

Saint Joseph School District
Saint Joseph, Missouri

BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

KPM
CPAS & ADVISORS

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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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Basis of Accounting

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

Change in Accounting Principle

As described in Note A to the financial statements, the District changed its application of accounting principle relating to the presentation of capital assets (including related accumulated depreciation) and long-term debt as a modification to the cash basis of accounting. Our opinion is not modified with respect to that matter.

Disclaimer of Opinion on Supplementary Information

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

Other Financial Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 4, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 4, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS

SAINT JOSEPH SCHOOL DISTRICT
 STATEMENT OF NET POSITION – MODIFIED CASH BASIS
 June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and investments	\$ 37,511,821
TOTAL ASSETS	37,511,821
NET POSITION	
Restricted for debt service	5,554,670
Restricted for student activities	539,163
Restricted for bond proceeds	1,134
Restricted for professional development	133,354
Restricted for healthcare trust	4,511,002
Unrestricted	26,772,498
TOTAL NET POSITION	<u>\$ 37,511,821</u>

See accompanying notes

SAINT JOSEPH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2018

	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	\$ (71,761,508)	\$ 2,791,290	\$ 10,138,506	\$ 379,570	\$ (58,452,142)
Student services	(6,185,055)	-	251,590	-	(5,933,465)
Instructional staff support	(5,857,012)	-	891,587	-	(4,965,425)
Building administration	(5,908,041)	-	-	-	(5,908,041)
General administration	(4,097,467)	-	-	-	(4,097,467)
Operation of plant	(14,285,655)	-	-	-	(14,285,655)
Transportation	(4,794,324)	-	868,232	-	(3,926,092)
Food services	(6,455,086)	905,674	5,206,706	-	(342,706)
Adult continuing education	(659,767)	607,263	-	-	(52,504)
Community services	(2,494,762)	10,647	1,863,458	-	(620,657)
Facilities acquisition and construction	(481,433)	-	-	-	(481,433)
Debt service	(4,976,640)	-	-	-	(4,976,640)
NET PROGRAM (DISBURSEMENTS) RECEIPTS	<u>\$ (127,956,750)</u>	<u>\$ 4,314,874</u>	<u>\$ 19,220,079</u>	<u>\$ 379,570</u>	(104,042,227)
General Receipts:					
Ad valorem tax receipts					37,622,553
Prop C sales tax receipts					11,986,896
Other tax receipts					2,960,257
County receipts					3,397,459
State receipts					44,051,527
Interest receipts					959,714
Other receipts					29,579
TOTAL GENERAL RECEIPTS					101,007,985
Special Items:					
Net insurance recovery					34,043
Sale of property					359,988
Sale of school buses					3,000
TOTAL SPECIAL ITEMS					397,031
(DECREASE) IN NET POSITION					(2,637,211)
NET POSITION - Beginning of year, as restated					40,149,032
NET POSITION - End of year					<u>\$ 37,511,821</u>

See accompanying notes

FUND FINANCIAL STATEMENTS

SAINT JOSEPH SCHOOL DISTRICT
STATEMENT OF ASSETS AND FUND BALANCES – GOVERNMENTAL FUNDS –
MODIFIED CASH BASIS
June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Bond Capital Projects Fund	Other Capital Projects Fund	Total Governmental Funds
ASSETS						
Cash and investments	\$ 19,563,921	\$ -	\$ 5,554,670	\$ 1,134	\$ 7,881,094	\$ 33,000,819
TOTAL ASSETS	<u>\$ 19,563,921</u>	<u>\$ -</u>	<u>\$ 5,554,670</u>	<u>\$ 1,134</u>	<u>\$ 7,881,094</u>	<u>\$ 33,000,819</u>
FUND BALANCES						
Restricted for:						
Debt service	\$ -	\$ -	\$ 5,554,670	\$ -	\$ -	\$ 5,554,670
Student activities	539,163	-	-	-	-	539,163
Bond proceeds	-	-	-	1,134	-	1,134
Professional development	133,354	-	-	-	-	133,354
Assigned to:						
Capital outlay	-	-	-	-	7,881,094	7,881,094
Unassigned	18,891,404	-	-	-	-	18,891,404
TOTAL FUND BALANCES	<u>\$ 19,563,921</u>	<u>\$ -</u>	<u>\$ 5,554,670</u>	<u>\$ 1,134</u>	<u>\$ 7,881,094</u>	<u>\$ 33,000,819</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, 2018

Fund balance - total governmental funds	\$ 33,000,819
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>4,511,002</u>
Net position of governmental activities	<u><u>\$ 37,511,821</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, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Bond Capital Projects Fund	Other Capital Projects Fund	Total Governmental Funds
RECEIPTS						
Local	\$ 37,423,088	\$ 14,686,053	\$ 5,446,577	\$ -	\$ 210,962	\$ 57,766,680
County	2,829,273	125,819	442,367	-	-	3,397,459
State	5,207,374	44,051,527	-	-	168,611	49,427,512
Federal	13,842,482	-	-	-	-	13,842,482
Other	488,375	-	-	-	-	488,375
TOTAL RECEIPTS	59,790,592	58,863,399	5,888,944	-	379,573	124,922,508
DISBURSEMENTS						
Instruction	12,322,082	60,847,405	-	-	273,754	73,443,241
Student services	3,604,245	2,738,359	-	-	1,928	6,344,532
Instructional staff support	3,195,387	1,624,709	-	-	1,104,283	5,924,379
Building administration	1,590,238	4,466,746	-	-	-	6,056,984
General administration	3,605,411	471,974	-	-	114,396	4,191,781
Operation of plant	13,327,760	53,052	-	-	1,084,408	14,465,220
Transportation	4,714,657	-	-	-	100,000	4,814,657
Food services	6,418,090	-	-	-	59,043	6,477,133
Adult continuing education	161,810	522,699	-	-	-	684,509
Community services	1,602,551	923,851	-	-	19,560	2,545,962
Facilities acquisition and construction	-	-	-	-	481,433	481,433
Debt service	-	-	4,976,640	-	-	4,976,640
TOTAL DISBURSEMENTS	50,542,231	71,648,795	4,976,640	-	3,238,805	130,406,471
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	9,248,361	(12,785,396)	912,304	-	(2,859,232)	(5,483,963)
OTHER FINANCING SOURCES (USES)						
Net insurance recovery	34,043	-	-	-	-	34,043
Sale of buses	-	-	-	-	3,000	3,000
Sale of other property	-	-	-	-	359,988	359,988
Operating transfers in	-	12,785,396	-	-	-	12,785,396
Operating transfers (out)	(12,785,396)	-	-	-	-	(12,785,396)
TOTAL OTHER FINANCING SOURCES (USES)	(12,751,353)	12,785,396	-	-	362,988	397,031
EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	(3,502,992)	-	912,304	-	(2,496,244)	(5,086,932)
FUND BALANCE, July 1, 2017	23,066,913	-	4,642,366	1,134	10,377,338	38,087,751
FUND BALANCE, June 30, 2018	\$ 19,563,921	\$ -	\$ 5,554,670	\$ 1,134	\$ 7,881,094	\$ 33,000,819

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, 2018

Net change in fund balance - total governmental funds	\$ (5,086,932)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Some expenditures reported in the governmental fund represent the use of current financial resources and were recognized in the statement of activities when incurred:	
Net gain for healthcare trust fund	<u>2,449,721</u>
Change in net position of governmental activities	<u><u>\$ (2,637,211)</u></u>

SAINT JOSEPH SCHOOL DISTRICT
 STATEMENT OF NET POSITION – PROPRIETARY FUND – MODIFIED CASH BASIS
 June 30, 2018

	<u>Internal Service Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 4,511,002
	<u>\$ 4,511,002</u>
	TOTAL ASSETS
	<u>\$ 4,511,002</u>
NET POSITION	
Unrestricted	\$ 4,511,002
	<u>\$ 4,511,002</u>
	TOTAL NET POSITION
	<u>\$ 4,511,002</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, 2018

	<u>Internal Service Fund</u>
RECEIPTS	
Employer contributions	\$ 13,068,051
Miscellaneous	<u>30,244</u>
TOTAL RECEIPTS	13,098,295
DISBURSEMENTS	
Premiums, claims, and administrative fees	<u>10,648,574</u>
TOTAL DISBURSEMENTS	<u>10,648,574</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	2,449,721
NET POSITION, July 1, 2017	<u>2,061,281</u>
NET POSITION, June 30, 2018	<u><u>\$ 4,511,002</u></u>

See accompanying notes

SAINT JOSEPH SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION – MODIFIED CASH BASIS
 Year Ended June 30, 2018

	<u>Agency Fund</u> <u>Scholarship</u>
ASSETS	
Cash and investments	\$ 112,338
TOTAL ASSETS	112,338
LIABILITIES	
Due to others	112,338
TOTAL LIABILITIES	<u>\$ 112,338</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 Fund – Fiduciary fund is 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. 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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Teachers' Salaries

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

Pooled Cash and 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.

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Change in Application of Accounting Principle

During the year ended June 30, 2018, the District changed its application of accounting principles relating to the presentation of capital assets, related accumulated depreciation and long-term debt as modifications to the cash basis of accounting. The District will no longer modify the cash basis of accounting for these items and the only modification to the cash basis of accounting will relate to the presentation of investments.

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.

SAINT JOSEPH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

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, 2018, 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 Poor's Corporation.

The District's investments at June 30, 2018, are as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Cost</u>
Pro-rata shares of investment contracts with BOK Financial through the Missouri School District Direct Deposit Program	N/A	N/A	N/A	\$ 2,040,162
Missouri Securities Investment Program (MOSIP) - Money Market Fund	N/A	0.04%	N/A	144
Discount Notes at UMB Bank in the name of the District				
Bank of Tokyo - MIT UFJ NY C/P	Aaa	Variable	09/20/18	2,200,000
Toyota Motor Credit C/P	Aaa	Variable	11/28/18	2,200,000
JP Morgan Securities LLC C/P	Aaa	Variable	03/12/19	2,000,000
Collateralized CP CO LLC C/P	N/A	Variable	08/01/18	2,000,000
				<u>\$ 10,440,306</u>

NOTE C – INVESTMENTS (continued)

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.

Debt Security Obligations

District funds are invested in various U.S. debt obligation in accordance with the District's investment policy and are held at UMB Bank in the District's Investments account. These investments are stated at historical cost and are rated at least Aaa by Moody's.

Investment 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, 2018, the bank balances of the District's deposits totaled \$32.6 million. Of this amount, \$500,000 was covered by FDIC insurance and \$32.1 million was supported by collateral in custody at the Federal Reserve Bank. The District also had investments of \$8.4 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.

SAINT JOSEPH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE C – INVESTMENTS (continued)

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.

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:

Issuer	Investment Type	Percent
Bank of Tokyo - MIT UFJ NY C/P	Debt Securities	21%
Toyota Motor Credit C/P	Debt Securities	21%
JP Morgan Securities LLC C/P	Debt Securities	19%
Collateralized CP CO LLC C/P	Debt Securities	19%

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.

SAINT JOSEPH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE D – TAXES (continued)

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

Real estate	\$ 783,073,180
Personal property	<u>273,475,645</u>
	<u><u>\$ 1,056,548,825</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.

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

	<u>Unadjusted</u>	<u>Adjusted</u>
General Fund	\$ 3.6262	\$ 3.0636
Debt Service Fund	<u>.5076</u>	<u>.5076</u>
	<u><u>\$ 4.1338</u></u>	<u><u>\$ 3.5712</u></u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2018, aggregated approximately 100 percent of the current assessment computed on the basis of the levy as shown above.

SAINT JOSEPH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE E – GENERAL OBLIGATION BONDS PAYABLE

Bonds payable at June 30, 2018, 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%.	\$ 3,600,000
\$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>\$ 45,600,000</u>

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

Bonds Payable, July 1, 2017	\$ 48,900,000
Bonds issued	-
Bonds retired	(3,300,000)
Bonds Payable, June 30, 2018	<u>\$ 45,600,000</u>

SAINT JOSEPH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE E – GENERAL OBLIGATION BONDS PAYABLE (continued)

Debt service requirements are:

Year Ended June 30,	Principal	Interest	Total
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>\$ 45,600,000</u>	<u>\$ 12,624,830</u>	<u>\$ 58,224,830</u>

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

Constitutional debt limit	\$ 158,482,324
General obligation bonds payable	(45,600,000)
Amount available in Debt Service Fund	<u>5,554,670</u>
LEGAL DEBT MARGIN	<u><u>\$ 118,436,994</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 the Systems, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the State of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989. The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined not to be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of Sections 169.070 (9) RSMo, known as the "two-thirds statute." PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members' benefits are further calculated at two-thirds the normal benefit amount.

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

NOTE F – RETIREMENT PLANS (continued)

Benefits Provided. PSRS is a defined benefit plan providing retirement, disability, and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the “Rule of 80” (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55% benefit factor was used to calculate benefits for members who had 31 or more years of service at retirement. Actuarially age-reduced benefits are available for members with 5 to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the “Rule of 80” but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

Benefits Provided. PEERS is a defined benefit plan providing retirement, disability, and death benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the “Rule of 80” (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional temporary benefit until reaching minimum Social Security age (currently age 62), which is calculated using a 0.8% benefit factor. Actuarially age-reduced retirement benefits are available with 5 to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the “Rule of 80” but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

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

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

SAINT JOSEPH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE F – RETIREMENT PLANS (continued)

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

The District's contributions to PSRS and PEERS were \$8,658,685 and \$1,626,907, respectively, for the year ended June 30, 2018.

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

NOTE G – CLAIMS AND ADJUSTMENTS

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

NOTE H – 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.

SAINT JOSEPH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE I – INTERFUND TRANSFERS

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 12,785,396
Special Revenue Fund	<u>12,785,396</u>	<u>-</u>
	<u>\$ 12,785,396</u>	<u>\$ 12,785,396</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.

NOTE J – LEASES

During the year ended June 30, 2018, the District entered into an equipment lease purchase agreement to finance the purchase of ten school buses at a cost of \$452,402. The lease contains a provision for interest at a rate of 4.65%.

The following is a schedule of future minimum lease payments under the lease:

<u>June 30,</u>	<u>Amount</u>
2019	\$ 98,592
2020	98,592
2021	98,592
2022	<u>98,592</u>
TOTAL MINIMUM LEASE PAYMENTS	394,368
LESS AMOUNT REPRESENTING INTEREST	<u>(41,966)</u>
NET LEASE PAYMENTS	<u>\$ 352,402</u>

SAINT JOSEPH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE J – LEASES (continued)

The following represents the changes in the net lease payments for the year ended June 30, 2018:

Lease Payable, July 1, 2017	\$ -
Additional Lease Obligation	452,402
Net Lease Retirement	<u>(100,000)</u>
Lease Payable, June 30, 2018	<u><u>\$ 352,402</u></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, 2018, 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 Real Property Tax Increment Allocation Redevelopment Act (Tax Incremental Financing), Enhanced Enterprise Zones, Urban Redevelopments Corporation or Chapter 353, and 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.
- 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.

SAINT JOSEPH SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE N – TAX ABATEMENTS (continued)

- 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.

Information relevant to disclosure of these programs for the year ended June 30, 2018, 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	\$ 66,557,390	\$ 2,413,504	\$ 261,156
City of St. Joseph, Missouri	Enhanced Enterprise Zones Ad-valorem taxes	\$ 21,737,630	\$ 788,250	\$ -
City of St. Joseph, Missouri	Chapter 353 Ad-valorem taxes	\$ 6,566,920	\$ 238,130	\$ -
City of St. Joseph, Missouri	Chapter 100 Ad-valorem taxes	\$ 38,863,875	\$ 1,409,282	\$ -

SAINT JOSEPH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE O – RESTATEMENT

During the year ended June 30, 2018, the District changed its application of accounting principles relating to the presentation of capital assets, related accumulated depreciation and long-term debt as modifications to the cash basis of accounting. The District will no longer modify the cash basis of accounting for these items and the only modification to the cash basis of accounting will relate to the presentation of investments. The implementation of this change was reflected as a restatement of net position as of July 1, 2017 and is shown below:

Governmental Activities

Net Position as previously stated, June 30, 2017	\$ 102,889,052
Capital assets, net of depreciation	(111,640,020)
Long-term debt	<u>48,900,000</u>
Net Position as restated, July 1, 2017	<u><u>\$ 40,149,032</u></u>

SUPPLEMENTARY INFORMATION

SAINT JOSEPH SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
RECEIPTS				
Local	\$ 37,095,000	\$ 37,095,000	\$ 37,423,088	\$ 328,088
County	3,400,000	3,400,000	2,829,273	(570,727)
State	4,613,000	4,613,000	5,207,374	594,374
Federal	14,115,000	14,115,000	13,842,482	(272,518)
Other	780,000	780,000	488,375	(291,625)
TOTAL RECEIPTS	60,003,000	60,003,000	59,790,592	(212,408)
DISBURSEMENTS				
Instruction	12,923,796	12,949,848	12,322,082	627,766
Student services	3,884,489	3,855,622	3,604,245	251,377
Instructional staff support	5,392,725	5,423,565	3,195,387	2,228,178
Building administration	1,450,417	1,457,667	1,590,238	(132,571)
General administration	3,603,872	3,647,122	3,605,411	41,711
Operation of plant	11,744,703	11,821,203	13,327,760	(1,506,557)
Transportation	4,576,497	4,587,754	4,714,657	(126,903)
Food services	6,505,391	6,505,391	6,418,090	87,301
Adult continuing education	307,584	307,584	161,810	145,774
Community services	1,573,728	1,597,686	1,602,551	(4,865)
TOTAL DISBURSEMENTS	51,963,202	52,153,442	50,542,231	1,611,211
EXCESS OF RECEIPTS OVER DISBURSEMENTS	8,039,798	7,849,558	9,248,361	1,398,803
OTHER FINANCING SOURCES (USES)				
Net insurance recovery	-	-	34,043	(34,043)
Operating transfers (out)	(11,656,805)	(11,432,889)	(12,785,396)	(1,352,507)
TOTAL OTHER FINANCING SOURCES (USES)	(11,656,805)	(11,432,889)	(12,751,353)	(1,386,550)
(DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	(3,617,007)	(3,583,331)	(3,502,992)	12,253
FUND BALANCE, July 1, 2017	23,066,913	23,066,913	23,066,913	-
FUND BALANCE, June 30, 2018	\$ 19,449,906	\$ 19,483,582	\$ 19,563,921	\$ 12,253

SAINT JOSEPH SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
RECEIPTS				
Local	\$ 15,100,000	\$ 15,100,000	\$ 14,686,053	\$ (413,947)
County	200,000	200,000	125,819	(74,181)
State	44,900,000	44,900,000	44,051,527	(848,473)
TOTAL RECEIPTS	60,200,000	60,200,000	58,863,399	(1,336,601)
DISBURSEMENTS				
Instruction	61,715,069	61,383,245	60,847,405	535,840
Student services	2,655,734	2,659,368	2,738,359	(78,991)
Instructional staff support	1,369,932	1,376,418	1,624,709	(248,291)
Building administration	4,311,158	4,311,158	4,466,746	(155,588)
General administration	449,845	451,845	471,974	(20,129)
Operation of plant	50,818	50,818	53,052	(2,234)
Adult continuing education	715,083	715,083	522,699	192,384
Community services	589,166	684,954	923,851	(238,897)
TOTAL DISBURSEMENTS	71,856,805	71,632,889	71,648,795	(15,906)
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(11,656,805)	(11,432,889)	(12,785,396)	(1,352,507)
OTHER FINANCING SOURCES				
Operating transfers in	11,656,805	11,432,889	12,785,396	1,352,507
EXCESS OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	-	-	-	-
FUND BALANCE, July 1, 2017	-	-	-	-
FUND BALANCE, June 30, 2018	\$ -	\$ -	\$ -	\$ -

SAINT JOSEPH SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
RECEIPTS				
Local	\$ 4,566,000	\$ 4,566,000	\$ 5,446,577	\$ 880,577
County	550,000	550,000	442,367	(107,633)
TOTAL RECEIPTS	5,116,000	5,116,000	5,888,944	772,944
DISBURSEMENTS				
Debt service	4,977,015	4,977,015	4,976,640	375
TOTAL DISBURSEMENTS	4,977,015	4,977,015	4,976,640	375
EXCESS OF RECEIPTS OVER DISBURSEMENTS	138,985	138,985	912,304	773,319
FUND BALANCE, July 1, 2017	4,642,366	4,642,366	4,642,366	-
FUND BALANCE, June 30, 2018	<u>\$ 4,781,351</u>	<u>\$ 4,781,351</u>	<u>\$ 5,554,670</u>	<u>\$ 773,319</u>

SAINT JOSEPH SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – BOND CAPITAL PROJECTS FUND
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Local	\$ -	\$ -	\$ -	\$ -
TOTAL RECEIPTS	-	-	-	-
DISBURSEMENTS				
Facilities acquisition and construction	-	-	-	-
TOTAL DISBURSEMENTS	-	-	-	-
EXCESS OF RECEIPTS OVER DISBURSEMENTS	-	-	-	-
FUND BALANCE, July 1, 2017	1,134	1,134	1,134	-
FUND BALANCE, June 30, 2018	\$ 1,134	\$ 1,134	\$ 1,134	\$ -

SAINT JOSEPH SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – CAPITAL PROJECTS FUND
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
RECEIPTS				
Local	\$ -	\$ -	\$ 210,962	\$ 210,962
State	325,000	325,000	168,611	(156,389)
Other	30,000	30,000	-	(30,000)
TOTAL RECEIPTS	355,000	355,000	379,573	24,573
DISBURSEMENTS				
Instruction	402,000	445,000	273,754	171,246
Student services	15,000	15,000	1,928	13,072
Instructional staff support	1,500,000	1,500,000	1,104,283	395,717
General administration	7,500	7,500	114,396	(106,896)
Operation of plant	2,200,000	2,200,000	1,084,408	1,115,592
Transportation	100,000	100,000	100,000	-
Food services	65,000	65,000	59,043	5,957
Community services	-	-	19,560	(19,560)
Facilities acquisition and construction	275,000	157,000	481,433	(324,433)
TOTAL DISBURSEMENTS	4,564,500	4,489,500	3,238,805	1,250,695
(DEFICIT) OF RECEIPTS				
OVER DISBURSEMENTS	(4,209,500)	(4,134,500)	(2,859,232)	1,275,268
OTHER FINANCING SOURCES				
Sale of buses	-	-	3,000	3,000
Sale of other property	-	-	359,988	359,988
TOTAL OTHER				
FINANCING SOURCES	-	-	362,988	362,988
(DEFICIT) OF RECEIPTS				
AND OTHER SOURCES				
OVER DISBURSEMENTS	(4,209,500)	(4,134,500)	(2,496,244)	1,638,256
FUND BALANCE, July 1, 2017	10,377,338	10,377,338	10,377,338	-
FUND BALANCE, June 30, 2018	<u>\$ 6,167,838</u>	<u>\$ 6,242,838</u>	<u>\$ 7,881,094</u>	<u>\$ 1,638,256</u>

SAINT JOSEPH SCHOOL DISTRICT
NOTE TO BUDGETARY COMPARISON SCHEDULES
June 30, 2018

Budgets and Budgetary Accounting

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

- 1) In accordance with Chapter 67, RSMo, the District adopts a budget for each fund.
- 2) Prior to July, the 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, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
LOCAL					
Current taxes	\$ 31,184,452	\$ -	\$ 5,166,994	\$ -	\$ 36,351,446
Delinquent taxes	1,119,109	-	151,998	-	1,271,107
School district trust fund (Prop C)	-	11,986,896	-	-	11,986,896
Financial institution tax	-	198,629	-	-	198,629
M & M surcharge taxes	-	2,500,472	-	-	2,500,472
In lieu of tax	241,119	-	20,037	-	261,156
Tuition from individuals	8,500	-	-	-	8,500
Tuition - post secondary	607,263	-	-	-	607,263
Earnings on investments	852,108	56	107,548	2	959,714
Food service program	903,094	-	-	-	903,094
Food service non-program	2,580	-	-	-	2,580
Student activities	2,294,415	-	-	-	2,294,415
Community services	10,647	-	-	-	10,647
Rentals	1,212	-	-	-	1,212
Gifts	150	-	-	-	150
Prior period adjustment	22,620	-	-	-	22,620
Other	168,861	-	-	210,960	379,821
TOTAL LOCAL	37,416,130	14,686,053	5,446,577	210,962	57,759,722
COUNTY					
Fines, escheats, etc.	-	125,819	-	-	125,819
State assessed utilities	2,829,273	-	442,367	-	3,271,640
TOTAL COUNTY	2,829,273	125,819	442,367	-	3,397,459
STATE					
Basic formula - state monies	-	39,588,013	-	-	39,588,013
Transportation	734,593	-	-	-	734,593
Early childhood special education	1,916,743	-	-	-	1,916,743
Basic formula - classroom trust fund	-	4,463,514	-	-	4,463,514
Career education / At risk	20,000	-	-	-	20,000
Educational screening program	488,728	-	-	-	488,728
Vocational	678,919	-	-	9,335	688,254
Food service	48,357	-	-	-	48,357
Adult education & literacy (AEL)	703,123	-	-	-	703,123
Career education enhancement grant	-	-	-	159,276	159,276
Residential placement/Excess cost	3,147	-	-	-	3,147
Readers for the blind	174	-	-	-	174
High need fund	493,300	-	-	-	493,300
Other	120,290	-	-	-	120,290
TOTAL STATE	5,207,374	44,051,527	-	168,611	49,427,512

SAINT JOSEPH SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE (continued)
Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
FEDERAL					
Medicaid	421,137	-	-	-	421,137
Reserve officer training corps (ROTC)	119,836	-	-	-	119,836
Perkins basic grant, career education	371,727	-	-	-	371,727
Adult education & literacy (AEL)	5,779	-	-	-	5,779
IDEA Grants	10,995	-	-	-	10,995
IDEA entitlement funds, part B	2,549,680	-	-	-	2,549,680
Early childhood special education	267,423	-	-	-	267,423
School lunch program	3,667,833	-	-	-	3,667,833
School breakfast program	1,416,481	-	-	-	1,416,481
After school snack program	8,462	-	-	-	8,462
Fresh fruits and vegetable program	65,573	-	-	-	65,573
Title I	3,539,958	-	-	-	3,539,958
Title I.C	53,665	-	-	-	53,665
Title III	98,504	-	-	-	98,504
Homeless education	102,252	-	-	-	102,252
Title II.A	734,671	-	-	-	734,671
Pell grants	251,590	-	-	-	251,590
Other	156,916	-	-	-	156,916
TOTAL FEDERAL	13,842,482	-	-	-	13,842,482
OTHER SOURCES					
Net insurance recovery	34,043	-	-	-	34,043
Sale of school buses	-	-	-	3,000	3,000
Sale of other property	-	-	-	359,988	359,988
Tuition from other districts	72,000	-	-	-	72,000
Area voc fees from other LEAs	402,764	-	-	-	402,764
Contracted educational services	13,611	-	-	-	13,611
TOTAL OTHER SOURCES	522,418	-	-	362,988	885,406
TOTAL RECEIPTS	\$ 59,817,677	\$ 58,863,399	\$ 5,888,944	\$ 742,561	\$ 125,312,581

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 within the Capital Projects Fund.

SAINT JOSEPH SCHOOL DISTRICT
SCHEDULE OF DISBURSEMENTS BY OBJECT
Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Salaries	\$ 21,237,013	\$ 54,622,918	\$ -	\$ -	\$ 75,859,931
Teacher retirement	78,841	8,492,777	-	-	8,571,618
Non-teacher retirement	1,620,501	5,145	-	-	1,625,646
Old age survivor and disability (OASDI)	1,241,210	150,522	-	-	1,391,732
Medicare	292,265	759,153	-	-	1,051,418
Employee insurance	4,856,755	7,596,490	-	-	12,453,245
Other employer provided services	42,009	21,790	-	-	63,799
Purchased instructional services - tuition	805,544	-	-	-	805,544
Professional services	80,031	-	-	-	80,031
Audit	35,230	-	-	-	35,230
Legal services	304,868	-	-	-	304,868
Election services	78,891	-	-	-	78,891
Other professional services	2,897,003	-	-	-	2,897,003
Repairs and maintenance	207,996	-	-	-	207,996
Rentals - land and buildings	17,000	-	-	-	17,000
Rentals - equipment	350,789	-	-	-	350,789
Water and sewer	360,359	-	-	-	360,359
Trash removal	67,856	-	-	-	67,856
Rentals of computers and related equipment	67,662	-	-	-	67,662
Contracted transportation to and from school	2,929,737	-	-	-	2,929,737
Other contracted pupil transportation	394,843	-	-	-	394,843
Travel	376,043	-	-	-	376,043
Property insurance	353,087	-	-	-	353,087
Communication	167,207	-	-	-	167,207
Advertising, printing, dues and other purchased services	1,692,326	-	-	-	1,692,326
General supplies	3,598,279	-	-	-	3,598,279
Supplies - technology - related	339,518	-	-	-	339,518
Regular textbooks	623,722	-	-	-	623,722
Library books	104,076	-	-	-	104,076
Food service - food only	2,786,772	-	-	-	2,786,772
Energy supplies	2,423,619	-	-	-	2,423,619
Other supplies	111,179	-	-	-	111,179
Buildings	-	-	-	1,373,629	1,373,629
Improvement to sites	-	-	-	101,575	101,575
Equipment - general	-	-	-	518,424	518,424
Equipment - instructional	-	-	-	943,642	943,642
Technology - related hardware	-	-	-	114,396	114,396
Vehicles	-	-	-	87,139	87,139
School buses	-	-	-	100,000	100,000
Principal	-	-	3,300,000	-	3,300,000
Interest	-	-	1,673,515	-	1,673,515
Other	-	-	3,125	-	3,125
TOTAL DISBURSEMENTS	\$ 50,542,231	\$ 71,648,795	\$ 4,976,640	\$ 3,238,805	\$ 130,406,471

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 within the Capital Projects Fund.

SAINT JOSEPH SCHOOL DISTRICT
 SCHEDULE OF TRANSPORTATION COSTS ELIGIBLE FOR STATE AID
 Year Ended June 30, 2018

	<u>Contracted</u>	<u>District Owned</u>	<u>Contracted Disabled</u>	<u>Disabled District Owned</u>	<u>Total</u>
Non-certified salaries	\$ 33,740	\$ -	\$ -	\$ 573,997	\$ 607,737
Employee benefits	8,941	-	-	313,624	322,565
Purchased services	3,080,187	-	244,421	10,455	3,335,063
Supplies	220,579	-	-	65,698	286,277
Depreciation, net of adjustment	-	66,986	-	-	66,986
	<u>\$ 3,343,447</u>	<u>\$ 66,986</u>	<u>\$ 244,421</u>	<u>\$ 963,774</u>	<u>\$ 4,618,628</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, 2018, 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 4, 2018.

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 deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness. It is identified as item 2018-001.

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 4, 2018



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, 2018. 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.

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 2018-002 through 2018-005 proper reporting of change of enrollment status, for timely return of Title IV funds, improper disbursement of funds and documentation, and proper monitoring of satisfactory academic progress, 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, 2018.

Unmodified Opinion on the Other Major Federal Program

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 program for the year ended June 30, 2018.

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 items 2018-002 through 2018-005, 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 4, 2018

SAINT JOSEPH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number 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	20177N109943	\$ -	\$ 294,205
		20188N109943	-	1,122,276
			-	1,416,481
National School Lunch Program - Cash	10.555	20177N109943	-	755,540
		20188N109943	-	2,912,294
- Commodities	10.555	011-082	-	727,667
			-	4,395,501
After School Snack Program	10.555	20177N109943	-	274
		20188N109943	-	8,189
			-	8,463
Total Child Nutrition Cluster			-	5,820,445
Fresh Fruits and Vegetables Program	10.582	20177IL160343	-	6,356
		20188IL160343	-	59,217
			-	65,573
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	5,886,018
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Missouri Department of Elementary and Secondary Education				
Title I Grants to LEAs	84.010	S010A160025	-	864,262
		S010A170025	-	2,727,883
		S011A160025	-	31,543
			-	3,623,688
Migrant Education State Grant Program	84.011	S011A170025	-	43,923
Vocational Rehabilitation Grants to States	84.126	VR17FED	-	50,561
Adult Education & Literacy - Federal	84.002	V002A160026	-	5,779
Homeless Education	84.196	S196A170026	-	131,199
Supporting Effective Instruction State Grants	84.367	S367A160024	-	167,463
		S367A170024	-	424,392
			-	591,855
English Language Acquisition Grants	84.365	S365A150025	-	60,309
		S365A160025	-	47,114
			-	107,423
Career and Technical Education - Basic Grants to States	84.048	V048A160025	-	57,450
		V048A170025	-	305,866
			-	363,316

SAINT JOSEPH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
Year Ended June 30, 2018

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number or Other Identifying Number	Passed-through to Subrecipients	Federal Expenditures
Assessment Sub Payment	84.369	S369A150026	-	475
Special Education Grants Cluster				
Special Education Grants to States	84.027	H027A160040	-	1,011,650
		H027A170040	-	1,613,309
			-	2,624,959
Special Education Preschool Grants	84.173	H173A170103	-	59,524
Total Special Educations Grants Cluster			-	2,684,483
Direct				
Safe & Drug-Free Schools & Communities - National Programs	84.184	N/A	-	29,552
Student Financial Assistance Cluster				
Federal Pell Grant Program (Pell)	84.063	N/A	-	251,590
Federal Direct Student Loans (Direct Loan)	84.268	N/A	-	480,964
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	N/A	-	5,398
Total Student Financial Assistance Cluster			-	737,952
TOTAL U.S. DEPARTMENT OF EDUCATION			-	8,370,206
<u>U.S. DEPARTMENT OF LABOR</u>				
North Central Missouri College				
WIA Cluster				
WIA Adult Program	17.258	AA-28326-16-55-A-29	-	68,828
WIA Dislocated Worker Formula Grants	17.278	AA-28326-16-55-A-29	-	7,500
TOTAL U.S. DEPARTMENT OF LABOR			-	76,328
<u>U.S. DEPARTMENT OF DEFENSE</u>				
Direct				
ROTC Language and Culture Training Grants	12.000	N/A	-	123,730
TOTAL U.S. DEPARTMENT OF DEFENSE			-	123,730
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 14,456,282

N/A – Not applicable

SAINT JOSEPH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
Year Ended June 30, 2018

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 \$727,667.
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, 2018.

SAINT JOSEPH SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Section I – Summary of Audit Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? 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 WEAKNESS – 2018-001

2018-001 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.

Section III – Federal Award Findings and Questioned Costs

COMPLIANCE FINDINGS AND MATERIAL WEAKNESSES – 2018-002 through 2018-005

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

SAINT JOSEPH SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2018

2018-002 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 two instances in which the District reported the date of official withdrawal rather than the last date of attendance and three instances in which the District did not report the change in status to graduated.

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, 2017-004.

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: Enrollment reporting is now a shared responsibility between Hillyard Financial Aid Office and Campus Ivy, the third-party servicer. This relationship has allowed for additional training of employees which will prevent this finding in 2019-20.

2018-003 Student Financial Assistance Cluster – Improper Disbursement of Direct Student Loan Funds

Condition: The District 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 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 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.

SAINT JOSEPH SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2018

Context: 1 of 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.

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

Repeat Finding: This is a repeat finding from the previous audit, 2017-009 relating to the Direct Student Loan Funds.

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

Response: Campus Ivy, our third-party servicer, released a new software feature which enables the school to provide direct feedback with each scheduled disbursement roster batch. This feature eliminates any confusion regarding the timing of disbursements, which was previously experience as a result of communication only by email and multiple phone calls.

2018-004 Student Financial Assistance Cluster – Improper Disbursement of Direct Student Loan Funds

Condition: The District improperly disbursed Direct Student Loan funds prior to receiving a signed master promissory note.

Criteria: The U.S. Department of Education requires the District to disburse Direct Student Loan funds after ensuring the student has a completed Master Promissory Note (MPN) in accordance with 34 CFR 685.201(a)(2).

Effect: The District was not in compliance with disbursing Direct Student Loan funds to a student with a completed Master Promissory Note.

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

Context: 1 of the 37 students that we sampled had Direct Student Loan fund disbursed prior to a completed Master Promissory Note was received.

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 685.201(a)(2) as it relates to the completion of the Master Promissory Note prior to Direct Student Loan fund disbursements.

Response: Similar to the previous finding, this was an isolated event, which would normally have been prevented at the Department of Education level through Common Origination and Disbursement. However, the recent software release from Campus Ivy is designed to safeguard against the kind of infraction in 2019-20.

SAINT JOSEPH SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2018

INTERNAL CONTROL

MATERIAL WEAKNESS – 2018-005

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

2018-005 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 2018-004 through 2018-006.

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 contracted with Campus Ivy, a third-party servicer, hired an experience financial aid professional, and sent current employees to financial aid training conferences in order to satisfy compliance requirement related to student financial aid administration

SAINT JOSEPH SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2018

SUMMARY OF FINDINGS:

Current Year Finding Number	Current Year Finding Title	Repeat Finding: Yes/No	Corresponding Prior Year Finding Number
Financial Statement Findings: Material Weaknesses			
2018-001	Segregation of Duties	Yes	2017-001
Federal Award Findings and Questioned Costs: Compliance Findings			
2018-002	Student Financial Assistance Cluster- Special Testing - Enrollment Reporting	Yes	2017-004
2018-003	Student Financial Assistance Cluster - Improper Disbursement of Direct Student Loan Funds	Yes	2017-009
2018-004	Student Financial Assistance Cluster - Improper Disbursement of Direct Student Loan Funds	No	N/A
Federal Award Findings and Questioned Costs: Material Weakness			
2018-005	Ongoing Monitoring of Compliance with Grant Requirements	Yes	2017-013

SAINT JOSEPH SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

Financial Statement Findings

MATERIAL WEAKNESSES – 2017-001 through 2017-003

2017-001 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: Uncorrected

2017-002 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: Corrected

2017-003 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: Corrected

Section III – Federal Award Findings and Questioned Costs

COMPLIANCE FINDINGS AND MATERIAL WEAKNESSES – 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

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 2018-002

2017-005 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: Corrected

2017-006 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: Corrected

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

Recommendation: We recommend the District implement procedures to strictly comply with requirements of 34 CFR 665.301(a) as it relates to reporting the proper dates of disbursement to the Common Origination and Disbursement (COD) system.

Status: Corrected

2017-008 Student Financial Assistance Cluster – Improper Disbursement of Federal Supplemental Education 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.

Status: Corrected

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

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 from PELL fund disbursements and new borrower Direct Student Loan fund disbursements.

Status: The District has corrected the issues regarding PELL fund disbursements. There was a repeat finding relating to the timeframe of Direct Student Loan fund disbursements, repeat finding 2018-003.

2017-010 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 policy.

Status: Corrected

2017-011 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.

Status: Corrected

2017-012 Student Financial Assistance Cluster – Improper Documentation

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

Status: Corrected

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

2017-013 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 2018-005

**SAINT JOSEPH SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
June 30, 2018**

U.S. DEPARTMENT OF EDUCATION

Saint Joseph School District respectfully submits the following corrective action plan for the year ended June 30, 2018.

District contact person responsible for corrective action:

Dr. Gabe Edgar, Director of Finance
St. Joseph School District
925 Felix
St. Joseph, Missouri 64501
(816) 671-4000

FINDINGS – FINANCIAL STATEMENT AUDIT

2018-001 is considered a Material Weakness

Finding Reference No: 2018-001

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 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.

Implementation Date: June 30, 2018

FINDINGS – FEDERAL AWARD PROGRAMS AUDIT

Findings 2018-002 to 2018-004 are Compliance Findings relating to the Student Financial Assistance Cluster

Finding 2018-005 is a Material Weaknesses

Finding Reference No: 2018-002

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: Enrollment reporting is now a shared responsibility between Hillyard Financial Aid Office and Campus Ivy, the third-party servicer. This relationship has allowed for additional training of employees which will prevent this finding in 2019-20.

Implementation Date: June 30, 2018

Finding Reference No: 2018-003

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

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

Corrective Action Plan: Campus Ivy, our third-party servicer, released a new software feature which enables the school to provide direct feedback with each scheduled disbursement roster batch. This feature eliminates any confusion regarding the timing of disbursements, which was previously experience as a result of communication only by email and multiple phone calls.

Implementation Date: June 30, 2018

SAINT JOSEPH SCHOOL DISTRICT
CORRECTIVE ACTION PLAN (continued)
June 30, 2018

Finding Reference No: 2018-004

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

Recommendation: We recommend the District implement procedures to strictly comply with requirements of 34 CFR 685.201(a)(2) as it relates to the completion of the Master Promissory Note prior to Direct Student Loan fund disbursements.

Corrective Action Plan: Similar to the previous finding, this was an isolated event, which would normally have been prevented at the Department of Education level through Common Origination and Disbursement. However, the recent software release from Campus Ivy is designed to safeguard against the kind of infraction in 2019-20.

Implementation Date: June 30, 2018

Finding Reference No: 2018-005

Finding Noted: Ongoing Monitoring of Compliance with Grant Requirements

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

Corrective Action Plan: The District contracted with Campus Ivy, a third-party servicer, hired an experience financial aid professional, and sent current employees to financial aid training conferences in order to satisfy compliance requirement related to student financial aid administration.

Implementation Date: June 30, 2018

Sincerely,

Dr. Gabe Edgar, 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, 2018. 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 4, 2018

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Member of The Leading Edge Alliance

SAINT JOSEPH SCHOOL DISTRICT 011-082
 SCHEDULE OF SELECTED STATISTICS
 Year Ended June 30, 2018

1. Calendar (Sections 160.041 and 171.031, RSMo)

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

Kindergarten – Grade 6 (except Lake)	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 Mark Twain)	1,084.60
Mark Twain Elementary (K-6)	1,077.95
Grade 7 – Grade 8	1,109.20
Grade 9 – Grade 12 - Benton	1,109.20
Grade 9 – Grade 12 – Central	1,108.20
Grade 9 – Grade 12 – Lafayette	1,109.20

C. The number of days classes were in session and pupils were under the direction of the teachers during this school year was 164 except for Grade K – Grade 6 – Mark Twain, which was 163.

2. Average Daily Attendance (ADA)

Average Daily Attendance:

Regular term:

Kindergarten – Grade 6	5,998.12
Grade 7 – Grade 8	1,613.01
Grade 9 – Grade 12	<u>2,868.85</u>

Total regular term 10,479.98

Extended school year (ESY) 3.00

Summer school average daily attendance 208.81

Total Average Daily Attendance 10,691.79

3. September Membership

September Membership FTE Count 11,214.50

SAINT JOSEPH SCHOOL DISTRICT 011-082
 SCHEDULE OF SELECTED STATISTICS (continued)
 Year Ended June 30, 2018

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

State FTE Total	Free	7,419.50
	Reduced	<u>455.00</u>
	Total	<u><u>7,874.50</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 no \$162,326 or 7% x SAT x WADA transfer.
- F. The District published a summary of the 2016-2017 audit report within thirty days of receipt of the audit, pursuant to Section 165.121, RSMo.
- G. The District has a professional development committee plan adopted by the Board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment.
- H. The amount spent for approved professional development committee plan activities was \$305,344.

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, 2018

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 4,158.0 and the average number of students transported on a regular basis (ADT) ineligible to be counted for state transportation aid was 1,419.0.
- D. The District's transportation odometer mileage records are so maintained as to accurately disclose in all material respects the eligible and ineligible mileage for the year.
- E. Actual odometer records show the total District operated and contracted mileage for the year was 957,593. Of this total, the eligible non-disabled and students with disabilities route miles were 798,048 and the ineligible non-route and disapproved miles combined were 159,545.
- F. The District operated the school transportation system for 164 days during this school year.

There were no findings noted above.