10.555	073-099	-	41,585
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	569,583
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Missouri Department of Elementary and Secondary Education				
Title I Grants to LEAs				
	84.010	S010A140025	-	131,060
		S010A150025	-	374,082
			-	505,142
Title I Grants to LEAs - Migrant	84.011	S011A130025	-	677
		S011A140025	-	6,184
			-	6,861
Supporting Effective Instruction State Grant	84.367	S367A140024	-	30,861
		S367A150024	-	42,548
			-	73,409
Special Education Grants Cluster				
Special Education Grants to States				
	84.027	H027A140040	-	68,846
		H027A150040	-	237,865
			-	306,711
Special Education Preschool Grants	84.173	H173A150103	-	7,080
			-	313,791
Rural Education Initiative Grant	84.358	S358B140025	-	9,840
		S358B150025	-	18,890
			-	28,730
TOTAL U.S. DEPARTMENT OF EDUCATION			-	927,933
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,497,516

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
Year Ended June 30, 2016

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. The Schedule of Expenditures of Federal Awards is presented using the modified cash basis of accounting, which is described in Note A to the District's basic financial statements.
2. Commodities received and expended were valued by the Food Service Section of the Department of Elementary and Secondary Education.
3. The District did not provide funds to subrecipients in the current year.
4. The District elected not to use the 10% de minimis indirect cost rate.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

Section I – Summary of Audit Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with the modified cash basis of accounting:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified: yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal 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 federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? yes X no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster
84.027 & 84.173	Special Education Cluster

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

 \$ 750,000

Auditee qualified as low-risk auditee? yes X no

Section II – Financial Statement Findings

MATERIAL WEAKNESS

2016-001 Segregation of duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The District currently has two persons performing accounts payable functions, one person performing payroll functions and a part-time person performing accounting for revenues. All three persons have access to the general ledger program for the District's accounting system. There are some mitigating controls in place but complete segregation of duties is not present in the accounting system. All central office staff has been cross-trained in the various functions.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The limited number of available personnel and the assignment of duties prohibit segregation of duties. The District does have some migrating controls in place to offset some of the risks of the lack of segregation of duties.

Section III – Federal Award Findings and Questioned Costs

None

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2016

Financial Statement Finding

2015-001 Segregation of duties

Auditor's Recommendation:

We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Status:

Uncorrected

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

November 24, 2016

U.S. DEPARTMENT OF EDUCATION

The East Newton County R-VI School District respectfully submits the following corrective action plan for the year ended June 30, 2016.

Contact information for the individual responsible for the corrective action:

Mr. Todd McCrackin – Superintendent
East Newton County R-VI School District
22808 MO-86
Granby, Missouri 64844
(417) 472-6231

Audit Period: Year ended June 30, 2016

The findings from the June 30, 2016, schedule of findings and questioned costs – Financial Statement Audit are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2016 – 001 Segregation of Duties

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Action Taken: The limited number of available personnel prohibits segregation of incompatible duties and the City does not have the resources to hire additional accounting personnel.

Completion Date: Not applicable.

Sincerely,

Mr. Todd McCrackin – Superintendent
East Newton County R-VI School District

SUPPLEMENTARY STATE INFORMATION



**INDEPENDENT ACCOUNTANTS' REPORT ON MANAGEMENT'S
ASSERTIONS ABOUT COMPLIANCE WITH SPECIFIED
REQUIREMENTS OF MISSOURI LAWS AND REGULATIONS**

Board of Education
East Newton County R-VI School District
Granby, Missouri

We have examined management's assertions that East Newton County R-VI School District, Granby, Missouri, complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures; accurate disclosure of the District's attendance records of average daily attendance, standard day length, resident membership on the last Wednesday of September, pupil transportation records of the average daily transportation of pupils eligible and ineligible for state aid, the number of miles eligible and ineligible for state aid and other statutory requirements as listed in the schedule of selected statistics during the year ended June 30, 2016. Management is responsible for the East Newton County R-VI School District's compliance with those requirements. Our responsibility is to express an opinion on management's assertions based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining on a test basis, evidence about the East Newton County R-VI School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the East Newton County R-VI School District's compliance with specified requirements.

Our examination disclosed the District did not meet compliance with Missouri laws and regulations regarding budgetary and disbursement procedures because actual disbursements exceeded budgeted disbursements in the General Fund. Also, the District's deposits were not adequately secured during the year as required by Sections 110.010 and 110.020 RSMo.

In our opinion, except for conditions described in the third paragraph, management's assertions referred to above are fairly stated, in all material respects, with the aforementioned requirements for the year ended June 30, 2016.

This report is intended solely for the information and use of the Board of Education, District management, and the Missouri Department of Elementary and Secondary Education and is not intended to be, and should not be, used by anyone other than these specified parties.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 22, 2016

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EAST NEWTON COUNTY R-VI SCHOOL DISTRICT 073-009
 SCHEDULE OF SELECTED STATISTICS
 Year Ended June 30, 2016

1. Calendar (Sections 160.041 and 171.031, RSMo)

A. Standard Day Length (SDL) – The total number of hours between the starting time of the first class and the dismissal time of the last class, minus the time allowed for lunch and one passing time, and minus Channel One time were as follows:

Granby Grades K – 8	6.6167
Triway Grades K – 8	6.4167
High School Grades 9 – 12	6.4500

B. The number of actual calendar hours classes were in session and pupils were under the direction of teachers during this school year was:

Granby Grades K – 8	1,079.36
Triway Grades K – 8	1,099.80
High School Grades 9 – 12	1,058.90

C. The number of days classes were in session and pupils were under the direction of the teachers during this school year was 170.

2. Average Daily Attendance (ADA)

Average Daily Attendance:

Regular term:

Granby K-8	484.69
Triway K-8	354.85
High School Grades 9-12	<u>425.97</u>
Total regular term	1,265.51

Summer school average daily attendance	<u>36.28</u>
--	--------------

Total Average Daily Attendance	<u><u>1,301.79</u></u>
--------------------------------	------------------------

3. September Membership

September Membership FTE Count	<u><u>1,348.98</u></u>
--------------------------------	------------------------

4. Free and Reduced Price Lunch FTE Count (Section 163.011(6), RSMo)

State FTE Total	Free	758.71
	Reduced	<u>159.00</u>
	Total	<u><u>917.71</u></u>

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT 073-009
SCHEDULE OF SELECTED STATISTICS (continued)
Year Ended June 30, 2016

5. Finance

- A. A bond, as required by Section 162.401, RSMo, has been purchased for the District treasurer in the amount of \$50,000.
- B. The District's deposits were not adequately secured during the year as required by Sections 110.010 and 110.020 RSMo.
- C. The District maintained a separate bank account for its Debt Service Fund in accordance with Section 165.011 RSMo.
- D. Salaries reported for educators in the October core data cycle are supported by payroll/contract records.
- E. The District did not make a \$162,326 or 7% x SAT x WADA transfer.
- F. The District published a summary of the 2014-2015 audit report within thirty days of receipt of the audit, pursuant to Section 165.121, RSMo.
- G. The District has a professional development committee plan adopted by the Board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment.
- H. The amount spent for approved professional development committee plan activities was \$69,986.

Deposits in one financial institution were not adequately secured as of June 30, 2016. This has been reported to management in point two of the management letter.

6. Transportation (Section 163.161, RSMo)

- A. The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.
- B. The District's school transportation ridership records are so maintained as to accurately disclose in all material respects the average number of regular riders transported.
- C. Based on the ridership records, the average number of students (non-disabled K-12, career education, and K-12 students with disabilities) transported on a regular basis (ADT) eligible for state transportation aid was 947.50 and the average number of students transported on a regular basis (ADT) ineligible to be counted for state transportation aid was 58.00.
- D. The District's transportation odometer mileage records are so maintained as to accurately disclose in all material respects the eligible and ineligible mileage for the year.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT 073-009
SCHEDULE OF SELECTED STATISTICS (continued)
Year Ended June 30, 2016

6. Transportation (Section 163.161, RSMo) (continued)

E. Actual odometer records show the total District operated and contracted mileage for the year was 278,738. Of this total, the eligible non-disabled and students with disabilities route miles were 228,886 and the ineligible non-route and disapproved miles combined were 49,852.

F. The District operated the school transportation system for 170 days during this school year.

There were no findings noted above.



Board of Education
East Newton County R-VI School District
Granby, Missouri

In planning and performing our audit of the basic financial statements of the East Newton County R-VI School District, for the year ended June 30, 2016, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the 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*, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

In addition to the material weakness discussed in the 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*, we became aware of additional matters to bring to your attention. The following paragraphs summarize our comments and recommendations regarding these matters.

1. Budgetary Compliance

The District was not in compliance with the budgetary statute, Chapter 67 RSMo, in the current year as actual expenditures exceeded budgeted expenditures in the General Fund. The budgetary statute prohibits actual expenditures exceeding budgeted expenditures for any fund maintained by the District.

We Recommend:

The District for review expenditures during the year and amend the budget as necessary to avoid expending more than the budgeted amount to ensure compliance with the budgetary statute (Chapter 67, RSMo).

2. Collateralization of District Deposits

District deposits were not adequately secured at various times during the current year in accordance with Sections 110.010 and 110.020, RSMo. The financial institution did not adequately cover the District's deposits in excess of FDIC coverage.

We Recommend:

The District monitor the collateralization during the year and ensure that the District deposits are adequately secured at all times.

We appreciate this opportunity to serve as East Newton County R-VI School District's independent auditor and the courtesies and assistance extended to us by the District's employees.

Respectfully submitted,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 22, 2016