LEBANON R-III SCHOOL DISTRICT

LEBANON, MISSOURI

BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2017

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT 4

BASIC FINANCIAL STATEMENTS

Statement of Net Position – Modified Cash Basis 8

Statement of Activities – Modified Cash Basis 9

Statement of Assets and Fund Balances – Governmental Funds – Modified Cash Basis 11

Statement of Receipts, Disbursements and Changes in Fund Balances – Governmental Funds – Modified Cash Basis 12

Statement of Net Position – Proprietary Fund – Modified Cash Basis 13

Statement of Receipts, Disbursements, and Changes in Net Position – Proprietary Fund – Modified Cash Basis 14

Statement of Cash Flows – Proprietary Fund – Modified Cash Basis 15

Notes to Financial Statements 16

SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund 31

Budgetary Comparison Schedule – Special Revenue Fund 32

Budgetary Comparison Schedule – Debt Service Fund 33

Budgetary Comparison Schedule – Capital Projects Fund 34

Note to Budgetary Comparison Schedules 35

OTHER FINANCIAL INFORMATION

Schedule of Receipts by Source 37

Schedule of Disbursements by Object 39

Schedule of Transportation Costs Eligible for State Aid 40

TABLE OF CONTENTS

OTHER REPORTING REQUIREMENTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 42

Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance 44

Schedule of Expenditures of Federal Awards 45

Summary Schedule of Findings and Questioned Costs 48

Schedule of Prior Audit Findings 49

SUPPLEMENTARY STATE INFORMATION

Independent Accountants' Report on Management's Assertions About Compliance with Specified Requirements of Missouri Laws and Regulations 51

Schedule of Selected Statistics 52

INDEPENDENT AUDITORS' REPORT

Board of Education
Lebanon R-III School District
Lebanon, Missouri

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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 Lebanon R-III School District as of June 30, 2017, and the respective changes in modified cash basis financial position thereof for the year then ended, in conformity with the basis of accounting described in Note A.

Basis of Accounting

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

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison information on pages 31-35, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The pension information and budgetary comparison 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 Lebanon R-III 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
Lebanon R-III School District
Lebanon, 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 30, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 30, 2017

GOVERNMENT-WIDE FINANCIAL STATEMENTS

LEBANON R-III SCHOOL DISTRICT
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
June 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 8,927,830
Cash and cash equivalents - Health insurance trust	14,393
Investments	3,065,091
TOTAL ASSETS	$ 12,007,314
NET POSITION	
Restricted for scholarships	$ 1,854,591
Restricted for student activities	799,287
Restricted for construction	2,559,090
Restricted for debt service	2,289,203
Restricted for health insurance trust	14,393
Unrestricted	4,490,750
TOTAL NET POSITION	$ 12,007,314

See accompanying notes.

LEBANON R-III SCHOOL DISTRICT
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2017

	Cash Disbursements	Program Cash Receipts: Charges for Services	Program Cash Receipts: Operating Grants and Contributions	Program Cash Receipts: Capital Grants and Contributions	Net (Disbursements) Receipts and Changes in Net Position
Governmental Activities:					
Instruction	$ (26,198,915)	$ 2,034,870	$ 3,859,774	$ 19,975	$ (20,284,296)
Student services	(1,303,455)	-	51,299	-	(1,252,156)
Instructional staff support	(1,024,629)	94,892	801,084	-	(128,653)
Building administration	(1,979,737)	-	-	-	(1,979,737)
General administration	(3,233,880)	-	-	-	(3,233,880)
Operation of plant	(3,053,110)	-	-	-	(3,053,110)
Transportation	(2,576,579)	-	423,900	-	(2,152,679)
Food service	(2,350,606)	680,339	1,770,637	-	100,370
Community services	(417,287)	-	333,561	-	(83,726)
Facilities acquisition and construction	(4,062,086)	-	-	-	(4,062,086)
Debt service	(3,249,759)	-	-	-	(3,249,759)
NET PROGRAM (DISBURSEMENTS) RECEIPTS	$ (49,450,043)	$ 2,810,101	$ 7,240,255	$ 19,975	(39,379,712)
General Receipts:					
Ad valorem tax receipts					10,983,705
Prop C sales tax receipts					4,298,799
Other tax receipts					617,177
County receipts					788,813
State receipts					17,313,029
Interest receipts					100,055
Other receipts					32,864
TOTAL GENERAL RECEIPTS					34,134,442
Special Items:					
Sale of other property					171,355
Net insurance recovery					7,478
TOTAL SPECIAL ITEMS					178,833
(DECREASE) IN NET POSITION					(5,066,437)
NET POSITION - Beginning of year					17,073,751
NET POSITION - End of year					$ 12,007,314

See accompanying notes.

FUND FINANCIAL STATEMENTS

LEBANON R-III SCHOOL DISTRICT
STATEMENT OF ASSETS AND FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 5,269,959	$ -	$ 1,082,945	$ 2,574,926	$ 8,927,830
Investments	1,858,833	-	1,206,258	-	3,065,091
TOTAL ASSETS	$ 7,128,792	$ -	$ 2,289,203	$ 2,574,926	$ 11,992,921
FUND BALANCES					
Restricted for:					
Scholarships	$ 1,854,591	$ -	$ -	$ -	$ 1,854,591
Student activities	799,287	-	-	-	799,287
Restricted for construction	-	-	-	2,559,090	2,559,090
Debt service	-	-	2,289,203	-	2,289,203
Assigned for capital outlay	-	-	-	15,836	15,836
Unassigned	4,474,914	-	-	-	4,474,914
TOTAL FUND BALANCES	$ 7,128,792	$ -	$ 2,289,203	$ 2,574,926	$ 11,992,921

Total Fund Balances - Governmental Funds	$ 11,992,921
Amounts reported for governmental activities in the statement of net position are different because:	
An internal service fund is used by the District's management to charge the costs of the self-funded healthcare plan to the individual funds. The assets of the internal service fund are included in governmental activities in the statement of net position - modified cash basis	14,393
Net Position of Governmental Activities	$ 12,007,314

See accompanying notes.

LEBANON R-III SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
RECEIPTS					
Local	$ 8,634,270	$ 6,405,643	$ 2,556,793	$ 178,414	$ 17,775,120
County	465,040	284,912	38,861	-	788,813
State	4,673,635	15,243,886	-	-	19,917,521
Federal	4,396,635	239,128	-	-	4,635,763
Other	-	1,087,556	-	-	1,087,556
TOTAL RECEIPTS	18,169,580	23,261,125	2,595,654	178,414	44,204,773
DISBURSEMENTS					
Instruction	6,146,882	19,648,848	-	403,185	26,198,915
Student services	556,712	744,485	-	2,258	1,303,455
Instructional staff support	374,035	642,325	-	8,269	1,024,629
Building administration	604,676	1,363,635	-	11,426	1,979,737
General administration	2,126,823	671,337	-	435,720	3,233,880
Operation of plant	2,775,287	-	-	32,527	2,807,814
Transportation	2,326,305	-	-	250,274	2,576,579
Food service	2,238,024	-	-	112,582	2,350,606
Community services	226,792	190,495	-	-	417,287
Facilities acquisition and construction	-	-	-	4,062,086	4,062,086
Debt service	-	-	3,127,413	122,346	3,249,759
TOTAL DISBURSEMENTS	17,375,536	23,261,125	3,127,413	5,440,673	49,204,747
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	794,044	-	(531,759)	(5,262,259)	(4,999,974)
OTHER FINANCING SOURCES (USES)					
Sale of other property	171,355	-	-	-	171,355
Net insurance recovery	7,478	-	-	-	7,478
Operating transfers in	-	-	-	906,759	906,759
Operating transfers (out)	(906,759)	-	-	-	(906,759)
TOTAL OTHER FINANCING SOURCES (USES)	(727,926)	-	-	906,759	178,833
EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	66,118	-	(531,759)	(4,355,500)	(4,821,141)
FUND BALANCE, July 1, 2016	7,062,674	-	2,820,962	6,930,426	16,814,062
FUND BALANCE, June 30, 2017	$ 7,128,792	$ -	$ 2,289,203	$ 2,574,926	$ 11,992,921

Net change in fund balances - total governmental funds - modified cash basis	$ (4,821,141)
An internal service fund is used by the District's management to charge the costs of the self-funded health care plan to the individual funds. The net expenses of the activities of the internal service fund is reported with governmental activities.	(245,296)
Change in net position of governmental activities - modified cash basis	$ (5,066,437)

See accompanying notes.

LEBANON R-III SCHOOL DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUND – MODIFIED CASH BASIS
June 30, 2017

	Internal Service Fund
ASSETS	
Cash and cash equivalents	$ 14,393
NET POSITION	
Restricted for insurance trust	$ 14,393

See accompanying notes.

LEBANON R-III SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET POSITION – PROPRIETARY FUND – MODIFIED CASH BASIS
Year Ended June 30, 2017

	Internal Service Fund
RECEIPTS	
Charges for services	$ 1,151,963
TOTAL RECEIPTS	1,151,963
DISBURSEMENTS	
Insurance claims and administrative expenses	1,397,719
TOTAL DISBURSEMENTS	1,397,719
OPERATING INCOME	(245,756)
NONOPERATING RECEIPTS	
Interest receipts	460
TOTAL NONOPERATING RECEIPTS	460
NET (LOSS)	(245,296)
NET POSITION, July 1, 2016	259,689
NET POSITION, June 30, 2017	$ 14,393

See accompanying notes.

LEBANON R-III SCHOOL DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND – MODIFIED CASH BASIS
Year Ended June 30, 2017

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from insurance premiums	$ 1,151,963
Payment of insurance claims and administrative costs	(1,397,719)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(245,756)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to General Fund	-
NET CASH (USED) BY FINANCING ACTIVITIES	-
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	460
NET CASH PROVIDED BY INVESTING ACTIVITIES	460
NET (DECREASE) IN CASH	(245,296)
CASH AND CASH EQUIVALENTS, July 1, 2016	259,689
CASH AND CASH EQUIVALENTS, June 30, 2017	$ 14,393
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ (245,756)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (245,756)

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

Basis of Presentation

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Internal Service Fund - Accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the District. The Internal Service Fund of the District is used to account for the health self-insurance program.

Basis of Accounting

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

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

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

Capital Outlay

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

Compensated Absences

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Debt

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

Teachers' Salaries

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

Pooled Cash and Investments

Cash and cash equivalents of the individual funds are combined to form a pool of cash and cash equivalents with the exception of the Debt Service Fund, which is kept in separate bank accounts. Investments of the pooled accounts consist primarily of money market accounts and certificates of deposit, carried at cost, which approximates market.

Inventories

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

Equity Classification

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

Program Receipts

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

NOTE B – CASH AND CASH EQUIVALENTS

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

NOTE C – INVESTMENTS

The District has the following investments at June 30, 2017:

Investment Type	Maturity	Total
Pro-rata shares of investment contracts with BOK Financial through the Missouri School District Direct Deposit Program	N/A	$ 1,206,258
Certificates of deposit	7/6/2017 to 6/30/2019	1,858,833
		$ 3,065,091

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. Fair market value approximates cost.

Certificates of Deposit

Certificates of deposit with maturities in excess of three months are classified as investments but are considered deposits for custodial risk determination. State statutes require that the District's deposits be collateralized in the name of the District by the trust department of a bank that does not hold the collateralized deposits. As of June 30, 2017, all certificates of deposit are entirely insured or collateralized with securities.

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

NOTE D – TAXES

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

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

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

Real estate	$ 226,053,640
Personal property	83,340,481
	$ 309,394,121

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

	Unadjusted	Adjusted
General Fund	$ 2.1000	$ 2.1000
Special Revenue Fund	.6500	.6500
Debt Service Fund	.8400	.8400
TOTAL LEVY	$ 3.5900	$ 3.5900

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2017, aggregated approximately 99 percent of the current assessment computed on the basis of the levy as shown above.

NOTE E – GENERAL OBLIGATION BONDS PAYABLE

Bonds payable at June 30, 2017, consist of:

$6,490,000 general obligation refunding bonds issued December 15, 2011, due in varying annual installments through March 1, 2019; interest at 0.90% to 2.90%.	$ 2,210,000
$9,850,000 general obligation bonds issued May 27, 2014, due in varying annual installments through March 1, 2024; interest at 0.40% to 2.30%.	8,850,000
$10,000,000 general obligation bonds issued March 10, 2015, due in varying annual installments through March 1, 2035; interest at 3.00% to 4.00%.	10,000,000
$8,825,000 general obligation bonds issued January 1, 2016, due in varying installments through March 1, 2029; interest at 2.00% to 5.00%.	8,525,000
	$ 29,585,000

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

Bonds Payable, July 1, 2016	$ 30,698,561
Bonds issued	-
Bonds retired	(1,113,561)
Bonds Payable, June 30, 2017	$ 29,585,000

NOTE E – GENERAL OBLIGATION BONDS PAYABLE (continued)

Debt service requirements are:

Year Ended June 30,	Principal	Interest	Total
2018	$ 2,030,000	$ 1,352,936	$ 3,382,936
2019	1,830,000	955,259	2,785,259
2020	1,200,000	926,791	2,126,791
2021	1,350,000	908,189	2,258,189
2022	1,450,000	883,891	2,333,891
2023	1,550,000	854,889	2,404,889
2024	1,650,000	821,565	2,471,565
2025	1,475,000	783,615	2,258,615
2026	1,575,000	709,865	2,284,865
2027	1,675,000	631,115	2,306,115
2028	1,825,000	547,365	2,372,365
2029	1,975,000	456,115	2,431,115
2030	1,460,000	336,465	1,796,465
2031	1,540,000	289,695	1,829,695
2032	1,610,000	233,625	1,843,625
2033	1,710,000	167,225	1,877,225
2034	1,790,000	97,225	1,887,225
2035	1,890,000	30,713	1,920,713
	$ 29,585,000	$ 10,986,543	$ 40,571,543

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

Constitutional debt limit	$ 46,409,118
General obligation bonds payable	(29,585,000)
Amount available in Debt Service Fund	2,289,203
LEGAL DEBT MARGIN	$ 19,113,321

NOTE F – RETIREMENT PLANS

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

Summary of Significant Accounting Policies

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

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

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

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 is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

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

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

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

NOTE F – RETIREMENT PLANS (continued)

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

The District's contributions to PSRS and PEERS were $2,844,209 and $529,279, respectively, for the year ended June 30, 2017.

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

NOTE G – LEASES AND LOANS PAYABLE

On July 12, 2016, the District entered into a four-year cancelable lease to finance the purchase of three buses at a cost of $254,120. The lease purchase provides for interest at 1.55%.

On July 15, 2015, the District entered into a four-year cancelable lease to finance the purchase of three buses at a cost of $229,500. This lease provides for interest at 6.2%.

On July 11, 2014, the District entered into a four-year cancelable lease to finance the purchase of three buses at a cost of $150,000. This lease provides for interest at 1.61%.

On June 19, 2013, the District entered into a four-year cancelable lease to finance the purchase of four new buses at a cost of $314,190. This lease provides for interest at 1.45%.

On January 22, 2015, the District entered into a ten-year loan agreement with the Missouri Department of Economic Development/Energy Division in the amount of $26,845 to finance certain improvements. The loan provides for annual payments of principal and interest with an interest rate of 2.5%.

On May 16, 2016, the District entered into a four-year cancelable lease to finance a new phone system at a total remaining financed cost of $102,125. The lease provides for annual payments of principal in the amount of $25,531.

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

NOTE G – LEASES AND LOANS PAYABLE (continued)

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

Year Ending June 30,	2013B Bus Lease	2014 Bus Lease	2015 Bus Lease	2016 Bus Lease	DNR Energy Loan	Phone Lease	Total
2018	$ 64,825	$ 31,032	$ 48,741	$ 52,524	$ 3,200	$ 25,531	$ 225,853
2019	-	31,033	48,740	52,524	3,202	25,531	161,030
2020	-	-	48,740	52,524	3,201	25,531	129,996
2021	-	-	-	52,524	3,200	25,532	81,256
2022	-	-	-	-	3,201	-	3,201
2023	-	-	-	-	3,200	-	3,200
2024	-	-	-	-	3,201	-	3,201
2025	-	-	-	-	1,405	-	1,405
TOTAL MINIMUM LEASE/LOAN PAYMENTS	64,825	62,065	146,221	210,096	23,810	102,125	609,142
LESS AMOUNT REPRESENTING INTEREST	(945)	(1,468)	(8,082)	(7,957)	(2,206)	-	(20,658)
NET LEASE/LOAN PAYMENTS	$ 63,880	$ 60,597	$ 138,139	$ 202,139	$ 21,604	$ 102,125	$ 588,484

The following represents the changes in the net lease/loan payments for the year ended June 30, 2017:

Leases/Loans Payable, July 1, 2016	$ 692,988
Additional obligations	254,140
Net retirements	(358,644)
Leases/Loans Payable, June 30, 2017	$ 588,484

NOTE H – RISK MANAGEMENT

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

NOTE I – COMPENSATED ABSENCES

After working for the District for 10 years and meeting the requirements to qualify for teacher or Public Education employee retirement benefits, professional staff may receive $38.50 per day and support staff may receive up to $30 per day for each sick leave day accumulated, up to 120 days upon retirement or termination of employment with the District. As of June 30, 2017, the liability for accumulated sick leave payable was $817,609.

NOTE J – CLAIMS AND ADJUSTMENTS

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulation, the District may be required to reimburse the grantor government. As of June 30, 2017, disbursements have not been audited by grantor governments, but the District believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the District.

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 subjected to terms and conditions set forth in the Board policy. The cost of the coverage is charged to the retiree at a blended rate for all employees. The District has not made a formal evaluation or projection on the future cost of the existing health care benefit plan in relation to retirees.

NOTE L – COMMITMENTS

At June 30, 2017, the District was committed to a contract for copiers for the middle school with Copy Providers Inc. in the amount of $114,443. The District was also committed to a contract with KCI Construction Company in the amount of $232,690 for construction services related to new middle school building. The District was also committed to a contract with the Lebanon Education Foundation in the amount of $81,902 for a wireless project repayment.

NOTE M – INTERFUND TRANSFERS

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

	Transfers In	Transfers Out
General Fund	$ -	$ 906,759
Capital Projects Fund	906,759	-
	$ 906,759	$ 906,759

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

NOTE N – TAX ABATEMENTS

As of June 30, 2017, the District did not provide tax abatements to any businesses. However, the District's taxes were reduced by agreements entered into by other governments through the following: Enhance Enterprise Zones and the Urban Redevelopments Corporation or Chapter 353.

- The Enhanced Enterprise Zones Program is designed to attract new or expanding businesses to the area. Under Sections 135.950-135.970, RSMo., in order for a manufacturer, distributor, or certain service industries to qualify for various tax abatements for 10 to 25 years, the business must meet certain minimum criteria depending on the type of business facility. New or expanded business facilities must have two new employees and $100,000 in new investment. Replacement business facilities must have two new employees and $1,000,000 in new investment. Both types of business facilities must also offer health insurance to full time employees in Missouri, of which at least 50% is paid by the employer. The City of Lebanon, Missouri had abatements that reduced taxes by $76,205 and Laclede County had abatements that reduced taxes by $16,572 under this program.

- 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 City of Lebanon, Missouri granted abatements under this program that resulted in a tax reduction of $43,565.

SUPPLEMENTARY INFORMATION

LEBANON R-III SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
RECEIPTS				
Local	$ 11,326,274	$ 8,634,270	$ 8,634,270	$ -
County	432,615	465,040	465,040	-
State	7,326,494	4,673,635	4,673,635	-
Federal	4,058,196	4,396,635	4,396,635	-
Other	85,000	-	-	-
TOTAL RECEIPTS	23,228,579	18,169,580	18,169,580	-
DISBURSEMENTS				
Instruction	5,957,260	6,146,882	6,146,882	-
Student services	544,372	556,712	556,712	-
Instructional staff support	314,016	374,035	374,035	-
Building administration	613,217	604,676	604,676	-
General administration	1,386,244	2,126,823	2,126,823	-
Operation of plant	3,250,759	2,775,287	2,775,287	-
Transportation	2,438,848	2,326,305	2,326,305	-
Food service	2,100,718	2,238,024	2,238,024	-
Community services	205,159	226,792	226,792	-
TOTAL DISBURSEMENTS	16,810,593	17,375,536	17,375,536	-
EXCESS OF RECEIPTS OVER DISBURSEMENTS	6,417,986	794,044	794,044	-
OTHER FINANCING SOURCES (USES)				
Net insurance recovery	-	7,478	7,478	-
Sale of other property	-	171,355	171,355	-
Operating transfers (out)	(6,964,412)	(906,759)	(906,759)	-
TOTAL OTHER FINANCING SOURCES (USES)	(6,964,412)	(727,926)	(727,926)	-
EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	(546,426)	66,118	66,118	-
FUND BALANCE, July 1, 2016	7,062,674	7,062,674	7,062,674	-
FUND BALANCE, June 30, 2017	$ 6,516,248	$ 7,128,792	$ 7,128,792	$ -

LEBANON R-III SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND
Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
RECEIPTS				
Local	$ 3,145,756	$ 6,405,643	$ 6,405,643	$ -
County	284,912	284,912	284,912	-
State	12,844,353	15,243,886	15,243,886	-
Federal	217,601	239,128	239,128	-
Other	950,000	1,087,556	1,087,556	-
TOTAL RECEIPTS	17,442,622	23,261,125	23,261,125	-
DISBURSEMENTS				
Instruction	19,652,633	19,648,848	19,648,848	-
Student services	758,869	744,485	744,485	-
Instructional staff support	626,180	642,325	642,325	-
Building administration	1,374,224	1,363,635	1,363,635	-
General administration	667,600	671,337	671,337	-
Community services	194,262	190,495	190,495	-
TOTAL DISBURSEMENTS	23,273,768	23,261,125	23,261,125	-
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(5,831,146)	-	-	-
OTHER FINANCING SOURCES				
Operating transfers in	5,831,146	-	-	-
EXCESS OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	-	-	-	-
FUND BALANCE, July 1, 2016	-	-	-	-
FUND BALANCE, June 30, 2017	$ -	$ -	$ -	$ -

LEBANON R-III SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
RECEIPTS				
Local	$ 2,652,529	$ 2,556,793	$ 2,556,793	$ -
County	38,861	38,861	38,861	-
TOTAL RECEIPTS	2,691,390	2,595,654	2,595,654	-
DISBURSEMENTS				
Debt service	3,127,413	3,127,413	3,127,413	-
TOTAL DISBURSEMENTS	3,127,413	3,127,413	3,127,413	-
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(436,023)	(531,759)	(531,759)	-
FUND BALANCE, July 1, 2016	2,820,962	2,820,962	2,820,962	-
FUND BALANCE, June 30, 2017	$ 2,384,939	$ 2,289,203	$ 2,289,203	$ -

LEBANON R-III SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – CAPITAL PROJECTS FUND
Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
RECEIPTS				
Local	$ 41,205	$ 178,414	$ 178,414	$ -
State	131,031	-	-	-
TOTAL RECEIPTS	172,236	178,414	178,414	-
DISBURSEMENTS				
Instruction	260,794	403,185	403,185	-
Student services	-	2,258	2,258	-
Instructional staff support	-	8,269	8,269	-
Building administration	3,000	11,426	11,426	-
General administration	385,759	435,720	435,720	-
Operation of plant	4,809	32,527	32,527	-
Transportation	250,274	250,274	250,274	-
Food service	-	112,582	112,582	-
Facilities acquisition and construction	6,665,796	4,062,086	4,062,086	-
Debt service	130,931	122,346	122,346	-
TOTAL DISBURSEMENTS	7,701,363	5,440,673	5,440,673	-
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(7,529,127)	(5,262,259)	(5,262,259)	-
OTHER FINANCING SOURCES				
Operating transfers in	1,133,266	906,759	906,759	-
TOTAL OTHER FINANCING SOURCES	1,133,266	906,759	906,759	-
(DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	(6,395,861)	(4,355,500)	(4,355,500)	-
FUND BALANCE, July 1, 2016	6,930,426	6,930,426	6,930,426	-
FUND BALANCE, June 30, 2017	$ 534,565	$ 2,574,926	$ 2,574,926	$ -

Budgets and Budgetary Accounting

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

1) In accordance with Chapter 67, RSMo, the District adopts a budget for each fund

2) Prior to July, the superintendent, who serves as the Budget Officer, submits to the Board of Education a proposed budget for the fiscal year beginning on 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

LEBANON R-III SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE
Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
LOCAL					
Current taxes	$ 5,797,771	$ 1,794,548	$ 2,319,108	$ -	$ 9,911,427
Delinquent taxes	640,913	194,145	237,220	-	1,072,278
School district trust fund (Prop C)	-	4,298,799	-	-	4,298,799
Financial institution tax	21,268	6,605	-	8,536	36,409
M & M surtax	340,136	105,153	-	135,479	580,768
Tuition from individuals	-	6,173	-	-	6,173
Earnings on investments	84,946	220	465	14,424	100,055
Food service - programs	439,196	-	-	-	439,196
Food service non-program	241,143	-	-	-	241,143
Student activities	1,034,833	-	-	-	1,034,833
Rentals	1,200	-	-	-	1,200
Gifts	-	-	-	19,975	19,975
Miscellaneous local revenue	32,864	-	-	-	32,864
TOTAL LOCAL	8,634,270	6,405,643	2,556,793	178,414	17,775,120
COUNTY					
Fines, escheats, etc.	-	284,912	-	-	284,912
State assessed utilities	465,040	-	38,861	-	503,901
TOTAL COUNTY	465,040	284,912	38,861	-	788,813
STATE					
Basic formula - state monies	1,224,338	14,420,625	-	-	15,644,963
Transportation	380,800	-	-	-	380,800
Early childhood special education	296,767	658,891	-	-	955,658
Basic formula - classroom trust fund	1,668,066	-	-	-	1,668,066
Career education/at risk	20,000	-	-	-	20,000
Educational screening program	65,322	-	-	-	65,322
Career education	228,842	164,370	-	-	393,212
Food service - state	18,897	-	-	-	18,897
Career education enhancement grant	146,032	-	-	-	146,032
High need fund	623,371	-	-	-	623,371
Other	1,200	-	-	-	1,200
TOTAL STATE	4,673,635	15,243,886	-	-	19,917,521

LEBANON R-III SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE (continued)
Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
FEDERAL					
Medicaid	102,030	-	-	-	102,030
Child development associate grant	7,954	-	-	-	7,954
Perkins basic grant, career education	-	99,124	-	-	99,124
IDEA grants	45,855	-	-	-	45,855
IDEA entitlement, Part B	790,717	-	-	-	790,717
Early childhood special education - federal	-	140,004	-	-	140,004
School lunch program	1,226,065	-	-	-	1,226,065
School breakfast program	459,782	-	-	-	459,782
Title - ESEA	1,424,337	-	-	-	1,424,337
Title II, Part A & B, ESEA	155,834	-	-	-	155,834
Childcare development fund grant	24,791	-	-	-	24,791
Dept of Health food service program	65,893	-	-	-	65,893
Title VI, Part B rural education initiative	91,360	-	-	-	91,360
Other - federal	2,017	-	-	-	2,017
TOTAL FEDERAL	4,396,635	239,128	-	-	4,635,763
OTHER SOURCES					
Sale of other property	171,355	-	-	-	171,355
Net insurance recovery	7,478	-	-	-	7,478
Tuition from other districts	-	992,664	-	-	992,664
Area vocational fees from other LEAs	-	94,892	-	-	94,892
TOTAL OTHER SOURCES	178,833	1,087,556	-	-	1,266,389
TOTAL RECEIPTS	$ 18,348,413	$ 23,261,125	$ 2,595,654	$ 178,414	$ 44,383,606

NOTE: The above presentation is in accordance with the Annual Secretary of the Board Report (ASBR).

LEBANON R-III SCHOOL DISTRICT
SCHEDULE OF DISBURSEMENTS BY OBJECT
Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Salaries	$ 6,854,786	$ 17,918,396	$ -	$ -	$ 24,773,182
Teacher's retirement	7,757	2,842,281	-	-	2,850,038
Non-teacher retirement	522,358	6,218	-	-	528,576
Old age survivor and disability (OASDI)	404,393	35,267	-	-	439,660
Medicare	95,176	247,567	-	-	342,743
Employee insurance	1,748,782	2,192,718	-	-	3,941,500
Other employer provided serices	2,586	18,678	-	-	21,264
Purchased instructional services - tuition	58,224	-	-	-	58,224
Professional services	261,499	-	-	-	261,499
Audit services	17,775	-	-	-	17,775
Legal services	4,405	-	-	-	4,405
Election services	82	-	-	-	82
Other professional services	75,276	-	-	-	75,276
Repairs and maintenance	165,670	-	-	-	165,670
Rentals - land and buildings	35,242	-	-	-	35,242
Rentals - equipment	98,631	-	-	-	98,631
Water and sewer	68,509	-	-	-	68,509
Trash removal	19,482	-	-	-	19,482
Travel	199,776	-	-	-	199,776
Property insurance	373,403	-	-	-	373,403
Communication	95,036	-	-	-	95,036
Advertising, printing, dues and other purchased services	2,020,594	-	-	-	2,020,594
General supplies	2,310,723	-	-	-	2,310,723
Supplies - technology-related	4,496	-	-	-	4,496
Library books	33,768	-	-	-	33,768
Resource materials	5,634	-	-	-	5,634
Food supplies - excludes non-food supplies	1,283,508	-	-	-	1,283,508
Energy	853,261	-	-	-	853,261
Buildings	-	-	-	3,531,351	3,531,351
Improvements other than buildngs	-	-	-	218,080	218,080
Regular equipment	-	-	-	1,147,731	1,147,731
Equipment - classroom instructional apparatus	-	-	-	86,687	86,687
Technology - related hardware	-	-	-	74,437	74,437
Pupil transportation vehicles - school buses	-	-	-	250,274	250,274
Other capital outlay	-	-	-	9,767	9,767
Principal	-	-	1,113,561	108,370	1,221,931
Interest	-	-	2,012,341	13,976	2,026,317
Other	-	-	1,511	-	1,511
TOTAL DISBURSEMENTS	$ 17,620,832	$ 23,261,125	$ 3,127,413	$ 5,440,673	$ 49,450,043

Note: The above presentation is in accordance with the Annual Secretary of the Board Report (ASBR).

LEBANON R-III SCHOOL DISTRICT
SCHEDULE OF TRANSPORTATION COSTS ELIGIBLE FOR STATE AID
Year Ended June 30, 2017

	District Owned	Disabled Transportation District Owned	Total
Non-certified salaries	$ 1,285,703	$ 51,252	$ 1,336,955
Employee benefits	375,856	34,893	410,749
Purchased services	123,890	-	123,890
Supplies	321,723	5,918	327,641
Depreciation	233,168	-	233,168
	$ 2,340,340	$ 92,063	$ 2,432,403

School buses lease/purchased	
Principal	$ 250,274
Interest	$ 10,341

OTHER REPORTING REQUIREMENTS

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

Board of Education
Lebanon R-III School District
Lebanon, Missouri

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Lebanon R-III 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Education
Lebanon R-III School District
Lebanon, Missouri

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

Compliance and Other Matters

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

Purpose of This Report

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 30, 2017

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

Board of Education
Lebanon R-III School District
Lebanon, Missouri

Report on Compliance for Each Major Federal Program

We have audited Lebanon R-III 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 Lebanon R-III School District's major federal programs for the year ended June 30, 2017. The Lebanon R-III 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 Lebanon R-III 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 Lebanon R-III 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 Lebanon R-III School District's compliance.

Board of Education
Lebanon R-III School District
Lebanon, Missouri

Opinion on Each Major Federal Program

In our opinion, the Lebanon R-III 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 each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Lebanon R-III 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 Lebanon R-III 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.

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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 30, 2017

LEBANON R-III SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Passed-through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Missouri Department of Elementary and Secondary Education				
Child Nutrition Cluster				
National School Lunch Program - Commodities	10.555	053-113	$ -	$ 237,254
- Cash	10.555	2015IN109943	-	243,418
		2016N109943	-	996,533
			-	1,477,205
School Breakfast Program	10.553	2015IN109943	-	66,166
		2016N109943	-	256,551
			-	322,717
Missouri Department of Health and Senior Services				
Child Nutrition Cluster				
Summer Food Service Program for Children	10.559	ERS0461944S	-	66,048
Total Child Nutrition Cluster			-	1,865,970
Missouri Department of Elementary and Secondary Education				
Fresh Fruits and Vegetable Program	10.582	2015IL160343	-	1,134
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	1,867,104
U.S. DEPARTMENT OF EDUCATION				
Missouri Department of Elementary and Secondary Education				
Title I Grants to LEAs	84.010	S010A140025	-	433,324
		S010A150025	-	869,858
			-	1,303,182
Special Education Grants Cluster				
Special Education Grants to States	84.027	H027A140040	-	72,989
		H027A150040	-	791,604
			-	864,593
Special Education Preschool Grants	84.173	H173A150103	-	122,328
Total Special Education Grants Cluster			-	986,921
Career and Technical Education - Basic Grants to States	84.048	V048A140025	-	32,431
		V048A150025	-	90,721
			-	123,152
Rural Education	84.358	S358B140025	-	41,889
		S358B150025	-	59,404
			-	101,293
Supporting Effective Instruction State Grant	84.367	S367A140024	-	89,315
		S367A150024	-	76,954
			-	166,269
TOTAL U.S. DEPARTMENT OF EDUCATION			-	2,680,817

LEBANON R-III SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
Year Ended June 30, 2017

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Passed-through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Missouri Department of Elementary and Secondary Education				
Childcare & Development Block Grant-Associate Grant	93.575	1601MOCCDF	-	12,013
Childcare & Development Block Grant-School Age Community	93.575	1601MOCCDF	-	39,712
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	51,725
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ -	$ 4,599,646

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.

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.

LEBANON R-III SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section I – Summary of Audit Results

Financial Statements

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

Internal control over financial reporting:

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

Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	____ yes X no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 & 84.173	Special Education Grants Cluster
84.010	Title I Grants to LEAs

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

None

Section III – Federal Award Findings and Questioned Costs

None

LEBANON R-III SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

There were no prior year audit findings.

SUPPLEMENTARY STATE INFORMATION

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

Board of Education
Lebanon R-III School District
Lebanon, Missouri

We have examined management's assertions that Lebanon R-III School District complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures; accurate disclosure of the District's attendance records of average daily attendance, standard day length, resident membership on the last Wednesday of September, pupil transportation records of the average daily transportation of pupils eligible and ineligible for state aid, the number of miles eligible and ineligible for state aid and other statutory requirements as listed in the schedule of selected statistics during the year ended June 30, 2017. Lebanon R-III 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 30, 2017

LEBANON R-III SCHOOL DISTRICT 053-113
SCHEDULE OF SELECTED STATISTICS
Year Ended June 30, 2017

1. Calendar (Sections 160.041 and 171.031, RSMo)

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

Grades K – 1	6.5000
Grades 2 – 3	6.5000
Grades 4 – 5	6.6000
Grades 6 – 8	6.7500
Grades 9 – 12	6.7000

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

Grades K – 1	1,100.50
Grades 2 – 3	1,101.20
Grades 4 – 5	1,118.00
Grades 6 – 8	1,143.50
Grades 9 – 12	1,135.00

   C. The number of days classes were in session and pupils were under the direction of the teachers during this school year was 170.

2. Average Daily Attendance (ADA)

Average Daily Attendance:	
Regular term:	
Full-time Kindergarten – Grade 12	3,895.99
Part-time Kindergarten – Grade 12	4.40
Remedial	7.55
Total regular term	3,907.94
Summer school average daily attendance	54.40
Total Average Daily Attendance	3,962.34

3. September Membership

September Membership FTE Count	4,181.52

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

State FTE Total	Free	2,090.84
	Reduced	401.00
	Total	2,491.84

5. Finance

A. A bond, as required by Section 162.401, RSMo, has been purchased for the District treasurer in the amount of $50,000.

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

C. The District maintained a separate bank account for its Debt Service Fund in accordance with Section 165.011, RSMo.

D. Salaries reported for educators in the October core data cycle are supported by payroll/contract records.

E. The District made a $162,326 or 7% x SAT x WADA transfer that was not in excess of adjusted expenditures and the Board of Education approved the transfer.

F. The District published a summary of the 2015-2016 audit report within thirty days of receipt of the audit, pursuant to Section 165.121, RSMo.

G. The District has a professional development committee plan adopted by the Board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment.

H. The amount spent for approved professional development committee plan activities was $191,148.

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.

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 3,498.00 and the average number of students transported on a regular basis (ADT) ineligible to be counted for state transportation aid was 49.50.

D. The District's transportation odometer mileage records are so maintained as to accurately disclose in all material respects the eligible and ineligible mileage for the year.

E. Actual odometer records show the total District operated mileage for the year was 654,600. Of this total, the eligible non-disabled and students with disabilities route miles were 499,582 and the ineligible non-route and disapproved miles combined were 155,018.

F. The District operated the school transportation system for 170 days during this school year.

There were no findings noted above.