



Roger Dorson, Ed.D. • Deputy Commissioner

Division of Financial and  
Administrative Services

205 Jefferson Street, P.O. Box 480 • Jefferson City, MO 65102-0480 • [dese.mo.gov](http://dese.mo.gov)

November 14, 2018

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

Balance Letter  
050-014

Dear Dr. Isaacson:

The district's Annual Secretary of the Board Report (ASBR) for the 2017 - 2018 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 2017 - 2018 ASBR is considered complete.

The June 30, 2018, fund balances indicated by the financial data are as follows:

General (Incidental) Fund	\$9,046,558.99
Special Revenue (Teachers) Fund	\$0.00
Debt Service Fund	\$11,964,742.03
Capital Projects Fund	\$295,850.00
Total All Funds	\$21,307,151.02

The above figures must be used as the beginning balances for the 2018 - 2019 ASBR unless a prior period adjustment is documented in the 2018 - 2019 ASBR Remarks and such revised balance agrees to the beginning fund balance in the district's 2018 - 2019 audit report.

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

Sincerely,

A handwritten signature in cursive script that reads "Taylor Doerhoff".

Taylor Doerhoff  
School Finance Consultant

Phone 573-751-0357 Fax 573-526-6898 [finadmgov@dese.mo.gov](mailto:finadmgov@dese.mo.gov)

**Dr. Joshua J. Isaacson**  
**Superintendent**

**De Soto School District #73**

**Dr. Doréan Dow**  
**Assistant**  
**Superintendent**



**Superintendent's Office**

*Ensuring learning, growth, and success for all.*

November 12, 2018

Daniel Jones & Associates  
3510 Jeffco Blvd., Ste. 200  
Arnold, MO 63010

This representation letter is provided in connection with your audit of the financial statements of DeSoto School District #73 (District), which comprise the respective financial position of the governmental activities, each major fund, and the remaining fund information as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with the modified cash basis of accounting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 12, 2018, the following representations made to you during your audit.

**Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 27, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with the modified cash basis of accounting and include all properly classified funds and other financial information of the primary government and all component units required by the modified cash basis of accounting to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the modified cash basis of accounting.

- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with the modified cash basis of accounting.
- 9) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

#### **Information Provided**

- 10) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the Board of Education or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 1) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- 1) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 2) We have no knowledge of any fraud or suspected fraud that affects the District and involves—
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- 3) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.
- 4) Except as made known to you, we have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 5) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 6) We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.

#### **Government-specific**

- 7) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 8) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.
- 9) We have a process to track the status of audit findings and recommendations.

- 10) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 11) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 12) The District has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 13) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 14) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 15) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 16) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 17) Except as made known to you, there are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 18) As part of your audit, you assisted with preparation of the financial statements and related notes and schedule of expenditures of federal awards. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
- 19) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 20) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 21) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 22) The financial statements properly classify all funds and activities in accordance with .
- 23) All funds that meet the quantitative criteria in and for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 24) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 25) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

- 26) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 27) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 28) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 29) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 30) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 31) We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 32) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 33) With respect to the budgetary comparison schedules and schedule of expenditures of federal awards:
  - a) We acknowledge our responsibility for presenting the budgetary comparison schedules and the schedule of expenditures of federal awards in accordance with the modified cash basis of accounting, and we believe the budgetary comparison schedules and the schedule of expenditures of federal awards, including its form and content, are fairly presented in accordance with the modified cash basis of accounting. The methods of measurement and presentation of the budgetary comparison schedules and the schedule of expenditures of federal awards have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b) If the budgetary comparison schedules and the schedule of expenditures of federal awards are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 34) With respect to federal award programs:
  - a) We are responsible for understanding and complying with and have complied with, the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
  - b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
  - c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
  - d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal

cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

- e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards.
- j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E).
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.

- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t) We have charged costs to federal awards in accordance with applicable cost principles.
- u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- v) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- w) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- x) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

Signature:

Title: Superintendent of Schools

A handwritten signature in black ink, appearing to be "J. [unclear]", written over the title text.

**Dr. Joshua J. Isaacson**  
**Superintendent**

**De Soto School District #73**



**Dr. Doréan Dow**  
**Assistant**  
**Superintendent**

**Superintendent's Office**  
*Ensuring learning, growth, and success for all.*

Corrective Action Plan  
2 CFR Section 200.511 (c)  
June 30, 2018

November 12, 2018

De Soto School District #73 respectively submits the following corrective action plan for the year ended June 30, 2018.

2018-001	Bookkeeper will verify each month with payroll to be sure check has cleared and if not immediate action will take place.	Fiscal year 2019	Dr. Josh Isaacson, Superintendent
2018-002	The process has been reviewed with staff to know that all pages are needed to complete the finding and must be printed and given to the Bookkeeper for submission of the audit.	Fiscal year 2019	Dr. Josh Isaacson, Superintendent

Dr. Josh Isaacson  
Superintendent

De Soto School District #73



**Dr. Joshua J. Isaacson**  
**Superintendent**

**De Soto School District #73**

**Dr. Doréan Dow**  
**Assistant**  
**Superintendent**



**Superintendent's Office**

*Ensuring learning, growth, and success for all.*

Summary Schedule of Prior Audit Findings  
For The Fiscal Year Ended June 30, 2018

Finding: SA 2017-001

Status: The process has been reviewed with staff to know that all pages are needed to complete the finding and must be printed and given to the Bookkeeper for submission of the audit.

Respectfully,

A handwritten signature in black ink, appearing to read 'J. Isaacson', is written over a horizontal line. The signature is fluid and cursive.

Contact Person: Dr. Josh Isaacson

Title: Superintendent

Phone: 636-586-1000

Fax: 636-586-1009

Email: isaacson.josh@desoto.k12.mo.us

**Dr. Joshua J. Isaacson**  
**Superintendent**

**De Soto School District #73**

**Dr. Doréan Dow**  
**Assistant**  
**Superintendent**


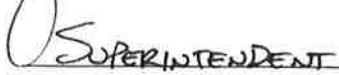


**Superintendent's Office**  
*Ensuring learning, growth, and success for all.*

November 12, 2018

Daniel Jones & Associates  
Certified Public Accountants  
3510 Jeffco Blvd., Suite 200  
Arnold, MO 63010

I have had the opportunity to review and make changes to DeSoto School District's, June 30, 2018,  
audited financial statements.

  
\_\_\_\_\_  
Signed  
  
\_\_\_\_\_  
SUPERINTENDENT  
Title  
11/12/2018  
\_\_\_\_\_  
Date

We will require 10 bound and 3 unbound copies of the audit report.



# Daniel Jones & Associates

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

CERTIFIED PUBLIC ACCOUNTANTS

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June 27, 2018

To the Board of Education and Management  
Desoto School District #73  
610 Vineland School Road  
Desoto, MO 63020

We are pleased to confirm our understanding of the services we are to provide DeSoto School District #73 (District) for the year ended June 30, 2018. We will audit the financial statements of the governmental activities, each major fund and the remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements, of the District as of and for the year ended June 30, 2018. The District financial statements are prepared on a modified cash basis of accounting, which is an other accounting framework. The modified cash basis is a departure from generally accepted accounting principles (GAAP). Because the modified cash basis of accounting has not been established by the Governmental Accounting Standards Board (GASB) (that is, the designated GAAP standard setter for state and local governments in the United States), any such required supplementary information (RSI) required by GASB in GAAP-basis financial statements is not considered RSI that must accompany modified cash basis financial statements. Therefore, in modified cash basis financial statements for state and local governments, there are not RSI requirements because there is not a designated standard setter for such modified cash basis frameworks. Information that would be included as RSI will be included as supplementary information to be consistent with GASB pronouncements, such as management's discussion and analysis (MD&A), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the District's voluntary supplemental information, which is voluntarily provided in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following voluntarily provided supplementary information will be subjected to certain limited procedures, but will not be audited:

- 1) Management's discussion and analysis, if voluntarily provided.
- 2) Budgetary comparison schedules: General Fund, Special Revenue Fund, Debt Service Fund, Capital Projects Fund and All Governmental Funds.

We have also been engaged to report on supplementary information that accompanies the District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements:

- 1) Schedule of expenditures of federal awards.
- 2) Schedule of selected statistics

## **Audit Objectives**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with the modified cash basis of accounting and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Board of Education of the District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

#### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include direct confirmation of certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys

as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

#### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

#### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the District's major programs. The purpose of these procedures will be to express an opinion on the District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

#### **Other Services**

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of the District in conformity with the modified cash basis of accounting and the Uniform Guidance based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, schedule of expenditures of federal awards, and related notes services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

#### **Management Responsibilities**

Management is responsible for (1) designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the

selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with the modified cash basis of accounting; and for compliance with applicable laws and regulations (including federal statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review on August 1, 2018.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with the modified cash basis of accounting. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with the modified cash basis of accounting; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with the modified cash basis of accounting; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

### **Engagement Administration, Fees, and Other**

We may from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's reports or nine months after the end of the audit period.

We will provide copies of our reports to the District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Daniel Jones & Associates and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the U.S. Department of Education or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Daniel Jones & Associates' personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the U.S. Department of Education. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately August 1, 2018, and to issue our reports no later than December 31, 2018. Alois Kirchhofer, Jr. is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be \$12,300 and is based on the District being in auditable condition. This means that all general ledger accounts have been reconciled and have adequate supporting documentation for the balances, attendance and transportation data is correct and has been checked and agrees with what has been submitted to Department of Elementary and Secondary Education (DESE); all debt and lease schedules are prepared and agree to the annual secretary of the board report (ASBR) and that the general ledger and ASBR agree with no discrepancies. Any additional time spent due to audit documentation not being in auditable condition will be billed at our standard hourly rate of \$150. In addition, the District expended over \$750,000 in federal monies requiring a single audit. The District is required to prepare a schedule of expenditures of federal awards (SEFA) for the fiscal year under audit. The SEFA should be supported by detail general ledger printouts, which will allow us to audit the federal expenditures. Should a bank send back audit confirmations requiring balances to be confirmed through confirmation.com, the cost of using confirmation.com will be billed to and paid by the District, which is in addition to the audit fee. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

In the event legal issues arise from the audit, the District will reimburse the firm for all legal expenses incurred with the defense of the litigation. In the event of a legal judgment, the District cannot seek ramifications greater than the cost of the audit. The District shall defend, indemnify and hold Daniel Jones & Associates, its officers, officials, employees and volunteers harmless from any and all claims, injuries, damages, losses or suits including attorney fees, arising out of or resulting from the acts, errors or omissions in performance of this audit.

We appreciate the opportunity to be of service to the District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

*Daniel Jones & Associates*

Daniel Jones & Associates

RESPONSE:

This letter correctly sets forth the understanding of DeSoto School District #73.

Signature: [Signature] REVIEWED BY BOE JULY 19, 2018

Title: Superintendent

Date: JULY 20, 2018



**DE SOTO SCHOOL DISTRICT #73**  
**JEFFERSON COUNTY, MISSOURI**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**DE SOTO SCHOOL DISTRICT #73  
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  
AMERICAN INSTITUTE 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 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, 2018, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note I.

### ***Emphasis of Matter***

As described in Note XV to the financial statements in 2018, the General Fund and Capital Projects Fund beginning fund balances were restated to reclass a sale from a bus to a donation. Our opinions are not modified with respect to this matter.

### ***Basis of Accounting***

We draw attention to Note I of the financial statements, which 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 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 46 through 50 and schedule of expenditures of federal awards presented on page 62 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole. Also, in our opinion, the schedule of expenditures of federal awards is not fairly stated, in all material respects, in relation to the basic financial statements as a whole, due to not being able to obtain sufficient audit evidence for verification numbers.

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 12, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 12, 2018

**DE SOTO SCHOOL DISTRICT #73  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

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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, 2018. 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 2018 are as follows:

- The June 30, 2018, fund balances indicated by financial data include General (Incidental) Fund \$9,046,558.99, Special Revenue (Teachers) Fund \$0, Debt Service Fund \$11,964,742.03 and Capital Projects Fund \$295,850.00. The total of all funds is \$21,307,151.02. The district overall ending operating balances was 24.58%.
- 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 \$2,163,491.38 as restricted funds accounting for self-funded insurance and student scholarships.
- The District's total levy of \$4.3547 was established with an operating levy of \$3.4180 and the debt service levy of \$0.9367.
- The School District had \$31,457,442.50 in expenses including the debt principal and interest refunding; of which \$12,817,216.45 of these expenses was offset by program specific charges for services, grants or contributions. General and Special revenues (primarily taxes) of \$27,795,108.66 and District operating balance amount of \$9,046,558.99 was adequate to provide for these programs.
- In total, the net position increased \$9,087,473.35 which represented an increase from 2017. This increase was attributed to the 2017 GO Bond refunding issuance.
- General and Special revenues accounted for \$27,795,108.66 in revenue or 68% of all revenues, with total revenues of \$40,544,915.85.
- 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 2017-2018 the total revenue collected from premiums was \$2,885,398.79 and the total administrative operating expense was \$425,540.35. The total claims for the year was \$2,951,259.75. The overall balance on June 30 was \$1,924,886.94 a decrease of \$481,870.39. The District established a \$1000 deductible and increased the employer paid amount from \$495.00 per month to \$544.50 per month for 2018-2019.
- The District repaid \$1,373,445 in long and short term debt with remaining balances of \$34,010,186.
- 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, 2018  
(UNAUDITED)**

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- 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.
- All staff members were provided a step increase based on their respective salary schedules and a \$600 stipend was offered to employees for completing activities outside contracted time.
- The District 2018 summer school average daily attendance was 156.5082, which was a decrease of 4.2315 ADA from 2017 summer school. The District expended \$481,156.86 to self-administer the summer program.
- The Operating Fund's balance increased \$88,563.61 from 2017. The School District transferred \$1,586,552.09 from the General Fund to the Special Revenue (Teachers) Fund and transferred \$351,145.83 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 and 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 2018?" 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.

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.



**DE SOTO SCHOOL DISTRICT #73  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018  
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**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 9-17 provide a summary of the School District's net position for 2018.

Total net position of governmental activities increased by \$9,087,473.35. Fixed Assets were not audited and are not shown on these statements. The unrestricted net position for 2018 was \$7,049,855.85 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 \$8,629,327.71 while total overall expenses decreased by \$7,104,790.13. The increase in revenue was largely contributed to refunding of the 2017 GO Bond, which was also restricted. The decrease in expenditures is largely due to the completion of the bond projects. 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 \$14,635,859.57 equating to approximately 46.26% revenue from state funding and Federal dollars flowed through from the state to maintain existing programs.

Instruction comprises 54.08% (\$17,012,579.00) of District expense. Support services expenses make up 34.71% (\$10,919,027.26) of the expenses and capital and debt repayment make up the remaining 11% (\$3,453,860.18) of District expenses.

**DE SOTO SCHOOL DISTRICT #73  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

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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 \$12,817,216.45 of instruction activities are supported through taxes and other general revenues; for all activities, general revenue support is \$12,846,914.04. The reliance on tax revenues to support district instruction activities is 40.74 percent.

**DE SOTO SCHOOL DISTRICT #73  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2018  
(UNAUDITED)**

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**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 \$40,544,915.85 and expenditures of \$31,457,442.50 of which \$1,373,445.00 was in debt refunded principal and interest. The net change in fund balance for the General Fund increased by \$88,563.61.

**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 2018 year, the School District amended its General Fund budget in September, November, February, March, April, May, and June, which resulted in appropriations increasing. These increased appropriations mostly accounted for increases in state revenue projections.

For the General Fund, the final budget basis revenue was \$12,853,594.58. The original budgeted estimate was \$12,219,967.99. This variance was due to the adjustment of 95% of taxes paid and 5% projections for delinquent taxes, special education revenue, and tuition from other districts.

During fiscal year 2018, the School District budgeted \$7,843,022.31 for property and other taxes and intergovernmental revenues. The School District received \$8,326,037.65 in property and other tax revenue and in intergovernmental revenue, resulting in a \$483,015.34 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 2018. The district statements accounted for purchase of two new school bus and a new maintenance vehicle. There were no changes in building assets.

At the end of the fiscal year 2017, the School District had \$51,607,583.18 invested in land, buildings, furniture and equipment, and vehicles. Accumulated depreciation was reported at \$17,507,124.12. The net investment in Capital Assets at year-end was \$34,100,459.06. The Bond issue is closed out and the balance is \$0.00.

**Debt Administration**

On June 30, 2018, the School District had \$32,936,582 of debt in general obligation bonds, due in varying installments with interest rate charges over 20 years. The School District had \$390,000 in lease certificates of participation, due in varying installments with interest rate charges over 15 years. The School District had \$80,209 in capital lease balances for technology payments, \$64,833 in lease purchases for 5 school buses, and \$35,565 in copier lease balances, and \$94,344 in new lease purchase for a phone system. 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, 2018  
(UNAUDITED)**

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**Current Financial Issues and Concerns**

The De Soto School District # 73 remains financially stable despite the unpredictable change in funding sources, declining enrollment, and a decreasing balance in the self insurance fund. 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 due to declining enrollment. 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 2018-2019 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, 2018**

	<b>GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents (Note II)	\$ 7,049,885.85
Restricted Assets:	
Cash and Cash Equivalents (Note II)	11,598,274.49
Investments	2,658,990.68
<b>TOTAL ASSETS</b>	<b>21,307,151.02</b>
<b>LIABILITIES</b>	
Payroll	
<b>NET POSITION</b>	
Restricted:	
Debt Service	12,093,773.79
Scholarships	189,469.06
Self-Insurance	1,924,886.94
Nuesyngery	49,135.38
Unrestricted	7,049,885.85
<b>TOTAL NET POSITION</b>	<b>21,307,151.02</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 21,307,151.02</b>

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, 2018**

					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	\$ 15,660,931.96	\$ 647,414.94	\$ 14,856,294.69	\$ -	\$ (157,222.33)
Attendance	115,813.27	-	-	-	(115,813.27)
Guidance	535,644.60	-	-	-	(535,644.60)
Health, Psych Speech and Audio	207,359.41	-	-	-	(207,359.41)
Improvement of Instruction	100,728.33	-	-	-	(100,728.33)
Professional Development	331,776.27	-	-	-	(331,776.27)
Media Services (Library)	1,078,273.65	-	-	-	(1,078,273.65)
Board of Education Services	50,798.70	-	-	-	(50,798.70)
Executive Administration	1,892,283.42	-	-	-	(1,892,283.42)
Building Level Administration	1,404,856.57	-	-	-	(1,404,856.57)
Business Central Service	-	-	-	-	-
Operation of Plant	2,716,551.63	-	-	-	(2,716,551.63)
Security Services	-	-	-	-	-
Pupil Transportation	1,692,377.76	-	257,708.00	-	(1,434,669.76)
Food Services	1,091,843.85	404,374.78	816,777.80	-	129,308.73
Central Office Support Services	-	-	-	-	-
Other Supporting Services	-	-	-	-	-
Student Activities	1,067,159.25	662,058.24	-	-	(405,101.01)
Community Services	145,048.37	56,324.27	-	-	(88,724.10)
Early Childhood Programs	111,298.97	-	901,283.53	-	789,984.56
Early Childhood Instruction	257,701.74	37,989.80	-	-	(219,711.94)
Capital Outlay	355,755.62	-	-	-	(355,755.62)
Debt Service:					
Principal Retirement	1,282,897.04	-	-	-	(1,282,897.04)
Interest and Fiscal Charges	1,358,342.08	-	-	-	(1,358,342.08)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 31,457,442.50	\$ 1,808,162.03	\$ 16,832,064.02	\$ -	(12,817,216.45)

**GENERAL REVENUES**

Taxes:

Property Taxes, Levied for General Purposes	6,586,748.25
Property Taxes, Levied for Special Revenue	2,854,918.68
Property Taxes, Levied for Debt Service	1,878,102.01
Federal, State and County Aid not Restricted to Specific Purposes	863,655.76
Interest and Investment Earnings	228,043.88
Miscellaneous	583,428.58
Refunding Bonds	8,905,495.48
Sale of Other Property	768.16
Sale of Buses	3,529.00

**SUBTOTAL, GENERAL REVENUES**

**21,904,689.80**

**CHANGES IN NET POSITION**

9,087,473.35

**RESTATED NET POSITION, BEGINNING OF YEAR**

12,219,677.67

**NET POSITION, END OF YEAR**

**\$ 21,307,151.02**

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, 2018**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>					
Unrestricted Assets:					
Cash & Cash Equivalents (Note II)	\$ 6,883,067.61	\$ -	\$ -	\$ 166,818.24	\$ 7,049,885.85
Restricted Assets:					
Cash & Cash Equivalents (Note II)	1,986,899.78	-	9,482,342.95	129,031.76	11,598,274.49
Investments	176,591.60	-	2,482,399.08	-	2,658,990.68
<b>TOTAL ASSETS</b>	<b>\$ 9,046,558.99</b>	<b>\$ -</b>	<b>\$ 11,964,742.03</b>	<b>\$ 295,850.00</b>	<b>\$ 21,307,151.02</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>FUND BALANCES (Note I):</b>					
Restricted for:					
Debt Service	\$ -	\$ -	\$ 11,964,742.03	\$ 129,031.76	\$ 12,093,773.79
Scholarships	189,469.06	-	-	-	189,469.06
Self-Insurance	1,924,886.94	-	-	-	1,924,886.94
Nuesyngery	49,135.38	-	-	-	49,135.38
Assigned to:					
Capital Projects Fund	-	-	-	166,818.24	166,818.24
Unassigned	6,883,067.61	-	-	-	6,883,067.61
<b>TOTAL FUND BALANCE</b>	<b>9,046,558.99</b>	<b>-</b>	<b>11,964,742.03</b>	<b>295,850.00</b>	<b>21,307,151.02</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,046,558.99</b>	<b>\$ -</b>	<b>\$ 11,964,742.03</b>	<b>\$ 295,850.00</b>	<b>\$ 21,307,151.02</b>

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, 2018**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>					
Local Sources	\$ 7,853,595.60	\$ 2,894,593.68	\$ 1,892,945.59	\$ 214.47	\$ 12,641,349.34
County Sources	538,168.83	35,539.48	152,423.35	-	726,131.66
State Sources	2,054,210.49	12,018,061.46	-	563,587.62	14,635,859.57
Federal Sources	2,400,939.12	-	547,428.58	36,000.00	2,984,367.70
<b>TOTAL REVENUES</b>	<b>12,846,914.04</b>	<b>14,948,194.62</b>	<b>2,592,797.52</b>	<b>599,802.09</b>	<b>30,987,708.27</b>
<b>EXPENDITURES</b>					
Current:					
Regular Instruction	3,146,060.08	13,814,088.06	-	52,430.86	17,012,579.00
Attendance	117,782.86	-	-	-	117,782.86
Guidance	13,477.79	529,124.23	-	2,152.07	544,754.09
Health, Psych Speech & Audio	209,340.01	-	-	1,545.88	210,885.89
Improvement of Instruction	33,429.69	69,011.69	-	-	102,441.38
Professional Development	144,433.41	192,985.24	-	-	337,418.65
Media Services	739,194.87	299,043.12	-	58,373.42	1,096,611.41
Board of Education Services	51,662.61	-	-	-	51,662.61
Executive Administration	909,816.34	523,088.03	-	1,494.98	1,434,399.35
Building Level Administration	436,073.08	992,675.31	-	-	1,428,748.39
Business Central Services	-	-	-	-	-
Operation of Plant	2,708,772.89	-	-	53,978.02	2,762,750.91
Security Services	-	-	-	-	-
Pupil Transportation	1,440,319.31	-	-	280,840.02	1,721,159.33
Food Service	1,110,412.39	-	-	-	1,110,412.39
Community Services	134,528.85	12,986.30	-	-	147,515.15
Early Childhood Programs	113,191.79	-	-	-	113,191.79
Early Childhood Instruction	160,339.64	101,744.73	-	-	262,084.37
Capital Outlay	-	-	-	361,805.81	361,805.81
Debt Service:					
Principal	-	-	831,500.00	451,397.04	1,282,897.04
Interest and Charges	-	-	1,321,353.97	36,988.11	1,358,342.08
<b>TOTAL SUPPORT SERVICES</b>	<b>11,468,835.61</b>	<b>16,534,746.71</b>	<b>2,152,853.97</b>	<b>1,301,006.21</b>	<b>31,457,442.50</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,378,078.43</b>	<b>(1,586,552.09)</b>	<b>439,943.55</b>	<b>(701,204.12)</b>	<b>(469,734.23)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers	(1,937,697.92)	1,586,552.09	-	351,145.83	-
Tuition from Other Districts	616,439.14	-	-	-	616,439.14
Contracted Educational Services	30,975.80	-	-	-	30,975.80
Sale of Buses	-	-	-	3,529.00	3,529.00
Sale of Bonds	-	-	-	-	-
Refunding Bonds	-	-	8,905,495.48	-	8,905,495.48
Sales of Other Property	768.16	-	-	-	768.16
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,289,514.82)</b>	<b>1,586,552.09</b>	<b>8,905,495.48</b>	<b>354,674.83</b>	<b>9,557,207.58</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>88,563.61</b>	<b>-</b>	<b>9,345,439.03</b>	<b>(346,529.29)</b>	<b>9,087,473.35</b>
<b>RESTATEd FUND BALANCES, BEGINNING OF YEAR</b>	<b>8,957,995.38</b>	<b>-</b>	<b>2,619,303.00</b>	<b>642,379.29</b>	<b>12,219,677.67</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 9,046,558.99</b>	<b>\$ -</b>	<b>\$ 11,964,742.03</b>	<b>\$ 295,850.00</b>	<b>\$ 21,307,151.02</b>

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, 2018**

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

<b>TOTAL FUND BALANCE - GOVERNMENTAL FUNDS</b>	<b>\$ 21,307,151.02</b>
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There were no items of reconciliation.

<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$ 21,307,151.02</b>
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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, 2018**

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<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$</b>	<b>9,087,473.35</b>
There are no items of reconciliation.		-
<b>CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>9,087,473.35</u></b>

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, 2018**

	<b>SELF-INSURANCE FUND - MEDICAL</b>	<b>SELF-INSURANCE FUND - DENTAL</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Unrestricted:			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Restricted:			
Cash and Cash Equivalents	1,816,303.25	108,583.69	1,924,886.94
<b>TOTAL ASSETS</b>	<u>1,816,303.25</u>	<u>108,583.69</u>	<u>1,924,886.94</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Liabilities	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Restricted for Future Claims	1,816,303.25	108,583.69	1,924,886.94
Unrestricted	-	-	-
<b>TOTAL NET POSITION</b>	<u>\$ 1,816,303.25</u>	<u>\$ 108,583.69</u>	<u>\$ 1,924,886.94</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, 2018**

	<u>SELF-INSURANCE FUND - MEDICAL</u>	<u>SELF-INSURANCE FUND - DENTAL</u>	<u>TOTAL</u>
<b>OPERATING REVENUES</b>			
Self-Insurance Premiums	\$ 2,670,195.75	\$ 215,203.04	\$ 2,885,398.79
<b>TOTAL OPERATING REVENUES</b>	2,670,195.75	215,203.04	2,885,398.79
<b>OPERATING EXPENSES</b>			
Medical & Prescription Claims	2,740,225.09	211,034.66	2,951,259.75
Administration Fees	369,128.98	56,411.37	425,540.35
<b>TOTAL OPERATING EXPENSES</b>	3,109,354.07	267,446.03	3,376,800.10
<b>OPERATING INCOME (LOSS)</b>	(439,158.32)	(52,242.99)	(491,401.31)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest Income	9,507.57	23.35	9,530.92
Transfers	(10,885.00)	10,885.00	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	(1,377.43)	10,908.35	9,530.92
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	(440,535.75)	(41,334.64)	(481,870.39)
<b>CHANGE IN NET POSITION</b>	(440,535.75)	(41,334.64)	(481,870.39)
<b>TOTAL NET POSITION -BEGINNING OF YEAR</b>	2,256,839.00	149,918.33	2,406,757.33
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 1,816,303.25	\$ 108,583.69	\$ 1,924,886.94

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, 2018**

	<u>SELF-INSURANCE FUND - MEDICAL</u>	<u>SELF-INSURANCE FUND - DENTAL</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from User Charges	\$ 2,670,195.75	\$ 215,203.04	\$ 2,885,398.79
Cash Payments for Insurance Claims and Fees	<u>(3,109,354.07)</u>	<u>(267,446.03)</u>	<u>(3,376,800.10)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	(439,158.32)	(52,242.99)	(491,401.31)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Income	<u>9,507.57</u>	<u>23.35</u>	<u>9,530.92</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	9,507.57	23.35	9,530.92
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Transfers	<u>(10,885.00)</u>	<u>10,885.00</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(10,885.00)</u>	<u>10,885.00</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(440,535.75)	(41,334.64)	(481,870.39)
<b>CASH AND CASH EQUIVALENTS - JULY 1, 2017</b>	<u>2,256,839.00</u>	<u>149,918.33</u>	<u>2,406,757.33</u>
<b>CASH AND CASH EQUIVALENTS - JUNE 30, 2018</b>	<u><u>\$ 1,816,303.25</u></u>	<u><u>\$ 108,583.69</u></u>	<u><u>\$ 1,924,886.94</u></u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	<u>(439,158.32)</u>	<u>(52,242.99)</u>	<u>(491,401.31)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><u>\$ (439,158.32)</u></u>	<u><u>\$ (52,242.99)</u></u>	<u><u>\$ (491,401.31)</u></u>

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

**DE SOTO SCHOOL DISTRICT #73  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

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**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 and fund financial statements, which provide a more detailed level of financial information.

**DE SOTO SCHOOL DISTRICT #73**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

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**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, 2018**

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**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.

Change to Fiduciary Financial Statements

During fiscal year 2018, the District changed the reporting of flex spending claims and contributions deducted from employees' paychecks. This information is now being reported in the General Fund instead of a fiduciary fund. The Nuesyngery account includes assets held by the District in a trustee capacity to pay for flex spending claims and contributions deducted from employees' paychecks. The amount is restricted in the financial statements.

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, 2018**

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**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.

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, 2018**

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**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, 2018.
- 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, 2018**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Balance Classification (concluded)

As of June 30, 2018, fund balance components other than unassigned fund balances consist of the following:

	Nonspendable	Restricted	Committed	Assigned
General Fund	\$ -	\$ 2,163,491.38	\$ -	\$ -
Debt Service Fund	-	11,964,742.03	-	-
Capital Projects Fund	-	129,031.76	-	166,818.24
Total	\$ -	\$ 14,257,265.17	\$ -	\$ 166,818.24

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, 2018, who paid a premium of \$535.08.

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 115 participants in the dental, medical and vision programs as of June 30, 2018, paying premiums of \$395,790.50.

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, 2018**

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**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 2017-2018 school year requires paying salaries over a 12-month period. Consequently, the July and August 2018 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, 2018, the carrying amount of the District's governmental funds deposits and investments was \$21,307,151.02. The bank balance was \$21,848,910.44. Of the bank balance, \$1,000,000.00 was covered by federal depository insurance, and \$20,848,910.44 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, 2018, the District had \$1,036,899.08 in this program, which has been included in deposits.

**DE SOTO SCHOOL DISTRICT #73**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**II. DEPOSITS AND INVESTMENTS (continued)**

The deposits held at June 30, 2018, and reported at FMV are as follows:

TYPE	MATURITIES	FMV
<u>Governmental Funds</u>		
Unrestricted Deposits:		
Petty Cash	N/A	\$ -
Money Market	N/A	-
Checking/Savings	N/A	7,049,885.85
Total Unrestricted Deposits		7,049,885.85
Restricted Deposits:		
Scholarships	N/A	\$ 12,877.46
Nuesyngery		49,135.38
Debt Service	N/A	9,482,342.95
Capital Projects	N/A	129,031.76
Total Restricted Deposits		9,673,387.55
Total Governmental Funds		16,723,273.40
<u>Proprietary Funds</u>		
Unrestricted Cash and Cash Equivalents	N/A	\$ -
Restricted Cash and Cash Equivalents	N/A	1,924,886.94
Total Proprietary Funds		1,924,886.94
<b>TOTAL DEPOSITS</b>		<b>\$ 18,648,160.34</b>

As of June 30, 2018, 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	112,537.39	-	112,537.39
Certificate of Deposit	59,054.21	-	59,054.21
Certificate of Deposit	1,445,500.00	-	1,445,500.00
Missouri School District Direct Deposit Program	1,036,899.08	1,036,899.08	-
<b>TOTAL INVESTMENTS</b>	<b>\$ 2,658,990.68</b>	<b>\$ 1,036,899.08</b>	<b>\$ 1,622,091.60</b>

**DE SOTO SCHOOL DISTRICT #73  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

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**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, 2018.

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, 2018.

**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, 2018**

**III. TAXES (concluded)**

The assessed valuation of the tangible taxable property (including locally assessed railroad and utilities) for the calendar year 2017, for purposes of local taxation, was:

Real Estate	
Residential	\$ 121,860,550
Agricultural	1,413,607
Commercial	31,005,244
Personal Property	38,971,780
<b>TOTAL</b>	<b>\$ 193,251,181</b>

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

	UNADJUSTED	ADJUSTED
General Fund	\$ 3.4180	\$ 3.4180
Special Revenue Fund	0.0000	0.0000
Debt Service Fund	0.9367	0.9367
Capital Projects Fund	0.0000	0.0000
<b>TOTAL</b>	<b>\$ 4.3547</b>	<b>\$ 4.3547</b>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2018, aggregated approximately 98.94% 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, 2018:

	GENERAL OBLIGATION BONDS	CERTIFICATES OF PARTICIPATION	CAPITAL LEASES	ENERGY LOANS	TOTAL
Long-Term Debt – July 1, 2017	\$ 24,963,082	\$ 655,000	\$ 499,468	\$ 461,081	\$ 26,578,631
Add-issued	8,805,000	-	-	-	8,805,000
Less-Payments	(831,500)	(265,000)	(224,517)	(52,428)	(1,373,445)
Long-Term Debt – June 30, 2018	<u>\$ 32,936,582</u>	<u>\$ 390,000</u>	<u>\$ 274,951</u>	<u>\$ 408,653</u>	<u>\$ 34,010,186</u>



**DE SOTO SCHOOL DISTRICT #73**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

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**IV. CHANGES IN LONG-TERM DEBT (continued)**

General obligation principal bond payments due within one year consist of \$1,281,500 and are paid from the Debt Service Fund; certificates of participation principal payments due within one year consist of \$125,000 and are paid from the Debt Service Fund; and capital lease principal payments due within one year consist of \$201,564 and are paid from the Capital Projects Fund. Energy loan payments due within one year consist of \$51,787 and are paid from the Capital Projects Fund.

General Obligation Bonds payable at June 30, 2018, 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 are refunded to De Soto School District for fiscal years 2021 to 2025. For the current fiscal year, the District received interest reimbursement from the IRS in the amount of \$199,396. \$ 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 are refunded to De Soto School District for fiscal years 2012 to 2025. For the current fiscal year, the District received interest reimbursement from the IRS in the amount of \$141,533. 1,445,500

\$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. 5,080,000

\$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. 4,035,000

\$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. 8,595,000

SUBTOTAL \$ 24,131,582

**DE SOTO SCHOOL DISTRICT #73  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**IV. CHANGES IN LONG-TERM DEBT (continued)**

SUBTOTAL FROM PREVIOUS PAGE \$ 24,131,582

\$8,805,000 Original Principal De Soto School District #73 General Obligation Refunding Bonds Series 2017 (Advance refunds 2015 premium bonds on March 1, 2020)-due in varying installments beginning on March 1, 2018, and continuing through March 1, 2034. Interest rate is variable ranging from 1.5% and 3.2% of annual interest payments.

8,805,000

SUBTOTAL \$ 32,936,582

The annual requirements to amortize all bonds outstanding as of June 30, 2018, including interest payments, are as follows:

FISCAL YEAR ENDING JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2019	\$ 1,281,500	\$ 1,215,922	\$ 2,497,422
2020	9,451,500	959,497	10,410,997
2021	706,500	522,272	1,228,772
2022	856,500	515,772	1,372,272
2023	876,500	507,522	1,384,022
2024-2028	10,095,944	1,269,499	11,365,443
2029-2033	9,068,138	73,560	9,141,698
2034-2035	600,000	-	600,000
TOTALS	\$ <u>32,936,582</u>	\$ <u>5,064,044</u>	\$ <u>38,000,626</u>

Certificates of Participation at June 30, 2018, 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%. This Certificate of Participation was paid off in the current year.

\$ -

\$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.

390,000

TOTAL \$ 390,000

**DE SOTO SCHOOL DISTRICT #73  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

**IV. CHANGES IN LONG-TERM DEBT (continued)**

The annual requirements to amortize all certificates of participation outstanding as of June 30, 2018, including interest payments, are as follows:

FISCAL YEAR ENDING JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2019	\$ 125,000	\$ 7,820	\$ 132,820
2020	130,000	5,570	135,570
2021	135,000	2,970	137,970
TOTALS	\$ 390,000	\$ 16,360	\$ 406,360

Capital Leases at June 30, 2018, 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. \$ 35,565

\$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 June 15, 2015, 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. 64,833

\$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. 80,209

\$140,120 Lease purchase of phones through FS Leasing LLC-due in three annual installments of \$48,672.11, split between principal and interest, which will begin February 15, 2018, and continue through February 15, 2020. 94,344

TOTAL \$ 274,951

**DE SOTO SCHOOL DISTRICT #73**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**IV. CHANGES IN LONG-TERM DEBT (continued)**

The annual requirements to amortize all capital leases outstanding as of June 30, 2018, including interest payments, are as follows:

FISCAL YEAR ENDING JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2019	\$ 201,564	\$ 11,565	\$ 213,129
2020	57,961	1,954	59,915
2021	10,770	473	11,243
2022	4,656	29	4,685
TOTALS	\$ 274,951	\$ 14,021	\$ 288,972

Energy loans at June 30, 2018, 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. \$ 21,710

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. 214,429

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. 24,404

On October 1, 2016, the District entered into an energy loan with the Department of Economic Development for \$171,944.42 for energy savings projects at the Junior High and Vineland. The interest rate is 2.50%. Payments of \$9,731.50 are due every six months in May and November beginning on May 1, 2017, and maturing on November 1, 2026. 148,110

TOTAL \$ 408,653

**DE SOTO SCHOOL DISTRICT #73**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**IV. CHANGES IN LONG-TERM DEBT (concluded)**

The annual requirements to amortize all energy loans outstanding as of June 30, 2018, including interest payments, are as follows:

FISCAL YEAR ENDING JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2019	\$ 51,787	\$ 9,935	\$ 61,722
2020	52,938	8,784	61,722
2021	50,330	7,602	57,932
2022	46,833	6,389	53,222
2023	48,078	5,144	53,222
2024-2027	158,687	8,070	166,757
TOTALS	\$ 408,653	\$ 45,924	\$ 454,577

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, 2018.

**V. OPERATING LEASES**

On May 18, 2017, the District entered into an operating lease with Sumner One for 23 copiers. The lease term requires four (4) payments at \$1,889 and fifty-six (56) payments at \$1901.55 for a total of \$114,042.80.

On May 18, 2017, the District entered into an operating lease with Sumner One for print/copy equipment, a postage meter and shredding bins. The lease term requires sixty (60) monthly payments at \$4,410 for a total of \$264,600.

Future operating lease payments are as follows:

FISCAL YEAR ENDING JUNE 30,	PRINCIPAL
2019	\$ 75,739
2020	75,738
2021	75,739
2022	75,738
TOTALS	\$ 302,954

The payments for the above operating leases are made from the General Fund.

**DE SOTO SCHOOL DISTRICT #73  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

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**VI. RETIREMENT PLAN**

**Summary of Significant Accounting Policies**

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 Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, by 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*, and by GASB Statement No. 82, *Pension Issues*.

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. 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](http://www.psrs-peers.org).

**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 the Systems, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the State of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989. The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined not to be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of Section 169.070 (9) RSMo, known as the "two-thirds statute." PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members' benefits are further calculated at two-thirds the normal benefit amount.

*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 was used to calculate benefits for members who had 31 or more years of service at retirement. Actuarially age-reduced benefits are available for members with 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.

**DE SOTO SCHOOL DISTRICT #73  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

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**VI. RETIREMENT PLAN (continued)**

**General Information about the Pension Plan – PSRS (concluded)**

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 plans can be found on the Systems' website at [www.psrs-peers.org](http://www.psrs-peers.org).

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

The District's contributions to PSRS were \$2,022,661.80 for the year ended June 30, 2018.

**General Information about the Pension Plan - PEERS**

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

*Benefits Provided.* PEERS is a defined benefit plan providing retirement, disability, and death benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional temporary benefit until reaching minimum Social Security age (currently age 62), which is calculated using a 0.8% benefit factor. Actuarially age-reduced retirement benefits are available with 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 plans can be found on the Systems' website at [www.psrs-peers.org](http://www.psrs-peers.org).

**DE SOTO SCHOOL DISTRICT #73**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

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**VI. RETIREMENT PLAN (continued)**

**General Information about the Pension Plan – PEERS (concluded)**

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

The District's contributions to PEERS were \$278,484.41 for the year ended June 30, 2018.

**Cost-of-Living Adjustments (COLA)**

The Board of Trustees has established a policy of providing COLAs to both PSRS and PEERS members as follows:

- If the June to June change in the Consumer Price Index for All Urban Consumers (CPI-U) is less than 2% for consecutive one-year periods, a cost-of-living increase of 2% will be granted when the cumulative increase is equal to or greater than 2%, at which point the cumulative increase in the CPI-U will be reset to zero. For the following year, the starting CPI-U will be based on the June value immediately preceding the January 1 at which the 2% cost-of-living increase is granted.
- If the June to June change in the CPI-U is greater than or equal to 2%, but less than 5% a cost-of-living increase of 2% will be granted.
- If the June to June change in the CPI-U is greater than or equal to 5%, a cost-of-living increase of 5% will be granted.
- If the CPI decreases, no COLA is provided.

For any PSRS member retiring on or after July 1, 2001, such adjustments commence on the second January after commencement of benefits and occur annually thereafter. For PEERS members, such adjustments commence on the fourth January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80% of the original benefit for any member.

**Pension Liabilities and Pension Expense - PSRS**

At June 30, 2018, the District has a liability of \$21,722,348 for its proportionate share of the PSRS net pension liability. The net pension liability for the plan in total was measured as of June 30, 2017, 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 paid to PSRS of \$2,057,989 for the year ended June 30, 2017, relative to the total contributions of \$684,085,861 from all participating employers. At June 30, 2017, the District's proportionate share was 0.3008%. For the year ended June 30, 2018, the District's pension expense was \$2,198,838.



**DE SOTO SCHOOL DISTRICT #73  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

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**VI. RETIREMENT PLAN (continued)**

**Pension Liabilities and Pension Expense - PEERS**

At June 30, 2018, the District has a liability of \$1,916,533 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2017, 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 paid to PEERS of \$267,888 for the year ended June 30, 2017, relative to the total contributions of \$110,244,418 from all participating employers. At June 30, 2017, the District's proportionate share was 0.2512%. For the year ended June 30, 2018, the District's pension expense was \$307,173.

**Actuarial Assumptions**

Actuarial valuations of the Systems involve assumptions about probability of occurrence of events far into the future in order to estimate the reported amounts. Examples include assumptions about future employment, salary increases and mortality. 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 Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience for the Systems, derived from experience studies conducted every fifth year and from Board policies concerning investments and COLAs. The most recent comprehensive experience studies were completed in June 2016. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the studies and effective with the June 30, 2016, valuation. For the June 30, 2017, valuations, the investment rate of return was reduced from 7.75% to 7.6% and the assumption for the annual cost-of-living adjustments was updated in accordance with the funding policies amended by the Board of Trustees at their November 2017 meeting. Significant actuarial assumption and methods, including changes from the prior year resulting from changes in Board policy, are detailed below. For additional information please refer to the Systems' Comprehensive Annual Financial Report (CAFR). The next experience studies are scheduled for 2021.

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

- Measurement Date	June 30, 2017
- Valuation Date	June 30, 2017
- Expected Return on Investments	7.60%, net of investment expenses and including 2.25% inflation
- Inflation	2.25%
- Total Payroll Growth	PSRS - 2.75% per annum, consisting of 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.

**DE SOTO SCHOOL DISTRICT #73  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

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**VI. RETIREMENT PLAN (continued)**

**Actuarial Assumptions (continued)**

- Total Payroll Growth                      PEERS – 3.25% per annum, consisting of 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.
  
- Future Salary Increases                      PSRS - 3.00% - 9.50%, depending on service and including 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.  
  
    PEERS - 4.00% - 11.00%, depending on service and including 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.
  
- Cost-of-Living Increases                      PSRS & PEERS – The annual COLA assumed in the valuation increases from 1.20% to 1.65% over nine years, beginning January 1, 2019. The COLA reflected for January 1, 2018, is 1.63%, in accordance with the actual COLA approved by the Board. This COLA assumption reflects an assumption that general inflation will increase from 1.80% to a normative inflation assumption of 2.25% over nine years. It is also based on the current policy of the Board to grant a COLA on each January 1 as follows:
  - If the June to June change in the CPI-U is less than 2% for consecutive one year periods, a cost-of-living increase of 2% will be granted when the cumulative increase is equal to or greater than 2%, at which point the cumulative increase in the CPI-U will be reset to zero. For the following year, the starting CPI-U will be based on the June value immediately preceding the January 1 at which the 2% cost-of-living increase is granted.
  
  - If the June to June change in the CPI-U is greater than or equal to 2%, but less than 5%, a cost-of-living increase of 2% will be granted.
  
  - If the June to June change in the CPI-U is greater than or equal to 5%, a cost-of-living increase of 5% will be granted.

**DE SOTO SCHOOL DISTRICT #73**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

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**VI. RETIREMENT PLAN (continued)**

**Actuarial Assumptions (continued)**

- Cost-of-Living Increases (Concluded) - If the CPI decreases, no COLA is provided.

The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over age 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. The total lifetime COLA cannot exceed 80% of the original benefit. PSRS members receive a COLA on the second January after retirement, while PEERS members receive a COLA on the fourth January after retirement.

- Mortality Assumption

**Actives:**

PSRS - RP 2006 White Collar Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.

PEERS - RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.

**Non-Disabled Retirees,  
Beneficiaries and Survivors:**

PSRS - RP 2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.

PEERS - RP 2006 Total Dataset Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.

**Disabled Retirees:**

PSRS & PEERS - RP 2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.

**DE SOTO SCHOOL DISTRICT #73  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018**

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**VI. RETIREMENT PLAN (continued)**

**Actuarial Assumptions (continued)**

**Changes in Actuarial Assumptions and Methods**

PSRS & PEERS: The investment return and COLA assumptions were updated by the Board as follows based on changes to the Board's funding policy adopted at the November 3, 2017, meeting:

- The investment return assumption was lowered from 7.75% to 7.60% per year.

-The Board adopted a new COLA policy on November 3, 2017, resulting in a change to the future COLA assumption from an increasing assumption of 1.05%-1.50% over nine years to an increasing assumption of 1.20%-1.65% over nine years, beginning January 1, 2019.

**Fiduciary Net Position**

The Systems issue a publicly available financial report (CAFR) that can be obtained at [www.psrs-peers.org](http://www.psrs-peers.org).

**Expected Rate of Return**

The long-term expected rate of return on investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed rate of return. The long-term expected rate of return on the Systems' 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 the Systems' target allocation as of June 30, 2017, are 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, 2018**

**VI. RETIREMENT PLAN (continued)**

**Actuarial Assumptions (continued)**

**Expected Rate of Return (concluded)**

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Long-term Expected Real Return Arithmetic Basis</b>	<b>Weighted Long-term Expected Real Return Arithmetic Basis</b>
U.S. Public Equity	27.0%	5.16%	1.39%
Public Credit	7.0%	2.17%	0.15%
Hedged Assets	6.0%	4.42%	0.27%
Non-U.S. Public Equity	15.0%	6.01%	0.90%
U.S. Treasuries	16.0%	0.96%	0.15%
U.S. TIPS	4.0%	0.80%	0.03%
Private Credit	4.0%	5.60%	0.22%
Private Equity	12.0%	9.86%	1.18%
Private Real Estate	9.0%	3.56%	0.32%
Total	<u>100.0%</u>		<u>4.61%</u>
Inflation			<u>2.25%</u>
Long-term arithmetical nominal return			<u>6.86%</u>
Effect of covariance matrix			0.74%
Long-term expected geometric return			<u>7.60%</u>

**Discount Rate**

The long-term expected rate of return used to measure the total pension liability was 7.6% as of June 30, 2017, and is consistent with the long-term expected geometric return on plan investments. The actuarial assumed rate of return was 8.0% from 1980 through fiscal year 2016. The Board of Trustees adopted a new actuarial assumed rate of return of 7.75% effective with the June 30, 2016, valuation based on the actuarial experience studies and asset-liability study conducted during the 2016 fiscal year. As previously discussed, the Board of Trustees further reduced the assumed rate of return to 7.6% effective with the June 30, 2017, valuation. 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 pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

**DE SOTO SCHOOL DISTRICT #73**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**VI. RETIREMENT PLAN (continued)**

**Actuarial Assumptions (concluded)**

**Discount Rate Sensitivity**

The sensitivity of the District's net pension liabilities to changes in the discount rate is presented below. The District's net pension liability calculated using the discount rate of 7.60% is presented as well as the net pension liabilities using a discount rate that is 1.0% lower (6.60%) or 1.0% higher (8.60%) than the current rate.

Discount Rate	<u>1% Decrease (6.60%)</u>	<u>Current Rate (7.60%)</u>	<u>1% Increase (8.60%)</u>
PSRS Proportionate share of the Net Pension Liability / (Asset)	\$38,580,094	\$21,722,348	\$7,707,440
PEERS Proportionate share of the Net Pension, Liability / (Asset)	\$ 3,530,491	\$ 1,916,533	\$ 562,758

**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>
6/30/14	0.3181%	\$13,050,292	\$14,129,378	92.36%	89.34%
6/30/15	0.3108%	17,942,049	14,072,907	127.49%	85.78%
6/30/16	0.3097%	23,043,689	14,355,003	160.53%	82.18%
6/30/17	0.3008%	21,722,348	14,261,487	152.31%	83.77%

**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>
6/30/14	0.2828%	\$1,032,689	\$4,124,070	25.04%	91.33%
6/30/15	0.2789%	1,475,119	4,182,738	35.27%	88.28%
6/30/16	0.2672%	2,143,840	4,126,361	51.95%	83.32%
6/30/17	0.2512%	1,916,533	4,036,264	47.48%	85.35%

The data provided in the schedules is based as of the measurement date of the Systems' net pension liability, which is as of the beginning of the District's fiscal year.

**DE SOTO SCHOOL DISTRICT #73**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**VI. RETIREMENT PLAN (concluded)**

**Schedule of Employer Contributions - PSRS**

Year Ended	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess/ (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
6/30/13	\$2,028,088	\$2,028,088	\$ -	\$13,986,806	14.50%
6/30/14	2,048,763	2,048,763	-	14,129,378	14.50%
6/30/15	2,040,574	2,040,574	-	14,072,907	14.50%
6/30/16	2,074,748	2,074,748	-	14,355,003	14.45%
6/30/17	2,057,989	2,057,989	-	14,261,487	14.43%

**Schedule of Employer Contributions - PEERS**

Year Ended	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess/ (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
6/30/13	\$282,869	\$282,869	\$ -	\$4,123,463	6.86%
6/30/14	282,911	282,911	-	4,124,070	6.86%
6/30/15	286,936	286,936	-	4,182,738	6.86%
6/30/16	283,068	283,068	-	4,126,361	6.86%
6/30/17	276,888	276,888	-	4,036,264	6.86%

These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

**VII. FUND BALANCE**

The Debt Service Fund has amounts of \$9,482,342.95 and Escrow amounts (CD and MOHEFA) of \$2,482,399.08 that are restricted. The General Fund has restricted amounts of \$189,469.06 for scholarships, \$1,924,886.94 for self-insurance and \$49,135.38 for Nuesyngery. The Capital Projects Fund has a restricted amount of \$129,031.76 for debt service and an assigned amount of \$166,818.24 for capital projects.

**VIII. NET POSITION**

The District has restricted net position of \$12,093,773.79 for debt service, \$189,469.06 for scholarships, \$1,924,886.94 for self-insurance and \$49,135.38 for Nuesyngery.

**DE SOTO SCHOOL DISTRICT #73**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

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**IX. 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 nor any noncompliance with Federal or State provisions that might require the District to provide reimbursement.

*Litigation* – The District is a defendant in litigation matters. The case is being fully defended and there are no specific plans to settle at this time. The outcome of this litigation is not presently determinable or is not expected to have a material adverse effect on the financial statements; therefore, no amount has been provided in the June 30, 2018, financial statements for any such claims and lawsuits.

*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, 2018, amounted to approximately \$844,229. This estimate has not been subjected to auditing procedures.

**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 2017 assessment was \$379,972.

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.



**DE SOTO SCHOOL DISTRICT #73**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**X. INTERFUND TRANSFERS**

Transfers between funds for the year ended June 30, 2018, are as follows:

FUND	TRANSFERS IN	TRANSFERS OUT
General Fund	\$ -	\$ 1,937,697.92
Special Revenue Fund	1,586,552.09	-
Capital Projects Fund	351,145.83	-
	\$ 1,937,697.92	\$ 1,937,697.92

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.

**XI. 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 \$2,894,929.71, and the expenditures for the funds for the year totaled \$3,376,800.10, with a net change of (\$481,870.39). 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, 2018.

**XII. POST-EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note VI, 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, 2018, 115 retirees participated in the District's insurance plans and paid premiums totaling \$395,790.50.

**XIII. SUBSEQUENT EVENTS**

There are no subsequent events to report as of the audit report date.

**DE SOTO SCHOOL DISTRICT #73**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2018**

**XIV. TAX ABATEMENTS**

The County of Jefferson, Missouri entered into tax abatement agreements with various businesses and individuals for real estate and personal property. The total amount of personal property abatements was \$26,551.69 and the total amount of real estate abatements was \$4,115.33, for a grand total of \$30,667.02 as of June 30, 2018.

Year	Abatements		Total
	Personal Property	Real Estate	
2013	\$ 246.42	\$ -	\$ 246.42
2014	13,327.95	-	13,327.95
2015	2,582.97	646.62	3,229.59
2016	3,421.39	648.21	4,069.60
2017	6,972.96	2,820.50	9,793.46
	<u>\$ 26,551.69</u>	<u>\$ 4,115.33</u>	<u>\$ 30,667.02</u>

**XV. PRIOR PERIOD ADJUSTMENT**

The District incurred a prior period adjustment, which resulted in an increase of \$500.00 to the General fund balance and a decrease of \$500.00 to the Capital Projects fund balance. This adjustment occurred due to an individual purchasing a bus from the District for \$500.00, however the individual never took the bus and also did not want the money back, requiring the District to record this money as a donation.

The General Fund prior balance was \$8,957,495.38 adjusted by \$500.00 to total \$8,957,995.38. The Capital Projects fund prior balance was \$642,879.29 adjusted by \$500.00 to total \$642,379.29.

## **SUPPLEMENTARY INFORMATION**

**DE SOTO SCHOOL DISTRICT #73**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	BUDGETED AMOUNTS			VARIANCES OVER (UNDER)
	ORIGINAL	FINAL	ACTUAL	ACTUAL TO FINAL
REVENUES				
Local Sources	\$ 7,371,991.11	\$ 7,861,783.23	\$ 7,853,595.60	\$ (8,187.63)
County Sources	543,314.09	536,617.84	538,168.83	1,550.99
State Sources	2,025,412.99	2,054,245.03	2,054,210.49	(34.54)
Federal Sources	2,279,249.80	2,400,948.48	2,400,939.12	(9.36)
TOTAL REVENUES	12,219,967.99	12,853,594.58	12,846,914.04	(6,680.54)
EXPENDITURES				
Current:				
Instruction	3,514,669.93	3,159,290.60	3,146,060.08	(13,230.52)
Attendance	119,916.00	117,782.86	117,782.86	-
Guidance	20,350.00	13,827.79	13,477.79	(350.00)
Health, Psych Speech & Audio	211,896.00	209,340.01	209,340.01	-
Improvement of Instruction	44,041.36	33,829.67	33,429.69	(399.98)
Professional Development	64,152.33	144,433.42	144,433.41	(0.01)
Media Services	792,283.24	744,300.95	739,194.87	(5,106.08)
Board of Education Services	47,000.00	52,578.61	51,662.61	(916.00)
Executive Administration	444,113.00	471,353.70	909,816.34	438,462.64
Building Level Administration	443,936.00	435,841.09	436,073.08	231.99
Operation of Plant	2,569,551.00	2,699,309.57	2,708,772.89	9,463.32
Pupil Transportation	1,525,181.00	1,452,880.71	1,440,319.31	(12,561.40)
Food Service	1,326,224.00	1,247,035.57	1,110,412.39	(136,623.18)
Community Services	6,731.23	3,827.71	134,528.85	130,701.14
Early Childhood Programs	122,332.00	113,191.79	113,191.79	-
Early Childhood Instruction	158,226.00	160,396.84	160,339.64	(57.20)
TOTAL EXPENDITURES	11,410,603.09	11,059,220.89	11,468,835.61	409,614.72
REVENUES OVER UNDER EXPENDITURES	809,364.90	1,794,373.69	1,378,078.43	(416,295.26)
OTHER FINANCING SOURCES (USES)				
Transfers	(1,737,050.00)	(2,315,901.00)	(1,937,697.92)	378,203.08
Tuition from other Districts	600,000.00	616,439.14	616,439.14	-
Contracted Educational Services	33,797.00	30,975.80	30,975.80	-
Refunding Bonds	-	-	-	-
Sale of Other Property	-	-	768.16	768.16
TOTAL OTHER FINANCING SOURCES (USES)	(1,103,253.00)	(1,668,486.06)	(1,289,514.82)	378,971.24
NET CHANGE IN FUND BALANCE	(293,888.10)	125,887.63	88,563.61	\$ (37,324.02)
RESTATED FUND BALANCE, BEGINNING OF YEAR	8,957,995.38	8,957,995.38	8,957,995.38	
FUND BALANCE, END OF YEAR	\$ 8,664,107.28	\$ 9,083,883.01	\$ 9,046,558.99	

**DE SOTO SCHOOL DISTRICT #73**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	BUDGETED AMOUNTS			VARIANCES OVER (UNDER)
	ORIGINAL	FINAL	ACTUAL	ACTUAL TO FINAL
REVENUES				
Local Sources	\$ 2,911,570.00	\$ 2,894,593.68	\$ 2,894,593.68	\$ -
County Sources	34,698.59	36,337.07	35,539.48	(797.59)
State Sources	11,904,289.65	12,018,061.46	12,018,061.46	-
Federal Sources	-	-	-	-
TOTAL REVENUES	14,850,558.24	14,948,992.21	14,948,194.62	(797.59)
EXPENDITURES				
Current:				
Instruction	13,650,697.00	13,815,010.42	13,814,088.06	(922.36)
Guidance	530,192.00	529,124.23	529,124.23	-
Improvement of Instruction	94,668.97	69,011.69	69,011.69	-
Professional Development	56,369.00	192,985.24	192,985.24	-
Media Services	297,063.00	299,043.12	299,043.12	-
Executive Administration	637,473.00	523,088.04	523,088.03	(0.01)
Building Level Administration	1,002,907.00	992,675.31	992,675.31	-
Community Services	17,179.00	12,986.30	12,986.30	-
Early Childhood Programs	-	-	-	-
Early Childhood Instruction	126,059.00	101,744.73	101,744.73	-
TOTAL EXPENDITURES	16,412,607.97	16,535,669.08	16,534,746.71	(922.37)
REVENUES OVER (UNDER) EXPENDITURES	(1,562,049.73)	(1,586,676.87)	(1,586,552.09)	124.78
OTHER FINANCING SOURCES (USES)				
Transfers	1,562,050.00	1,925,842.00	1,586,552.09	(339,289.91)
TOTAL OTHER FINANCING SOURCES (USES)	1,562,050.00	1,925,842.00	1,586,552.09	(339,289.91)
NET CHANGE IN FUND BALANCE	0.27	339,165.13	-	\$ (339,165.13)
FUND BALANCE, BEGINNING OF YEAR	-	-	-	
FUND BALANCE, END OF YEAR	\$ 0.27	\$ 339,165.13	\$ -	

**DE SOTO SCHOOL DISTRICT #73**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCES OVER (UNDER) ACTUAL TO FINAL</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES</b>				
Local Sources	\$ 1,642,656.47	\$ 1,912,138.26	\$ 1,892,945.59	\$ (19,192.67)
County Sources	138,244.00	147,059.67	152,423.35	5,363.68
Federal Sources	338,000.00	547,428.58	547,428.58	-
<b>TOTAL REVENUES</b>	<b>2,118,900.47</b>	<b>2,606,626.51</b>	<b>2,592,797.52</b>	<b>(13,828.99)</b>
<b>EXPENDITURES</b>				
Current:				
Debt Service:				
Principal	625,000.00	831,500.00	831,500.00	-
Interest and Charges	1,189,867.06	1,198,160.84	1,321,353.97	123,193.13
<b>TOTAL EXPENDITURES</b>	<b>1,814,867.06</b>	<b>2,029,660.84</b>	<b>2,152,853.97</b>	<b>123,193.13</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>304,033.41</b>	<b>576,965.67</b>	<b>439,943.55</b>	<b>(137,022.12)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	-	-	-	-
Sale of Bonds	-	-	-	-
Refunding Bonds	-	8,805,000.00	8,905,495.48	(100,495.48)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>8,805,000.00</b>	<b>8,905,495.48</b>	<b>(100,495.48)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>304,033.41</b>	<b>9,381,965.67</b>	<b>9,345,439.03</b>	<b>\$ (36,526.64)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>2,619,303.00</b>	<b>2,619,303.00</b>	<b>2,619,303.00</b>	
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 2,923,336.41</b>	<b>\$ 12,001,268.67</b>	<b>\$ 11,964,742.03</b>	

**DE SOTO SCHOOL DISTRICT #73**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCES OVER (UNDER)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		<b>ACTUAL TO FINAL</b>
<b>REVENUES</b>				
Local Sources	\$ -	\$ 103.77	\$ 214.47	\$ 110.70
State Sources	556,423.50	563,587.62	563,587.62	-
Federal Sources	-	36,000.00	36,000.00	-
<b>TOTAL REVENUES</b>	<b>556,423.50</b>	<b>599,691.39</b>	<b>599,802.09</b>	<b>110.70</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	59,750.00	52,430.86	52,430.86	-
Guidance	2,000.00	2,152.07	2,152.07	-
Health, Psych Speech & Audio	2,200.00	1,545.88	1,545.88	-
Media Services	33,500.00	58,373.42	58,373.42	-
Executive Administration	250.00	1,494.98	1,494.98	-
Building Level Administration	-	-	-	-
Operation of Plant	69,500.00	53,978.02	53,978.02	-
Pupil Transportation	301,707.04	280,840.02	280,840.02	-
Food Service	1,000.00	-	-	-
Capital Outlay	361,805.81	361,805.81	361,805.81	-
Debt Service:				
Principal	334,493.46	453,396.21	451,397.04	(1,999.17)
Interest and Charges	33,135.82	37,344.21	36,988.11	(356.10)
<b>TOTAL EXPENDITURES</b>	<b>1,199,342.13</b>	<b>1,303,361.48</b>	<b>1,301,006.21</b>	<b>(2,355.27)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(642,918.63)</b>	<b>(703,670.09)</b>	<b>(701,204.12)</b>	<b>2,465.97</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	175,000.00	390,059.00	351,145.83	(38,913.17)
Sale of Bonds	-	-	-	-
Sale of School Buses	-	3,529.00	3,529.00	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>175,000.00</b>	<b>393,588.00</b>	<b>354,674.83</b>	<b>(38,913.17)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(467,918.63)</b>	<b>(310,082.09)</b>	<b>(346,529.29)</b>	<b>\$ (36,447.20)</b>
<b>RESTATED FUND BALANCE, BEGINNING OF YEAR</b>	<b>642,379.29</b>	<b>642,379.29</b>	<b>642,379.29</b>	
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 174,460.66</b>	<b>\$ 332,297.20</b>	<b>\$ 295,850.00</b>	

**DE SOTO SCHOOL DISTRICT #73**  
**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	BUDGETED AMOUNTS		ACTUAL	VARIANCES OVER (UNDER)
	ORIGINAL	FINAL		ACTUAL TO FINAL
<b>REVENUES</b>				
Local Sources	\$ 11,926,217.58	\$ 12,668,618.94	\$ 12,641,349.34	\$ (27,269.60)
County Sources	716,256.68	720,014.58	726,131.66	6,117.08
State Sources	14,486,126.14	14,635,894.11	14,635,859.57	(34.54)
Federal Sources	2,617,249.80	2,984,377.06	2,984,367.70	(9.36)
<b>TOTAL REVENUES</b>	<b>29,745,850.20</b>	<b>31,008,904.69</b>	<b>30,987,708.27</b>	<b>(21,196.42)</b>
<b>EXPENDITURES</b>				
Current:				
Instruction	17,225,116.93	17,026,731.88	17,012,579.00	(14,152.88)
Attendance	119,916.00	117,782.86	117,782.86	-
Guidance	552,542.00	545,104.09	544,754.09	(350.00)
Health, Psych Speech & Audio	214,096.00	210,885.89	210,885.89	-
Improvement of Instruction	138,710.33	102,841.36	102,441.38	(399.98)
Professional Development	120,521.33	337,418.66	337,418.65	(0.01)
Media Services	1,122,846.24	1,101,717.49	1,096,611.41	(5,106.08)
Board of Education Services	47,000.00	52,578.61	51,662.61	(916.00)
Executive Administration	1,081,836.00	995,936.72	1,434,399.35	438,462.63
Building Level Administration	1,446,843.00	1,428,516.40	1,428,748.39	231.99
Operation of Plant	2,639,051.00	2,753,287.59	2,762,750.91	9,463.32
Pupil Transportation	1,826,888.04	1,733,720.73	1,721,159.33	(12,561.40)
Food Service	1,327,224.00	1,247,035.57	1,110,412.39	(136,623.18)
Community Services	284,285.00	262,141.57	147,515.15	(114,626.42)
Early Childhood Programs	-	-	113,191.79	113,191.79
Early Childhood Instruction	-	-	262,084.37	262,084.37
Capital Outlay	361,805.81	361,805.81	361,805.81	-
Debt Service:				
Principal	959,493.46	1,284,896.21	1,282,897.04	(1,999.17)
Interest and Charges	1,223,002.88	1,235,505.05	1,358,342.08	122,837.03
<b>TOTAL EXPENDITURES</b>	<b>30,691,178.02</b>	<b>30,797,906.49</b>	<b>31,457,442.50</b>	<b>659,536.01</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(945,327.82)</b>	<b>210,998.20</b>	<b>(469,734.23)</b>	<b>(680,732.43)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	-	-	-	-
Sale of School Buses	-	3,529.00	3,529.00	-
Tuition From Other Districts	600,000.00	616,439.14	616,439.14	-
Contracted Educational Services	33,797.00	30,975.80	30,975.80	-
Refunding Bonds	-	8,805,000.00	8,905,495.48	100,495.48
Sale of Other Property	-	-	768.16	768.16
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>633,797.00</b>	<b>9,455,943.94</b>	<b>9,557,207.58</b>	<b>101,263.64</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(311,530.82)</b>	<b>9,666,942.14</b>	<b>9,087,473.35</b>	<b>\$ (579,468.79)</b>
<b>RESTATED FUND BALANCES, BEGINNING OF YEAR</b>	<b>12,219,677.67</b>	<b>12,219,677.67</b>	<b>12,219,677.67</b>	
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 11,908,146.85</b>	<b>\$ 21,886,619.81</b>	<b>\$ 21,307,151.02</b>	



**DE SOTO SCHOOL DISTRICT #73**  
**NOTES TO THE BUDGETARY COMPARISON SCHEDULES**  
**YEAR ENDED JUNE 30, 2018**

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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 15, 2017, 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, 2018**

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Other Post-Employment Benefits

In addition to the pension benefits described in Note VI, 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, 2018, 115 retirees participated in the District's insurance plans and paid premiums totaling \$395,790.50.

There was one COBRA participant at June 30, 2018, who paid premiums of \$535.08.

## **STATE COMPLIANCE SECTION**



**Daniel Jones  
& Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

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

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**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, 2018.

**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**

Except as made known to you in the Schedule of State Findings relating to budgetary procedures, in our opinion, management's assertions that the De Soto School District #73 complied with the aforementioned requirements for the year ended June 30, 2018, are fairly stated, in all material respects.

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 12, 2018

**DE SOTO SCHOOL DISTRICT #73  
SCHEDULE OF SELECTED STATISTICS  
DISTRICT NUMBER 050-014  
YEAR ENDED JUNE 30, 2018**

**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	6.5700	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	1,065.88	Hours
Kindergarten – P.M.	-	Hours	Grades 7-8	1,093.56	Hours
Kindergarten – Full Day	1,065.88	Hours	Grades 9-12	1,093.56	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	163.9405	1.5218	-	-	165.4623	-
Grades 1-6	1,110.0669	9.4407	-	-	1,119.5076	-
Grades 7-8	384.3801	1.2907	-	-	385.6708	-
Grades 9-12	762.4346	0.9093	-	-	763.3439	-
<b>Subtotal Regular Term</b>	<b>2,420.8221</b>	<b>13.1625</b>	<b>-</b>	<b>-</b>	<b>2,433.9846</b>	<b>-</b>
		<b>Resident</b>	<b>Deseg In</b>	<b>Federal Lands</b>	<b>Total</b>	
<b>Summer School Subtotal</b>		156.5082	-	-	156.5082	
<b>Total Regular Term Plus Summer School ADA</b>					<b>2,590.4928</b>	

**DE SOTO SCHOOL DISTRICT #73  
SCHEDULE OF SELECTED STATISTICS  
DISTRICT NUMBER 050-014  
YEAR ENDED JUNE 30, 2018**

**III. SEPTEMBER MEMBERSHIP**

	<u>Full-Time &amp; Part-Time</u>	<u>Deseg In</u>	<u>Federal Lands</u>	<u>Total</u>	<u>Deseg Out</u>
September Membership FTE Count	2,606.16	-	-	2,606.16	-

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

	<u>Full-Time &amp; Part-Time</u>	<u>Deseg In</u>	<u>Total</u>
State FTE Total			
Free	1,045.56	-	1,045.56
Reduced	200.00	-	200.00
Total	1,245.56	-	1,245.56

**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, 2018**

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**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: \$ 337,418.65

**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
- 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 # 2,109
  - 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: # 531,542
- 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 # 415,789
  - Ineligible Miles (Non-Route/Disapproved) # 115,753
- 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, 2018**

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**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.

The General Fund and Debt Service Fund actual expenses exceeded those budgeted in the amounts of \$409,614.72 and \$123,193.13, respectively.

**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

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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, 2018, 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 12, 2018.

***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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

### ***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*.

### ***District's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***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 12, 2018



**Daniel Jones  
& Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

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

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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, 2018. 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 qualified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in the accompanying schedule of findings and questioned costs, the District did not comply

with requirements regarding CFDA No. 10.553, 10.555 and 10.559, Child Nutrition Cluster, as described in finding number 2018-002 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

#### ***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Child Nutrition Cluster for the year ended June 30, 2018.

#### **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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-002 that we consider to be a material weakness.

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

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

***Daniel Jones & Associates***

DANIEL JONES & ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
ARNOLD, MISSOURI  
November 12, 2018

**DE SOTO SCHOOL DISTRICT #73**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2018**

<b>FEDERAL GRANTOR / PASS-THROUGH GRANTOR / PROGRAM TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>PASS-THROUGH ENTITY IDENTIFYING NUMBER</b>	<b>PROVIDED TO SUBRECIPIENTS</b>	<b>TOTAL FEDERAL EXPENDITURES</b>
<b>U.S. Department of Education</b>				
Passed Through Missouri Department of Elementary and Secondary Education				
Improving Teacher Quality State Grants - Title II,A	84.367	050-014	\$ -	\$ 85,068.55
Grants to Local Educational Agencies - Title I	84.010	050-014	-	581,117.18
Special Education Cluster (IDEA):				
Special Education - Grants to States - Part B	84.027	050-014	-	598,149.97
Special Education - Grants to States - High Need Fund	84.027	050-014	-	3,844.56
Special Education - Grants to States - Early Childhood	84.027	050-014	-	97,757.00
Special Education - Preschool Grants	84.173	050-014	-	27,989.00
Total Special Education Cluster (IDEA)			-	727,740.53
State-Wide Collaborative Work Initiative	84.323	050-014	-	30,000.00
<b>Total U.S. Department of Education</b>			-	1,423,926.26
<b>U.S. Department of Agriculture</b>				
Passed Through Missouri Department of Elementary and Secondary Education				
Child Nutrition Cluster:				
Cash Assistance:				
School Breakfast Program	10.553	050-014	-	232,298.40
National School Lunch Program	10.555	050-014	-	568,035.81
After School Snack	10.555	050-014	-	7,013.72
Non-Cash Assistance:				
Donated Foods (Commodities)	10.555	050-014	-	66,710.15
Passed Through Missouri Department of Health and Senior Services				
Summer Food Service Program for Children	10.559	ERS0461902S	-	100,928.17
<b>Total U.S. Dept. of Agric. And Child Nutrition Cluster</b>			-	974,986.25
<b>TOTAL FEDERAL EXPENDITURES</b>			<b>\$ -</b>	<b>\$ 2,398,912.51</b>

**DE SOTO SCHOOL DISTRICT #73**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**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, 2018. 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 not 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	\$ 2,400,939.12
Special Revenue Fund	-
Debt Service Fund	547,428.58
Capital Projects Fund	36,000.00
	<u>\$ 2,984,367.70</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, 2018**

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**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   X   No
  - b. Significant deficiency(ies) identified?   X   Yes        None Reported
3. Noncompliance material to financial statements noted?        Yes   X   No

**B. Federal Awards**

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

<u>CFDA Number(s):</u>	<u>Name of Federal Program or Cluster:</u>
10.553, 10.555, 10.559	Child Nutrition Cluster
5. Dollar threshold used to distinguish between type A and type B programs: \$ 750,000
6. Auditee qualified as low-risk auditee?        Yes   X   No



**DE SOTO SCHOOL DISTRICT #73  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**II. FINANCIAL STATEMENT FINDINGS**

**2018-001**

Criteria: Payroll income tax checks paid should be followed up on in a timely manner.

Condition: Two payroll income tax checks did not clear the bank account in a timely manner.

Context: During testing of bank reconciliations, we noted that there were two payroll income tax checks outstanding that had not cleared as of fieldwork for the months of April 2018 and June 2018.

Effect: Late payment of payroll income tax amounts will cause the District to have to pay fines. In this case, the potential fine amounts are approximately \$8,600.

Cause: The payroll income tax checks were not followed up on in a timely manner.

Recommendation: We recommend the District implement appropriate procedures to ensure that payroll income tax checks clear the bank in a timely manner.

Views of responsible officials and planned corrective actions: Payroll income tax did not clear bank. This payroll income tax was established by a new third party payment system this year 2017-2018. District notified the agency of the outstanding checks during audit engagement and third party agency recommended contact names of who to contact in the future, but could not explain why the original request was not processed. All items were done correctly. In the future, bookkeeper will verify each month with payroll to be sure check has cleared and if not immediate action will take place.

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

<b>2018-002</b>	Federal Grantor:	U.S. Department of Agriculture
Special Tests and		Missouri Department of Elementary and
Provisions	Pass-Through Grantor:	Secondary Education
Material Weakness	Federal CFDA Number:	10.553, 10.555, 10.559
	Program Title:	Child Nutrition Cluster

Information on the federal programs: The District is responsible for the preparation and compliance with requirements for the Schedule of Expenditures of Federal Awards.

Criteria: Management is responsible for preparing and maintaining support for the District's Schedule of Expenditures of Federal Awards.

Condition: The District was not able to provide a listing of students that corresponded to the number of students on the verification form.

Questioned Costs: Not applicable

**DE SOTO SCHOOL DISTRICT #73  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (concluded)**

Context: During the audit of the child nutrition cluster, we noted that the District was not able to provide supporting documentation of the listing of students that corresponded to the number of students on the verification form.

Effect: No controls over monitoring or controls over federal expenditure reporting, as required by *Governmental Accounting and Financial Reporting Standards*.

Cause: Adequate emphasis was not placed on the retention of supporting documentation for the Schedule of Expenditures of Federal Awards (SEFA) and making sure that all compliance requirements are being met.

Recommendation: We recommend that the District implement procedures to ensure that supporting documentation for the Schedule of Expenditures of Federal Awards (SEFA) is maintained.

Views of Responsible Officials and Planned Corrective Actions: The District was not able to print out all the reports for each screen. However process has been reviewed with staff to know that all pages are needed to complete the finding and must be printed and given to the Bookkeeper for submission of the audit.

**DE SOTO SCHOOL DISTRICT #73  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS**

There were no financial statement findings for the year ended June 30, 2017.

**II. PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

<b>SA 2017-001</b>	Federal Grantor:	U.S. Department of Agriculture
Special Tests and Provisions	Pass-Through Grantor:	Missouri Department of Elementary and Secondary Education
Material Weakness	Federal CFDA Number:	10.553, 10.555, 10.559
	Program Title:	Child Nutrition Cluster

SA 2017-001 Information on the federal programs: The District is responsible for the preparation and compliance with requirements for the Schedule of Expenditures of Federal Awards.

Criteria: Management is responsible for preparing and maintaining support for the District's Schedule of Expenditures of Federal Awards.

Condition: The District was not able to provide a listing of students that corresponded to the number of students on the verification form.

Questioned Costs: Not applicable

Context: During the audit of the child nutrition cluster, we noted that the District was not able to provide supporting documentation of the listing of students that corresponded to the number of students on the verification form.

Effect: No controls over monitoring or controls over federal expenditure reporting, as required by *Governmental Accounting and Financial Reporting Standards*.

Cause: Adequate emphasis was not placed on the retention of supporting documentation for the Schedule of Expenditures of Federal Awards (SEFA) and making sure that all compliance requirements are being met.

Recommendation: We recommend that the District implement procedures to ensure that supporting documentation for the Schedule of Expenditures of Federal Awards (SEFA) is maintained.

Views of Responsible Officials and Planned Corrective Actions: The District was not able to print out the reports due to a software error and even called the State who said it would be fine as long as the District had a list of the families that were chosen from the report for verification. The District will try to print out the corresponding student lists on the day the report is prepared next year and a copy given to the bookkeeper for submission to the auditors.

Status: The above finding has not been corrected, therefore, it is repeated in the current year as finding 2018-002.