

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI**

**AUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
JUNE 30, 2016**

**TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

**DSWA CERTIFIED PUBLIC ACCOUNTANTS, P.C.
1118 REMINGTON PLAZA, SUITE A
RAYMORE, MISSOURI 64083**

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FOR THE YEAR ENDED JUNE 30, 2016**

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Reorganized School District No. IV
of Cass County, Missouri
Drexel, Missouri

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of the Reorganized School District No. IV of Cass County, Missouri, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Reorganized School District No. IV of Cass County, Missouri'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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Reorganized School District No. IV of Cass County, Missouri, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 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 State of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information and Other Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements in not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of Reorganized School District No. IV of Cass County, Missouri's basic financial statements. The budgetary comparison information on pages 40 and 41, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules, combined statement of revenues collected by source-modified cash basis, and schedule of selected statistics presented of pages 42 through 48 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combined schedule of revenues collected by source - modified cash basis is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 combined schedule of revenues collected by source-modified cash basis is fairly stated in all material respects in relation to the basic financial statements as a whole.

The budgetary comparison schedules and schedule of selected statistics on pages 42, 43, and 45 through 48 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2016, on our consideration of the Reorganized School District No. IV of Cass County, Missouri'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 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 Reorganized School District No. IV of Cass County, Missouri's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with requirements of Missouri laws and regulations, we have also issued our report dated October 18, 2016, on our consideration of certain management's assertions of the Reorganized School District No. IV of Cass County, Missouri. The purpose of that report is to describe the scope of our testing of certain management assertions related to requirements of Missouri laws and regulations pertaining to public school districts and the results of that testing, and not to provide an opinion on such assertions.

DSWA Certified Public Accountants, P.C.

Raymore, Missouri
October 18, 2016

REORGANIZED SCHOOL DISTRICT NO. IV OF CASS COUNTY, MISSOURI
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 1,104,000
Capital assets, net of accumulated depreciation:	
Land	110,000
Buildings and improvements	4,919,132
Equipment	<u>208,366</u>
Total assets	<u>\$ 6,341,498</u>
 LIABILITIES	
Current liabilities:	
Capital lease obligation	\$ 3,702
Bonds payable	<u>155,000</u>
Total current liabilities	158,702
Noncurrent liabilities:	
Capital lease obligation	1,253
Bonds payable	<u>2,075,000</u>
Total noncurrent liabilities	<u>2,076,253</u>
Total liabilities	<u>2,234,955</u>
 NET POSITION	
Net invested in capital assets	3,002,543
Restricted for:	
Professional development	258
Debt service	122,431
Capital projects	168,307
Unrestricted	<u>813,004</u>
Total net position	<u>\$ 4,106,543</u>

The accompanying notes are an integral part of the basic financial statements.

REORGANIZED SCHOOL DISTRICT NO. IV OF CASS COUNTY, MISSOURI
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants And Contributions	Capital Grants And Contributions	Total Governmental Activities
GOVERNMENTAL ACTIVITIES					
Instructional services					
Regular	\$ 1,439,279	\$ -	\$ 194,171	\$ -	\$ (1,245,108)
Special	276,831	-	122,715	-	(154,116)
Vocational	66,633	-	4,651	-	(61,982)
Student activities	277,207	126,960	-	-	(150,247)
Payments to other districts	10,839	-	-	-	(10,839)
Supporting services					
Students	119,112	-	-	-	(119,112)
Instructional staff	231,266	-	17,284	-	(213,982)
Building administration	213,732	-	-	-	(213,732)
General administration	251,857	-	-	-	(251,857)
Operation and maintenance of facilities	280,475	-	-	-	(280,475)
Transportation	136,456	-	23,369	-	(113,087)
Food services	164,850	54,264	92,268	-	(18,318)
Community services	61,901	35,007	-	-	(26,894)
Interest	91,115	-	-	-	(91,115)
Total school district	<u>\$ 3,621,553</u>	<u>\$ 216,231</u>	<u>\$ 454,458</u>	<u>\$ -</u>	<u>(2,950,864)</u>
GENERAL REVENUES					
Property taxes levied for:					
General purposes and debt service					
					1,013,496
Other taxes					
					296,411
Federal and state aid not restricted to specific purposes					
					1,583,009
Earnings on investments					
					10,365
Miscellaneous					
					246,496
Total general revenues					
					<u>3,149,777</u>
Change in net position					
					198,913
NET POSITION - BEGINNING					
					<u>3,907,630</u>
NET POSITION - ENDING					
					<u>\$ 4,106,543</u>

The accompanying notes are an integral part of the basic financial statements..

REORGANIZED SCHOOL DISTRICT NO. IV OF CASS COUNTY, MISSOURI
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General (Incidental) Fund</u>	<u>Special Revenue (Teachers') Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects (Building) Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 813,262	\$ -	\$ 122,431	\$ 168,307	\$ 1,104,000
Total assets	<u>\$ 813,262</u>	<u>\$ -</u>	<u>\$ 122,431</u>	<u>\$ 168,307</u>	<u>\$ 1,104,000</u>
FUND BALANCES					
Restricted for:					
Professional development	\$ 258	\$ -	\$ -	\$ -	\$ 258
Debt service	-	-	122,431	-	122,431
Capital projects	-	-	-	168,307	168,307
Assigned for:					
Student activities	22,681	-	-	-	22,681
Unassigned	790,323	-	-	-	790,323
Total fund balances	<u>\$ 813,262</u>	<u>\$ -</u>	<u>\$ 122,431</u>	<u>\$ 168,307</u>	<u>\$ 1,104,000</u>

Reconciliation to Statement of Net Position

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

Total fund balance - governmental funds \$ 1,104,000

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$7,058,200 and the accumulated depreciation is \$1,820,702. 5,237,498

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (2,234,955)

Total net position - governmental activities \$ 4,106,543

REORGANIZED SCHOOL DISTRICT NO. IV OF CASS COUNTY, MISSOURI
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Special Revenue (Teachers) Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues					
Local	\$ 1,023,835	\$ 334,491	\$ 184,527	\$ 97,335	\$ 1,640,188
County	108,278	15,959	15,657	-	139,894
State	210,414	1,463,581	-	116,328	1,790,323
Federal	130,528	98,169	-	18,447	247,144
Total revenues	<u>\$ 1,473,055</u>	<u>\$ 1,912,200</u>	<u>\$ 200,184</u>	<u>\$ 232,110</u>	<u>\$ 3,817,549</u>
Expenditures					
Instructional services					
Regular	\$ 42,218	\$ 1,233,025	\$ -	\$ -	\$ 1,275,243
Special	63,000	213,831	-	-	276,831
Vocational	6,730	54,527	-	5,376	66,633
Student activities	182,586	88,804	-	5,817	277,207
Payments to other districts	10,839	-	-	-	10,839
Students	59,314	59,798	-	-	119,112
Instructional staff	89,205	137,309	-	4,752	231,266
Building administration	41,576	172,156	-	-	213,732
General administration	167,178	70,917	-	13,762	251,857
Operation and maintenance of facilities	322,475	-	-	331,697	654,172
Transportation	136,456	-	-	-	136,456
Food service	162,546	-	-	2,304	164,850
Other services					
Community services	10,013	51,888	-	-	61,901
Principal	-	-	135,000	-	135,000
Interest	-	-	91,115	-	91,115
Total expenditures	<u>1,294,136</u>	<u>2,082,255</u>	<u>226,115</u>	<u>363,708</u>	<u>3,966,214</u>
Excess of revenues over (under) expenditures	<u>178,919</u>	<u>(170,055)</u>	<u>(25,931)</u>	<u>(131,598)</u>	<u>(148,665)</u>
Other financing sources (uses)					
Sale of other property	2,917	-	-	-	2,917
Transfers in (out)	(290,055)	170,055	-	120,000	-
Total other financing sources (uses)	<u>(287,138)</u>	<u>170,055</u>	<u>-</u>	<u>120,000</u>	<u>2,917</u>
Net change in fund balances	(108,219)	-	(25,931)	(11,598)	(145,748)
Fund balances - beginning, as previously stated	921,481	-	309,342	18,925	1,249,748
Prior period adjustment (Note 12)	-	-	(160,980)	160,980	-
Fund balances - beginning, as restated	<u>921,481</u>	<u>-</u>	<u>148,362</u>	<u>179,905</u>	<u>1,249,748</u>
Fund balances - ending	<u>\$ 813,262</u>	<u>\$ -</u>	<u>\$ 122,431</u>	<u>\$ 168,307</u>	<u>\$ 1,104,000</u>

The accompanying notes are an integral part of the basic financial statements.

**REORGANIZED SCHOOL DISTRICT NO. IV OF CASS COUNTY, MISSOURI
RECONCILIATION OF THE COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Net change in fund balances-total governmental funds \$(145,748)

Governmental funds report capital outlays as expenditures. However, in the statement of activities assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$373,697	
Depreciation expense	<u>(167,455)</u>	206,242

Capital assets acquired by a note payable or capital lease are shown as an expenditure and other financing source in the governmental funds. Equipment financed by the loan is less than the District's capitalization threshold; the District has elected to expense the equipment. The other financing source must be removed from the statement of activities; principal payments are applied to the loan or capital lease liability; interest expense is recognized as it is paid.

Principal payments on capital lease	3,419
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The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. The net effect of this difference in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	<u>135,000</u>
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Change in net position of governmental activities \$ 198,913

The accompanying notes are an integral part of the basic financial statements.

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- A. Reporting Entity: The District follows the Governmental Accounting Standards Board's (GASB) Statement No. 14, *The Financial Reporting Entity*; GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*; and GASB Statement No. 61, *The Reporting Entity: Omnibus* to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District is not a participant in any joint venture and has not identified any entities which would be component units of the District.

The District is not aware of any entity that would be required to include the District as a component unit.

- B. Basis of Presentation: The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-wide financial statements: The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government. The statements present governmental activities general financed through taxes, intergovernmental receipts, and other non-exchange transactions.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year end. The Statement of Activities presents a comparison between direct expenditures and program revenues for each program or function of the District's governmental activities. Direct expenditures are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. Fund financial statements: The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances present the activities of the District segregated into funds in order to aid financial management and demonstrate legal compliance. Each fund is presented in a separate column.

- C. Fund Accounting: The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity with a set of self-balancing accounts which comprise its assets, fund balance, revenues and expenditures. District resources are allocated to the individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The following funds are used by the District:

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

C. Fund Accounting (continued):

- General (Incidental) Fund - Accounts for general activities of the District, including student activities and food service, which are not required to be accounted for in a separate fund.
- Special Revenue (Teachers') Fund - Accounts for expenditures for certified employees involved in administration and instruction. It includes revenues restricted by the State for payment of teachers' salaries and employee benefits.
- Debt Service Fund – Accounts for the accumulation of resources for the payment of long-term debt principal, interest, and related costs.
- Capital Projects Fund - Accounts for the proceeds of long-term debt, taxes and other revenues designated for construction of major capital assets and all other capital outlay.

D. Basis of Accounting: The District's financial statements have been prepared using the modified cash basis of accounting. This basis generally recognizes assets, long-term liabilities, net position/fund equity, revenues and expenditures when they result from cash transactions, with the exception of certain payroll expenditures described below in Note 1 (H), and with a provision for depreciation in the government-wide financial statements. These financial statements are not intended to present financial position or results of operations in accordance with accounting principles generally accepted in the United States of America.

E. Measurement Focus:

1. Government-wide financial statements: The Statement of Net Position and Statement of Activities are prepared using the total economic resources measurement focus within the limitations of the modified cash basis of accounting, as defined above. Accordingly, the District's capital assets and long-term debt are included in the Statement of Net Position.
2. Fund financial statements: The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances are prepared using the current financial resources measurement focus within the limitations of the modified cash basis of accounting, as defined above. Accordingly, only current assets are shown in the Balance Sheet.

F. Pooled Cash and Temporary Investments: The District maintains a cash and temporary investment pool that is available for use by all funds except the Debt Service Fund. State law requires that all deposits in the Debt Service Fund be kept separate and apart from all other funds of the District. Interest income received is allocated to the various funds according to each fund's share of the pool.

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

G. Capital Assets: In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. A capitalization threshold of \$5,000 is used to report capital assets, which are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements 20 - 50 years
Vehicles & equipment 8 – 20 years

In the fund financial statements, capital assets are accounted for as capital outlays upon acquisition.

H. Payroll Related Expenditures: The salary payment schedule of the District allows for the payment of salaries over a twelve-month period. Consequently, the July and August 2016 payroll checks, written and dated in June 2016, are included in the financial statements as an expenditure paid in the year ended June 30, 2016. This practice has been consistently followed in the previous years.

I. Compensated Absences: Certified personnel are provided twelve (12) days of leave time per year. Total leave days may accumulate to 40 days total. Certified employees working less than 1.0 FTE will accumulate leave in an amount directly proportional to the working time frame. Salary deductions will be made for all absences which are not covered by the various policies. Teachers shall be paid \$20 per day for unused accumulated sick leave over the accumulated total days. Upon retirement certificated personnel are paid \$15 a day for any time they have banked. One certified staff member is eligible for retirement and has 40 days banked for a potential cost to the district of \$600.

Non-Certified personnel are provided nine (9) days leave time per year. Total leave days may accumulate to 30 days total. Salary deductions will be made for all absences which are not covered by the various policies. Upon retirement Non-Certified staff is paid \$10 a day for any time they have banked, only if requested and approved by management.

J. Net Position: Net position in the government-wide financial statements represents the difference between assets and liabilities, and are reported in three categories:

1. Net investment in capital assets consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.
2. Restricted net position consists of net position with use constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or bond covenants. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

J. Net Position (continued):

3. Unrestricted net position consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

K. Fund Balances: The fund financial statements present fund balances by classification based on the extent to which the District is bound to honor constraints on the specific purposes for which the funds may be spent. The following classifications are used to describe the relative strength of these constraints:

1. Nonspendable – amounts that are either not in spendable form, or legally or contractually required to be maintained intact.
2. Restricted – amounts constrained to specific uses by external groups such as creditors, grantors, or contributors; or by laws and regulations of other governments.
3. Committed – amounts constrained to specific uses by the District itself, using its highest level of decision making authority, the District's Board of Education. Commitments may be established, modified, or rescinded only through resolutions passed by the District's Board of Education.
4. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that the District intends to use for a specific purpose. For all funds other than the General Fund, this includes any remaining funds not otherwise classified, as they are assigned to the purposes for which the fund was established. For the General Fund, the assignment can result from intent expressed by the District's Board of Education, or by District administrators to which the Board of Education delegates the authority.
5. Unassigned – amounts that are available for any purpose. Positive amounts are reported in only the General Fund. Negative unassigned fund balances are reported for all other governmental funds where the nonspendable, restricted, and committed fund balances exceed the total fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District applies restricted funds first. When an expenditure is incurred for which committed, assigned, and/or unassigned fund balances are available, the District first applies committed funds, then assigned funds, and finally unassigned funds, as needed.

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

- L. Use of Estimates: The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from these estimates.
- M. Non-exchange Transactions: Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations.
- N. 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 proposed budget includes estimated revenues and proposed expenditures for all District funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
 3. A public hearing is conducted to obtain taxpayers' 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 final 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.
 6. Budgets for District funds are prepared and adopted using the cash basis of accounting (budget basis). The budgetary comparison schedules presented have used the modified cash basis of accounting described in item D above as this basis is substantially the same as the cash basis of accounting.

2. RETIREMENT PLAN:

A. Public School Retirement System of Missouri (PSRS):

1. Summary of Significant Accounting Policies:

Financial reporting information pertaining to the district's participation in the Public School Retirement System of Missouri ("PSRS") is prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

2. RETIREMENT PLAN:

A. Public School Retirement System of Missouri (PSRS):

1. Summary of Significant Accounting Policies (continued):

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of PSRS have been determined on the same basis as they are reported by PSRS. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing PSRS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the district's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense.

Under the District's modified cash basis of accounting, expenses related to participation in PSRS are considered expenditures when paid.

2. General Information about the Pension Plan:

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

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

2. RETIREMENT PLAN (continued):

A. Public School Retirement System of Missouri (PSRS) (continued):

2. General Information about the Pension Plan (continued):

- b. *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 5 years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55% benefit factor is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psr-peers.org. Since the prior valuation date, the benefit provisions were amended to make permanent an early retirement benefit allowing members to retire at any age after 25 years of service.
- c. *Cost-of-Living Adjustments ("COLA").* The PSRS Board has established a policy of providing a 2.00% COLA for years in which the CPI increases between 0.00% and 5.00%. If the CPI increase is greater than 5.00%, the Board will provide a COLA of 5.00%. If the CPI decreases, no COLA is provided. For any member retiring on or after July 1, 2001, such adjustments commence on the second 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.
- d. *Contributions.* PSRS members were required to contribute 14.5% of their annual covered salary during fiscal year 2015 and 2016. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay. Contributions for employees of the State of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

The District's contributions to PSRS were \$246,852 for the year ended June 30, 2016.

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

2. RETIREMENT PLAN (continued):

A. Public School Retirement System of Missouri (PSRS) (continued):

3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources:

At June 30, 2016, the District's liability was \$2,239,870 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2015, and determined by an actuarial valuation as of that date. The District's proportionate share of the total net pension liability was based on the ratio of its actual contributions of \$254,644 paid to PSRS for the year ended June 30, 2015, relative to the actual contributions of \$656,578,122 from all participating employers. At June 30, 2015, the District's proportionate share was 0.0388%.

For the year ended June 30, 2016, the District recognized a pension expense of \$246,852 on its modified cash basis of accounting.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance of Deferred Outflows and Inflows due to:		
Differences between expected and actual experience	\$ 256,954	\$ -
Net difference between projected and actual earnings on investments	392,372	574,157
Changes in proportion and differences employer contributions and proportionate share of contributions	45,087	8,770
Employer contributions subsequent to the measurement date	<u>246,852</u>	<u>-</u>
Total	<u>\$ 941,265</u>	<u>\$ 582,927</u>

Included in deferred outflows of resources is \$246,852 resulting from contributions subsequent to the measurement date of June 30, 2015, which will be recognized as a reduction to the net pension liability in the year ended June 30, 2017.

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

2. RETIREMENT PLAN (continued):

A. Public School Retirement System of Missouri (PSRS) (continued):

3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued):

Other amounts reported as collective deferred (inflows)/outflows of resources to be recognized in pension expense:

Year Ending June 30,		
2017	\$	(37,914)
2018		(37,914)
2019		(37,914)
2020		153,471
2021		48,204
Thereafter		23,553
	\$	<u>111,486</u>

4. Actuarial Valuations:

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

Significant actuarial assumptions and other inputs used to measure the total Pension liability:

- a. Measurement Date: June 30, 2015
- b. Valuation Date: June 30, 2015
- c. Expected Return on Investments: 8.00%, net of investment expense and including 2.5% inflation
- d. Inflation: 2.50%
- e. Total payroll growth: 3.50% per annum, consisting of 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth
- f. Future Salary Increases: 4.00% - 10.00%, depending on service and including 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.00% to 7.00%
- g. Cost-of-Living Increases: 2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increases

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

2. RETIREMENT PLAN (continued):

A. Public School Retirement System of Missouri (PSRS) (continued):

4. Actuarial Valuations (continued):

Mortality Assumption

- a. Activities: RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
- b. Non-Disabled Retirees, Beneficiaries, and Survivors: RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.
- c. Disabled Retirees: RP 2000 Disabled Mortality Table

There were no changes in actuarial assumptions or methods for the June 30, 2015, valuation.

PSRS issues a publicly available financial report that can be obtained at www.psr-peers.org.

5. Expected Rate of Return:

The long-term expected rate of return on PSRS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PSRS' target allocation as of June 30, 2015, is summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cash flows.

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

2. RETIREMENT PLAN (continued):

A. Public School Retirement System of Missouri (PSRS) (continued):

5. Expected Rate of Return (continued):

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

6. Discount Rate:

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

The sensitivity of the district's net pension liability to changes in the discount rate is presented below. The district's net pension liability calculated using the discount rate of 8.0% is presented as well as the net pension liability using a discount rate that is 1.0% lower (7.0%) or 1.0% higher (9.0%) than the current rate.

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

2. RETIREMENT PLAN (continued):

A. Public School Retirement System of Missouri (PSRS) (continued):

6. Discount Rate (continued):

<u>7.00%</u>	<u>8.00%</u>	<u>9.00%</u>
<u>\$ 4,119,528</u>	<u>\$ 2,239,870</u>	<u>\$ 661,166</u>

7. Schedule of Proportionate Share of the Net Pension Liability and Related Ratios:

<u>Year Ended</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Actual Covered Member Payroll</u>
6/30/2015	0.0375%	\$ 1,538,466	\$ 1,674,796
6/30/2016	0.0388%	2,239,870	1,763,862

<u>Year Ended</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
6/30/2015	91.86%	89.34%
6/30/2016	126.99%	85.78%

NOTE: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

8. Schedule of Employer Contributions:

<u>Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess/ (Deficiency)</u>	<u>Actual Member Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/2013	\$ 241,762	\$ 241,762	\$ -	\$ 1,674,796	14.44%
6/30/2014	253,243	253,243	-	1,746,506	14.50%
6/30/2015	254,644	254,644	-	1,763,862	14.44%
6/30/2016	246,852	246,852	-	1,674,341	14.44%

NOTE: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

2. RETIREMENT PLAN (continued):

B. Public Education Employee Retirement System of Missouri (PEERS):

1. Summary of Significant Accounting Policies:

Financial reporting information pertaining to the District's participation in the PEERS is prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of PEERS have been determined on the same basis as they are reported by PEERS. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing PSRS. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the district's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense.

Under the District's modified cash basis of accounting, expenses related to participation in PSRS are considered expenditures when paid.

2. General Information about the Pension Plan:

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

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

2. RETIREMENT PLAN (continued):

B. Public Education Employee Retirement System of Missouri (PEERS) (continued):

2. General Information about the Pension Plan (continued):

- b. *Benefits Provided.* PEERS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional temporary .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psrs-peers.org.
- c. *Cost-of-Living Adjustments (COLA).* The PEERS Board has established a policy of providing a 2.00% COLA for years in which the CPI increases between 0.00% and 5.00%. If the CPI increase is greater than 5.00%, the Board will provide a COLA of 5.00%. If the CPI decreases, no COLA is provided. For any member, 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.
- d. *Contributions.* PEERS members were required to contribute 6.86% of their annual covered salary during fiscal year 2015 and 2016. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay.

The District's contributions to PEERS were \$23,223 for the year ended June 30, 2016.

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

2. RETIREMENT PLAN (continued):

B. Public Education Employee Retirement System of Missouri (PEERS) (continued):

3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources:

At June 30, 2016, the District's liability was \$113,186 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2015, and determined by an actuarial valuation as of that date. The District's proportionate share of the total net pension liability was based on the ratio of its actual contributions of \$21,967 paid to PEERS for the year ended June 30, 2015, relative to the actual contributions of \$102,864,099 from all participating employers. At June 30, 2015, the District's proportionate share was 0.0214%.

For the year ended June 30, 2016, the District recognized a pension expense of \$23,223 on its modified cash basis of accounting.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance of Deferred Outflows and Inflows due to:		
Differences between expected and actual experience	\$ 7,337	\$ 1,586
Net difference between projected and actual earnings on investments	24,507	34,910
Changes in proportion and differences employer contributions and proportionate share of contributions	2,024	1,968
Employer contributions subsequent to the measurement date	<u>23,223</u>	<u>-</u>
Total	<u>\$ 57,091</u>	<u>\$ 38,464</u>

Included in deferred outflows of resources is \$23,223 resulting from contributions subsequent to the measurement date of June 30, 2015, which will be recognized as a reduction to the net pension liability in the year ended June 30, 2017.

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

2. RETIREMENT PLAN (continued):

B. Public Education Employee Retirement System of Missouri (PEERS) (continued):

3. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued):

Other amounts reported as collective deferred (inflows)/outflows of resources to be recognized in pension expense:

Year Ending June 30,		
2017	\$	(3,574)
2018		(3,574)
2019		(3,748)
2020		6,300
2021		-
Thereafter		-
	\$	(4,596)

4. Actuarial Valuations:

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

Significant actuarial assumptions and other inputs used to measure the total pension liability:

- a. Measurement Date: June 30, 2015
- b. Valuation Date: June 30, 2015
- c. Expected Return on Investments: 8.00%, net of investment expense and including 2.5% inflation
- d. Inflation: 2.50%
- e. Total payroll growth: 3.75% per annum, consisting of 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth
- f. Future Salary Increases: 5.00% - 12.00%, depending on service and including 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.75% to 8.75%
- g. Cost-of-Living Increases: 2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increases

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

2. RETIREMENT PLAN (continued):

B. Public Education Employee Retirement System of Missouri (PEERS) (continued):

4. Actuarial Valuations (continued):

Mortality Assumption

- a. Activities: RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
- b. Non-Disabled Retirees, Beneficiaries, and Survivors: RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.
- c. Disabled Retirees: RP 2000 Disabled Mortality Table

There were no changes in actuarial assumptions or methods for the June 30, 2015, valuation.

PSRS issues a publicly available financial report that can be obtained at www.psrs-peers.org.

5. Expected Rate of Return:

The long-term expected rate of return on PEERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PEERS' target allocation as of June 30, 2015, is summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cash flows.

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

2. RETIREMENT PLAN (continued):

B. Public Education Employee Retirement System of Missouri (PEERS) (continued):

5. Expected Rate of Return (continued):

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

6. Discount Rate:

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

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

2. RETIREMENT PLAN (continued):

B. Public Education Employee Retirement System of Missouri (PEERS) (continued):

6. Discount Rate (continued):

The sensitivity of the district's net pension liability to changes in the discount rate is presented below. The district's net pension liability calculated using the discount rate of 8.0% is presented as well as the net pension liability using a discount rate that is 1.0% lower (7.0%) or 1.0% higher (9.0%) than the current rate.

	<u>7.00%</u>	<u>8.00%</u>	<u>9.00%</u>
Proportionate share of the Net Pension liability/(asset)	\$ <u>228,504</u>	\$ <u>113,186</u>	\$ <u>15,695</u>

7. Schedule of Proportionate Share of the Net Pension Liability and Related Ratios:

<u>Year Ended*</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Actual Covered Member Payroll</u>
6/30/2015	0.0221%	\$ 80,702	\$ 322,460
6/30/2016	0.0214%	113,186	320,217

<u>Year Ended*</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
6/30/2015	25.03%	91.33%
6/30/2016	35.35%	88.28%

NOTE: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

2. RETIREMENT PLAN (continued):

B. Public Education Employee Retirement System of Missouri (PEERS) (continued):

8. Schedule of Employer Contributions:

Year Ended	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess/ (Deficiency)	Actual Member Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2013	\$ 20,727	\$ 20,727	\$ -	\$ 302,143	6.86%
6/30/2014	22,121	22,121	-	322,460	6.86%
6/30/2015	21,967	21,967	-	320,217	6.86%
6/30/2016	23,223	23,223	-	338,527	6.86%

NOTE: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

3. CASH:

Custodial credit risk for deposits is the risk that in the event of a failure of a depository financial institution, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's policy required deposits to be 100% secured by collateral valued at market less the amount covered by the FDIC. As of June 30, 2016, none of the District's bank balances with financial institutions of \$1,289,816 was exposed to custodial credit risk. Of this amount, \$348,964 was covered by federal depository insurance. The remaining balance of \$1,037,555 was collateralized by federal government and federal agency securities pledged in the District's name. The book and market value of these securities at June 30, 2016, was \$1,827,519 and \$1,895,979, respectively. The District has no foreign currency risk.

The District may purchase any investments allowed by the State Treasurer and repurchase agreements. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law.

Cash held in the Debt Service Fund, in the amount of \$122,431, is restricted for debt service payments as described in Note 6 below. Cash held in the Capital Projects Fund, in the amount of \$168,307, is restricted for capital asset expenditures.

4. TAXES:

The counties in which the District is located collect property tax and remit it to the District. The District also receives sales tax collected by the state which is remitted based on eligible pupils.

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

4. TAXES (continued):

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1, and are payable by December 31. All unpaid taxes become delinquent January 1, of the following year. The assessed valuation of the tangible taxable property for the calendar year 2015 for purposes of local taxation was as follows:

	Bates	Cass	Total
Real Estate:			
Residential	\$ 2,386,250	\$ 8,374,690	\$ 10,760,940
Agricultural	420,390	1,309,470	1,729,860
Commercial	332,117	1,471,411	1,803,528
Personal Property	1,016,428	3,231,677	4,248,105
	\$ 4,155,185	\$ 14,387,248	\$ 18,542,433

For the calendar year 2015, for purposes of local taxation, the tax levy per \$100 of assessed valuation was \$5.3458 adjusted to \$5.3458 for estimated sales tax collected, as follows:

<u>Fund</u>	<u>Unadjusted</u>	<u>Adjusted</u>
General	\$ 4.3786	\$ 4.3786
Debt service	0.9672	0.9672
	\$ 5.3458	\$ 5.3458

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2016, aggregated approximately 100.53% of the current assessment computed on the basis of the levy as shown above for the calendar year 2015.

5. RISK MANAGEMENT:

The District is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Missouri School Insurance Council (MUSIC). MUSIC is a public entity risk pool operating as a common risk management and insurance program. The District does not pay premiums to purchase insurance policies but pays an assessment to be a member of the self-sustaining risk sharing group. Part of the assessment is used to purchase excess insurance for the group as a whole. The pooling agreement requires the pool to be self-sustaining. The District believes that it is not possible to estimate the range of contingent losses to be borne by the District. Settled claims have not exceeded insurance coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

6. BONDS PAYABLE:

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

Bonds payable, July 1, 2015	\$ 2,365,000
Less – Bonds retired	<u>(135,000)</u>
Bonds payable, June 30, 2016	<u>\$ 2,230,000</u>

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

\$230,000 Series 2009 outstanding general obligation refunding bonds due in varying annual installments through March 1, 2018, with variable annual interest rates of 1.65% to 3.60%. These refunding general obligation bonds were issued on March 11, 2009, to refund the Series 1998 and Series 2004 outstanding bonds. It is estimated by the bonding agency that the District will save approximately \$63,769 in future interest payments with this refunding.

Interest paid on these bonds during the year ended June 30, 2016, totaled 12,290.

\$2,000,000 Series 2014 outstanding general obligation bonds due in varying annual installments through March 1, 2034, with variable interest rates of 1.40% to 5.00%. These general obligation bonds were issued July 1, 2014, for the purpose of energy efficiency; to expand the gymnasium and install new bleachers; and, to the extent funds are available, renovate the cafeteria and kitchen; to construct, equip, and furnish an addition for storage and office space; and other remodeling, renovation, and repair improvements to existing facilities of the District.

Interest paid on these bonds during the year ended June 30, 2016, totaled \$78,825.

The District has elected to participate in the program created by Senate Bill 301 administered by the Missouri Health and Educational Facilities Authority (MOHEFA) which allows the District an enhanced bond rating as well as having certain costs of issuance reimbursed. As a result of participating in this program, the District has executed a direct deposit agreement whereby a portion of state aid payments will be made to the direct deposit trustee who will then make the principal and interest payments on the bonds. At June 30, 2016, the District had \$65,188 in the Series 2009 escrow account and \$31,535 in the Series 2014 escrow account.

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

6. BONDS PAYABLE (continued):

Debt service requirements are as follows:

Year ending June 30,	Principal	Interest	Total
2017	\$ 155,000	\$ 86,795	\$ 241,795
2018	75,000	81,525	156,525
2019	125,000	78,825	203,825
2020	100,000	77,075	177,075
2021	100,000	75,375	175,375
2022-2026	510,000	343,000	853,000
2027-2031	665,000	229,500	894,500
2032-2034	500,000	51,250	551,250
	<u>\$ 2,230,000</u>	<u>\$ 1,023,345</u>	<u>\$ 3,253,345</u>

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

Constitutional debt limit	\$ 2,781,365
Amount in Debt Service Fund available for payment of principal	122,431
General obligation bonds payable	(<u>2,230,000</u>)
Legal debt margin	<u>\$ 673,796</u>

Principal and interest on general obligation bonds are liquidated through the Debt Service Fund. Capital leases are liquidated through the Capital Projects Fund.

7. INTERFUND TRANSFERS:

Interfund transfers, the flow of assets from one fund to another where repayment is not expected, are reported as transfers in and out. The District is required to make transfers from the General Fund to the Teachers' Fund to cover the excess of disbursements over receipts each year. The District makes allowed transfers from the General Fund to the Capital Projects Fund to cover disbursements and build balances as allowed by state law. During the year ended June 30, 2016, the District made the following interfund transfers:

<u>TRANSFER FROM</u>	<u>TRANSFER TO</u>	
General Fund	Special Revenue Fund	Capital Projects Fund
	<u>\$ 170,055</u>	<u>\$ 120,000</u>

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

8. RELATED PARTY TRANSACTIONS:

There are several instances where board members are related to employees of the district. It appears the board members abstained from hiring of these employees.

9. CAPITAL ASSETS:

The capital assets activity of the governmental funds at June 30, 2016, is as follows:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Capital assets not depreciated				
Land	\$ 110,000	\$ -	\$ -	\$ 110,000
Construction in progress	2,234,797	-	-	2,234,797
Capital assets being depreciated				
Buildings and improvements	4,056,438	283,090	-	4,339,528
Furniture, vehicles and equipment	283,268	90,607	-	373,875
	6,684,503	373,697	-	7,058,200
Less: Accumulated depreciation	1,653,247	167,455	-	1,820,702
Net capital assets	<u>\$ 5,031,256</u>	<u>\$ 206,242</u>	<u>\$ -</u>	<u>\$ 5,237,498</u>

Included in the amount above are capital assets of \$3,738; net of \$9,561 accumulated depreciation; purchased under capital leases.

Depreciation expense was charged to functions of the governmental funds as follows:

Instructional services	<u>\$ 167,455</u>
------------------------	-------------------

10. COMMITMENTS AND CONTINGENCIES:

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

The District offers post-retirement healthcare benefits to all employees who retire from the District. Retirees and their dependents may obtain coverage by paying required premium rates. The District does not pay a portion of the required premium rates for retirees; however, the premiums paid by the District for active employees are based on combined active and retiree experience, so an implicit subsidy exists. Under the District's modified cash basis of accounting, no liability for this subsidy is included in the financial statements.

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS**

11. CAPITAL LEASES:

The following is a summary of the copy machine capital lease for the year ended June 30, 2016:

Capital lease payable, July 1, 2015	\$ 8,374
Less – Capital lease payments	<u>(3,419)</u>
Capital lease payable, June 30, 2016	<u>\$ 4,955</u>

On May 16, 2013, the district entered into an agreement with a financial institution for the purchase of two copy machines. The capital lease is collateralized by said copy machines and the terms of the lease are monthly installments in the amount of \$216 beginning June 2013, and maturing May 2017.

On February 25, 2014, the district entered into an agreement with a financial institution for the purchase of a copy machine. The capital lease is collateralized by said copy machine and the terms of the lease are monthly installments in the amount of \$147 beginning April 2014, and maturing March 2018.

Minimum future payments under this capital lease are as follows:

Year ending June 30,	Principal	Interest	Total
2017	\$ 3,702	\$ 435	\$ 4,137
2018	<u>1,253</u>	<u>72</u>	<u>1,325</u>
	<u>\$ 4,955</u>	<u>\$ 507</u>	<u>\$ 5,462</u>

Imputed interest on these capital leases was \$935 for the year ended June 30, 2016.

12. PRIOR PERIOD ADJUSTMENT:

During the year, management determined the preferred placement of premiums for bonds issued during the previous fiscal year was in the Capital Projects Fund. The premiums were previously recorded in the Debt Service Fund. The net affect of this adjustment was an increase in beginning fund balance and cash of \$160,980 in the Capital Projects Fund and a decrease in beginning fund balance and cash of \$160,980 in the Debt Service Fund.

13. DATE OF MANAGEMENT REVIEW:

Subsequent events were evaluated through October 18, 2016, which is the date the financial statements were available to be issued.



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

To the Board of Education
Reorganized School District No. IV
of Cass County, 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 modified cash basis financial statements of the governmental activities and each major fund of the Reorganized School District No. IV of Cass County, Missouri, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Reorganized School District No. IV of Cass County, Missouri's basic financial statements, and have issued our report thereon dated October 18, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Reorganized School District No. IV of Cass County, Missouri'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 Reorganized School District No. IV of Cass County, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the Reorganized School District No. IV of Cass County, Missouri'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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Reorganized School District No. IV of Cass County, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as items 16-001 on page 35 and 16-002 on page 38.

Reorganized School District No. IV of Cass County, Missouri's Responses to Findings

Reorganized School District No. IV of Cass County, Missouri's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Reorganized School District No. IV of Cass County, Missouri's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

DSWA Certified Public Accountants, P.C.

Raymore, Missouri
October 18, 2016

REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND RESPONSES TO THE 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

FOR THE YEAR ENDED JUNE 30, 2016

Internal Control Over Financial Reporting

None

Compliance

16-001 The Uniform Grant Guidance Required Policies

Statement of Condition: The District had not updated all required policies and procedures required by The Uniform Grant Guidance prior to the required date of July 1, 2015.

Criteria: The Uniform Grant Guidance required additional policies for federal grants including cash management, travel, and allowability of expenditures.

Effect: Failure to adopt required policies appears to be a violation of The Uniform Grant Guidance requirements.

Cause: The District relies on a third party to provide written policies for the District's policy manual.

Recommendation: We recommend the District adopt all required policies necessary to be in compliance with The Uniform Grant Guidance.

Response: *The District relies on a third party for written policies and procedures. The policies and procedures were not obtained until subsequent to the required implementation date. The District believes all required policies and procedures have been adopted.*

**REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI**

**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES TO THE 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
*GONVERNMENT AUDITING STANDARDS***

FOR THE YEAR ENDED JUNE 30, 2015

Internal Control Over Financial Reporting

None

Compliance

None



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

Board of Education
Reorganized School District No. IV
of Cass County, Missouri
Drexel, Missouri

Report on Management's Assertions

We have examined management's assertions that the Reorganized School District No. IV of Cass County, Missouri, complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures; accurate disclosure by the District's attendance records of average daily attendance, resident membership on the last Wednesday of September and the number of students eligible to receive free or reduced price lunches on the last Wednesday of January; and accurate disclosure by 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 the allowable costs for pupil transportation during the year ended June 30, 2016. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the district's compliance based on our examination.

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

Opinions

In our opinion, the Reorganized School District No. IV of Cass County, Missouri, complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2016, except for the finding that is shown on the schedule of findings and responses as item 16-002 on page 38.

Reorganized School District No. IV of Cass County, Missouri's Response to Finding

Reorganized School District No. IV of Cass County, Missouri's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Reorganized School District No. IV of Cass County, Missouri's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we expense no opinion on it.

Purpose of this Report

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.

DSWA Certified Public Accountants, P.C.

Raymore, Missouri
October 18, 2016

REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI

SCHEDULE OF FINDINGS AND RESPONSES TO THE INDEPENDENT
AUDITORS' REPORT ON MANAGEMENT'S ASSERTIONS ABOUT COMPLIANCE
WITH SPECIFIED REQUIREMENTS OF MISSOURI LAWS AND REGULATIONS

FOR THE YEAR ENDED JUNE 30, 2016

Budget

None

Attendance

None

Transportation

None

Other Compliance

16-002 – PUBLICATION OF AUDITED FINANCIAL STATEMENTS

Statement of Condition: The District did not publish a summary of the prior year's audit report within thirty days of receipt as required by RSMo. 165.121.

Criteria: Revised Missouri Statutes Chapter 165.121 requires educational institutions governed by the Statutes to publish a financial summary, including the auditors' opinion and scope, within thirty days of receipt of the audited financial statements.

Effect: Failure to publish the financial statements is a violation of state statutes.

Cause: Management overlooked this requirement for the audit of financial statements for the year ended June 30, 2015.

Recommendation: We recommend the District ensure the required financial summary is published within thirty days of receipt of the audit report.

Response: *The District published the financial statements for the year ended June 30, 2015; however the publication was after the thirty day requirement. We will ensure the financial statements are published within the thirty-day limit in the future.*

REORGANIZED SCHOOL DISTRICT NO. IV
OF CASS COUNTY, MISSOURI

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES TO THE INDEPENDENT
AUDITORS' REPORT ON MANAGEMENT'S ASSERTIONS ABOUT COMPLIANCE
WITH SPECIFIED REQUIREMENTS OF MISSOURI LAWS AND REGULATIONS

FOR THE YEAR ENDED JUNE 30, 2015

Budget

None

Attendance

None

Transportation

None

Other Compliance

None

**REORGANIZED SCHOOL DISTRICT NO. IV OF CASS COUNTY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local	\$ 896,867	\$ 1,023,835	\$ 1,023,835	\$ -
County	51,000	108,278	108,278	-
State	149,728	210,414	210,414	-
Federal	311,320	130,528	130,528	-
Total revenues	<u>1,408,915</u>	<u>1,473,055</u>	<u>1,473,055</u>	<u>-</u>
Expenditures				
Instructional services				
Regular	18,150	42,218	42,218	-
Special	100,639	63,000	63,000	-
Vocational	5,500	6,730	6,730	-
Student activities	99,600	182,586	182,586	-
Payments to other districts	6,750	10,839	10,839	-
Supporting services				
Students	58,008	59,314	59,314	-
Instructional staff	32,200	89,205	89,205	-
Building administration	43,470	41,576	41,576	-
General administration	141,634	167,178	167,178	-
Operation and maintenance of facilities	244,854	322,475	322,475	-
Transportation	131,500	136,456	136,456	-
Food service	147,914	162,546	162,546	-
Other services				
Community services	2,795	10,013	10,013	-
Total expenditures	<u>1,033,014</u>	<u>1,294,136</u>	<u>1,294,136</u>	<u>-</u>
Excess of revenues over expenditures	<u>375,901</u>	<u>178,919</u>	<u>178,919</u>	<u>-</u>
Other financing sources (uses)				
Sale of other property	-	2,917	2,917	-
Transfer out	(361,658)	(290,055)	(290,055)	-
Total other financing sources (uses)	<u>(361,658)</u>	<u>(287,138)</u>	<u>(287,138)</u>	<u>-</u>
Net change in fund balances	14,243	(108,219)	(108,219)	-
Fund balances - beginning	<u>1,055,000</u>	<u>921,481</u>	<u>921,481</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,069,243</u>	<u>\$ 813,262</u>	<u>\$ 813,262</u>	<u>\$ -</u>

See independent auditors' report and accompanying notes to the financial statements.

**REORGANIZED SCHOOL DISTRICT NO. IV OF CASS COUNTY, MISSOURI
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - BUDGET AND ACTUAL - SPECIAL REVENUE
(TEACHERS') FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local	\$ 281,775	\$ 334,491	\$ 334,491	\$ -
County	12,000	15,959	15,959	-
State	1,433,458	1,463,581	1,463,581	-
Federal	2,875	98,169	98,169	-
Total revenues	<u>1,730,108</u>	<u>1,912,200</u>	<u>1,912,200</u>	<u>-</u>
Expenditures				
Instructional services				
Regular	1,226,374	1,233,025	1,233,025	-
Special	174,147	213,831	213,831	-
Vocational	52,920	54,527	54,527	-
Student activities	91,088	88,804	88,804	-
Supporting services				
Students	59,546	59,798	59,798	-
Instructional staff	142,531	137,309	137,309	-
Building administration	174,367	172,156	172,156	-
General administration	112,496	70,917	70,917	-
Other services				
Community services	58,297	51,888	51,888	-
Total expenditures	<u>2,091,766</u>	<u>2,082,255</u>	<u>2,082,255</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(361,658)</u>	<u>(170,055)</u>	<u>(170,055)</u>	<u>-</u>
Other financing sources (uses)				
Transfers in	361,658	170,055	170,055	-
Total other financing sources (uses)	<u>361,658</u>	<u>170,055</u>	<u>170,055</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report and accompanying notes to the financial statements.

**REORGANIZED SCHOOL DISTRICT NO. IV OF CASS COUNTY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local	\$ 165,800	\$ 184,527	\$ 184,527	\$ -
County	10,000	15,657	15,657	-
Total revenues	<u>175,800</u>	<u>200,184</u>	<u>200,184</u>	<u>-</u>
Expenditures				
Other services				
Principal	135,000	135,000	135,000	-
Interest	16,340	91,115	91,115	-
Total expenditures	<u>151,340</u>	<u>226,115</u>	<u>226,115</u>	<u>-</u>
Net change in fund balances	<u>24,460</u>	<u>(25,931)</u>	<u>(25,931)</u>	<u>-</u>
Fund balances - beginning, as previously stated	72,000	309,342	309,342	-
Prior period adjustment (Note 12)	-	(160,980)	(160,980)	-
Fund balances - beginning, as restated	<u>72,000</u>	<u>148,362</u>	<u>148,362</u>	<u>-</u>
Fund balances - ending	<u>\$ 96,460</u>	<u>\$ 122,431</u>	<u>\$ 122,431</u>	<u>\$ -</u>

See independent auditors' report and accompanying notes to the financial statements.

**REORGANIZED SCHOOL DISTRICT NO. IV OF CASS COUNTY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local	\$ 50,800	\$ 97,335	\$ 97,335	\$ -
State	102,858	116,328	116,328	-
Federal	-	18,447	18,447	-
Total revenues	<u>153,658</u>	<u>232,110</u>	<u>232,110</u>	<u>-</u>
Expenditures				
Instructional services				
Regular	2,000	-	-	-
Special	1,000	-	-	-
Vocational	5,000	5,376	5,376	-
Student activities	-	5,817	5,817	-
Supporting services				
Students	1,000	-	-	-
Instructional staff	3,000	4,752	4,752	-
General administration	12,500	13,762	13,762	-
Operation and maintenance of facilities	5,000	331,697	331,697	-
Food service	1,500	2,304	2,304	-
Total expenditures	<u>31,000</u>	<u>363,708</u>	<u>363,708</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>122,658</u>	<u>(131,598)</u>	<u>(131,598)</u>	<u>-</u>
Other financing sources (uses)				
Transfer in	-	120,000	120,000	-
Total other financing sources (uses)	<u>-</u>	<u>120,000</u>	<u>120,000</u>	<u>-</u>
Net change in fund balances	<u>122,658</u>	<u>(11,598)</u>	<u>(11,598)</u>	<u>-</u>
Fund balances - beginng, as previously stated	6,000	18,925	18,925	-
Prior period adjustment (Note 12)	-	160,980	160,980	-
Fund balances - beginning, as restated	<u>6,000</u>	<u>179,905</u>	<u>179,905</u>	<u>-</u>
Fund balances - ending	<u>\$ 128,658</u>	<u>\$ 168,307</u>	<u>\$ 168,307</u>	<u>\$ -</u>

See independent auditors' report and accompanying notes to the financial statements.

REORGANIZED SCHOOL DISTRICT NO. IV OF CASS COUNTY, MISSOURI
COMBINED SCHEDULES OF REVENUES COLLECTED BY SOURCE
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	General (Incidental) Fund	Special Revenue (Teachers') Fund	Debt Service Fund	Capital Projects (Building) Fund	Total (Memorandum Only)
LOCAL					
Current taxes	\$ 726,304	\$ -	\$ 160,435	\$ -	\$ 886,739
Delinquent taxes	91,616	-	18,143	-	109,759
School district trust fund (Prop C)	-	296,411	-	-	296,411
Financial institution tax	80	-	18	-	98
M & M surtax	12,376	-	2,716	-	15,092
In lieu of tax	1,481	-	327	-	1,808
Earnings on investments	3,375	3,057	2,888	1,045	10,365
Food service program	52,495	-	-	-	52,495
Food service non-program	1,769	-	-	-	1,769
Student activities	126,944	16	-	-	126,960
Community services	-	35,007	-	-	35,007
Other local	7,395	-	-	96,290	103,685
	<u>1,023,835</u>	<u>334,491</u>	<u>184,527</u>	<u>97,335</u>	<u>1,640,188</u>
COUNTY					
Fines, escheats, etc.	-	15,959	-	-	15,959
State assessed utilities	108,278	-	15,657	-	123,935
	<u>108,278</u>	<u>15,959</u>	<u>15,657</u>	<u>-</u>	<u>139,894</u>
STATE					
Basic formula	-	1,463,581	-	-	1,463,581
Transportation	23,369	-	-	-	23,369
Early childhood special education	2,993	-	-	-	2,993
Basic formula - classroom trust fund	22,262	-	-	96,652	118,914
Educational screening program/PAT	4,150	-	-	-	4,150
Small schools grant	146,651	-	-	-	146,651
Career education	4,251	-	-	-	4,251
Food service - state	1,491	-	-	-	1,491
High Need Fund	5,247	-	-	-	5,247
Other state	-	-	-	19,676	19,676
	<u>210,414</u>	<u>1,463,581</u>	<u>-</u>	<u>116,328</u>	<u>1,790,323</u>
FEDERAL					
State administered					
Special vocational projects	400	-	-	-	400
IDEA Grants	514	-	-	-	514
IDEA Entitlement Funds, Part B IDEA	6,153	54,486	-	-	60,639
Early childhood special education	1,400	-	-	-	1,400
School lunch program	67,978	-	-	-	67,978
School breakfast program	22,799	-	-	-	22,799
Title I, ESEA	14,000	43,683	-	-	57,683
Title II, ESEA - Teacher & principal quality	17,284	-	-	-	17,284
Title VI, Rural education initiative	-	-	-	18,447	18,447
	<u>130,528</u>	<u>98,169</u>	<u>-</u>	<u>18,447</u>	<u>247,144</u>
OTHER					
Sale of other property	2,917	-	-	-	2,917
	<u>2,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,917</u>
	<u>\$ 1,475,972</u>	<u>\$ 1,912,200</u>	<u>\$ 200,184</u>	<u>\$ 232,110</u>	<u>\$ 3,820,466</u>

See independent auditors' report and accompanying notes to the financial statements.

Reorganized School District No. IV of Cass County, Missouri 019-150
 Schedule of Selected Statistics
 Year Ended June 30, 2016

1. **Calendar** (Sections 160.041 and 171.031, RSMo)

A. Standard day length (SDL) – The total number of hours between the starting time of the first class and the dismissal time of the last class, minus the time allowed for lunch and one passing time, and minus Channel One time. Reported with 4 decimal places.

Kindergarten-12 6.3000

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

Kindergarten-12 1,050.40

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

Grades: K-12 168

Notes: _____

2. **Average Daily Attendance (ADA)**

<u>Regular Term</u>	<u>Full-Time & Part-Time</u>	<u>Remedial</u>	<u>Deseg In</u>	<u>Federal Lands</u>	<u>Total</u>	<u>Deseg Out</u>
Grades K-12	295.2175	-	-	-	295.2175	-
Subtotal Regular Term	295.2175	-	-	-	295.2175	-
			<u>Deseg Resident</u>	<u>Federal In</u>	<u>Federal Lands</u>	<u>Total</u>
Summer School			-	-	-	-
Total Regular Term Plus Summer School ADA	295.2175				295.2175	-

Notes: _____

Reorganized School District No. IV of Cass County, Missouri 019-150
 Schedule of Selected Statistics
 Year Ended June 30, 2016

3. September Membership

	Full-Time & Part- Time	Deseg In	Federal Lands	Total	Deseg Out
September Membership FTE Count	<u>310.00</u>	<u>-</u>	<u>-</u>	<u>310.00</u>	<u>-</u>

Notes: _____

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

State FTE Total	Full-Time & Part-Time	Deseg In	Total
Free	118.00	-	118.00
Reduced	<u>16.00</u>	<u>-</u>	<u>16.00</u>
Total	<u>134.00</u>	<u>-</u>	<u>134.00</u>

Note: _____

5. Finance

Fill in the blank with the appropriate response of true, false, or N/A unless otherwise noted.

- A. As required by Section 162.401, RSMo, a bond was purchased for the district's treasurer in the total amount of: \$50,000
- B. The district's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo. TRUE
- C. The district maintained a separate bank account for the Debt Service Fund in accordance with Section 165.011, RSMo. TRUE
- D. Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records. TRUE
- E. If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the board approve a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken. N/A

Reorganized School District No. IV of Cass County, Missouri 019-150
 Schedule of Selected Statistics
 Year Ended June 30, 2016

5. Finance (continued)

- F. The district published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo. FALSE
- 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. TRUE
- H. The amount spent for approved professional development committee plan activities was: \$15,636

All above "false" answers must be supported by a finding or management letter comment.

Finding #: 16-002

Management Letter Comment #: _____

Notes: _____

6. Transportation (Section 163.161, RSMo)

Fill in the blank with the appropriate response of true, false, or N/A unless otherwise noted.

- A. The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid. TRUE
- B. The district's school transportation ridership records are maintained in a manner as to accurately disclose in all material respects the average number of regular riders transported. TRUE
- C. Based on the ridership records, the average number of students (non-disabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was:
- **Eligible ADT** 234
 - **Ineligible ADT** 0
- D. The district's transportation odometer mileage records are maintained in a manner to accurately disclose in all material respects the eligible and ineligible mileage for the year. TRUE

Reorganized School District No. IV of Cass County, Missouri 019-150
Schedule of Selected Statistics
Year Ended June 30, 2016

6. Transportation (continued):

E. Actual odometer records show the total district-operated and
contracted mileage for the year was: 39,990

Of this total, the eligible non-disabled and students with
disabilities route miles and the ineligible non-route and
disapproved miles (combined) was:

• **Eligible Miles** 25,522

• **Ineligible Miles (Non-Route/Disapproved)** 14,468

F. Number of days the district operated the school
transportation system during the regular school year: 168

All above "False" answers must be supported by a finding or management letter
comment.

Finding #: _____

Management Letter Comment #: _____

Notes: _____
