

**MAPLEWOOD RICHMOND HEIGHTS  
SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**June 30, 2016**

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

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## Independent Auditors' Report

Board of Education  
Maplewood Richmond Heights School District

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Maplewood Richmond Heights School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Maplewood Richmond Heights School District's basic financial statements. The management's discussion and analysis, supplementary information and schedule of selected statistics are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The management's discussion and analysis on pages 7-16, budgetary schedules on pages 35-39 and schedule of selected statistics on pages 41-43, have 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.

The schedule of expenditures of federal awards on page 48 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing standards 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Keiter, Eck & Brachel LLP

St. Louis, Missouri  
November 10, 2016

**MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS - UNAUDITED**

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The Management’s Discussion and Analysis (MD&A) of the Maplewood Richmond Heights School District (“District”) financial performance provides an overview and analysis of the District’s modified cash basis financial activities for the fiscal year ended June 30, 2016. The intent of this MD&A is to look at the District’s financial performance as a whole. Readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the District’s financial performance.

The financial statements of the District have been prepared on the modified cash basis of accounting, as applied to local governmental units, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Differences in the modified cash basis of accounting and accounting principles generally accepted in the United States of America arise in the recognition of revenue when received, rather than when earned, and the presentation of expenditures/expenses when paid versus when incurred.

**Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2016, include the following:

The governmental activities net position (modified cash basis) increased by \$7,223,905 during FY16 and decreased by \$1,160,119 during FY15. The increase in FY16 was primarily due to the Series 2015 general obligation bond issue for the Early Childhood Center. The decrease in FY15 was primarily due to the land acquisition for the Early Childhood Center.

Program revenues collected made up 8.2% of the total revenues collected for the year ended June 30, 2016 as compared to 14.4% the previous year. These program revenues collected covered 10.1% of the program expenditures paid leaving 89.9% to be covered by general revenues collected and net position in FY16. In FY15, program revenues collected covered 13.7% of the program expenditures paid, leaving 86.3%, to be covered by general revenues collected and net position.

**Using the Basic Financial Statements**

The District’s basic financial statements consist of a series of financial statements and the associated notes to those statements. The statements are organized so the reader can understand the operations of the District as a whole (i.e., an entire operating entity). The “Basic Financial Statements” section includes government-wide financial statements, fund financial statements and notes to financial statements.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

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The government-wide financial statements, consisting of the Statement of Net Position – modified cash basis and the Statement of Activities – modified cash basis (see pages 17 and 18), provide highly consolidated financial information and render a government-wide perspective of the District's financial condition. They present an aggregate view of the District's modified cash basis finances. These statements seek to answer the question, "How did the District do financially during the year ended June 30, 2016?" In short, is the District better financially this year, or is it worse than the prior year? These statements include all cash and investments using the modified cash basis of accounting.

By showing the change in net position for the year, the reader may ascertain whether the District's financial condition has improved or deteriorated. The changes which are discussed in this MD&A may be financial or non-financial in nature. Non-financial factors which may have an impact on the District's financial condition include increases in or erosion of the property tax base within the District, facilities maintenance and condition, mandated educational programs for which little or no funding is provided, or other external factors.

To provide more in depth reporting of the District's financial position and changes in financial position, fund financial information is presented in the "Fund Financial Statements" section beginning on page 19. These fund financial statements report governmental activities indicating sources and uses of funding.

Fund financial statements also provide more in-depth data on the District's most significant funds, the General Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Fund. These funds are considered "major funds" by the Missouri Department of Elementary and Secondary Education. The relationship between governmental activities reported in the government-wide financial statements and the governmental funds reported in the fund financial statements is the same under the modified cash basis of accounting.

### Government-Wide Financial Analysis

Net position of the District at June 30, 2016, of \$12,765,662 reflects the District's total assets of cash and investments compared to net position at June 30, 2015, of \$5,541,757. Net position of the District consists of the following at June 30,:

	<u>2016</u>	<u>2015</u>
Restricted	\$ 9,431,241	\$ 2,878,075
Unrestricted	<u>3,334,421</u>	<u>2,663,682</u>
Total net position	<u>\$ 12,765,662</u>	<u>\$ 5,541,757</u>

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

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The restricted net position is restricted for the acquisition or construction of major capital assets and all other capital outlay and payment of principal and interest on general obligation bonds.

### Governmental Activities

Key elements of the change in net position are as follows for the year ended June 30,:

	<u>2016</u>	<u>2015</u>
Revenues collected		
Program revenues		
Charges for services	\$ 1,127,896	\$ 1,127,460
Operating grants and contributions	1,895,592	1,922,608
General revenues		
Taxes	17,500,490	16,877,372
County, state and federal aid not restricted to specific programs	1,200,267	1,158,735
Refunding bond proceeds	8,120,000	-
Bond proceeds	6,100,000	-
Interest and investment earnings	1,140,893	48,275
Total revenues collected	<u>37,085,138</u>	<u>21,134,450</u>
Expenses paid		
Instruction	7,889,510	8,364,136
Support services	8,339,125	8,106,487
Community services	815,752	807,187
Facilities, acquisition and construction	375,540	1,689,840
Interest and other expenses on long-term debt	<u>12,441,306</u>	<u>3,326,919</u>
Total expenses paid	<u>29,861,233</u>	<u>22,294,569</u>
Changes in net position	7,223,905	(1,160,119)
Net position at beginning of year	<u>5,541,757</u>	<u>6,701,876</u>
Net position at end of year	<u>\$ 12,765,662</u>	<u>\$ 5,541,757</u>

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

As reflected above, the expenses of the District's governmental activities for the years ended June 30, 2016 and 2015, of \$29,861,233, and \$22,294,569, respectively, are not all borne by the taxpayers of the District. Of these amounts \$1,127,896 and \$1,127,460 were paid by those who benefited from the services rendered (e.g., charges for school lunches) and \$1,895,592 and \$1,922,608 were paid through federal and state operating grants and contributions for the years ended June 30, 2016 and 2015, respectively. Consequently, the net costs of \$26,837,745 and \$19,244,501, after taking into consideration these fees and grants, were paid from other general revenues, which include property taxes paid by taxpayers of the District as well as other taxes, additional state funding, and net position.

The next table shows the total cost of programs and the net cost of these programs (after deducting charges for services and grants and contributions revenue collected for the various categories of expenses paid for the years ending June 30, 2016 and 2015). The net cost presentation allows the taxpayers of the District to determine the remaining cost of the various categories which were borne by them or paid from other general revenues and net position, and allows them the opportunity to assess the cost of these functions in comparison to the benefits received.

A summary of the total and net costs of government activities are as follows for the years ended June 30,:

	2016		2015	
	Total Cost of Programs	Net Cost of Programs	Total Cost of Programs	Net Cost of Programs
Instructional	\$ 7,889,510	\$ 6,664,718	\$ 8,364,136	\$ 7,395,285
Attendance, guidance and health services	928,678	918,101	984,860	958,011
Improvement of instruction and prof. dev.	259,877	259,877	314,360	311,071
Media services	119,127	119,127	97,150	97,150
Board of Education and executive admin.	739,873	739,873	770,100	770,100
Building level administration	1,339,355	1,339,355	1,336,476	1,336,476
Operation of plant and security services	2,074,735	1,998,285	1,952,228	1,683,613
Pupil transportation	479,427	430,662	419,362	174,402
Food services	625,960	38,468	633,352	152,802
Business and central services	1,772,093	1,772,093	1,598,599	1,598,599
Community services	815,752	(22,357)	807,187	(12,974)
Facilities, acquisition and construction	375,540	375,540	1,689,840	1,689,840
Interest and other expenses on long-term debt	12,441,306	12,204,003	3,326,919	3,090,126
<b>Total</b>	<b>\$ 29,861,233</b>	<b>\$ 26,837,745</b>	<b>\$ 22,294,569</b>	<b>\$ 19,244,501</b>

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

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### Governmental Funds Financial Analysis

The District uses funds to control and manage money for particular purposes (e.g., dedicated taxes and bond proceeds). The fund basis financial statements allow the District to demonstrate its stewardship over and accountability for resources provided by the taxpayers and other entities. These statements also allow the reader to obtain more insight into the workings of the District and assess further the District's financial health.

The District completed the fiscal year ended June 30, 2016, with a fund balance for governmental funds (as presented in the Balance Sheet – modified cash basis on page 19) of \$12,765,662, as compared to a combined fund balance of \$5,541,757 as of June 30, 2015, an increase of \$7,223,905.

The fund balance of the operating funds (General and Special Revenue) increased by \$484,694 as compared to a decrease of \$408,740 the previous year. The increase was due to the increase in assessed valuation and the decrease in overall expenses. The decrease in FY15 was due to the increase in salaries and benefits and the loss of TIF revenue realized in the previous year.

The fund balance of the Debt Service Fund, which is legally restricted for payment of bond principal, interest and related fees, increased by \$581,954 in FY16 and increased \$234,007 in FY15. The increase in FY16 was due to an increase in the levy at a \$0.15 to offset principal and interest payments. The tax levy increased from \$1.20 to \$1.35. The increase in FY15 was also due to an increase in levy, from \$1.06 to \$1.20.

The fund balance of the Capital Projects Fund increased by \$6,157,257 in FY16, which is due to the passage of Series 2015 general obligation bond issue and decreased by \$1,211,595 in FY15, which was due to an acquisition of land for the new Early Childhood Center.

The major source of revenue for operations and debt service is local property taxes (current and delinquent) that totaled \$15,178,002 in FY16. This is derived from the District's operating levy of \$4.2157 and the debt service levy of \$1.35 for a total levy of \$5.5657. Other significant local revenues are sales tax of \$1,059,442, M&M Surtax of \$1,251,688, earnings on investments of \$1,051,132, food service of \$144,357, student activities of \$280,092, and community services of \$676,439.

County revenues are derived from state assessed utilities of \$260,146 and county fines of \$11,705.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

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Total state funding which makes up 6.7% of total revenues increased from the prior year by \$23,985 to \$1,476,095. This is primarily the result of an increase in basic formula and classroom trust fund revenue for the year, which was slightly off-set by a loss of funding in the Missouri Preschool Project (MPP) grant. A breakdown of the state aid revenues are as follows for the year ended June 30,:

	<u>2016</u>	<u>2015</u>
Basic formula	\$ 928,416	\$ 910,895
Transportation	37,424	37,215
Classroom Trust	426,410	419,669
Educational screening/PAT	21,060	20,051
Grant - Preschool	-	37,661
Grants - Social Worker/Misc	10,577	12,665
Other State	52,208	13,954
	<u>\$ 1,476,095</u>	<u>\$ 1,452,110</u>

Federal funding which makes up 4.9% of total revenues increased to \$1,080,899 from \$842,622 the previous year. The majority of the federal revenues for FY16 are from Title program reimbursements that total \$261,748 and food service reimbursements on breakfast, lunch and snack programs totaling \$439,183. Additionally, Medicaid reimbursements decreased to \$26,470 and the District received debt service interest rebates of \$237,303 on Build America Bond (BAB) and Qualified School Construction Bond (QSCB) initiatives.

Other revenues consisted primarily of tuition from other districts (on student transfers from Normandy and Riverview Gardens School Districts) totaling \$206,229.

Total governmental funds expenditures paid were \$21,118,034 for the year compared to \$22,294,569 the previous year. The General Fund accounts for \$7,041,905 or 33% of the total expenditures. The Special Revenue (Teachers) Fund accounts for \$9,566,716 or 45% of total expenditures and consists of certificated teacher salaries and benefits. Debt Service Fund expenditures of \$3,566,136 or 17% of total expenditures, are for principal and interest on general obligation bonds. Capital Projects Fund expenditures of \$901,421 or 4% of total expenditures, are for construction projects, facility repairs, equipment, and lease purchase payments. Other Governmental Fund expenditures of \$41,856 or less than 1% of total expenditures, are for principal and interest on lease purchase payments and minor leasehold construction and repair costs associated with the District's \$520,000 Series 2011 lease participation certificates.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

The following table summarizes the governmental fund revenues collected and expenditures paid (not including other financing sources and uses) for the year ended June 30,:

	Revenues collected			
	2016	%	2015	%
Local	\$ 18,784,751	85.9%	\$ 18,117,033	85.7%
County	271,850	1.2%	247,840	1.2%
State	1,476,095	6.7%	1,452,110	6.9%
Federal	1,080,899	4.9%	842,622	4.0%
Other	267,013	1.3%	474,845	2.2%
	<u>\$ 21,880,608</u>	<u>100.0%</u>	<u>\$ 21,134,450</u>	<u>100.0%</u>
	Expenditures paid			
	2016	%	2015	%
Instruction	\$ 7,889,510	37.4%	\$ 8,364,136	37.5%
Support services	8,339,125	39.5%	8,106,487	36.4%
Community service and other	815,752	3.9%	807,187	3.6%
Capital outlay	375,540	1.8%	1,689,840	7.6%
Interest and other expenses on long-term debt	3,698,107	17.4%	3,326,919	14.9%
	<u>\$ 21,118,034</u>	<u>100.0%</u>	<u>\$ 22,294,569</u>	<u>100.0%</u>

### Budgetary Highlights

Over the course of the year, the Board of Education revised the District's budget to take into consideration expected changes in revenues collected and expenditures paid. Missouri statutes for public school finance, Section 67.010, RSMo., require a budget amendment if anticipated expenditures are in excess of budgetary goals. The original budget was adopted on June 26, 2015, and the final budget amendment was adopted on June 30, 2016.

Statements comparing major fund revenues and expenditures to the original and final budgets are provided on pages 35 through 38. The operating funds' revenues were higher than original budget projections due to an increase in local delinquent tax receipts, PILOT income on the Deer Creek Tax Increment Financing (TIF) settlement, unanticipated tuition fees earned on Normandy and Riverview student transfers for the year, and slight increases in state and federal funding. The operating funds' expenditures were also higher than the original budget primarily due to higher instructional staffing costs associated with improvement of instruction initiatives.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

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### Capital Assets and Debt Administration

#### *Capital Assets*

The District operates under the modified cash basis of accounting, therefore, capital asset purchases are recorded as expenditures and related depreciation is not recognized. Capital assets are not reflected in the financial statements.

#### *Long-term Obligations*

At June 30, 2016, the District had outstanding general obligation bonds of \$37,995,765 after principal payments of \$10,295,000 made during the year, including the refunding of the Series 2007 bonds of \$8,395,000, and the issuance of \$8,120,000 in Series 2016 refunding bonds and \$6,100,000 in Series 2015 bonds.

State statutes limit the amount of general obligation debt a school district may issue to 15% of assessed valuation. The debt limitation is \$6,858,927 at June 30, 2016, based on the September 2015 Post-Board of Equalization (BOE) assessed values.

The District has capital leases with outstanding balances totaling \$420,000 at June 30, 2016, after principal payments of \$20,000 were made during the year.

The District operates on the modified cash basis of accounting; therefore, payments on long-term debt are recorded as expenditures. Long-term debt is not reflected in the financial statements. Commitments for long-term debt and other obligations are disclosed in the notes to the financial statements in Note 3 beginning on page 28.

### Economic Factors and Next Year's Budget

The District's administration continues to monitor developments unfolding within the Missouri Legislature affecting educational funding. Senate Bill 287 established a new foundation formula to be phased in over a period of seven years beginning with the 2006-07 school year. DESE cut the formula revenues this past year to a 96.5% funding level, with plans to phase into a fully funded foundation formula status over the next few years. There are political factors, however, that may impede this initiative. Projections for 2016-17 state revenues are based on current data, but are subject to revision as the state's financial condition changes and new information is provided over the course of the year.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

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At the time these financial statements were prepared, the District was aware of the following impacts on the 2016-17 budget:

- The redevelopment of the Hanley Township initiative along Hanley Road continues to move forward, with plans to complete construction on a Menards home improvement site and other business efforts over the next two years. These businesses should boost the commercial industry within the District over the next several years.
- State foundation formula and classroom trust fund revenues are projected to be slightly higher for 2016-17 compared to 2015-16 as the state strives to move forward in more fully funding the foundation formula. No proration is projected at this time. There is also continued support with strong financial backing to establish and finance more charter schools and provide a voucher system to allow access into non-public institutions that may also threaten state funding levels in the foreseeable future.
- Enrollment continues to climb steadily within the District, with lower-level co-hort classes (grades kindergarten through 2<sup>nd</sup> grade) now averaging over 100 students, with the District becoming a district of distinction and destination. As a result of this enrollment increase, additional classroom space is in demand throughout the District. Additionally, the elementary school enrollment is projected to exceed the 500 student level.
- The District will continue to provide services to Normandy and Riverview Gardens transfer students for the upcoming school year. Specifically, the District expects to provide services to approximately 13 Normandy students as well as 12 Riverview Students, with fees pro-rated based on the average daily attendance (ADA) for these students. The MRH Board of Education has approved a billing rate for both the Normandy School District and Riverview Gardens School District at \$7,236 annually. The income for these fees projects at approximately \$206,000 for the year, however, there is continued concern on the collectability of these funds due to the challenging financial position of these two school districts.
- Title funding is expected to continue to decline over the next few years due to volatile conditions at the federal government level. As has been our prior custom, conservative projections will be made for this funding going forward, with adjustments made to these levels during the fall of FY16 as a part of the initial budget amendment process when these funding levels are clarified. The District also realized reductions in bond credits on the 2010 Build America Bond (BABs) and Qualified School Construction Bond (QSCBs) issues due to sequestration. The interest credits for these issues was originally projected at approximately \$236,000 annually over the 20-year life of these bonds, however, these credits will be pro-rated over the next few years at approximately 92% due to sequestration. In conclusion, the District will continue to explore other funding sources, study the economy locally, state-wide, and federally.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED

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### *Contacting the District's Financial Management*

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Maplewood Richmond Heights School District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Shelley Kinder, Director of Finance, at 7539 Manchester Road, Maplewood, Missouri 63143.

**MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**

**June 30, 2016**

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	<u>Governmental activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 5,809,458
Restricted cash and investments	<u>6,956,204</u>
	<u>\$ 12,765,662</u>
<b>NET POSITION</b>	
Restricted for:	
Debt service	\$ 3,460,029
Capital projects	5,971,212
Unrestricted	<u>3,334,421</u>
	<u>\$ 12,765,662</u>
<b>TOTAL NET POSITION</b>	<u>\$ 12,765,662</u>

See notes to financial statements.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

Year ended June 30, 2016

Function/Program	Expenses	Program revenues		Net (expense) revenue and changes in net position
		Charges for services	Operating grants and contributions	Total governmental activities
<b>Governmental activities</b>				
Instruction	\$ 7,889,510	\$ 280,092	\$ 944,700	\$ (6,664,718)
Attendance	56,593	-	-	(56,593)
Guidance	727,795	-	10,577	(717,218)
Health services	144,290	-	-	(144,290)
Improvement of instruction	250,534	-	-	(250,534)
Professional development	9,343	-	-	(9,343)
Media services	119,127	-	-	(119,127)
Board of Education services	130,582	-	-	(130,582)
Executive administration	609,291	-	-	(609,291)
Building level administration	1,339,355	-	-	(1,339,355)
Operation of plant	2,042,265	26,648	49,802	(1,965,815)
Pupil transportation	479,427	360	48,405	(430,662)
Food services	625,960	144,357	443,135	(38,468)
Business and central services	1,772,093	-	-	(1,772,093)
Security services	32,470	-	-	(32,470)
Community services	815,752	676,439	161,670	22,357
Facilities, acquisition and construction	375,540	-	-	(375,540)
Interest and other expenses on long-term debt	12,441,306	-	237,303	(12,204,003)
<b>Total governmental activities</b>	<b>\$ 29,861,233</b>	<b>\$ 1,127,896</b>	<b>\$ 1,895,592</b>	<b>(26,837,745)</b>
		<b>General revenues</b>		
		Taxes		
		Property taxes		15,178,002
		Prop C - sales taxes		1,059,442
		Other taxes		1,263,046
		State aid		928,416
		Fines and forfeitures		11,705
		State assessed utilities		260,146
		Refunding bond proceeds		8,120,000
		Bond proceeds		6,100,000
		Investment earnings		1,051,132
		Miscellaneous		89,761
		<b>Total general revenues</b>		<b>34,061,650</b>
		<b>Change in net position</b>		<b>7,223,905</b>
		<b>Net position at July 1, 2015</b>		<b>5,541,757</b>
		<b>Net position at June 30, 2016</b>		<b>\$ 12,765,662</b>

See notes to financial statements.

**MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT**

**BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**

**June 30, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and investments	\$ 3,099,912	\$ -	\$ 2,475,037	\$ 234,509	\$ 5,809,458
Restricted cash and investments	-	-	984,992	5,971,212	6,956,204
	<u>\$ 3,099,912</u>	<u>\$ -</u>	<u>\$ 3,460,029</u>	<u>\$ 6,205,721</u>	<u>\$ 12,765,662</u>
<b>FUND BALANCES</b>					
Restricted for:					
Retirement of debt	\$ -	\$ -	\$ 3,460,029	\$ -	\$ 3,460,029
Capital projects	-	-	-	5,971,212	5,971,212
Assigned	-	-	-	234,509	234,509
Unassigned	<u>3,099,912</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,099,912</u>
Total liabilities and fund balances	<u>\$ 3,099,912</u>	<u>\$ -</u>	<u>\$ 3,460,029</u>	<u>\$ 6,205,721</u>	<u>\$ 12,765,662</u>

See notes to financial statements.

MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
Year ended June 30, 2016

	General	Special Revenue	Debt Service	Capital Projects	Other Governmental Fund	Total Governmental Funds
<b>Revenues</b>						
Local	\$ 13,560,288	\$ 1,488,652	\$ 3,711,756	\$ 24,055	\$ -	\$ 18,784,751
County	165,652	11,705	94,493	-	-	271,850
State	325,453	950,642	-	200,000	-	1,476,095
Federal	471,950	371,646	237,303	-	-	1,080,899
Other	11,098	206,229	-	7,830	41,856	267,013
<b>Total revenues</b>	<b>14,534,441</b>	<b>3,028,874</b>	<b>4,043,552</b>	<b>231,885</b>	<b>41,856</b>	<b>21,880,608</b>
<b>Expenditures</b>						
<b>Current</b>						
Instruction	934,721	6,952,840	-	1,949	-	7,889,510
Attendance	56,593	-	-	-	-	56,593
Guidance	214,433	513,362	-	-	-	727,795
Health services	144,290	-	-	-	-	144,290
Improvement of instruction	202,145	48,389	-	-	-	250,534
Professional development	9,343	-	-	-	-	9,343
Media services	19,760	99,367	-	-	-	119,127
Board of Education services	130,582	-	-	-	-	130,582
Executive administration	231,365	377,926	-	-	-	609,291
Building level administration	391,931	947,424	-	-	-	1,339,355
Operation of plant	1,934,726	-	-	107,539	-	2,042,265
Pupil transportation	479,427	-	-	-	-	479,427
Food services	625,960	-	-	-	-	625,960
Business and central services	1,168,510	276,040	-	327,543	-	1,772,093
Security services	32,470	-	-	-	-	32,470
Community services	464,384	351,368	-	-	-	815,752
Capital outlay	-	-	-	375,540	-	375,540
<b>Debt service</b>						
Principal retirement	-	-	1,900,000	-	20,000	1,920,000
Interest and other charges	1,265	-	1,666,136	88,850	21,856	1,778,107
<b>Total expenditures</b>	<b>7,041,905</b>	<b>9,566,716</b>	<b>3,566,136</b>	<b>901,421</b>	<b>41,856</b>	<b>21,118,034</b>
<b>Excess of revenues over (under) expenditures</b>	<b>7,492,536</b>	<b>(6,537,842)</b>	<b>477,416</b>	<b>(669,536)</b>	<b>-</b>	<b>762,574</b>
<b>Other financing sources (uses)</b>						
Transfers (to) from other funds	(7,007,842)	6,537,842	-	470,000	-	-
Proceeds from sale of refunding bonds	-	-	8,120,000	-	-	8,120,000
Proceeds from sale of bonds	-	-	-	6,100,000	-	6,100,000
Premium on issuance of bond	-	-	-	256,793	-	256,793
Premium on issuance of refunding bonds	-	-	727,737	-	-	727,737
Payment to refunded bond escrow agent	-	-	(8,743,199)	-	-	(8,743,199)
<b>Total other financing sources (uses)</b>	<b>(7,007,842)</b>	<b>6,537,842</b>	<b>104,538</b>	<b>6,826,793</b>	<b>-</b>	<b>6,461,331</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>484,694</b>	<b>-</b>	<b>581,954</b>	<b>6,157,257</b>	<b>-</b>	<b>7,223,905</b>
Fund balances at July 1, 2015	2,615,218	-	2,878,075	48,464	-	5,541,757
Fund balances at June 30, 2016	\$ 3,099,912	\$ -	\$ 3,460,029	\$ 6,205,721	\$ -	\$ 12,765,662

See notes to financial statements.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Maplewood Richmond Heights School District (the District) operates under the regulations pursuant to Section 162.092 RSMo of the Public School Laws of Missouri, which designates a Board of Education to act as the governing authority. The District provides educational services.

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) as established by the Governmental Accounting Standards Board (GASB).

#### **Principles Determining the Scope of Reporting Entity**

The financial statements present the District (the primary government) and the Maplewood Richmond Heights School District Building Corporation (the “Building Corporation”). Component units are legally separate entities that are included in the District’s reporting entity because of the significance of their operating or financial relationships with the District. The sole purpose for the Building Corporation is to facilitate the financing of capital improvements on behalf of the District. Although legally separate, the Building Corporation is blended and presented as an “other governmental fund” in the accompanying financial statements. Separate financial statements for the Building Corporation are not issued.

The District is associated with other organizations which may include various Parent Teacher Organizations (PTO’s), booster clubs, etc. Under governmental standards for defining the financial reporting entity, these organizations may be considered to be part of the reporting entity of the District. However, the balances and activities of such organizations have not been included in these financial statements due to their overall immateriality to the District.

#### **Basis of Presentation**

##### **Government-Wide Financial Statements**

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

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The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as program revenues include charges paid by the students for goods and services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

### **Fund Financial Statements**

The fund financial statements of the reporting entity are organized into funds, each of which is considered a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise of assets, liabilities, fund equity, revenues and expenditures/expenses. The emphasis is placed on major funds. Each major fund is presented in a separate column while nonmajor funds are aggregated and presented in a single column.

The major funds of the financial reporting entity are described below:

### **Governmental Funds**

#### **General Fund**

The General Fund is the primary operating fund of the District and is used to account for expenditures for noncertified employees, pupil transportation, 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 Fund**

The Special Revenue Fund is used to account for specific revenue sources that are restricted, committed or assigned for the payment of salaries and benefits for certified personnel. The fund revenues include property taxes, investment income and county and state aid.

#### **Debt Service Fund**

The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for the periodic payment of principal, interest, and any fiscal charges on certain long-term debt.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

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### **Capital Projects Fund**

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

### **Measurement Focus and Basis of Accounting**

Measurement focus is the term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded.

#### **Measurement Focus**

The government-wide financial statements are prepared using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. The accounting objectives under this measurement focus are the determination of changes in net position, financial position and cash flows. All assets and liabilities, whether current or noncurrent, are reported.

The governmental fund financial statements are prepared using the current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included in the balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

#### **Basis of Accounting**

The government-wide financial statements and fund financial statements are prepared using a modified cash basis of accounting. This basis of accounting recognizes assets, net position/fund equity, revenues and expenses/expenditures when they result from cash transactions except that the purchase of investments are recorded as assets. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable and general obligation bonds payable and obligations under capital leases) and certain expenses (such as expenses for goods or services received but not yet paid) are not recorded in these financial statements.

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

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

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### Property Taxes

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

The District also receives sales tax collected by the State and allocated based on eligible pupils. The District is required to reduce its property tax levy by one-half the amount of sales tax estimated to be received in the subsequent calendar year. The District's taxpayers have voted to permanently waive this property tax rollback.

The assessed valuation of the tangible taxable property for the calendar year 2015 for purposes of local taxation was \$275,964,420.

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

	<u>Unadjusted</u>	<u>Adjusted</u>
General Fund	\$ 4.2157	\$ 4.2157
Special Revenue Fund	-	-
Debt Service Fund	1.3500	1.3500
Capital Projects Fund	-	-
	<u>          </u>	<u>          </u>
Total	<u>\$ 5.5657</u>	<u>\$ 5.5657</u>

The receipts of current property taxes during the fiscal year ended June 30, 2016, aggregated approximately 94% of the current assessment computed on the basis of the levy as shown above.

### Cash and Investments

Cash resources from all funds, except the Debt Service Fund, are combined to form a pool of cash and temporary investments which is managed by the District Treasurer. State law requires that all deposits of the Debt Service Fund be kept separate and apart from all other funds of the District. Interest income earned is allocated to contributing funds based on each funds' proportionate share of funds invested.

The District and the Building Corporation may invest in United States Treasury-bills, notes, bonds, government agency and instrumentality obligations, repurchase agreements collateralized by government securities, time certificates of deposit, bankers' acceptances issued by domestic commercial banks and commercial paper issued by domestic corporations.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

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### **Restricted Assets**

Restricted assets include cash and investments that are legally restricted as to their use.

### **Fund Balances – Governmental Funds**

In the fund financial statements, governmental funds report the following classifications of fund balance:

**Nonspendable** – includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

**Restricted** – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

**Committed** – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board.

**Assigned** – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's adopted policy, amounts may be assigned by the Chief Financial Officer.

**Unassigned** – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned for those purposes, a negative unassigned fund balance may be reported. This category also provides the resources to meet unexpected expenditures and revenue shortfalls.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions. The District has not reported any nonspendable, committed or assigned fund balances.

The details of the fund balances are included in the Balance Sheet – Governmental Funds – Modified Cash Basis.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

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### Net Position

In the government-wide financial statements, equity is classified as net position. 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, contributors or laws or regulations of other governments. The remaining balance of net position is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

### Interfund Activity

Interfund transfers are reported as other financing sources (uses) in governmental funds. Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.

## NOTE 2 – CASH AND INVESTMENTS

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

The District participates in the Missouri Security Investment Program (MoSIP) which are carried at cost, which approximates fair value. All funds of MoSIP are invested in accordance with Section 165.051 of the Missouri Revised Statutes. Each school district owns a pro rata share of each investment or deposit which is held in the name of the Fund. At June 30, 2016, the District did not have an investment in this program.

The cash and investments are reported at cost and are as follows at June 30, 2016:

Type	Maturities 0 to 1 year	Cost	Rating
Deposits			
Demand deposits	N/A	\$ 11,778,770	N/A
Cash on hand	N/A	1,900	N/A
Investments			
United States Treasury Bill	\$984,992	<u>984,992</u>	A-1+
Total deposits and investments		<u><u>\$ 12,765,662</u></u>	

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

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### **Deposits**

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. All of the District's deposits were covered by federal depository insurance or collateral held by the District or by its agent in the name of the District.

### **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 has a custodial credit risk policy for repurchase agreement investments which requires these funds to be collateralized at least 100% or greater of the balance plus any demand deposit with the depository, less any insurance (FDIC or NCUSIF), as applicable. The District's deposits were not exposed to custodial credit risk at year end.

### **Custodial Credit Risk – Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of June 30, 2016, investments were held in the name of the District by the counterparty.

### **Investment Interest Rate Risk**

The District has policies in place to minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investments portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities. Investments in banker's acceptances and commercial paper shall mature in no more than 180 days from purchase date and all other investments shall mature and become payable in no more than five (5) years from purchase date. Maturities of investments held at June 30, 2016 are provided in the previous table.

### **Investment Credit Risk**

The District has policies in place to minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by pre-qualifying the institution with which the District will do business and by diversifying the portfolio so that potential losses on individual securities will be minimized. The rating of the District's investments at June 30, 2016 are presented in the previous table.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

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### Concentration of Investment Credit Risk

The District has policies in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities, as follows:

- a. U.S. treasuries and securities having principal and/or interest guaranteed by the U.S. government – 100%
- b. Collateralized time and demand deposits – 100%
- c. U.S. Government agencies, and government sponsored enterprises – No more than 60%
- d. Collateralized repurchase agreements – 50%
- e. U.S. Government agency callable securities – No more than 30%
- f. Commercial Paper and Bankers' Acceptances – No more than 50%

There were no investments in any one issuer representing 5% or more of total investments (excluding investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investment pools or other pooled investments).

### NOTE 3 – LONG-TERM OBLIGATIONS

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

	Balance at July 1, 2015	Additions	Reductions	Balance at June 30, 2016	Amounts due within one year
Bonds payable	\$ 34,070,765	\$ 14,220,000	\$ (10,295,000)	\$ 37,995,765	\$ 2,010,000
Capital lease	440,000	-	(20,000)	420,000	20,000
Total	<u>\$ 34,510,765</u>	<u>\$ 14,220,000</u>	<u>\$ (10,315,000)</u>	<u>\$ 38,415,765</u>	<u>\$ 2,030,000</u>

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

Bonds payable consist of the following at June 30, 2016:

	Date issued	Maturity date	Rate of interest	Original issue amount	Balance at June 30, 2016
Series 2004A	12/29/2004	2020	0%	\$ 1,500,000	\$ 1,500,000
Series 2007	7/3/2007	2027	4.25%-5.00%	14,875,784	5,495,784
Series 2010A	6/30/2010	2025	2.00%-4.00%	2,315,000	920,000
Series 2010B	6/30/2010	2030	6.00%	3,315,000	3,315,000
Series 2010C	6/30/2010	2027	5.88%	3,370,000	3,370,000
Series 2011	9/28/2011	2024	2.00%-3.00%	6,999,981	6,164,981
Series 2013	1/17/2013	2020	3.00%-4.00%	3,010,000	3,010,000
Series 2015	6/18/2015	2030	3.00%-3.50%	6,100,000	6,100,000
Series 2016	2/17/2016	2027	2.00%-3.50%	8,120,000	8,120,000
					<u>\$ 37,995,765</u>

The annual requirements to amortize bonded debt outstanding are as follows at June 30, 2016:

Year ending June 30,	Principal	Interest	Total
2017	\$ 2,010,000	\$ 1,155,471	\$ 3,165,471
2018	2,115,000	1,084,342	3,199,342
2019	2,339,981	1,448,923	3,788,904
2020	2,860,000	914,954	3,774,954
2021	3,080,000	800,092	3,880,092
2022-2026	15,365,784	3,578,365	18,944,149
2027-2030	10,225,000	837,435	11,062,435
	<u>\$ 37,995,765</u>	<u>\$ 9,819,582</u>	<u>\$ 47,815,347</u>

Principal and interest on all bonded indebtedness is paid through the Debt Service Fund.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

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### Advance Refunding

On March 3, 2016, the District issued \$8,120,000 in Series 2016 general obligation refunding bonds to advance refund and defease \$8,395,000 of outstanding Series 2007 general obligation bonds and pay certain costs of issuance. A deposit of \$8,743,199 was placed in an irrevocable trust fund to purchase government obligations. The principal and interest to be earned on the government obligations will be in an amount sufficient for the payment of the principal and interest on the call date on March 1, 2017. The refunding was undertaken to reduce total debt service payments by \$1,427,030 which resulted in an economic gain of \$145,003 (the difference between the present value of the debt service payments on the Series 2007 general obligation bonds and the refunding issue after the refunding date through March 1, 2017). At June 30, 2016, \$12,185,000 of bonds outstanding are considered defeased.

### Qualified Zone Academy Bonds

During the year ended June 30, 2005, the District issued \$1,500,000 of debt certificates that meet the requirements of and have been approved as qualified zone academy bonds (QZAB). The bonds will be repaid by the District at 0% interest in 16 annual payments totaling \$1,232,080. The payments are made one year in arrears into an escrow fund at the buyer's bank and will receive interest at a rate specified by the bidder. At maturity, the amounts in the repayment fund will be used to pay the principal amount of the bonds. The balance of the repayment funds at June 30, 2016 is \$984,992.

### Legal Debt Margin

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a District to fifteen percent (15%) of the assessed valuation of the District (including State assessed railroads and utilities). The legal debt margin, computed excluding the assessed valuation of State assessed railroad and utilities, of the District at June 30, 2016, was:

Constitutional debt limit	\$ 41,394,663
General obligation bonds payable	(37,995,765)
Amount available in Debt Service Fund	<u>3,460,029</u>
Legal debt margin	<u><u>\$ 6,858,927</u></u>

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

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### NOTE 4 – LEASE COMMITMENTS

#### School Buses

The District has entered into an operating lease agreement for the lease of 8 school buses owned by U.S. Bancorp Government Leasing and Finance, Inc. The lease expires on June 21, 2021. Lease payments for the year ended June 30, 2016 were approximately \$90,000.

#### Equipment

The District has entered into an operating lease agreement for various copiers owned by De Lage Landen Public Finance LLC. The lease expires in September 2019. Lease payments for the year ended June 30, 2016 were approximately \$17,000.

#### Minimum Lease Commitments

Future minimum lease commitments as of June 30, are as follows:

Year ending June 30,	
2017	\$ 117,967
2018	117,967
2019	117,967
2020	100,967
2021	<u>256,687</u>
	<u>\$ 711,555</u>

### NOTE 5 – MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT BUILDING CORPORATION

The District adopted a resolution approving the formation of the Maplewood Richmond Heights School District Building Corporation (Building Corporation) on June 19, 1992. The Building Corporation is organized under the not-for-profit provisions of Chapter 355, Missouri Revised Statutes, for the purpose of acting on behalf of the District in its acquisition, construction, improvements, extension, repair, remodeling, renovation, and financing of public school sites, buildings, structures, facilities, furnishings and equipment for use of the District for school purposes.

The District has executed a lease purchase agreement under which the Building Corporation leases the facilities to the District. The lease is renewable annually solely at the option of the District, for an additional one-year up to a maximum lease term of nineteen renewal terms, with the final renewal term to expire no later than September 30, 2030.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

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The District covenanted and agreed to make rental payments to the financial institution, as assignee of the Building Corporation's interest, during the original lease term and each renewal term, in the amounts and dates set forth in the payment schedule. Each rental payment is in consideration for the use of the facilities by the District. Future rental payments are considered immaterial to the District.

As discussed in Note 1, the Building Corporation has been determined to be a component unit of the District under criteria established by the Governmental Accounting Standards Board.

The annual requirements to amortize the capital lease outstanding are as follows at June 30, 2016:

Year ending June 30,	Principal	Interest	Total
2017	\$ 20,000	\$ 20,306	\$ 40,306
2018	20,000	19,482	39,482
2019	20,000	18,656	38,656
2020	25,000	17,831	42,831
2021	25,000	16,800	41,800
2022-2026	135,000	66,413	201,413
2027-2030	175,000	28,613	203,613
	<u>\$ 420,000</u>	<u>\$ 188,101</u>	<u>\$ 608,101</u>

### NOTE 6 – RETIREMENT PLANS

The District contributes to the Public School Retirement System of Missouri (PSRS), a cost-sharing multiple-employer defined benefit pension plan. PSRS provides retirement and disability benefits to full-time (and certain part-time) certificated employees and death benefits to members and beneficiaries. Positions covered by PSRS are not covered by Social Security. PSRS benefit provisions are set forth in Chapter 169.010-.141 of the Missouri Revised Statutes. The statutes assign responsibility for the administration of the system to a seven member Board of Trustees. PSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: The Public School Retirement System of Missouri, P.O. Box 268, Jefferson City, Missouri 65102 or by calling 1-800-392-6848.

PSRS members are required to contribute 14.5% of their annual covered salary and the District is required to contribute a matching amount. The contribution requirements of members and the District are established and may be amended by the PSRS Board of Trustees. The District's contributions to PSRS for the years ended June 30, 2016, 2015, and 2014 were \$1,159,391, \$1,216,944 and \$1,140,661, respectively, equal to the required contributions.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

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The District also contributes to the Public Education Employee Retirement System of Missouri (PEERS), a cost-sharing multiple-employer defined benefit pension plan. PEERS provides retirement and disability benefits to employees of the District who work 20 or more hours per week and who do not contribute to PSRS. Positions covered by PEERS are also covered by Social Security. Benefit provisions are set forth in Chapter 169.600-.715 of the Missouri Revised Statutes. The statutes assign responsibility for the administration of the system to the Board of Trustees of PSRS. PEERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: The Public Education Employee Retirement System of Missouri, P.O. Box 268, Jefferson City, Missouri 65102 or by calling 1-800-392-6848.

PEERS members are required to contribute 6.86% of their annual covered salary and the District is required to contribute a matching amount. The contribution requirements of members and the District are established and may be amended by the Board of Trustees. The District's contributions to PEERS for the years ended June 30, 2016, 2015, and 2014 were \$225,831, \$227,354 and \$246,207, respectively, equal to the required contributions.

### NOTE 7 – EMPLOYEE BENEFIT PLANS

The District offers its employees various tax-sheltered annuity programs created in accordance with Internal Revenue Code Section 403(b). The plans, available to all District employees, permit them to defer a portion of their salary for retirement. The District also offers a Section 125 Cafeteria Plan to all employees. Under this plan, the deferred portion can be used to purchase health insurance benefits or dependent care.

### NOTE 8 – OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Notes 6 and 7, the District allows employees who retire from the District to participate in the District's health and dental insurance plans. The retirees must pay 100% of their coverage. Retirees received medical benefits totaling approximately \$165,811. The District finances these benefits on a pay-as-you-go basis.

### NOTE 9 – INSURANCE PROGRAM

The District, along with various other local school districts, participates in the Missouri United School Insurance Council ("MUSIC"), an insurance association for workers' compensation, general liability, and property and casualty insurance. The purpose of MUSIC is to distribute the cost of self-insurance over similar entities. MUSIC requires an annual premium payment to cover estimated claims payable and reserves for claims from each entity. The members of MUSIC have no legal interest in the assets, liabilities, or fund balances of the insurance association. However, the District retains a contingent liability to fund its pro rata share of any deficit incurred by MUSIC should it cease operations at some future date. The District's premium assessment from MUSIC for the year ended December 31, 2016, was \$234,393.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

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### NOTE 10 – COMMITMENTS AND CONTINGENCIES

#### Compensated Absences

Vacation time, personal days and sick leave are considered expenditures in the year paid. Unused sick time vests for staff with ten or more years of service. The amount of unpaid sick leave, which is not included in the accompanying financial statements, has not been calculated by the District.

### NOTE 11 – INTERFUND TRANSFER

During the year, the District transferred \$6,537,842 to the Special Revenue Fund and \$470,000 to the Capital Projects Fund from the General Fund to eliminate a deficit fund balance in these funds before current year bond issue.

**MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -  
BUDGET AND ACTUAL - GENERAL FUND - UNAUDITED  
Year ended June 30, 2016**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
<b>Revenues</b>				
Local	\$ 7,885,783	\$ 13,565,432	\$ 13,560,288	\$ (5,144)
County	153,745	168,245	165,652	(2,593)
State	479,807	320,098	325,453	5,355
Federal	399,000	493,768	471,950	(21,818)
Other	175,000	11,097	11,098	1
Total revenues	9,093,335	14,558,640	14,534,441	(24,199)
<b>Expenditures</b>				
Current				
Instruction	1,291,794	973,052	934,721	38,331
Attendance	-	56,593	56,593	-
Guidance	316,295	230,427	214,433	15,994
Health services	164,661	146,800	144,290	2,510
Improvement of instruction	128,959	208,792	202,145	6,647
Professional development	136,800	17,670	9,343	8,327
Media services	22,500	19,760	19,760	-
Board of Education services	90,727	131,286	130,582	704
Executive administration	243,316	231,365	231,365	-
Building level administration	370,449	391,495	391,931	(436)
Operation of plant	1,928,391	1,941,279	1,934,726	6,553
Pupil transportation	355,387	478,841	479,427	(586)
Food services	630,670	639,641	625,960	13,681
Business and central services	1,651,266	1,169,341	1,168,510	831
Security services	20,600	32,470	32,470	-
Community services	259,186	472,270	464,384	7,886
Debt service				
Other charges	-	1,265	1,265	-
Total expenditures	7,611,001	7,142,347	7,041,905	100,442
Excess of revenues over expenditures	1,482,334	7,416,293	7,492,536	76,243
Other financing uses				
Transfers to general fund	(1,914,901)	(7,349,733)	(7,007,842)	341,891
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (432,567)</b>	<b>\$ 66,560</b>	<b>484,694</b>	<b>\$ 418,134</b>
Fund balance at July 1, 2015			2,615,218	
Fund balance at June 30, 2016			<u>\$ 3,099,912</u>	

See notes to supplementary information.

**MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND - UNAUDITED  
Year ended June 30, 2016**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues				
Local	\$ 6,602,519	\$ 1,484,793	\$ 1,488,652	\$ 3,859
County	101,500	11,705	11,705	-
State	938,929	950,642	950,642	-
Federal	157,000	389,248	371,646	(17,602)
Other	-	220,000	206,229	(13,771)
Total revenues	<u>7,799,948</u>	<u>3,056,388</u>	<u>3,028,874</u>	<u>(27,514)</u>
Expenditures				
Current				
Instruction	6,829,498	6,968,705	6,952,840	15,865
Guidance	509,529	513,362	513,362	-
Improvement of instruction	62,211	48,389	48,389	-
Professional development	44,032	-	-	-
Media services	150,310	99,367	99,367	-
Executive administration	372,801	377,926	377,926	-
Building level administration	969,756	947,424	947,424	-
Business and central services	272,910	276,040	276,040	-
Community services	-	351,368	351,368	-
Total expenditures	<u>9,211,047</u>	<u>9,582,581</u>	<u>9,566,716</u>	<u>15,865</u>
Excess of revenues under expenditures	(1,411,099)	(6,526,193)	(6,537,842)	(11,649)
Other financing sources				
Transfers from other funds	<u>1,411,099</u>	<u>6,879,733</u>	<u>6,537,842</u>	<u>(341,891)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 353,540</u>	<u>-</u>	<u>\$ (353,540)</u>
Fund balance at July 1, 2015			<u>-</u>	
Fund balance at June 30, 2016			<u>\$ -</u>	

See notes to supplementary information.

**MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -  
BUDGET AND ACTUAL - DEBT SERVICE FUND - UNAUDITED  
Year ended June 30, 2016**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues				
Local	\$ 4,197,450	\$ 3,855,834	\$ 3,711,756	\$ (144,078)
County	80,000	94,225	94,493	268
Federal	-	237,303	237,303	-
Total revenues	<u>4,277,450</u>	<u>4,187,362</u>	<u>4,043,552</u>	<u>(143,810)</u>
Expenditures				
Debt service				
Principal retirement	1,977,005	1,977,005	1,900,000	77,005
Interest and other charges	1,568,675	1,638,103	1,666,136	(28,033)
Total expenditures	<u>3,545,680</u>	<u>3,615,108</u>	<u>3,566,136</u>	<u>48,972</u>
Excess of revenues over (under) expenditures	731,770	572,254	477,416	(94,838)
Other financing sources (uses)				
Proceeds from sale of refunding bonds	11,097	206,229	8,120,000	7,913,771
Premium on issuance of refunding bonds	-	-	727,737	727,737
Payments to refunded bond escrow agent	-	-	(8,743,199)	(8,743,199)
Total other financing sources (uses)	<u>11,097</u>	<u>206,229</u>	<u>104,538</u>	<u>(101,691)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 742,867</u>	<u>\$ 778,483</u>	581,954	<u>\$ (196,529)</u>
Fund balance at July 1, 2015			<u>2,878,075</u>	
Fund balance at June 30, 2016			<u>\$ 3,460,029</u>	

See notes to supplementary information.

**MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -  
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND - UNAUDITED  
Year ended June 30, 2016**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues				
Local	\$ 281,794	\$ 292,355	\$ 24,055	\$ (268,300)
State	-	200,000	200,000	-
Other	-	500	7,830	7,330
Total revenues	<u>281,794</u>	<u>492,855</u>	<u>231,885</u>	<u>(260,970)</u>
Expenditures				
Instruction	-	-	1,949	(1,949)
Operation of plant	-	-	107,539	(107,539)
Business and central services	-	-	327,543	(327,543)
Capital outlay	5,597,865	881,985	375,540	506,445
Debt service				
Principal retirement	20,000	20,000	-	20,000
Interest and other charges	21,406	99,278	88,850	10,428
Total expenditures	<u>5,639,271</u>	<u>1,001,263</u>	<u>901,421</u>	<u>99,842</u>
Excess of revenues under expenditures	(5,357,477)	(508,408)	(669,536)	(161,128)
Other financing sources				
Transfers from general fund	503,803	470,000	470,000	-
Proceeds from sale of bonds	6,100,000	6,100,000	6,100,000	-
Premium on issuance of bond	-	-	256,793	256,793
Total other financing sources	<u>6,603,803</u>	<u>6,570,000</u>	<u>6,826,793</u>	<u>256,793</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,246,326</u>	<u>\$ 6,061,592</u>	6,157,257	<u>\$ 95,665</u>
Fund balance at July 1, 2015			<u>48,464</u>	
Fund balance at June 30, 2016			<u>\$ 6,205,721</u>	

See notes to supplementary information.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## NOTES TO SUPPLEMENTARY INFORMATION

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### NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

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

1. In accordance with Chapter 67 RSMo, the District adopts a budget for each fund.
2. Prior to July, the Superintendent, who serves as the budget officer, submits to the Board of Education a proposed budget for the fiscal year beginning on the following 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. Prior to July 1, the budget is legally enacted by a vote of the Board of Education.
5. Subsequent to its formal approval of the budget, the Board of Education has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.
6. Budgets are adopted on the modified cash basis of accounting for all governmental funds.



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

Board of Education  
Maplewood Richmond Heights School District

We have examined management's assertions included in its representation letter dated November 10, 2016, that Maplewood Richmond Heights School 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 listed in the schedule of selected statistics for the year ended June 30, 2016.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on management's assertions about the District's compliance based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, include 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 examination does not provide a legal determination on the District's compliance with specified requirements.

**Opinion on Compliance with State Requirements**

In our opinion, management's assertions that Maplewood Richmond Heights School District complied with the aforementioned requirements for the year ended June 30, 2016, 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 is not intended to be and should not be used by anyone other than these specified parties.

*Kerber, Eck & Braeckel LLP*

St. Louis, Missouri  
November 10, 2016

Other Locations

Belleville, IL • Carbondale, IL • Columbia, IL • Litchfield, IL • Springfield, IL • Cape Girardeau, MO • Milwaukee, WI

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## SCHEDULE OF SELECTED STATISTICS – UNAUDITED

Type of audit performed: Yellow Book:     X     Single Audit:     X    

### 1. Calendar (Sections 160.041 and 171.031, RSMo)

A. 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:

Grades K through 1	1,187.65 hours
Grades 2 through 6	1,187.30 hours
Grades 7 through 8	1,136.50 hours
Grades 9 through 12	1,130.30 hours

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

Grades K through 1	174 days
Grades 2 through 6	174 days
Grades 7 through 8	174 days
Grades 9 through 12	174 days

### 2. Average Daily Attendance (ADA)

Regular term	Full-Time & Part-Time	Remedial	Total
Grades K through 1	229.167	-	229.167
Grades 2 through 6	489.235	-	489.235
Grades 7 through 8	163.911	-	163.911
Grades 9 through 12	253.215	-	253.215
Subtotal - Regular Term	1,135.528	-	1,135.528
Summer School - Resident	12.917	-	12.917
Total Regular Term Plus Summer School ADA	1,148.445	-	1,148.445

### 3. September Membership

	Full-Time & Part Time	Deseg In	Federal Lands	Total	Deseg Out
September resident membership	1,186.67	-	-	1,186.67	-

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## SCHEDULE OF SELECTED STATISTICS – UNAUDITED

### 4. Free and Reduced Priced Lunch FTE Count

	Full-Time & Part-Time	Deseg In	Total
State FTE Total			
Free	465.06	-	465.06
Reduced	95.01	-	95.01
Total	560.07	-	560.07

### 5. Finance

- A. As required by Section 162.401, RSMo, a bond was purchased for the schools' 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 approve a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected date for the projects to be undertaken. N/A
- F. The district published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo. True
- 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: \$9,343

All above "False" answers must be supported by a finding or management letter comment.

Findings #: N/A

Management Letter Comment #: N/A

**MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT**

**SCHEDULE OF SELECTED STATISTICS – UNAUDITED**

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**6. Transportation**

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	<u>468</u>
▪ Ineligible ADT	<u>104.5</u>

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: 59,785

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	<u>38,988</u>
▪ Ineligible Miles (Non-Route/Disapproved)	<u>20,797</u>

F. Number of days the district operated the school transportation system during the regular school year: 174

All above "False" answers must be supported by a finding or management letter comment.

Findings #: N/A

Management Letter Comment #: N/A



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

Board of Education  
Maplewood Richmond Heights School District

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 aggregate remaining fund information of Maplewood Richmond Heights School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Maplewood Richmond Heights School District's basic financial statements, and have issued our report thereon dated November 10, 2016. Our report on the basic financial statements disclosed that, as described in Note 1 to the financial statements, the District prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiency may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiency in internal control that we consider to be material weaknesses and significant deficiencies.

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Other Locations

Belleville, IL • Carbondale, IL • Columbia, IL • Litchfield, IL • Springfield, IL • Cape Girardeau, MO • Milwaukee, WI

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs at finding 16-01 to be a material weakness.

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.

### **Compliance and Other Matters**

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

### **Maplewood Richmond Heights School District's Response to Finding**

Maplewood Richmond Heights School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Maplewood Richmond Heights School 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kerber, Eck & Bueckel LLP*

St. Louis, Missouri  
November 10, 2016



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## **Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Education  
Maplewood Richmond Heights School District

### **Report on Compliance for Each Major Federal Program**

We have audited Maplewood Richmond Heights School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Maplewood Richmond Heights School District's major federal programs for the year ended June 30, 2016. Maplewood Richmond Heights School District's major federal programs are identified in the summary of auditors' 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Maplewood Richmond Heights School 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 Maplewood Richmond Heights School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## **Opinion on Each Major Federal Program**

In our opinion, Maplewood Richmond Heights School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Kerber, Eck & Braeckel LLP*

St. Louis, Missouri  
November 10, 2016

**MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year ended June 30, 2016**

Federal Grantor Pass-through Grantor Cluster Title/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	<u>Expenditures</u>
U.S. Department of Agriculture			
Passed-through Missouri Department of Elementary and Secondary Education:			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	096-107	\$ 149,271
National School Lunch Program			
Cash assistance	10.555	096-107	289,911
Non-cash assistance (food distribution)	10.555	096-107	27,266
Total National School Lunch Program			<u>317,177</u>
Total U.S. Department of Agriculture			466,448
U.S. Department of Education			
Passed-through Missouri Department of Elementary and Secondary Education:			
Title I Part A, Grants to Local Educational Agencies	84.010	096-107	226,292
Title II Part A, Improving Teacher Quality State Grants	84.367	096-107	65,435
State-Wide Collaborative Work Initiative	84.027	096-107	15,000
Total U.S. Department of Education			<u>306,727</u>
U.S. Department of Health and Human Services			
Passed-through Young Women's Christian Association of Metropolitan St. Louis, Missouri			
Head Start	93.600	N/A	<u>102,398</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 875,573</u></u>

The accompanying notes are an integral part of this schedule.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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### NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Maplewood Richmond Heights School District (the District) under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position and changes in financial position of the District.

### 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 expenditures are not allowable or are limited as to reimbursement.

The District has not elected to use the 10 percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

### NOTE 3 – SUBRECIPIENTS

There have been no awards passed through to subrecipients.

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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### SECTION I – SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of report issued on financial statements: Unmodified opinion

Internal control over financial reporting:

Material weaknesses identified? Yes

Significant deficiencies identified that are not considered to be material weaknesses? No

Noncompliance material to the financial statements noted? No

#### Federal Awards

Internal control over major programs:

Material weakness identified? No

Significant deficiencies identified that are not considered to be material weaknesses? No

Type of auditors' report issued on compliance for major programs: Unmodified opinion

Any audit findings disclosed that are required to be reported under 2 CFR Section 200.516(a) of the Uniform Guidance? No

The programs tested as a major program are as follows:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster

The dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? No

# MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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### SECTION II – FINANCIAL STATEMENT FINDINGS

#### **Finding 16-01**

##### **Condition:**

There is a lack of segregation of duties in the accounting department due to its small size. During the audit period one employee in the finance department was responsible for preparing journal entries, preparing bank reconciliations, and had complete access to the general ledger. In addition, purchase orders are not consistently approved before purchases are invoiced.

##### **Criteria:**

Internal controls should be properly segregated to safeguard assets and help detect losses due to intentional or unintentional error. Purchase orders should go through the appropriate approval process prior to purchases being made in accordance with the District's purchasing policy.

##### **Cause:**

The finance department's internal controls are not properly segregated and followed to safeguard assets and help detect losses.

##### **Effect:**

There is a risk that material misstatements in the financial statements could occur and go undetected and that unauthorized purchases could be made.

##### **Recommendation:**

We recommend that the processes and procedures in the finance department be reviewed and updated to ensure internal controls are sufficient to accurately report financial data.

##### **Management's Response:**

The District acknowledges that due to the size of the accounting office, only three staff members, segregation of duties for proper internal control standards is an issue. Due to the limited number of staff members, the District utilizes a risk-based approach to segregation of duties in order to minimize the greatest threats to assets and the financial statement. The District will review the accounting office's processes for ways to improve internal controls with a focus on the purchasing process.

**MAPLEWOOD RICHMOND HEIGHTS SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings and questioned costs related to Federal awards.