

**MILLER R-II SCHOOL DISTRICT**

**MILLER, MISSOURI**

**BASIC FINANCIAL STATEMENTS**

**Year Ended June 30, 2011**

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying 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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note A, the Miller R-II School District prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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, 2011, 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.

As discussed in Note A to the basic financial statements, the District adopted the provisions of GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended June 30, 2011.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011, 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, 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* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 as a whole. The data contained under Other Financial Information, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The Other Financial Data and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 taken as a whole.



DAVIS, LYNN & MOOTS, P.C.  
November 22, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MILLER R-II SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011**

Our discussion and analysis of Miller R-II School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2011, within the limitations of the District's modified cash basis of accounting. Please read it in conjunction with the District's financial statements that begin on page 15.

**FINANCIAL HIGHLIGHTS**

- Assets: Total net assets were \$1,184,242 at June 30, 2011. This was an increase of \$432,687.
- Receipts and Disbursements: Total receipts were \$6,608,395 and disbursements were \$6,175,708.
- Balances: The Operating Fund (Funds 1 and 2) balance increased from \$651,555 to \$859,169. The Capital Projects Fund increased from \$100,000 to \$325,073.

**USING THIS ANNUAL REPORT**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34 as applicable to the District's modified cash basis of accounting.

**Report Components**

**Government-Wide Financial Statements:** The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances.

**Fund Financial Statements:** Fund financial statements focus on the individual parts of the District operations in more detail than the government-wide statements by providing information about the District's funds. These statements tell how these services were financed in the short term as well as what remains for future spending.

**Notes to the Financial Statements:** The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Required Supplementary Information:** This Management's Discussion and Analysis and the budgetary comparison schedules represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

**Other Financial Information:** This part of the annual report includes optional financial information, which includes the Schedule of Receipts by Source and the Schedule of Disbursements by Object as well as schedules and reports required by the State and Federal Governments. This other financial information is provided to address certain needs of various users of the District's annual report.

### **Basis of Accounting**

This District has elected to present its financial statements on the modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing receipts, disbursements, and their related assets and liabilities. Under the modified cash basis of accounting, receipts and disbursements and the related assets are recorded when they result from cash transactions. The modification to cash basis related to the presentation of investments.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed or services provided yet not collected) and liabilities and their related expenditures (such as accounts payable and disbursements for goods and services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

### **Government-Wide Statement of Net Assets and the Statement of Activities**

Our financial analysis of the District as a whole begins on page 9. The government-wide financial statements are presented on pages 15-16. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all of the District's assets resulting from the use of the modified cash basis of accounting.

The statements report the District's net assets and changes in them. Over time, increases and decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other non-financial factors, however; such as changes in the District tax base, attendance, and the condition of the District's facilities, to assess the overall health of the District.

The Statement of Activities is presented by its governmental functions which include instruction, student services, instructional staff support, building administration, general administration, operation of plant, transportation, food service, community services, and debt service. The Statement of Activities shows the net cost of these functions before considering the general receipts of the District.

**Fund Financial Statements**

Our analysis of the District's funds begins on page 11. The fund financial statements begin on page 18 and provide detailed information about the District's funds. These funds are required to be established by state law and by bond covenants. These fund financial statements help the reader to determine whether there are more or fewer financial resources that can be spent in the near future for District programs.

**General Fund:** Accounts for all resources except those required to be accounted for in the Special Revenue or Capital Projects 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.

**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.

**FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE**

The District's Net Assets, resulting from cash transactions, increased by \$432,687 between fiscal years 2010 and 2011.

**Net Assets – Modified Cash Basis**

|   | <u>2011</u>         | <u>2010</u>       |
|---|---------------------|-------------------|
| ASSETS                                  |                     |                   |
| Cash and cash equivalents               | \$ 1,113,837        | \$ 681,555        |
| Investments                             | 70,405              | 70,000            |
|   | <u>\$ 1,184,242</u> | <u>\$ 751,555</u> |
|   | TOTAL ASSETS        |                   |
| NET ASSETS                              |                     |                   |
| Restricted for professional development | \$ -                | \$ 188            |
| Restricted for student activities       | -                   | 18,362            |
| Unrestricted                            | 1,184,242           | 733,005           |
|   | <u>\$ 1,184,242</u> | <u>\$ 751,555</u> |
|   | TOTAL NET ASSETS    |                   |

MILLER R-II SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2011

**Changes in Net Assets – Modified Cash Basis**

For the year ended June 30, 2011, net assets of the District, resulting from cash transactions, changed as follows:

| RECEIPTS                           | <u>2011</u>       | <u>2010</u>       |
|------------------------------------|-------------------|-------------------|
| <u>Program Receipts</u>            |                   |                   |
| Charges for services               | \$ 309,087        | \$ 330,655        |
| Operating grants and contributions | 2,049,395         | 2,430,222         |
| Capital grants and contributions   | -                 | 45,333            |
| <u>General Receipts</u>            |                   |                   |
| Ad valorem tax receipts            | 1,730,847         | 1,651,937         |
| Prop C sales tax receipts          | 494,356           | 474,302           |
| Other tax receipts                 | 80,220            | 78,353            |
| County receipts                    | 117,747           | 116,295           |
| State receipts                     | 1,775,705         | 1,956,187         |
| Interest receipts                  | 6,378             | 12,773            |
| Other receipts                     | 23,306            | 21,350            |
| <u>Special Items</u>               |                   |                   |
| Net insurance recovery             | 15,904            | 1,466             |
| Sale of school buses               | 5,450             | -                 |
| Sale of property                   | -                 | 69,700            |
| <b>TOTAL RECEIPTS</b>              | <u>6,608,395</u>  | <u>7,188,573</u>  |
| <br><b>DISBURSEMENTS</b>           |                   |                   |
| Instruction                        | 3,174,316         | 3,583,372         |
| Student services                   | 140,990           | 163,542           |
| Instructional staff support        | 443,485           | 551,058           |
| Building administration            | 231,184           | 223,719           |
| General administration             | 310,787           | 261,494           |
| Operation of plant                 | 447,655           | 642,062           |
| Transportation                     | 406,398           | 445,031           |
| Food service                       | 331,690           | 377,165           |
| Community services                 | 120,319           | 115,412           |
| Debt service                       | 565,719           | 567,145           |
| <b>TOTAL DISBURSEMENTS</b>         | <u>6,172,543</u>  | <u>6,930,000</u>  |
| <b>INCREASE IN NET ASSETS</b>      | <u>\$ 435,852</u> | <u>\$ 258,573</u> |

The total cost of all programs and services was \$6,175,708. The majority of District disbursements were related to instruction and support for students (61%). Administrative activities accounted for 9% of total costs. The remaining disbursements were for plant maintenance and operations (7%), transportation (7%), food service (5%), community services (2%), and debt service (9%).

MILLER R-II SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
JUNE 30, 2011

To aid in understanding the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Receipts, Disbursements and Changes in Fund Balances – Modified Cash Basis. You will notice that disbursements are listed in the first column, with receipts from that particular activity reported to the right. The result is a Net (Disbursements)/Receipts. This type of format highlights the relative financial burden of each of the functions on the District’s taxpayers. It also identifies how much each function draws from the general receipts, or if it is self-financing through fees and grants. All other governmental receipts are reported as general. It is important to note that all taxes are classified as general receipts, even if restricted for a specific purpose.

**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

- Assets: Total net assets were \$1,184,242 at June 30, 2011. This was an increase of \$432,687 from the prior year.
- Receipts and Disbursements: Total receipts were \$6,608,395 and disbursements were \$6,175,708.
- Operating Fund: The Operating Fund (Funds 1 and 2) balance increased from \$651,555 to \$859,169. This was an increase of \$207,614. On June 30, reserves amounted to 15.43% of total operating disbursements made for the 2010-11 fiscal year.
- Capital Projects Fund: The Capital Projects Fund balance increased from \$100,000 to \$325,073.

**FINANCIAL ANALYSIS OF GENERAL FUND BUDGET VERSUS ACTUAL RESULTS**

|                             | Budget              |                     | Actual              |
|-----------------------------|---------------------|---------------------|---------------------|
|                             | Original            | Final               |                     |
| RECEIPTS                    |                     |                     |                     |
| Local                       | \$ 2,219,151        | \$ 2,006,699        | \$ 2,006,699        |
| County                      | 110,000             | 88,271              | 88,271              |
| State                       | 1,311,028           | 442,678             | 442,678             |
| Federal                     | 875,614             | 690,015             | 690,015             |
| TOTAL RECEIPTS              | <u>\$ 4,515,793</u> | <u>\$ 3,227,663</u> | <u>\$ 3,227,663</u> |
| DISBURSEMENTS               |                     |                     |                     |
| Instruction                 | \$ 732,991          | \$ 786,437          | \$ 786,437          |
| Student services            | 70,618              | 62,533              | 62,533              |
| Instructional staff support | 476,846             | 401,031             | 401,031             |
| Building administration     | 68,158              | 65,624              | 65,624              |
| General administration      | 154,963             | 185,516             | 185,516             |
| Operation of plant          | 431,209             | 436,669             | 436,669             |
| Transportation              | 351,908             | 374,793             | 374,793             |
| Food service                | 308,870             | 322,598             | 322,598             |
| Adult continuing education  | -                   | 3,165               | 3,165               |
| Community services          | 35,779              | 72,485              | 72,485              |
| Debt service                | 5,853               | 5,852               | 5,852               |
| TOTAL DISBURSEMENTS         | <u>\$ 2,637,195</u> | <u>\$ 2,716,703</u> | <u>\$ 2,716,703</u> |

MILLER R-II SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 JUNE 30, 2011

**Receipts**

This reflects only the District's General Fund (Fund 1) and does not include the Special Revenue Fund (Fund 2). The District originally budgeted total receipts of \$4,515,793. Actual receipts were \$3,227,663. This amounted to a difference of \$1,288,130. The significant decrease is due to a reallocation of revenues to the Special Revenue Fund (Fund 2).

**Disbursements**

The original District budget had total disbursements of \$2,637,195 and actual disbursements of \$2,716,703, a difference of \$79,508.

The District's original budget reflects a conservative philosophy of management in order to protect the District from unanticipated changes in state and federal monies. The likelihood of significant state receipt shortfalls will be a major factor in future budget decisions. The District amended the budget during the year.

**DEBT ADMINISTRATION**

**Long-Term Debt – Modified Cash Basis**

The District uses the modified cash basis of accounting, which recognizes disbursements when paid in cash and receipts when collected in cash. Therefore, long-term debt of the District is not reflected in the financial statements. The following is a summary of long-term debt of the District for the years ended June 30, 2011 and 2010.

|                        | June 30,            |                     |
|------------------------|---------------------|---------------------|
|                        | 2011                | 2010                |
| LONG-TERM DEBT         |                     |                     |
| Capital Leases Payable | \$ 5,883,372        | \$ 6,221,999        |
| TOTAL LONG-TERM DEBT   | <u>\$ 5,883,372</u> | <u>\$ 6,221,999</u> |

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health:

The current economic uncertainty of the nation and subsequent school financing is unprecedented and necessitates that districts prepare for all possibilities. Though the District's reserve balance increased to 15.43%, current recommendations from the Deputy Commissioner of Financial and Administrative Services are that school districts continue to reduce expenditures. This action will help assuage the forecasted 13 % reduction in state funding, potential elimination of transportation reimbursement, and the dissolution of ARRA funds. Compounding the effect of these revenue sources is the Miller School District's shrinking enrollment that is used to determine state revenue. The combination of these factors will necessitate additional reductions in expenditures.

In response to the aforementioned issues and DESE Commissioner's report, the District has adopted a cautious position regarding the 2011-2012 budget. Cost cutting measures will continue to be investigated so that the Miller R-II School District may still provide the expected educational opportunities to its youth. The expectation is that the 2011-2012 budget will result in additional allocations to the reserve balance. Leadership expects to utilize this balance to offset the expected budget deficit in 2012-2013.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Superintendent of Schools, Mr. Chance Wistrom at Miller R-II School District, 110 W. 6<sup>th</sup> St, Miller, Missouri 65707; Telephone (417) 452-3515; email [cwistrom@miller.k12.mo.us](mailto:cwistrom@miller.k12.mo.us).

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

MILLER R-II SCHOOL DISTRICT  
 STATEMENT OF NET ASSETS – MODIFIED CASH BASIS  
 June 30, 2011

|                           | <u>Governmental<br/>Activities</u> |
|---------------------------|------------------------------------|
| <b>ASSETS</b>             |                                    |
| Cash and cash equivalents | \$ 1,113,837                       |
| Investments               | <u>70,405</u>                      |
| <b>TOTAL ASSETS</b>       | <u><u>\$ 1,184,242</u></u>         |
| <b>NET ASSETS</b>         |                                    |
| Unrestricted              | <u>1,184,242</u>                   |
| <b>TOTAL NET ASSETS</b>   | <u><u>\$ 1,184,242</u></u>         |

See accompanying notes.

MILLER R-II SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS  
Year Ended June 30, 2011

|   | Cash<br>Disbursements | Program Cash Receipts   |  |  | Net<br>(Disbursements)                   |
|---|-----------------------|-------------------------|--|--|--|
|   |                       | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Receipts and<br>Changes in<br>Net Assets |
| Governmental Activities:                |                       |                         |  |  |  |
| Instruction                             | \$ (3,174,316)        | \$ 236,584              | \$ 1,269,344                             | \$ -                                   | \$ (1,668,388)                           |
| Student services                        | (140,990)             | -                       | 51,603                                   | -                                      | (89,387)                                 |
| Instructional staff support             | (443,485)             | -                       | 338,486                                  | -                                      | (104,999)                                |
| Building administration                 | (231,184)             | -                       | -  | -                                      | (231,184)                                |
| General administration                  | (310,787)             | -                       | -  | -                                      | (310,787)                                |
| Operation of plant                      | (447,655)             | -                       | 10,000                                   | -                                      | (437,655)                                |
| Transportation                          | (406,398)             | -                       | 84,070                                   | -                                      | (322,328)                                |
| Food service                            | (331,690)             | 72,503                  | 205,726                                  | -                                      | (53,461)                                 |
| Community services                      | (120,319)             | -                       | 90,166                                   | -                                      | (30,153)                                 |
| Debt service                            | (565,719)             | -                       | -  | -                                      | (565,719)                                |
| NET PROGRAM<br>(DISBURSEMENTS) RECEIPTS | <u>\$ (6,172,543)</u> | <u>\$ 309,087</u>       | <u>\$ 2,049,395</u>                      | <u>\$ -</u>                            | <u>(3,814,061)</u>                       |
| General Receipts:                       |                       |                         |  |  |  |
| Ad valorem tax receipts                 |                       |                         |  |  | 1,730,847                                |
| Prop C sales tax receipts               |                       |                         |  |  | 494,356                                  |
| Other tax receipts                      |                       |                         |  |  | 80,220                                   |
| County receipts                         |                       |                         |  |  | 117,747                                  |
| State receipts                          |                       |                         |  |  | 1,775,705                                |
| Interest receipts                       |                       |                         |  |  | 6,378                                    |
| Other receipts                          |                       |                         |  |  | 23,306                                   |
| TOTAL GENERAL RECEIPTS                  |                       |                         |  |  | <u>4,228,559</u>                         |
| Special Items:                          |                       |                         |  |  |  |
| Net insurance recovery                  |                       |                         |  |  | 15,904                                   |
| Sale of school buses                    |                       |                         |  |  | 5,450                                    |
| TOTAL SPECIAL ITEMS                     |                       |                         |  |  | <u>21,354</u>                            |
| INCREASE IN NET ASSETS                  |                       |                         |  |  | 435,852                                  |
| NET ASSETS - Beginning of year          |                       |                         |  |  | <u>751,555</u>                           |
| NET ASSETS - End of year                |                       |                         |  |  | <u>\$ 1,187,407</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, 2011

|                            | <u>General<br/>Fund</u> | <u>Special<br/>Revenue<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|----------------------------|-------------------------|-------------------------------------|--------------------------------------|---|
| <b>ASSETS</b>              |                         |                                     |                                      |   |
| Cash and cash equivalents  | \$ 788,764              | \$ -                                | \$ 325,073                           | \$ 1,113,837                            |
| Investments                | 70,405                  | -                                   | -                                    | 70,405                                  |
| TOTAL ASSETS               | <u>\$ 859,169</u>       | <u>\$ -</u>                         | <u>\$ 325,073</u>                    | <u>\$ 1,184,242</u>                     |
| <b>FUND BALANCES</b>       |                         |                                     |                                      |   |
| Assigned to capital outlay | \$ -                    | \$ -                                | \$ 325,073                           | \$ 325,073                              |
| Unassigned                 | 859,169                 | -                                   | -                                    | 859,169                                 |
| TOTAL FUND BALANCES        | <u>\$ 859,169</u>       | <u>\$ -</u>                         | <u>\$ 325,073</u>                    | <u>\$ 1,184,242</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, 2011

|   | General<br>Fund   | Special<br>Revenue<br>Fund | Capital<br>Projects<br>Fund | Total<br>Governmental<br>Funds |
|---|-------------------|----------------------------|-----------------------------|--------------------------------|
| <b>RECEIPTS</b>   |                   |                            |                             |                                |
| Local   | \$ 2,006,699      | \$ 331,952                 | \$ 284,971                  | \$ 2,623,622                   |
| County  | 88,271            | 11,443                     | 18,033                      | 117,747                        |
| State   | 442,678           | 1,676,647                  | 205,852                     | 2,325,177                      |
| Federal   | 690,015           | 809,908                    | -                           | 1,499,923                      |
| Other   | -                 | 20,572                     | -                           | 20,572                         |
| <b>TOTAL RECEIPTS</b>   | <b>3,227,663</b>  | <b>2,850,522</b>           | <b>508,856</b>              | <b>6,587,041</b>               |
| <b>DISBURSEMENTS</b>  |                   |                            |                             |                                |
| Instruction   | 786,437           | 2,379,693                  | 8,186                       | 3,174,316                      |
| Student services  | 62,533            | 77,817                     | 640                         | 140,990                        |
| Instructional staff support   | 401,031           | 40,930                     | 1,524                       | 443,485                        |
| Building administration   | 65,624            | 165,560                    | -                           | 231,184                        |
| General administration  | 185,516           | 125,271                    | -                           | 310,787                        |
| Operation of plant  | 436,669           | 2,489                      | 8,497                       | 447,655                        |
| Transportation  | 374,793           | 16,215                     | 15,390                      | 406,398                        |
| Food service  | 322,598           | 6,253                      | 2,839                       | 331,690                        |
| Adult continuing education  | 3,165             | -                          | -                           | 3,165                          |
| Community services  | 72,485            | 36,294                     | 11,540                      | 120,319                        |
| Debt service  | 5,852             | -                          | 559,867                     | 565,719                        |
| <b>TOTAL DISBURSEMENTS</b>  | <b>2,716,703</b>  | <b>2,850,522</b>           | <b>608,483</b>              | <b>6,175,708</b>               |
| <b>EXCESS (DEFICIT) OF RECEIPTS<br/>OVER DISBURSEMENTS</b>                              | <b>510,960</b>    | <b>-</b>                   | <b>(99,627)</b>             | <b>411,333</b>                 |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                   |                            |                             |                                |
| Net insurance recovery  | -                 | -                          | 15,904                      | 15,904                         |
| Sale of school buses  | -                 | -                          | 5,450                       | 5,450                          |
| Operating transfers in  | -                 | -                          | 303,346                     | 303,346                        |
| Operating transfers (out)   | (303,346)         | -                          | -                           | (303,346)                      |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>   | <b>(303,346)</b>  | <b>-</b>                   | <b>324,700</b>              | <b>21,354</b>                  |
| <b>EXCESS OF RECEIPTS<br/>AND OTHER SOURCES OVER<br/>DISBURSEMENTS AND OTHER (USES)</b> | <b>207,614</b>    | <b>-</b>                   | <b>225,073</b>              | <b>432,687</b>                 |
| <b>FUND BALANCE, July 1, 2010</b>   | <b>651,555</b>    | <b>-</b>                   | <b>100,000</b>              | <b>751,555</b>                 |
| <b>FUND BALANCE, June 30, 2011</b>  | <b>\$ 859,169</b> | <b>\$ -</b>                | <b>\$ 325,073</b>           | <b>\$ 1,184,242</b>            |

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 financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Financially accountable means the primary government is accountable for the component unit and the primary government is able to impose its will or the component unit may provide financial benefits or impose a burden on the primary government. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District is a primary government, which is governed by an elected seven-member board. As required by accounting principles generally accepted in the United States of America, the District has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The District has determined that no other outside entity meets the above criteria and therefore, no other entity has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity for which the District would be considered as a component unit of that entity.

### Basis of Presentation

#### *Government-Wide Financial Statements*

The Statement of Net Assets 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*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.

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 Assets and Statement of Activities and the fund financial statements are presented using the modified cash basis of accounting. This basis recognizes assets, net assets/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.

MILLER R-II SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Outlay

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

Compensated Absences

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

Long-Term Debt

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

Teachers' Salaries

The salary payment schedule of the District for the 2010-2011 school year requires the payment of salaries for a twelve-month period. Consequently, the July and August 2011, 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Pronouncement

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of nonspendable and spendable resources. The District adopted GASB No. 54 for the current financial statements and has disclosed information about the fund balance reporting.

Equity Classification

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

*Restricted net assets* – Consists of net assets 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 assets* – All other net assets that do not meet the definition of “restricted”.

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

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

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

*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.

MILLER R-II SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Program Receipts

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

NOTE B – CASH AND 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, 2011, all bank balances on deposit are entirely insured or collateralized with securities.

NOTE C – INVESTMENTS

Investments of the District as of June 30, 2011, are as follows:

| <u>Investment Type</u> | <u>Maturity</u> | <u>Amount</u> |
|------------------------|-----------------|---------------|
| Certificate of Deposit | 8/27/2011       | \$ 70,405     |

MILLER R-II SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011

NOTE C – INVESTMENTS (continued)

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, 2011, all certificates of deposit are entirely insured or collateralized with securities.

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

NOTE D – TAXES

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

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

The assessed valuation of the tangible taxable property for the calendar year 2010 for purposes of local taxation was:

|                   |                          |                             |
|-------------------|--------------------------|-----------------------------|
| Real estate       |                          | \$ 29,495,100               |
| Personal property |                          | <u>12,937,457</u>           |
|                   | TOTAL ASSESSED VALUATION | <u><u>\$ 42,432,557</u></u> |

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2010 for purposes of local taxation was:

|                       | <u>Unadjusted</u> | <u>Adjusted</u>         |
|-----------------------|-------------------|-------------------------|
| General Fund          | \$ 3.5309         | \$ 3.5309               |
| Capital Projects Fund | <u>.4591</u>      | <u>.4591</u>            |
|                       | TOTAL LEVY        | <u><u>\$ 3.9900</u></u> |

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2011, aggregated approximately 102 percent of the current assessment computed on the basis of the levy as shown above.

#### NOTE E – 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 F – RETIREMENT PLANS

The District contributed to the Public School Retirement System of Missouri (PSRS), a cost-sharing multiple-employer defined benefit pension plan. PSRS provides retirement and disability benefits to full-time (and certain part-time) certificated employees and death benefits to members and beneficiaries. Positions covered by the Public School Retirement System are not covered by Social Security. PSRS benefit provisions are set forth in Chapter 169.010 - .141 of the Missouri Revised Statutes (1986). The statutes assign responsibility for the administration of the system to a seven-member Board of Trustees. PSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public School Retirement System of Missouri, P.O. Box 268, Jefferson City, Missouri 65102 or by calling 1-800-392-6848.

PSRS members are required to contribute 14% of their annual covered salary and the District is required to contribute a matching amount. The contribution requirements of members and the District are established and may be amended by the PSRS Board of Trustees. The District's contributions to PSRS for the years ending June 30, 2011, 2010, and 2009, were \$615,978, \$673,741, and \$635,894, respectively, equal to the required contributions.

The District also contributes to the Public Education Employee Retirement System of Missouri (PEERS), a cost-sharing multiple-employer defined benefit pension plan. PEERS provides retirement and disability benefits to employees of the district who work 20 or more hours per week and who do not contribute to the Public School Retirement System of Missouri. Positions covered by the Public Education Employee Retirement System are also covered by Social Security. Benefit provisions are set forth in Chapter 169.600 - .715 of the Missouri Revised Statutes (1986). The statutes assign responsibility for the administration of the system of the Board of Trustees of the Public School Retirement System. PEERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Education Employee Retirement System of Missouri, P.O. Box 268, Jefferson City, Missouri 65102 or by calling 1-800-392-6848.

MILLER R-II SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE F – RETIREMENT PLANS (continued)

PEERS members are required to contribute 6.63% of their annual covered salary and the District is required to contribute a matching amount. The contribution requirements of members and the District are established and may be amended by the Board of Trustees. The Miller R-II School District's contributions to PEERS for the years ending June 30, 2011, 2010, and 2009, were \$104,495, \$114,623, and \$116,832, respectively, equal to the required contributions.

NOTE G – LEASES PAYABLE

During the year ended June 30, 1996, the District entered into a cancelable lease purchase agreement with the Missouri Association of Rural Education for school facilities for \$707,000. The lease was refinanced on February 15, 1999 with total principal due of \$711,000.

During the year ended June 30, 2007, the District entered into a cancelable lease purchase agreement for equipment at a cost of \$39,743.

During the year ended June 30, 2008, the District entered into a cancelable lease purchase agreement with the Missouri Association of Rural Education for school facilities for \$4,860,000.

During the year ended June 30, 2008, the District entered into a \$1,040,000 lease agreement to fund energy conservation and efficiency projects. Funds totaling \$559,423 are being held in reserve at United Missouri Bank for future payments on the lease.

During the year ended June 30, 2009, the District entered into a cancelable lease purchase agreement with the Missouri Association of Rural Education for school facilities for \$279,000.

During the year ended June 30, 2009, the District entered into a cancelable lease purchase agreement to finance the purchase of a new van, which cost \$14,000 plus interest at 4.5%.

During the year ended June 30, 2010, the District entered into a cancelable lease purchase agreement to finance the purchase of a John Deere utility vehicle, which cost \$8,420 plus interest at 4.95%.

During the year ended June 30, 2010, the District entered into a cancelable lease purchase agreement to finance the purchase of a new van, which cost \$37,675 plus interest at 4.5%.

During the year ended June 30, 2010, the District entered into a cancelable lease purchase agreement to finance the purchase of playground equipment, which cost \$25,000 plus interest at 4.5%.

MILLER R-II SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011

NOTE G – LEASES PAYABLE (continued)

During the year ended June 30, 2010, the District entered into a cancelable lease purchase agreement to finance the purchase of a bus, which cost \$70,000 plus interest at 4.5%.

During the year ended June 30, 2010, the District entered into a cancelable lease purchase agreement to finance the purchase of fencing for playgrounds, which cost \$20,000 plus interest at 4.5%.

Although the agreements provide for cancellation of the leases at the District's option at the renewal dates, the District does not foresee exercising its options to cancel. The leases provide for interest at varying rates.

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

| Year Ended<br>June 30,            |                            |
|-----------------------------------|----------------------------|
| 2012                              | \$ 555,971                 |
| 2013                              | 557,294                    |
| 2014                              | 565,614                    |
| 2015                              | 538,593                    |
| 2016                              | 517,349                    |
| 2017                              | 494,378                    |
| 2018                              | 516,812                    |
| 2019                              | 512,569                    |
| 2020                              | 477,470                    |
| 2021                              | 483,255                    |
| 2022                              | 473,055                    |
| 2023                              | 487,510                    |
| 2024                              | 380,080                    |
| 2025                              | 416,880                    |
| 2026                              | 401,480                    |
| 2027                              | 856,080                    |
|                                   | <hr/>                      |
| TOTAL MINIMUM LEASE PAYMENTS      | 8,234,390                  |
| LESS AMOUNT REPRESENTING INTEREST | <u>(2,351,018)</u>         |
| NET LEASE PAYMENTS                | <u><u>\$ 5,883,372</u></u> |

MILLER R-II SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011

NOTE G – LEASES PAYABLE (continued)

The following represents the changes in the net lease payments for the year ended June 30, 2011:

|                               |                            |
|-------------------------------|----------------------------|
| Leases Payable, July 1, 2010  | \$ 6,221,999               |
| Additions                     | -                          |
| Net Lease Retirements         | <u>(338,627)</u>           |
| Leases Payable, June 30, 2011 | <u><u>\$ 5,883,372</u></u> |

NOTE H – 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, 2011, 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 I – COMPENSATED ABSENCES PAYABLE

Compensated absences payable at June 30, 2011, 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, 2011, was \$77,305.

MILLER R-II SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011

NOTE J – POST EMPLOYMENT BENEFITS

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

NOTE K – INTERFUND TRANSFERS

Transfers between funds of the District for the year ended June 30, 2011, were as follows:

|                       | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------|---------------------|----------------------|
| General Fund          | \$ -                | \$ 303,346           |
| Capital Projects Fund | <u>303,346</u>      | <u>-</u>             |
|                       | <u>\$ 303,346</u>   | <u>\$ 303,346</u>    |

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.

**REQUIRED SUPPLEMENTARY INFORMATION**

MILLER R-II SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
 Year Ended June 30, 2011

|   | Budgeted Amounts   |                  | Actual           | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|------------------|------------------|---|
|   | Original           | Final            |                  |   |
| <b>RECEIPTS</b>   |                    |                  |                  |   |
| Local   | \$ 2,219,151       | \$ 2,006,699     | \$ 2,006,699     | \$ -  |
| County  | 110,000            | 88,271           | 88,271           | -   |
| State   | 1,311,028          | 442,678          | 442,678          | -   |
| Federal   | 875,614            | 690,015          | 690,015          | -   |
| <b>TOTAL RECEIPTS</b>   | <b>4,515,793</b>   | <b>3,227,663</b> | <b>3,227,663</b> | <b>-</b>  |
| <b>DISBURSEMENTS</b>  |                    |                  |                  |   |
| Instruction   | 732,991            | 786,437          | 786,437          | -   |
| Student services  | 70,618             | 62,533           | 62,533           | -   |
| Instructional staff support   | 476,846            | 401,031          | 401,031          | -   |
| Building administration   | 68,158             | 65,624           | 65,624           | -   |
| General administration  | 154,963            | 185,516          | 185,516          | -   |
| Operation of plant  | 431,209            | 436,669          | 436,669          | -   |
| Transportation  | 351,908            | 374,793          | 374,793          | -   |
| Food service  | 308,870            | 322,598          | 322,598          | -   |
| Adult continuing education  | -                  | 3,165            | 3,165            | -   |
| Community services  | 35,779             | 72,485           | 72,485           | -   |
| Debt services   | 5,853              | 5,852            | 5,852            | -   |
| <b>TOTAL DISBURSEMENTS</b>  | <b>2,637,195</b>   | <b>2,716,703</b> | <b>2,716,703</b> | <b>-</b>  |
| <b>EXCESS OF RECEIPTS<br/>OVER DISBURSEMENTS</b>  | <b>1,878,598</b>   | <b>510,960</b>   | <b>510,960</b>   | <b>-</b>  |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                    |                  |                  |   |
| Sale of property  | 1,000              | -                | -                | -   |
| Operating transfers (out)   | (1,674,928)        | (303,346)        | (303,346)        | -   |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>   | <b>(1,673,928)</b> | <b>(303,346)</b> | <b>(303,346)</b> | <b>-</b>  |
| <b>EXCESS OF RECEIPTS<br/>AND OTHER SOURCES OVER<br/>DISBURSEMENTS AND OTHER (USES)</b> | <b>204,670</b>     | <b>207,614</b>   | <b>207,614</b>   | <b>-</b>  |
| FUND BALANCE, July 1, 2010  | 651,555            | 651,555          | 651,555          | -   |
| FUND BALANCE, June 30, 2011   | \$ 856,225         | \$ 859,169       | \$ 859,169       | \$ -  |

MILLER R-II SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND  
 Year Ended June 30, 2011

|  | Budgeted Amounts |            | Actual     | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------|------------|---|
|  | Original         | Final      |            |   |
| RECEIPTS   |                  |            |            |   |
| Local  | \$ -             | \$ 331,952 | \$ 331,952 | \$ -  |
| County   | 10,000           | 11,443     | 11,443     | -   |
| State  | 842,854          | 1,676,647  | 1,676,647  | -   |
| Federal  | 139,955          | 809,908    | 809,908    | -   |
| Other  | 25,000           | 20,572     | 20,572     | -   |
| TOTAL RECEIPTS   | 1,017,809        | 2,850,522  | 2,850,522  | -   |
| DISBURSEMENTS  |                  |            |            |   |
| Instruction  | 2,065,946        | 2,379,693  | 2,379,693  | -   |
| Student services   | 101,363          | 77,817     | 77,817     | -   |
| Instructional staff support                                | 40,687           | 40,930     | 40,930     | -   |
| Building administration                                    | 165,988          | 165,560    | 165,560    | -   |
| General administration                                     | 102,707          | 125,271    | 125,271    | -   |
| Operation of plant   | -                | 2,489      | 2,489      | -   |
| Transportation   | 9,856            | 16,215     | 16,215     | -   |
| Food service   | 7,537            | 6,253      | 6,253      | -   |
| Community services   | 36,327           | 36,294     | 36,294     | -   |
| TOTAL DISBURSEMENTS  | 2,530,411        | 2,850,522  | 2,850,522  | -   |
| (DEFICIT) OF RECEIPTS<br>OVER DISBURSEMENTS                | (1,512,602)      | -          | -          | -   |
| OTHER FINANCING SOURCES                                    |                  |            |            |   |
| Operating transfers in                                     | 1,512,602        | -          | -          | -   |
| EXCESS OF RECEIPTS AND OTHER<br>SOURCES OVER DISBURSEMENTS | -                | -          | -          | -   |
| FUND BALANCE, July 1, 2010                                 | -                | -          | -          | -   |
| FUND BALANCE, June 30, 2011                                | \$ -             | \$ -       | \$ -       | \$ -  |

MILLER R-II SCHOOL DISTRICT  
NOTE TO BUDGETARY COMPARISION SCHEDULES  
June 30, 2011

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  
 BUDGETARY COMPARISON SCHEDULE – CAPITAL PROJECTS FUND  
 Year Ended June 30, 2011

|   | Budgeted Amounts |            | Actual     | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|------------|------------|---|
|   | Original         | Final      |            |   |
| RECEIPTS  |                  |            |            |   |
| Local   | \$ 272,607       | \$ 284,971 | \$ 284,971 | \$ -  |
| County  | -                | 18,033     | 18,033     | -   |
| State   | 181,864          | 205,852    | 205,852    | -   |
| TOTAL RECEIPTS  | 454,471          | 508,856    | 508,856    | -   |
| DISBURSEMENTS   |                  |            |            |   |
| Instruction   | 6,500            | 8,186      | 8,186      | -   |
| Student services  | -                | 640        | 640        | -   |
| Instructional staff support                                   | 20,000           | 1,524      | 1,524      | -   |
| Building administration                                       | 1,554            | -          | -          | -   |
| General administration  | 900              | -          | -          | -   |
| Operation of plant  | 20,150           | 8,497      | 8,497      | -   |
| Transportation  | 32,739           | 15,390     | 15,390     | -   |
| Food service  | 11,619           | 2,839      | 2,839      | -   |
| Community services  | -                | 11,540     | 11,540     | -   |
| Debt service  | 517,768          | 559,867    | 559,867    | -   |
| TOTAL DISBURSEMENTS   | 611,230          | 608,483    | 608,483    | -   |
| (DEFICIT) OF RECEIPTS<br>OVER DISBURSEMENTS                   | (156,759)        | (99,627)   | (99,627)   | -   |
| OTHER FINANCING SOURCES                                       |                  |            |            |   |
| Net insurance recovery  | -                | 15,904     | 15,904     | -   |
| Sale of school buses  | -                | 5,450      | 5,450      | -   |
| Operating transfers in  | 162,326          | 303,346    | 303,346    | -   |
| TOTAL OTHER<br>FINANCING SOURCES                              | 162,326          | 324,700    | 324,700    | -   |
| EXCESS OF RECEIPTS<br>AND OTHER SOURCES<br>OVER DISBURSEMENTS | 5,567            | 225,073    | 225,073    | -   |
| FUND BALANCE, July 1, 2010                                    | 100,000          | 100,000    | 100,000    | -   |
| FUND BALANCE, June 30, 2011                                   | \$ 105,567       | \$ 325,073 | \$ 325,073 | \$ -  |

MILLER R-II SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS BY SOURCE  
Year Ended June 30, 2011

|                                      | General<br>Fund  | Special<br>Revenue<br>Fund | Capital<br>Projects<br>Fund | Total            |
|--------------------------------------|------------------|----------------------------|-----------------------------|------------------|
| <b>LOCAL</b>                         |                  |                            |                             |                  |
| Current taxes                        | \$ 1,346,188     | \$ -                       | \$ 175,036                  | \$ 1,521,224     |
| Delinquent taxes                     | 185,503          | -                          | 24,120                      | 209,623          |
| School district trust fund (Prop C)  | 162,404          | 331,952                    | -                           | 494,356          |
| Financial institution tax            | 5                | -                          | 1                           | 6                |
| M & M surcharge taxes                | -                | -                          | 77,655                      | 77,655           |
| In lieu of tax                       | -                | -                          | 2,559                       | 2,559            |
| Earnings on investments              | 778              | -                          | 5,600                       | 6,378            |
| Food service program                 | 62,323           | -                          | -                           | 62,323           |
| Food service non-program             | 10,180           | -                          | -                           | 10,180           |
| Student activities                   | 216,012          | -                          | -                           | 216,012          |
| Other                                | 23,306           | -                          | -                           | 23,306           |
| <b>TOTAL LOCAL</b>                   | <b>2,006,699</b> | <b>331,952</b>             | <b>284,971</b>              | <b>2,623,622</b> |
| <b>COUNTY</b>                        |                  |                            |                             |                  |
| Fines, escheats, etc.                | -                | 11,443                     | -                           | 11,443           |
| State assessed utilities             | 88,271           | -                          | 18,033                      | 106,304          |
| <b>TOTAL COUNTY</b>                  | <b>88,271</b>    | <b>11,443</b>              | <b>18,033</b>               | <b>117,747</b>   |
| <b>STATE</b>                         |                  |                            |                             |                  |
| Basic formula                        | -                | 1,537,696                  | -                           | 1,537,696        |
| Transportation                       | 84,070           | -                          | -                           | 84,070           |
| Early childhood special education    | 232,385          | -                          | -                           | 232,385          |
| Career ladder                        | -                | 70,500                     | -                           | 70,500           |
| Basic formula - classroom trust fund | -                | 32,157                     | 205,852                     | 238,009          |
| Educational screening program        | 7,690            | -                          | -                           | 7,690            |
| Vocational                           | 6,978            | -                          | -                           | 6,978            |
| Food service                         | 1,771            | -                          | -                           | 1,771            |
| Residential placement/excess cost    | 3,604            | -                          | -                           | 3,604            |
| Missouri preschool project           | 46,182           | 36,294                     | -                           | 82,476           |
| After school reading                 | 1,999            | -                          | -                           | 1,999            |
| DNR Solid waste management grant     | 10,000           | -                          | -                           | 10,000           |
| Preschool lunch                      | 47,999           | -                          | -                           | 47,999           |
| <b>TOTAL STATE</b>                   | <b>442,678</b>   | <b>1,676,647</b>           | <b>205,852</b>              | <b>2,325,177</b> |

MILLER R-II SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS BY SOURCE (CONTINUED)  
Year Ended June 30, 2011

|   | General<br>Fund     | Special<br>Revenue<br>Fund | Capital<br>Projects<br>Fund | Total               |
|---|---------------------|----------------------------|-----------------------------|---------------------|
| <b>FEDERAL</b>                                |                     |                            |                             |                     |
| Medicaid                                      | 10,450              | -                          | -                           | 10,450              |
| Basic formula - stabilization - ARRA          | -                   | 87,924                     | -                           | 87,924              |
| Basic formula - government - ARRA             | -                   | 53,756                     | -                           | 53,756              |
| Classroom trust fund - jobs bill              | -                   | 16,958                     | -                           | 16,958              |
| Basic formula - jobs bill - state             | -                   | 71,940                     | -                           | 71,940              |
| Basic formula - jobs bill - federal           | -                   | 46,240                     | -                           | 46,240              |
| IDEA  | 2,954               | 132,507                    | -                           | 135,461             |
| Early childhood special education             | 29,048              | -                          | -                           | 29,048              |
| School lunch program                          | 143,078             | -                          | -                           | 143,078             |
| School breakfast program                      | 60,017              | -                          | -                           | 60,017              |
| After school snack program                    | 860                 | -                          | -                           | 860                 |
| ESEA, Title I                                 | -                   | 209,675                    | -                           | 209,675             |
| ESEA, Title I - ARRA                          | 793                 | -                          | -                           | 793                 |
| ESEA, Title IV                                | 418                 | -                          | -                           | 418                 |
| 21st century community learning centers grant | 105,122             | 101,104                    | -                           | 206,226             |
| ESEA, Title II, Part A                        | 48,148              | -                          | -                           | 48,148              |
| Title II-D, education technology - ARRA       | 3,168               | -                          | -                           | 3,168               |
| IDEA, Part B (611) - ARRA                     | -                   | 89,804                     | -                           | 89,804              |
| Teaching American history grant               | 285,959             | -                          | -                           | 285,959             |
| <b>TOTAL FEDERAL</b>                          | <b>690,015</b>      | <b>809,908</b>             | <b>-</b>                    | <b>1,499,923</b>    |
| <b>OTHER SOURCES</b>                          |                     |                            |                             |                     |
| Tuition from other districts                  | -                   | 20,572                     | -                           | 20,572              |
| Net insurance recovery                        | -                   | -                          | 15,904                      | 15,904              |
| Sale of school buses                          | -                   | -                          | 5,450                       | 5,450               |
| <b>TOTAL OTHER SOURCES</b>                    | <b>-</b>            | <b>20,572</b>              | <b>21,354</b>               | <b>41,926</b>       |
| <b>TOTAL RECEIPTS</b>                         | <b>\$ 3,227,663</b> | <b>\$ 2,850,522</b>        | <b>\$ 530,210</b>           | <b>\$ 6,608,395</b> |

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

MILLER R-II SCHOOL DISTRICT  
 SCHEDULE OF DISBURSEMENTS BY OBJECT  
 Year Ended June 30, 2011

|                           | General<br>Fund     | Special<br>Revenue<br>Fund | Capital<br>Projects<br>Fund |
|---------------------------|---------------------|----------------------------|-----------------------------|
| Salaries                  | \$ 892,000          | \$ 2,233,051               | \$ -                        |
| Teacher retirement        | 577                 | 318,747                    | -                           |
| Non-teacher retirement    | 53,529              | 1,060                      | -                           |
| Social security           | 57,335              | 5,083                      | -                           |
| Medicare                  | 14,605              | 32,751                     | -                           |
| Employee insurance        | 60,081              | 192,390                    | -                           |
| Tuition                   | 21,822              | 30,765                     | -                           |
| Professional services     | 56,438              | 9,675                      | -                           |
| Audit                     | 13,880              | -                          | -                           |
| Technical services        | 2,288               | -                          | -                           |
| Legal services            | 1,260               | -                          | -                           |
| Property services         | 241,999             | -                          | -                           |
| Travel                    | 83,233              | -                          | -                           |
| Property insurance        | 21,441              | -                          | -                           |
| Liability insurance       | 14,887              | -                          | -                           |
| Fidelity premium          | 57                  | -                          | -                           |
| Other purchased services  | 317,205             | 27,000                     | -                           |
| General supplies          | 441,929             | -                          | -                           |
| Food service              | 210,533             | -                          | -                           |
| Energy supplies           | 204,908             | -                          | -                           |
| Other supplies            | 844                 | -                          | -                           |
| Improvement to sites      | -                   | -                          | 11,540                      |
| Equipment - general       | -                   | -                          | 10,500                      |
| Equipment - instructional | -                   | -                          | 8,186                       |
| School buses              | -                   | -                          | 15,390                      |
| Other capital outlay      | -                   | -                          | 3,000                       |
| Principal                 | -                   | -                          | 323,237                     |
| Interest                  | -                   | -                          | 236,630                     |
| Other                     | 5,852               | -                          | -                           |
| TOTAL DISBURSEMENTS       | <u>\$ 2,716,703</u> | <u>\$ 2,850,522</u>        | <u>\$ 608,483</u>           |



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**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 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, 2011, which collectively comprise Miller R-II School District's basic financial statements and have issued our report thereon dated November 22, 2011. In our report, our opinion was modified because the District prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. They are identified as items 11-1 and 11-2.

### 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*.

We noted certain other matters that we have reported to management of the Miller R-II School District in a separate letter dated November 22, 2011.

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

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



DAVIS, LYNN & MOOTS, P.C.  
November 22, 2011



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**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Miller R-II School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Miller R-II School District's major federal programs for the year ended June 30, 2011. The Miller R-II School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Miller R-II School District's management. Our responsibility is to express an opinion on the Miller R-II School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Miller R-II School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Miller R-II School District's compliance with those requirements.

In our opinion, the Miller R-II School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the Miller R-II School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Miller R-II School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



DAVIS, LYNN & MOOTS, P.C.  
November 22, 2011

MILLER R-II SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2011

| Federal Grantor<br>Pass Through Grantor/<br>Program Title | Federal<br>CFDA<br>Number | Pass-through<br>Grantor's Number | Federal<br>Expenditures |
|---|---------------------------|----------------------------------|-------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u>                     |                           |                                  |                         |
| Missouri Department of Elementary and Secondary Education |                           |                                  |                         |
| Child Nutrition Cluster                                   |                           |                                  |                         |
| School Breakfast Program                                  | 10.553                    | 055-104                          | \$ 60,017               |
| National School Lunch Program - Cash                      | 10.555                    | 055-104                          | 143,078                 |
| - Commodities   | 10.555                    | 055-104                          | 13,070                  |
| After School Snack  | 10.555                    | 055-104                          | <u>860</u>              |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE                      |                           |                                  | 217,025                 |
| <u>U.S. DEPARTMENT OF EDUCATION</u>                       |                           |                                  |                         |
| Missouri Department of Elementary and Secondary Education |                           |                                  |                         |
| Title I, Part A Grants Cluster                            |                           |                                  |                         |
| Title I Grants to LEAs                                    | 84.010                    | 055-104                          | 211,532                 |
| ARRA Title I Grants to LEAs, Recovery Act                 | 84.389                    | 055-104                          | 793                     |
| Improving Teacher Quality State Grants                    | 84.367                    | 055-104                          | 22,225                  |
| Special Education Grants Cluster                          |                           |                                  |                         |
| Special Education Grants to State                         | 84.027                    | 055-104                          | 132,507                 |
| ARRA Special Education Grants to State, Recovery Act      | 84.391                    | 055-104                          | 89,804                  |
| Special Education Preschool Grant                         | 84.173                    | 055-104                          | 27,879                  |
| ARRA Special Education Preschool Grants, Recovery Act     | 84.392                    | 055-104                          | 4,828                   |
| Safe and Drug-Free Schools and Communities State Grants   | 84.186                    | 055-104                          | 418                     |
| 21st Century Community Learning Centers Program           | 84.287                    | 055-104                          | 199,423                 |
| State Fiscal Stabilization Funds Cluster                  |                           |                                  |                         |
| ARRA Education State Grants, Recovery Act                 | 84.394                    | 055-104                          | 87,924                  |
| ARRA Government Services, Recovery Act                    | 84.397                    | 055-104                          | 53,756                  |
| ARRA Education Jobs Fund                                  | 84.410                    | 055-104                          | 135,138                 |
| Direct  |                           |                                  |                         |
| Teaching American History Grant                           | 84.215                    | 055-104                          | <u>270,622</u>          |
| TOTAL U.S. DEPARTMENT OF EDUCATION                        |                           |                                  | <u>1,236,849</u>        |
| TOTAL EXPENDITURES OF FEDERAL AWARDS                      |                           |                                  | <u>\$ 1,453,874</u>     |

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. The Schedule of Expenditures of Federal Awards is presented using the modified cash basis of accounting, which is described in Note A to the District's basic financial statements.
2. Commodities received and expended are valued by the Food Service Section of the Department of Elementary and Secondary Education.

MILLER R-II SCHOOL DISTRICT  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion, on the basic financial statements presented on the modified cash basis of accounting.
2. Two material weaknesses disclosed during the audit of the financial statements are reported in 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*.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. There were no findings required to be reported in accordance with Section 510(a) of Circular A-133.
7. The programs tested as major programs were:

|  |                                 |
|--|---------------------------------|
| Special Education Grants Cluster         | 84.027, 84.391, 84.173 & 84.392 |
| State Fiscal Stabilization Funds Cluster | 84.394 & 84.397                 |
| Teaching American History Grant          | 84.215                          |
| Education Jobs Fund                      | 84.410                          |
8. The threshold between Type A and Type B programs was \$300,000. There were no Type A programs for the year ended June 30, 2011.
9. Miller R-II School District was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

11-1 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.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

*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.

11-2 Design of internal control system for preparation of basic financial statements

*Condition:* The District has personnel in place to perform all bookkeeping functions necessary to maintain a general ledger and prepare internal use statements for management and the Board of Education. However the District does not have accounting professionals with the knowledge, experience, and training to prepare governmental financial statements in conformity with Governmental Accounting Standards as part of their internal control system.

*Criteria:* A properly designed system of internal control, which includes preparation of financial statements in conformity with Governmental Accounting Standards, includes having accounting professionals as part of the system to perform that function.

*Effect:* The District employs the auditors that perform the annual audit of the financial statements to prepare the annual financial statements.

*Recommendation:* We recognize that the District may not have the resources to hire an accounting professional with the knowledge, experience, and training to prepare governmental financial statements in conformity with Governmental Accounting Standards. However, we recommend that management continue to increase their knowledge of financial reporting.

*Response:* The District does not have the resources to hire additional accounting personnel with the knowledge, experience, and training solely to prepare governmental financial statements in conformity with Governmental Accounting Standards. The District does have personnel with sufficient knowledge to understand and take responsibility for the basic financial statements.

MILLER R-II SCHOOL DISTRICT  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
Year Ended June 30, 2011

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings or questioned costs for the major federal award programs.

MILLER R-II SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2011

There were no prior audit findings.

## **SUPPLEMENTARY STATE INFORMATION**



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**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY STATE INFORMATION**

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

We have audited the basic financial statements of the Miller R-II School District, Miller, Missouri, for the year ended June 30, 2011, and have issued our report thereon dated November 22, 2011. Our audit of such basic financial statements was made in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* and the standards for financial and compliance audits issued by the Missouri Department of Elementary and Secondary Education and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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 accompanying Supplementary State Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from, and relate directly to, the accounting and other records of the District. The information in this section 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, 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 taken as a whole.

*Davis, Lynn & Moots, P.C.*

DAVIS, LYNN & MOOTS, P.C.  
November 22, 2011



DAVIS, LYNN &  
MOOTS, P.C.  
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**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH CERTAIN LAWS AND  
REGULATIONS SPECIFIED BY MISSOURI STATUTE**

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

We have audited the basic financial statements of the Miller R-II School District, Miller, Missouri, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 22, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, grant agreements and other matters applicable to the District is the responsibility of the District's management. As required by statutes of the State of Missouri, we have performed auditing procedures to test compliance with the requirements governing budgets (Chapter 67, RSMo) and the methods of maintaining pupil attendance and school transportation records (Chapter 165.121.3(7), RSMo).

In our opinion, the District's budgetary and disbursement procedures were in compliance with the budgetary statute (Chapter 67, RSMo). It is further our opinion that the pupil attendance and school transportation records are maintained as to accurately disclose, in all material respects, the average daily attendance, resident membership on the last Wednesday of September, average number of students scheduled to be transported and mileage and allowable cost for school transportation in compliance with Missouri law and administrative rules.

This report is intended solely for the information and use of the District's management, the Board of Education 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.

*Davis, Lynn & Moots, P.C.*

DAVIS, LYNN & MOOTS, P.C.  
November 22, 2011

MILLER R-II SCHOOL DISTRICT 055-104  
 SCHEDULE OF SELECTED STATISTICS  
 Year Ended June 30, 2011

1. Calendar (Sections 160.041 and 171.031, RSMo)

A. 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 12 | 1,123.03 |
|-------------------------|----------|

B. The number of days classes were in session and pupils were under the direction of the teachers during this school year was 171.

2. Average Daily Attendance (ADA)

Average Daily Attendance:

Regular term:

|                                   |        |
|-----------------------------------|--------|
| Full-time kindergarten – Grade 12 | 515.28 |
|-----------------------------------|--------|

|          |      |
|----------|------|
| Remedial | 7.26 |
|----------|------|

|                    |        |
|--------------------|--------|
| Total regular term | 522.54 |
|--------------------|--------|

|  |      |
|--|------|
| Summer school average daily attendance | 1.54 |
|--|------|

|                                |        |
|--------------------------------|--------|
| Total Average Daily Attendance | 524.08 |
|--------------------------------|--------|

3. September Membership

|                                |        |
|--------------------------------|--------|
| September Membership FTE Count | 552.00 |
|--------------------------------|--------|

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

|                 |      |        |
|-----------------|------|--------|
| State FTE Total | Free | 266.00 |
|-----------------|------|--------|

|  |         |        |
|--|---------|--------|
|  | Reduced | 104.00 |
|--|---------|--------|

|  |       |        |
|--|-------|--------|
|  | Total | 370.00 |
|--|-------|--------|

5. Finance

A. A bond, as required by Section 162.401, RSMo, has been purchased for the District treasurer in the amount of \$25,000.

B. The District's deposits were adequately secured during the year as required by Sections 110.010 and 110.020, RSMo.

C. The District does not have a Debt Service Fund.

MILLER R-II SCHOOL DISTRICT 055-104  
SCHEDULE OF SELECTED STATISTICS (continued)  
Year Ended June 30, 2011

5. Finance (continued)

- D. Salaries reported for educators in the October core data cycle are supported by payroll/contract records.
- E. The District's \$162,326 or 7% x SAT x WADA transfer was not in excess of the adjusted operating expenditures. The Board of Education approved the transfer.
- F. The District published a summary of the 2009-2010 audit report within thirty days of receipt of the audit, pursuant to Section 165.121, RSMo.

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 433.50 and the average number of students transported on a regular basis (ADT) ineligible to be counted for state transportation aid was 24.00.
- 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.
- E. Actual odometer records show the total District operated and contracted mileage for the year was 169,096. Of this total, the eligible non-disabled and students with disabilities route miles were 127,042 and the ineligible non-route and disapproved miles combined were 42,054.
- F. The District operated the school transportation system for 171 days during this school year.

There were no findings noted above.

MILLER R-II SCHOOL DISTRICT  
 SCHEDULE OF TRANSPORTATION COSTS ELIGIBLE FOR STATE AID  
 Year Ended June 30, 2011

|                                 | <u>District<br/>Owned</u> |
|---------------------------------|---------------------------|
| Administrative salaries         | \$ 14,846                 |
| Non-certified salaries          | 174,431                   |
| Employee benefits               | 28,686                    |
| Purchased services              | 10,976                    |
| Supplies                        | 120,030                   |
| Depreciation, net of adjustment | <u>28,103</u>             |
|                                 | <u><u>\$ 377,072</u></u>  |
| <br>                            |                           |
| School buses lease/purchased    |                           |
| Principal                       | <u>\$ 15,390</u>          |
| Interest                        | <u><u>\$ 786</u></u>      |