

SAINT JOSEPH SCHOOL DISTRICT

SAINT JOSEPH, MISSOURI

BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2017

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INDEPENDENT AUDITORS' REPORT

Board of Education
Saint Joseph School District
Saint Joseph, Missouri

We have audited the basic financial statements of the governmental activities and each major fund of the Saint Joseph School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of Saint Joseph School District as of June 30, 2017, and the respective changes in modified cash basis financial position thereof for the year then ended, in conformity with the basis of accounting described in Note A.

Basis of Accounting

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

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Management's Discussion and Analysis, and budgetary comparison information on pages 8-17 and 51-56, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Financial Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Saint Joseph School District's basic financial statements. The data contained under Other Financial Information, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

Board of Education
Saint Joseph School District
Saint Joseph, Missouri

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**SAINT JOSEPH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
JUNE 30, 2017**

Our discussion and analysis of Saint Joseph School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017, 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 19.

FINANCIAL HIGHLIGHTS

- Total assets were \$151,789,052 on June 30, 2017. This was a decrease of \$3.3 million from the prior year.
- Overall receipts were \$127,298,716, and disbursements were \$127,607,441.
- Net position was \$102,889,052 as of June 30, 2017. This reflects a decrease of \$308,725 compared to the prior year.
- During the year, the District paid bond principal in the amount of \$3,000,000.

The General and Special Revenue funds are used for the day to day operations of the District and referenced throughout as operating funds support the salary increase. The combined balance carried in operating funds is the primary indicator of a District's financial viability. National and state economic downturns marked fiscal year 2017 as another year of economic and budget challenges for Saint Joseph School District. Nonetheless, the District finished the year with a healthy fund balance, which is a reflection of the District's continued efforts to maintain balanced spending to assure continued fiscal stability.

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 modified cash basis of accounting.

Report Components

Government-Wide Financial Statements: The Statement of Net Position 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's 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.

Supplementary Information: This Management’s Discussion and Analysis, and the budgetary comparison schedules represent additional financial information. 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 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 District’s modified cash basis of accounting, receipts and disbursements and the related assets are recorded when they result from cash transactions. The modification to the cash basis relates to the presentation of investments, capital assets and long-term debt activity.

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 billed or services provided yet not collected) and liabilities and their related expenditures (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements except for the recording of investments. 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 Position and the Statement of Activities

Our financial analysis of the District as a whole begins on page 11. The government-wide financial statements are presented on pages 19-20. 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 Position 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 position and yearly changes within them. Over time, increases and decreases in the District’s net position 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 services, community services, facility acquisition and construction and debt services. 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 13. The fund financial statements begin on page 22 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, Debt Service, or Capital Project Funds. For purposes of reporting financial information to the State of Missouri in the Annual Secretary of the Board Report, this fund is combined with the activity and balances of the District's Fiduciary Funds.

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

Debt Service Fund: Accounts for receipts restricted, committed, or assigned for the retirement of principal and interest on the District's general obligation bonds.

Other 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. For purposes of reporting financial information to the State of Missouri in the Annual Secretary of the Board Report, this fund has been combined with the Bond Capital Projects Fund.

Bond Capital Projects Fund: Accounts for bond proceeds and other receipts restricted, committed, or assigned for acquisition or construction of major capital assets and other capital outlay as allowed under definitions contained in each bond transcript. For purposes of reporting financial information to the State of Missouri in the Annual Secretary of the Board Report, this fund has been combined with the Other Capital Projects Fund.

Proprietary Fund: The Internal Service Fund has been created to account for resources accumulated to fund and operate the District's self-insurance program for employee health insurance.

Fiduciary Funds: Fiduciary funds are excluded from the government-wide financial statements because the assets are not available for District operations. In the District's Annual Secretary of the Board Report, these funds are grouped with the District's General Fund activity.

Agency Funds - Accounts for restricted resources, which are not used to support District operations.

SAINT JOSEPH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
JUNE 30, 2017

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

The District's Net Position, resulting from cash transactions, capital assets, and long-term debt transactions decreased by \$308,725 between fiscal years 2016 and 2017.

Net Position – Modified Cash Basis

	June 30,		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Current Assets			
Cash and investments	\$ 40,149,032	\$ 44,806,228	\$ 55,042,632
Non-Current Assets			
Non-depreciable assets			
Land	2,550,691	2,444,191	2,444,191
Construction in progress	87,520	2,494,092	12,576,360
Depreciable assets			
Buildings and improvements	138,891,578	130,637,250	115,354,711
Furniture and equipment	9,275,171	9,047,907	8,954,754
Vehicles	1,822,830	1,779,730	1,779,730
Accumulated depreciation	<u>(40,987,770)</u>	<u>(36,111,621)</u>	<u>(31,933,433)</u>
	<u>111,640,020</u>	<u>110,291,549</u>	<u>109,176,313</u>
TOTAL ASSETS	151,789,052	155,097,777	164,218,945
LIABILITIES			
Current Liabilities			
Current portion of long-term debt obligations	3,300,000	3,000,000	2,750,000
Non-current Liabilities			
General obligation bonds	<u>45,600,000</u>	<u>48,900,000</u>	<u>51,900,000</u>
TOTAL LIABILITES	48,900,000	51,900,000	54,650,000
NET POSITION			
Net investment in capital assets	62,740,020	58,391,549	54,526,313
Restricted for debt service	4,642,366	4,458,028	5,456,982
Restricted for student activities	1,147,532	844,696	844,696
Restricted for bond proceeds	1,134	3,781,786	5,297,199
Restricted for professional development	38,778	16,695	63,075
Restricted for healthcare trust	2,061,281	-	-
Unrestricted	<u>32,257,941</u>	<u>35,705,023</u>	<u>43,380,680</u>
TOTAL NET POSITION	<u>\$ 102,889,052</u>	<u>\$ 103,197,777</u>	<u>\$ 109,568,945</u>

SAINT JOSEPH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
JUNE 30, 2017

The District's net position showed a decrease for the year. Tax Increment Financing developments within the District's boundaries continue to cause traditional school revenues to be diverted to developers. This creates the need for a cautious advance in expenditures to protect the financial position of the District.

We entered the third year of the new foundation formula without a blended rate with the prior formula, which slowly transitioned the state funding from the previous revenue-driven formula to a student expenditure model. This allows for increased per-pupil revenues received from the State under the new foundation formula. This makes our student enrollment and attendance average a critical component of current and future state revenue appropriation amounts. However, the State again this year failed to fully fund the formula which causes districts like ours to receive less state revenue than the formula calculates is required to operate the District.

Changes in Net Position – Modified Cash Basis

For the year ended June 30, 2017, net position of the District, resulting from cash transactions, capital asset activity and long-term debt activity changed as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
RECEIPTS			
<u>Program Receipts</u>			
Charges for services	\$ 4,546,856	\$ 4,572,188	\$ 4,884,740
Operating grants and contributions	20,916,509	14,590,836	18,325,761
Capital grants and contributions	972,786	274,573	380,579
<u>General Receipts</u>			
Ad valorem tax receipts	36,567,298	35,568,642	41,076,540
Prop C sales tax receipts	11,780,667	11,429,204	11,361,978
Other tax receipts	3,149,671	2,546,652	2,918,082
County receipts	4,119,789	3,497,978	3,464,013
State receipts	44,006,500	43,033,597	41,458,775
Interest receipts	820,110	819,077	1,032,653
Other receipts	31,411	1,063,742	1,082,876
<u>Special Items</u>			
Net insurance recovery	100	-	13,570
Gain on sale of other property	387,019	146,396	2,617
TOTAL RECEIPTS	<u>127,298,716</u>	<u>117,542,885</u>	<u>126,002,184</u>

SAINT JOSEPH SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (unaudited)
JUNE 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
DISBURSEMENTS			
Instruction	76,718,038	72,315,656	70,793,734
Student services	7,491,380	7,218,067	6,762,745
Instructional staff support	7,109,573	8,737,361	6,379,029
Building administration	5,843,863	5,619,280	5,608,218
General administration	2,216,565	2,035,552	1,718,904
Operation of plant	12,287,349	11,912,966	14,229,096
Transportation	4,434,705	4,391,937	4,471,860
Food service	6,552,054	6,508,259	6,205,766
Adult continuing education	638,354	764,805	832,749
Community services	2,481,420	2,431,610	2,563,870
Debt service	1,834,140	1,978,490	2,021,055
	<u>127,607,441</u>	<u>123,913,983</u>	<u>121,587,026</u>
TOTAL DISBURSEMENTS			
INCREASE (DECREASE) IN NET ASSETS	<u>\$ (308,725)</u>	<u>\$ (6,371,098)</u>	<u>\$ 4,415,158</u>

The total cost of all programs and services was \$127,607,441. The District’s disbursements are predominately related to educating and caring for students (72%) and for the construction, maintenance and operation of plant facilities (11%). The remaining disbursements were payment of bond interest (2%), administration and business activities (6%), transportation (3%), food service (5%), community services, and adult continuing education (1%).

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 Modified Cash Basis Fund Balances. 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

The District began fiscal year 2017 with a modest increase in its financial balances. It is worth noting that these balances are vulnerable to the current economic conditions and the increasing loss of new local commercial growth receipts through expanding Tax Increment Finance Districts. In a TIF District, potential property tax revenues (amounts greater than previously collected) are diverted from the taxing District to the city and developers to be used on site and infrastructure improvements in the TIF District. This is done beyond the control of the affected District.

SAINT JOSEPH SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (unaudited)
JUNE 30, 2017

Potential additional revenues are largely due to increases in student enrollment and attendance. For the second time in three years, the District saw a small increase in student enrollment. The District will continue to see slight increases in future expenditures as additional staff are needed for instructional support for the students and to respond to the requirements of MSIP 5.

These issues, along with the federal, state, county and local revenue short-falls, uncertain student growth, and the need for the District to remain competitive in its teacher salaries may challenge the District's fund balances in the near future. It is with this type of situation in mind that fund balances are built during economic growth.

Over the course of the year, the District revises its annual budget to reflect unexpected changes in receipts and disbursements. A schedule of the District’s budget amounts compared with actual receipts and disbursements is provided in the supplemental section of the audited financial report.

- The General Fund balance decreased by \$3,282,644 for the year ended June 30, 2017, after decreasing \$2,849,335 for the year ended June 30, 2016.
- The Debt Service Fund retired \$3,000,000 in bond principal, and made net interest and bond fee payments of \$1,834,140 on outstanding bonds for total debt service disbursements of \$4,834,140.

FINANCIAL ANALYSIS OF GENERAL FUND BUDGET VERSUS ACTUAL RESULTS

	Budget		Actual
	Original	Final	
RECEIPTS			
Local	\$ 37,551,647	\$ 37,551,647	\$ 37,665,098
County	2,920,000	2,920,000	3,523,661
State	4,666,005	4,666,005	5,162,672
Federal	14,802,241	14,802,241	15,501,269
Other	350,864	350,864	466,864
TOTAL RECEIPTS	\$ 60,290,757	\$ 60,290,757	\$ 62,319,564
DISBURSEMENTS			
Instruction	\$ 13,921,976	\$ 13,176,407	\$ 12,238,847
Student services	3,828,329	3,841,855	3,828,310
Instructional staff support	4,980,511	4,835,136	5,661,502
Building administration	1,677,025	1,677,026	1,504,662
General administration	3,531,133	3,791,992	1,778,051
Operation of plant	11,376,393	11,376,393	12,442,807
Transportation	4,213,279	4,532,659	4,434,705
Food services	6,755,553	6,191,453	6,552,054
Adult continuing education	354,265	354,265	174,568
Community services	1,596,917	1,608,707	1,646,156
TOTAL DISBURSEMENTS	\$ 52,235,381	\$ 51,385,893	\$ 50,261,662

Receipts

The District originally budgeted total receipts of \$60,292,757. The actual total receipts were \$62,319,564. This represents a modest increase to receipts than originally budgeted by \$2,028,807, primarily due to local revenue shortfalls and coding changes relating to State funds.

The District's budget reflects a conservative philosophy of management in order to protect the District from unanticipated changes in local, state and federal revenues. While we are affected by reductions in state and federal funding, nearly half of our receipts come from local sources. Local TIF districts continue to impact new commercial revenues. In addition to the concern for local receipts, the state legislature continues to fail to fully fund the state foundation formula. While the new formula is now fully phased in, the complete impact on our budget is not entirely clear. To this point, we have experienced no major changes in the total state monies received or the proportion of state to local receipts generated. We would anticipate some additional changes to the foundation formula as the full impact of the state revenues continue to demonstrate slow growth.

Disbursements

The District's original General Fund budget had total disbursements at \$52,235,381. The actual disbursements were \$50,261,662, which is \$1,973,719 less than originally budgeted.

The District continues to prepare a budget according to Missouri law and adhere to the modified cash basis of accounting. The expenditures of the District are approved by the Board of Education through a budget allocation and with a monthly approval. As mentioned above, funding concerns at all levels of government, budgeted expenditures were carefully monitored, and in some cases reduced in an effort to protect the fund balances against future shortfalls in receipts. During the year, policies and procedures are in place to ensure that the budget is carefully managed and fiscal integrity is maintained. To this end, that efficiency allows for anticipated expenditure amounts to be mitigated, and in some cases not required. This focus and diligence by the entire organization helps to realize lower actual disbursements than originally anticipated and to maintain a healthy fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – Modified Cash Basis

The District uses a modified cash basis of accounting that reflects the capital assets of the District in the financial statements. At June 30, 2017, the District had capital assets, net of depreciation of \$111,640,020. This reflects an increase of \$1,348,471 compared to the balance at June 30, 2016, primarily due to major continuing projects.

Long-Term Debt – Modified Cash Basis

The District uses the modified cash basis of accounting. The following is a summary of the long-term debt of the District for the years ended June 30, 2017, 2016, and 2015.

	June 30,		
	2017	2016	2015
LONG-TERM DEBT			
General Obligation Bonds	\$ 48,900,000	\$ 51,900,000	\$ 54,650,000

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 “new” foundation formula is now fully phased-in and will be fully funded in this fiscal year, and early indications are it will fall short for fiscal year 2018. The District has budgeted an increase in formula money for the 2017-18 school year to reflect the increase in State funding.
- Student population variances have a direct impact on the level of state funding. Our student enrollment is declining at about 100 ADA per year and we anticipate it to continue for the 2017-18 school year. There will be a concerted effort in 2017-18 to increase student attendance percentages. This will help drive up our ADA to increase State funding and improve student achievement.
- State sales tax revenues are up slightly in the current year, but the growth is relatively small and at current growth will have a negligible impact on state funding levels for public schools. The state sales tax is estimated to increase for the 2017-18 school year and the budget will reflect the increase.
- There is a continued desire by all municipalities that are incorporated within the District's boundaries to extend and enlarge current TIF districts, which will continue to exclude the District from enjoying any new commercial, and possibly some residential, revenue growth generated from those areas. The District has recognized that this is happening in St. Joseph and reviews each project for the financial impact to the District.
- To stay competitive in the market place, the District must continue to find ways to fund salary increases and offer quality benefit packages in order to recruit and retain the best staff possible. In 2017-18 the District is continuing to study to determine how competitive we were with our salaries and benefits to other surrounding school districts to help retain highly qualified staff and reduce costly turnover rates.

SAINT JOSEPH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)
JUNE 30, 2017

- Significant increases to workers' compensation, property, casualty, and liability insurance premiums are expected for fiscal year 2018. The District has reviewed all insurances at this time and has received more competitive pricing to help control costs.
- Ongoing State recalculations of the State Adequacy Target (SAT), and the Dollar Value Modifier (DVM) suggest a possible positive impact to the District's revenue stream for the coming fiscal years. Every year we evaluate the SAT and DVM to determine the impact it has on the revenues for the current school year.
- Over the last two years, the SJSB Board of Education, administration and employees have engaged with the Saint Joseph community and worked to correct the problems that previously existed within the District. Many positive changes have been made and the District is beginning to move forward. A previous tax levy was allowed to sunset, in part, due to the various matters that arose from the state audit process. In November 2017, the District's Board of Education and administration will be asking the community to recognize the District's positive changes and will propose reinstatement of a tax levy that will provide additional funding needed to better serve the educational needs of the students of the District.

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 Dr. Robert Newhart, Superintendent, 925 Felix, Saint Joseph, MO 64501; telephone: (816) 671-4000.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

SAINT JOSEPH SCHOOL DISTRICT
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and investments	\$ 40,149,032
Non-Current Assets	
Non-depreciable assets	
Land	2,550,691
Construction in progress	87,520
Depreciable assets	
Buildings and improvements	138,891,578
Furniture and equipment	9,275,171
Vehicles	1,822,830
Accumulated depreciation	<u>(40,987,770)</u>
	<u>111,640,020</u>
TOTAL ASSETS	151,789,052
LIABILITIES	
Current Liabilities	
Current portion of long-term debt obligations	3,300,000
Non-current Liabilities	
General obligation bonds	<u>45,600,000</u>
TOTAL LIABILITIES	48,900,000
NET POSITION	
Net investment in capital assets	62,740,020
Restricted for debt service	4,642,366
Restricted for student activities	1,147,532
Restricted for bond proceeds	1,134
Restricted for professional development	38,778
Restricted for healthcare trust	2,061,281
Unrestricted	<u>32,257,941</u>
TOTAL NET POSITION	<u>\$ 102,889,052</u>

See accompanying notes.

SAINT JOSEPH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2017

	Cash Disbursements	Program Cash Receipts			Net (Disbursements)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Receipts and Changes in Net Position
Governmental Activities:					
Instruction	\$ (76,718,038)	\$ 2,923,790	\$ 11,841,944	\$ 745,286	\$ (61,207,018)
Student services	(7,491,380)	-	352,419	-	(7,138,961)
Instructional staff support	(7,109,573)	-	912,751	227,500	(5,969,322)
Building administration	(5,843,863)	-	-	-	(5,843,863)
General administration	(2,216,565)	-	-	-	(2,216,565)
Operation of plant	(12,287,349)	-	-	-	(12,287,349)
Transportation	(4,434,705)	-	855,438	-	(3,579,267)
Food services	(6,552,054)	910,438	5,211,354	-	(430,262)
Adult continuing education	(638,354)	596,591	-	-	(41,763)
Community services	(2,481,420)	116,037	1,742,603	-	(622,780)
Debt service	(1,834,140)	-	-	-	(1,834,140)
NET PROGRAM (DISBURSEMENTS) RECEIPTS					
	<u>\$ (127,607,441)</u>	<u>\$ 4,546,856</u>	<u>\$ 20,916,509</u>	<u>\$ 972,786</u>	<u>(101,171,290)</u>
General Receipts:					
Ad valorem tax receipts					36,567,298
Prop C sales tax receipts					11,780,667
Other tax receipts					3,149,671
County receipts					4,119,789
State receipts					44,006,500
Interest receipts					820,110
Other receipts					31,411
TOTAL GENERAL RECEIPTS					100,475,446
Special Items:					
Net insurance recovery					100
Gain on sale of other property					387,019
TOTAL SPECIAL ITEMS					387,119
(DECREASE) IN NET POSITION					(308,725)
NET POSITION - Beginning of year					103,197,777
NET POSITION - End of year					<u>\$ 102,889,052</u>

See accompanying notes.

FUND FINANCIAL STATEMENTS

SAINT JOSEPH SCHOOL DISTRICT
STATEMENT OF ASSETS AND FUND BALANCES – MODIFIED CASH BASIS
June 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Bond Capital Projects Fund	Other Capital Projects Fund	Total Governmental Funds
ASSETS						
Cash and investments	\$ 23,066,913	\$ -	\$ 4,642,366	\$ 1,134	\$ 10,377,338	\$ 38,087,751
TOTAL ASSETS	<u>\$ 23,066,913</u>	<u>\$ -</u>	<u>\$ 4,642,366</u>	<u>\$ 1,134</u>	<u>\$ 10,377,338</u>	<u>\$ 38,087,751</u>
FUND BALANCES						
Restricted for:						
Debt service	\$ -	\$ -	\$ 4,642,366	\$ -	\$ -	\$ 4,642,366
Student activities	1,147,532	-	-	-	-	1,147,532
Bond proceeds	-	-	-	1,134	-	1,134
Professional development	38,778	-	-	-	-	38,778
Assigned to:						
Capital outlay	-	-	-	-	10,377,338	10,377,338
Unassigned	<u>21,880,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,880,603</u>
TOTAL FUND BALANCES	<u>\$ 23,066,913</u>	<u>\$ -</u>	<u>\$ 4,642,366</u>	<u>\$ 1,134</u>	<u>\$ 10,377,338</u>	<u>\$ 38,087,751</u>

See accompanying notes.

SAINT JOSEPH SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS AND FUND
 BALANCES TO THE STATEMENT OF NET POSITION
 June 30, 2017

Fund balance - total governmental funds	\$ 38,087,751
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund:	
Governmental capital assets	152,627,790
Less accumulated depreciation	<u>(40,987,770)</u>
	111,640,020
Some of the amounts reported for governmental activities in the Statement of Net Position are different because Fiduciary Funds' assets have been included with governmental activities	<u>2,061,281</u>
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund	<u>(48,900,000)</u>
Net position of governmental activities	<u><u>\$ 102,889,052</u></u>

See accompanying notes.

SAINT JOSEPH SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Bond Capital Projects Fund	Other Capital Projects Fund	Total Governmental Funds
RECEIPTS						
Local	\$ 37,665,098	\$ 14,683,848	\$ 4,569,483	\$ 1,939	\$ 444,649	\$ 57,365,017
County	3,523,661	147,133	448,995	-	-	4,119,789
State	5,162,672	44,006,500	-	-	300,777	49,469,949
Federal	15,501,269	-	-	-	227,500	15,728,769
Other	466,864	-	-	-	-	466,864
TOTAL RECEIPTS	62,319,564	58,837,481	5,018,478	1,939	972,926	127,150,388
DISBURSEMENTS						
Instruction	12,238,847	60,803,443	-	-	635,539	73,677,829
Student services	3,828,310	2,624,048	-	-	12,198	6,464,556
Instructional staff support	5,661,502	1,448,071	-	-	1,251,942	8,361,515
Building administration	1,504,662	4,339,201	-	-	-	5,843,863
General administration	1,778,051	438,514	-	-	2,198	2,218,763
Operation of plant	12,442,807	50,225	-	-	1,064,827	13,557,859
Transportation	4,434,705	-	-	-	100,000	4,534,705
Food services	6,552,054	-	-	-	16,225	6,568,279
Adult continuing education	174,568	463,786	-	-	-	638,354
Community services	1,646,156	835,264	-	-	-	2,481,420
Facilities acquisition and construction	-	-	-	3,782,591	1,292,110	5,074,701
Debt service	-	-	4,834,140	-	-	4,834,140
TOTAL DISBURSEMENTS	50,261,662	71,002,552	4,834,140	3,782,591	4,375,039	134,255,984
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	12,057,902	(12,165,071)	184,338	(3,780,652)	(3,402,113)	(7,105,596)
OTHER FINANCING SOURCES (USES)						
Net insurance recovery	100	-	-	-	-	100
Sale of other property	384,425	-	-	-	2,594	387,019
Operating transfers in	-	12,165,071	-	-	3,560,000	15,725,071
Operating transfers (out)	(15,725,071)	-	-	-	-	(15,725,071)
TOTAL OTHER FINANCING SOURCES (USES)	(15,340,546)	12,165,071	-	-	3,562,594	387,119
EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	(3,282,644)	-	184,338	(3,780,652)	160,481	(6,718,477)
FUND BALANCE, July 1, 2016	26,349,557	-	4,458,028	3,781,786	10,216,857	44,806,228
FUND BALANCE, June 30, 2017	\$ 23,066,913	\$ -	\$ 4,642,366	\$ 1,134	\$ 10,377,338	\$ 38,087,751

See accompanying notes.

SAINT JOSEPH SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
 FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS TO THE STATEMENT OF
 ACTIVITIES
 June 30, 2017

Net change in fund balance - total governmental funds \$ (6,718,477)

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

Governmental funds report capital outlays as expenditures. However, in the Statement
 of Activities, the cost of these assets is allocated over their estimated useful lives on a
 straight line basis and reported as depreciation expense. The following is the detail of
 the amount by which capital outlay exceeded depreciation for the year.

Capital outlay	6,224,620
Depreciation	<u>(4,876,149)</u>
	1,348,471

Some expenditures reported in the governmental fund represent the use of current
 financial resources and were recognized in the statement of activities when incurred:

Payment of bond principal	3,000,000
Establishment of healthcare trust fund	<u>2,061,281</u>
	<u>5,061,281</u>

Change in net position of governmental activities \$ (308,725)

See accompanying notes.

SAINT JOSEPH SCHOOL DISTRICT
 STATEMENT OF NET POSITION – PROPRIETARY FUND – MODIFIED CASH BASIS
 June 30, 2017

	<u>Internal Service Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,061,281
	<u>\$ 2,061,281</u>
	TOTAL ASSETS
	<u>\$ 2,061,281</u>
NET POSITION	
Unrestricted	\$ 2,061,281
	<u>\$ 2,061,281</u>
	TOTAL NET POSITION
	<u>\$ 2,061,281</u>

See accompanying notes.

SAINT JOSEPH SCHOOL DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION – PROPRIETARY
 FUND – MODIFIED CASH BASIS
 Year Ended June 30, 2017

	<u>Internal Service Fund</u>
RECEIPTS	
Employer contributions	<u>\$ 2,061,281</u>
TOTAL RECEIPTS	2,061,281
NET POSITION, July 1, 2016	<u>-</u>
NET POSITION, June 30, 2017	<u><u>\$ 2,061,281</u></u>

See accompanying notes.

SAINT JOSEPH SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION – MODIFIED CASH BASIS
 Year Ended June 30, 2017

		<u>Agency Funds</u>	
		<u>Scholarship</u>	<u>Other</u>
ASSETS			
Cash and investments		\$ 112,338	\$ 6,958
	TOTAL ASSETS	112,338	6,958
LIABILITIES			
Due to others		112,338	6,958
	TOTAL LIABILITIES	<u>\$ 112,338</u>	<u>\$ 6,958</u>

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are presented on the modified cash basis of accounting, which is characteristic of local governmental units of this type.

Financial Reporting Entity

The District is organized under the laws of the State of Missouri and is a primary government governed by an elected seven-director district as described in RSMo Chapter 162, which designates a Board of Education to act as the governing body.

The School District of St. Joseph Board of Education is the basic level of government, which has financial accountability, and control over all activities related to public school education in the District. The Board receives funding from local, state and federal sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental “reporting entity” as defined by GASB pronouncements, since Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and have primary financial accountability for fiscal matters. In addition, there are no material component units as defined in GASB Statement 61.

Basis of Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

General Fund – Accounts for disbursements for noncertified employees, school transportation costs, operation of plant, fringe benefits, student body activities, community services, the food service program, and any disbursements not accounted for in other funds. For purposes of reporting financial information to the State of Missouri on the Annual Secretary of the Board Report, this fund is combined with the activity and balances of the District's Fiduciary Funds.

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

Debt Service Fund – Accounts for receipts restricted, committed, or assigned for the retirement of principal and interest on the District's general obligation bonds.

Other 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. For purposes of reporting financial information to the State of Missouri in the Annual Secretary of the Board Report, this fund has been combined with the Bond Capital Projects Fund.

Bond Capital Projects Fund – Accounts for bond proceeds and other receipts restricted, committed, or assigned for acquisition or construction of major capital assets and other capital outlay as allowed under definitions contained in each bond transcript. For purposes of reporting financial information to the State of Missouri in the Annual Secretary of the Board Report, this fund has been combined with the Other Capital Projects Fund.

Proprietary Fund – The Internal Service Fund has been created to account for resources accumulated to fund and operate the District's self-insurance program for employee health insurance.

Fiduciary Funds – Fiduciary funds are excluded from the government-wide financial statements because the assets are not available for District operations. In the District's Annual Secretary of the Board Report, these funds are grouped with the District's General Fund activity.

Agency Funds – Accounts for restricted resources, which are not used to support District operations. These activities include resources restricted for providing scholarships to students from the scholarship fund. The Townsend Fund accounts for funds restricted for donor specified purposes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental activities are presented using the modified cash basis of accounting. The modification relates to the presentation of investments, capital assets and related depreciation and long-term debt. Under U.S. GAAP, the District's capital assets and long-term debt would only appear in the government-wide statements. Therefore, the modification to cash basis for capital assets and long-term debt has only been applied to the government-wide statements. This basis recognizes assets, net position/fund equity, receipts and disbursements when they result from cash transactions. 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 except for the recording of investments.

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 and the government-wide financial statements would be presented on the accrual basis of accounting.

Capital Outlay

Capital outlay is recorded as disbursements in the Capital Projects Fund at the time the goods received are purchased.

Compensated Absences

Compensated absences are considered expenditures in the year actually paid in the fund financial statements. Vacation time, personal time, and sick leave time are granted to employees as requested or needed according to local Board policy. With the exception of certain accumulated sick leave, the time granted is forfeited if not taken in the period granted. Unused sick leave is payable only to employees retiring under the Public School or Public Education Employee Retirement Systems. This sick leave is payable at the rate of \$20 per day up to 225 days for a maximum of \$4,500.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Debt

Long-term debt arising from cash transactions of the governmental funds is reported in the government-wide financial statements but not 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 in the fund financial statements and as a reduction of liability in the government-wide financial statements.

Teachers' Salaries

The salary payment schedule of the District for the 2016-2017 school year requires the payment of salaries for a twelve-month period. Consequently, the July and August 2017 payroll checks are included in the financial statements as a disbursement in the month of June. This practice has been consistently followed in previous years.

Pooled Cash and Investments

Cash resources of the individual funds are combined to form a pool of cash and temporary investments that is managed by the District treasurer. Investments of the pooled accounts consist of a depository contract agreement, bank deposits, United States government or agency securities, and from time to time, commercial paper. Interest income earned is allocated to contributing funds based on cash and temporary investment balances.

The District records investments as assets at historical cost.

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)

Post-Employment Benefits

In addition to the pension benefits described in Note K, the District provides the following post-employment benefits:

Retiree Benefits – Retired employees and their dependents are permitted to continue healthcare benefits through the Employee Medical Benefit Trust. Premiums must be paid in full to the Trust by the insured on or before the twentieth (20th) day of the previous month. The cost to the District under this program is the amount by which benefits exceed premiums paid.

COBRA Benefits – Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District provides healthcare benefits to eligible former employees and eligible dependents. The federal government outlines certain requirements for this coverage. The premium plus a 2% administration charge must be paid in full by the insured on or before the twentieth (20th) day of the previous month. This program is offered for a duration of 18 months after the termination date. The cost to the District under this program is the amount by which benefits exceed premiums paid.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed by the governmental funds. At year-end, all outstanding encumbrances are canceled and, if properly approved, are issued against the next year's budget.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Equity Classification

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

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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 District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action imposing the commitment.

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

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

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

SAINT JOSEPH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the District’s taxpayers are reported as program receipts. These include various grants from the State and Federal governments. All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

NOTE B – CASH AND EQUIVALENTS

State statutes require that the District's deposits be insured or collateralized in the name of the District by the trust department of a bank that does not hold the collateralized deposits. As of June 30, 2017, all bank balances on deposit are entirely insured or collateralized with securities.

NOTE C – INVESTMENTS

The District’s investment policy allows purchase of any investments allowed by the State Treasurer. These include obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than five years from the date of purchase; repurchase agreements maturing and becoming payable within ninety days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity; or commercial paper issued by domestic corporations, which has received the highest rating by Moody’s Investor Services, Inc. or Standard and Poors’s Corporation.

The District's investments at June 30, 2017, are as follows:

Investment Type	Rating	Interest Rate	Maturity	Cost
Pro-rata shares of investment contracts with BOK Financial through the Missouri School District Direct Deposit Program	N/A	N/A	N/A	\$ 1,989,447
Missouri Securities Investment Program (MOSIP) - Money Market Fund	N/A	0.04%	N/A	143

SAINT JOSEPH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE C – INVESTMENTS (continued)

Investment Type	Rating	Interest Rate	Maturity	Cost
Discount Notes at UMB Bank				
in the name of the District				
FHLMC	Aaa	1.000%	7/25/17	1,008,405
FHLB	Aaa	1.000%	3/23/18	500,000
FHLB	Aaa	1.000%	2/27/18	2,000,000
FNMA	Aaa	1.000%	9/20/17	2,510,181
FNMA	Aaa	1.000%	9/20/17	2,506,250
FNMA	Aaa	1.000%	11/28/17	3,007,481
FNMA	Aaa	1.100%	3/12/18	2,510,729
Collateralized CP CO LLC C/P	N/A	Variable	8/1/17	2,486,375
				\$ 18,519,011

Investment Contracts with BOK Financial

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

Missouri Securities Investment Program

District funds in the Missouri Securities Investment Program are invested in cash management funds in which the District has a pro-rata share. The funds are invested in accordance with Section 165.051 of the Missouri Revised Statutes, and are carried at historical cost.

NOTE C – INVESTMENTS (continued)

U.S. Government Agency Obligations

District funds are invested in various U.S. government agency obligations (FHLMC, FHLB & FNMA) in accordance with the District's investment policy. These investments are stated at historical cost and are rated at least Aaa by Moody's.

Interest Rate Risk

The District's investment policy addresses the following types of risk:

Custodial credit risk: For deposits, custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District's deposits are either FDIC insured or covered by pledged collateral. The District has an investment banking agreement with UMB Bank, N.A. Based upon this agreement, UMB deposits securities in an amount at least equal in market value of the aggregate amount on deposit less any amount insured by the FDIC. Commerce Bank provides an irrevocable letter of credit from the Federal Home Loan Bank as collateral for the debt service certificate of deposit. The District also has certificates of deposit with various other financial institutions; these institutions also deposit securities in an amount at least equal in market value to the aggregate amount on deposit less any amount insured by the FDIC.

At June 30, 2017, the bank balances of the District's deposits totaled \$37.2 million. Of this amount, \$500,000 was covered by FDIC insurance and \$36.7 million was supported by collateral in custody at the Federal Reserve Bank. The District also had investments of \$18.5 million in securities which are held in the District's name. The deposits of \$2.0 million in the Missouri School District Direct Deposit Program (to provide funds for bond payments) are collateralized by the Bank as a group for all schools included in the program.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has a formal investment policy that minimizes the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter term securities.

Credit risk: Credit risk is defined as the risk that an issuer or other counterparts to an investment in debt securities will not fulfill its obligation. The District's investment policy limits credit risk by requiring diversification and pre-qualification of financial institutions, brokers/dealers, intermediaries, and advisors with which the District will do business.

SAINT JOSEPH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE C – INVESTMENTS (continued)

Concentration of credit risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a specific maturity, issuer or class of security. The District’s investment policy includes minimum diversification standards by security type and issuer and maximum maturity provisions. Investments in securities of any one issuer representing 5% or more of total investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percent</u>
Federal National Mortgage Association	Federal Securities Agency	13%
Federal Home Loan Bank	Federal Securities Agency	14%

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 waiver of the rollback provision.

The assessed valuation of the tangible taxable property for the calendar year 2016 for purposes of local taxation was:

Real estate	\$ 772,048,140
Personal property	<u>276,733,738</u>
	<u><u>\$ 1,048,781,878</u></u>

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 taxes estimated to be received in the subsequent calendar year unless the voters approved a waiver of the rollback provision. The District voters have not approved any waiver of the rollback provision.

SAINT JOSEPH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE D – TAXES (continued)

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2016 for purposes of local taxation was:

	<u>Unadjusted</u>	<u>Adjusted</u>
General Fund	\$ 3.6468	\$ 3.1257
Debt Service Fund	.4455	.4455
	<u>\$ 4.0923</u>	<u>\$ 3.5712</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2017, aggregated approximately 98 percent of the current assessment computed on the basis of the levy as shown above.

NOTE E – GENERAL OBLIGATION BONDS PAYABLE

Bonds payable at June 30, 2017, consists of:

\$16,850,000 Series 2005 general obligation refunding bond issue dated May 5, 2005, due in varying annual installments through March 1, 2019; interest at 4.0% to 5.25%.	\$ 6,900,000
\$9,980,000 Series 2012A general obligation building bond issue dated September 11, 2012, due in varying annual installments through June 30, 2032; interest at 2.3% to 3.0%.	9,980,000
\$1,130,000 Series 2012B taxable general obligation qualified zone academy bond issue dated September 11, 2012, due in varying annual installments through March 1, 2027; interest at .760%.	1,130,000
\$21,890,000 Series 2013A general obligation building bond issue dated April 23, 2013, due in varying annual installments through March 1, 2031; interest at 2.07% to 4.0%.	21,890,000
\$2,720,000 Series 2013B taxable general obligation qualified zone academy bond issue dated December 19, 2013, due in varying annual installments through March 1, 2022; interest at 1.16%.	2,720,000
\$6,280,000 Series 2014 general obligation building bond issue dated October 30, 2014, due in varying annual installments through March 1, 2034; interest at 4.00%.	6,280,000
	<u>\$ 48,900,000</u>

SAINT JOSEPH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE E – GENERAL OBLIGATION BONDS PAYABLE (continued)

The following is a summary of bond transactions for the year ended June 30, 2017:

Bonds Payable, July 1, 2016	\$ 51,900,000
Bonds issued	-
Bonds retired	<u>(3,000,000)</u>
Bonds Payable, June 30, 2017	<u><u>\$ 48,900,000</u></u>

Debt service requirements are:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 3,300,000	\$ 1,673,515	\$ 4,973,515
2019	3,600,000	1,500,265	5,100,265
2020	2,190,000	1,311,265	3,501,265
2021	2,300,000	1,266,015	3,566,015
2022	2,300,000	1,213,165	3,513,165
2023	2,400,000	1,131,165	3,531,165
2024	2,500,000	1,035,165	3,535,165
2025	2,600,000	935,165	3,535,165
2026	2,700,000	831,165	3,531,165
2027	2,830,000	723,165	3,553,165
2028	4,265,000	646,577	4,911,577
2029	4,355,000	557,043	4,912,043
2030	3,005,000	462,075	3,467,075
2031	2,500,000	379,950	2,879,950
2032	2,575,000	301,450	2,876,450
2033	2,680,000	219,200	2,899,200
2034	2,800,000	112,000	2,912,000
	<u><u>\$ 48,900,000</u></u>	<u><u>\$ 14,298,345</u></u>	<u><u>\$ 63,198,345</u></u>

SAINT JOSEPH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE E – GENERAL OBLIGATION BONDS PAYABLE (continued)

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a district to 15 percent of the assessed valuation of the district. The legal debt margin (excluding state assessed railroad and utility) of the District at June 30, 2017, was:

Constitutional debt limit	\$ 157,317,282
General obligation bonds payable	(48,900,000)
Amount available in Debt Service Fund	<u>4,642,366</u>
LEGAL DEBT MARGIN	<u><u>\$ 113,059,648</u></u>

NOTE F – RETIREMENT PLANS

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

Summary of Significant Accounting Policies

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

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

NOTE F – RETIREMENT PLANS (continued)

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

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

Benefits Provided. PEERS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the “Rule of 80” (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional temporary .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are younger than age 55 and who do not qualify under the “Rule of 80” but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

NOTE F – RETIREMENT PLANS (continued)

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

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

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

The District's contributions to PSRS and PEERS were \$8,673,782 and \$1,588,123, respectively, for the year ended June 30, 2017.

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

NOTE G – CLAIMS AND ADJUSTMENTS

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulation, the District may be required to reimburse the grantor government. As of June 30, 2017, 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.

SAINT JOSEPH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE H – 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 I – INTERFUND TRANSFERS

Transfers between funds of the District for the year ended June 30, 2017, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 15,725,071
Special Revenue Fund	12,165,071	-
Other Capital Projects Fund	<u>3,560,000</u>	<u>-</u>
	<u>\$ 15,725,071</u>	<u>\$ 15,725,071</u>

The District is required to make a transfer from the General Fund to the Special Revenue Fund to cover the excess of disbursements over receipts each year. The District is also allowed to make transfers from the General Fund to the Other Capital Projects Fund in order to fund ongoing capital projects and build fund balance as allowed by state statutes.

NOTE J – CAPITAL ASSETS

Capital assets are acquired in the capital projects governmental fund. In the fund financial statements, they are recorded as expenditures. For the District-wide financial statements, the District’s policy is to capitalize all capital assets or improvements that exceed a capitalization threshold of \$5,000 and an estimated useful life of more than one year.

All capital assets purchased after July 1, 2001 are recorded at cost. Assets purchased from proceeds of bonds issued in 2000 have been recorded at cost, and allocated between buildings if the specific building cost could not be determined. For all other capital assets, the District has used cost or estimated historical cost for acquisitions prior to 2001. Donated fixed assets are not recorded under the District’s modified cash basis of accounting.

SAINT JOSEPH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE J – CAPITAL ASSETS (continued)

During fiscal 1999, the District revised its system of keeping track of fixed assets. Information was gathered from each building location regarding fixed assets and a new database was created. The system used reporting by users as its source of information rather than purchase information. Items not reported are not included in the data. Original purchase dates were not available for many items and dates and costs are estimated using current costs for similar items discounted to the estimated time of purchase.

In fiscal 2003 and thereafter, purchase information has been used to identify capital assets. Construction interest is not included in building costs. Retirements and dispositions are based on reporting by users.

Depreciation is calculated using the straight-line method over the following estimated useful lives beginning with the actual or estimated month of purchase:

Buildings and Improvements	40-60 years	
Land Improvements	10 years	
School Buses	8 years	(the same as for state reporting)
Autos and Trucks	10 years	
Furniture and Fixtures	10 years	
Equipment	10 years	
Computers and Related Equipment	5 years	

Depreciation expense in the Statement of Activities is charged directly to the appropriate function or activity. Building depreciation is allocated 76% to Instruction, 21% to Support Services, and 3% to non-Instructional/Support Services. Depreciation expense for the years ended June 30 was charged to functions/programs of governmental activities as follows:

	<u>2017</u>	<u>2016</u>
Instruction	\$ 3,675,748	\$ 3,174,259
Support Services	1,039,022	897,267
Non-Instruction / Support Services	<u>161,379</u>	<u>139,362</u>
TOTAL	<u>\$ 4,876,149</u>	<u>\$ 4,210,888</u>

SAINT JOSEPH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE J – CAPITAL ASSETS (continued)

The following tables detail the changes in the District’s capital assets for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
<u>Governmental Activities:</u>				
Non-depreciable assets				
Land	\$ 2,444,191	\$ 106,500	\$ -	\$ 2,550,691
Construction in progress	2,494,092	5,892,836	8,299,408	87,520
Total non-depreciable assets	4,938,283	<u>\$ 5,999,336</u>	<u>\$ 8,299,408</u>	2,638,211
Depreciable				
Buildings and improvements	130,637,250	\$ 8,254,328	\$ -	138,891,578
Equipment and furniture	9,047,907	227,264	-	9,275,171
Vehicles	1,779,730	43,100	-	1,822,830
Total depreciable assets	141,464,887	<u>\$ 8,524,692</u>	<u>\$ -</u>	149,989,579
Less Accumulated Depreciation	36,111,621	<u>\$ 4,876,149</u>	<u>\$ -</u>	40,987,770
Total depreciable capital assets, net of depreciation	<u>105,353,266</u>			<u>109,001,809</u>
Capital assets, net of depreciation	<u>\$ 110,291,549</u>			<u>\$ 111,640,020</u>

NOTE K – 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 subject 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 L – SELF-INSURANCE FUND

The District has established a partially self-funded health benefit plan for District employees and their covered dependents to minimize the total cost of medical health insurance to the District. This program is for the benefit of all District employees covered under the Saint Joseph Schools Employee Health Care Plan. Medical claims exceeding an individual participant limit of \$200,000 are covered through a private insurance carrier. The program is administered by Benefit Management, Inc. which provides claims review, processing and payment of claims from the health insurance fund. The District established an Internal Service Fund to account for these activities.

NOTE M – DEFERRED COMPENSATION PLAN

The District offers its employees deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457(b). The plans, available to all District employees, permit participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The District funds all amounts of compensation deferred under the plan, at the direction of the covered employee, through investments in individual annuity contracts and custodial accounts for regulated investment company stocks offered by various investment companies.

NOTE N – TAX ABATEMENTS

As of June 30, 2017, the District did not provide tax abatements to any businesses. However, the District's taxes were reduced by agreements entered into by other governments through the following the Real Property Tax Increment Allocation Redevelopment Act (Tax Incremental Financing), Enhanced Enterprise Zones, the Urban Redevelopments Corporation or Chapter 353, and the Chapter 100 Industrial Development Act.

Tax Incremental Financing (TIF) is an economic development tool which redirects local tax revenues towards the redevelopment of eligible properties that are otherwise economically unfeasible. Sections 99.800-99.865, RSMo, the Real Property Tax Increment Allocation Redevelopment Act, enables cities to finance certain redevelopment costs with the incremental tax revenue generated by the net increase in assessed valuation resulting from the redevelopment. Real estate taxes in the redevelopment area are frozen at the current level or base valuation. The increased assessed valuation resulting from the redevelopment is referred to as payments in lieu of taxes (PILOT). PILOTs for each TIF district are collected by the county collector and distributed to a TIF special allocation fund or other political subdivisions.

NOTE N – TAX ABATEMENTS (continued)

- The Enhanced Enterprise Zones Program is designed to attract new or expanding businesses to the area. Under Sections 135.950-135.970, RSMo., in order for a manufacturer, distributor, or certain service industries to qualify for various tax abatements for 10 to 25 years, the business must meet certain minimum criteria depending on the type of business facility. New or expanded business facilities must have two new employees and \$100,000 in new investment. Replacement business facilities must have two new employees and \$1,000,000 in new investment. Both types of business facilities must also offer health insurance to full time employees in Missouri, of which at least 50% is paid by the employer.
- The Urban Redevelopment Corporation Law, or Chapter 353, is an economic development tool to encourage redevelopment of blighted areas. Under Sections 353.010-353.190, RSMo., the Urban Redevelopment Corporation has a tax abatement available for 25 years. During the first 10 years, the property is not subject to real property taxes except in the amount of real property taxes assessed on the land during the calendar year during with the Urban Redevelopment Corporation acquired title to the real property. For the remaining 15 years, the property may be assessed up to 50% of its true value. Payments in lieu of taxes (PILOTs) may be imposed on the Urban Redevelopment Corporation by the city in order to replace all or part of the real estate taxes abated. The PILOTs must be allocated based on a proportionate share to each taxing district.
- The Chapter 100 Industrial Development Act allow cities or counties to purchase or construct certain types of projects with bond proceeds and lease the project to a company under Sections 100.010-100.200, RSMo. Eligible projects include the purchase, construction, extension and improvement of warehouses, distributions facilities, research and development facilities, office industries, agricultural processing industries, service facilities which provide interstate commerce, and industrial plants. Since the city or county owns the property and leases it to the company, an amount of the property taxes can be abated for a term agreed on by the city or county issuer and the company. Cities and counties are allowed to require the company to make payments in lieu of taxes (PILOTs) for a portion of the taxes it would have otherwise been required to pay.

SAINT JOSEPH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE N – TAX ABATEMENTS (continued)

Information relevant to disclosure of these programs for the year ended June 30, 2017, is as follows:

<u>Government Entering Into Agreement</u>	<u>Tax Abatement Program</u>	<u>Amount of Abated Assessed Value</u>	<u>Amount of Taxes Abated</u>	<u>Payment in Lieu of Tax Received</u>
City of St. Joseph, Missouri	Tax Increment Financing Ad-valorem taxes	\$ 59,160,080	\$ 2,112,725	\$ 261,714
City of St. Joseph, Missouri	Enhanced Enterprise Zones Ad-valorem taxes	\$ 22,683,147	\$ 810,061	\$ -
City of St. Joseph, Missouri	Chapter 353 Ad-valorem taxes	\$ 6,078,780	\$ 810,061	\$ -
City of St. Joseph, Missouri	Chapter 100 Ad-valorem taxes	\$ 23,726,020	\$ 847,304	\$ -

SUPPLEMENTARY INFORMATION

SAINT JOSEPH SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
RECEIPTS				
Local	\$ 37,551,647	\$ 37,551,647	\$ 37,665,098	\$ 113,451
County	2,920,000	2,920,000	3,523,661	603,661
State	4,666,005	4,666,005	5,162,672	496,667
Federal	14,802,241	14,802,241	15,501,269	699,028
Other	350,864	350,864	466,864	116,000
TOTAL RECEIPTS	60,290,757	60,290,757	62,319,564	2,028,807
DISBURSEMENTS				
Instruction	13,921,976	13,176,407	12,238,847	937,560
Student services	3,828,329	3,841,855	3,828,310	13,545
Instructional staff support	4,980,511	4,835,136	5,661,502	(826,366)
Building administration	1,677,025	1,677,026	1,504,662	172,364
General administration	3,531,133	3,791,992	1,778,051	2,013,941
Operation of plant	11,376,393	11,376,393	12,442,807	(1,066,414)
Transportation	4,213,279	4,532,659	4,434,705	97,954
Food services	6,755,553	6,191,453	6,552,054	(360,601)
Adult continuing education	354,265	354,265	174,568	179,697
Community services	1,596,917	1,608,707	1,646,156	(37,449)
TOTAL DISBURSEMENTS	52,235,381	51,385,893	50,261,662	1,124,231
EXCESS OF RECEIPTS OVER DISBURSEMENTS	8,055,376	8,904,864	12,057,902	3,153,038
OTHER FINANCING SOURCES (USES)				
Net insurance recovery	-	-	100	(100)
Sale of other property	-	-	384,425	(384,425)
Operating transfers (out)	(14,032,758)	(12,975,745)	(15,725,071)	(2,749,326)
TOTAL OTHER FINANCING SOURCES (USES)	(14,032,758)	(12,975,745)	(15,340,546)	(3,133,851)
(DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	(5,977,382)	(4,070,881)	(3,282,644)	19,187
FUND BALANCE, July 1, 2016	26,349,557	26,349,557	26,349,557	-
FUND BALANCE, June 30, 2017	\$ 20,372,175	\$ 22,278,676	\$ 23,066,913	\$ 19,187

SAINT JOSEPH SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
RECEIPTS				
Local	\$ 13,668,380	\$ 14,668,380	\$ 14,683,848	\$ 15,468
County	209,029	209,029	147,133	(61,896)
State	42,615,074	44,615,074	44,006,500	(608,574)
TOTAL RECEIPTS	56,492,483	59,492,483	58,837,481	(655,002)
DISBURSEMENTS				
Instruction	59,214,737	61,207,911	60,803,443	404,468
Student services	2,609,174	2,642,798	2,624,048	18,750
Instructional staff support	2,320,723	2,287,376	1,448,071	839,305
Building administration	4,397,308	4,397,309	4,339,201	58,108
General administration	509,045	491,681	438,514	53,167
Operation of plant	65,696	65,696	50,225	15,471
Adult continuing education	777,709	777,709	463,786	313,923
Community services	630,849	597,748	835,264	(237,516)
TOTAL DISBURSEMENTS	70,525,241	72,468,228	71,002,552	1,465,676
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(14,032,758)	(12,975,745)	(12,165,071)	810,674
OTHER FINANCING SOURCES				
Operating transfers in	14,032,758	12,975,745	12,165,071	(810,674)
EXCESS OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	-	-	-	-
FUND BALANCE, July 1, 2016	-	-	-	-
FUND BALANCE, June 30, 2017	\$ -	\$ -	\$ -	\$ -

SAINT JOSEPH SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
RECEIPTS				
Local	\$ 3,760,575	\$ 3,760,575	\$ 4,569,483	\$ 808,908
County	394,205	394,205	448,995	54,790
TOTAL RECEIPTS	4,154,780	4,154,780	5,018,478	863,698
DISBURSEMENTS				
Debt service	4,834,515	4,834,515	4,834,140	375
TOTAL DISBURSEMENTS	4,834,515	4,834,515	4,834,140	375
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(679,735)	(679,735)	184,338	864,073
FUND BALANCE, July 1, 2016	4,458,028	4,458,028	4,458,028	-
FUND BALANCE, June 30, 2017	<u>\$ 3,778,293</u>	<u>\$ 3,778,293</u>	<u>\$ 4,642,366</u>	<u>\$ 864,073</u>

SAINT JOSEPH SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – BOND CAPITAL PROJECTS FUND
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Local	\$ -	\$ 202,192	\$ 1,939	\$ (200,253)
TOTAL RECEIPTS	-	202,192	1,939	(200,253)
DISBURSEMENTS				
Facilities acquisition and construction	2,482,844	3,982,844	3,782,591	200,253
TOTAL DISBURSEMENTS	2,482,844	3,982,844	3,782,591	200,253
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(2,482,844)	(3,780,652)	(3,780,652)	-
FUND BALANCE, July 1, 2016	3,781,786	3,781,786	3,781,786	-
FUND BALANCE, June 30, 2017	\$ 1,298,942	\$ 1,134	\$ 1,134	\$ -

SAINT JOSEPH SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – CAPITAL PROJECTS FUND
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
RECEIPTS				
Local	\$ 412,400	\$ 412,400	\$ 444,649	\$ 32,249
State	322,660	322,660	300,777	(21,883)
Federal	-	-	227,500	227,500
Other	30,000	30,000	-	(30,000)
TOTAL RECEIPTS	765,060	765,060	972,926	207,866
DISBURSEMENTS				
Instruction	552,000	552,000	635,539	(83,539)
Student services	2,000	14,198	12,198	2,000
Instructional staff support	1,500,000	1,500,000	1,251,942	248,058
General administration	7,500	7,500	2,198	5,302
Operation of plant	2,035,000	2,035,000	1,064,827	970,173
Transportation	100,000	100,000	100,000	-
Food services	65,000	65,000	16,225	48,775
Facilities acquisition and construction	1,100,000	1,087,801	1,292,110	(204,309)
Debt service	11,000	11,000	-	11,000
TOTAL DISBURSEMENTS	5,372,500	5,372,499	4,375,039	997,460
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(4,607,440)	(4,607,439)	(3,402,113)	1,205,326
OTHER FINANCING SOURCES				
Operating transfers in	-	-	3,560,000	3,560,000
Sale of other property	-	-	2,594	2,594
TOTAL OTHER FINANCING SOURCES	-	-	3,562,594	3,562,594
EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	(4,607,440)	(4,607,439)	160,481	4,767,920
FUND BALANCE, July 1, 2016	10,216,857	10,216,857	10,216,857	-
FUND BALANCE, June 30, 2017	\$ 5,609,417	\$ 5,609,418	\$ 10,377,338	\$ 4,767,920

SAINT JOSEPH SCHOOL DISTRICT
NOTE TO BUDGETARY COMPARISON SCHEDULES
June 30, 2017

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 Director of Finance, 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

SAINT JOSEPH SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE
Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
LOCAL					
Current taxes	\$ 30,769,921	\$ -	\$ 4,364,909	\$ -	\$ 35,134,830
Delinquent taxes	1,309,264	-	123,204	-	1,432,468
School district trust fund (Prop C)	-	11,780,667	-	-	11,780,667
Financial institution tax	-	247,130	-	-	247,130
M & M surcharge taxes	-	2,640,827	-	-	2,640,827
In lieu of tax	241,634	-	20,080	-	261,714
Tuition from individuals	13,686	-	-	-	13,686
Tuition - post secondary	596,591	-	-	-	596,591
Earnings on investments	756,310	571	61,290	1,939	820,110
Food service program	698,113	-	-	-	698,113
Food service non-program	212,325	-	-	-	212,325
Student activities	2,443,240	-	-	-	2,443,240
Community services	116,037	-	-	-	116,037
Rentals	9,017	-	-	-	9,017
Gifts	92,102	-	-	420,194	512,296
Prior period adjustment	16,758	14,653	-	-	31,411
Other	261,247	-	-	24,455	285,702
TOTAL LOCAL	37,536,245	14,683,848	4,569,483	446,588	57,236,164
COUNTY					
Fines, escheats, etc.	-	147,133	-	-	147,133
State assessed utilities	3,523,661	-	448,995	-	3,972,656
TOTAL COUNTY	3,523,661	147,133	448,995	-	4,119,789
STATE					
Basic formula - state monies	-	39,629,128	-	-	39,629,128
Transportation	709,573	-	-	-	709,573
Early childhood special education	1,725,919	-	-	140	1,726,059
Basic formula - classroom trust fund	-	4,377,372	-	-	4,377,372
Career education / At risk	20,000	-	-	-	20,000
Educational screening program	446,028	-	-	-	446,028
Vocational	687,967	-	-	-	687,967
Food service	45,975	-	-	-	45,975
Adult education & literacy (AEL)	758,001	-	-	-	758,001
Voc/Tech Ed enhancement grant	33,319	-	-	300,637	333,956
Readers for the blind	211	-	-	-	211
High need fund	626,102	-	-	-	626,102
Other	109,577	-	-	-	109,577
TOTAL STATE	5,162,672	44,006,500	-	300,777	49,469,949

SAINT JOSEPH SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE (continued)
Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
FEDERAL					
Medicaid	500,710	-	-	-	500,710
Reserve officer training corps (ROTC)	173,424	-	-	-	173,424
Voc Ed Act - Title I, Basic Grant	664,322	-	-	-	664,322
IDEA Grants	51,829	-	-	-	51,829
IDEA	2,610,817	-	-	-	2,610,817
Early childhood special education	252,809	-	-	-	252,809
School lunch program	3,624,488	-	-	-	3,624,488
School breakfast program	1,529,280	-	-	-	1,529,280
After school snack program	11,611	-	-	-	11,611
ESEA, Title I	4,608,929	-	-	-	4,608,929
Title I, Part C - migrant education	93,821	-	-	-	93,821
ESEA, Title III	75,131	-	-	-	75,131
Education for homeless children & youth	46,855	-	-	-	46,855
ESEA, Title II, Part A	799,700	-	-	-	799,700
Pell grants	270,187	-	-	-	270,187
Other	187,356	-	-	227,500	414,856
TOTAL FEDERAL	15,501,269	-	-	227,500	15,728,769
OTHER SOURCES					
Net insurance recovery	100	-	-	-	100
Sale of other property	384,425	-	-	2,594	387,019
Tuition from other districts	88,000	-	-	-	88,000
Area voc fees from other LEAs	378,864	-	-	-	378,864
TOTAL OTHER SOURCES	851,389	-	-	2,594	853,983
TOTAL RECEIPTS	\$ 62,575,236	\$ 58,837,481	\$ 5,018,478	\$ 977,459	\$ 127,408,654

The above presentation is in the form of the Annual Secretary of the Board Report (ASBR). For purposes of reporting financial information, the District's fiduciary fund activity is included in the General Fund for the ASBR while the District's Bond Capital Projects Fund and Other Capital Projects Fund have been combined on the ASBR.

SAINT JOSEPH SCHOOL DISTRICT
SCHEDULE OF DISBURSEMENTS BY OBJECT
Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Salaries	\$ 20,544,738	\$ 53,713,459	\$ -	\$ -	\$ 74,258,197
Teacher retirement	84,334	8,584,327	-	-	8,668,661
Non-teacher retirement	1,586,456	254	-	-	1,586,710
Old age survivor and disability (OASDI)	1,193,758	131,723	-	-	1,325,481
Medicare	281,414	746,369	-	-	1,027,783
Employee insurance	5,070,214	7,812,641	-	-	12,882,855
Other employer provided services	39,185	13,779	-	-	52,964
Purchased instructional services - tuition	667,122	-	-	-	667,122
Professional services	64,517	-	-	-	64,517
Audit	35,230	-	-	-	35,230
Legal services	253,707	-	-	-	253,707
Election services	2,200	-	-	-	2,200
Other professional services	3,068,512	-	-	-	3,068,512
Repairs and maintenance	230,093	-	-	-	230,093
Rentals - land and buildings	18,200	-	-	-	18,200
Rentals - equipment	351,314	-	-	-	351,314
Water and sewer	339,335	-	-	-	339,335
Trash removal	66,715	-	-	-	66,715
Rentals of computers and related equipment	77,153	-	-	-	77,153
Contracted transportation to and from school	2,716,971	-	-	-	2,716,971
Other contracted pupil transportation	364,737	-	-	-	364,737
Travel	503,186	-	-	-	503,186
Property insurance	447,618	-	-	-	447,618
Communication	246,051	-	-	-	246,051
Advertising, printing, dues and other purchased services	2,197,056	-	-	-	2,197,056
General supplies	3,298,968	-	-	-	3,298,968
Supplies - technology - related	518,872	-	-	-	518,872
Regular textbooks	1,019,342	-	-	-	1,019,342
Library books	105,679	-	-	-	105,679
Food service - food only	2,330,193	-	-	-	2,330,193
Energy supplies	2,444,738	-	-	-	2,444,738
Other supplies	94,054	-	-	-	94,054
Land	-	-	-	6,375	6,375
Buildings	-	-	-	6,007,339	6,007,339
Improvement to sites	-	-	-	68,025	68,025
Equipment - general	-	-	-	105,517	105,517
Equipment - instructional	-	-	-	1,827,274	1,827,274
Vehicles	-	-	-	43,100	43,100
School buses	-	-	-	100,000	100,000
Principal	-	-	3,000,000	-	3,000,000
Interest	-	-	1,831,015	-	1,831,015
Other	-	-	3,125	-	3,125
TOTAL DISBURSEMENTS	\$ 50,261,662	\$ 71,002,552	\$ 4,834,140	\$ 8,157,630	\$ 134,255,984

The above presentation is in the form of the Annual Secretary of the Board Report (ASBR). For purposes of reporting financial information, the District's fiduciary fund activity is included in the General Fund for the ASBR while the District's Bond Capital Projects Fund and Other Capital Projects Fund have been combined on the ASBR.

SAINT JOSEPH SCHOOL DISTRICT
 SCHEDULE OF TRANSPORTATION COSTS ELIGIBLE FOR STATE AID
 Year Ended June 30, 2017

	<u>Contracted</u>	<u>District Owned</u>	<u>Contracted Disabled</u>	<u>Disabled District Owned</u>	<u>Total</u>
Non-certified salaries	\$ 32,264	\$ -	\$ -	\$ 587,982	\$ 620,246
Employee benefits	7,388	-	-	286,364	293,752
Purchased services	2,867,385	-	214,324	18,878	3,100,587
Supplies	210,441	1,306	-	55,371	267,118
Depreciation	-	938	-	-	938
	<u>\$ 3,117,478</u>	<u>\$ 2,244</u>	<u>\$ 214,324</u>	<u>\$ 948,595</u>	<u>\$ 4,282,641</u>
School buses purchased					<u>\$ 100,000</u>

OTHER REQUIRED REPORTS



**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
Saint Joseph School District
Saint Joseph, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Saint Joseph School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Saint Joseph School District's basic financial statements and have issued our report thereon dated November 20, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be material weaknesses. They are identified as items 2017-001 to 2017-003.

Compliance and Other Matters

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

Response to Findings

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

Purpose of Report

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 20, 2017



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

Board of Education
Saint Joseph School District
Saint Joseph, Missouri

Report on Compliance for Each Major Federal Program

We have audited Saint Joseph School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Saint Joseph School District's major federal programs for the year ended June 30, 2017. The Saint Joseph School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Saint Joseph School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Saint Joseph School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Saint Joseph School District's compliance.

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Member of The Leading Edge Alliance

Basis for Qualified Opinion on the Student Financial Assistance Cluster

As described in the accompanying schedule of findings and questioned costs, the Saint Joseph School District did not comply with requirements regarding CFDA 84.063 Pell Grants, CFDA 84.268 Federal Direct Student Loans, and 84.007 Federal Supplemental Education Opportunity Grants as described in findings 2017-004 through 2017-012 for proper program selection in previous years, proper reporting of change of enrollment status, for timely return of Title IV funds, improper disbursement of funds and documentation, proper monitoring of satisfactory academic progress, meeting academic year requirements, and for proper right to cancel notification, respectively. Compliance with such requirements is necessary in our opinion, for the Saint Joseph School District to comply with the requirements applicable to that program.

Qualified Opinion on the Student Financial Assistance Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Saint Joseph School District complied in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on the Student Financial Aid Cluster for the year ended June 30, 2017.

Unmodified Opinion on the Other Major Federal Programs

In our opinion, the Saint Joseph School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal programs for the year ended June 30, 2017.

Other Matters

The Saint Joseph School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Saint Joseph School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Saint Joseph School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Saint Joseph School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, identified as item 2017-013, to be a material weakness.

The Saint Joseph School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Saint Joseph School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 20, 2017

SAINT JOSEPH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number or Other Identifying Number	Passed-through to Subrecipients	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Missouri Department of Elementary and Secondary Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	2016N109943	\$ -	\$ 411,476
		20177N109943	-	1,117,804
			-	1,529,280
National School Lunch Program - Cash	10.555	2016N109943	-	819,467
		20177N109943	-	2,805,021
- Commodities	10.555	011-082	-	331,556
			-	3,956,044
After School Snack Program	10.555	2016N109943	-	593
		20177N109943	-	11,017
			-	11,610
Total Child Nutrition Cluster			-	5,496,934
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	5,496,934
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Missouri Department of Elementary and Secondary Education				
Title I Grants to LEAs	84.010	S010A150025	-	916,437
		S010A160025	-	2,742,584
			-	3,659,021
Migrant Education State Grant Program	84.011	S011A150025	-	25,779
		S011A160025	-	66,541
			-	92,320
Vocational Rehabilitation Grants to States	84.126	011-082	-	96,989
Supporting Effective Instruction State Grants	84.367	S367A150024	-	203,379
		S367A160024	-	479,359
			-	682,738
English Language Acquisition Grants	84.365	S365A150025	-	26,938
		S365A160025	-	33,009
			-	59,947
Career and Technical Education - Basic Grants to States	84.048	V048A150025	-	57,320
		V048A160025	-	325,743
		V048A616025	-	4,200
			-	387,263

SAINT JOSEPH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
Year Ended June 30, 2017

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number or Other Identifying Number	Passed-through to Subrecipients	Federal Expenditures
Assessment Sub Payment	84.369	S369A150026	-	554
Special Education Grants Cluster				
Special Education Grants to States	84.027	H027A150040	-	1,026,859
		H027A160040	-	1,642,141
			-	2,669,000
Special Education Preschool Grants	84.173	H173A160103	-	57,660
Total Special Educations Grants Cluster			-	2,726,660
Direct				
Student Financial Assistance Cluster				
Federal Pell Grant Program (Pell)	84.063	N/A	-	270,187
Federal Direct Student Loans (Direct Loan)	84.268	N/A	-	521,643
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	N/A	-	5,703
Total Student Financial Assistance Cluster			-	797,533
TOTAL U.S. DEPARTMENT OF EDUCATION			-	8,503,025
<u>U.S. DEPARTMENT OF LABOR</u>				
North Central Missouri College				
WIA Cluster				
WIA Adult Program	17.258	AA-28326-16-55-A-29	-	65,196
WIA Dislocated Worker Formula Grants	17.278	AA-28326-16-55-A-29	-	18,131
TOTAL U.S. DEPARTMENT OF LABOR			-	83,327
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Direct				
Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	B-09-SP-MO-0417	-	227,500
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			-	227,500
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>				
Missouri Department of Elementary and Secondary Education				
Youth Risk Behavior Survey	93.079	U87PS004191	-	2,000
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			-	2,000
<u>U.S. DEPARTMENT OF DEFENSE</u>				
Direct				
ROTC Language and Culture Training Grants	12.000	N/A	-	173,424
TOTAL U.S. DEPARTMENT OF DEFENSE			-	173,424
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 14,486,210

N/A – Not applicable

SAINT JOSEPH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
Year Ended June 30, 2017

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 financial statements.
2. Commodities received and expended are valued by the Food Service Section of the Department of Elementary and Secondary Education at \$331,556.
3. The District did not provide funds to subrecipients in the current year.
4. The District elected not to use the 10% de minimis indirect cost rate.
5. Loan Programs – The District participates in the Federal Direct Student Loan Program, which provides federal loans directly to the students rather than through private lending institutions. The District is responsible only for the origination of the loan (e.g., determining students eligibility and disbursing loan proceeds to the borrower). The Direct Loan Servicer is then responsible for the overall servicing and collection of the loan. Accordingly, these loans are not included in the District's financial statements.

The amount reported on the schedule of expenditures of federal awards for the loan program represents the total value of the loans awarded and paid to the District's students during the year ended June 30, 2017.

SAINT JOSEPH SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section I – Summary of Audit Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with the modified cash basis of accounting:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified: yes X none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified: yes X none reported

Type of auditor’s report issued on compliance for major federal programs:

Qualified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

 X yes no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063, 84.268 & 84.007 10.553 & 10.555	Student Financial Assistance Cluster Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:

 \$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

Section II – Financial Statement Findings

MATERIAL WEAKNESSES – 2017-001 through 2017-003

2017-001 Segregation of Duties

Condition: Because of a limited number of available personnel and high employee turnover rate in the business office at various times during the year, it was not always possible to adequately segregate certain incompatible duties so that no one employee had access to both physical assets and the related accounting records, or to all phases of a transaction. There were some mitigating controls in place, but it was not possible to have segregation in all areas.

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

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

Recommendation: We realize that due to circumstances beyond their control, 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: Periodically, due to employee turnover and other factors, a limited number of available personnel can prohibit segregation of incompatible duties and the District utilizes its resources to hire additional accounting personnel and provide training in a timely manner. The District will continue to work on developing processes and procedures to further segregate duties within the business office and the District.

2017-002 Bank Reconciliations and Supporting Documentation

Condition: During the year ended June 30, 2017, reconciliations of all bank accounts were not performed on a monthly basis. We noted that on some of the reconciliations performed, listings of outstanding items were not maintained and included with the reconciliation to substantiate the outstanding items shown in the reconciliation.

Criteria: Bank reconciliations are an important internal control within an entity operating on the modified cash basis of accounting. All bank accounts held under the District's tax identification number should be reconciled to the general ledger on a monthly basis. All supporting information for the bank reconciliation should be included behind the reconciliation document. These items would include a printout of general ledger cash, bank statements and detailed listings of outstanding items.

SAINT JOSEPH SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2017

2017-002 Bank Reconciliations and Supporting Documentation (continued)

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 and corrected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We recommend that all bank accounts be reconciled to the general ledger on a monthly basis. We further recommend that these bank reconciliations and supporting information be kept on file in accordance with Missouri record retention schedules. It is possible that the District could benefit from contracting with a third party to perform the bank reconciliations and develop a monthly bank reconciliation procedure that could eventually be followed by District personnel.

Response: The District has been working with a third party and surrounding districts with the same software systems, and has developed a monthly bank reconciliation for the fiscal year 2018. Even though the District did not have a monthly bank reconciliation, the District did complete a monthly revenue proof to verify revenue transactions between the bank and the general ledger. To limit fraud, a list of checks are sent within 24 hours of issuance to the banking institution to verify the checks cut are from the general ledger. This ensures that checks will not clear the bank that are not approved and issued by the District. The District is continuing to modify and correct banking procedures.

2017-003 Bank Reconciliation Review

Condition: The District does not currently have a policy that requires a review of bank account reconciliations by a member of management outside the accounting cycle.

Criteria: Bank reconciliations are an important internal control within an entity operating on the modified cash basis of accounting. Instituting and following a policy that requires a review of monthly bank reconciliations by a member of management outside the accounting cycle will assist the District in insuring that this key internal control is being done properly in a timely manner.

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 and corrected within a timely period by employees in the normal course of performing their assigned functions.

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

Response: A policy has been developed to have a management person, other than the one doing bank reconciliations review the bank reconciliations each month.

Section III – Federal Award Findings and Questioned Costs

COMPLIANCE FINDINGS – 2017-004 through 2017-012

U.S. DEPARTMENT OF EDUCATION

Student Financial Assistance Cluster

Federal Direct Student Loan Program	CFDA 84.268
Federal Pell Grant Program (PELL)	CFDA 84.063
Federal Supplemental Educational Opportunity Grants (FSEOG)	CFDA 84.007

2017-004 Student Financial Assistance Cluster – Special Testing – Enrollment Reporting (REPEAT)

Condition: The District did not have procedures in place to ensure change in enrollment information was accurately being reported to the Department of Education in all cases.

Context: A sample of 37 students revealed one instance in which the District reported the date of official withdrawal rather than the last date of attendance. A non-statistical sampling methodology was used to select the sample.

Criteria: The U.S. Department of Education requires the District to report certain information when a student who receives Title IV financial aid has a change in enrollment status with the institution.

Effect: The District was not in compliance with enrollment reporting to the National Student Loan Data System (NSLDS) for students with enrollment status changes.

Cause: The District’s policies and procedures did not include proper internal controls over compliance to ensure that this requirement was being met.

Questioned costs: None, as the District has already reported change in enrollment information to the Department of Education

Repeat Finding: This is a repeat finding from the previous audit, 2016-010.

Recommendation: We recommend the District implement procedures to strictly comply with requirements of 34 CFR 668 as it relates to the student enrollment status information reported to the NSLDS.

Response: The District is reviewing its policies and procedures and will correct in 2017-18.

SAINT JOSEPH SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2017

2017-005 Student Financial Assistance Cluster – Return to Title IV (R2T4) (REPEAT)

Condition: The District did not properly carry out the R2T4 process for the 2016-17 fiscal year. This was primarily due to improper calculations of payment periods.

Criteria: The District must return funds to Title IV within 45 days after the date the District determined the student withdrew. Additionally, the determination date should be no later than 14 days after the student's last date of attendance as determined by the District from its attendance records. Both requirements are in accordance with 34 CFR 668.

Effect: The District was not in compliance with the return of Title IV funds within the 45 day limit for two students in the spring semester.

Cause: The District's policies and procedures did not include proper internal controls over compliance to ensure that this requirement was being met. In addition, improper academic years caused miscalculations of payment periods, see finding 2017-010.

Context: 2 of the 37 students tested were determined as withdrawn during the academic year. The last date of attendance was improperly reported for 1 student. Both students had the incorrect clock hours used for the total payment period due to improper academic year definitions, this resulted in differing amounts calculated to be returned to the U.S. Department of Education. Our sample was not a statistically valid sample.

Repeat Finding: This is a repeat finding from the previous audit, 2016-011.

Questioned costs: None, as the District has already recalculated the amounts to be refunded and returned the funds to the Department of Education.

Recommendation: We recommend that the District provide training as necessary to student financial aid personnel to ensure that requirements pertaining to returning funds to Title IV are properly followed.

Response: The District is reviewing its policies and procedures and will correct in 2017-18. The District has hired Campus Ivy, a third-party servicer to help meet the compliance requirements related to student financial aid.

2017-006 Student Financial Assistance Cluster – Right to Cancel Notification (REPEAT)

Condition: The District did not have procedures in place to notify students, or parents, in writing their right to cancel all or a portion of the loan disbursement within the required timeframe.

Criteria: The U.S. Department of Education requires the District to notify students, or parents, of their right to cancel all or a portion of the loan disbursements in writing, no earlier than 30 days before or 30 days after crediting the student's account at the District.

SAINT JOSEPH SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2017

2017-006 Student Financial Assistance Cluster – Right to Cancel Notification (REPEAT) (continued)

Effect: The District was not in compliance with notifying the student or parent of their right to cancel with loan disbursements.

Cause: The District's policies and procedures did not include proper internal controls over compliance to ensure that this requirement was being met.

Context: 32 of the 37 students tested were disbursed Direct Student Loan funds without properly notifying students, or parents, in writing of their right to cancel all or a portion of the loan disbursement. Our sample was not a statistically valid sample.

Repeat Finding: This is a repeat finding from the previous audit, 2016-012

Questioned costs: None.

Recommendation: We recommend the District implement procedures to strictly comply with requirements of 34 CFR 668 as it relates to notifying students, or parents, and their right to cancel loan disbursements.

Response: The District is reviewing its policies and procedures and will correct in 2017-18. The District has hired Campus Ivy, a third-party servicer to help meet the compliance requirements related to student financial aid.

2017-007 Student Financial Assistance Cluster – Inaccurate Reporting of Disbursements Dates to the Common Origination and Disbursement (COD) System

Condition: The District reported a disbursement date to the Common Origination and Disbursement (COD) system that differed from student records.

Criteria: The U.S. Department of Education requires the District to report the date the institution credits funds to a student's account as the disbursement date to the Common Origination and Disbursement (COD) system in accordance with 34 CFR 685.301(a). The U.S. Department of Education considers the disbursement date to be the date the institution credits funds to a student's account (34 CFR 668.164(a)(1)).

Effect: Direct student loan interest and grace periods may be affected.

Cause: The District's policies and procedures did not include proper internal controls over compliance to ensure that this requirement was being met.

Context: 21 of the 37 students that we sampled did not have the proper disbursement date reported to the Common Origination and Disbursement (COD) system. The differences ranges from 5 days early to 54 days late with an average of 3 days difference. Our sample was not a statistically valid sample.

SAINT JOSEPH SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2017

2017-007 Student Financial Assistance Cluster – Inaccurate Reporting of Disbursements Dates to the Common Origination and Disbursement (COD) System (continued)

Questioned costs: None.

Recommendation: We recommend the District implement procedures to strictly comply with requirements of 34 CFR 685.301(a) as it relates to reporting the proper dates of disbursement to the Common Origination and Disbursement (COD) system.

Response: The District is reviewing its policies and procedures and will correct in 2017-18. The District has hired Campus Ivy, a third-party servicer to help meet the compliance requirements related to student financial aid.

2017-008 Student Financial Assistance Cluster – Improper Disbursement of Federal Supplemental Educational Opportunity Grant (SEOG) Funds

Condition: The District did not properly disburse Federal Supplemental Educational Opportunity Grant (SEOG) Funds based on the payment period.

Criteria: The U.S. Department of Education requires the District to disburse the full academic year award of Federal Supplemental Educational Opportunity Grant (SEOG) Funds in payment periods in accordance with 34 CFR 676.16.

Effect: Students may withdraw prior to the next payment period resulting in an over-award.

Cause: The District's policies and procedures did not include proper internal controls over compliance to ensure that this requirement was being met.

Context: 4 of the 37 students that we sampled had one lump sum disbursement of Federal Supplemental Educational Opportunity Grant (SEOG) Funds. Our sample was not a statistically valid sample.

Questioned costs: The questionable costs are undeterminable and more likely than not would be clearly trivial, and therefore, there are no questioned costs.

Recommendation: We recommend the District implement procedures to strictly comply with requirements of 34 CFR 676.16 as it relates to the disbursement of Federal Supplemental educational Opportunity Grant (SEOG) Funds.

Response: The District is reviewing its policies and procedures and will correct in 2017-18. The District has hired Campus Ivy, a third-party servicer to help meet the compliance requirements related to student financial aid.

SAINT JOSEPH SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2017

2017-009 Student Financial Assistance Cluster – Improper Disbursement of PELL Funds and Direct Student Loan Funds

Condition: The District improperly disbursed PELL funds prior to 10 days before the first day of classes for the payment period and improperly disbursed Direct Student Loan funds prior to 30 days before the first day of classes for the payment period for a new borrower.

Criteria: The U.S. Department of Education requires the District to disburse PELL funds no earlier than 10 days before the first day of classes for the payment period in accordance with 34 CFR 668.164(h). The U.S. Department of Education requires the District to disburse Direct Student Loan funds no earlier than 30 days before the first day of classes for the payment period for a new borrower in accordance with 34 CFR 685.303(b)(5).

Effect: The District was not in compliance with disbursing PELL funds or Direct Student Loan funds within the required time frames.

Cause: The District's policies and procedures did not include proper internal controls over compliance to ensure that this requirement was being met.

Context: 2 of the 37 students that we sampled had PELL funds disbursed prior to 10 days after the first day of classes for the payment period. 1 of the 14 students considered to be a new borrower from the 37 students that we sampled had Direct Student Loan fund disbursed prior to 30 days after the first day of classes for the payment period. Our sample was not a statistically valid sample.

Questioned costs: The questionable costs are undeterminable and more likely than not would be clearly trivial, and therefore, there are no questioned costs.

Recommendation: We recommend the District implement procedures to strictly comply with requirements of 34 CFR 668.164(h) and 34 CFR 685.303(b)(5) as it relates to the timeframe for PELL fund disbursements and new borrower Direct Student Loan fund disbursements.

Response: The District is reviewing its policies and procedures and will correct in 2017-18. The District has hired Campus Ivy, a third-party servicer to help meet the compliance requirements related to student financial aid.

2017-010 Student Financial Assistance Cluster – Satisfactory Academic Progress

Condition: The District did not follow their satisfactory academic progress policy regarding reviewing student academic progress at the end of each payment period.

Criteria: The U.S. Department of Education requires the District to have a satisfactory academic progress policy in accordance with 34 CFR 668.34 that should be evaluated at the end of each payment period prior to disbursing additional funds to students.

SAINT JOSEPH SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2017

2017-010 Student Financial Assistance Cluster – Satisfactory Academic Progress (continued)

Effect: Students may have not been eligible to receive Title IV funds for the next payment period.

Cause: The District was not using proper calendars for programs, therefore causing improper calculations for the payment period, see finding 2017-010.

Context: 37 of the 37 students that we sampled were not properly reviewed after each payment period as required by the satisfactory academic progress policy. Our sample was not a statistically valid sample.

Questioned costs: The questionable costs are undeterminable and more likely than not would be clearly trivial, and therefore, there are no questioned costs.

Recommendation: We recommend the District implement procedures to strictly comply with requirements of 34 CFR 668.34 as it relates to the satisfactory academic progress policy.

Response: The District is reviewing its policies and procedures and will correct in 2017-18. The District has hired Campus Ivy, a third-party servicer to help meet the compliance requirements related to student financial aid.

2017-011 Student Financial Assistance Cluster – Academic Year and Payment Periods

Condition: The District did not meet requirements establishing the academic year.

Criteria: The U.S. Department of Education requires the District to have a minimum of 26 weeks of instructional time and 900 clock hours for any programs measured in clock hours in accordance with 34 CFR 668.3. The U.S. Department of Education requires the District to measure the first payment period as the period of time in which the student successfully completes half of the number of clock hours in the program and half of the number of instructional time in the program and the second payment period as the remainder of the program in accordance with 34 CFR 668.4.

Effect: Payment periods were improperly calculated due to differing academic years and approved hours for a program on the ECAR were not met.

Cause: The District was not using proper calendars for programs that included a minimum of 26 weeks of instructional time and 900 clock hours, therefore causing improper calculations for the payment period.

Context: Program calendars of the 37 students we sampled did not meet the specifications of the academic year and resulted in issues regarding payment period calculations, return of funds, and ECAR compliance. Our sample was not a statistically valid sample.

SAINT JOSEPH SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2017

2017-011 Student Financial Assistance Cluster – Academic Year and Payment Periods (continued)

Questioned costs: The questionable costs are undeterminable and more likely than not would be clearly trivial, and therefore, there are no questioned costs.

Recommendation: We recommend the District implement procedures to strictly comply with requirements of 34 CFR 668.3 and 34 CFR 668.4 as it relates to the academic year and payment periods.

Response: The District is reviewing its policies and procedures and will correct in 2017-18. The District has hired Campus Ivy, a third-party servicer to help meet the compliance requirements related to student financial aid

2017-012 Student Financial Assistance Cluster – Improper Documentation

Condition: The District did not provide all required documentation.

Criteria: Certain documentation is necessary to compare District records with records submitted to the Common Origination and Disbursement (COD) system, the National Student Loan Data System (NSLDS), U.S. Department of Education, and several other sources to verify the accuracy of information and compliance requirements.

Effect: We were unable to determine if amounts were over-awarded, proper exit counseling was conducted, proper dates of disbursement and amounts were reported to the Common Origination and Disbursement (COD) system, or if there were changes to student data that may affect award amounts or timing.

Cause: The District did not always keep the proper records or did not have access or knowledge of where to find these records due to the student financial aid director leaving prior to the audit.

Context: There were several instances where the requested record could not be produced.

Questioned costs: The questionable costs are undeterminable.

Recommendation: We recommend the District implement procedures to strictly comply with requirements of record keeping.

Response: The District is reviewing its policies and procedures and will correct in 2017-18. The District has hired Campus Ivy, a third-party servicer to help meet the compliance requirements related to student financial aid, as well as keep electronic record of documents.

SAINT JOSEPH SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2017

MATERIAL WEAKNESS – 2017-013

U.S. DEPARTMENT OF EDUCATION

Federal Direct Student Loans CFDA No. 84.268

Federal Pell Grant Program (PELL) CFDA No. 84.063

Federal Supplemental Educational
Opportunity Grants (FSEOG) CFDA 84.007

2017-013 Ongoing Monitoring of Compliance with Grant Requirements (REPEAT)

Condition: The District’s current policies and procedures that constitute the District’s internal control over compliance allowed noncompliance with various compliance requirements of the Federal Direct Student Loans Program, CFDA No 84.268, the Federal Pell Grant Program, CFDA No 84.063 and the Federal Supplemental Educational Opportunity Grants (FSEOG), CFDA No 84.007, which are parts of the Student Financial Assistance Cluster of programs. These instances of non-compliance have been documented in findings 2017-004 through 2017-012.

Criteria: Internal controls over compliance should ensure that the various compliance requirements of each federal program are being met by the District.

Effect: Risk is present that instances of noncompliance may occur and not be detected and corrected within a timely period by employees in the normal course of performing their assigned functions.

Cause: Current policies and procedures resulted in an insufficient number of adequately trained personnel being involved in the process of meeting various filing and reporting requirements for federal grants.

Recommendation: We recommend that the District implement procedures in order to strictly comply with all compliance requirements.

Response: The District is reviewing its policies and procedures and will correct in 2017-18. The District has hired Campus Ivy, a third-party servicer to help meet the compliance requirements related to student financial aid

SAINT JOSEPH SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2017

SUMMARY OF REPEAT FINDINGS:

Current Year Finding Number	Current Year Finding Title	Repeat Finding: Yes/No	Corresponding Prior Year Finding Number
Financial Statement Findings: Material Weaknesses			
2017-001	Segregation of Duties	Yes	2016-001
2017-002	Bank Reconciliations and Supporting Documentation	Yes	2016-002
2017-003	Bank Reconciliation Review	Yes	2016-004
Federal Award Findings and Questioned Costs: Compliance Findings			
2017-004	Student Financial Assistance Cluster- Special Testing - Enrollment Reporting	Yes	2016-010
2017-005	Student Financial Assistance Cluster- Special Testing - Return to Title IV (R2T4)	Yes	2016-011
2017-006	Student Financial Assistance Cluster - Special Testing - Right to Cancel Notification	Yes	2016-012
2017-007	Student Financial Assistance Cluster - Inaccurate Reporting of Disbursement Dates to the Common Origination and Disbursement (COD) System	No	N/A
2017-008	Student Financial Assistance Cluster- Improper Disbursement of Federal Supplemental Education Opportunity Grant (FSEOG) Funds	No	N/A
2017-009	Student Financial Assistance Cluster - Improper Disbursement of PELL Funds and Direct Student Loan Funds	No	N/A
2017-010	Student Financial Assistance Cluster - Satisfactory Academic Progress	No	N/A
2017-011	Student Financial Assistance Cluster - Academic Year and Payment Periods	No	N/A
2017-012	Student Financial Assistance Cluster - Improper Documentation	No	N/A
Federal Award Findings and Questioned Costs: Material Weakness			
2017-013	Ongoing Monitoring of Compliance with Grant Requirements	Yes	2016-013

SAINT JOSEPH SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Financial Statement Findings

MATERIAL WEAKNESSES – 2016-001 through 2016-009

2016-001 Segregation of duties

Auditor's Recommendation: We realize that due to circumstances beyond their control, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Status: Open

2016-002 Bank Reconciliations and Supporting Documentation

Auditor's Recommendation: We recommend that all bank accounts be reconciled to the general ledger on a monthly basis. We further recommend that these bank reconciliations and supporting information be kept on file in accordance with Missouri record retention schedules.

Status: Open

2016-003 Bank Statement Review

Auditor's Recommendation: We recommend that the District institute a policy that designates an employee outside the accounting cycle to open and review bank statements on a monthly basis. We further recommend that this policy include a requirement that the reviewer signs and dates each bank statement upon completion of the review.

Status: Resolved

2016-004 Bank Reconciliation Review

Auditor's Recommendation: We recommend that the District institute a policy that designates an employee outside the accounting cycle to review bank reconciliations on a monthly basis. We further recommend that this policy include a requirement that the reviewer signs and dates the reconciliation upon completion of the review.

Status: Open

SAINT JOSEPH SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS (continued)
Year Ended June 30, 2017

2016-005 Activity Funds

Auditor's Recommendation: We recommend that the District institute a policy that segregates the incompatible duties by utilizing other personnel within each building. In cases where this is not possible, a policy requiring personnel from another building to complete the accounting transaction cycle for activity funds will help protect District assets.

Status: Resolved

2016-006 Building Level Expenditure Approval

Auditor's Recommendation: We recommend that the District institute and educate personnel on a policy that all expenditures approved at the building level must be approved by the building administrator. This policy should expressly communicate that the approval authority cannot be transferred to another staff level.

Status: Resolved

2016-007 Review and Reconciliation of Capital Asset Listings

Auditor's Recommendation: We recommend that the District create and implement a policy instituting periodic physical inventories of capital assets.

Status: Resolved

2016-008 Process for Preapproval of Capital Asset Additions or Disposals

Auditor's Recommendation: We recommend that the District create and implement a policy instituting a preapproval process for capital asset additions and disposals.

Status: Resolved

2016-009 Documentation of Policies and Procedures

Auditor's Recommendation: We recommend that the District update its written policies and procedures for current staff levels and perform an internal risk assessment to determine where additional internal control procedures might be necessary.

Status: Resolved

Section III – Federal Award Findings and Questioned Costs

COMPLIANCE FINDINGS – 2016-010 through 2016-012

U.S. DEPARTMENT OF EDUCATION

Student Financial Assistance Cluster

Federal Direct Student Loan Program	CFDA 84.268
Federal Pell Grant Program (PELL)	CFDA 84.063
Federal Supplemental Educational Opportunity Grants (FSEOG)	CFDA 84.007

2016-010 Student Financial Assistance Cluster – Special Testing – Enrollment Reporting

Auditor's Recommendation: We recommend the District implement procedures to strictly comply with requirements of 34 CFR 668 as it relates to the student enrollment status information reported to NSLDS.

Status: This finding is repeated in 2017-004

2016-011 Student Financial Assistance Cluster – Special Testing - Return to Title IV (R2T4)

Auditor's Recommendation: We recommend that the District provide training as necessary to student financial aid personnel to ensure that requirements pertaining to returning funds to Title IV are properly followed.

Status: Repeated in finding 2017-005

2016-012 Student Financial Assistance Cluster – Right to Cancel Notification

Recommendation: We recommend the District implement procedures to strictly comply with requirements of 34 CFR 668 as it relates to notifying students, or parents, and their right to cancel loan disbursements.

Status: Repeated in finding 2017-006

SAINT JOSEPH SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS (continued)
Year Ended June 30, 2017

MATERIAL WEAKNESS – 2016-013

U.S. DEPARTMENT OF EDUCATION

Federal Direct Student Loans CFDA No. 84.268

Federal Pell Grant Program (PELL) CFDA No. 84.063

2016-013 Ongoing Monitoring of Compliance with Grant Requirements

Auditor's Recommendation: We recommend that the District review its policies and procedures to determine what changes need to be made to ensure future compliance with program requirements.

Status: Repeated in finding 2017-013

SAINT JOSEPH SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
June 30, 2017

U.S. DEPARTMENT OF EDUCATION

Saint Joseph School District respectfully submits the following corrective action plan for the year ended June 30, 2017.

District contact person responsible for corrective action:

Mr. Wesley Metz, Director of Finance
St. Joseph School District
925 Felix
St. Joseph, Missouri 64501
(816) 671-4000

FINDINGS – FINANCIAL STATEMENT AUDIT
2017-001 to 2017-003 are considered Material Weaknesses

Finding Reference No: 2017-001

Finding Noted: Segregation of Duties

Recommendation: We realize that due to circumstances beyond their control, 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.

Corrective Action Plan: Periodically, due to employee turnover and other factors, a limited number of available personnel can prohibit segregation of incompatible duties and the District will utilize its resources to hire additional accounting personnel and provide training in a timely manner. The District hired two additional accounting staff in the 2015-16 school year to help address this issue and training of these new personnel is ongoing.

Implementation Date: June 30, 2017

Finding Reference No: 2017-002

Finding Noted: Bank Reconciliations and Supporting Documentation

Recommendation: We recommend that all bank accounts be reconciled to the general ledger on a monthly basis. We further recommend that these bank reconciliations and supporting information be kept on file in accordance with Missouri record retention schedules.

Corrective Action Plan: During the 2017-18 school year we will be working on a solution to utilize the accounting system to do monthly bank reconciliations.

Implementation Date: June 30, 2017

SAINT JOSEPH SCHOOL DISTRICT
CORRECTIVE ACTION PLAN (continued)
June 30, 2017

Finding Reference No: 2017-003

Finding Noted: Bank Reconciliation Review

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

Corrective Action Plan: A policy is being developed to have a management person, other than the one doing bank reconciliations, review the bank reconciliations each month.

Implementation Date: June 30, 2017

FINDINGS – FEDERAL AWARD PROGRAMS AUDIT

Findings 2017-004 to 2017-011 are Compliance Findings relating to the Student Financial Assistance Cluster

Finding 2017-012 is a Material Weaknesses

Finding Reference No: 2017-004

Finding Noted: Student Financial Assistance Cluster – Enrollment Reporting

Recommendation: We recommend the District implement procedures to strictly comply with requirements of 34 CFR 668 as it relates to the student enrollment status information reported to the NSLDS.

Corrective Action Plan: The District is reviewing its policies and procedures and will correct in 2017-18. The District will be contracting with Campus Ivy, a third-party servicer to assist in ensuring compliance with enrollment reporting requirements.

Implementation Date: June 30, 2017

SAINT JOSEPH SCHOOL DISTRICT
CORRECTIVE ACTION PLAN (continued)
June 30, 2017

Finding Reference No: 2017-005

Finding Noted: Student Financial Assistance Cluster – Return to Title IV (R2T4)

Recommendation: We recommend that the District provide training as necessary to student financial aid personnel to ensure that requirements pertaining to returning funds to Title IV are properly followed.

Corrective Action Plan: The District is reviewing its policies and procedures and will develop a training plan in 2017-18. In addition, the District will be contracting with Campus Ivy, a third-party servicer to assist in ensuring compliance with R2T4 requirements.

Implementation Date: June 30, 2017

Finding Reference No: 2017-006

Finding Noted: Student Financial Assistance Cluster – Right to Cancel Notification

Recommendation: We recommend the District implement procedures to strictly comply with requirements of 34 CFR 668 as it relates to notifying students, or parents, and their right to cancel loan disbursements.

Corrective Action Plan: The District is reviewing its policies and procedures and will develop a training plan and utilize Campus Ivy, a third-party servicer, in 2017-18.

Implementation Date: June 30, 2017

Finding Reference No: 2017-007

Finding Noted: Student Financial Assistance Cluster – Improper Disbursement of Federal Supplemental Educational Opportunity Grant (SEOG) Funds

Recommendation: We recommend the District implement procedures to strictly comply with requirements of 34 CFR 676.16 as it relates to the disbursement of Federal Supplemental educational Opportunity Grant (SEOG) Funds.

Corrective Action Plan: The District is reviewing its policies and procedures and will correct in 2017-18. The District has hired Campus Ivy, a third-party servicer to help meet the compliance requirements related to student financial assistance.

Implementation Date: June 30, 2017

SAINT JOSEPH SCHOOL DISTRICT
CORRECTIVE ACTION PLAN (continued)
June 30, 2017

Finding Reference No: 2017-008

Finding Noted: Student Financial Assistance Cluster – Improper Disbursement of PELL Funds and Direct Student Loan Funds

Recommendation: We recommend the District implement procedures to strictly comply with requirements of 34 CFR 668 as it relates to notifying students, or parents, and their right to cancel loan disbursements.

Corrective Action Plan: The District is reviewing its policies and procedures and will correct in 2017-18. The District has hired Campus Ivy, a third-party servicer to help meet the compliance requirements related to student financial assistance.

Implementation Date: June 30, 2017

Finding Reference No: 2017-009

Finding Noted: Student Financial Assistance Cluster – Satisfactory Academic Progress

Recommendation: We recommend the District implement procedures to strictly comply with requirements of 34 CFR 668.34 as it relates to the satisfactory academic progress policy.

Corrective Action Plan: The District is reviewing its policies and procedures and will correct in 2017-18. The District has hired Campus Ivy, a third-party servicer to help meet the compliance requirements related to student financial assistance.

Implementation Date: June 30, 2017

Finding Reference No: 2017-010

Finding Noted: Student Financial Assistance Cluster – Academic Year and Payment Periods

Recommendation: We recommend the District implement procedures to strictly comply with requirements of 34 CFR 668.3 and 34 CFR 668.4 as it relates to the academic year and payment periods.

Corrective Action Plan: The District is reviewing its policies and procedures and will correct in 2017-18. The District has hired Campus Ivy, a third-party servicer to help meet the compliance requirements related to student financial aid.

Implementation Date: June 30, 2017

SAINT JOSEPH SCHOOL DISTRICT
CORRECTIVE ACTION PLAN (continued)
June 30, 2017

Finding Reference No: 2017-011

Finding Noted: Student Financial Assistance Cluster – Improper Documentation

Recommendation: We recommend the District implement procedures to strictly comply with requirements of record keeping.

Corrective Action Plan: The District is reviewing its policies and procedures and will correct in 2017-18. The District has hired Campus Ivy, a third-party servicer to help meet the compliance requirements related to student financial aid, as well as keep electronic record of documents.

Implementation Date: June 30, 2017

Finding Reference No: 2017-012

Finding Noted: Ongoing Monitoring of Compliance with Grant Requirements

Recommendation: We recommend that the District consult with its prior auditor and the United States Department of Education to determine what steps might need to be taken to remedy this noncompliance.

Corrective Action Plan: The District is reviewing its policies and procedures and will develop a training plan in 2017-18 to monitor ongoing compliance with grant requirements.

Implementation Date: June 30, 2017

Sincerely,

Mr. Wesley Metz, Director of Finance
St. Joseph School District

SUPPLEMENTARY STATE INFORMATION



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

Board of Education
Saint Joseph School District
Saint Joseph, Missouri

We have examined management's assertions that Saint Joseph School District complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures; accurate disclosure of the District's attendance records of average daily attendance, standard day length, resident membership on the last Wednesday of September, pupil transportation records of the average daily transportation of pupils eligible and ineligible for state aid, the number of miles eligible and ineligible for state aid and other statutory requirements as listed in the schedule of selected statistics during the year ended June 30, 2017. Saint Joseph School District's Management is responsible for its assertions. Our responsibility is to express an opinion on management's assertions based on our examination.

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

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

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 20, 2017

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Member of The Leading Edge Alliance

SAINT JOSEPH SCHOOL DISTRICT 011-082
 SCHEDULE OF SELECTED STATISTICS
 Year Ended June 30, 2017

1. Calendar (Sections 160.041 and 171.031, RSMo)

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

Kindergarten – Grade 6 (except Lake)	6.6500
Lake Elementary (K-6)	6.6500
Grade 7 – Grade 8	6.8000
Grade 9 – Grade 12 - Benton	6.8000
Grade 9 – Grade 12 – Central	6.8000
Grade 9 – Grade 12 – Lafayette	6.8000

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

Kindergarten – Grade 6 (except Lake)	1,095.25
Lake Elementary (K-6)	1,095.25
Grade 7 – Grade 8	1,120.00
Grade 9 – Grade 12 - Benton	1,120.00
Grade 9 – Grade 12 – Central	1,115.80
Grade 9 – Grade 12 – Lafayette	1,113.20

C. The number of days classes were in session and pupils were under the direction of the teachers during this school year was 165 except for Grade 9 – Grade 12 – Lafayette, which was 164.

2. Average Daily Attendance (ADA)

Average Daily Attendance:

Regular term:

Kindergarten – Grade 6	5,986.16
Grade 7 – Grade 8	1,646.95
Grade 9 – Grade 12	<u>2,872.04</u>
Total regular term	10,504.76

Extended school year (ESY)	6.82
Summer school average daily attendance	<u>256.65</u>

Total Average Daily Attendance 10,768.23

3. September Membership

September Membership FTE Count 11,281.25

SAINT JOSEPH SCHOOL DISTRICT 011-082
 SCHEDULE OF SELECTED STATISTICS (continued)
 Year Ended June 30, 2017

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

State FTE Total	Free	7,517.25
	Reduced	<u>439.00</u>
	Total	<u><u>7,956.25</u></u>

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 maintained a separate bank account for its Debt Service Fund in accordance with Section 165.011, RSMo.
- D. Salaries reported for educators in the October core data cycle are supported by payroll/contract records.
- E. The District made a \$162,326 or 7% x SAT x WADA transfer that was not in excess of adjusted expenditures. This transfer was approved by the Board of Education.
- F. The District published a summary of the 2015-2016 audit report within thirty days of receipt of the audit, pursuant to Section 165.121, RSMo.
- G. The District has a professional development committee plan adopted by the Board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment.
- H. The amount spent for approved professional development committee plan activities was \$377,299.

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.

SAINT JOSEPH SCHOOL DISTRICT 011-082
SCHEDULE OF SELECTED STATISTICS (continued)
Year Ended June 30, 2017

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

- 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 4,171.50 and the average number of students transported on a regular basis (ADT) ineligible to be counted for state transportation aid was 1,234.50.
- 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 912,379. Of this total, the eligible non-disabled and students with disabilities route miles were 759,563 and the ineligible non-route and disapproved miles combined were 152,816.
- F. The District operated the school transportation system for 165 days during this school year.

There were no findings noted above.