

MILLER R-II SCHOOL DISTRICT
MILLER, MISSOURI

BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

KPM
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

Board of Education
Miller R-II School District
Miller, Missouri

We have audited the basic financial statements of the governmental activities and each major fund of the Miller R-II School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of Miller R-II School District as of June 30, 2018, and the respective changes in modified cash basis financial position thereof for the year then ended, in conformity with the basis of accounting described in Note A.

Basis of Accounting

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

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison information on pages 25-29, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Financial Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Miller R-II School District's basic financial statements. The data contained under Other Financial Information, is presented for purposes of additional analysis and is not a required part of the financial statements.

The Other Financial Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Education
Miller R-II School District
Miller, Missouri

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
October 9, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,245,681
Investments	<u>211,623</u>
TOTAL ASSETS	<u><u>\$ 3,457,304</u></u>
NET POSITION	
Restricted for student activities	\$ 41,364
Restricted for debt service	448,795
Unrestricted	<u>2,967,145</u>
TOTAL NET POSITION	<u><u>\$ 3,457,304</u></u>

See accompanying notes

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

	Cash Disbursements	Program Cash Receipts			Net
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Disbursements) Receipts and Changes in Net Position
Governmental Activities:					
Instruction	\$ (2,950,494)	\$ 196,533	\$ 515,343	\$ -	\$ (2,238,618)
Student services	(191,781)	-	15,829	-	(175,952)
Instructional staff support	(271,437)	-	12,771	-	(258,666)
General administration	(671,209)	-	-	-	(671,209)
Operation of plant	(963,871)	-	-	-	(963,871)
Transportation	(419,231)	-	57,404	-	(361,827)
Food service	(324,537)	65,057	246,400	-	(13,080)
Community services	(38,328)	7,011	-	-	(31,317)
Debt service	(348,767)	-	-	-	(348,767)
NET PROGRAM (DISBURSEMENTS) RECEIPTS	<u>\$ (6,179,655)</u>	<u>\$ 268,601</u>	<u>\$ 847,747</u>	<u>\$ -</u>	(5,063,307)
General Receipts:					
Ad valorem tax receipts					2,080,301
Prop C sales tax receipts					561,805
Other tax receipts					111,908
County receipts					178,703
State receipts					2,162,543
Interest receipts					49,186
Other receipts					3,935
TOTAL GENERAL RECEIPTS					<u>5,148,381</u>
INCREASE IN NET POSITION					85,074
NET POSITION - Beginning of year					<u>3,372,230</u>
NET POSITION - End of year					<u>\$ 3,457,304</u>

See accompanying notes

FUND FINANCIAL STATEMENTS

MILLER R-II SCHOOL DISTRICT
STATEMENT OF ASSETS AND FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH
BASIS
June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,512,047	\$ -	\$ 308,648	\$ 1,424,986	\$ 3,245,681
Investments	71,476	-	140,147	-	211,623
TOTAL ASSETS	<u>\$ 1,583,523</u>	<u>\$ -</u>	<u>\$ 448,795</u>	<u>\$ 1,424,986</u>	<u>\$ 3,457,304</u>
FUND BALANCES					
Restricted for:					
Student activities	\$ 41,364	\$ -	\$ -	\$ -	\$ 41,364
Debt service	-	-	448,795	-	448,795
Assigned to capital outlay	-	-	-	1,424,986	1,424,986
Unassigned	1,542,159	-	-	-	1,542,159
TOTAL FUND BALANCES	<u>\$ 1,583,523</u>	<u>\$ -</u>	<u>\$ 448,795</u>	<u>\$ 1,424,986</u>	<u>\$ 3,457,304</u>

See accompanying notes

MILLER R-II SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
RECEIPTS					
Local	\$ 1,983,018	\$ 561,805	\$ 339,816	\$ 142,843	\$ 3,027,482
County	130,158	8,200	40,345	-	178,703
State	212,681	1,928,303	-	205,852	2,346,836
Federal	554,161	109,293	-	-	663,454
Other	-	48,254	-	-	48,254
TOTAL RECEIPTS	2,880,018	2,655,855	380,161	348,695	6,264,729
DISBURSEMENTS					
Instruction	858,009	2,088,019	-	4,466	2,950,494
Student services	82,556	109,225	-	-	191,781
Instructional staff support	224,007	47,430	-	-	271,437
General administration	294,456	376,753	-	-	671,209
Operation of plant	555,209	-	-	408,662	963,871
Transportation	325,762	4,235	-	89,234	419,231
Food service	324,537	-	-	-	324,537
Community services	8,135	30,193	-	-	38,328
Debt service	-	-	348,767	-	348,767
TOTAL DISBURSEMENTS	2,672,671	2,655,855	348,767	502,362	6,179,655
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	207,347	-	31,394	(153,667)	85,074
OTHER FINANCING SOURCES (USES)					
Operating transfers in	-	-	-	288,316	288,316
Operating transfers (out)	(288,316)	-	-	-	(288,316)
TOTAL OTHER FINANCING SOURCES (USES)	(288,316)	-	-	288,316	-
EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	(80,969)	-	31,394	134,649	85,074
FUND BALANCE, July 1, 2017	1,664,492	-	417,401	1,290,337	3,372,230
FUND BALANCE, June 30, 2018	\$ 1,583,523	\$ -	\$ 448,795	\$ 1,424,986	\$ 3,457,304

See accompanying notes

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

Basis of Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Service Fund – Accounts for receipts that are restricted, committed, or assigned for the retirement of principal and interest on the District’s long-term debt.

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

Basis of Accounting

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

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

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

Capital Outlay

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

Compensated Absences

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Debt

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

Teachers' Salaries

The salary payment schedule of the District for the 2017-2018 school year requires the payment of salaries for a twelve-month period. Consequently, the July and August 2018, payroll checks are included in the financial statements as disbursements in the month of June. This practice has been consistently followed in previous years.

Pooled Cash and Cash Equivalents

Cash and cash equivalents of the individual funds are combined to form a pool of cash and cash equivalents. Cash equivalents of the pooled accounts consist primarily of certificates of deposit and money market accounts, carried at cost, which approximates market.

Inventories

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

Equity Classification

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

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

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

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

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

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

Program Receipts

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

MILLER R-II SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the District's deposits be collateralized in the name of the District by the trust department of a bank that does not hold the collateralized deposits. As of June 30, 2018, all bank balances on deposit are entirely insured or collateralized with securities.

NOTE C – INVESTMENTS

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

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Certificate of Deposit	12/19/2018	\$ 71,476
Pro-Rata shares of Investment Contracts with BOK Financial through the Missouri School District Direct Deposit Program	N/A	<u>140,147</u>
		<u>\$ 211,623</u>

Certificates of Deposit

Certificates of deposit with maturities in excess of three months at the date of purchase are classified as investments but are considered deposits for custodial risk determination. State statutes require that the District's deposits be collateralized in the name of the District by the trust department of a bank that does not hold the collateralized deposits. As of June 30, 2018, all certificates of deposit are entirely insured or collateralized with securities.

Investment Contracts with BOK Financial

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

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

MILLER R-II SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE D – TAXES

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

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

The assessed valuation of the tangible taxable property for the calendar year 2017 for purposes of local taxation was:

Real estate	\$ 34,921,070
Personal property	<u>16,605,738</u>
TOTAL ASSESSED VALUATION	<u><u>\$ 51,526,808</u></u>

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2017 for purposes of local taxation was:

	<u>Unadjusted</u>	<u>Adjusted</u>
General Fund	\$ 3.3988	\$ 3.3988
Debt Service Fund	<u>.6600</u>	<u>.6600</u>
TOTAL LEVY	<u><u>\$ 4.0588</u></u>	<u><u>\$ 4.0588</u></u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2018, aggregated approximately 99 percent of the current assessment computed on the basis of the levy as shown above.

NOTE E – GENERAL OBLIGATION BONDS PAYABLE

Bonds payable at June 30, 2018, consist of:

\$5,130,000 general obligation bond issue dated June 5, 2012, due in varying annual installments through 2032; interest at .60% to 3.125%.	<u><u>\$ 4,100,000</u></u>
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MILLER R-II SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE E – GENERAL OBLIGATION BONDS PAYABLE (continued)

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

	<u>Total</u>
Bonds Payable, July 1, 2017	\$ 4,340,000
Bonds issued	-
Bonds retired	<u>(240,000)</u>
Bonds Payable, June 30, 2018	<u><u>\$ 4,100,000</u></u>

Debt service requirements are:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 245,000	\$ 105,329	\$ 350,329
2020	250,000	101,654	351,654
2021	255,000	97,404	352,404
2022	260,000	92,686	352,686
2023	265,000	87,486	352,486
2024	270,000	81,656	351,656
2025	280,000	75,446	355,446
2026	290,000	68,446	358,446
2027	300,000	60,906	360,906
2028	315,000	52,656	367,656
2029	325,000	42,813	367,813
2030	335,000	32,656	367,656
2031	350,000	22,188	372,188
2032	360,000	11,250	371,250
	<u><u>\$ 4,100,000</u></u>	<u><u>\$ 932,576</u></u>	<u><u>\$ 5,032,576</u></u>

MILLER R-II SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE E – GENERAL OBLIGATION BONDS PAYABLE (continued)

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a district to 15 percent of the assessed valuation of the district. The legal debt margin (excluding state assessed railroad and utility) of the District at June 30, 2018, was:

Constitutional debt limit	\$ 7,729,021
General obligation bonds payable	(4,100,000)
Amount available in Debt Service Fund	<u>448,795</u>
LEGAL DEBT MARGIN	<u>\$ 4,077,816</u>

NOTE F – RETIREMENT PLANS

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

Summary of Significant Accounting Policies

The District participates in the Public School Retirement System and the Public Education Employee Retirement System (PSRS and PEERS, also referred to as the systems). The financial statements of the District were prepared using the modified cash basis of accounting. Therefore, member and employer contributions are recognized when paid and the District’s net pension liability, deferred outflows and inflows of resources related to pensions are not recorded in these financial statements.

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

MILLER R-II SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE F – RETIREMENT PLANS (continued)

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

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

Benefits Provided. PEERS is a defined benefit plan providing retirement, disability, and death benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the “Rule of 80” (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional temporary benefit until reaching minimum Social Security age (currently age 62) which is calculated using an 0.8% benefit calculator. Actuarially age-reduced retirement benefits are available 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.

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

MILLER R-II SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE F – RETIREMENT PLANS (continued)

Contributions. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2016, 2017 and 2018. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay.

Contributions. PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2016, 2017 and 2018. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay.

The District's contributions to PSRS and PEERS were \$294,201 and \$49,918, respectively, for the year ended June 30, 2018.

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

NOTE G – CLAIMS AND ADJUSTMENTS

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulation, the District may be required to reimburse the grantor government. As of June 30, 2018, disbursements have not been audited by grantor governments, but the District believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the District.

NOTE H – COMPENSATED ABSENCES PAYABLE

Compensated absences payable at June 30, 2018, consists of accumulated sick leave of the District employees. District employees receive ten days sick leave each year accumulative to sixty days. Days accumulated in excess of sixty days are paid each year at a rate of \$50 per day for certified employees and \$20 per day for non-certified employees. When an employee honorably leaves the District, accumulated sick leave days are paid at the same rates per day. Total compensated absences payable at June 30, 2018, was \$52,283.

NOTE I – POST EMPLOYMENT BENEFITS

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

NOTE J – RISK MANAGEMENT

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

NOTE K – INTERFUND TRANSFERS

Transfers between funds of the District for the year ended June 30, 2018, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 288,316
Capital Projects Fund	288,316	-
	<u>\$ 288,316</u>	<u>\$ 288,316</u>

State law allows the District to make transfers from the General Fund to the Capital Projects Fund to cover disbursements and build balances as allowed by state law.

NOTE L – SUBSEQUENT EVENTS

In June 2018, the Board of Education approved the issuance of the Series 2018 General Obligation Bonds in the amount of \$1,250,000 for various District improvements. As of June 30, 2018, the bonds have not been issued.

SUPPLEMENTARY INFORMATION

MILLER R-II SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Local	\$ 2,375,000	\$ 1,983,018	\$ 1,983,018	\$ -
County	210,000	130,158	130,158	-
State	2,284,800	212,681	212,681	-
Federal	563,722	554,161	554,161	-
Other	1,000	-	-	-
TOTAL RECEIPTS	5,434,522	2,880,018	2,880,018	-
DISBURSEMENTS				
Instruction	802,385	858,009	858,009	-
Student services	84,287	82,556	82,556	-
Instructional staff support	220,493	224,007	224,007	-
Building administration	56,914	-	-	-
General administration	203,220	294,456	294,456	-
Operation of plant	485,209	555,209	555,209	-
Transportation	345,121	325,762	325,762	-
Food service	315,275	324,537	324,537	-
Community services	11,816	8,135	8,135	-
TOTAL DISBURSEMENTS	2,524,720	2,672,671	2,672,671	-
EXCESS OF RECEIPTS OVER DISBURSEMENTS	2,909,802	207,347	207,347	-
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)	(2,572,612)	(288,316)	(288,316)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,572,612)	(288,316)	(288,316)	-
EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	337,190	(80,969)	(80,969)	-
FUND BALANCE, July 1, 2017	1,664,492	1,664,492	1,664,492	-
FUND BALANCE, June 30, 2018	<u>\$ 2,001,682</u>	<u>\$ 1,583,523</u>	<u>\$ 1,583,523</u>	<u>\$ -</u>

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Local	\$ -	\$ 561,805	\$ 561,805	\$ -
County	8,000	8,200	8,200	-
State	-	1,928,303	1,928,303	-
Federal	-	109,293	109,293	-
Other	55,000	48,254	48,254	-
TOTAL RECEIPTS	63,000	2,655,855	2,655,855	-
DISBURSEMENTS				
Instruction	2,071,767	2,088,019	2,088,019	-
Student services	102,011	109,225	109,225	-
Instructional staff support	48,330	47,430	47,430	-
Building administration	230,030	-	-	-
General administration	142,307	376,753	376,753	-
Operation of plant	868	-	-	-
Transportation	11,425	4,235	4,235	-
Community services	28,874	30,193	30,193	-
TOTAL DISBURSEMENTS	2,635,612	2,655,855	2,655,855	-
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(2,572,612)	-	-	-
OTHER FINANCING SOURCES				
Operating transfers in	2,572,612	-	-	-
EXCESS OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	-	-	-	-
FUND BALANCE, July 1, 2017	-	-	-	-
FUND BALANCE, June 30, 2018	\$ -	\$ -	\$ -	\$ -

MILLER R-II SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Local	\$ 306,000	\$ 339,816	\$ 339,816	\$ -
County	-	40,345	40,345	-
TOTAL RECEIPTS	306,000	380,161	380,161	-
DISBURSEMENTS				
Debt service	348,450	348,767	348,767	-
TOTAL DISBURSEMENTS	348,450	348,767	348,767	-
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(42,450)	31,394	31,394	-
FUND BALANCE, July 1, 2017	417,401	417,401	417,401	-
FUND BALANCE, June 30, 2018	<u>\$ 374,951</u>	<u>\$ 448,795</u>	<u>\$ 448,795</u>	<u>\$ -</u>

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Local	\$ -	\$ 142,843	\$ 142,843	\$ -
State	-	205,852	205,852	-
TOTAL RECEIPTS	-	348,695	348,695	-
DISBURSEMENTS				
Instruction	16,500	4,466	4,466	-
Building administration	1,500	-	-	-
Operation of plant	411,000	408,662	408,662	-
Transportation	94,895	89,234	89,234	-
TOTAL DISBURSEMENTS	523,895	502,362	502,362	-
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(523,895)	(153,667)	(153,667)	-
OTHER FINANCING SOURCES				
Operating transfers in	-	288,316	288,316	-
TOTAL OTHER FINANCING SOURCES	-	288,316	288,316	-
EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	(523,895)	134,649	134,649	-
FUND BALANCE, July 1, 2017	1,290,337	1,290,337	1,290,337	-
FUND BALANCE, June 30, 2018	\$ 766,442	\$ 1,424,986	\$ 1,424,986	\$ -

MILLER R-II SCHOOL DISTRICT
NOTE TO BUDGETARY COMPARISION SCHEDULES
June 30, 2018

Budgets and Budgetary Accounting

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

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

OTHER FINANCIAL INFORMATION

MILLER R-II SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE
Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
LOCAL					
Current taxes	\$ 1,548,581	\$ -	\$ 300,714	\$ -	\$ 1,849,295
Delinquent taxes	193,442	-	37,564	-	231,006
School district trust fund (Prop C)	-	561,805	-	-	561,805
M & M surtax	-	-	-	109,293	109,293
In lieu of tax	-	-	-	2,615	2,615
Earnings on investments	20,648	-	1,538	27,000	49,186
Food service - programs	64,570	-	-	-	64,570
Food service non-program	487	-	-	-	487
Student activities	148,279	-	-	-	148,279
Community services	7,011	-	-	-	7,011
Rentals	-	-	-	3,935	3,935
TOTAL LOCAL	1,983,018	561,805	339,816	142,843	3,027,482
COUNTY					
Fines, escheats, etc.	-	8,200	-	-	8,200
State assessed utilities	130,158	-	40,345	-	170,503
TOTAL COUNTY	130,158	8,200	40,345	-	178,703
STATE					
Basic formula	40,170	1,928,303	-	-	1,968,473
Transportation	57,404	-	-	-	57,404
Early childhood special education	70,688	-	-	-	70,688
Basic formula - classroom trust fund	7,903	-	-	205,852	213,755
Educational screening program	15,829	-	-	-	15,829
Career education	7,190	-	-	-	7,190
Food service	2,137	-	-	-	2,137
High need fund - special education	11,360	-	-	-	11,360
TOTAL STATE	212,681	1,928,303	-	205,852	2,346,836

MILLER R-II SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE (continued)
Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
FEDERAL					
Medicaid	17,666	-	-	-	17,666
IDEA grants	242	-	-	-	242
IDEA entitlement funds, Part B IDEA	29,655	109,293	-	-	138,948
Early childhood special education	9,862	-	-	-	9,862
School lunch program	158,493	-	-	-	158,493
School breakfast program	71,885	-	-	-	71,885
Fresh fruits and vegetable program	13,885	-	-	-	13,885
Title I - ESEA	210,648	-	-	-	210,648
Title II, Part A & B, ESEA	5,581	-	-	-	5,581
Title V.B rural education	36,244	-	-	-	36,244
TOTAL FEDERAL	554,161	109,293	-	-	663,454
OTHER SOURCES					
Tuition from other districts	-	48,254	-	-	48,254
TOTAL OTHER SOURCES	-	48,254	-	-	48,254
TOTAL RECEIPTS	<u>\$2,880,018</u>	<u>\$2,655,855</u>	<u>\$ 380,161</u>	<u>\$ 348,695</u>	<u>\$6,264,729</u>

The Schedule of Receipts by Source agrees to the Annual Secretary of the Board Report (ASBR).

MILLER R-II SCHOOL DISTRICT
SCHEDULE OF DISBURSEMENTS BY OBJECT
Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Salaries	\$ 911,884	\$ 1,958,245	\$ -	\$ -	\$ 2,870,129
Teachers' retirement	7,239	303,994	-	-	311,233
Non-teacher retirement	52,942	1,537	-	-	54,479
Old age survivor and disability (OASDI)	54,093	5,677	-	-	59,770
Medicare	13,227	26,963	-	-	40,190
Employee insurance	107,804	263,017	-	-	370,821
Purchased instructional services - tuition	80,289	55,502	-	-	135,791
Professional services	64,753	40,875	-	-	105,628
Audit services	15,600	-	-	-	15,600
Legal services	3,481	-	-	-	3,481
Election services	2,091	-	-	-	2,091
Other professional services	9,067	-	-	-	9,067
Cleaning services	8,922	-	-	-	8,922
Repairs and maintenance	138,236	-	-	-	138,236
Rentals - equipment	40,794	-	-	-	40,794
Water and sewer	8,864	-	-	-	8,864
Trash removal	11,540	-	-	-	11,540
Other property services	22,568	-	-	-	22,568
Travel	45,087	-	-	-	45,087
Property insurance	27,727	-	-	-	27,727
Liability insurance	20,032	-	-	-	20,032
Communication	17,656	-	-	-	17,656
Advertising, printing, dues and other purchased services	36,314	45	-	-	36,359
General supplies	475,409	-	-	-	475,409
Supplies - technology related	87,071	-	-	-	87,071
Textbook	12,279	-	-	-	12,279
Food supplies - exclude non-food supplies	210,177	-	-	-	210,177
Energy	167,761	-	-	-	167,761
Other supplies and materials	19,764	-	-	-	19,764
Improvement other than buildings	-	-	-	408,662	408,662
Regular equipment	-	-	-	1,888	1,888
Technology - related hardware	-	-	-	2,578	2,578
Pupil transportation vehicles - school buses	-	-	-	89,234	89,234
Principal	-	-	240,000	-	240,000
Interest	-	-	108,449	-	108,449
Other (fin. fees, etc.)	-	-	318	-	318
TOTAL DISBURSEMENTS	\$ 2,672,671	\$ 2,655,855	\$ 348,767	\$ 502,362	\$ 6,179,655

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

	<u>District Owned</u>
Non-certified salaries	\$ 191,265
Employee benefits	30,863
Purchased services	13,980
Supplies	86,494
Depreciation, net of adjustment	<u>41,687</u>
	<u>\$ 365,189</u>
School buses purchased	
Bus purchase	<u>\$ 89,234</u>

OTHER REPORTING REQUIREMENTS



**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Miller R-II School District
Miller, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities and each major fund of Miller R-II School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Miller R-II School District's basic financial statements and have issued our report thereon dated October 9, 2018.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Miller R-II School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Education
Miller R-II School District
Miller, Missouri

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 over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses, that we consider to be a material weakness. It is identified as item 2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Miller R-II School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
October 9, 2018

MILLER R-II SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2018

MATERIAL WEAKNESS

2018-001 Segregation of duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The District currently has one full time bookkeeper to handle the accounting needs of the District. There are some mitigating controls in place but it is not possible to have segregation in all areas.

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

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

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

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

SUPPLEMENTARY STATE INFORMATION



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

Board of Education
Miller R-II School District
Miller, Missouri

We have examined management's assertions that Miller R-II School District complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures; accurate disclosure of the District's attendance records of average daily attendance, standard day length, resident membership on the last Wednesday of September, pupil transportation records of the average daily transportation of pupils eligible and ineligible for state aid, the number of miles eligible and ineligible for state aid and other statutory requirements as listed in the schedule of selected statistics during the year ended June 30, 2018. Miller R-II School District's Management is responsible for its assertions. Our responsibility is to express an opinion on management's assertions based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertions are fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertions. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertions, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
October 9, 2018

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Member of The Leading Edge Alliance

MILLER R-II SCHOOL DISTRICT 055-104
 SCHEDULE OF SELECTED STATISTICS
 Year Ended June 30, 2018

1. Calendar (Sections 160.041 and 171.031, RSMo)

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

Grades K – 6	7.20
Grades 7 – 12	7.25

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

Kindergarten – Grade 6	1,080.65
Grade 7 – Grade 12	1,088.55

C. The number of days classes were in session and pupils were under the direction of the teachers during this school year was 151.

2. Average Daily Attendance (ADA)

Average Daily Attendance:	<u>Full & Part Time</u>	<u>Remedial</u>	<u>Total</u>
Regular term:			
Full-time kindergarten – Grade 6	274.15	0.25	274.40
Grades 7 – 12	<u>246.78</u>	<u>0.00</u>	<u>246.78</u>
Total regular term	520.93	0.25	521.18
Summer school average daily attendance			<u>19.03</u>
Total Average Daily Attendance			<u><u>540.21</u></u>

3. September Membership

September Membership FTE Count	<u><u>552.45</u></u>
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4. Free and Reduced Price Lunch FTE Count (Section 163.011(6), RSMo)

State FTE Total	Free	304.41
	Reduced	<u>54.00</u>
	Total	<u><u>358.41</u></u>

MILLER R-II SCHOOL DISTRICT 055-104
SCHEDULE OF SELECTED STATISTICS (continued)
Year Ended June 30, 2018

5. Finance

- A. A bond, as required by Section 162.401, RSMo, has been purchased for the District treasurer in the amount of \$50,000.
- B. The District's deposits were adequately secured during the year as required by Sections 110.010 and 110.020, RSMo.
- C. The District maintained a separate bank account for its Debt Service Fund in accordance with Section 165.011, RSMo.
- D. Salaries reported for educators in the October core data cycle are supported by payroll/contract records.
- E. The District did not make a \$162,326 or 7% x SAT x WADA transfer in excess of adjusted expenditures. The Board approved the transfer.
- F. The District published a summary of the 2016-2017 audit report within thirty days of receipt of the audit, pursuant to Section 165.121, RSMo.
- G. The District has a professional development committee plan adopted by the Board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment.
- H. The amount spent for approved professional development committee plan activities was \$19,812.

There were no findings noted above.

6. Transportation (Section 163.161, RSMo)

- A. The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.
- B. The District's school transportation ridership records are so maintained as to accurately disclose in all material respects the average number of regular riders transported.
- C. Based on the ridership records, the average number of students (non-disabled K-12, career education, and K-12 students with disabilities) transported on a regular basis (ADT) eligible for state transportation aid was 399.00 and the average number of students transported on a regular basis (ADT) ineligible to be counted for state transportation aid was 30.00.
- D. The District's transportation odometer mileage records are so maintained as to accurately disclose in all material respects the eligible and ineligible mileage for the year.

MILLER R-II SCHOOL DISTRICT 055-104
SCHEDULE OF SELECTED STATISTICS (continued)
Year Ended June 30, 2018

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

E. Actual odometer records show the total District operated and contracted mileage for the year was 134,937. Of this total, the eligible non-disabled and students with disabilities route miles were 96,597 and the ineligible non-route and disapproved miles combined were 38,340.

F. The District operated the school transportation system for 151 days during this school year.

There were no findings noted above.



Board of Education
Miller R-II School District
Miller, Missouri

In planning and performing our audit of the basic financial statements of the Miller R-II School District, for the year ended June 30, 2018, we considered the District's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

In addition to the material weakness discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we became aware of an additional matter to bring to your attention. The following paragraph summarizes our comment and recommendation regarding this matter.

Account Code Structure Changes

Beginning on July 1, 2018, DESE is implementing a new mandatory account code structure for Missouri school districts. The account code structure changes are designed to satisfy many uses by segmenting the code into several dimensions. The account code structure at a minimum will include six segmenting dimensions. This will require district software providers to update the accounting system to comply with the new structure. District personnel responsible for determining coding for districts will require training on the new account code structure.

We Recommend:

District personnel become familiar with the new account code structure changes and ensure that the District's software has been updated. Furthermore, all personnel within the District who have management and disbursement coding responsibilities need training on the new structure as it will have a high impact on identifying revenue sources for specific disbursements.

Board of Education
Miller R-II School District
Miller, Missouri
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We appreciate this opportunity to serve as Miller R-II School District's independent auditor and the courtesies and assistance extended to us by the District's employees.

Respectfully submitted,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
October 9, 2018



October 9, 2018

Dr. Dustin Storm, Superintendent
Miller R-II School District
110 W. 6th Street
Miller, Missouri 65707

Dear Dr. Storm:

Please find enclosed 10 signed copies of the basic financial statements with auditors' report for the year ended June 30, 2018. You will need to send one copy of this report to the Department of Elementary and Secondary Education in order for your District to be eligible for 2018-19 fiscal year state aid. The Board of Education must approve the audit report at a Board of Education meeting and the District must send a copy of the minutes that indicate approval to the Finance Section of the Department of Elementary and Secondary Education.

Also enclosed are 10 copies a management letter with comments and recommendations arising from the audit and 10 copies of required audit communication for the Board of Education.

Within 30 days of receipt of your audit reports, the District must publish a summary statement of fund balances, and receipts and disbursements. The District must also publish the auditor's opinion from the report along with information as to where the audit report is available for inspection and examination.

We wish to express our appreciation for the cooperation given to us by all school district personnel during our audit. If you have any questions regarding the basic financial statements, please contact us at your convenience.

Thank you for the opportunity of serving the District again this year.

Sincerely,

KPM CPAs, PC

KPM CPAs, PC

www.kpmcpa.com

1445 E. Republic Road Springfield, MO 65804 | 417-882-4300 | fax 417-882-4343
500 W. Main Street, Suite 200 Branson, MO 65616 | 417-334-2987 | fax 417-336-3403

Member of The Leading Edge Alliance



Board of Education
Miller R-II School District
Miller, Missouri

We have audited the financial statements of the governmental activities and each major fund of the Miller R-II School District for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We communicated such information in our letter to you dated January 27, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Miller R-II School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017-2018. We noted no transactions entered into by the District for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted no misstatements regarding assets or net position.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 9, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the modified cash basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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This information is intended solely for the use of the Board of Education and management of the Miller R-II School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
October 9, 2018