

WARREN COUNTY R-III SCHOOL DISTRICT
WARREN COUNTY, MISSOURI
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2016

WARREN COUNTY R-III SCHOOL DISTRICT

TABLE OF CONTENTS

<u>FINANCIAL SECTION</u>	PAGE
Independent Auditor's Report.....	1-2
Management's Discussion and Analysis.....	3-11
 <u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements:	
Statement of Net Position – Modified Cash Basis.....	12
Statement of Activities – Modified Cash Basis.....	13
Fund Financial Statements – Governmental Funds:	
Balance Sheet – Modified Cash Basis - All Governmental Funds.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis - All Governmental Funds.....	15
Reconciliation of the Governmental Funds Balance Sheet with the Government-Wide Statement of Net Position – Modified Cash Basis.....	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances with the Government-Wide Statement of Activities – Modified Cash Basis	17
Notes to Financial Statements	18-38
 <u>SUPPLEMENTARY INFORMATION</u>	
Budgetary Comparison Schedule – Modified Cash Basis – General Fund	39
Budgetary Comparison Schedule – Modified Cash Basis – Special Revenue Fund.....	40
Budgetary Comparison Schedule – Modified Cash Basis – Debt Service Fund.....	41
Budgetary Comparison Schedule – Modified Cash Basis – Capital Projects Fund.....	42
Budgetary Comparison Schedule – Modified Cash Basis – All Governmental Funds.....	43
Notes to Budgetary Comparison Schedules.....	44
Other Post-Employment Benefits.....	45

WARREN COUNTY R-III SCHOOL DISTRICT

TABLE OF CONTENTS

STATE COMPLIANCE SECTION

Independent Accountant's Report on Management's Assertions About Compliance with Specified Requirements of Missouri State Laws and Regulations.....	46
Schedule of Selected Statistics.....	47-49
Schedule of State Findings.....	50

FEDERAL COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	51-52
Report on Compliance for Each Major Federal Program and Report On Internal Control over Compliance Required by the Uniform Guidance.....	53-54
Schedule of Expenditures of Federal Awards.....	55
Notes to the Schedule of Expenditures of Federal Awards.....	56-57
Schedule of Findings and Questioned Costs.....	58-59
Summary Schedule of Prior Year Findings.....	60

FINANCIAL SECTION



Daniel Jones & Associates

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

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Education
Warren County R-III School District

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of Warren County R-III School District ("District"), Missouri, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the District as of June 30, 2016, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note I.

Basis of Accounting

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

Other Matters

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedules and the schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules presented on pages 39 through 43 and the schedule of expenditures of federal awards presented on page 55 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The management's discussion and analysis on pages 3 through 11 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Daniel Jones & Associates

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

November 3, 2016

BASIC FINANCIAL STATEMENTS

WARREN COUNTY R-III SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

The Management's Discussion and Analysis (MD&A) of Warren County R-III School District's (the District) financial performance provides an overview and analysis of the District's 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. Additional information on the District's modified cash basis of accounting can be found in the notes to the financial statements.

The MD&A is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 issued in 1999 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Certain comparative information between the current year, 2015-16 (FY16), and the prior year, 2014-15 (FY15), is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2016 are as follows:

- In total, net assets increased \$1,406,970, which represents a 7.29 percent increase from 2015.
 - General revenues accounted for \$30,902,380* in revenue or 85.41 percent of all revenues. Program specific revenues in the form of charges for services and operating and capital grants and contributions accounted for \$5,278,940* or 14.59 percent of total revenues of \$36,181,319*.
- The District had \$34,774,350* in expenses, which represents a \$1,336,991 increase from FY 2015 or a 4.00 percent increase in expenses.
- The District had a \$10,000,000 general obligation bond issue on June 16, 2016.

* Less 2016 general bond issue

WARREN COUNTY R-III SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

Financial Highlights - Continued

- Among major funds, the General Fund had \$14,402,795 in revenues and \$13,340,648 in expenditures. The General Fund's balance increased by \$185,098 throughout FY16. The District transferred \$340,049 and \$537,000 from the General Fund to the Special Revenue (Teachers') Fund and the Capital Projects Fund, respectively. The Special Revenue Fund continues to maintain a zero fund balance through transfers from the General Fund.

Using this Annual Report

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.

The government-wide financial statements, consisting of the Statement of Net Assets – modified cash basis and the Statement of Activities – modified cash basis (see pages 12 and 13), provide highly consolidated financial information and render a government-wide perspective of the District's modified cash basis financial condition. They present an aggregate view of the District's basic 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 assets (modified cash basis) for the year, the reader may ascertain whether the District's modified cash basis 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 a more in-depth reporting of the District's modified cash basis financial position and changes in modified cash basis financial position, fund financial information is presented in the "Fund Financial Statements" section beginning on page 14. These fund financial statements, which should be familiar to those who have read previous governmental financial statements, report governmental activities indicating modified cash basis sources and uses of funding.

WARREN COUNTY R-III SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

Using this Annual Report - Continued

Fund financial statements also provide more in-depth data on the District's most significant funds: General Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Fund. These funds are considered "major funds" under GASB Statement No. 34. 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 assets of the District were \$20,713,568 at June 30, 2016, compared to net assets of \$19,306,597 at June 30, 2015. Net assets of the District consist of the following at June 30:

	<u>FY2016</u>	<u>FY2015</u>
Non-spendable	\$ 0	\$ 0
Restricted	12,729,132	11,941,762
Committed	0	0
Assigned	1,836,682	1,208,676
Unassigned	<u>6,147,753</u>	<u>6,156,159</u>
 Total net assets	 \$ <u>20,713,567</u>	 \$ <u>19,306,597</u>

The restricted net assets are obligated for the acquisition or construction of major capital assets and all other capital outlay, payment of principal and interest on general obligation bonds, for professional development, food service, and scholarships/memorial funds.

WARREN COUNTY R-III SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

Governmental Activities

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

	<u>2016</u>	<u>2015</u>
Revenues collected		
Program revenues		
Charges for services	\$ 1,373,336	\$ 1,410,356
Operating grants and contributions	3,897,093	4,203,144
Capital grants and contributions	8,511	30,064
General revenues		
Taxes	15,711,265	15,303,816
Grants and entitlements	14,402,966	12,531,230
Interest and investment earnings	788,149	37,658
Proceeds of refunding bonds issued	<u>10,000,000</u>	<u>10,000,000</u>
Total revenues collected	<u>46,181,319</u>	<u>43,516,268</u>
Expenses paid		
Instruction	18,499,242	16,890,796
Student services	1,151,541	1,117,067
Instructional staff support	1,022,989	1,124,634
Building administration	2,112,003	2,063,569
General administration and central services	2,169,005	2,101,767
Operation of plant	2,949,535	2,919,551
Security services	56,493	58,745
Pupil transportation	2,190,812	1,987,482
Food service	1,491,725	1,548,054
Community services	453,871	365,580
Facility acquisition and construction	34,288	42,048
Principal, interest and fiscal charges	<u>12,642,845</u>	<u>3,218,066</u>
Total expenses paid	<u>44,774,350</u>	<u>33,437,358</u>
Changes in net assets	1,406,970	10,078,908
Net assets at beginning of year	<u>19,306,598</u>	<u>9,227,689</u>
Net assets at end of year	<u>\$ 20,713,567</u>	<u>\$ 19,306,597</u>

WARREN COUNTY R-III SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

Governmental Activities - Continued

As reflected on the previous page, the expenses of the District's governmental activities for the years ended June 30, 2016 and 2015, of \$46,181,319 and \$43,516,268, respectively, are not all borne by the taxpayers of the District. Of these amounts \$1,373,336 and \$1,410,356 were paid by those who benefited from the services rendered (i.e., charges for school lunches) and \$3,897,093 and \$4,203,144 were paid through federal and state operating and capital grants and contributions for the years ended June 30, 2016 and 2015, respectively.

Governmental Funds Financial Analysis

The District uses funds to control and manage money for particular purposes (i.e., 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 financial workings of the District and further assess the District's financial health.

The District completed the fiscal year ended June 30, 2016 with a combined fund balance for governmental funds (as presented in the Balance Sheet - modified cash basis on page 14) of \$20,713,567, as compared to a combined fund balance of \$19,306,598 as of June 30, 2015, an increase of \$1,406,970.

The fund balance of the Operating Funds (General and Special Revenue) increased by \$185,098 as compared to an increase of \$372,143 the previous year. The increase in FY16 was due to conservative spending in all departments throughout the District.

The fund balance of the Debt Service Fund decreased \$10,104,174 in FY16 and increased \$9,933,903 in FY15. The decrease in FY16 was due to the retirement of a crossover refunding bond. The increase in FY15 was due to the retainage of that same crossover refunding bond during the fiscal year.

The \$1,406,606 balance of the Debt Service Fund is legally restricted for payment of bond principal, interest and related fees.

The fund balance of the Capital Projects Fund increased by \$11,326,046 in FY16. In contrast, the fund balance of the Capital Projects Fund in FY15 decreased by \$227,138. The increase in the Capital Projects Fund for FY16 is due to the revenue received from the issuance of the 2016 General Obligation Bonds. The District will continue to be conservative in the Capital Projects Fund in preparation for facility improvements/additions in future years.

WARREN COUNTY R-III SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

Governmental Funds Financial Analysis - Continued

The major source of revenue for operations, debt service and capital improvements is local property taxes amounting to \$11,191,367. This is derived from the District's operating levy of \$3.4852, debt service levy of \$0.6189 and capital projects levy of \$0.0814 for a total levy of \$4.1855. Other significant local revenues are sales tax of \$3,040,504, Financial Institution Tax of \$46,988, M&M Surtax of \$230,075, In Lieu of Tax of \$224,046, earnings on investments of \$80,838, food service of \$411,595, student activities of \$586,852 and community services and miscellaneous of \$374,889.

County revenues are derived from state assessed utility property of \$827,159 and county fines of \$151,126.

Total state funding which makes up 34.6% of total revenues collected increased from the prior year by \$1,900,530 to \$15,982,806. The majority of the state revenue comes from basic formula, transportation and early childhood special education.

Federal funding which makes up 5.0% of total revenues collected decreased to \$2,317,253 from \$2,652,098 the previous year. The majority of the federal revenues for FY16 are from the Title program reimbursements of \$561,197, special education of \$344,729 and child nutrition programs of \$1,226,562.

Total governmental funds expenditures paid were \$44,774,648 for the year compared to \$33,437,359 the previous year. The General Fund accounts for \$13,340,592 or 29.8% of the total expenditures. The Special Revenue (Teachers') Fund accounts for \$18,209,171 or 40.7% of total expenditures and consists of certificated teacher salaries and benefits. Debt Service Fund expenditures of \$11,912,084 or 26.6% of total expenditures, are for principal and interest on general obligation bonds. This includes a crossover refunding bond issue for \$10,000,000 in FY16. Capital Projects Fund expenditures of \$1,312,447, or 2.9% of total expenditures, are for construction projects, facility repairs, equipment, purchase of property and base rentals required to be paid for Lease Certificates of Participation.

WARREN COUNTY R-III SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

Governmental Funds Financial Analysis - Continued

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			
	<u>2016</u>	<u>%</u>	<u>2015</u>	<u>%</u>
Local	\$ 16,894,465	36.6%	\$ 15,770,761	36.2%
County	978,285	2.1%	981,067	2.3%
State	15,982,806	34.6%	14,082,276	32.4%
Federal	2,317,253	5.0%	2,652,098	6.1%
Other	<u>10,008,511</u>	21.7%	<u>10,030,064</u>	23.0%
	<u>\$ 43,516,268</u>	100.0%	<u>\$ 43,516,268</u>	100.0%
	Expenditures paid			
	<u>2016</u>	<u>%</u>	<u>2015</u>	<u>%</u>
Instruction	\$ 18,499,242	41.3%	\$ 16,902,177	41.2%
Support services	13,144,404	29.4%	12,862,045	31.0%
Capital outlay	34,288	0.1%	42,048	2.3%
Debt service	12,642,845	28.2%	13,385,179	24.6%
Community service and other	<u>453,871</u>	1.0%	<u>365,580</u>	0.9%
	<u>\$ 44,774,650</u>	100.0%	<u>43,557,029</u>	100.0%

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 or 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 11, 2015 and the final budget amendment was adopted on June 23, 2016.

WARREN COUNTY R-III SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

Budgetary Highlights - Continued

Schedules comparing fund revenues and expenditures to the original and final budgets are provided on pages 39 and 40 for the General Fund and Special Revenue Fund. General Fund revenues were higher than the original budget due to the collection of local property taxes and state basic formula payments being higher than anticipated. The General Fund expenditures were lower than the original budget due to cuts made to expenditures in the budget during the year.

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 \$23,685,000 after principal reductions of \$1,200,000 made during the year.

State statutes limit the amount of general obligation debt a school district may issue to 15% of assessed valuation. The debt limitation is \$40,912,505 at June 30, 2016, based on the December 31, 2015 assessed values.

The District has lease certificates of participation with outstanding balances totaling \$2,360,000 at June 30, 2016.

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 IV.

WARREN COUNTY R-III SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

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. 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 throughout the year.

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

- On assessed valuation of real estate, calendar year 2016 is a reassessment year. However, the District is estimating taxes from assessed valuations will not fluctuate significantly. The District will continue to closely monitor assessed valuations in the future.
- State formula and classroom trust revenues are projected to increase approximately \$425,000 for 2016-17. The state formula/classroom trust calculation is based on the highest of the prior three year's weighted average daily attendance which is calculated using enrollment and attendance. The enrollment is projected to remain relatively constant or increase slightly over the next several years.
- The Governor withheld several million dollars from the 2016-17 state K-12 budget. The bulk will affect transportation in the amount of \$16.5M. In addition, \$6.0M was withheld from the Foundation Formula and another \$1.9M from Prop C. This will, in turn, influence the district's state revenue projections.

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Warren County R-III School District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report, please contact Tony Chance, Director of Finance at the Administrative Office.

Warren County R-III School District
Statement of Net Position - Modified Cash Basis
As of June 30, 2016

	<u>Governmental Activities</u>
Assets	
Current Assets:	
Cash and Cash Equivalents (Note II)	\$ 18,962,577.89
Total Current Assets	<u>18,962,577.89</u>
Restricted Assets:	
Debt Service	
Cash	<u>1,469,545.55</u>
Total Restricted Assets	<u>1,469,545.55</u>
Total Assets	<u>\$ 20,432,123.44</u>
Liabilities	
Payroll Liabilities	25,499.18
Net Position	
Restricted for:	
Debt Service	1,469,545.55
Unrestricted	<u>18,937,078.71</u>
Total Net Position	<u>20,406,624.26</u>
Total Net Position and Liabilities	<u>\$ 20,432,123.44</u>

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

Warren County R-III School District
Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 18,510,622.40	\$ 4,010.63	\$ 15,995,357.86	\$ -	\$ (2,511,253.91)
Attendance	3,942.68	-	-	-	(3,942.68)
Guidance	754,800.46	-	-	-	(754,800.46)
Health, Psych Speech and Audio	392,797.45	-	-	-	(392,797.45)
Improvement of Instruction	471,399.18	-	542,434.87	-	71,035.69
Professional Development	126,604.21	-	-	-	(126,604.21)
Media Services (Library)	428,133.41	-	-	-	(428,133.41)
Board of Education Services	101,146.10	-	-	-	(101,146.10)
Executive Administration	1,744,833.01	-	-	-	(1,744,833.01)
Building Level Administration	2,112,003.31	-	-	-	(2,112,003.31)
Operation of Plant	2,949,534.96	-	-	-	(2,949,534.96)
Pupil Transportation	2,190,811.51	-	386,060.00	-	(1,804,751.51)
Food Services	1,491,725.30	411,595.00	1,261,518.02	-	181,387.72
Community Services	453,870.55	87,087.64	-	-	(366,782.91)
Capital Outlay	34,288.08	-	-	-	(34,288.08)
Debt Service:					
Principal Retirement	11,895,000.00	-	-	-	(11,895,000.00)
Interest and Fiscal Charges	747,845.00	-	-	-	(747,845.00)
Total Governmental Activities	<u>\$ 45,081,292.70</u>	<u>\$ 502,693.27</u>	<u>\$ 18,185,370.75</u>	<u>\$ -</u>	<u>\$ (26,393,228.68)</u>

General Revenues:

Property Taxes, levied for general purposes	9,764,336.20
Property Taxes, levied for debt service	1,657,105.74
Other Taxes	1,533,120.60
Sale of Bonds	10,000,000.00
Prop C - Sales Tax	3,040,504.09
Federal, State and County aid not restricted to specific purposes	114,688.26
Interest and Investment earnings	788,148.75
Miscellaneous	595,351.67
Subtotal, General Revenues	<u>27,493,255.31</u>

Change in Net Position	1,100,026.63
Net Position, July 1, 2015	<u>19,306,597.63</u>
Net Position, June 30, 2016	<u>\$ 20,406,624.26</u>

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

Warren County R-III School District
Balance Sheet - Modified Cash Basis
All Governmental Funds
As of June 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents (Note II)	\$ 6,673,642.09	\$ -	\$ -	\$ 12,288,935.80	\$ 18,962,577.89
Restricted Cash - Debt Service	-	-	1,469,545.55	-	1,469,545.55
Total Assets	\$ 6,673,642.09	\$ -	\$ 1,469,545.55	\$ 12,288,935.80	\$ 20,432,123.44
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payroll Liabilities	25,499.18	-	-	-	25,499.18
Due to General Fund	-	-	-	-	0.00
Total Liabilities:	25,499.18	-	-	-	25,499.18
Fund Balances:					
Restricted for:					
Debt Service	-	-	1,469,545.55	-	1,469,545.55
Professional Development	1,452.25	-	-	-	1,452.25
Committed for:					
Stabilization Reserve	-	-	-	-	-
Assigned to:					
Capital Projects	-	-	-	12,288,935.80	12,288,935.80
Special Revenue Fund	-	-	-	-	-
Unassigned	6,646,690.66	-	-	-	6,646,690.66
Total Fund Balances	6,648,142.91	-	1,469,545.55	12,288,935.80	20,406,624.26
Total Liabilities and Fund Balances	\$ 6,673,642.09	\$ -	\$ 1,469,545.55	\$ 12,288,935.80	\$ 20,432,123.44

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

Warren County R-III School District
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis
All Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues					
Local Sources	\$ 10,724,829.01	\$ 3,049,777.53	\$ 1,692,737.55	\$ 1,427,120.72	\$ 16,894,464.81
County Sources	693,379.53	151,125.52	115,172.70	18,607.13	978,284.88
State Sources	1,620,186.61	13,715,355.63	-	647,264.23	15,982,806.47
Federal Sources	1,364,400.28	952,852.26	-	-	2,317,252.54
TOTAL REVENUES	14,402,795.43	17,869,110.94	1,807,910.25	2,092,992.08	36,172,808.70
Expenditures					
Current					
Regular Instruction	3,904,733.15	14,586,444.05	-	19,445.20	18,510,622.40
Attendance	3,942.68	-	-	-	3,942.68
Guidance	7,924.11	746,876.35	-	-	754,800.46
Health, Psych Speech & Audio	288,997.12	103,800.33	-	-	392,797.45
Improvement of Instruction	361,599.72	109,799.46	-	-	471,399.18
Professional Development	69,594.74	57,009.47	-	-	126,604.21
Media Services	70,242.12	357,891.29	-	-	428,133.41
Board of Education Services	101,146.10	-	-	-	101,146.10
Executive Administration	827,956.93	864,745.28	-	52,130.80	1,744,833.01
Building Level Administration	647,611.55	1,464,391.76	-	-	2,112,003.31
Business Central Services	613,100.71	103.78	-	-	613,204.49
Operation of Plant	2,751,686.14	-	-	197,848.82	2,949,534.96
Security Services	56,493.37	-	-	-	56,493.37
Pupil Transportation	1,914,302.52	-	-	276,508.99	2,190,811.51
Food Service	1,490,261.30	-	-	1,464.00	1,491,725.30
Central Office Support Services	2,237.23	-	-	-	2,237.23
Other Supporting Services	-	-	-	-	-
Community Services	236,630.73	217,239.82	-	-	453,870.55
Capital Outlay	-	-	-	34,288.08	34,288.08
Debt Service:					
Principal	-	-	11,200,000.00	695,000.00	11,895,000.00
Interest and Charges	-	-	712,084.38	35,760.62	747,845.00
Total Expenditures	13,348,460.22	18,508,301.59	11,912,084.38	1,312,446.51	45,081,292.70
Excess (deficiency) of revenues over expenditures	1,054,335.21	(639,190.65)	(10,104,174.13)	780,545.57	(8,908,484.00)
Other Financing Sources (Uses):					
Transfers	(1,176,180.02)	639,180.02	-	537,000.00	-
Sale of Bonds	-	-	-	10,000,000.00	10,000,000.00
Sale of School Buses	-	-	-	8,500.00	8,500.00
Contracted Educational Services	-	10.63	-	-	10.63
Total Other Financing Sources (Uses)	(1,176,180.02)	639,190.65	-	10,545,500.00	10,008,510.63
NET CHANGE IN FUND BALANCES	(121,844.81)	-	(10,104,174.13)	11,326,045.57	1,100,026.63
Fund Balances, July 1, 2015	6,769,987.72	-	11,573,719.68	962,890.23	19,306,597.63
Fund Balances, June 30, 2016	\$ 6,648,142.91	\$ -	\$ 1,469,545.55	\$ 12,288,935.80	\$ 20,406,624.26

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

Warren County R-III School District
Reconciliation of the Governmental Funds Balance Sheet
with the Government-Wide Statement of Net Position - Modified Cash Basis
June 30, 2016

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

Total Fund Balance - Governmental Funds	\$ 20,406,624.26
There are no items of reconciliation.	<u>-</u>
Total Net Position - Governmental Activities	<u><u>\$ 20,406,624.26</u></u>

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

Warren County R-III School District
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances with the Government-Wide Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2016

Total net change in fund balances - governmental funds	\$ 1,100,026.63
There are no items of reconciliation.	<u>-</u>
Change in net position of governmental activities	<u><u>\$ 1,100,026.63</u></u>

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

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Warren County R-III School District ("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.

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

A. Principles Determining the Scope of Reporting Entity

The financial statements of the District consist only of the funds of the District. The District has no financial accountability for any other governmental entity, since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective board. In addition, the District is not aware of any entity which would exercise such oversight which would result in the District being considered a component unit of the entity.

Excluded from the reporting entity:

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

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

Additionally, while the parent-teacher organizations of the District's schools are organizations that provide financial support exclusively to the District, they are not required to be included as a component unit because the amount of financial support provided is of a de minimis nature.

B. Fund Accounting

The accounts of the District are organized on the basis of legally established funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures/expenses on the modified cash basis of accounting. District resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types are used by the District:

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting (concluded)

1. Governmental Fund

Governmental Funds are those through which most of the District's functions are financed. The District's expendable financial resources are accounted for through Governmental Funds. The measurement focus is determined upon changes in the financial position rather than upon net income determination. The following are the District's governmental fund types, each of which the District considers to be a major fund.

General Fund

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

Special Revenue Fund

A special revenue fund accounts for revenues derived from specific taxes or other earmarked revenue sources. The special revenue fund accounts for expenditures for certified employees involved in administration and instruction, and includes revenues restricted by the state and local tax levy allocations for the payment of teacher salaries and certain benefits.

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, principal, interest and fiscal charges on long-term debt.

Capital Projects Fund

This fund is used to account for the proceeds of long-term debt, taxes and other revenues restricted for acquisition or construction of major capital assets and all other capital outlay.

C. Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities present financial information about the District as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

The statement of net position presents the financial condition of the governmental activities of the District at year-end. 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 (a) charges paid by the students for tuition, fees, or goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues not classified as *program revenues* are presented as general revenues and include all property taxes. 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 governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g., inventories and prepaids) or funds that legally or contractually must remain intact. The District did not have any nonspendable resources as of June 30, 2016.
- Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District held bonds and are restricted through debt covenants.
- Committed Fund Balance consists of funds that are set aside for a specific purpose by the District's highest level of decision making authority, which is the Board of Education. Formal action must be taken prior to the end of the fiscal year, such as a vote from the Board of Education. The same formal action must be taken to remove or change the limitations placed on the funds.

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (concluded)

Fund Financial Statements (concluded)

- Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the District's highest level of decision making authority, which is the Board of Education, or a body or official, like the Superintendent, that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance. This classification includes the remaining positive fund balance of all governmental funds except for the General Fund.
- Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

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

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General (Incidental) Fund	\$ -	\$ 1,452.25	\$ -	\$ -
Special Revenue				
(Teachers) Fund	-	-	-	-
Debt Service Fund	-	1,469,545.55	-	-
Capital Projects Fund	-	-	-	12,288,935.80
	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,288,935.80</u>
Total	\$ <u>-</u>	\$ <u>1,470,997.80</u>	\$ <u>-</u>	\$ <u>12,288,935.80</u>

D. Basis of Accounting

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

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (concluded)

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

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

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

E. Pooled Cash and Temporary Investments

Cash resources are combined to form a pool of cash and temporary investments which are managed by the District Treasurer, except resources from the Debt Service Fund, as state law requires these deposits to be separately maintained. Cash and cash equivalents have a maturity date of less than three months or are highly liquid. Investments have terms longer than three months and are not able to be liquefied easily.

The District may invest in United States Treasury-bills, notes, bonds, government agency and instrumental 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.

Interest income earned is allocated to contributing funds based on each funds' proportionate share of funds invested. In addition, see Note II, Cash and Investments.

F. Restricted Cash

Restricted cash represents amounts whose use is limited by legal requirements, and consists of amounts escrowed for future general obligation bond principal and interest payments in conjunction with the Missouri School District Direct Deposit Program as discussed in Note II and Note IV.

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

G. Fund Balance Reserves

The District reserves those portions of fund balance legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods.

H. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other 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.

I. Interfund Activity

Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

J. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

K. Inventories

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

L. Compensated Absences

Vacation time, personal sick days and sick leave are considered expenditures in the year paid. Amounts that are unpaid and which are vested in the employee are paid at termination.

M. Teachers' Salaries

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

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

II. CASH AND CASH EQUIVALENTS

The District maintains a cash and temporary investment pool that is available for use by all funds except the Debt Service Fund (State law requires that all deposits of the Debt Service Funds be kept separate and apart from all other funds of the District). Each fund type's portion of this pool is displayed on the combined balance sheet arising from cash transactions as "Cash and Investments" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At June 30, 2016, the carrying amount of the District's deposits was \$20,432,123.44, and the bank balance was \$20,501,842.31. Of the bank balance, \$385,906.93 was covered by collateral held at the Federal Reserve Bank of St. Louis, and the District's safekeeping bank agent, in the District's name, \$457,372.00 was secured through the MOHEFA program and \$19,658,563.38 was secured by pledged securities.

The deposits and investments held at June 30, 2016, and reported at fair market value are as follows:

TYPE	MATURITIES	FAIR MARKET VALUE
DEPOSITS:		
Demand Deposits	N/A	\$ 18,962,577.89
RESTRICTED CASH:		
MOHEFA Bond Program	N/A	457,372.00
Demand Deposits	N/A	1,012,173.55
Total Deposits		\$ 20,432,123.44

A. Custodial Credit Risk – Deposits

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

Custodial Credit Risk – Investments

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

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

II. CASH AND CASH EQUIVALENTS (concluded)

B. Summary of Carrying Values

The carrying values of deposits shown above are included in the financial statements at June 30, 2016, as follows:

Included in the following fund financial statement captions.

BALANCE SHEET – CASH, CASH EQUIVALENTS BALANCES

General Fund	\$	6,673,642.09
Special Revenue Fund		-
Debt Service Fund		1,469,545.55
Capital Projects Fund		<u>12,288,935.80</u>
TOTAL CASH	\$	<u>20,432,123.44</u>

III. TAXES

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

The District also receives sales tax collected by the State and remitted based on a prior year weighted average attendance. Districts are required to reduce the property tax levy by one-half the amount of sales tax estimated to be received in the subsequent calendar year, unless the District receives a Proposition C waiver. During November 1995, the patrons of the Warren County R-III School District voted full waiver of the Proposition C Rollback.

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

Real Estate:		
Residential	\$	164,118,231.00
Agricultural		8,642,808.00
Commercial		41,641,164.00
Personal Property:		<u>53,235,207.00</u>
TOTAL	\$	<u>267,637,410.00</u>

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

III. TAXES (concluded)

The tax levy per \$100 of the assessed valuation of tangible taxable property for the fiscal year 2015-16, for purposes of local taxation, was:

	<u>UNADJUSTED</u>	<u>ADJUSTED</u>
General Fund	\$ 3.4796	\$ 3.4796
Special Revenue Fund	0.0000	0.0000
Debt Service Fund	0.6189	0.6189
Capital Projects Fund	0.0814	0.0814
TOTAL	<u>\$ 4.1799</u>	<u>\$ 4.1799</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2016, aggregated approximately 100.04% of the current assessment computed on the basis of the levy as shown above.

IV. CHANGES IN LONG-TERM DEBT

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

	<u>GENERAL OBLIGATION BONDS</u>	<u>LEASE CERTIFICATES OF PARTICIPATION</u>
Long-Term Debt July 1, 2015	\$ 24,885,000.00	\$ 3,055,000.00
Add-Issued	10,000,000.00	-
Less-Payments	<u>(11,200,000.00)</u>	<u>(695,000.00)</u>
Long-Term Debt - June 30, 2016	<u>\$ 23,685,000.00</u>	<u>\$ 2,360,000.00</u>

Principal and interest on all bonded indebtedness is paid through the Debt Service Fund. Repayment of the bond issues are made through the Missouri Direct Deposit Program. Lease payments related to the Certificates of Participation are made by the Capital Projects Fund.

Bonds payable at June 30, 2016, consist of:

\$18,000,000 Original Principal of Warren County R-III School District General Obligation Bonds Series 2006 due in varying annual principal installments ranging from \$1,500,000 to \$1,700,000 through March 1, 2026. The interest rate is 4.750%. This issuance was paid off in March 2016 by the Series 2015 Refunding Bonds.

\$ -

\$6,085,000 Original Principal of Warren County R-III School District General Obligation Refunding Bonds Series 2014 due in varying annual principal installments ranging from \$900,000 to \$1,200,000 through March 1, 2020. The interest rate is variable from 0.400% to 1.550%.

3,685,000.00

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

IV. CHANGES IN LONG-TERM DEBT (continued)

Bonds payable at June 30, 2016 (concluded):

\$10,000,000 Original Principal of Warren County R-III School District General Obligation Refunding Bonds Series 2015 due in varying annual principal installments ranging from \$1,500,000 to \$1,700,000 through March 1, 2026. The interest rate is variable from 1.600% to 2.350%. This refunded the Series 2006 issuance. 10,000,000.00

\$10,000,000 Original Principal of Warren County R-III School District General Obligation Bonds Series 2016 due in varying annual principal installments ranging from \$200,000 to \$1,200,000 through March 1, 2036. The interest rate is variable from 0.750% to 5.000%. 10,000,000.00

TOTAL \$ 23,685,000.00

The annual requirements to amortize the General Obligation Bonds debt outstanding as of June 30, 2016, including interest payments are as follows:

FISCAL YEAR ENDING JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2017	\$ 900,000.00	\$ 504,557.08	\$ 1,404,557.08
2018	1,100,000.00	605,330.00	1,705,330.00
2019	935,000.00	594,830.00	1,529,830.00
2020	950,000.00	1,532,675.00	1,532,675.00
2021	1,500,000.00	567,950.00	2,067,950.00
2022-2026	8,500,000.00	2,389,950.00	10,889,950.00
2027-2031	4,350,000.00	1,663,300.00	6,013,300.00
2032-2036	5,450,000.00	843,750.00	6,293,750.00
TOTALS	\$ 23,685,000.00	\$ 8,702,342.08	\$ 32,387,342.08

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

Certificates of Participation debt payable at June 30, 2016:

\$580,000 Original Principal of Warren County R-III Lease Certificates of Participation Series 2012 due in varying annual principal installments ranging from \$70,000 to \$75,000 through April 15, 2020. The interest rate is variable from 0.750% to 2.250%. \$ 300,000.00

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

IV. CHANGES IN LONG-TERM DEBT (concluded)

Certificates of Participation debt payable at June 30, 2016 (concluded):

\$2,685,000 Original Principal of Warren County R-III Lease Certificates of Participation Series 2015 due in varying annual principal installments ranging from \$625,000 to \$700,000 through April 15, 2020. The interest rate is variable from 0.750% to 1.400%.

2,060,000.00

TOTAL \$ 2,360,000.00

The annual requirements to amortize the Certificates of Participation debt outstanding as of June 30, 2016, including interest payments are as follows:

FISCAL YEAR ENDING JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2017	\$ 735,000.00	\$ 31,460.00	\$ 766,460.00
2018	775,000.00	22,887.50	797,887.50
2019	775,000.00	13,175.00	788,175.00
2020	75,000.00	1,687.50	76,687.50
TOTALS	<u>\$ 2,360,000.00</u>	<u>\$ 69,210.00</u>	<u>\$ 2,429,210.00</u>

V. PENSION PLANS

Net Pension Liability

For fiscal year 2016, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2015, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

V. PENSION PLANS (continued)

General Information about the Pension Plan - PSRS

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

Benefits Provided. PSRS is a defined benefit plan providing retirement, disability, and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of 5 years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55% benefit factor is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor.

Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psrs-peers.org. Since the prior valuation date, the benefit provisions were amended to make permanent an early retirement benefit allowing members to retire at any age after 25 years of service.

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

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

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

V. PENSION PLANS (continued)

the State of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

The District's contributions to PSRS were \$2,199,565.22 for the year ended June 30, 2016.

General Information about the Pension Plan - PEERS

Plan Description. PEERS is a mandatory cost-sharing multiple employer retirement system for all public school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators, and community college employees (except the Community College of St. Louis). Employees of covered districts who work 20 or more hours per week on a regular basis and who are not contributing members of the Public School Retirement System of Missouri (PSRS) must contribute to PEERS. Employees of PSRS who do not hold Missouri educator certificates also contribute to PEERS. PEERS was established as a trust fund by an Act of the Missouri General Assembly effective November 3, 1965. Statutes governing the System are found in Sections 169.600 - 169.715 and Sections 169.560-169.595 RSMo. The statutes place responsibility for the operation of PEERS on the Board of Trustees of the Public School Retirement System of Missouri. A Comprehensive Annual Financial Report ("CAFR") can be obtained at www.psrs-peers.org.

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

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

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

V. PENSION PLANS (continued)

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

The District's contributions to PEERS were \$373,227.68 for the year ended June 30, 2016.

Pension Liabilities and Pension Expense - PSRS

At June 30, 2016, the District has a liability of \$18,513,562 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2015, and determined by an actuarial valuation as of that date. The District's proportionate share of the total net pension liability was based on the ratio of its actual contributions of \$2,105,699 paid to PSRS for the year ended June 30, 2015, relative to the actual contributions of \$656,578,122 from all participating employers. At June 30, 2015, the District's proportionate share was 0.3207%.

Pension Liabilities and Pension Expense - PEERS

At June 30, 2016, the District has a liability of \$1,852,758 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2015, and determined by an actuarial valuation as of that date. The District's proportionate share of the total net pension liability was based on the ratio of its actual contributions of \$360,295 paid to PEERS for the year ended June 30, 2015, relative to the actual contributions of \$102,864,099 from all participating employers. At June 30, 2015, the District's proportionate share was 0.3503%.

Actuarial Assumptions - PSRS

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

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

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

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

V. PENSION PLANS (continued)

- Total Payroll Growth	3.50% per annum, consisting of 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.
- Future Salary Increases	4.00% - 10.00%, depending on service and including 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.00% to 7.00%.
- Cost-of-Living Increases	2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increase.
- Mortality Assumption Actives:	RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
Non-Disabled Retirees, Beneficiaries and Survivors:	RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.
Disabled Retirees:	RP 2000 Disabled Mortality Table

Changes in Actuarial Assumptions and Methods

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

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

Actuarial Assumptions - PEERS

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

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

V. PENSION PLANS (continued)

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

- Measurement Date	June 30, 2015
- Valuation Date	June 30, 2015
- Expected Return on Investments	8.00%, net of investment expenses and including 2.5% inflation
- Inflation	2.5%
- Total Payroll Growth	3.75% per annum, consisting of 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.
- Future Salary Increases	5.00% - 12.00%, depending on service and including 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.75% to 8.75%.
- Cost-of-Living Increases	2.0% compounded annually, beginning on the fourth January after retirement and capped at 80% lifetime increase.
- Mortality Assumption	
Actives:	RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
Non-Disabled Retirees, Beneficiaries and Survivors:	RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.
Disabled Retirees:	RP 2000 Disabled Mortality Table

Changes in Actuarial Assumptions and Methods

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

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

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

V. PENSION PLANS (continued)

Expected Rate of Return

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

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

- Discount Rate

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

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

V. PENSION PLANS (continued)

- Discount Rate Sensitivity

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

Discount Rate	<u>1% Decrease (7.00%)</u>	<u>Current Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
---------------	----------------------------	-----------------------------	----------------------------

PSRS Proportionate share of the Net Pension

Liability / (Asset)	\$34,049,809	\$18,513,562	\$5,464,847
---------------------	--------------	--------------	-------------

PEERS Proportionate share of the Net Pension

Liability / (Asset)	\$3,740,414	\$1,852,758	\$256,909
---------------------	-------------	-------------	-----------

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

Year Ended	Proportion of the Net Pension Liability (Asset)	Proportionate Share Of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) As a Percentage Of Covered Payroll	Fiduciary Net Position as A Percentage of Total Pension Liability
6/30/15	0.3090%	\$ 12,676,958	\$13,838,263	91.61%	89.34%
6/30/16	0.3207%	18,513,562	14,662,154	126.27%	85.78%

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

Year Ended	Proportion of the Net Pension Liability (Asset)	Proportionate Share Of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) As a Percentage Of Covered Payroll	Fiduciary Net Position as A Percentage of Total Pension Liability
6/30/15	0.3535%	\$ 1,290,862	\$5,155,008	25.04%	91.33%
6/30/16	0.3503%	1,852,758	5,252,108	35.28%	88.28%

Schedule of Employer Contributions - PSRS

Year Ended	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess/ (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
6/30/14	\$1,782,888	\$1,782,888	\$ -	\$12,360,903	14.42%
6/30/15	1,990,028	1,990,028	-	13,838,263	14.38%
6/30/16	2,105,699	2,105,699	-	14,662,154	14.36%

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

V. PENSION PLANS (concluded)

Schedule of Employer Contributions - PEERS

Year Ended	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess/ (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
6/30/14	\$319,053	\$319,053	\$ -	\$4,650,916	6.86%
6/30/15	353,633	353,633	-	5,155,008	6.86%
6/30/16	360,295	360,295	-	5,252,108	6.86%

VI. CONTINGENCIES

Litigation – At this time there are no litigation matters.

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

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

The District does not pay premiums to purchase insurance policies, but pays an assessment to be a member of the self-sustaining risk sharing group. Part of the assessment is used to purchase excess insurance for the group as a whole. The calendar year 2016 assessment was \$393,402.00.

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

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

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

VII. POST-EMPLOYMENT BENEFITS

COBRA Benefits - Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District provides healthcare benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured on or before the tenth (10th) day of the month for the actual month covered. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the District under this program. For the year ended June 30, 2016, the District had one participant in this program with contributions totaling \$3,787.24.

In addition to the pension benefits described in Note V, the District allows employees who retire from the District to participate in the District's health, dental and life insurance plans. Upon meeting the retirement requirements per PSRS and PEERS, the employees can elect to participate in the District's plans. The retirees must pay for 100% of their coverage for each plan in which they elect to participate. The premiums are based on a single blended rate used for both active employees and retirees. The difference between the amount the retiree is required to pay and the actual cost to the District is considered a post-employment benefit. The District has not established an irrevocable trust fund for the accumulation of resources for the future payment of benefits under the plan; benefits are paid on a pay-as-you-go basis. A standalone financial report is not available for the plan. During the year, approximately 99 retirees participated in the District's insurance plans and paid premiums totaling \$404,500.

VIII. INTERFUND TRANSFERS

During 2016, transfers were made to the Special Revenue Fund and the Capital Projects Fund from the General Fund. Transfers are made to the Special Revenue Fund in order to allocate more funds to the purpose of the Teachers' Fund. Transfers are made to the Capital Projects Fund to allocate more funds to capital projects.

TRANSFERS FROM:	TRANSFERS TO:	
	SPECIAL REVENUE (TEACHER'S FUND)	CAPITAL PROJECTS FUND
General (Incidental) Fund	\$ 639,180.02	\$ 537,000.00
	\$ 639,180.02	\$ 537,000.00

IX. FUND BALANCE COMMITTED FOR STABILIZATION ARRANGEMENTS

In 2011, the Board of Education approved the resolution for "Fund Balance" (Policy). Under the Policy, the Board recognizes that the maintenance of a fund balance is essential to provide for unforeseen expenditures or emergencies and to provide working capital in the first several months of the fiscal year, until sufficient revenues are available to fund operations. By maintaining an appropriate fund balance, the District can avoid excessive short-term borrowing and the concomitant interest expense, accumulate sufficient assets to make designated purchases or cover unforeseen expenditure needs, and demonstrate financial stability necessary to preserve or enhance its bond rating, thereby lowering debt issuance costs.

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

X. SECTION 125 CAFETERIA PLAN

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, reimburse for qualified dependent care costs and reimburse qualified medical expenses.

XI. SUBSEQUENT EVENTS

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

SUPPLEMENTARY INFORMATION

Warren County R-III School District
Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Local Sources	\$ 10,345,172.00	\$ 10,652,056.00	\$ 10,724,829.01	\$ 72,773.01
County Sources	675,000.00	693,000.00	693,379.53	379.53
State Sources	1,422,776.00	1,613,831.00	1,620,186.61	6,355.61
Federal Sources	1,107,500.00	1,345,000.00	1,364,400.28	19,400.28
TOTAL REVENUES	13,550,448.00	14,303,887.00	14,402,795.43	98,908.43
Expenditures				
Current				
Instruction	3,635,804.00	4,072,477.00	3,904,733.15	(167,743.85)
Attendance	4,900.00	4,900.00	3,942.68	(957.32)
Guidance	10,887.00	10,887.00	7,924.11	(2,962.89)
Health, Psych Speech & Audio	297,932.00	303,562.00	288,997.12	(14,564.88)
Improvement of Instruction	393,812.00	345,950.12	361,599.72	15,649.60
Professional Development	78,000.00	117,712.00	69,594.74	(48,117.26)
Media Services	76,435.00	75,095.00	70,242.12	(4,852.88)
Board of Education Services	90,150.00	90,150.00	101,146.10	10,996.10
Executive Administration	822,632.00	819,776.00	827,956.93	8,180.93
Building Level Administration	640,564.00	658,471.00	647,611.55	(10,859.45)
Business Central Services	552,896.00	418,940.00	613,100.71	194,160.71
Operation of Plant	2,926,267.00	2,837,587.00	2,751,686.14	(85,900.86)
Security Services	-	52,062.00	56,493.37	4,431.37
Pupil Transportation	1,707,899.00	1,926,279.00	1,914,302.52	(11,976.48)
Food Service	1,538,207.00	1,703,918.00	1,490,261.30	(213,656.70)
Central Office Support Services	5,600.00	5,600.00	2,237.23	(3,362.77)
Other Supporting Services	-	-	-	-
Community Services	163,236.00	165,268.00	236,630.73	71,362.73
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and Charges	-	-	-	-
TOTAL EXPENDITURES	12,945,221.00	13,608,634.12	13,348,460.22	(260,173.90)
Revenues Collected Over (Under)				
Expenditures Paid	605,227.00	695,252.88	1,054,335.21	359,082.33
Other Financing Sources (Uses):				
Transfers	(461,474.00)	(347,785.00)	(1,176,180.02)	(828,395.02)
Sale of Bonds	-	-	-	-
Net Insurance Recovery	-	-	-	-
Sale of School Buses	-	-	-	-
Contracted Educational Services	-	-	-	-
Total Other Financing Sources (Uses)	(461,474.00)	(347,785.00)	(1,176,180.02)	(828,395.02)
NET CHANGE IN FUND BALANCES	143,753.00	347,467.88	(121,844.81)	(469,312.69)
Fund Balance, July 1, 2015	6,769,987.72	6,769,987.72	6,769,987.72	-
Fund Balance, June 30, 2016	\$ 6,913,740.72	\$ 7,117,455.60	\$ 6,648,142.91	\$ (469,312.69)

Warren County R-III School District
Budgetary Comparison Schedule - Modified Cash Basis
Special Revenue Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Local Sources	\$ 2,972,758.00	\$ 3,022,758.00	\$ 3,049,777.53	\$ 27,019.53
County Sources	150,000.00	150,000.00	151,125.52	1,125.52
State Sources	13,103,133.00	13,686,633.00	13,715,355.63	28,722.63
Federal Sources	1,449,728.00	980,728.00	952,852.26	(27,875.74)
TOTAL REVENUES	17,675,619.00	17,840,119.00	17,869,110.94	28,991.94
Expenditures				
Current				
Instruction	14,588,362.00	14,587,127.00	14,586,444.05	(682.95)
Attendance	-	-	-	-
Guidance	713,317.00	746,093.00	746,876.35	783.35
Health, Psych Speech & Audio	104,560.00	104,595.00	103,800.33	(794.67)
Improvement of Instruction	59,421.00	102,923.00	109,799.46	6,876.46
Professional Development	43,542.00	43,542.00	57,009.47	13,467.47
Media Services	349,966.00	349,966.00	357,891.29	7,925.29
Board of Education Services	-	-	-	-
Executive Administration	619,187.00	625,699.00	864,745.28	239,046.28
Building Level Administration	1,490,238.00	1,459,459.00	1,464,391.76	4,932.76
Business Central Services	-	-	103.78	103.78
Operation of Plant	-	-	-	-
Security Services	-	-	-	-
Pupil Transportation	-	-	-	-
Food Service	-	-	-	-
Central Office Support Services	-	-	-	-
Other Supporting Services	-	-	-	-
Community Services	193,500.00	193,500.00	217,239.82	23,739.82
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and Charges	-	-	-	-
TOTAL EXPENDITURES	18,162,093.00	18,212,904.00	18,508,301.59	295,397.59
Revenues Collected Over (Under)				
Expenditures Paid	(486,474.00)	(372,785.00)	(639,190.65)	(266,405.65)
Other Financing Sources (Uses):				
Transfers	461,474.00	347,785.00	639,180.02	291,395.02
Sale of Bonds	-	-	-	-
Net Insurance Recovery	-	-	-	-
Sale of School Buses	-	-	-	-
Contracted Educational Services	25,000.00	25,000.00	10.63	(24,989.37)
Total Other Financing Sources (Uses)	486,474.00	372,785.00	639,190.65	266,405.65
NET CHANGE IN FUND BALANCES	-	-	-	-
Fund Balance, July 1, 2015	-	-	-	-
Fund Balance, June 30, 2016	\$ -	\$ -	\$ -	\$ -

Warren County R-III School District
Budgetary Comparison Schedule - Modified Cash Basis
Debt Service Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Local Sources	\$ 1,661,453.00	\$ 1,687,453.00	\$ 1,692,737.55	\$ 5,284.55
County Sources	115,000.00	115,000.00	115,172.70	172.70
State Sources	-	-	-	-
Federal Sources	-	-	-	-
TOTAL REVENUES	1,776,453.00	1,802,453.00	1,807,910.25	5,457.25
Expenditures				
Current				
Instruction	-	-	-	-
Attendance	-	-	-	-
Guidance	-	-	-	-
Health, Psych Speech & Audio	-	-	-	-
Improvement of Instruction	-	-	-	-
Professional Development	-	-	-	-
Media Services	-	-	-	-
Board of Education Services	-	-	-	-
Executive Administration	-	-	-	-
Building Level Administration	-	-	-	-
Business Central Services	-	-	-	-
Operation of Plant	-	-	-	-
Security Services	-	-	-	-
Pupil Transportation	-	-	-	-
Food Service	-	-	-	-
Central Office Support Services	-	-	-	-
Other Supporting Services	-	-	-	-
Community Services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	1,200,000.00	1,200,000.00	11,200,000.00	10,000,000.00
Interest and Charges	525,070.00	523,630.00	712,084.38	188,454.38
TOTAL EXPENDITURES	1,725,070.00	1,723,630.00	11,912,084.38	10,188,454.38
Revenues Collected Over (Under)				
Expenditures Paid	51,383.00	78,823.00	(10,104,174.13)	(10,182,997.13)
Other Financing Sources (Uses):				
Transfers	-	-	-	-
Sale of Bonds	-	-	-	-
Net Insurance Recovery	-	-	-	-
Sale of School Buses	-	-	-	-
Tuition from other Districts	-	-	-	-
Contracted Educational Services	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	51,383.00	78,823.00	(10,104,174.13)	(10,182,997.13)
Fund Balance, July 1, 2015	11,573,719.68	11,573,719.68	11,573,719.68	-
Fund Balance, June 30, 2016	\$ 11,625,102.68	\$ 11,652,542.68	\$ 1,469,545.55	\$ (10,182,997.13)

Warren County R-III School District
Budgetary Comparison Schedule - Modified Cash Basis
Capital Projects Fund
For the Year Ended June 30, 2016

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Local Sources	\$ 696,579.00	\$ 1,420,890.00	\$ 1,427,120.72	\$ 6,230.72
County Sources	25,000.00	25,000.00	18,607.13	(6,392.87)
State Sources	725,000.00	647,300.00	647,264.23	(35.77)
Federal Sources	-	-	-	-
TOTAL REVENUES	1,446,579.00	2,093,190.00	2,092,992.08	(197.92)
Expenditures				
Current				
Instruction	24,635.00	28,247.00	19,445.20	(8,801.80)
Attendance	-	-	-	-
Guidance	-	-	-	-
Health, Psych Speech & Audio	-	-	-	-
Improvement of Instruction	-	-	-	-
Professional Development	-	-	-	-
Media Services	2,500.00	400.00	-	(400.00)
Board of Education Services	-	-	-	-
Executive Administration	50,000.00	52,131.00	52,130.80	(0.20)
Building Level Administration	-	-	-	-
Business Central Services	4,000.00	-	-	-
Operation of Plant	182,395.00	182,395.00	197,848.82	15,453.82
Security Services	-	-	-	-
Pupil Transportation	266,615.00	269,165.00	276,508.99	7,343.99
Food Service	10,000.00	14,000.00	1,464.00	(12,536.00)
Central Office Support Services	-	-	-	-
Other Supporting Services	-	-	-	-
Community Services	-	-	-	-
Capital Outlay	20,000.00	20,000.00	34,288.08	14,288.08
Debt Service:				
Principal	759,194.00	695,000.00	695,000.00	-
Interest and Charges	-	48,994.00	35,760.62	(13,233.38)
TOTAL EXPENDITURES	1,319,339.00	1,310,332.00	1,312,446.51	2,114.51
Revenues Collected Over (Under)				
Expenditures Paid	127,240.00	782,858.00	780,545.57	(2,312.43)
Other Financing Sources (Uses):				
Transfers	-	-	537,000.00	537,000.00
Sale of Bonds	-	10,000,000.00	10,000,000.00	-
Net Insurance Recovery	-	-	-	-
Sale of School Buses	-	8,500.00	8,500.00	-
Contracted Educational Services	-	-	-	-
Total Other Financing Sources (Uses)	-	10,008,500.00	10,545,500.00	537,000.00
NET CHANGE IN FUND BALANCES	127,240.00	10,791,358.00	11,326,045.57	534,687.57
Fund Balance, July 1, 2015	962,890.23	962,890.23	962,890.23	-
Fund Balance, June 30, 2016	\$ 1,090,130.23	\$ 11,754,248.23	\$ 12,288,935.80	\$ 534,687.57

Warren County R-III School District
Budgetary Comparison Schedule - Modified Cash Basis
All Governmental Funds
For the Year Ended June 30, 2016

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenues				
Local Sources	\$ 15,675,962.00	\$ 16,783,157.00	\$ 16,894,464.81	\$ 111,307.81
County Sources	965,000.00	983,000.00	978,284.88	(4,715.12)
State Sources	15,250,909.00	15,947,764.00	15,982,806.47	35,042.47
Federal Sources	2,557,228.00	2,325,728.00	2,317,252.54	(8,475.46)
TOTAL REVENUES	34,449,099.00	36,039,649.00	36,172,808.70	133,159.70
Expenditures				
Current				
Instruction	18,248,801.00	18,687,851.00	18,510,622.40	(177,228.60)
Attendance	4,900.00	4,900.00	3,942.68	(957.32)
Guidance	724,204.00	756,980.00	754,800.46	(2,179.54)
Health, Psych Speech & Audio	402,492.00	408,157.00	392,797.45	(15,359.55)
Improvement of Instruction	453,233.00	448,873.12	471,399.18	22,526.06
Professional Development	121,542.00	161,254.00	126,604.21	(34,649.79)
Media Services	428,901.00	425,461.00	428,133.41	2,672.41
Board of Education Services	90,150.00	90,150.00	101,146.10	10,996.10
Executive Administration	1,491,819.00	1,497,606.00	1,744,833.01	247,227.01
Building Level Administration	2,130,802.00	2,117,930.00	2,112,003.31	(5,926.69)
Business Central Services	556,896.00	418,940.00	613,204.49	194,264.49
Operation of Plant	3,108,662.00	3,019,982.00	2,949,534.96	(70,447.04)
Security Services	-	52,062.00	56,493.37	4,431.37
Pupil Transportation	1,974,514.00	2,195,444.00	2,190,811.51	(4,632.49)
Food Service	1,548,207.00	1,717,918.00	1,491,725.30	(226,192.70)
Central Office Support Services	5,600.00	5,600.00	2,237.23	(3,362.77)
Other Support Services	-	-	-	-
Community Services	356,736.00	358,768.00	453,870.55	95,102.55
Capital Outlay	20,000.00	20,000.00	34,288.08	14,288.08
Debt Service:				
Principal	1,959,194.00	1,895,000.00	11,895,000.00	10,000,000.00
Interest and Charges	525,070.00	572,624.00	747,845.00	175,221.00
TOTAL EXPENDITURES	34,151,723.00	34,855,500.12	45,081,292.70	10,225,792.58
Revenues Collected Over (Under)				
Expenditures Paid	297,376.00	1,184,148.88	(8,908,484.00)	(10,092,632.88)
Other Financing Sources (Uses):				
Transfers	-	-	-	-
Sale of Bonds	-	10,000,000.00	10,000,000.00	-
Net Insurance Recovery	-	-	-	-
Sale of School Buses	-	8,500.00	8,500.00	-
Contracted Educational Services	25,000.00	25,000.00	10.63	(24,989.37)
Total Other Financing Sources (Uses)	25,000.00	10,033,500.00	10,008,510.63	(24,989.37)
NET CHANGE IN FUND BALANCES	322,376.00	11,217,648.88	1,100,026.63	(10,117,622.25)
Fund Balance, July 1, 2015	19,306,597.63	19,306,597.63	19,306,597.63	-
Fund Balance, June 30, 2016	\$ 19,628,973.63	\$ 30,524,246.51	\$ 20,406,624.26	\$ (10,117,622.25)

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO BUDGETARY COMPARISON SCHEDULES
YEAR ENDED JUNE 30, 2016

I. BUDGETS AND BUDGETARY ACCOUNTING

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

- A. In accordance with Chapter 67 RSMo, the District adopts a budget for each fund.
- B. Prior to June 30, the Superintendent, who serves as the budget officer, submits to the Board of Education a proposed budget for the fiscal year beginning July 1. The proposed budget includes estimated revenues and proposed expenditures for all District funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
- C. 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.
- D. Prior to July 1, the budget is legally enacted by a vote of the Board of Education.
- E. Subsequent to its formal approval of the budget, the Board of Education has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.

Budgeted amounts are as originally adopted on June 11, 2015, and as finally amended by the Board of Education on June 23, 2016.

- F. Budgets are adopted on the cash basis of accounting for all Governmental Funds.

WARREN COUNTY R-III SCHOOL DISTRICT
OTHER POST-EMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2016

OTHER POST-EMPLOYMENT BENEFITS

COBRA Benefits - Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District provides healthcare benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured on or before the tenth (10th) day of the month for the actual month covered. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the District under this program. For the year ended June 30, 2016, the District had one participant in this program with contributions totaling \$3,787.24.

In addition to the pension benefits described in Note V, the District allows employees who retire from the District to participate in the District's health, dental and life insurance plans. Upon meeting the retirement requirements per PSRS and PEERS, the employees can elect to participate in the District's plans. The retirees must pay for 100% of their coverage for each plan in which they elect to participate. The premiums are based on a single blended rate used for both active employees and retirees. The difference between the amount the retiree is required to pay and the actual cost to the District is considered a post-employment benefit. The District has not established an irrevocable trust fund for the accumulation of resources for the future payment of benefits under the plan; benefits are paid on a pay-as-you-go basis. A standalone financial report is not available for the plan. During the year, approximately 99 retirees participated in the District's insurance plans and paid premiums totaling approximately \$404,500.

STATE COMPLIANCE SECTION



Daniel Jones & Associates

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

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Members of the
Board of Education
Warren County R-III School District

Report on Compliance with State Requirements

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

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Compliance with State Requirements

In our opinion, management's assertions that the Warren County R-III School District complied with the aforementioned requirements for the year ended June 30, 2016, are fairly stated, in all material respects. However, we noted two immaterial instances of noncompliance as reported in the Schedule of State Findings.

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

Daniel Jones & Associates

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

November 3, 2016

WARREN COUNTY R-III SCHOOL DISTRICT
DISTRICT COUNTY NUMBER 094-086
SCHEDULE OF SELECTED STATISTICS
YEAR ENDED JUNE 30, 2016

I. CALENDAR (Sections 160.041 and 171.031, RSMo)

- A. Standard day length (SDL) – The total number of hours between the starting time of the first class and the dismissal time of the last class, minus the time allowed for lunch and one passing time, and minus Channel One time. Reported with 4 decimal places.

Kindergarten – Full Day	6.6000	SDL	Grades 1 – 5	6.6000	SDL
			Grades 6 – 8	6.6000	SDL
			Grades 9 - 12	6.6000	SDL

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

Kindergarten – Full Day	1,112.72	Hours	Grades 1 – 5	1,112.72	Hours
			Grades 6 – 8	1,112.72	Hours
			Grades 9 - 12	1,112.72	Hours

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

Kindergarten – Full Day	174	Days	Grades 1 – 5	174	Days
			Grades 6 – 8	174	Days
			Grades 9 - 12	174	Days

II. AVERAGE DAILY ATTENDANCE (ADA)

REGULAR TERM	FULL-TIME & PART-TIME	REMEDIAL	TOTAL
Kindergarten – Full Day	197.6275	0.0002	197.6277
Grades 1-4	1,207.9970	0.2842	1,208.2812
Grades 5-8	701.4287	-	701.4287
Grades 9-12	840.1566	-	840.1566
SUBTOTAL REGULAR TERM	2,947.2098	0.2844	2,947.4942
SUMMER SCHOOL SUBTOTAL			141.2392
TOTAL REGULAR TERM PLUS SUMMER SCHOOL ADA			3,088.7334

WARREN COUNTY R-III SCHOOL DISTRICT
DISTRICT COUNTY NUMBER 094-086
SCHEDULE OF SELECTED STATISTICS
YEAR ENDED JUNE 30, 2016

III. SEPTEMBER MEMBERSHIP

	FULL-TIME AND PART-TIME
SEPTEMBER MEMBERSHIP FTE COUNT	3,154

IV. FREE AND REDUCED PRICED LUNCH FTE COUNT (SECTION 163.011(6), RSMO)

	FULL-TIME AND PART-TIME
STATE FTE TOTAL	
FREE	1,471
REDUCED	279
TOTAL	1,750

V. FINANCE

A.	As required by Section 162.401, RSMo, a bond was purchased for the District's treasurer in the total amount of	\$ 50,000.00
B.	The District's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo.....	TRUE
C.	The District maintained a separate bank account for the Debt Service Fund in accordance with Section 165.011, RSMo.....	TRUE
D.	Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records.	TRUE
E.	If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the Board approved a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken.....	TRUE
F.	The District published a summary of the prior year's audit report within 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:.....	\$ 126,604.21

WARREN COUNTY R-III SCHOOL DISTRICT
DISTRICT COUNTY NUMBER 094-086
SCHEDULE OF SELECTED STATISTICS
YEAR ENDED JUNE 30, 2016

VI. TRANSPORTATION (SECTION 163.161, RSMo)

A.	The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.....	TRUE
B.	The District's school transportation ridership records are maintained in a manner to accurately disclose in all material respects the average number of regular riders transported.....	TRUE
C.	Based on the ridership records, the average number of students (non-disabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was:	
	• Eligible ADT.....	# 1,653.50
	• Ineligible ADT.....	# -
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 <u>and</u> contracted mileage for the year was:.....	# 509,595
	Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route <u>and</u> disapproved miles (combined) was:	
	• Eligible Miles.....	# 435,963
	• Ineligible Miles (Non-Route/Disapproved).....	# 73,632
F.	Number of days the District operated the school transportation system during the regular school year:.....	174

WARREN COUNTY R-III SCHOOL DISTRICT
SCHEDULE OF STATE FINDINGS
YEAR ENDED JUNE 30, 2016

I. CHAPTER 67 RSMO (BUDGET STATUTE)

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

The Debt Service and Capital Projects Funds had actual expenditures that exceeded budgeted amounts.

FEDERAL COMPLIANCE SECTION



Daniel Jones & Associates

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

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Education
Warren County R-III 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 and each major fund of Warren County R-III School District ("District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 3, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Daniel Jones & Associates

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

November 3, 2016



Daniel Jones & Associates

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

CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Education
Warren County R-III School District

Report on Compliance for Each Major Federal Program

We have audited Warren County R-III School District's ("District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Daniel Jones & Associates

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

November 3, 2016

YEAR ENDED JUNE 30, 2010				
FEDERAL GRANTOR/ PASS-THROUGH	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY NUMBER	PASSED-THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDITURES
<u>Cash Federal Expenditures</u>				
DEPARTMENT OF EDUCATION				
Passed Through State Department of Elementary and Secondary Education				
Special Education Cluster				
Early Childhood Special Education	84.173A	109-003	\$ -	\$ 12,244.00
Special Education, Part B	84.027A	109-003	-	611,162.39
High Need Fund	84.027A	109-003	-	46,726.00
Early Childhood Special Education	84.027A	109-003	-	63,066.00
Total Special Education Cluster			-	733,198.39
Title I Cluster				
Title I Grants to Local Education Agencies	84.010A	109-003	-	695,457.38
Total Title I Cluster			-	695,457.38
Title II, Part A - ESEA	84.367A	109-003	-	40,410.90
Career and Technical Education - Basic Grants to States	84.048	109-003	-	200.00
		<i>Total Department of Education</i>	-	1,469,266.67
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through State Department of Elementary and Secondary Education				
Child Nutrition Cluster				
National School Lunch Program	10.555	109-003	-	940,128.12
National School Breakfast Program	10.553	109-003	-	309,583.90
<u>Non-Cash Federal Expenditures</u>				
Passed Through State Department of Elementary and Secondary Education				
Donated Foods	10.555	109-003	-	114,330.94
		<i>Total Child Nutrition Cluster</i>	-	1,364,042.96
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 2,833,309.63

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Warren County R-III School 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, changes in net assets, or cash flows 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, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - RELATIONSHIP TO ACCOMPANYING FINANCIAL STATEMENTS

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

<u>Federal Sources</u>	
General Fund	\$ 1,364,400.28
Special Revenue Fund	952,852.26
Debt Service Fund	-
Capital Projects Fund	-
	<u>\$ 2,317,252.54</u>

NOTE 5 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

WARREN COUNTY R-III SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 6 -MATCHING REVENUES

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

NOTE 7 – NON-CASH PROGRAMS

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

WARREN COUNTY R-III SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

I. SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

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

B. Federal Awards

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

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

WARREN COUNTY R-III SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

II. FINANCIAL STATEMENT FINDINGS

There were no financial statement findings for the year ended June 30, 2016.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings and questioned costs related to federal awards for the year ended June 30, 2016.

WARREN COUNTY R-III SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

FOLLOW-UP PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS

I. FINANCIAL STATEMENT FINDINGS

2015-1 Condition: Certain checks were reported as expenditures in 2015, the fiscal year in which the checks were written, rather than in 2016, the fiscal year in which the checks were actually released to the vendors. As a result, an audit adjustment was necessary to increase cash and decrease expenditures for the amount of these held checks.

Criteria: The modified cash basis of accounting requires expenditures to be recognized when they result from cash transactions. The cash transaction occurs when the District relinquishes custody of the check.

Cause: The District was not aware that the checks should be reported as expenditures in the year released to the vendor rather than the year written.

Effect: In accordance with Statement on Auditing Standards No. 115, the auditor's identification of a material adjustment to the financial statements that would not have been detected by the District's internal control is an indication of a material weakness in internal control.

Recommendation: We recommend the District recognize expenditures in the period in which checks are released to the vendor.

Status: The District has corrected this finding for the year ended June 30, 2016.

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings and questioned costs related to federal awards for the year ended June 30, 2015.