

East Newton County R-VI School District  
Granby, Missouri

BASIC FINANCIAL STATEMENTS  
Year Ended June 30, 2018

**KPM**  
CPAS & ADVISORS

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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, 2018, 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, 2018, 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 budgetary comparison information on pages 28-32, 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 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.

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

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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018, 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.

*KPM CPAs, PC*

KPM CPAs, PC  
Springfield, Missouri  
November 21, 2018

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
 STATEMENT OF NET POSITION – MODIFIED CASH BASIS  
 June 30, 2018

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 406,134
Investments	<u>1,262,318</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,668,452</u></u>
<b>NET POSITION</b>	
Restricted for debt service	\$ 169,078
Restricted for professional development	16,433
Restricted for student activities	184,816
Restricted for scholarships	52,304
Unrestricted	<u>1,245,821</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 1,668,452</u></u>

See accompanying notes

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS  
Year Ended June 30, 2018

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ (7,966,125)	\$ 332,046	\$ 892,521	\$ 8,539	\$ (6,733,019)
Student services	(448,151)	-	76,241	-	(371,910)
Instructional staff support	(776,638)	-	4,048	-	(772,590)
Building administration	(677,614)	-	-	-	(677,614)
General administration	(474,834)	-	-	-	(474,834)
Operation of plant	(1,252,835)	-	-	-	(1,252,835)
Transportation	(810,540)	-	188,384	-	(622,156)
Food services	(614,585)	130,649	492,513	-	8,577
Community services	(182,115)	-	117,925	-	(64,190)
Debt service	(542,126)	-	-	-	(542,126)
NET PROGRAM (DISBURSEMENTS) RECEIPTS	<u>\$ (13,745,563)</u>	<u>\$ 462,695</u>	<u>\$ 1,771,632</u>	<u>\$ 8,539</u>	(11,502,697)
General Receipts:					
Ad valorem tax receipts					2,398,243
Prop C sales tax receipts					1,433,239
Other tax receipts					17,607
County receipts					412,099
State receipts					6,643,622
Interest receipts					11,844
Other receipts					14,454
TOTAL GENERAL RECEIPTS					10,931,108
Special Item:					
Sale of other property					75
(DECREASE) IN NET POSITION					(571,514)
NET POSITION - Beginning of year					2,239,966
NET POSITION - End of year					<u>\$ 1,668,452</u>

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, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 155,400	\$ -	\$ 119,194	\$ 131,540	\$ 406,134
Investments	1,212,307	-	49,884	127	1,262,318
TOTAL ASSETS	<u>\$ 1,367,707</u>	<u>\$ -</u>	<u>\$ 169,078</u>	<u>\$ 131,667</u>	<u>\$ 1,668,452</u>
<b>FUND BALANCES</b>					
Restricted for:					
Debt service	\$ -	\$ -	\$ 169,078	\$ -	\$ 169,078
Professional development	16,433	-	-	-	16,433
Student activities	184,816	-	-	-	184,816
Scholarships	52,304	-	-	-	52,304
Assigned to capital outlay	-	-	-	131,667	131,667
Unassigned	1,114,154	-	-	-	1,114,154
TOTAL FUND BALANCES	<u>\$ 1,367,707</u>	<u>\$ -</u>	<u>\$ 169,078</u>	<u>\$ 131,667</u>	<u>\$ 1,668,452</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, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>RECEIPTS</b>					
Local	\$ 2,525,788	\$ 1,433,330	\$ 356,329	\$ 22,635	\$ 4,338,082
County	313,150	65,914	33,035	-	412,099
State	1,088,069	5,638,845	-	334,096	7,061,010
Federal	640,530	722,253	-	-	1,362,783
TOTAL RECEIPTS	4,567,537	7,860,342	389,364	356,731	13,173,974
<b>DISBURSEMENTS</b>					
Instruction	1,507,571	6,416,099	-	42,455	7,966,125
Student services	163,920	284,231	-	-	448,151
Instructional staff support	458,035	313,198	-	5,405	776,638
Building administration	215,090	462,524	-	-	677,614
General administration	198,519	276,315	-	-	474,834
Operation of plant	1,114,645	-	-	138,190	1,252,835
Transportation	706,536	15,000	-	89,004	810,540
Food service	611,585	-	-	3,000	614,585
Community services	89,140	92,975	-	-	182,115
Debt service	-	-	435,208	106,918	542,126
TOTAL DISBURSEMENTS	5,065,041	7,860,342	435,208	384,972	13,745,563
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(497,504)	-	(45,844)	(28,241)	(571,589)
<b>OTHER FINANCING SOURCES</b>					
Sale of other property	75	-	-	-	75
TOTAL OTHER FINANCING SOURCES	75	-	-	-	75
(DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	(497,429)	-	(45,844)	(28,241)	(571,514)
FUND BALANCE, July 1, 2017	1,865,136	-	214,922	159,908	2,239,966
FUND BALANCE, June 30, 2018	<u>\$ 1,367,707</u>	<u>\$ -</u>	<u>\$ 169,078</u>	<u>\$ 131,667</u>	<u>\$ 1,668,452</u>

See accompanying notes

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.

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.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Teachers' Salaries

The salary payment schedule of the District for the 2017-2018 school year requires the payment of salaries for a twelve-month period. Consequently, the July and August 2018, 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 is 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 does 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.

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, 2018, all bank balances on deposit were entirely insured or collateralized with securities.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

NOTE C – INVESTMENTS

Investments of the District as of June 30, 2018, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Certificates of Deposit	7/18/2018-3/27/2019	\$ 552,304
Missouri Securities Investment Program (MOSIP) - Cash Management Funds	N/A	660,133
Pro-rata shares of investment contracts with BOK Financial through the Missouri School District Direct Deposit Program	N/A	49,881
		<u>\$ 1,262,318</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, 2018, 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.

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 AAA. Fair market value approximates cost.

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

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

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 2017 for purposes of local taxation was:

Real estate	\$ 52,124,170
Personal property	<u>21,615,745</u>
TOTAL ASSESSED VALUATION	<u><u>\$ 73,739,915</u></u>

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2017 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>	<u><u>\$ 3.2191</u></u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2018, 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, 2018, consist of:

\$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><u>\$ 4,000,000</u></u>
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EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

NOTE E – GENERAL OBLIGATION BONDS PAYABLE (continued)

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

Bonds Payable, July 1, 2017	\$ 4,305,000
Bonds issued	-
Bonds retired	<u>(305,000)</u>
Bonds Payable, June 30, 2018	<u><u>\$ 4,000,000</u></u>

Debt service requirements are:

Year Ending June 30,	Principal	Interest	Total
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><u>\$ 4,000,000</u></u>	<u><u>\$ 1,644,688</u></u>	<u><u>\$ 5,644,688</u></u>

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

NOTE E – GENERAL OBLIGATION BONDS PAYABLE (continued)

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, 2018, was:

Constitutional debt limit	\$ 11,060,987
General obligation bonds payable	(4,000,000)
Amount available in Debt Service Fund	<u>169,078</u>
LEGAL DEBT MARGIN	<u><u>\$ 7,230,065</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

The District participates in the Public School Retirement System and the Public Education Employee Retirement System (PSRS and PEERS, also referred to as the Systems). The financial statements of the District 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.

*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 the Systems, 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 “two-thirds 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.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

NOTE F – RETIREMENT PLANS (continued)

*Plan Description.* PEERS is a mandatory cost-sharing multiple employer retirement system for all non-certificated 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 PSRS must contribute to PEERS. Employees of the Systems 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 PSRS.

*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 was used to calculate benefits for members who had 31 or more years of service at retirement. 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 retirement, disability, and death 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 benefit until reaching minimum Social Security age (currently age 62), which is calculated using a 0.8% benefit factor. Actuarially age-reduced retirement benefits are available with 5 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.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

NOTE F – RETIREMENT PLANS (continued)

*Cost-of-Living Adjustments (“COLA”).* The Board of Trustees has established a policy of providing a 0.00% COLA for years in which the CPI increases between 0.00% and 2.00%, a 2.00% COLA for years in which CPI increases between 2.00% and 5.00%, and a COLA of 5.00% if the CPI is greater than 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.

*Contributions.* PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2016, 2017, and 2018. 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.* PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2016, 2017, and 2018. 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 \$945,130 and \$117,823, respectively, for the year ended June 30, 2018.

Summary Plan descriptions detailing the provisions of the plans as well as additional information regarding the District's net pension liability and deferred inflows and outflows of resources can be found on the Systems' website at [www.psr-peers.org](http://www.psr-peers.org).

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, 2018, 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, 2018

NOTE H – COMPENSATED ABSENCES PAYABLE

Compensated absences payable at June 30, 2018, 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, 2018, was \$82,950.

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, 2018:

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

NOTE K – DNR ENERGY LOAN PAYABLE (continued)

Balance, July 1, 2017	\$ 20,327
Loan Additions	-
Loan Payments	(19,917)
Balance, June 30, 2018	<u>\$ 410</u>

Debt service requirements are:

Year Ending June 30,	Principal
<u>2019</u>	<u>\$ 410</u>

NOTE L – CAPITAL LEASES PAYABLE

The District has entered into the following lease agreements:

- 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.
- Series February 8, 2017, lease certificates of participation were issued in the amount of \$490,000, with interest at 3.25% and 4.00%. The purpose of the lease is to purchase and install solar panels on real property owned by the District.

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

NOTE L – CAPITAL LEASES PAYABLE (continued)

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.

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

Year Ending June 30,	2015 Bus Lease	2013 Equipment Lease	2015 Certificates of Participation	2017 Certificates of Participation	Total
2019	\$ 45,004	\$ 9,011	\$ 61,325	\$ 17,913	\$ 133,253
2020	45,004	9,011	59,813	17,912	131,740
2021	45,005	9,011	63,300	17,913	135,229
2022	-	-	61,650	17,912	79,562
2023	-	-	-	57,913	57,913
2024-2028	-	-	-	303,274	303,274
2029-2032	-	-	-	236,800	236,800
	<u>135,013</u>	<u>27,033</u>	<u>246,088</u>	<u>669,637</u>	<u>1,077,771</u>
LESS INTEREST	<u>(6,230)</u>	<u>(1,421)</u>	<u>(16,088)</u>	<u>(179,637)</u>	<u>(203,376)</u>
	<u>\$ 128,783</u>	<u>\$ 25,612</u>	<u>\$ 230,000</u>	<u>\$ 490,000</u>	<u>\$ 874,395</u>

The following represents the changes in the net lease payments for the year ended June 30, 2018:

Balance, July 1, 2017	\$ 1,024,418
Lease Additions	-
Lease Payments	<u>(150,023)</u>
Balance, June 30, 2018	<u>\$ 874,395</u>

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

NOTE M – TAX ABATEMENTS

As of June 30, 2018, Newton County provided tax abatements through one program – Tax Increment Financing (TIF).

TIF is a public mechanism to assist private development of areas within the County. TIF may be used: 1) when there is evidence the development would not occur without public assistance and 2) when then project area qualifies as a blighted, conservation, or economic development area. TIF provides for redirection of the incremental increase in property tax revenue resulting from a redevelopment project to be used for approved project-related costs, infrastructure, and capital improvements.

The development pays all taxes owed and a portion, or all of the incremental increase in taxes. Taxes resulting from development are captured and redirected to pay redevelopment project costs. Taxing jurisdictions continue to receive the taxes based on the pre-development value. The TIF may also capture new taxes imposed after the TIF is approved. A developer’s agreement may also be crafted to provide some aspects of this and other programs and forgo undesirable elements contained in other programs.

The following city had tax abatements entered into with the county that affected the District:

<u>City</u>	<u>Purpose of Abatement</u>	<u>Amount of Abated Assessed Value</u>	<u>Amount of Taxes Abated</u>
City of Granby	Community Development	<u>\$ 1,044,590</u>	<u>\$ 33,626</u>

## **SUPPLEMENTARY INFORMATION**

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Local	\$ 2,473,150	\$ 2,525,788	\$ 2,525,788	\$ -
County	327,200	313,408	313,150	(258)
State	1,253,065	1,088,069	1,088,069	-
Federal	774,179	640,530	640,530	-
TOTAL RECEIPTS	<u>4,827,594</u>	<u>4,567,795</u>	<u>4,567,537</u>	<u>(258)</u>
DISBURSEMENTS				
Instruction	1,536,939	1,508,806	1,507,571	1,235
Student services	175,969	163,920	163,920	-
Instructional staff support	510,977	456,800	458,035	(1,235)
Building administration	224,713	215,090	215,090	-
General administration	200,332	198,519	198,519	-
Operation of plant	1,079,539	1,114,645	1,114,645	-
Transportation	738,382	706,536	706,536	-
Food service	610,862	611,585	611,585	-
Community services	51,425	89,140	89,140	-
TOTAL DISBURSEMENTS	<u>5,129,138</u>	<u>5,065,041</u>	<u>5,065,041</u>	<u>-</u>
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(301,544)	(497,246)	(497,504)	(258)
OTHER FINANCING SOURCES				
Sale of other property	<u>-</u>	<u>75</u>	<u>75</u>	<u>-</u>
FUND BALANCE, July 1, 2017	<u>1,865,136</u>	<u>1,865,136</u>	<u>1,865,136</u>	<u>-</u>
FUND BALANCE, June 30, 2018	<u>\$ 1,563,592</u>	<u>\$ 1,367,965</u>	<u>\$ 1,367,707</u>	<u>\$ (258)</u>

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND  
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Local	\$ 1,443,580	\$ 1,433,330	\$ 1,433,330	\$ -
County	136,500	65,914	65,914	-
State	5,491,093	5,638,845	5,638,845	-
Federal	676,485	722,253	722,253	-
Other	2,240	-	-	-
TOTAL RECEIPTS	7,749,898	7,860,342	7,860,342	-
DISBURSEMENTS				
Instruction	6,376,147	6,416,099	6,416,099	-
Student services	299,511	284,231	284,231	-
Instructional staff support	309,186	313,198	313,198	-
Building administration	463,259	462,524	462,524	-
General administration	261,985	291,315	276,315	15,000
Transportation	-	-	15,000	(15,000)
Community services	13,034	92,975	92,975	-
TOTAL DISBURSEMENTS	7,723,122	7,860,342	7,860,342	-
EXCESS OF RECEIPTS OVER DISBURSEMENTS	26,776	-	-	-
FUND BALANCE, July 1, 2017	-	-	-	-
FUND BALANCE, June 30, 2018	\$ 26,776	\$ -	\$ -	\$ -

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND  
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Local	\$ 338,180	\$ 356,329	\$ 356,329	\$ -
County	32,700	32,778	33,035	257
TOTAL RECEIPTS	370,880	389,107	389,364	257
DISBURSEMENTS				
Debt service	433,863	435,208	435,208	-
TOTAL DISBURSEMENTS	433,863	435,208	435,208	-
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(62,983)	(46,101)	(45,844)	257
FUND BALANCE, July 1, 2017	214,922	214,922	214,922	-
FUND BALANCE, June 30, 2018	<u>\$ 151,939</u>	<u>\$ 168,821</u>	<u>\$ 169,078</u>	<u>\$ 257</u>

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE – CAPITAL PROJECTS FUND  
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
RECEIPTS				
Local	\$ 26,803	\$ 22,635	\$ 22,635	\$ -
State	311,584	334,096	334,096	-
Federal	2,000	-	-	-
TOTAL RECEIPTS	<u>340,387</u>	<u>356,731</u>	<u>356,731</u>	<u>-</u>
DISBURSEMENTS				
Instruction	21,000	42,455	42,455	-
Instructional staff support	6,000	5,405	5,405	-
Building administration	3,000	-	-	-
General administration	2,000	-	-	-
Operation of plant	161,000	138,190	138,190	-
Transportation	90,940	89,004	89,004	-
Food services	3,000	3,000	3,000	-
Facilities acquisition and construction	79,841	26,834	-	26,834
Debt service	34,169	80,084	106,918	(26,834)
TOTAL DISBURSEMENTS	<u>400,950</u>	<u>384,972</u>	<u>384,972</u>	<u>-</u>
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(60,563)	(28,241)	(28,241)	-
OTHER FINANCING SOURCES				
Sale of other property	2,000	2,000	-	(2,000)
TOTAL OTHER FINANCING SOURCES	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
(DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	(58,563)	(26,241)	(28,241)	(2,000)
FUND BALANCE, July 1, 2017	<u>159,908</u>	<u>159,908</u>	<u>159,908</u>	<u>-</u>
FUND BALANCE, June 30, 2018	<u>\$ 101,345</u>	<u>\$ 133,667</u>	<u>\$ 131,667</u>	<u>\$ (2,000)</u>

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
NOTE TO BUDGETARY COMPARISON SCHEDULES  
June 30, 2018

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, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
<b>LOCAL</b>					
Current taxes	\$ 1,826,813	\$ -	\$ 311,561	\$ -	\$ 2,138,374
Delinquent taxes	222,006	-	37,863	-	259,869
School district trust fund (Prop C)	-	1,433,239	-	-	1,433,239
M & M surtax	-	-	-	17,607	17,607
Earnings on investments	10,874	91	851	28	11,844
Food service - programs	126,263	-	-	-	126,263
Food service non-program	4,386	-	-	-	4,386
Student activities	332,046	-	-	-	332,046
Rentals	75	-	-	-	75
Prior Period Adjustment	2,652	-	6,054	-	8,706
Miscellaneous local revenue	673	-	-	5,000	5,673
TOTAL LOCAL	2,525,788	1,433,330	356,329	22,635	4,338,082
<b>COUNTY</b>					
Fines, escheats, etc.	-	65,914	-	-	65,914
State assessed utilities	313,150	-	33,035	-	346,185
TOTAL COUNTY	313,150	65,914	33,035	-	412,099
<b>STATE</b>					
Basic formula - state monies	561,940	5,539,087	-	-	6,101,027
Transportation	129,128	-	-	-	129,128
Early childhood special education	134,439	58,254	-	-	192,693
Basic formula - classroom trust fund	217,038	-	-	325,557	542,595
Educational screening prog/PAT	21,983	-	-	-	21,983
Career education	-	12,651	-	8,539	21,190
Food service - state	5,308	-	-	-	5,308
High need fund - special education	18,233	28,853	-	-	47,086
TOTAL STATE	1,088,069	5,638,845	-	334,096	7,061,010

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS BY SOURCE (continued)  
Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
FEDERAL					
Medicaid	75,769	-	-	-	75,769
IDEA grants	1,002	-	-	-	1,002
IDEA entitlement funds, Part B IDEA	29,715	287,251	-	-	316,966
Early childhood special education - federal	-	26,884	-	-	26,884
School lunch program	313,110	-	-	-	313,110
School breakfast program	128,891	-	-	-	128,891
Title I	41,652	335,800	-	-	377,452
Title IV.A student support and academic enrichment	5,187	-	-	-	5,187
Title II.A	-	72,318	-	-	72,318
Dept of health food service program	45,204	-	-	-	45,204
TOTAL FEDERAL	640,530	722,253	-	-	1,362,783
OTHER SOURCES					
Sale of other property	75	-	-	-	75
TOTAL OTHER SOURCES	75	-	-	-	75
TOTAL RECEIPTS	<u>\$ 4,567,612</u>	<u>\$ 7,860,342</u>	<u>\$ 389,364</u>	<u>\$ 356,731</u>	<u>\$ 13,174,049</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, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Salaries	\$ 1,977,663	\$ 5,983,400	\$ -	\$ -	\$ 7,961,063
Teacher's retirement	20,696	924,876	-	-	945,572
Non-teacher retirement	117,360	463	-	-	117,823
Old age survivor and disability (OASDI)	108,639	10,405	-	-	119,044
Medicare	26,754	81,524	-	-	108,278
Employee insurance	313,144	568,180	-	-	881,324
Purchased instructional services - tuition	-	274,006	-	-	274,006
Professional services	19,418	-	-	-	19,418
Audit services	18,500	-	-	-	18,500
Legal services	1,193	-	-	-	1,193
Election services	4,368	-	-	-	4,368
Other professional services	329,068	-	-	-	329,068
Repairs and maintenance	99,280	-	-	-	99,280
Water and sewer	9,812	-	-	-	9,812
Trash removal	20,043	-	-	-	20,043
Travel	30,230	-	-	-	30,230
Property insurance	89,456	-	-	-	89,456
Liability insurance	9,216	-	-	-	9,216
Fidelity bond premiums	100	-	-	-	100
Communication	31,441	-	-	-	31,441
Advertising, printing, dues and other purchased services	519,913	17,488	-	-	537,401
General supplies	762,150	-	-	-	762,150
Textbook	104,377	-	-	-	104,377
Library books	28,108	-	-	-	28,108
Resource materials	22,627	-	-	-	22,627
Energy	401,485	-	-	-	401,485
Buildings	-	-	-	143,300	143,300
Regular equipment	-	-	-	28,430	28,430
Equipment - classroom instructional apparatus	-	-	-	17,387	17,387
Pupil transportation vehicles - school buses	-	-	-	88,938	88,938
Principal	-	-	305,000	72,917	377,917
Interest	-	-	128,513	32,914	161,427
Other (fin. fees, etc.)	-	-	1,695	1,086	2,781
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 5,065,041</b>	<b>\$ 7,860,342</b>	<b>\$ 435,208</b>	<b>\$ 384,972</b>	<b>\$ 13,745,563</b>

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
 SCHEDULE OF TRANSPORTATION COSTS ELIGIBLE FOR STATE AID  
 Year Ended June 30, 2018

	District Owned	Disabled District Owned	Total
Certified salaries	\$ 15,000	\$ -	\$ 15,000
Non-certified salaries	414,487	31,410	445,897
Employee benefits	76,333	2,405	78,738
Purchased services	814	-	814
Supplies	127,795	12,944	140,739
Capital outlay	66	-	66
Depreciation, net of adjustment	86,994	-	86,994
	<u>\$ 721,489</u>	<u>\$ 46,759</u>	<u>\$ 768,248</u>
Lease purchase of school buses			
Lease principal			<u>\$ 88,938</u>
Lease interest			<u>\$ 5,153</u>

## **OTHER REPORTING REQUIREMENTS**



**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, 2018, 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 21, 2018.

**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 2018-001.

### **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*.

### **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 21, 2018



## **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, 2018. 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, 2018.

### **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 21, 2018

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2018

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	20177N109943	\$ -	\$ 23,703
		20188N109943	-	105,188
			-	128,891
National School Lunch Program - Cash	10.555	20177N109943	-	60,349
		20188N109943	-	252,761
			-	313,110
- Commodities	10.555	073-099	-	48,049
Missouri Department of Health and Senior Services				
Child Nutrition Cluster				
Summer Food Service	10.559	ERS46163156	-	45,204
Total Child Nutrition Cluster			-	535,254
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	535,254
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Missouri Department of Elementary and Secondary Education				
Title I Grants to LEAs	84.010	S010A160025	-	177,867
		S010A170025	-	222,758
			-	400,625
Supporting Effective Instruction State Grant	84.367	S367A160024	-	41,772
		S367A170024	-	18,443
			-	60,215
Special Education Grants Cluster				
Special Education Grants to States	84.027	H027A160040	-	126,185
		H027A170040	-	167,589
			-	293,774
Special Education Preschool Grants	84.173	H171A170103	-	5,984
Total Special Education Grants Cluster			-	299,758
Student Support and Academic Enrichment Program	84.424	S424A170026	-	6,342
TOTAL U.S. DEPARTMENT OF EDUCATION			-	766,940
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,302,194

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)  
Year Ended June 30, 2018

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, 2018

**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   none reported

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:

CFDA Number(s)  
10.553, 10.555, & 10.559

Name of Federal  
Program or Cluster  
Child Nutrition 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

2018-001 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, 2018

**Financial Statement Finding**

2017-001 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 21, 2018

## 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, 2018.

Contact information for the individual responsible for the corrective action:

Dr. Ron Mitchell – Superintendent  
East Newton County R-VI School District  
22808 MO-86  
Granby, Missouri 64844  
(417) 472-6231

Audit Period: Year ended June 30, 2018

The findings from the June 30, 2018, 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

#### 2018-001 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,

Dr. Ron Mitchell – 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 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, 2018. East Newton County R-VI School District's Management is responsible for its assertions. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertions are fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertions. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertions, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, management's assertions referred to above are fairly stated, in all material respects.

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 21, 2018

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT 073-009

SCHEDULE OF SELECTED STATISTICS

Year Ended June 30, 2018

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	7.3333
Triway Grades K – 8	7.0833
High School Grades 9 – 12	7.0000

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	1,100.00
Triway Grades K – 8	1,100.00
High School Grades 9 – 12	1,069.60

C. The number of days classes were in session and pupils were under the direction of the teachers during this school year was 152.

2. Average Daily Attendance (ADA)

Average Daily Attendance:

Regular term:

Granby K – 8	499.26
Triway K – 8	357.71
High School Grades 9 – 12	<u>367.75</u>
Total regular term	1,224.72

Summer school average daily attendance	<u>62.40</u>
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Total Average Daily Attendance	<u><u>1,287.12</u></u>
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3. September Membership

September Membership FTE Count	<u><u>1,322.71</u></u>
--------------------------------	------------------------

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

State FTE Total	Free	638.14
	Reduced	<u>159.00</u>
	Total	<u><u>797.14</u></u>

EAST NEWTON COUNTY R-VI SCHOOL DISTRICT 073-009  
SCHEDULE OF SELECTED STATISTICS (continued)  
Year Ended June 30, 2018

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 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 2016-2017 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 \$50,639.

There were no findings noted above.

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 877.00 and the average number of students transported on a regular basis (ADT) ineligible to be counted for state transportation aid was 64.00.
- 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, 2018

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

E. Actual odometer records show the total District operated and contracted mileage for the year was 317,471. Of this total, the eligible non-disabled and students with disabilities route miles were 265,892 and the ineligible non-route and disapproved miles combined were 51,579.

F. The District operated the school transportation system for 152 days during this school year.

There were no findings noted above.