

October 19, 2016

Dr. Josh Isaacson
Desoto 73
610 Vineland School Road
Desoto, MO 63020-2561

Revised Balance Letter
050-014

Dear Dr. Isaacson:

The district's Annual Secretary of the Board Report (ASBR) for the 2015 - 2016 fiscal year has been received and reviewed by the Department. The district has resolved or appropriately remarked all edits generated by the data entered and submitted on the web-based financial report. Therefore, the 2015 - 2016 ASBR is considered complete.

The June 30, 2016, fund balances indicated by the financial data are as follows:

| | |
|---------------------------------|-----------------|
| General (Incidental) Fund | \$8,349,910.25 |
| Special Revenue (Teachers) Fund | \$0.00 |
| Debt Service Fund | \$2,367,054.55 |
| Capital Projects Fund | \$8,149,357.36 |
| Total All Funds | \$18,866,322.16 |

The above figures must be used as the beginning balances for the 2016 - 2017 ASBR unless a prior period adjustment is documented in the 2016 - 2017 ASBR Remarks and such revised balance agrees to the beginning fund balance in the district's 2016 - 2017 audit report.

Please contact School Finance at (573) 751-0357 or Taylor.Doerhoff@dese.mo.gov if you have any questions regarding this correspondence.

Sincerely,



Taylor Doerhoff
School Finance Consultant



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

November 7, 2016

To the Members of the Board of Education
De Soto School District #73

In planning and performing our audit of the financial statements of the governmental activities, each major fund and remaining fund information of De Soto School District #73 ("District") as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

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.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Changes Impacting Governmental Organizations
- II. Information Required by Professional Standards

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

Very truly yours,

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

I. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

GASB Statement No. 72– *Fair Value Measurement and Application*. The objective is to improve guidance for determining fair value measurement for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015.

GASB Statement No. 73– *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement is effective for periods beginning after June 15, 2015.

GASB Statement No. 74– *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governments OPEB plans for making decisions and assessing accountability. This Statement is effective for periods beginning after June 15, 2016.

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for periods beginning after December 15, 2017.

GASB Statement No. 76– *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). This Statement is effective for periods beginning after June 15, 2015.

GASB Statement No. 77– *Tax Abatement Disclosures*. The objective of this Statement is to require governments that enter into tax abatement agreements to further disclose various details regarding the specific taxes, commitments, and amounts of the taxes being abated. This Statement is effective for periods beginning after December 15, 2015.

GASB Statement No. 78– *Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for periods beginning after December 15, 2015.

GASB Statement No. 79– *Certain External Investment Pools and Pool Participants*. The objective of this Statement is to address accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015.

I. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS (concluded)

GASB Statement No. 82– *Pension Issues – an amendment of GASB statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements 67, 68 and 73. Specifically this statement addresses issues regarding (1) the presentation of payroll- related measures in required supplementary information, (2) the selection of assumptions and treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for periods beginning after June 15, 2016.

II. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 15, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2016. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Due to the District applying the modified cash basis of accounting, no estimates are made during the preparation of financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

II. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (concluded)

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 7, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other matters

We were engaged to report on the budgetary comparison schedules and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI (required supplementary information). With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the modified cash basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the management's discussion and analysis, which accompanies the financial statements but is not required supplementary information. 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.

During our testing of February transportation, it was noted that the following ridership lists were not signed by drivers of buses 48, 49, 52, 60, 65, 79, 89, 91 and 96. October ridership master count sheets not signed by bus drivers were for buses 48, 54, 75, 91 and 97. Bus 50 February master count sheet had 42 HS/JH and 53 elementary riders but those riders were reported under bus 80 on the District's report of attendance for fiscal year 2015-2016. There was no master count sheet for bus 80. We also noted seven instances in calculating ridership counts when the count should have either been increased by one or decreased by one.

During our testing of attendance, we noted three instances out of forty tested of incorrect times being entered when comparing sign in/out sheets to data entered into the system.

DE SOTO SCHOOL DISTRICT #73
JEFFERSON COUNTY, MISSOURI
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2016

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JEFFERSON COUNTY, MISSOURI
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JEFFERSON COUNTY, MISSOURI
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FINANCIAL SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Education
De Soto School District #73

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund and the remaining fund information of De Soto School District #73 (District), Missouri, as of and for the year ended June 30, 2016, 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 I; 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.

Auditor's 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 auditor's 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 entity'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 entity'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, each major fund and the remaining fund information of the District as of June 30, 2016, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note I.

Basis of Accounting

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

Other Matters

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The management's discussion and analysis, budgetary comparison schedules, and schedule of expenditures of federal awards, 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules presented on pages 44 through 48 and schedule of expenditures of federal awards presented on page 60 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records 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 budgetary comparison schedules and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Management's discussion and analysis on pages 3 through 8 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016, 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 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.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

November 7, 2016

**DE SOTO SCHOOL DISTRICT #73
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The management discussion and analysis of De Soto School District # 73's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- The June 30, 2016, fund balances indicated by financial data include General (Incidental) Fund \$8,349,910.25, Special Revenue (Teachers) Fund \$0, Debt Service Fund \$2,367,054.55 and Capital Projects Fund \$8,149,357.36. The total of all funds is \$18,866,322.16. The district overall ending operating balances was 19.08 %.
- The District budgeted recapitulation report shows transfers from local revenue sources to special service and capital project funds to cover all projected expenditures for the school year. In addition the District maintains balances plus new revenue to meet the debt service refunding payments.
- The District identified \$2,966,880.65 as restricted funds accounting for self-funded insurance and student scholarships.
- The District's total levy of \$4.3258 was established with an operating levy of \$3.4551 and the debt service levy of \$0.8707.
- The School District had \$40,528,019.37 in expenses including the debt principal and interest refunding; of which \$20,991,800.43 of these expenses was offset by program specific charges for services, grants or contributions. General and Special revenues (primarily taxes) of \$28,223,564.15 and District operating balance amount of \$8,349,910.25 was adequate to provide for these programs.
- In total, the net position decreased \$2,751,405.91 which represented a 11.5% decrease from 2015. This decrease was attributed to the Bond Project expenditures.
- General and Special revenues accounted for \$28,223,564.15 in revenue or 90% of all revenues, with total revenues of \$31,407,709.50.
- The District's self-funded health insurance program began on July 1, 2007, and the District added self-funded dental at the end of the 2015 year. In 2015-2016 the total revenue collected from premiums was \$2,972,028.51 and the total administrative operating expense was \$437,571.48. The total claims for the year was \$2,908,915.81. The overall balance on June 30 was \$2,716,306.47, a decrease of \$361,592.80. The District continued the HRA for \$750 of the \$1,000 health insurance deductible in 2015-2016.
- The District repaid \$8,053,736 in long and short term debt with remaining balances of \$27,580,794.
- The District maintains an A+ bond rating with Standards and Poors and participates in the Missouri Direct Deposit Program.

**DE SOTO SCHOOL DISTRICT #73
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

- The District used various revenue sources to maintain programs for tutoring, staff development, and parent involvement. Parent involvement included implementation of education nights at the buildings and the Teacher Home Visit Program.
- All staff members were provided a step increase based on their respective salary schedules.
- The District purchased Chromebooks for grades seven through twelve. The purchase in the amount of \$236,866.85 was made via a lease purchase with First State Community Bank.
- The District 2016 summer school average daily attendance was 160.3960, which was a decrease of 1.463 ADA from 2014 summer school. The District expended \$653,065.28 to self-administer the summer program.
- The Operating Fund's balance increased \$334,100.46 from 2015. The School District transferred \$1,484,160.64 from the General Fund to the Special Revenue (Teachers) Fund and transferred 307,667.00 from General Fund to the Capital Projects Fund.
- The District continued to self-administer the special education service program which was partially funded with Part B while the early childhood special education services were fully funded with ECSE funds.

Using this Generally Accepted Accounting Principles Report (GAAP)

This annual report consists of a series of financial statements and notes to those statements. The Statement of Net Position and the Statement of Activities (on pages 9 & 10) provide information about the activities of the De Soto School District # 73 as a whole and present longer-term view of the District's finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the modified cash basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses and allows for modifications that have substantial support on an annual basis.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current property tax laws in Missouri, required educational programs and other factors.

**DE SOTO SCHOOL DISTRICT #73
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business like activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 11. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General (Incidental) Fund, Special Revenue (Teachers) Fund, Debt Service Fund, and Capital Projects Fund.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using a modified-cash basis accounting method. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Pages 9-18 provide a summary of the School District's net position for 2016.

Total net position of governmental activities decreased by \$2,751,405.91. Fixed Assets were not audited and are not shown on these statements. An unrestricted net position for 2016 was \$5,745,522.16, the part of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements of the School District.

Governmental Activities

Overall revenues for the District increased by \$468,982.14 while total overall expenses (excluding debt service) increased by \$4,419,149.75 for 2016. Revenue decreased in local and Federal funds and an increase in revenues accounted for increase in county, state, and from energy loans. The increase in expenditures was largely attributed to Bond Project expenses. The District's management maintained financial oversight of expenditures to maintain healthy financial balances of the district, to ensure sufficient cash flow, to provide for maintenance of salary schedules, and to support the curriculum and program needs. The District continued to monitor state funds in basic formula and transportation. The District received approximately 48% revenue from state funding and Federal dollars flowed through from the state to maintain existing programs.

**DE SOTO SCHOOL DISTRICT #73
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Instruction comprises 42.9% of District expense. Support services expenses make up 25.4% of the expenses and capital and debt repayment make up the remaining 28.8% of District expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Page 10 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Instructional Staff Support includes the activities involved with assisting staff with the content and process of teaching to pupils.

General Administration and Central Services includes expenses associated with administrative and financial supervision of the District. It also includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Operation of Plant activities involves keeping the school grounds, buildings, and equipment in an effective working condition.

Transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Food Services include the preparation, delivery and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities. Food Services were managed by Chartwell's Inc.

Community Services includes expense related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Facility Acquisition and Construction includes new and renovation projects supported through bond issues as well as performance contracts for efficiency of utilities.

Interest and Fiscal charges involves the transactions associated with the payment of interest and other related charges to debt of the School District.

The community and state revenues, as a whole, are the primary supports for the De Soto #73 School District. Over \$20,991,800.43 of instruction activities are supported through taxes and other general revenues; for all activities, general revenue support is \$28,223,564.15. The reliance on tax revenues to support district instruction activities is 74.4 percent.

**DE SOTO SCHOOL DISTRICT #73
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The School District's Funds

Information about the School District's major funds starts on page 11. These funds are accounted for using the modified-cash basis of accounting. All governmental funds had total general revenues of \$31,407,709.50 and expenditures of \$40,528,019.37 of which \$8,677,376.79 was in debt refunded principal and interest. The net change in fund balance for the General Fund increased by \$334,100.46

General Fund Budgeting Highlights Comparisons

The School District's budget is prepared according to Missouri law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. The School District uses requisition-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

During the course of the fiscal 2016 year, the School District amended its General Fund budget in November, May, and June, which resulted in appropriations increasing. These increased appropriations mostly accounted for increases in state revenue projections and special education revenues.

For the General Fund, the final budget basis revenue and other financing sources estimate was \$12,749,281.97. The original budgeted estimate was \$13,382,470.91. This variance was due to the adjustment of 95% of taxes paid and 5% projections for delinquent taxes.

During fiscal year 2016, the School District budgeted \$7,947,166.65 for property and other taxes and intergovernmental revenues. The School District received \$7,978,396.46 in property and other tax revenue and in intergovernmental revenue, resulting in a \$31,229.81 variance for the fiscal year. The revenue variance was largely attributed to increase in property tax revenue collections from earlier projections.

Capital Assets

The District has chosen to maintain internal financial statements to monitor monies invested in land, buildings, furniture and equipment, and vehicles in Fiscal 2016. The district statements accounted for purchase of one used school bus. There were no changes in building assets.

At the end of the fiscal year 2016, the School District had \$42,729,471.58 invested in land, buildings, furniture and equipment, and vehicles. Accumulated depreciation was reported at \$17,341,642.02. The net investment in Capital Assets at year-end was \$25,387,829.56. The Bond issue is not closed out, as a result, the price will be included pending the completion in June 2017.

Debt Administration

On June 30, 2016, the School District had \$26,094,582.00 of debt in general obligation bonds, due in varying installments with interest rate charges over 20 years. The School District had \$915,000 in lease certificates of participation, due in varying installments with interest rate charges over 15 years. The School District had \$236,866.85 in capital lease balances for technology payments, \$235,835 in lease purchases for 5 school buses, and \$53,949.96 in copier lease balances. The purpose of the general obligation bonds and the lease certificates of participation included capital projects with new construction and renovation for energy savings.

**DE SOTO SCHOOL DISTRICT #73
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Current Financial Issues and Concerns

The De Soto School District # 73 remains financially stable despite the unpredictable change in funding sources. The School District is proud of its community support of the public schools. As the preceding information shows, the School District has stable district balances, overall the net position decreased due to Bond Project expenditures, and continued funding to improve or maintain district facilities and instructional programs.

In the forefront of the minds of the administration and Board of Education surrounds the potential ramifications of the economic status and the threat of state funding reductions. New legislation and state standards continue to add more programs and projects without additional funds. In comparison to other school districts in the state, the De Soto School District would be considered a school district suffering with low wealth. Therefore, the De Soto School District relies on meaningful growth in state revenue. With approximately 48 percent of the School District's wealth coming from the state, changes in the funding formula have a significant impact on the School District's revenues. The District has been proactive in anticipating revenue changes and modifying investments and expenditures to ensure a healthy financial state.

The District acknowledges the importance of employing highly qualified staff to improve student learning and continues to provide competitive salaries and benefits. In addition, the District supports the drive to increase educational and technological programs. Initial infrastructure and hardware costs will be substantial as we increase the access of technology to our students. Additional educational programs to service a diverse student population and community with supplemental programs such as early childhood education and alternative programs within and outside the regular day require substantial ongoing financial commitment. These commitments need to be accounted for in the long range planning of the district budget.

The overall financial health continues to be strong as the District responds to the economic woes through continuous monitoring and evaluation of programs, alternatives to programs, and efficient use of resources. The District must note that the slow economic recovery may continue to impact the revenues which may lead to reduction of services and programs. This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In conclusion, the De Soto School District has committed itself to financial excellence. The School District's system of financial planning, budgeting, and internal financial controls have demonstrated sound accounting practices. The De Soto School District plans to continue its sound fiscal management to meet challenges of the future. These concerns will carry through the 2015-2016 school year as the District and the state will rely heavily on taxes. It is unlikely that the state revenue will increase dramatically to offset the loss of revenue over the years. State projections will continue to impact future planning decisions.

Contacting the School District's Financial Management

The financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need financial information please contact the De Soto School District Business Service Department.

BASIC FINANCIAL STATEMENTS

DE SOTO SCHOOL DISTRICT #73
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
AS OF JUNE 30, 2016

| ASSETS | GOVERNMENTAL ACTIVITIES |
|-------------------------------------|------------------------------------|
| Current Assets: | |
| Cash and Cash Equivalents (Note II) | \$ 5,745,522.16 |
| Restricted Assets: | |
| Cash and Cash Equivalents (Note II) | 11,220,404.22 |
| Investments | 1,900,395.78 |
| TOTAL ASSETS | 18,866,322.16 |
| | |
| NET POSITION | |
| Restricted: | |
| Debt Service | 8,408,615.17 |
| Debt Service Escrow | 1,745,304.18 |
| Scholarships | 173,954.65 |
| Self-Insurance | 2,716,306.00 |
| JPMC Grant | 76,620.00 |
| Unrestricted | 5,745,522.16 |
| TOTAL NET POSITION | \$ 18,866,322.16 |

The notes to the financial statements are an integral part of this statement.

DE SOTO SCHOOL DISTRICT #73
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

| | | | | | NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION |
|---------------------------------|------------------|-------------------------|--|--|--|
| FUNCTIONS / PROGRAMS | EXPENSES | PROGRAM REVENUES | | | GOVERNMENTAL ACTIVITIES |
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | |
| GOVERNMENTAL ACTIVITIES | | | | | |
| Instruction | \$ 16,221,616.19 | \$ 699,254.77 | \$ 16,286,069.97 | \$ - | \$ 763,708.55 |
| Attendance | 117,095.19 | - | - | - | (117,095.19) |
| Guidance | 529,885.90 | - | - | - | (529,885.90) |
| Health, Psych Speech and Audio | 211,074.12 | - | - | - | (211,074.12) |
| Improvement of Instruction | 134,781.73 | - | - | - | (134,781.73) |
| Professional Development | 144,910.32 | - | - | - | (144,910.32) |
| Media Services (Library) | 1,116,093.19 | - | - | - | (1,116,093.19) |
| Board of Education Services | 25,601.77 | - | - | - | (25,601.77) |
| Executive Administration | 1,830,286.16 | - | - | - | (1,830,286.16) |
| Building Level Administration | 1,529,490.40 | - | - | - | (1,529,490.40) |
| Business Central Service | - | - | - | - | - |
| Operation of Plant | 2,863,640.73 | - | - | - | (2,863,640.73) |
| Security Services | - | - | - | - | - |
| Pupil Transportation | 1,597,745.38 | - | 356,043.00 | - | (1,241,702.38) |
| Food Services | 1,178,850.97 | 385,667.94 | 791,116.85 | - | (2,066.18) |
| Central Office Support Services | - | - | - | - | - |
| Other Supporting Services | - | - | - | - | - |
| Student Activities | 964,242.71 | 590,835.99 | - | - | (373,406.72) |
| Community Services | 419,842.28 | 135,335.42 | - | - | (284,506.86) |
| Capital Outlay | 2,604,260.88 | - | - | 291,895.00 | (2,312,365.88) |
| Debt Service: | | | | | |
| Principal Retirement | 7,951,468.83 | - | - | - | (7,951,468.83) |
| Interest and Fiscal Charges | 1,087,132.61 | - | - | - | (1,087,132.61) |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ 40,528,019.37 | \$ 1,811,094.12 | \$ 17,433,229.82 | \$ 291,895.00 | (20,991,800.43) |

GENERAL REVENUES

Taxes:

| | |
|---|--------------|
| Property Taxes, Levied for General Purposes | 6,361,858.16 |
| Property Taxes, Levied for Special Revenue | 2,813,702.99 |
| Property Taxes, Levied for Debt Service | 1,616,538.30 |
| Federal, State and County Aid not Restricted to Specific Purposes | 970,445.22 |
| Interest and Investment Earnings | 189,048.10 |
| Miscellaneous | 546,331.75 |
| Sale of Bonds | - |
| Refunding Bonds | 5,730,000.00 |
| Sale of Buses | 12,470.00 |

SUBTOTAL, GENERAL REVENUES

18,240,394.52

CHANGES IN NET POSITION

(2,751,405.91)

NET POSITION, BEGINNING OF YEAR

21,617,728.07

NET POSITION, END OF YEAR

\$ 18,866,322.16

The notes to the financial statements are an integral part of this statement.

DE SOTO SCHOOL DISTRICT #73
BALANCE SHEET - MODIFIED CASH BASIS
ALL GOVERNMENTAL FUNDS
AS OF JUNE 30, 2016

| | <u>GENERAL FUND</u> | <u>SPECIAL REVENUE FUND</u> | <u>DEBT SERVICE FUND</u> | <u>CAPITAL PROJECTS FUND</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|--------------------------------------|-------------------------------|-------------------------------------|----------------------------------|--------------------------------------|---|
| ASSETS | | | | | |
| Unrestricted Assets: | | | | | |
| Cash & Cash Equivalents (Note II) | \$ 5,383,029.60 | \$ - | \$ - | \$ 362,492.56 | \$ 5,745,522.16 |
| Restricted Assets: | | | | | |
| Cash & Cash Equivalents (Note II) | 2,811,789.05 | - | 621,750.37 | 7,786,864.80 | 11,220,404.22 |
| Investments | 155,091.60 | - | 1,745,304.18 | - | 1,900,395.78 |
| TOTAL ASSETS | <u>\$ 8,349,910.25</u> | <u>\$ -</u> | <u>\$ 2,367,054.55</u> | <u>\$ 8,149,357.36</u> | <u>\$ 18,866,322.16</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fund Balances (Note I): | | | | | |
| Restricted for: | | | | | |
| Debt Service | \$ - | \$ - | \$ 621,750.37 | \$ 7,786,864.80 | \$ 8,408,615.17 |
| Debt Service Escrow | - | - | 1,745,304.18 | - | 1,745,304.18 |
| Scholarships | 173,954.65 | - | - | - | 173,954.65 |
| Self-Insurance | 2,716,306.00 | - | - | - | 2,716,306.00 |
| JRMC Grant | 76,620.00 | - | - | - | 76,620.00 |
| Committed for: | - | - | - | - | - |
| Assigned to: | | | | | |
| Capital Projects Fund | - | - | - | 362,492.56 | 362,492.56 |
| Unassigned | 5,383,029.60 | - | - | - | 5,383,029.60 |
| TOTAL FUND BALANCES | <u>\$ 8,349,910.25</u> | <u>\$ -</u> | <u>\$ 2,367,054.55</u> | <u>\$ 8,149,357.36</u> | <u>\$ 18,866,322.16</u> |

The notes to the financial statements are an integral part of this statement.

DE SOTO SCHOOL DISTRICT #73
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>GENERAL FUND</u> | <u>SPECIAL REVENUE FUND</u> | <u>DEBT SERVICE FUND</u> | <u>CAPITAL PROJECTS FUND</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|--|------------------------|---------------------------------|----------------------------------|--------------------------------------|---|
| REVENUES | | | | | |
| Local Sources | \$ 7,628,106.48 | \$ 2,858,642.17 | \$ 1,651,645.40 | \$ 3,522.70 | \$ 12,141,916.75 |
| County Sources | 595,694.42 | 35,470.02 | 143,394.35 | - | 774,558.79 |
| State Sources | 2,207,314.02 | 12,580,169.99 | - | 839,251.15 | 15,626,735.16 |
| Federal Sources | 2,318,167.05 | - | 546,331.75 | - | 2,864,498.80 |
| TOTAL REVENUES | 12,749,281.97 | 15,474,282.18 | 2,341,371.50 | 842,773.85 | 31,407,709.50 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Regular Instruction | 3,220,461.43 | 14,066,333.67 | - | 98,701.35 | 17,385,496.45 |
| Attendance | 118,455.41 | - | - | - | 118,455.41 |
| Guidance | 12,385.55 | 521,989.04 | - | 1,666.67 | 536,041.26 |
| Health, Psych Speech & Audio | 211,264.42 | - | - | 2,261.62 | 213,526.04 |
| Improvement of Instruction | 46,099.69 | 90,247.72 | - | - | 136,347.41 |
| Professional Development | 80,524.58 | 66,069.07 | - | - | 146,593.65 |
| Media Services | 683,615.09 | 287,385.14 | - | 158,057.93 | 1,129,058.16 |
| Board of Education Services | 25,899.17 | - | - | - | 25,899.17 |
| Executive Administration | 809,865.84 | 675,888.43 | - | - | 1,485,754.27 |
| Building Level Administration | 442,360.33 | 1,104,897.22 | - | - | 1,547,257.55 |
| Business Central Services | - | - | - | - | - |
| Operation of Plant | 2,669,385.16 | - | - | 227,520.72 | 2,896,905.88 |
| Security Services | - | - | - | - | - |
| Pupil Transportation | 1,472,939.40 | - | - | 143,366.01 | 1,616,305.41 |
| Food Service | 1,177,444.96 | - | - | 15,100.00 | 1,192,544.96 |
| Community Services | 279,086.80 | 145,632.53 | - | - | 424,719.33 |
| Capital Outlay | - | - | - | 2,634,512.98 | 2,634,512.98 |
| Debt Service: | | | | | |
| Principal | - | - | 7,623,362.00 | 328,106.83 | 7,951,468.83 |
| Interest and Charges | - | - | 1,054,014.79 | 33,117.82 | 1,087,132.61 |
| TOTAL SUPPORT SERVICES | 11,249,787.83 | 16,958,442.82 | 8,677,376.79 | 3,642,411.93 | 40,528,019.37 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 1,499,494.14 | (1,484,160.64) | (6,336,005.29) | (2,799,638.08) | (9,120,309.87) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers | (1,791,827.64) | 1,484,160.64 | - | 307,667.00 | - |
| Tuition from Other Districts | 570,491.10 | - | - | - | 570,491.10 |
| Contracted Educational Services | 55,942.86 | - | - | - | 55,942.86 |
| Sale of Buses | - | - | - | 12,470.00 | 12,470.00 |
| Sale of Bonds | - | - | - | - | - |
| Refunding Bonds | - | - | 5,730,000.00 | - | 5,730,000.00 |
| TOTAL OTHER FINANCING SOURCES (USES) | (1,165,393.68) | 1,484,160.64 | 5,730,000.00 | 320,137.00 | 6,368,903.96 |
| NET CHANGE IN FUND BALANCES | 334,100.46 | - | (606,005.29) | (2,479,501.08) | (2,751,405.91) |
| FUND BALANCES, BEGINNING OF YEAR | 8,015,809.79 | - | 2,973,059.84 | 10,628,858.44 | 21,617,728.07 |
| FUND BALANCE, END OF YEAR | \$ 8,349,910.25 | \$ - | \$ 2,367,054.55 | \$ 8,149,357.36 | \$ 18,866,322.16 |

The notes to the financial statements are an integral part of this statement.

DE SOTO SCHOOL DISTRICT #73
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET WITH THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION - MODIFIED CASH BASIS
AS OF JUNE 30, 2016

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

| | |
|---|--------------------------------|
| TOTAL FUND BALANCE - GOVERNMENTAL FUNDS | \$ 18,866,322.16 |
| There were no items of reconciliation. | <u>-</u> |
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES | <u>\$ 18,866,322.16</u> |

The notes to the financial statements are an integral part of this statement.

**DE SOTO SCHOOL DISTRICT #73
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

| | |
|---|--------------------------|
| TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS | \$ (2,751,405.91) |
|---|--------------------------|

There are no items of reconciliation.

| | |
|---|--------------------------|
| CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ (2,751,405.91) |
|---|--------------------------|

The notes to the financial statements are an integral part of this statement.

**DE SOTO SCHOOL DISTRICT #73
STATEMENT OF NET POSITION -
MODIFIED CASH BASIS - PROPRIETARY FUND
AS OF JUNE 30, 2016**

| | SELF-INSURANCE FUND - MEDICAL | SELF-INSURANCE FUND - DENTAL | TOTAL |
|--|--|---|------------------------|
| ASSETS | | | |
| Unrestricted: | | | |
| Cash and Cash Equivalents | \$ - | \$ - | \$ - |
| Restricted: | | | |
| Cash and Cash Equivalents | 2,583,443.07 | 132,863.40 | 2,716,306.47 |
| TOTAL ASSETS | <u>2,583,443.07</u> | <u>132,863.40</u> | <u>2,716,306.47</u> |
| LIABILITIES | | | |
| Accounts Payable and Accrued Liabilities | - | - | - |
| TOTAL LIABILITIES | <u>-</u> | <u>-</u> | <u>-</u> |
| NET POSITION | | | |
| Restricted for Future Claims | 2,583,443.07 | 132,863.40 | 2,716,306.47 |
| Unrestricted | - | - | - |
| TOTAL NET POSITION | <u>\$ 2,583,443.07</u> | <u>\$ 132,863.40</u> | <u>\$ 2,716,306.47</u> |

The notes to the financial statements are an integral part of this statement.

DE SOTO SCHOOL DISTRICT #73
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET
POSITION - MODIFIED CASH BASIS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

| | <u>SELF-INSURANCE FUND - MEDICAL</u> | <u>SELF-INSURANCE FUND - DENTAL</u> | <u>TOTAL</u> |
|--|--|---|-----------------|
| OPERATING REVENUES | | | |
| Self-Insurance Premiums | \$ 2,732,649.27 | \$ 239,379.24 | \$ 2,972,028.51 |
| TOTAL OPERATING REVENUES | 2,732,649.27 | 239,379.24 | 2,972,028.51 |
| OPERATING EXPENSES | | | |
| Medical & Prescription Claims | 2,655,582.06 | 253,333.75 | 2,908,915.81 |
| Administration Fees | 437,571.48 | - | 437,571.48 |
| TOTAL OPERATING EXPENSES | 3,093,153.54 | 253,333.75 | 3,346,487.29 |
| OPERATING INCOME (LOSS) | (360,504.27) | (13,954.51) | (374,458.78) |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Interest Income | 12,849.54 | 16.44 | 12,865.98 |
| Transfers | (60,443.40) | 60,443.40 | - |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | (47,593.86) | 60,459.84 | 12,865.98 |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | (408,098.13) | 46,505.33 | (361,592.80) |
| CHANGE IN NET POSITION | (408,098.13) | 46,505.33 | (361,592.80) |
| TOTAL NET POSITION -BEGINNING OF YEAR | 2,991,541.20 | 86,358.07 | 3,077,899.27 |
| TOTAL NET POSITION - END OF YEAR | \$ 2,583,443.07 | \$ 132,863.40 | \$ 2,716,306.47 |

The notes to the financial statements are an integral part of this statement.

**DE SOTO SCHOOL DISTRICT #73
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016**

| | <u>SELF-INSURANCE FUND - MEDICAL</u> | <u>SELF-INSURANCE FUND - DENTAL</u> | <u>TOTAL</u> |
|--|--|---|-------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash Received from User Charges | \$ 2,732,649.27 | \$ 239,379.24 | \$ 2,972,028.51 |
| Cash Payments for Insurance Claims and Fees | <u>(3,093,153.54)</u> | <u>(253,333.75)</u> | <u>(3,346,487.29)</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | (360,504.27) | (13,954.51) | (374,458.78) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest Income | <u>12,849.54</u> | <u>16.44</u> | <u>12,865.98</u> |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | 12,849.54 | 16.44 | 12,865.98 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Transfers | <u>(60,443.40)</u> | <u>60,443.40</u> | <u>-</u> |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | <u>(60,443.40)</u> | <u>60,443.40</u> | <u>-</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (408,098.13) | 46,505.33 | (361,592.80) |
| CASH AND CASH EQUIVALENTS - JULY 1, 2015 | <u>2,991,541.20</u> | <u>86,358.07</u> | <u>3,077,899.27</u> |
| CASH AND CASH EQUIVALENTS - JUNE 30, 2016 | <u><u>\$ 2,583,443.07</u></u> | <u><u>\$ 132,863.40</u></u> | <u><u>\$ 2,716,306.47</u></u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | | |
| Operating Income (Loss) | <u>(360,504.27)</u> | <u>(13,954.51)</u> | <u>(374,458.78)</u> |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u><u>\$ (360,504.27)</u></u> | <u><u>\$ (13,954.51)</u></u> | <u><u>\$ (374,458.78)</u></u> |

The notes to the financial statements are an integral part of this statement.

DE SOTO SCHOOL DISTRICT #73
STATEMENT OF FIDUCIARY NET POSITION
MODIFIED CASH BASIS - FIDUCIARY (AGENCY) FUND
AS OF JUNE 30, 2016

| | | <u>Section 125 Plan</u> <u>Agency Fund</u> |
|----------------------------------|----|---|
| Assets | | |
| Cash | \$ | <u>37,603.75</u> |
| Total Assets | | <u><u>37,603.75</u></u> |
| Liabilities | | |
| Refunds Payable and Others | | <u>37,603.75</u> |
| Total Liabilities | \$ | <u><u>37,603.75</u></u> |
| Net Position | | |
| Net Investment in Capital Assets | | - |
| Restricted | | - |
| Unrestricted | | - |
| Total Net Position | \$ | <u><u>-</u></u> |

The notes to the basic financial statements are an integral part of this statement.

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

De Soto School District #73 (District) was established in 1881 under the Statutes of the State of Missouri. The District operates as a "six director" District (with seven members of the Board of Education) as described in RSMo Chapter 162.

As discussed further in Note I, these financial statements are presented on the modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

The District's reporting entity includes the District's governing board and all related organizations that exercise oversight responsibility.

The District has developed criteria to determine whether outside agencies with activities that benefit the citizens of the District, including joint agreements that serve pupils from numerous districts should be included with its financial reporting entity. The criterion includes, but is not limited to, whether the District exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

Excluded from the reporting entity:

Public School Retirement System of Missouri, Public Education Employee Retirement System, and Missouri United School Insurance Council (MUSIC). The participating school districts' governing bodies have appointed these potential component units jointly. These are independent units that select management staff, set user charges, establish budgets and control all aspects of its daily activity.

The District has determined that no other outside agency meets the above criteria, and therefore, no other agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity that would exercise such oversight, which would result in the District being considered a component unit of the entity.

Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements, which provide a more detailed level of financial information and fiduciary financial statements.

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the non-fiduciary financial activities of the District. The effect of inter-fund activity has been eliminated from these statements. These statements report those activities of the District that are governmental (i.e. generally supported by taxes and intergovernmental revenues). Fiduciary funds are not included in the government-wide financial statements.

The government-wide statements are prepared using the economic resources measurement focus and modified cash basis of accounting. This is the same approach used in the preparation of proprietary fund financial statements. Governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or drawing from the District's general revenues.

Fund Financial Statements

Fund financial statements report detailed information about the District. The District segregates transactions related to certain functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present the District's financial information at this more detailed level. The focus of governmental financial statements is on major funds, and each is presented in a separate column. Non-major funds are aggregated and presented in a single column. The District believes that all the funds presented are important to the users of its financial statements; therefore, it considers the General (Incidental) Fund, Special Revenue (Teachers') Fund, Debt Service Fund, and Capital Projects Fund all to be major.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources.

**DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Funds

Proprietary funds include enterprise and internal service funds. Enterprise funds account for ongoing organizations and activities, which are similar to those often found in the private sector. The measurement focus is upon the determination of change in net position.

Internal service funds are established to account for services furnished by a department of the District to other departments on a cost reimbursement basis. The District's proprietary fund includes the activity of the District's self-insured medical and dental benefits accounts. Proprietary funds distinguish between operating revenues and expenses from non-operating items. Operating revenues and expenses normally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are District and employee contributions. Operating services of this internal service fund include benefit payments, insurance premiums and administrative costs. Investment income is reported as non-operating revenue.

Fiduciary Financial Statements

The Statement of Fiduciary Net Position (Agency Fund) accounts for assets held by the District in a trustee capacity to pay for flex spending claims and contributions deducted from employees' paychecks.

Cash and Cash Equivalents

The District considers all liquid investments with original maturities of three months or less to be cash equivalents.

Fund Accounting

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts, which include its assets, liabilities, and fund balances arising from revenues and expenditures on the modified cash basis of accounting. The measurement focus is upon determination of changes in the financial position rather than upon net income determination. The District uses the following governmental funds:

General Fund: This fund is the District's general operating fund, and it accounts for expenditures for non-certified employees, pupil transportation costs, operation of plant, fringe benefits, student body activities, community services, the food service program, and any expenditures not required or permitted to be accounted for in other funds.

Special Revenue (Teachers') Fund: A special revenue fund is required to be established by state law, which accounts for expenditures for certified employees involved in instruction and administration, and it includes revenues restricted by the state and local tax levy allocations for the payment of teacher salaries and certain benefits.

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting (concluded)

Debt Service Fund: Accounts for the accumulation of resources for and the payment of, principal, interest and fiscal charges on general long-term debt.

Capital Projects Fund: Accounts for the proceeds of long-term debt, taxes and other revenues designated for acquisition or construction of major capital assets.

Basis of Accounting

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves modifications to the cash basis of accounting to report in the Statement of Net Position or Balance Sheet cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid, and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event (such as donated assets and post-employment benefit obligations) are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the District utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types (if any) would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

Fiduciary funds are maintained on the modified cash basis of accounting. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under the modified cash basis of accounting, revenue is recorded when received and expenditures are recorded when paid.

Revenues-Exchange and Non-Exchange Transactions

Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the modified cash basis when the District receives the revenue.

Non-exchange transactions, in which the District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On a modified cash basis, revenue from property taxes is recognized in the fiscal year for which the taxes are collected.

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues-Exchange and Non-Exchange Transactions (concluded)

Revenue from grants, entitlements and donations is recognized in the fiscal year in which the funds are received and eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable Fund Balance consists of funds that cannot be spent due to their form (e.g., inventories and prepaids) or funds that legally or contractually must remain intact. The District did not have any non-spendable resources as of June 30, 2016.
- Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District-held bonds and are restricted through debt covenants.
- Committed Fund Balance consists of funds that are set aside for a specific purpose by the District's highest level of decision-making authority, the Board of Education. Formal action, by vote, must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.
- Assigned Fund Balance consists of funds that are set aside for a specific purpose by the District's highest level of decision-making authority, the Board of Education, or a body or official, such as the Superintendent, who has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance. This classification includes the remaining positive fund balance of all governmental funds except for the General Fund.
- Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but it reserves the right to selectively spend unassigned resources first to defer using these other classified funds.

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification (concluded)

As of June 30, 2016, fund balance components other than unassigned fund balances consist of the following:

| | <u>Nonspendable</u> | <u>Restricted</u> | <u>Committed</u> | <u>Assigned</u> |
|-----------------------|---------------------|-------------------------|------------------|----------------------|
| General Fund | \$ - | \$ 2,966,880.65 | \$ - | \$ - |
| Debt Service Fund | - | 2,367,054.55 | - | - |
| Capital Projects Fund | - | 7,786,864.80 | - | 362,492.56 |
| Total | <u>\$ -</u> | <u>\$ 13,120,800.00</u> | <u>\$ -</u> | <u>\$ 362,492.56</u> |

Post-Employment Benefits

COBRA Benefits - Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District provides healthcare benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium plus a 2% administration charge, is paid in full by the insured on or before the tenth (10th) day of the month for the actual month covered. This program is offered for 18 months after the termination date. There is no associated cost to the District under this program. There was one participant in the program as of June 30, 2016, who paid a premium of \$183.15.

The District also has a policy that allows retirees to remain in the insurance program of the District. The premium is paid in full by the insured. There were 112 participants in the dental, medical and vision programs as of June 30, 2016, paying premiums of \$392,273.22.

Inventories

The District does not maintain inventory cost records. Inventory is deemed to be immaterial and is accounted for using the purchase method in which supplies are charged to expenditures when purchased.

Self-Insured Medical Benefits

The District is under a self-insured plan to provide medical and dental benefits to participating employees and their families. The participating employees contribute to the self-insurance fund through payroll deductions based on their coverage election. The District's maximum liability for each employee and in the aggregate for a one-year period is limited by insurance coverage. Transactions for the self-funded insurance are recorded in the Internal Service Fund in which its net activity is eliminated from the government-wide financial statements.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of 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 using unrestricted net position when disbursements are made for purposes for which both restricted and unrestricted net position are available.

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Flex Spending Arrangement

The District has established a *flexible spending arrangement*, which is a benefit that provides employees with coverage under which specified, incurred expenses may be reimbursed (subject to reimbursement maximums and other reasonable conditions). This arrangement allows participating employees to make pre-tax contributions to the flexible spending arrangement accounts for reimbursements of health and/or dependent care expenses.

Teachers' Salaries

The salary payment schedule of the District for the 2015-16 school year requires paying salaries over a 12-month period. Consequently, the July and August 2016 payroll checks are included in the accompanying financial statements as an expenditure paid in the month of June. This practice has been consistently followed in previous years.

II. DEPOSITS AND INVESTMENTS

The District is governed by the deposit and investment limitations of state law.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At June 30, 2016, the carrying amount of the District's governmental funds deposits and investments was \$18,866,322.16. The bank balance was \$19,446,544.65. Of the bank balance, \$1,000,000.00 was covered by federal depository insurance, and \$18,446,544.65 was covered by collateral held at the Federal Reserve Bank and the District's safekeeping bank agent, in the District's name or included in the Missouri Health and Education Facilities Authority (MOHEFA) – Direct Deposit Program and covered by permitted investments under the agreement.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Missouri; bonds of any city having a population of not less than two thousand, county, school district or special road district of the State of Missouri; bonds of any state, tax anticipation notes issued by any first class county, or a surety bond having an aggregate value at least equal to the amount of the deposits. The balances of the District's deposits are sufficiently collateralized.

The District participates in the Missouri Direct Deposit Program, which is a mechanism for public school bond repayments through the MOHEFA Bond Program. It authorizes direct depositing a portion of the District's state aid payment by the State of Missouri to a trustee bank that accumulates these payments and then makes the principal and interest payments to the paying agent on the bonds. The direct deposits occur monthly, and the balance is withdrawn every six months to pay the debt service requirement of the related bond issues. At June 30, 2016, the District had \$712,804.18 in this program, which has been included in deposits.

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

II. DEPOSITS AND INVESTMENTS (continued)

The deposits held at June 30, 2016, and reported at FMV are as follows:

| TYPE | MATURITIES | FMV |
|--|------------|------------------|
| <u>Governmental Funds</u> | | |
| Unrestricted Deposits: | | |
| Petty Cash | N/A | \$ 689.17 |
| Money Market | N/A | - |
| Checking/Savings | N/A | 5,744,832.99 |
| Total Unrestricted Deposits | | 5,745,522.16 |
| Restricted Deposits: | | |
| Scholarships | N/A | \$ 18,862.58 |
| Grants | N/A | 76,620.00 |
| Debt Service | N/A | 621,750.37 |
| Capital Projects | N/A | 7,786,864.80 |
| Total Restricted Deposits | | 8,504,097.75 |
| Total Governmental Funds | | 14,249,619.91 |
| <u>Proprietary Funds</u> | | |
| Unrestricted Cash and Cash Equivalents | N/A | \$ - |
| Restricted Cash and Cash Equivalents | N/A | 2,716,306.47 |
| Total Proprietary Funds | | 2,716,306.47 |
| GRAND TOTAL DEPOSITS | | \$ 16,965,926.38 |

As of June 30, 2016, the District had the following governmental fund investments and maturities:

| TYPE | FAIR VALUE | MATURITY LESS THAN 1 YEAR | MATURITY 1-5 YEARS |
|--|-----------------|------------------------------|-----------------------|
| <u>Governmental Funds</u> | | | |
| Certificate of Deposit | \$ 1,000.00 | \$ - | \$ 1,000.00 |
| Certificate of Deposit | 2,000.00 | - | 2,000.00 |
| Certificate of Deposit | 2,000.00 | - | 2,000.00 |
| Certificate of Deposit | 100,037.39 | - | 100,037.39 |
| Certificate of Deposit | 50,054.21 | - | 50,054.21 |
| Certificate of Deposit | 1,032,500.00 | - | 1,032,500.00 |
| Missouri School District Direct Deposit Program | 712,804.18 | 712,804.18 | - |
| TOTAL INVESTMENTS | \$ 1,900,395.78 | \$ 712,804.18 | \$ 1,187,591.60 |

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

II. DEPOSITS AND INVESTMENTS (concluded)

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law. The District's investment policy does not include custodial credit risk requirements. The District's deposits were not exposed to custodial credit risk for the year ended June 30, 2016.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the District or its agent but not in the government's name. The District does not have a policy for custodial credit risk relating to investments. All investments, evidenced by individual securities, are registered in the name of the District or of a type not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk

Concentration of investment credit risk is required to be disclosed by the District for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The District has a policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The District's deposits were not exposed to concentration of investment credit risk for the year ended June 30, 2016.

III. TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are payable by December 31. All unpaid taxes become delinquent January 1 of the following year. The county collects the property taxes and remits them to the District on a monthly basis.

The District also receives sales tax collected by the State, and it is remitted based on a prior year weighted average attendance. 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, a Prop C rollback. However, on November 5, 2002, the District's voters approved a 20-year full waiver of the Prop C rollback.

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

III. TAXES (concluded)

The assessed valuation of the tangible taxable property (including state assessed railroad and utilities) for the calendar year 2015, for purposes of local taxation, was:

Real Estate

| | |
|-------------------|-----------------------|
| Residential | \$ 111,079,263 |
| Agricultural | 1,381,495 |
| Commercial | 31,232,242 |
| Personal Property | 37,336,238 |
| TOTAL | \$ 181,029,238 |

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2015, for purposes of local taxation, was:

| | UNADJUSTED | ADJUSTED |
|-----------------------|------------------|------------------|
| General Fund | \$ 3.4551 | \$ 3.4551 |
| Special Revenue Fund | 0.0000 | 0.0000 |
| Debt Service Fund | 0.8707 | 0.8707 |
| Capital Projects Fund | 0.0000 | 0.0000 |
| TOTAL | \$ 4.3258 | \$ 4.3258 |

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2016, aggregated approximately 100.20% of the current assessment computed on the basis of the levy as shown above.

IV. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

| | GENERAL OBLIGATION BONDS | CERTIFICATES OF PARTICIPATION | CAPITAL LEASES | ENERGY LOANS | TOTAL |
|-----------------------------------|--------------------------------|-------------------------------------|-------------------|-------------------|----------------------|
| Long-Term Debt – July 1, 2015 | \$ 27,487,944 | \$ 1,175,000 | \$ 445,720 | \$ 47,210 | \$ 29,155,874 |
| Add-issued | 6,230,000 | - | 295,866 | 294,814 | 6,820,680 |
| Less-Payments | (7,623,362) | (260,000) | (170,374) | (8,500) | (8,062,236) |
| Long-Term Debt – June 30, 2016 | <u>\$ 26,094,582</u> | <u>\$ 915,000</u> | <u>\$ 571,212</u> | <u>\$ 333,524</u> | <u>\$ 27,914,318</u> |

**DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

IV. CHANGES IN LONG-TERM DEBT (continued)

General obligation principal bond payments due within one year consist of \$1,131,500 and are paid from the Debt Service Fund; certificates of participation principal payments due within one year consist of \$260,000 and are paid from the Debt Service Fund; and capital lease principal payments due within one year consist of \$208,793 and are paid from the Capital Projects Fund. Energy loan payments due within one year consist of \$36,021 and are paid from the Capital Projects Fund.

General Obligation Bonds payable at June 30, 2016, consist of:

| | |
|---|--------------|
| \$4,072,944 Original Principal De Soto School District #73 General Obligation Qualified School Construction Bonds Series 2010B-due in a lump principal installment of \$4,072,944 on March 1, 2025. Interest rate is a fixed 5.25%, and 2.50% of annual interest payments that are refunded to De Soto School District for fiscal years 2021 to 2025. | \$ 4,072,944 |
|---|--------------|

| | |
|--|-----------|
| \$2,891,000 Original Principal De Soto School District #73 General Obligation Qualified Zone Academy Bonds Series 2010C-due in a lump principal installment of \$2,891,000 on March 1, 2025. Interest rate is a fixed 5.25%, and 2.50% of annual interest payments that are refunded to De Soto School District for fiscal years 2012 to 2025. | 1,858,500 |
|--|-----------|

| | |
|--|---------|
| \$903,138 Original Principal De Soto School District #73 General Obligation Bonds Series 2015B-due in one principal installment of \$903,138 on March 1, 2030. Interest rate is 0.00%. | 903,138 |
|--|---------|

| | |
|--|-----------|
| \$6,230,000 Original Principal De Soto School District #73 General Obligation Refunding Bonds Series 2016-due in varying annual principal installments beginning on March 1, 2017, and continuing through March 1, 2027. Interest rate is variable ranging from 0.600% and 2.00% of annual interest payments. This Series refunded Series 2012 bonds on March 1, 2016. | 6,230,000 |
|--|-----------|

| | |
|---|-----------|
| \$4,835,000 Original Principal De Soto School District #73 General Obligation Refunding Bonds Series 2013-due in varying principal installments beginning on March 1, 2016, continuing through March 1, 2030. Interest rate is variable ranging from .6% and 2.7% of annual interest payments. This Series Advance Prepays Series 2010A bonds on March 1, 2015, and Series 2011 Bonds on March 1, 2014. | 4,435,000 |
|---|-----------|

| | |
|--|------------------|
| \$8,596,862 Original Principal De Soto School District #73 General Obligation Bond Series 2015A-due in varying installments beginning on March 1, 2016, and continuing through March 1, 2035. Interest rate is variable ranging from 0.40% and 5.0% of annual interest payments. | <u>8,595,000</u> |
|--|------------------|

| | |
|-------|----------------------|
| TOTAL | \$ <u>26,094,582</u> |
|-------|----------------------|

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

IV. CHANGES IN LONG-TERM DEBT (continued)

The annual requirements to amortize all bonds outstanding as of June 30, 2016, including interest payments, are as follows:

| FISCAL YEAR ENDING JUNE 30, | PRINCIPAL | INTEREST | TOTAL |
|-----------------------------------|---------------|---------------|---------------|
| 2017 | \$ 1,131,500 | \$ 982,719 | \$ 2,114,219 |
| 2018 | 831,500 | 976,097 | 1,807,597 |
| 2019 | 1,281,500 | 970,897 | 2,252,397 |
| 2020 | 856,500 | 959,497 | 1,815,997 |
| 2021 | 706,500 | 952,022 | 1,658,522 |
| 2022-2026 | 7,888,944 | 4,270,513 | 12,159,457 |
| 2027-2031 | 7,148,138 | 2,249,590 | 9,397,728 |
| 2032-2035 | 6,250,000 | 797,750 | 7,047,750 |
| TOTALS | \$ 26,094,582 | \$ 12,159,085 | \$ 38,253,667 |

Certificates of Participation at June 30, 2016, consist of:

\$1,045,000 Original Principal of De Soto School District #73 Certificates of Participation (Guaranteed Performance Contract), Series 2010D – due in varying principal installments ranging from \$100,000 to \$145,000 beginning April 15, 2011, and continuing through April 15, 2018. Interest rate is a variable ranging from 1.00% to 3.30%.

\$ 285,000

\$1,085,000 Original Principal of De Soto School District #73 Certificates of Participation Series 2012A- due in varying principal installments beginning on April 15, 2013, and continuing through April 15, 2021. Interest rate is variable ranging from .5% and 2.2% of annual interest payments. This Series refunded Series 2007 Lease Certificates of Participation on November 1, 2012.

630,000

TOTAL

\$ 915,000

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

IV. CHANGES IN LONG-TERM DEBT (continued)

The annual requirements to amortize all certificates of participation outstanding as of June 30, 2016, including interest payments, are as follows:

| FISCAL YEAR ENDING JUNE 30, | PRINCIPAL | INTEREST | TOTAL |
|-----------------------------------|------------|-----------|------------|
| 2017 | \$ 260,000 | \$ 20,605 | \$ 280,605 |
| 2018 | 265,000 | 14,585 | 279,585 |
| 2019 | 125,000 | 7,820 | 132,820 |
| 2020 | 130,000 | 5,570 | 135,570 |
| 2021 | 135,000 | 2,970 | 137,970 |
| TOTALS | \$ 915,000 | \$ 51,550 | \$ 966,550 |

Capital Leases at June 30, 2016, consist of:

| | |
|--|------------|
| \$59,000 Lease purchase of copiers through De Lage Public Finance-due in monthly installments of \$936.91 split between principal and interest which begin January 1, 2016, and it continues through December 1, 2021. | \$ 53,950 |
| \$171,145 Lease purchase of promethean boards through Government Capital Corporation- due in annual installments of \$37,959.12 split between principal and interest, which begins on April 1, 2013, and continues through April 1, 2017. | 36,560 |
| \$439,100 Lease purchase of five buses through FS Leasing LLC-due in three annual installments of \$94,617.01 and one payment of \$72,900 split between principal and interest which will begin April 2, 2016, and continue through April 2, 2019. A grant payment of \$109,368.75 was applied on 6/15/15 but will be used to offset the fifth payment of \$94,617.01 in 2020 and a portion of the fourth payment of \$94,617.01, reducing it to \$72,900. | 243,835 |
| \$236,867 Lease purchase of chrome books-due in annual installments of \$81,644 split between principal and interest, which begins on May 17, 2017, and continues through May 17, 2019. | 236,867 |
| TOTAL | \$ 571,212 |

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

IV. CHANGES IN LONG-TERM DEBT (continued)

The annual requirements to amortize all capital leases outstanding as of June 30, 2016, including interest payments, are as follows:

| FISCAL YEAR ENDING JUNE 30, | PRINCIPAL | INTEREST | TOTAL |
|-----------------------------------|------------|-----------|------------|
| 2017 | \$ 208,793 | \$ 16,670 | \$ 225,463 |
| 2018 | 176,131 | 11,373 | 187,504 |
| 2019 | 160,589 | 6,501 | 167,090 |
| 2020 | 10,297 | 947 | 11,244 |
| 2021 | 15,402 | 525 | 15,927 |
| TOTALS | \$ 571,212 | \$ 36,016 | \$ 607,228 |

Energy loans at June 30, 2016, consist of:

On February 1, 2013, the District entered into an energy loan with the Department of Natural Resources for \$68,459.82. Interest is excluded from this loan. Payments of \$4,250 are due every six months in February and August beginning on February 1, 2013, and maturing on February 1, 2021. \$ 38,710

On June 30, 2016, the District entered into an energy loan with the Department of Economic Development for \$263,155.50 for rooftop HVAC units at Athena Elementary. The interest rate is 2.75%. Payments of \$15,084.50 are due every six months in October and April beginning on October 1, 2016, and maturing on April 1, 2026. 263,156

On June 30, 2016, the District entered into an energy loan with the Department of Economic Development for \$31,658.45 for heating and cooling at Athena Elementary. The interest rate is 2.50%. Payments of \$1,795 are due every six months in July and January beginning on July 1, 2016, and maturing on January 1, 2026. 31,658

| | | |
|-------|----|----------------|
| TOTAL | \$ | <u>333,524</u> |
|-------|----|----------------|

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

IV. CHANGES IN LONG-TERM DEBT (concluded)

The annual requirements to amortize all energy loans outstanding as of June 30, 2016, including interest payments, are as follows:

| FISCAL YEAR ENDING JUNE 30, | PRINCIPAL | INTEREST | TOTAL |
|-----------------------------------|------------|-----------|------------|
| 2017 | \$ 36,021 | \$ 6,238 | \$ 42,259 |
| 2018 | 35,161 | 7,098 | 42,259 |
| 2019 | 35,892 | 6,367 | 42,259 |
| 2020 | 36,642 | 5,617 | 42,259 |
| 2021 | 33,624 | 4,845 | 38,469 |
| 2022-2026 | 156,184 | 11,890 | 168,074 |
| TOTALS | \$ 333,524 | \$ 42,055 | \$ 375,579 |

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a district to 15% of the assessed valuation of the district (including state-assessed railroad and utilities). The District did not exceed the legal debt margin at June 30, 2016.

V. RETIREMENT PLAN

Net Pension Liability

Financial reporting information pertaining to the District's participation in the Public School Retirement System of Missouri and the Public Education Employee Retirement System of Missouri (PSRS and PEERS, also referred to as the Systems) is prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statements No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of PSRS and PEERS have been determined on the same basis as they are reported by the Systems. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing the Systems. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the District's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense. A Comprehensive Annual Financial Report ("CAFR") can be obtained at www.psrs-peers.org.

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

V. RETIREMENT PLAN (CONTINUED)

General Information about the Pension Plan - PSRS

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 Section 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.

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 5 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. Summary Plan Descriptions detailing the provisions of the plan can be found on PSRS' website at www.psrs-peers.org.

Cost-of-Living Adjustments ("COLA"). The Board of Trustees has established a policy of providing a 2.00% COLA for years in which the CPI increases between 0.00% and 5.00%. If the CPI increase is greater than 5.00%, the Board will provide a COLA of 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.

Contributions. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2015 and 2016. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay. Contributions for employees of the State of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

The District's contributions to PSRS were \$2,076,794 for the year ended June 30, 2016.

**DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

V. RETIREMENT PLAN (CONTINUED)

General Information about the Pension Plan - PEERS

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

Benefits Provided. 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 2.00% COLA for years in which the CPI increases between 0.00% and 5.00%. If the CPI increase is greater than 5.00%, the Board will provide a COLA of 5.00%. If the CPI decreases, no COLA is provided. 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. PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2015 and 2016. 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 PEERS were \$283,621.45 for the year ended June 30, 2016.

**DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

V. RETIREMENT PLAN (CONTINUED)

Pension Liabilities and Pension Expense - PSRS

At June 30, 2016, the District has a liability of \$17,942,049 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2015, and determined by an actuarial valuation as of that date. The District's proportionate share of the total net pension liability was based on the ratio of its actual contributions of \$2,040,574 paid to PSRS for the year ended June 30, 2015, relative to the actual contributions of \$656,578,122 from all participating employers. At June 30, 2015, the District's proportionate share was 0.3108%.

Pension Liabilities and Pension Expense - PEERS

At June 30, 2016, the District has a liability of \$1,475,119 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2015, and determined by an actuarial valuation as of that date. The District's proportionate share of the total net pension liability was based on the ratio of its actual contributions of \$286,936 paid to PEERS for the year ended June 30, 2015, relative to the actual contributions of \$102,864,099 from all participating employers. At June 30, 2015, the District's proportionate share was 0.2789%.

Actuarial Assumptions - PSRS

Actuarial valuations of PSRS involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was conducted in 2011 and the next experience study is scheduled for 2016.

Significant actuarial assumptions and other inputs used to measure the total pension liability:

| | |
|----------------------------------|---|
| - Measurement Date | June 30, 2015 |
| - Valuation Date | June 30, 2015 |
| - Expected Return on Investments | 8.00%, net of investment expenses and including 2.5% inflation |
| - Inflation | 2.50% |
| - Total Payroll Growth | 3.50% per annum, consisting of 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth. |
| - Future Salary Increases | 4.00% - 10.00%, depending on service and including 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.00% to 7.00%. |

**DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

V. RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions – PSRS (concluded)

- Cost-of-Living Increases 2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increase.

- Mortality Assumption

Actives: RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.

Non-Disabled Retirees,
Beneficiaries and Survivors: RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.

Disabled Retirees: RP 2000 Disabled Mortality Table

Changes in Actuarial Assumptions and Methods

There were no changes in actuarial assumptions or methods for the June 30, 2015, valuation.

Fiduciary Net Position PSRS issues a publicly available financial report that can be obtained at www.psrs-peers.org.

Actuarial Assumptions – PEERS

Actuarial valuations of PEERS involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was conducted in 2011, and the next experience study is scheduled for 2016.

Significant actuarial assumptions and other inputs used to measure the total pension liability:

| | |
|----------------------------------|--|
| - Measurement Date | June 30, 2015 |
| - Valuation Date | June 30, 2015 |
| - Expected Return on Investments | 8.00%, net of investment expenses and including 2.5% inflation |
| - Inflation | 2.50% |

**DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

V. RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions – PEERS (concluded)

- Total Payroll Growth 3.75% per annum, consisting of 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.
- Future Salary Increases 5.00% - 12.00%, depending on service and including 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.75% to 8.75%.
- Cost-of-Living Increases 2.0% compounded annually, beginning on the fourth January after retirement and capped at 80% lifetime increase.
- Mortality Assumption

Actives: RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.

Non-Disabled Retirees,
Beneficiaries and Survivors: RP 2000 Mortality Table set forward one year for males and no set back/forward for females, then projected to 2016 using Scale AA.

Disabled Retirees: RP 2000 Disabled Mortality Table

Changes in Actuarial Assumptions and Methods

There were no changes in actuarial assumptions or methods for the June 30, 2015, valuation.

Fiduciary Net Position PEERS issues a publicly available financial report that can be obtained at www.psr-peers.org.

Expected Rate of Return

The long-term expected rate of return on PSRS and PEERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PSRS and PEERS' target allocation as of June 30, 2015, is summarized below along with the long-term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cash flows.

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

V. RETIREMENT PLAN (CONTINUED)

Expected Rate of Return (concluded)

| Asset Class | Target Asset Allocation | Long-term Expected Real Return Arithmetic Basis | Weighted Long-term Expected Real Return Arithmetic Basis |
|---------------------------------------|--------------------------------|--|---|
| U.S. Public Equity | 27.0% | 5.85% | 1.58% |
| Public Credit | 12.0% | 2.44% | 0.29% |
| Hedged Assets | 6.0% | 5.22% | 0.31% |
| Non-U.S. Public Equity | 15.0% | 6.64% | 1.00% |
| U.S. Treasuries | 16.0% | 1.01% | 0.16% |
| U.S. TIPS | 4.0% | 1.12% | 0.04% |
| Private Credit | 2.0% | 7.61% | 0.15% |
| Private Equity | 10.5% | 8.61% | 0.90% |
| Private Real Estate | 7.5% | 4.60% | 0.35% |
| Total | <u>100.0%</u> | | <u>4.78%</u> |
| Inflation | | | <u>2.50%</u> |
| Long-term arithmetical nominal return | | | <u>7.28%</u> |
| Effect of coverage matrix | | | <u>0.81%</u> |
| Long-term expected geometric return | | | <u>8.09%</u> |

- Discount Rate

The discount rate used to measure the total pension liability was 8.00% as of June, 30, 2015, and is consistent with the long-term expected geometric return on the Systems' investments. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

- Discount Rate Sensitivity

The sensitivity of the District's net pension liability to changes in the discount rate is presented below. The District's net pension liability calculated using the discount rate of 8.0% is presented as well as the net pension liability using a discount rate that is 1.0% lower (7.0%) or 1.0% higher (9.0%) than the current rate.

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

V. RETIREMENT PLAN (CONTINUED)

- Discount Rate Sensitivity (concluded)

| Discount Rate | <u>1% Decrease (7.00%)</u> | <u>Current Rate (8.00%)</u> | <u>1% Increase (9.00%)</u> |
|--|----------------------------|-----------------------------|----------------------------|
| PSRS Proportionate share of the Net Pension Liability / (Asset) | \$32,998,692 | \$17,942,049 | \$5,296,147 |
| PEERS Proportionate share of the Net Pension Liability / (Asset) | \$2,978,023 | \$1,475,119 | \$204,544 |

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios - PSRS

| <u>Year Ended</u> | <u>Proportion of the Net Pension Liability (Asset)</u> | <u>Proportionate Share Of the Net Pension Liability (Asset)</u> | <u>Actual Covered Member Payroll</u> | <u>Net Pension Liability (Asset) As a Percentage Of Covered Payroll</u> | <u>Fiduciary Net Position as A Percentage of Total Pension Liability</u> |
|-------------------|--|---|--------------------------------------|---|--|
| 6/30/15 | 0.3181% | \$13,050,292 | \$14,129,378 | 92.36% | 89.34% |
| 6/30/16 | 0.3108% | 17,942,049 | 14,072,907 | 127.49% | 85.78% |

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios - PEERS

| <u>Year Ended</u> | <u>Proportion of the Net Pension Liability (Asset)</u> | <u>Proportionate Share Of the Net Pension Liability (Asset)</u> | <u>Actual Covered Member Payroll</u> | <u>Net Pension Liability (Asset) As a Percentage Of Covered Payroll</u> | <u>Fiduciary Net Position as A Percentage of Total Pension Liability</u> |
|-------------------|--|---|--------------------------------------|---|--|
| 6/30/15 | 0.2828% | \$1,032,689 | \$4,124,070 | 25.04% | 91.33% |
| 6/30/16 | 0.2789% | 1,475,119 | 4,182,738 | 35.27% | 88.28% |

Schedule of Employer Contributions - PSRS

| <u>Year Ended</u> | <u>Statutorily Required Contribution</u> | <u>Actual Employer Contributions</u> | <u>Contribution Excess/ (Deficiency)</u> | <u>Actual Covered Member Payroll</u> | <u>Contributions as a Percentage of Covered Payroll</u> |
|-------------------|--|--------------------------------------|--|--------------------------------------|---|
| 6/30/14 | \$2,028,088 | \$2,028,088 | \$ - | \$13,986,806 | 14.50% |
| 6/30/15 | 2,048,763 | 2,048,763 | - | 14,129,378 | 14.50% |
| 6/30/16 | 2,040,574 | 2,040,574 | - | 14,072,907 | 14.50% |

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

V. RETIREMENT PLAN (CONCLUDED)

Schedule of Employer Contributions - PEERS

| <u>Year Ended</u> | <u>Statutorily Required Contribution</u> | <u>Actual Employer Contributions</u> | <u>Contribution Excess/ (Deficiency)</u> | <u>Actual Covered Member Payroll</u> | <u>Contributions as a Percentage of Covered Payroll</u> |
|-------------------|--|--------------------------------------|--|--------------------------------------|---|
| 6/30/14 | \$282,869 | \$282,869 | \$ - | \$4,123,463 | 6.86% |
| 6/30/15 | 282,911 | 282,911 | - | 4,124,070 | 6.86% |
| 6/30/16 | 286,936 | 286,936 | - | 4,182,738 | 6.86% |

VI. FUND BALANCE

The Debt Service Fund has amounts of \$621,750.37 and Escrow amounts (CD and MOHEFA) of \$1,745,304.18 that are restricted. The General Fund has restricted amounts of \$173,954.65 for scholarships, \$2,716,306 for self-insurance and \$76,620 for a JRMC Grant. The Capital Projects Fund has a restricted amount of \$7,786,864.80 for debt service and an assigned amount of \$362,492.50 for capital projects.

VII. NET POSITION

The District has restricted net position of \$8,408,615.17 for debt service, \$1,745,304.18 for Escrow amounts (CD and MOHEFA), \$173,954.65 for scholarships, \$2,716,306 for self-insurance and \$76,620 for a JRMC Grant.

VIII. CONTINGENCIES

Grant Audit – The District receives federal grants and state funding for specific purposes that are subject to review and audit. These reviews and audits could lead to requests for reimbursement or to withholding of future funding for expenditures disallowed under, or other noncompliance with terms of the grants and funding. The District is not aware of any noncompliance with terms of the grants and funding. The District is not aware of any noncompliance with Federal or State provisions that might require the District to provide reimbursement.

Litigation – As of the audit report date, the District is not involved in any litigation matters.

Compensated Absences

Vacation time, personal business days, and sick leave are considered as expenditures in the year paid. Amounts that are unpaid and vested in the employee are paid at termination. Total vested and unpaid sick leave at June 30, 2016, amounted to approximately \$711,659. This estimate has not been subjected to auditing procedures.

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

VIII. CONTINGENCIES (CONCLUDED)

MUSIC

Participation in Public Entity Risk Pools – The District is exposed to various risks of loss due to torts; theft to, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was joined together with approximately 467 other Missouri public school districts and junior colleges to form the Missouri United School Insurance Council (MUSIC). MUSIC is a public entity risk pool currently operating as a common risk management and insurance program.

The District does not pay premiums to purchase insurance policies, but pays an assessment to be a member of the self-sustaining risk sharing group. Part of the assessment is used to purchase excess insurance for the group as a whole. The calendar year 2016 assessment was \$437,336.

For the three previous years, the settlements did not exceed the insurance coverage provided by commercial insurance. There has been no significant reduction in insurance coverage from the preceding year.

The pooling agreement requires the pool to be self-sustaining. The District believes that it is not possible to estimate the range of contingent losses to be borne by the District.

IX. INTERFUND TRANSFERS

Transfers between funds for the year ended June 30, 2016, are as follows:

| <u>FUND</u> | <u>TRANSFERS IN</u> | <u>TRANSFERS OUT</u> |
|-----------------------|------------------------|------------------------|
| General Fund | \$ - | \$ 1,791,827.64 |
| Special Revenue Fund | 1,484,160.64 | - |
| Capital Projects Fund | 307,667.00 | - |
| | <u>\$ 1,791,827.64</u> | <u>\$ 1,791,827.64</u> |

During the year, transfers were made to the Special Revenue Fund and Capital Projects Fund from the General Revenue Fund. The transfer to the Capital Projects Fund was for a 7%~~x~~SAT~~x~~WADA transfer. The transfer to the Special Revenue Fund was to achieve a zero fund balance in that account.

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

X. SELF-FUNDED INSURANCE

The District participates in two self-funded health insurance plans that include active and retired employees who contribute to the plans. The District, per the advice of the Department of Elementary and Secondary Education, reports all the activity through a liability clearing account during the year, thus making it difficult to properly show the breakdown of revenues and expenditures on the Statement of Activities (page 10). The revenues for the self-funded insurance funds for the year totaled \$2,984,894.49, and the expenditures for the funds for the year totaled \$3,346,487.29, with a net change of (\$361,592.80). This net change reflects the amounts of insurance that have been recorded as a result of retirees paying their premiums in full at the beginning of the year, or having paid more than one month at the time of service, at June 30, 2016.

XI. POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note V, the District allows employees who retire from the District to participate in the District's medical, dental and vision insurance plans. Upon meeting the retirement requirements of PSRS and PEERS, the employees can elect to participate in the District's plans. The retirees must pay for 100% of their coverage for each plan in which they elect to participate. The premiums are based on a single-blended rate used for both active employees and retirees. The difference between the amount the retiree is required to pay and the actual cost to the District is considered to be a post-employment benefit. The District has not established an irrevocable trust fund for accumulating resources for the future payment of benefits under the plan; benefits are paid on a pay-as-you-go basis. A stand-alone financial report is not available for the plan. During the year ended June 30, 2016, 112 retirees participated in the District's insurance plans and paid premiums totaling \$392,273.22.

XII. SUBSEQUENT EVENTS

The District subsequently will receive and start making payments on the DNR Energy Loan for \$193,137 plus 1% origination fee during the 2016-2017 fiscal year. This loan is for energy saving projects at the Junior High and Vineland.

SUPPLEMENTARY INFORMATION

DE SOTO SCHOOL DISTRICT #73
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

| | BUDGETED AMOUNTS | | | VARIANCES OVER (UNDER) |
|---|------------------|-----------------|-----------------|---------------------------|
| | ORIGINAL | FINAL | ACTUAL | ACTUAL TO FINAL |
| REVENUES | | | | |
| Local Sources | \$ 8,285,672.00 | \$ 7,664,920.80 | \$ 7,628,106.48 | \$ (36,814.32) |
| County Sources | 526,932.00 | 545,600.63 | 595,694.42 | 50,093.79 |
| State Sources | 2,041,333.00 | 2,049,983.08 | 2,207,314.02 | 157,330.94 |
| Federal Sources | 2,504,044.00 | 2,517,277.20 | 2,318,167.05 | (199,110.15) |
| TOTAL REVENUES | 13,357,981.00 | 12,777,781.71 | 12,749,281.97 | (28,499.74) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 3,215,583.00 | 3,178,121.13 | 3,220,461.43 | 42,340.30 |
| Attendance | 104,299.00 | 120,949.00 | 118,455.41 | (2,493.59) |
| Guidance | 19,118.00 | 13,245.73 | 12,385.55 | (860.18) |
| Health, Psych Speech & Audio | 244,784.00 | 238,010.47 | 211,264.42 | (26,746.05) |
| Improvement of Instruction | 54,113.00 | 64,194.28 | 46,099.69 | (18,094.59) |
| Professional Development | 52,833.00 | 62,418.30 | 80,524.58 | 18,106.28 |
| Media Services | 572,656.00 | 599,245.91 | 683,615.09 | 84,369.18 |
| Board of Education Services | 63,039.00 | 83,353.70 | 25,899.17 | (57,454.53) |
| Executive Administration | 447,248.00 | 478,373.53 | 809,865.84 | 331,492.31 |
| Building Level Administration | 463,653.00 | 442,324.29 | 442,360.33 | 36.04 |
| Operation of Plant | 2,722,177.00 | 2,615,071.63 | 2,669,385.16 | 54,313.53 |
| Pupil Transportation | 1,859,551.00 | 1,727,556.95 | 1,472,939.40 | (254,617.55) |
| Food Service | 1,361,011.00 | 1,365,113.50 | 1,177,444.96 | (187,668.54) |
| Community Services | 248,755.00 | 277,883.58 | 279,086.80 | 1,203.22 |
| TOTAL EXPENDITURES | 11,428,820.00 | 11,265,862.00 | 11,249,787.83 | (16,074.17) |
| REVENUES OVER UNDER EXPENDITURES | 1,929,161.00 | 1,511,919.71 | 1,499,494.14 | (12,425.57) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers | (2,326,832.00) | (2,345,547.00) | (1,791,827.64) | 553,719.36 |
| Tuition from other Districts | 511,000.00 | 534,000.00 | 570,491.10 | 36,491.10 |
| Contracted Educational Services | 78,401.00 | 44,526.00 | 55,942.86 | 11,416.86 |
| TOTAL OTHER FINANCING SOURCES (USES) | (1,737,431.00) | (1,767,021.00) | (1,165,393.68) | 601,627.32 |
| NET CHANGE IN FUND BALANCE | 191,730.00 | (255,101.29) | 334,100.46 | \$ 589,201.75 |
| FUND BALANCE, BEGINNING OF YEAR | 8,015,809.79 | 8,015,809.79 | 8,015,809.79 | |
| FUND BALANCE, END OF YEAR | \$ 8,207,539.79 | \$ 7,760,708.50 | \$ 8,349,910.25 | |

DE SOTO SCHOOL DISTRICT #73
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

| | BUDGETED AMOUNTS | | | VARIANCES OVER (UNDER) |
|---|------------------|-----------------|-----------------|---------------------------|
| | ORIGINAL | FINAL | ACTUAL | ACTUAL TO FINAL |
| REVENUES | | | | |
| Local Sources | \$ 2,643,489.00 | \$ 2,816,086.00 | \$ 2,858,642.17 | \$ 42,556.17 |
| County Sources | - | 70,000.00 | 35,470.02 | (34,529.98) |
| State Sources | 11,538,893.00 | 12,186,804.00 | 12,580,169.99 | 393,365.99 |
| Federal Sources | - | - | - | - |
| TOTAL REVENUES | 14,182,382.00 | 15,072,890.00 | 15,474,282.18 | 401,392.18 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 14,144,735.00 | 13,986,969.26 | 14,066,333.67 | 79,364.41 |
| Guidance | 523,738.00 | 519,407.00 | 521,989.04 | 2,582.04 |
| Improvement of Instruction | 90,369.00 | 143,449.47 | 90,247.72 | (53,201.75) |
| Professional Development | 73,215.00 | 130,613.75 | 66,069.07 | (64,544.68) |
| Media Services | 396,157.00 | 386,880.50 | 287,385.14 | (99,495.36) |
| Executive Administration | 653,230.00 | 679,114.06 | 675,888.43 | (3,225.63) |
| Building Level Administration | 1,030,251.00 | 1,087,352.76 | 1,104,897.22 | 17,544.46 |
| Community Services | 165,471.00 | 163,415.91 | 145,632.53 | (17,783.38) |
| TOTAL EXPENDITURES | 17,077,166.00 | 17,097,202.71 | 16,958,442.82 | (138,759.89) |
| REVENUES OVER (UNDER) EXPENDITURES | (2,894,784.00) | (2,024,312.71) | (1,484,160.64) | 540,152.07 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers | 2,102,307.00 | 1,995,716.00 | 1,484,160.64 | (511,555.36) |
| TOTAL OTHER FINANCING SOURCES (USES) | 2,102,307.00 | 1,995,716.00 | 1,484,160.64 | (511,555.36) |
| NET CHANGE IN FUND BALANCE | (792,477.00) | (28,596.71) | - | \$ 28,596.71 |
| FUND BALANCE, BEGINNING OF YEAR | - | - | - | |
| FUND BALANCE, END OF YEAR | \$ (792,477.00) | \$ (28,596.71) | \$ - | |

DE SOTO SCHOOL DISTRICT #73
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2016

| | BUDGETED AMOUNTS | | | VARIANCES OVER (UNDER) ACTUAL TO FINAL |
|---|-------------------------|------------------------|------------------------|---|
| | ORIGINAL | FINAL | ACTUAL | |
| REVENUES | | | | |
| Local Sources | \$ 1,589,759.00 | \$ 1,627,824.01 | \$ 1,651,645.40 | \$ 23,821.39 |
| County Sources | 123,962.00 | 135,048.50 | 143,394.35 | 8,345.85 |
| Federal Sources | 336,541.00 | 339,100.54 | 546,331.75 | 207,231.21 |
| TOTAL REVENUES | 2,050,262.00 | 2,101,973.05 | 2,341,371.50 | 239,398.45 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Debt Service: | | | | |
| Principal | 300,000.00 | 721,500.00 | 7,623,362.00 | 6,901,862.00 |
| Interest and Charges | 791,915.00 | 681,337.06 | 1,054,014.79 | 372,677.73 |
| TOTAL EXPENDITURES | 1,091,915.00 | 1,402,837.06 | 8,677,376.79 | 7,274,539.73 |
| REVENUES OVER (UNDER) EXPENDITURES | 958,347.00 | 699,135.99 | (6,336,005.29) | (7,035,141.28) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers | - | - | - | - |
| Sale of Bonds | - | - | - | - |
| Refunding Bonds | 5,954,500.00 | 5,954,500.00 | 5,730,000.00 | 224,500.00 |
| TOTAL OTHER FINANCING SOURCES (USES) | 5,954,500.00 | 5,954,500.00 | 5,730,000.00 | 224,500.00 |
| NET CHANGE IN FUND BALANCE | 6,912,847.00 | 6,653,635.99 | (606,005.29) | \$ (7,259,641.28) |
| FUND BALANCE, BEGINNING OF YEAR | 2,973,059.84 | 2,973,059.84 | 2,973,059.84 | |
| FUND BALANCE, END OF YEAR | \$ 9,885,906.84 | \$ 9,626,695.83 | \$ 2,367,054.55 | |

DE SOTO SCHOOL DISTRICT #73
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2016

| | BUDGETED AMOUNTS | | | VARIANCES OVER (UNDER) ACTUAL TO FINAL |
|---|-------------------------|-------------------------|------------------------|---|
| | ORIGINAL | FINAL | ACTUAL | |
| REVENUES | | | | |
| Local Sources | \$ - | \$ 109,368.75 | \$ 3,522.70 | \$ (105,846.05) |
| State Sources | 547,320.00 | 531,801.00 | 839,251.15 | 307,450.15 |
| TOTAL REVENUES | 547,320.00 | 641,169.75 | 842,773.85 | 201,604.10 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 220,517.00 | 12,530.42 | 98,701.35 | 86,170.93 |
| Guidance | 107.00 | - | 1,666.67 | 1,666.67 |
| Health, Psych Speech & Audio | 1,838.00 | 1,049.09 | 2,261.62 | 1,212.53 |
| Media Services | 141,427.00 | 70,639.59 | 158,057.93 | 87,418.34 |
| Executive Administration | 4,258.00 | 1,758.00 | - | (1,758.00) |
| Building Level Administration | 5,097.00 | - | - | - |
| Operation of Plant | 121,324.00 | 50,040.00 | 227,520.72 | 177,480.72 |
| Pupil Transportation | 17,690.00 | 109,368.75 | 143,366.01 | 33,997.26 |
| Food Service | 9,000.00 | 1,999.99 | 15,100.00 | 13,100.01 |
| Capital Outlay | 15,000.00 | 139,545.00 | 2,634,512.98 | 2,494,967.98 |
| Debt Service: | | | | |
| Principal | 462,852.00 | 474,456.63 | 328,106.83 | (146,349.80) |
| Interest and Charges | 47,588.00 | 43,851.53 | 33,117.82 | (10,733.71) |
| TOTAL EXPENDITURES | 1,046,698.00 | 905,239.00 | 3,642,411.93 | 2,737,172.93 |
| REVENUES OVER (UNDER) EXPENDITURES | (499,378.00) | (264,069.25) | (2,799,638.08) | (2,535,568.83) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers | 224,525.00 | 349,831.00 | 307,667.00 | (42,164.00) |
| Sale of Bonds | 9,500,000.00 | 10,620,272.30 | - | (10,620,272.30) |
| Sale of School Buses | - | 8,372.60 | 12,470.00 | 4,097.40 |
| TOTAL OTHER FINANCING SOURCES (USES) | 9,724,525.00 | 10,978,475.90 | 320,137.00 | (10,658,338.90) |
| NET CHANGE IN FUND BALANCE | 9,225,147.00 | 10,714,406.65 | (2,479,501.08) | \$ (13,193,907.73) |
| FUND BALANCE, BEGINNING OF YEAR | 10,628,858.44 | 10,628,858.44 | 10,628,858.44 | |
| FUND BALANCE, END OF YEAR | \$ 19,854,005.44 | \$ 21,343,265.09 | \$ 8,149,357.36 | |

DE SOTO SCHOOL DISTRICT #73
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCES OVER (UNDER) |
|---|-------------------------|-------------------------|-------------------------|-----------------------------------|
| | ORIGINAL | FINAL | | ACTUAL TO FINAL |
| REVENUES | | | | |
| Local Sources | \$ 12,518,920.00 | \$ 12,218,199.56 | \$ 12,141,916.75 | \$ (76,282.81) |
| County Sources | 650,894.00 | 750,649.13 | 774,558.79 | 23,909.66 |
| State Sources | 14,127,546.00 | 14,768,588.08 | 15,626,735.16 | 858,147.08 |
| Federal Sources | 2,840,585.00 | 2,856,377.74 | 2,864,498.80 | 8,121.06 |
| TOTAL REVENUES | 30,137,945.00 | 30,593,814.51 | 31,407,709.50 | 813,894.99 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 17,580,835.00 | 17,177,620.81 | 17,385,496.45 | 207,875.64 |
| Attendance | 104,299.00 | 120,949.00 | 118,455.41 | (2,493.59) |
| Guidance | 542,963.00 | 532,652.73 | 536,041.26 | 3,388.53 |
| Health, Psych Speech & Audio | 246,622.00 | 239,059.56 | 213,526.04 | (25,533.52) |
| Improvement of Instruction | 144,482.00 | 207,643.75 | 136,347.41 | (71,296.34) |
| Professional Development | 126,048.00 | 193,032.05 | 146,593.65 | (46,438.40) |
| Media Services | 1,110,240.00 | 1,056,766.00 | 1,129,058.16 | 72,292.16 |
| Board of Education Services | 63,039.00 | 83,353.70 | 25,899.17 | (57,454.53) |
| Executive Administration | 1,104,736.00 | 1,159,245.59 | 1,485,754.27 | 326,508.68 |
| Building Level Administration | 1,499,001.00 | 1,529,677.05 | 1,547,257.55 | 17,580.50 |
| Operation of Plant | 2,843,501.00 | 2,665,111.63 | 2,896,905.88 | 231,794.25 |
| Pupil Transportation | 1,877,241.00 | 1,836,925.70 | 1,616,305.41 | (220,620.29) |
| Food Service | 1,370,011.00 | 1,367,113.49 | 1,192,544.96 | (174,568.53) |
| Community Services | 414,226.00 | 441,299.49 | 424,719.33 | (16,580.16) |
| Capital Outlay | 15,000.00 | 139,545.00 | 2,634,512.98 | 2,494,967.98 |
| Debt Service: | | | | |
| Principal | 762,852.00 | 1,195,956.63 | 7,951,468.83 | 6,755,512.20 |
| Interest and Charges | 839,503.00 | 725,188.59 | 1,087,132.61 | 361,944.02 |
| TOTAL EXPENDITURES | 30,644,599.00 | 30,671,140.77 | 40,528,019.37 | 9,856,878.60 |
| REVENUES OVER (UNDER) EXPENDITURES | (506,654.00) | (77,326.26) | (9,120,309.87) | (9,042,983.61) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers | - | - | - | - |
| Sale of School Buses | 9,500,000.00 | 10,628,644.90 | 12,470.00 | (10,616,174.90) |
| Tuition From Other Districts | 511,000.00 | 534,000.00 | 570,491.10 | 36,491.10 |
| Contracted Educational Services | 78,401.00 | 44,526.00 | 55,942.86 | 11,416.86 |
| Refunding Bonds | 5,954,500.00 | 5,954,500.00 | 5,730,000.00 | (224,500.00) |
| TOTAL OTHER FINANCING SOURCES (USES) | 16,043,901.00 | 17,161,670.90 | 6,368,903.96 | (10,792,766.94) |
| NET CHANGE IN FUND BALANCES | 15,537,247.00 | 17,084,344.64 | (2,751,405.91) | \$ (19,835,750.55) |
| FUND BALANCES, BEGINNING OF YEAR | 21,617,728.07 | 21,617,728.07 | 21,617,728.07 | |
| FUND BALANCES, END OF YEAR | \$ 37,154,975.07 | \$ 38,702,072.71 | \$ 18,866,322.16 | |

DE SOTO SCHOOL DISTRICT #73
NOTES TO THE BUDGETARY COMPARISON SCHEDULES
YEAR ENDED JUNE 30, 2016

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 July 1. The proposed budget includes estimated revenues and proposed expenditures for all District funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues 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. 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 accompanying financial statements.

Budgeted amounts are as originally adopted on June 18, 2015, and are finally amended by the Board of Education.

5. Budgets are adopted on the cash basis of accounting for all governmental funds.

**DE SOTO SCHOOL DISTRICT #73
OTHER POST-EMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2016**

Other Post-Employment Benefits

In addition to the pension benefits described in Note V, the District allows employees who retire from the District to participate in the District's medical, dental and vision insurance plans. Upon meeting the retirement requirements of PSRS and PEERS, the employees can elect to participate in the District's plans. The retirees must pay for 100% of their coverage for each plan in which they elect to participate. The premiums are based on a single-blended rate used for both active employees and retirees. The difference between the amount the retiree is required to pay and the actual cost to the District is considered to be a post-employment benefit. The District has not established an irrevocable trust fund for accumulating resources for the future payment of benefits under the plan; benefits are paid on a pay-as-you-go basis. A stand-alone financial report is not available for the plan. During the year ended June 30, 2016, 112 retirees participated in the District's insurance plans and paid premiums totaling \$392,273.22.

There was one COBRA participant at June 30, 2016, who paid premiums of \$183.15.

STATE COMPLIANCE SECTION



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Members of the Board of Education
De Soto School District #73

Report on Compliance with State Requirements

We have examined management's assertions that the De Soto School District #73 (District) complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures; accurate disclosure by the District's records of average daily attendance and average daily transportation of pupils, and other statutory requirements as listed in the Schedule of Selected Statistics for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for the District's compliance with the aforementioned requirements.

Auditor's Responsibility

Our responsibility is to express an opinion on management's assertions about the District's compliance based on our examination. Our examination was made in accordance with the attestation standards established by the American Institute of Certified Public Accountants and, accordingly, includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our opinion does not provide a legal determination on the District's compliance with specified requirements.

Opinion on Compliance with State Requirements

In our opinion, management's assertions that the De Soto School District #73 complied with the aforementioned requirements for the year ended June 30, 2016, are fairly stated, in all material respects. However, we noted three immaterial instances of noncompliance as reported in the Schedule of State Findings.

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

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

November 7, 2016

DE SOTO SCHOOL DISTRICT #73
SCHEDULE OF SELECTED STATISTICS
DISTRICT NUMBER 050-014
YEAR ENDED JUNE 30, 2016

I. 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. Reported with 4 decimal places.

| | | | | | |
|-------------------------|--------|-----|-------------|--------|-----|
| Kindergarten – A.M. | - | SDL | Grades 1-6 | 6.4000 | SDL |
| Kindergarten – P.M. | - | SDL | Grades 7-8 | 6.6500 | SDL |
| Kindergarten – Full Day | 6.4000 | SDL | Grades 9-12 | 6.5700 | SDL |

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

| | | | | | |
|-------------------------|----------|-------|-------------|----------|-------|
| Kindergarten – A.M. | - | Hours | Grades 1-6 | 1,064.80 | Hours |
| Kindergarten – P.M. | - | Hours | Grades 7-8 | 1,105.96 | Hours |
| Kindergarten – Full Day | 1,064.80 | Hours | Grades 9-12 | 1,092.47 | Hours |

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

| | | | | | |
|-------------------------|-----|-------|-------------|-----|------|
| Kindergarten – A.M. | - | Hours | Grades 1-6 | 168 | Days |
| Kindergarten – P.M. | - | Hours | Grades 7-8 | 168 | Days |
| Kindergarten – Full Day | 168 | Hours | Grades 9-12 | 168 | Days |

II. AVERAGE DAILY ATTENDANCE (ADA)

| Regular Term | Full-Time & Part-Time | Remedial | Deseg In | Federal Lands | Total | Deseg Out |
|--|--------------------------|-----------------|-----------------|--------------------------|-------------------|--------------|
| Kindergarten – Full Day | 184.0663 | 1.7880 | - | - | 185.8543 | - |
| Grades 1-6 | 1,167.1555 | 9.7045 | - | - | 1,176.8600 | - |
| Grades 7-8 | 442.4555 | 3.0742 | - | - | 445.5297 | - |
| Grades 9-12 | 778.5401 | 1.9998 | - | - | 780.5399 | - |
| Subtotal Regular Term | 2,572.2174 | 16.5665 | - | - | 2,588.7839 | - |
| | | Resident | Deseg In | Federal Lands | Total | |
| Summer School Subtotal | | 160.3957 | - | - | 160.3957 | |
| Total Regular Term Plus Summer School ADA | | | | | 2,749.1796 | |

**DE SOTO SCHOOL DISTRICT #73
SCHEDULE OF SELECTED STATISTICS
DISTRICT NUMBER 050-014
YEAR ENDED JUNE 30, 2016**

III. SEPTEMBER MEMBERSHIP

| | Full-Time & Part-Time | Deseg In | Federal Lands | Total | Deseg Out |
|---|--------------------------------------|---------------------|--------------------------|--------------|------------------|
| September Membership FTE Count | 2,726.71 | - | - | 2,726.71 | - |

IV. FREE AND REDUCED PRICED LUNCH FTE COUNT (Section 163.011(6), RSMo)

| | Full-Time & Part-Time | Deseg In | Total |
|------------------------|--------------------------------------|-----------------|--------------|
| State FTE Total | | | |
| Free | 1,209.71 | - | 1,209.71 |
| Reduced | 183.00 | - | 183.00 |
| Total | 1,392.71 | - | 1,392.71 |

V. FINANCE

- A. As required by Section 162.401, RSMo, a bond was purchased for the District's treasurer in the total amount of _____ \$ 50,000
- B. The District's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo _____ TRUE
- C. The District maintained a separate bank account for the Debt Service Fund in accordance with Section 165.011, RSMo _____ TRUE
- D. Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records _____ TRUE
- E. If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the Board approved a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken _____ TRUE
- F. The District published a summary of the prior year's audit report within 30 days of the receipt of the audit pursuant to Section 165.121, RSMo _____ TRUE

**DE SOTO SCHOOL DISTRICT #73
SCHEDULE OF SELECTED STATISTICS
DISTRICT NUMBER 050-014
YEAR ENDED JUNE 30, 2016**

V. FINANCE (concluded)

- 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..... TRUE
- H. The amount spent for approved professional development committee plan activities was:..... \$ 146,593.65

VI. 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..... TRUE
- B. The District's school transportation ridership records are maintained in a manner to accurately disclose in all material respects the average number of regular riders transported..... TRUE
See other state finding #1.
- C. Based on the ridership records, the average number of students (non-disabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was:
• Eligible ADT..... # 2,228.00
• Ineligible ADT..... # 0
- D. The District's transportation odometer mileage records are maintained in a manner to accurately disclose in all material respects the eligible and ineligible mileage for the year..... TRUE
- E. Actual odometer records show the total District-operated and contracted mileage for the year was:..... #512,760

Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route and disapproved miles (combined) was:
• Eligible Miles..... #398,195
• Ineligible Miles (Non-Route/Disapproved)..... #114,565
- F. Number of days the District operated the school transportation system during the regular school year:..... 168

**DE SOTO SCHOOL DISTRICT #73
SCHEDULE OF STATE FINDINGS
YEAR ENDED JUNE 30, 2016**

CHAPTER 67 RSMO (BUDGET STATUTE)

Chapter 67 RSMo requires that each political subdivision of the State of Missouri adopt an annual budget, itemized by fund. It further requires that in no event shall the total proposed expenditures from any fund exceed the estimated revenues to be received plus any unencumbered balance or less any deficit estimated for the beginning of the budget year.

Actual expenditures exceeded those budgeted in the Debt Service and Capital Projects Funds.

The District deficit budgeted the Special Revenue Fund.

OTHER STATE FINDINGS

There are no other state findings to report.

FEDERAL COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

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

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Education
De Soto School District #73

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, each major fund and the remaining fund information of De Soto School District #73 (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District'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.

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 material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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 District'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.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

November 7, 2016



Daniel Jones & Associates

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

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

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Education
De Soto School District #73

Report on Compliance for Each Major Federal Program

We have audited De Soto School District #73's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs 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 the 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 of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2016.

Report on Internal Control Over Compliance

Management of the 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 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 of a federal program 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.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ARNOLD, MISSOURI

November 7, 2016

DE SOTO SCHOOL DISTRICT #73
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

| FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM TITLE | FEDERAL CFDA NUMBER | PASS-THROUGH ENTITY NUMBER | PASSED THROUGH TO SUBRECIPIENTS | TOTAL FEDERAL EXPENDITURES |
|--|------------------------------------|---|--|---|
| U.S. Department of Education | | | | |
| Passed Through State Department of Elementary and Secondary Education | | | | |
| Improving Teacher Quality State Grants - Title II,A | 84.367 | 050-014 | \$ - | \$ 105,771 |
| Title I Grants to Local Educational Agencies | 84.010 | 050-014 | - | 636,929 |
| Special Education Cluster (IDEA): | | | | |
| Special Education _Grants to States - Part B | 84.027 | 050-014 | - | 605,782 |
| Special Education _Grants to States - High Need Fund | 84.027 | 050-014 | - | 8,971 |
| Special Education _Grants to States - State Wide | | | | |
| Collaborative Work Initiative | 84.027 | 050-014 | - | 35,850 |
| Special Education _Grants to States - Early Childhood | | | | |
| Special Education | 84.027 | 050-014 | - | 60,736 |
| Special Education _Preschool Grants | 84.173 | 050-014 | - | 13,742 |
| Total Special Education Cluster (IDEA) | | | - | 725,081 |
| Passed Through Jefferson College | | | | |
| Career and Technical Education - Basic Grants to States (Perkins IV) | 84.048 | 050-014 | - | 2,144 |
| Total U.S. Department of Education | | | - | 1,469,925 |
| U.S. Department of Agriculture | | | | |
| Passed Through State Department of Elementary and Secondary Education | | | | |
| Child Nutrition Cluster: | | | | |
| Cash Assistance: | | | | |
| School Breakfast Program | 10.553 | 050-014 | - | 180,447 |
| National School Lunch Program | 10.555 | 050-014 | - | 589,417 |
| After School Snack | 10.555 | 050-014 | - | 11,017 |
| Non-Cash Assistance: | | | | |
| Donated Foods (Commodities) | 10.555 | 050-014 | - | 112,572 |
| Passed Through Department of Health and Senior Services | | | | |
| Summer Food Service Program for Children | 10.559 | ERS0461902S | - | 104,628 |
| Total U.S. Dept. of Agric. And Child Nutrition Cluster | | | - | 998,081 |
| TOTAL FEDERAL EXPENDITURES | | | \$ - | \$ 2,468,006 |

**DE SOTO SCHOOL DISTRICT #73
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of De Soto School District #73 under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of De Soto School District #73, it is not intended to and does not present the financial position, changes in net assets, or cash flows of De Soto School District #73.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

De Soto School District #73 has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - RELATIONSHIP TO ACCOMPANYING FINANCIAL STATEMENTS

Federal awards are reported in the District's accompanying financial statements as follows:

| | |
|------------------------|------------------------|
| <u>Federal Sources</u> | |
| General Fund | \$ 2,318,167.05 |
| Special Revenue Fund | - |
| Debt Service Fund | 546,331.75 |
| | <u>\$ 2,864,498.80</u> |

NOTE 5 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles, as applicable to the modified cash basis of accounting.

NOTE 6 -MATCHING REVENUES

For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

NOTE 7 – NON-CASH PROGRAMS

The commodities received, which are non-cash revenues, are valued using prices provided by the United States Department of Agriculture.

**DE SOTO SCHOOL DISTRICT #73
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

I. SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. Type of auditor's report issued: Unmodified – modified cash basis
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? ☐ Yes ☒ No
 - b. Significant deficiency(ies) identified? ☐ Yes ☒ None Reported
3. Noncompliance material to financial statements noted? ☐ Yes ☒ No

B. Federal Awards

1. Internal control over major federal programs:
 - a. Material weakness(es) identified? ☐ Yes ☒ No
 - b. Significant deficiency(ies) identified? ☐ Yes ☒ None Reported
2. Type of auditor's report issued on compliance for major federal programs:
Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No
4. Identification of major federal programs:

| | |
|------------------------|--|
| <u>CFDA Number(s):</u> | <u>Name of Federal Program or Cluster:</u> |
| 84.027, 84.173 | Special Education Cluster |
| 84.010 | Title I Grants to Local Educational Agencies |
5. Dollar threshold used to distinguish between type A and type B programs: \$ 750,000
6. Auditee qualified as low-risk auditee? ☐ Yes ☒ No

II. FINANCIAL STATEMENT FINDINGS

There were no current year financial statement findings.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings related to internal control, compliance, questioned costs, or fraud that related to federal awards for the year ended June 30, 2016.

**DE SOTO SCHOOL DISTRICT #73
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS

There were no financial statement findings for the year ended June 30, 2015.

II. PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings related to internal control, compliance, questioned costs, or fraud that related to federal awards for the year ended June 30, 2015.