

Neosho R-5 School District
Neosho, Missouri

BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

KPM
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

Board of Education
Neosho R-5 School District
Neosho, Missouri

We have audited the basic financial statements of the governmental activities and each major fund of the Neosho R-5 School District 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 the Neosho R-5 School District as of June 30, 2018, and the respective changes in the 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 32-36, 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 Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Neosho R-5 School District's basic financial statements. The data contained under Other Financial Information on pages 38-41, 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
Neosho R-5 School District
Neosho, Missouri

The Other Financial Information on pages 38-41 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 December 11, 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
December 11, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS

NEOSHO R-5 SCHOOL DISTRICT
 STATEMENT OF NET POSITION – MODIFIED CASH BASIS
 June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 13,599,101
Cash - restricted health insurance trust	1,459,379
Investments	<u>794,249</u>
TOTAL ASSETS	<u>\$ 15,852,729</u>
NET POSITION	
Restricted for:	
Insurance trust	\$ 1,459,379
Debt service	1,900,969
Student activities	386,922
Professional development	19,626
Unrestricted	<u>12,085,833</u>
TOTAL NET POSITION	<u>\$ 15,852,729</u>

See accompanying notes

NEOSHO R-5 SCHOOL DISTRICT
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2018

	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	\$ (24,580,039)	\$ 900,687	\$ 2,718,323	\$ -	\$ (20,961,029)
Student services	(1,872,386)	-	11,492	-	(1,860,894)
Instructional staff support	(3,571,668)	-	655,513	-	(2,916,155)
Building administration	(1,526,637)	-	-	-	(1,526,637)
General administration	(1,895,130)	-	-	-	(1,895,130)
Operation of plant	(5,302,704)	-	-	-	(5,302,704)
Transportation	(1,953,301)	-	408,337	-	(1,544,964)
Food service	(2,465,676)	314,879	1,409,999	-	(740,798)
Community services	(757,758)	21,364	783,255	-	46,861
Facilities acquisition and construction	(4,356,908)	-	-	-	(4,356,908)
Debt service	(2,503,892)	-	-	-	(2,503,892)
NET PROGRAM (DISBURSEMENTS) RECEIPTS	<u>\$ (50,786,099)</u>	<u>\$ 1,236,930</u>	<u>\$ 5,986,919</u>	<u>\$ -</u>	<u>(43,562,250)</u>
General Receipts:					
Ad valorem tax receipts					10,541,031
Prop C sales tax receipts					4,872,726
Other tax receipts					181,434
County receipts					1,439,124
State receipts					21,627,187
Interest receipts					151,285
Other receipts					312,918
TOTAL GENERAL RECEIPTS					39,125,705
Special Item:					
Net insurance recovery					3,178,152
CHANGE IN NET POSITION					(1,258,393)
NET POSITION - Beginning of year					17,111,122
NET POSITION - End of year					<u>\$ 15,852,729</u>

See accompanying notes

FUND FINANCIAL STATEMENTS

NEOSHO R-5 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
ASSETS					
Cash and cash equivalents	\$ 7,562,915	\$ -	\$ 1,106,871	\$ 4,929,315	\$ 13,599,101
Investments	151	-	794,098	-	794,249
TOTAL ASSETS	<u>\$ 7,563,066</u>	<u>\$ -</u>	<u>\$ 1,900,969</u>	<u>\$ 4,929,315</u>	<u>\$ 14,393,350</u>
FUND BALANCES					
Restricted for:					
Debt service	\$ -	\$ -	\$ 1,900,969	\$ -	\$ 1,900,969
Student activities	386,922	-	-	-	386,922
Professional development	19,626	-	-	-	19,626
Assigned to capital outlay	-	-	-	4,929,315	4,929,315
Unassigned	7,156,518	-	-	-	7,156,518
TOTAL FUND BALANCES	<u>\$ 7,563,066</u>	<u>\$ -</u>	<u>\$ 1,900,969</u>	<u>\$ 4,929,315</u>	<u>\$ 14,393,350</u>
Total Fund Balances - Governmental Funds					\$ 14,393,350
Some of the amounts reported for governmental activities in the Statement of Net Position are different because Internal Service Fund assets are included with governmental activities.					<u>1,459,379</u>
Net Position of Governmental Activities					<u>\$ 15,852,729</u>

See accompanying notes

NEOSHO R-5 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
RECEIPTS					
Local	\$ 9,997,227	\$ 4,874,476	\$ 1,918,272	\$ 230,055	\$ 17,020,030
County	1,043,560	217,036	178,528	-	1,439,124
State	4,942,441	16,912,799	-	1,466,698	23,321,938
Federal	3,774,380	517,788	-	-	4,292,168
Other	203,743	72,551	-	-	276,294
TOTAL RECEIPTS	19,961,351	22,594,650	2,096,800	1,696,753	46,349,554
DISBURSEMENTS					
Instruction	6,027,282	18,124,297	-	232,759	24,384,338
Student services	750,513	1,121,873	-	-	1,872,386
Instructional staff support	1,742,255	960,085	-	869,328	3,571,668
Building administration	242,955	1,283,682	-	-	1,526,637
General administration	1,149,822	743,508	-	1,800	1,895,130
Operation of plant	3,441,881	-	-	1,860,823	5,302,704
Transportation	1,711,327	3,868	-	238,106	1,953,301
Food service	2,458,859	-	-	6,817	2,465,676
Community services	400,421	357,337	-	-	757,758
Facilities acquisition and construction	-	-	-	4,356,908	4,356,908
Debt service	-	-	1,941,691	562,201	2,503,892
TOTAL DISBURSEMENTS	17,925,315	22,594,650	1,941,691	8,128,742	50,590,398
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	2,036,036	-	155,109	(6,431,989)	(4,240,844)
OTHER FINANCING SOURCES (USES)					
Net insurance recovery	-	-	-	3,178,152	3,178,152
Operating transfers in	-	-	-	2,000,000	2,000,000
Operating transfers (out)	(2,000,000)	-	-	-	(2,000,000)
TOTAL OTHER FINANCING SOURCES (USES)	(2,000,000)	-	-	5,178,152	3,178,152
EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	36,036	-	155,109	(1,253,837)	(1,062,692)
FUND BALANCE, July 1, 2017	7,527,030	-	1,745,860	6,183,152	15,456,042
FUND BALANCE, June 30, 2018	\$ 7,563,066	\$ -	\$ 1,900,969	\$ 4,929,315	\$ 14,393,350
Change in Fund Balances - Governmental Funds					\$ (1,062,692)
The Change in Net Position for governmental activities in the Statement of Activities is different than the Change in Fund Balances - Governmental Funds because Internal Service Fund receipts and disbursements are included in the Statement of Activities.					(195,701)
Change in Net Position - Governmental Activities					\$ (1,258,393)

See accompanying notes

NEOSHO R-5 SCHOOL DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUND – MODIFIED CASH BASIS
June 30, 2018

	<u>Internal Service Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 1,459,379</u>
NET POSITION	
Restricted for insurance trust	<u>\$ 1,459,379</u>

See accompanying notes

NEOSHO R-5 SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION – PROPRIETARY
FUND – MODIFIED CASH BASIS
Year Ended June 30, 2018

	<u>Internal Service Fund</u>
RECEIPTS	
Charges for services	<u>\$ 4,618,178</u>
	TOTAL RECEIPTS 4,618,178
DISBURSEMENTS	
Insurance claims and administrative expenses	<u>4,823,413</u>
	TOTAL DISBURSEMENTS <u>4,823,413</u>
	OPERATING (LOSS) (205,235)
NON-OPERATING RECEIPTS	
Interest receipts	<u>9,534</u>
	TOTAL NON-OPERATING RECEIPTS <u>9,534</u>
	NET (LOSS) (195,701)
NET POSITION, July 1, 2017	<u>1,655,080</u>
NET POSITION, June 30, 2018	<u><u>\$ 1,459,379</u></u>

See accompanying notes

NEOSHO R-5 SCHOOL DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND – MODIFIED CASH BASIS
Year Ended June 30, 2018

	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from insurance premiums	\$ 4,618,178
Payment of insurance claims and administrative costs	<u>(4,823,413)</u>
	NET CASH (USED) BY OPERATING ACTIVITIES
	(205,235)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	9,534
	<u>9,534</u>
	NET CASH PROVIDED BY INVESTING ACTIVITIES
	9,534
	NET (DECREASE) IN CASH
	(195,701)
CASH AND CASH EQUIVALENTS, July 1, 2017	<u>1,655,080</u>
CASH AND CASH EQUIVALENTS, June 30, 2018	<u>\$ 1,459,379</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES	
Operating (loss)	<u>\$ (205,235)</u>
	NET CASH (USED) BY OPERATING ACTIVITIES
	<u>\$ (205,235)</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 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 noncertified 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 District's general obligation bonds.

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.

Internal Service Fund - Accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the District. The Internal Service Fund of the District is used to account for the health self-insurance program.

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 balance, receipts, and disbursements when they result from cash transactions. The modification to the cash basis 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 disbursements (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

Capital assets are recorded as disbursements paid in the Capital Projects Fund at the time the invoices for the capital items are paid.

Compensated Absences

Vacation time and personal business days are considered as disbursements in the year paid. Such amounts unused that are vested in the employee are payable upon termination.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 a disbursement in the month of June. This practice has been consistently followed in previous years.

Pooled Cash and Cash Equivalents

Cash and cash equivalents of the individual funds are combined to form a pool of cash and cash equivalents. Cash equivalents of the pooled accounts consist primarily of 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 also 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.

NEOSHO R-5 SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the District's deposits be insured or 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 are entirely insured or collateralized with securities.

NOTE C – INVESTMENTS

Investments at June 30, 2018, consisted of the following:

Investment Type	Maturity	Amount
Pro-rata shares of investment contracts with		
BOK Financial through the Missouri	N/A	\$ 794,098
Missouri Securities Investment Program (MOSIP)	N/A	151
		\$ 794,249
		\$ 794,249

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. The District has a pro-rata share of the investment.

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 and Section 360 of the Missouri Revised Statutes and the cash management fund has a current rating of AAAM.

Interest Rate Risk

The District has no formal policy on interest rate risk.

NEOSHO R-5 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 counties collect the property taxes and remit them 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 partial 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	\$ 219,102,370
Personal property	<u>90,227,649</u>
TOTAL ASSESSED VALUATION	<u><u>\$ 309,330,019</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	\$ 2.9014	\$ 2.7500
Debt Service Fund	<u>.6000</u>	<u>.6000</u>
TOTAL LEVY	<u><u>\$ 3.5014</u></u>	<u><u>\$ 3.3500</u></u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2018, aggregated approximately 95 percent of the current assessment computed on the basis of the levy as shown above.

NOTE E – 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.

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.

NOTE E – 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 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 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.

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.

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.

NEOSHO R-5 SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE E – RETIREMENT PLANS (continued)

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 \$2,717,663 and \$511,965, 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.

NOTE F – GENERAL OBLIGATION BONDS PAYABLE

Bonds payable at June 30, 2018, consist of:

\$4,000,000 general obligation bond issue dated March 21, 2017, due in varying annual installments starting on September 1, 2018 through March 1, 2037, with interest at 4.00%.	\$ 4,000,000
\$10,000,000 general obligation bond issue dated March 21, 2016, due in varying annual installments starting on March 1, 2017 through March 1, 2036, with interest at 2.00% to 5.00%.	9,800,000
\$10,000,000 general obligation bond issue dated June 26, 2015, due in varying annual installments starting on March 1, 2032 through March 1, 2035, with interest at 4.00%.	10,000,000
\$9,300,000 general obligation crossover refunding bond issue dated June 1, 2012, due in varying annual installments through March 1, 2026, with interest at 2.00% to 2.25%.	<u>7,700,000</u>
	<u>\$ 31,500,000</u>

NEOSHO R-5 SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE F – GENERAL OBLIGATION BONDS PAYABLE (continued)

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

Bonds Payable, July 1, 2017	\$ 32,225,000
Bonds Issued	-
Bonds Retired	<u>(725,000)</u>
Bonds Payable, June 30, 2018	<u><u>\$ 31,500,000</u></u>

Debt service requirements are:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 775,000	\$ 1,210,200	\$ 1,985,200
2020	850,000	1,194,700	2,044,700
2021	875,000	1,177,700	2,052,700
2022	925,000	1,160,200	2,085,200
2023	975,000	1,141,700	2,116,700
2024	1,000,000	1,122,200	2,122,200
2025	1,100,000	1,101,200	2,201,200
2026	1,200,000	1,077,000	2,277,000
2027	1,075,000	1,050,000	2,125,000
2028	1,175,000	996,250	2,171,250
2029	1,325,000	937,500	2,262,500
2030	1,475,000	871,250	2,346,250
2031	1,850,000	797,500	2,647,500
2032	2,150,000	705,000	2,855,000
2033	2,500,000	619,000	3,119,000
2034	2,750,000	519,000	3,269,000
2035	3,000,000	409,000	3,409,000
2036	3,200,000	289,000	3,489,000
2037	3,300,000	132,000	3,432,000
TOTAL BOND PAYMENTS	<u><u>\$31,500,000</u></u>	<u><u>\$ 16,510,400</u></u>	<u><u>\$ 48,010,400</u></u>

NEOSHO R-5 SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE F – 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	\$ 46,399,503
General obligation bonds payable	(31,500,000)
Amount available in Debt Service Fund	<u>1,900,969</u>
LEGAL DEBT MARGIN	<u><u>\$ 16,800,472</u></u>

NOTE G – LEASES PAYABLE

On June 15, 2011, the District entered into a lease agreement for \$4,825,000 with the Missouri School Boards Association. The lease provided \$507,500 in escrow to refund the principal amount of the 2003A Certificates of Participation on September 1, 2011, and the remainder of the funds to pay for the costs of issuance, accrued interest into a Certificate fund, and provide construction funds in a Project fund. The funds were provided by lease participation certificates with a lease term through April 1, 2021, and bear interest at 2.0% to 3.5%.

On September 4, 2015, the District entered into a lease purchase agreement to finance the purchase of technology equipment in the amount of \$263,620, plus interest at 2.50%.

On June 29, 2018, the District entered into a lease agreement with UMB Bank, N.A for \$4,260,000 to finance energy savings projects. These Certificate of Participation funds (Series 2018 Certificates) bear interest at 3.00% to 3.10% through 2028.

Although the agreements provide for cancellation of the leases at the District’s option at the renewal dates each year, the District does not foresee exercising its options to cancel. Therefore, the leases are accounted for as non-cancelable capital leases.

NEOSHO R-5 SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE G – LEASES PAYABLE (continued)

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

Year Ending June 30,	2011 COP	Technology Equipment	2018 COP	Total
2019	\$ 556,113	\$ 92,113	\$ 97,062	\$ 745,288
2020	560,962	-	128,465	689,427
2021	558,900	-	128,465	687,365
2022	-	-	683,465	683,465
2023	-	-	686,815	686,815
2024	-	-	684,565	684,565
2025	-	-	681,865	681,865
2026	-	-	683,715	683,715
2027	-	-	684,965	684,965
2028	-	-	685,615	685,615
TOTAL MINIMUM LEASE PAYMENTS	1,675,975	92,113	5,144,997	6,913,085
LESS AMOUNT REPRESENTING INTEREST	(105,975)	(2,244)	(884,997)	(993,216)
NET LEASE PAYMENTS	<u>\$ 1,570,000</u>	<u>\$ 89,869</u>	<u>\$ 4,260,000</u>	<u>\$ 5,919,869</u>

The following represents the changes in leases payable for the year ended June 30, 2018:

Leases Payable, July 1, 2017	\$ 2,237,545
Additional Lease Obligations	4,260,000
Net Lease Retirement	(577,676)
Leases Payable, June 30, 2018	<u>\$ 5,919,869</u>

NOTE H – COMPENSATED ABSENCES PAYABLE

Compensated absences payable consists of accumulated vacation and sick days by District personnel. Upon leaving the District, the employees may be paid accrued vacation days up to 15 days at their regular hourly rate of pay. Upon leaving the district after ten years of service, the employee may be paid for accrued sick days at \$15 per day not to exceed \$1,500. Compensated absences payable at June 30, 2018, totaled \$161,280.

NOTE I – 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 governments. If disbursements are disallowed due to noncompliance with grant program regulation, the District may be required to reimburse the grantor governments. 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.

NOTE J – SELF-INSURANCE FUND

The District has established a medical self-insurance plan for District employees and their covered dependents to minimize the total cost of medical health insurance to the District. This program is for the benefit of all District employees covered under the Neosho School's Employee Health Care Plan. Medical claims exceeding an individual participant limit of \$125,000 are covered through a private insurance carrier. The District established an Internal Service Fund to account for these activities.

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss 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 L – POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note E, 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.

NEOSHO R-5 SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE M – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2018, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 2,000,000
Capital Projects Fund	2,000,000	-
	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

As allowed by State law, the District makes transfers from the General Fund to the Capital Projects Fund to cover disbursements and build balances.

NOTE N – COMMITMENTS

As of June 30, 2018, the District was committed U.S. Bancorp Government Leasing and Finance, Inc. in the amount of \$1,480,356 for the leasing of 18 buses. Also, the District is committed to SAPP Design Architects in the amount of \$202,500 for the Goodman Elementary construction project. Finally, the District is committed to Branco Enterprises, Inc. in the amount of \$10,576,410 for the Goodman Elementary construction project.

NOTE O – TAX ABATEMENTS

The District did not provide tax abatements to any businesses. However, the District’s taxes were reduced by \$275,279 due to agreements entered into by other governments through the following programs: the Urban Redevelopment Corporation Law (Chapter 353), Enhanced Enterprise Zones Program, and Real Property Tax Increment Allocation Redevelopment Act (Tax Incremental Financing).

- The Urban Redevelopment Corporation Law, or Chapter 353, is an economic development tool to encourage redevelopment of blighted areas. Under Sections 353.010-353.190, RSMo., the Urban Redevelopment Corporation has a tax abatement available for 25 years. During the first 10 years, the property is not subject to real property taxes except in the amount of real property taxes assessed on the land during the calendar year during with the Urban Redevelopment Corporation acquired title to the real property. For the remaining 15 years, the property may be assessed up to 50% of its true value. Payments in lieu of taxes (PILOTs) may be imposed on the Urban Redevelopment Corporation by the city in order to replace all or part of the real estate taxes abated. The PILOTs must be allocated based on a proportionate share to each taxing district.

NOTE O – TAX ABATEMENTS (continued)

- The Enhanced Enterprise Zones Program is designed to attract new or expanding businesses to the area. Under Sections 135.950-135.970, RSMo., in order for a manufacturer, distributor, or certain service industries to qualify for the 50% tax abatement for 10 years, the business must meet certain minimum criteria depending on the type of business facility. New or expanded business facilities must have two new employees and \$100,000 in new investment. Replacement business facilities must have two new employees and \$1,000,000 in new investment. Both types of business facilities must also offer health insurance to full time employees in Missouri, of which at least 50% is paid by the employer.
- Tax Incremental Financing (TIF) is an economic development tool which redirects local tax revenues towards the redevelopment of eligible properties that are otherwise economically unfeasible. Sections 99.800-99.865, RSMo, the Real Property Tax Increment Allocation Redevelopment Act, enables cities to finance certain redevelopment costs with the incremental tax revenue generated by the net increase in assessed valuation resulting from the redevelopment. Real estate taxes in the redevelopment area are frozen at the current level or base valuation. The increased assessed valuation resulting from the redevelopment is referred to as payments in lieu of taxes (PILOT). PILOTs for each TIF district are collected by the county collector and distributed to the cities that authorized the TIF, these funds are then distributed to a TIF special allocation fund or other political subdivisions.

As of June 30, 2018, the amount of these abatements was as follows:

Tax Abatement Program	Amount of Taxes Abated
Tax Incremental Financing (TIF)	\$ 214,226
Enhanced Enterprise Zone Program	41,770
Urban Redevelopment Corporation Law (Chapter 353)	19,283
	<u>\$ 275,279</u>

SUPPLEMENTARY INFORMATION

NEOSHO R-5 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	\$ 9,328,428	\$ 9,997,227	\$ 9,997,227	\$ -
County	1,120,000	1,043,560	1,043,560	-
State	1,225,000	4,942,441	4,942,441	-
Federal	4,627,626	3,774,380	3,774,380	-
Other	50,000	203,743	203,743	-
TOTAL RECEIPTS	16,351,054	19,961,351	19,961,351	-
DISBURSEMENTS				
Instruction	5,816,386	6,027,282	6,027,282	-
Student services	784,577	750,513	750,513	-
Instructional staff support	1,642,139	1,742,255	1,742,255	-
Building administration	267,109	242,955	242,955	-
General administration	1,082,125	1,149,822	1,149,822	-
Operation of plant	3,449,272	3,441,881	3,441,881	-
Transportation	1,668,080	1,711,327	1,711,327	-
Food service	2,292,000	2,458,859	2,458,859	-
Community services	493,934	400,421	400,421	-
TOTAL DISBURSEMENTS	17,495,622	17,925,315	17,925,315	-
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(1,144,568)	2,036,036	2,036,036	-
OTHER FINANCING (USES)				
Operating transfers in (out)	(3,411,931)	(2,000,000)	(2,000,000)	-
TOTAL OTHER FINANCING (USES)	(3,411,931)	(2,000,000)	(2,000,000)	-
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS AND OTHER (USES)	(4,556,499)	36,036	36,036	-
FUND BALANCE, July 1, 2017	7,527,030	7,527,030	7,527,030	-
FUND BALANCE, June 30, 2018	\$ 2,970,531	\$ 7,563,066	\$ 7,563,066	\$ -

NEOSHO R-5 SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget:
				Positive (Negative)
RECEIPTS				
Local	\$ 4,908,325	\$ 4,874,476	\$ 4,874,476	\$ -
County	230,000	217,036	217,036	-
State	20,500,000	16,912,799	16,912,799	-
Federal	200,000	517,788	517,788	-
Other	120,000	72,551	72,551	-
TOTAL RECEIPTS	25,958,325	22,594,650	22,594,650	-
DISBURSEMENTS				
Instruction	18,671,058	18,124,297	18,124,297	-
Student services	1,115,713	1,121,873	1,121,873	-
Instructional staff support	674,009	960,085	960,085	-
Building administration	1,224,172	1,283,682	1,283,682	-
General administration	472,653	743,508	743,508	-
Transportation	4,953	3,868	3,868	-
Community services	383,836	357,337	357,337	-
TOTAL DISBURSEMENTS	22,546,394	22,594,650	22,594,650	-
EXCESS OF RECEIPTS OVER DISBURSEMENTS	3,411,931	-	-	-
OTHER FINANCING (USES)				
Operating transfers (out)	(3,411,931)	-	-	-
TOTAL OTHER FINANCING (USES)	(3,411,931)	-	-	-
EXCESS OF RECEIPTS OVER DISBURSEMENTS AND OTHER (USES)	-	-	-	-
FUND BALANCE, July 1, 2017	-	-	-	-
FUND BALANCE, June 30, 2018	\$ -	\$ -	\$ -	\$ -

NEOSHO R-5 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	\$ 1,767,000	\$ 1,918,272	\$ 1,918,272	\$ -
County	130,000	178,528	178,528	-
TOTAL RECEIPTS	1,897,000	2,096,800	2,096,800	-
DISBURSEMENTS				
Debt service	1,790,000	1,941,691	1,941,691	-
TOTAL DISBURSEMENTS	1,790,000	1,941,691	1,941,691	-
EXCESS OF RECEIPTS OVER DISBURSEMENTS	107,000	155,109	155,109	-
FUND BALANCE, July 1, 2017	1,745,860	1,745,860	1,745,860	-
FUND BALANCE, June 30, 2018	<u>\$ 1,852,860</u>	<u>\$ 1,900,969</u>	<u>\$ 1,900,969</u>	<u>\$ -</u>

NEOSHO R-5 SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – CAPITAL PROJECTS FUND
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget: Positive (Negative)
	Original	Final		
RECEIPTS				
Local	\$ 286,000	\$ 230,055	\$ 230,055	\$ -
State	1,746,970	1,466,698	1,466,698	-
TOTAL RECEIPTS	2,032,970	1,696,753	1,696,753	-
DISBURSEMENTS				
Instruction	142,900	232,759	232,759	-
Instructional staff support	880,000	869,328	869,328	-
General administration	-	1,800	1,800	-
Operation of plant	502,500	1,860,823	1,860,823	-
Transportation	191,740	238,106	238,106	-
Food service	50,000	6,817	6,817	-
Facilities acquisition and construction	12,500	4,356,908	4,356,908	-
Debt service	555,000	562,201	562,201	-
TOTAL DISBURSEMENTS	2,334,640	8,128,742	8,128,742	-
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(301,670)	(6,431,989)	(6,431,989)	-
OTHER FINANCING SOURCES				
Net insurance recovery	-	3,178,152	3,178,152	-
Operating transfers in	-	2,000,000	2,000,000	-
TOTAL OTHER FINANCING SOURCES	-	5,178,152	5,178,152	-
(DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	(301,670)	(1,253,837)	(1,253,837)	-
FUND BALANCE, July 1, 2017	6,183,152	6,183,152	6,183,152	-
FUND BALANCE, June 30, 2018	\$ 5,881,482	\$ 4,929,315	\$ 4,929,315	\$ -

NEOSHO R-5 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 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), recognizing receipts when collected and disbursements when paid.

OTHER FINANCIAL INFORMATION

NEOSHO R-5 SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE
Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
LOCAL					
Current taxes	\$ 8,082,936	\$ -	\$ 1,763,550	\$ -	\$ 9,846,486
Delinquent taxes	570,149	-	124,396	-	694,545
School district trust fund (Prop C)	-	4,872,726	-	-	4,872,726
Financial institution tax	-	-	-	6,574	6,574
M&M surtax	-	-	-	174,860	174,860
Tuition from individuals (K-12)	-	1,750	-	-	1,750
Earnings on investments	119,309	-	30,326	1,650	151,285
Food service - programs	314,408	-	-	-	314,408
Food service non-program	471	-	-	-	471
Student activities	622,643	-	-	-	622,643
Community services	19,064	-	-	2,300	21,364
Gifts	150,000	-	-	44,570	194,570
Prior period adjustment	115,700	-	-	-	115,700
Miscellaneous local revenue	2,547	-	-	101	2,648
TOTAL LOCAL	9,997,227	4,874,476	1,918,272	230,055	17,020,030
COUNTY					
Fines, escheats, etc.	-	217,036	-	-	217,036
State assessed utilities	1,043,560	-	178,528	-	1,222,088
TOTAL COUNTY	1,043,560	217,036	178,528	-	1,439,124
STATE					
Basic formula - state monies	3,091,448	16,912,799	-	-	20,004,247
Transportation	337,663	-	-	-	337,663
Early childhood special education	556,613	-	-	-	556,613
Basic formula - classroom trust fund	356,284	-	-	1,466,698	1,822,982
Educational screening prog/PAT	109,776	-	-	-	109,776
Career education	34,943	-	-	-	34,943
Food service - state	16,282	-	-	-	16,282
Voc/tech ed enhancement grant	21,150	-	-	-	21,150
High need fund	406,790	-	-	-	406,790
Other	11,492	-	-	-	11,492
TOTAL STATE	4,942,441	16,912,799	-	1,466,698	23,321,938

NEOSHO R-5 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	112,688	-	-	-	112,688
Reserve officer training corps (ROTC)	-	51,608	-	-	51,608
IDEA grants	9,049	-	-	-	9,049
IDEA entitlement funds, Part B IDEA	674,145	120,117	-	-	794,262
Early childhood special education	-	77,658	-	-	77,658
School lunch program	899,309	-	-	-	899,309
School breakfast program	479,260	-	-	-	479,260
Special milk program	4,756	-	-	-	4,756
After school snack program	10,392	-	-	-	10,392
Title I	1,200,740	127,040	-	-	1,327,780
Title I.C	8,861	-	-	-	8,861
Title IV. A - student support and academic enrichment	12,381	-	-	-	12,381
Title III	60,082	-	-	-	60,082
Title II.A	91,791	141,365	-	-	233,156
Childcare development fund grant	68,116	-	-	-	68,116
Dept of Health food service program	94,333	-	-	-	94,333
Title V.B - rural education achievement	45,107	-	-	-	45,107
Other	3,370	-	-	-	3,370
TOTAL FEDERAL	3,774,380	517,788	-	-	4,292,168
OTHER SOURCES					
Net insurance recovery	-	-	-	3,178,152	3,178,152
Tuition from other districts	100,690	72,551	-	-	173,241
Contracted educational services	102,488	-	-	-	102,488
Transportation from other LEAs for K-12 disabled students	565	-	-	-	565
TOTAL OTHER SOURCES	203,743	72,551	-	3,178,152	3,454,446
TOTAL RECEIPTS	<u>\$ 19,961,351</u>	<u>\$ 22,594,650</u>	<u>\$ 2,096,800</u>	<u>\$ 4,874,905</u>	<u>\$ 49,527,706</u>

NOTE TO SCHEDULE: The above presentation is in the form of the Annual Secretary of the Board Report (ASBR).

NEOSHO R-5 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	\$ 6,969,277	\$ 17,513,620	\$ -	\$ -	\$ 24,482,897
Teacher's retirement	23,365	2,715,270	-	-	2,738,635
Non-teacher retirement	509,977	1,507	-	-	511,484
Old age survivor and disability (OASDI)	407,119	19,594	-	-	426,713
Medicare	97,064	239,341	-	-	336,405
Employee insurance	1,365,556	1,733,280	-	-	3,098,836
Purchased instructional services - tuition	-	372,038	-	-	372,038
Professional services	415,352	-	-	-	415,352
Audit services	30,500	-	-	-	30,500
Data processing and technology-related services	68,785	-	-	-	68,785
Legal services	41,850	-	-	-	41,850
Election services	1,837	-	-	-	1,837
Other professional services	2,300	-	-	-	2,300
Repairs and maintenance	47,461	-	-	-	47,461
Rentals - land and buildings	4,000	-	-	-	4,000
Rentals - equipment	119,339	-	-	-	119,339
Water and sewer	81,153	-	-	-	81,153
Trash removal	47,364	-	-	-	47,364
Travel	328,864	-	-	-	328,864
Property insurance	240,000	-	-	-	240,000
Liability insurance	161,369	-	-	-	161,369
Judgments against LEA and settlements	8,075	-	-	-	8,075
Communication	102,631	-	-	-	102,631
Advertising, printing, dues and other purchased services	1,415,209	-	-	-	1,415,209
General supplies	1,707,122	-	-	-	1,707,122
Supplies - technology - related	16,891	-	-	-	16,891
Textbook	444,151	-	-	-	444,151
Library books	172,476	-	-	-	172,476
Resource materials	8,211	-	-	-	8,211
Food service - excludes non-food supplies	1,497,665	-	-	-	1,497,665
Energy	1,146,867	-	-	-	1,146,867
Other supplies and materials	443,485	-	-	-	443,485
Buildings	-	-	-	6,173,513	6,173,513
Regular equipment	-	-	-	169,749	169,749
Equipment - classroom instructional apparatus	-	-	-	36,227	36,227
Technology-related hardware	-	-	-	869,328	869,328
Vehicles - except school buses	-	-	-	99,484	99,484
Pupil transportation vehicles - school buses	-	-	-	181,740	181,740
Other capital outlay	-	-	-	36,500	36,500
Principal	-	-	725,000	490,000	1,215,000
Interest	-	-	1,215,811	69,021	1,284,832
Other (fin. fees, etc.)	-	-	880	3,180	4,060
TOTAL DISBURSEMENTS	\$ 17,925,315	\$ 22,594,650	\$ 1,941,691	\$ 8,128,742	\$ 50,590,398

NEOSHO R-5 SCHOOL DISTRICT
 SCHEDULE OF TRANSPORTATION COSTS ELIGIBLE FOR STATE AID
 Year Ended June 30, 2018

	District Owned	Disabled District Owned	Total
Certified salaries	\$ 3,335	\$ -	\$ 3,335
Non-certified salaries	971,661	91,314	1,062,975
Employee benefits	180,451	29,386	209,837
Purchased services	77,270	-	77,270
Supplies	266,069	25,035	291,104
Capital outlay	1,100	-	1,100
Depreciation	556,920	-	556,920
	<u>\$ 2,056,806</u>	<u>\$ 145,735</u>	<u>\$ 2,202,541</u>
 School buses			
Purchased	<u>\$ 181,740</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
Neosho R-5 School District
Neosho, 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 Neosho R-5 School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Neosho R-5 School District's basic financial statements and have issued our report thereon dated December 11, 2018.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Neosho R-5 School District'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 findings 2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Neosho R-5 School District'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 findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's responses were not subject 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
December 11, 2018



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

Board of Education
Neosho R-5 School District
Neosho, Missouri

Report on Compliance for Each Major Federal Program

We have audited the Neosho R-5 School District'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 Neosho R-5 School District's major federal programs for the year ended June 30, 2018. The Neosho R-5 School District'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 Neosho R-5 School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Neosho R-5 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 Neosho R-5 School District's compliance.

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Member of The Leading Edge Alliance

Opinion on Each Major Federal Program

In our opinion, the Neosho R-5 School District 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 Neosho R-5 School District 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 Neosho R-5 School District'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
December 11, 2018

NEOSHO R-5 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	\$ -	\$ 114,309
		20188N109943	-	364,951
			-	479,260
National School Lunch Program - Cash	10.555	20177N109943	-	227,886
		20188N109943	-	671,423
			-	899,309
- Commodities	10.555	073-108	-	181,367
After School Snacks Program	10.555	20177N109943	-	1,777
		20188N109943	-	8,615
			-	10,392
Special Milk Program	10.556	20177N109943	-	1,173
		20188N109943	-	3,583
			-	4,756
Missouri Department of Health and Senior Services				
Child Nutrition Cluster				
Summer Food Service Program for Children	10.559	ERS0461977S	-	86,165
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	1,661,249
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Missouri Department of Elementary and Secondary Education				
Title I Grants to Local Education Agencies				
	84.010	S010A160025	-	214,303
		S010A170025	-	985,461
			-	1,199,764
Migrant Education State Grant Program	84.011	S011A160025	-	736
		S011A170025	-	9,633
			-	10,369
Supporting Effective Instruction State Grant	84.367	S367A160024	-	78,182
		S367A170024	-	81,009
			-	159,191
Student Support and Academic Enrichment Program	84.424	S424A170026	-	12,381
			-	12,381
Special Education Grants Cluster				
Special Education Grants to States				
	84.027	H027A160040	-	230,962
		H027A170040	-	693,130
			-	924,092
Special Education Preschool Grants	84.173	H171A170103	-	17,285
Total Special Education Grants Cluster			-	941,377
Title III Immigrant and LEP	84.365	S365A160025	-	8,798
		S364A170025	-	52,661
			-	61,459
Title V.B Rural Education Achievmen Program	84.358	S358B170025	-	45,107
TOTAL U.S. DEPARTMENT OF EDUCATION			-	2,429,648

NEOSHO R-5 SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
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 DEFENSE</u>				
Direct				
Junior Reserve Officers Training Corp Unit	12.000	N/A	-	51,607
TOTAL U.S. DEPARTMENT OF DEFENSE			-	51,607
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Missouri Department of Elementary and Secondary Education				
Child Care and Development Fund, Discretionary	93.575	1701MOCCDF 1801MOCCDF	-	14,176
			-	49,574
Direct				
Assistance Programs for Chronic Disease Prevention	93.945	N/A	-	3,364
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	67,114
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 4,209,618

N/A – Not applicable

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, non-cash assistance of \$181,367 received and expended are 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.

NEOSHO R-5 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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173 10.553, 10.555, & 10.559	Special Education Grants 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 WEAKNESSES

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 one full time bookkeeper, an accounts payable position, a payroll and benefits person, and the Superintendent's secretary to handle the accounting needs of the District. There are some mitigating controls in place but it is not possible to have segregation in all areas.

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 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 prohibits segregation of incompatible duties and the District does not have the resources to hire additional accounting personnel.

Section III – Federal Award Findings and Questioned Costs

None

NEOSHO R-5 SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

Financial Statement Finding

2017-001 Segregation of duties

Auditors' 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

2017-002 Bank Statement Review

Auditors' Recommendation:

It was recommended that the District institute a policy that designates an employee outside of the accounting cycle to open and review bank statements on a monthly basis. We further recommended that this policy include a requirement that the reviewer signs and dates each bank statement upon completion of the review.

Status:

The recommendation was adopted in December 31, 2017. No similar findings were noted in the June 30, 2018 audit.

2017-003 Bank Reconciliation Review

Auditors' Recommendation:

It was recommended that the District institute a policy that designates an employee outside the accounting cycle to review bank reconciliations on a monthly basis. We further recommended that this policy include a requirement that the reviewer signs and dates the reconciliation upon completion of the review.

Status:

The recommendation was adopted in December 31, 2017. No similar findings were noted in the June 30, 2018 audit.

NEOSHO R-5 SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

December 11, 2018

U.S. DEPARTMENT OF EDUCATION

Neosho R-5 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. Jim Cummins
Superintendent
511 Neosho Blvd.
Neosho, Missouri
(417) 451-8600

Independent Public Accounting Firm: KPM CPAs, PC, 1445 E. Republic Road, Springfield, MO 65804

Audit Period: Year ended June 30, 2018

The findings from the June 30, 2018, Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESSES

2018-001 Segregation of duties

Recommendation: We realize 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 District does not have the resources to hire additional accounting personnel.

Implementation Date: Not applicable

Sincerely,

Dr. Jim Cummins, Superintendent
Neosho R-5 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
Neosho R-5 School District
Neosho, Missouri

We have examined management's assertions that Neosho R-5 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. Neosho R-5 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.

Our examination disclosed that the District did not meet compliance with Missouri laws and regulations in which the District did not make public an audit summary of its 2016-2017 audit within 30 days of receipt of the audit.

In our opinion, except for the conditions described in the third paragraph, 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
December 11, 2018

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NEOSHO R-5 SCHOOL DISTRICT 073-108
 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:

Grades K – 4 (South)	7.0000
Grades K – 4 (All others)	7.0000
Grades 5 – 12	6.7500

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

Grades K – 4 (South)	1,104.05
Grades K – 4 (All others)	1,104.05
Grades 5 – 12	1,070.25

C. The number of days classes were in session and pupils were under the direction of the teachers during this school year was 174 for grades K – 12.

2. Average Daily Attendance (ADA)

Average Daily Attendance:

Regular term:

Grades K – 4 (South)	240.91
Grades K – 4 (All others)	1,460.58
Grades 5 – 12	<u>2,493.79</u>

Total regular term 4,195.28

ESY .46

Summer school average daily attendance 141.85

Total Average Daily Attendance 4,337.59

3. September Membership

September Membership FTE Count 4,524.89

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

State FTE Total	Free	2,297.06
	Reduced	<u>391.43</u>
	Total	<u><u>2,688.49</u></u>

NEOSHO R-5 SCHOOL DISTRICT 073-108
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's 7% x SAT x WADA transfer was not in excess of adjusted operating expenditures and was approved by the Board of Education. The Board of Education approved the projects to be funded and anticipated dates of spending.
- F. The District did not publish 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 \$241,028.

The District did not publish a summary of the audit report within thirty days pursuant to Section 165.121, RSMo. This has been reported to management as management point number four.

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 2,538 and the average number of students transported on a regular basis (ADT) ineligible to be counted for state transportation aid was -0-.
- 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.

NEOSHO R-5 SCHOOL DISTRICT 073-108
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 mileage for the year was 533,663. Of this total, the eligible non-disabled and students with disabilities route miles were 416,915 and the ineligible non-route and disapproved miles combined were 116,748.

F. The District operated the school transportation system for 174 days during this school year.

There were no findings noted above.



Board of Education
Neosho R-5 School District
Neosho, Missouri

In planning and performing our audit of the basic financial statements of the Neosho R-5 School District for the year ended June 30, 2018, 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 certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

In addition to the material weaknesses 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 suggestions regarding these matters.

1. Account Code Structure Changes

Beginning on July 1, 2018, DESE implemented a new mandatory account code structure for Missouri school districts. The account code structure changes are designed to satisfy many uses by segmenting the code into several dimensions. District personnel are responsible for proper coding and recording in accordance with the new requirements. In addition, DESE is implementing a newly formatted Annual Secretary of the Board Report (ASBR) effective for the year ending June 30, 2019. The new ASBR requires all components to be electronically uploaded using the District's software. Correct use of the new account code structure is imperative for a successful ASBR upload.

We Recommend:

District personnel ensure that the District's software has been updated to reflect the new account structure. All personnel within the District who have management and disbursement coding responsibilities need to monitor activity within the general ledger to ensure appropriate codes are utilized in order to ensure a successful ASBR upload. Furthermore, we recommend District personnel continue training throughout the year on the new coding and ASBR changes.

2. Approved Vendor List

We have noted that the District does not have policies and procedures in place to limit purchases only from approved vendors. Maintenance of an approved vendor list is an excellent procedure to have in place to prevent fraudulent disbursements to fictitious vendors.

We Recommend:

The District develop vendor verification policies and procedures in order to have an approved vendor list for purchases made by the District.

3. Internal Control Review

As the District evolves and there are changes in personnel who implement changes in policies and procedures, the District should periodically conduct a review of its internal control procedures to determine if changes are necessary in order to protect the District's assets.

We Recommend:

The District conduct a review of its internal control procedures to determine opportunities for strengthening safeguards over the District's assets. The District may want to consider conducting reviews on cash management, computer information systems, mail distribution procedures, purchasing procedures, new vendor procedures, and other area the District considers necessary.

4. Publication of Financial Statements

During the current year, the District did not comply with Section 165.121, RSMo., which requires publishing a summary of financial information within thirty days of receipt of the audit.

We Recommend:

The District comply with Section 165.121 RSMo. each year by publishing a summary of financial information within thirty days of receipt of the audit.

We appreciate this opportunity to serve as the Neosho R-5 School District's independent auditor and the courtesies and assistance extended to us by the District's employees. We will review the status of these comments during our next audit engagement.

Respectfully submitted,

KPM CPAs, PC
KPM CPAs, PC
Springfield, Missouri
December 11, 2018