

**Avenue City R-IX School District
Cosby, Missouri
Financial Statements
Year Ended June 30, 2017**

Avenue City R-IX School District
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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Avenue City R-IX 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 Avenue City R-IX School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the District, as of June 30, 2017, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The management's discussion and analysis, budgetary comparison information and pension information on pages 4-13, 45-49 and 50-53, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

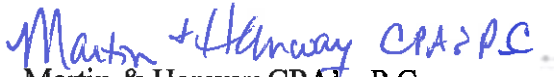
Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of revenues collected by source – school district funds, schedule of expenditures paid by object – school district funds, summary schedule of revenues collected, expenditures paid, and changes in fund balances – school district funds and the schedule of selected statistics are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenues collected by source – school district funds, schedule of expenditures paid by object – school district funds, summary schedule of revenues collected, expenditures paid, and changes in fund balances – school district funds and the schedule of selected statistics 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2017, on our consideration of Avenue City R-IX School 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 Avenue City R-IX School District's internal control over financial reporting and compliance.


Martin & Hanway CPA's, P.C.
Saint Joseph, Missouri
October 5, 2017

**AVENUE CITY R-IX SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)**

The discussion and analysis of Avenue City R-IX School District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements, including the notes to the financial statements, which begin on page 15, in order to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 - *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* issued in 1999. Certain comparative information between the current year ended June 30, 2017 (FY17), and the prior year ended June 30, 2016 (FY16), is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal 2017 and comparatives for fiscal 2016 are as follows:

- District-wide net position at June 30, 2017 was \$4.5 million, an increase of \$0.3 million over prior year net position.
- Total assets of governmental activities are the same as District-wide net position. Included in this amount were current assets of \$4.6 million, or 52 percent of the total, resulting in an increase of \$2.2 million over prior year. Current assets include cash and cash equivalents, bond escrowed cash and investments. Non-current assets were \$4.2 million, including capital assets (Land, Buildings and Improvements and Equipment and Fixtures) net of accumulated depreciation of \$4.2 million.
- Total liabilities at June 30, 2017 were \$4.3 million; this resulted in an increase of \$1.8 million over prior year.
- During the year ended June 30, 2017, the District had \$2.3 million in expenses, an increase of \$0.1 million over prior years total expenses; \$0.4 million of the expense was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and state and federal aid not restricted to specific purposes) of \$2.2 million and prior year net position was adequate to provide for these programs; this resulted in an increase in net position of \$0.3 million.
- In the Governmental Funds, all operating funds combined (General, Special Revenue, Debt Service and Capital Projects Funds) had \$4.6 million in revenues and \$2.4 million in expenditures (reported on the modified cash basis) and included \$0.2 million of debt repayment resulting in an increase in the fund balance of \$2.2 million over fiscal 2016.

**AVENUE CITY R-IX SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)**

Using this Financial Report

This annual report consists of two distinct series of financial statements: District-wide and Funds. The District-wide statements (Statement of Net Position and the Statement of Activities) on pages 15-17 provide information about the activities of Avenue City R-IX School District as a whole and present a longer-term view of the District's finances. The Fund financial statements, beginning on page 19, tell how the District's services for governmental activities were financed in the short-term as well as what remains for future spending. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Reporting on the District as a Whole (District-wide)

Statement of Net Position and the Statement of Activities:

The view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal 2017?" The Statement of Net Position and the Statement of Activities provide the basis for answering this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Under the District's modified cash basis of accounting, revenues are recognized when received rather than when earned, expenditures and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred; except for

- the recording of capital assets and depreciation expense thereon in the District-wide financial statements,
- the recording of contractual staff salaries and related benefits for the 2016-2017 school year paid in July and August 2017 as expenditures in June 2017, and
- the recording of the general obligation bonds and refunding bonds in the District-wide financial statements.

Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations from the use of the modified cash basis of accounting.

These two statements report the District's net position and changes in its financial position. The change in net position is important because it tells the reader whether the District, as a whole, has improved or diminished its financial position. Over time, the increase or decrease in the District's net position is one indicator of whether its financial health is improving or deteriorating. Causes of these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Missouri, state public education funding formulas, the condition of the State of Missouri general fund, state and federal educational mandates, and other factors.

**AVENUE CITY R-IX SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)**

In the Statement of Net Position and the Statement of Activities, the District has the following activities:

Governmental Activities - All of the District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food service.

Reporting the District's Most Significant Funds (Fund financial statements)

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

Governmental Funds

All of the District's activities are reported in the governmental fund statements, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified cash basis of accounting. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's educational programs. Major differences between the District's governmental activities (reported in the Statement of Net Position and the Statement of Activities) and its governmental funds are reconciled following the Statement of Activities and on the Governmental Funds Balance Sheet (pages 18 and 19).

**AVENUE CITY R-IX SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)**

The School District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. The following table provides a summary of the District's net position (in thousands) at June 30.

Summary of Net Position			
(dollars in thousands)			
Governmental Activities	2017	2016	Total % Change 2017-2016
Current Assets	\$ 4,619	\$ 2,457	87.99%
Non-Current Assets	<u>4,235</u>	<u>4,259</u>	(0.56)%
Total Assets	<u>8,854</u>	<u>6,716</u>	31.83%
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	-%
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	-%
Total Assets and Deferred Outflows of Resources	<u>\$ 8,854</u>	<u>\$ 6,716</u>	31.83%
Current Liabilities	\$ 150	\$ 150	-%
Non-Current Liabilities	<u>4,200</u>	<u>2,350</u>	78.72%
Total Liabilities	<u>4,350</u>	<u>2,500</u>	74.00%
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	-%
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	-%
Net Investment in Capital Assets	(115)	1,759	(106.54)%
Restricted	2,301	374	515.24%
Unrestricted	<u>2,318</u>	<u>2,083</u>	11.28%
Total Net Position	<u>4,504</u>	<u>4,216</u>	6.83%
Total Liabilities, Def. Inflows of Res. and Net Position	<u>\$ 8,854</u>	<u>\$ 6,716</u>	31.83%

Current assets are available to provide resources for the near-term operations of the District. Non-Current assets include capital assets.

Capital assets are used in the operations of the District. These assets include land, buildings and improvements and equipment and fixtures.

Current and non-current liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include the current portion of long-term obligations.

**AVENUE CITY R-IX SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)**

The following is a condensed statement of the District's changes in net position for the years ended June 30, 2017 and 2016 (in thousands).

Summary of Changes in Net Position

	Governmental Activities	
	2017	2016
Program Revenues:		
Charges for Services	\$ 130	\$ 133
Operating Grants	306	306
Capital Grants	-	-
General Revenues:		
Property Taxes	1,097	938
Proposition C Sales Tax	196	205
Earnings on Investments	30	15
Other Taxes	147	162
State and Federal Aid	771	811
Other Revenue	-	-
Total Revenues	2,587	2,570
Program Expenses:		
Instruction	1,317	1,193
Support Services	743	704
Non-Instruction / Support Services	239	287
Total Expenses	2,299	2,184
Increase (Decrease) in Net Position	\$ 288	\$ 386

Governmental Activities

General revenues accounted for \$2.2 million in revenue (83 percent of governmental revenues). General revenues are composed primarily of receipts from property taxes and state and federal aid not restricted to specific purposes (\$1.8 million). Program specific revenues accounted for \$0.4 million (17 percent of total governmental revenues of \$2.6 million).

The District had \$2.3 million in expenses; only \$0.4 million of these expenses were offset by program specific charges and grants. General revenues and prior year net position were adequate to provide for these programs. Instruction comprises over 57 percent of total District expenses, while student and staff support services, operation and maintenance of plant, food services, and school administration account for the majority of remaining expenses.

**AVENUE CITY R-IX SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows the total cost of services and the net cost of services (in thousands). That is, it identifies the cost of these services that must be supported by tax revenue and unrestricted state entitlements.

	Total Cost of Services		Net Cost of Services	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Instruction	\$ 1,317	\$ 1,193	\$ 1,020	\$ 900
Support Services	743	704	662	621
Non-Instruction/Support Services	<u>239</u>	<u>287</u>	<u>180</u>	<u>224</u>
Total Expenses	<u>\$ 2,299</u>	<u>\$ 2,184</u>	<u>\$ 1,862</u>	<u>\$ 1,745</u>

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

Support services consist of the following categories:

Student Services - includes guidance and social work, health services, as well as the cost of student attendance reporting.

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

Building Administration - includes the cost of salaries and benefits for building level principals and office support staff.

Executive Administration, Business and Central Services - includes expenses associated with establishing and administering policies for operating the District, planning, budgeting, financial accounting, payroll, managing funds, personnel services, and other activities that support each of the other instructional and support services programs.

Operation and Maintenance of Plant - operations involve keeping the school grounds, buildings, and equipment in an effective working condition.

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

Food Service - includes the preparation, delivery, and serving of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

Extracurricular Activities - includes school-sponsored athletics and other activities that are not a part of the regular instructional program.

**AVENUE CITY R-IX SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)**

Non-instruction/support services consist of the following:

Community Services - consist of those activities that do not directly relate to providing education for pupils in the District. These include early childhood programs, parent education, and child-care services.

Interest on Long-Term Debt - is the payment of interest and other related charges on debt of the District.

Capital assets purchased in the current year are reported in the program for which they are used in the Fund financial statements, but are not reported as current expenses on the Statement of Activities. The depreciation for assets directly associated with a specific function or a small number of functions is required to be reported as a direct expense of that function.

The District's dependence upon tax revenues is apparent. Over 77 percent of instruction activities are supported through taxes and other general revenues; for all activities, general revenue support is 81 percent.

Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with state and federal finance related legal requirements. These funds are accounted for using the modified cash basis of accounting.

The governmental funds of the District provide information on near-term inflows, outflows, and balances of resources. Unassigned fund balances, in particular, measure the District's net resources available for spending at the end of the District's fiscal year.

The General Fund is the chief operating fund of the District. The day-to-day operations of the District are also reported in the Special Revenue Fund, Debt Service Fund and Capital Projects Fund. The net change in fund balance for the year in these combined operating funds was an increase of \$2,162,711. The fund balance at year-end of \$4.6 million was 190.55 percent of total expenditures for the combined operating funds. This fund balance would exclusively sustain the District for 1 year 10 ½ months of operations. The administration and Board of Education have effectively built a fund balance to prepare for DESE and the state government's predictions of state funding reductions. This fund balance will reduce the number of potential program and personnel reductions that might be made if such a fund balance was not present.

The General Fund balance at year-end was 109 percent of total expenditures of the General Fund plus the Special Revenue Fund. The General Fund is used for general activities of the District. The fund has a tax levy of \$3.3682. It began the year with a \$2,044,955 balance and increased \$161,448 to \$2,206,403. More local and state monies were received, spent more on instruction and executive administrative services.

**AVENUE CITY R-IX SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)**

The Special Revenue Fund is used to account for expenditures for certified employees involved in administration and instruction. It also includes revenues restricted by the State for the payment of teacher salaries. It began the year with a zero balance and ended the year with a zero balance.

The Debt Service Fund is used to accumulate tax and other revenues for the payment of principal and interest on the District's general obligation bonds and refunding bonds. The fund has a tax levy of \$0.9800, creating revenue of \$300 thousand. Bond principal and interest is paid out of the Debt Service Fund. It began the year with a \$288,792 balance and increased \$2,006,422 to \$2,295,214. Received more taxes and received refunding bond proceeds and paid out more in principal.

The Capital Projects Fund is used for the purchase of major equipment, fixtures and buildings and improvements. It began the year with a \$122,805 balance and decreased \$5,159 to \$117,646. More money was spent on construction.

Combined Operating Funds Budgeting Highlights

The District's budget is prepared according to Missouri law and uses the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. This is based on accounting for certain transactions on the basis of cash receipts and disbursements. The term "combined operating funds" includes the General Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Fund. Budgetary Schedules are on pages 45-49.

The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. When approving the original budget there are a number of estimates made regarding expectations from grants and local and state funding. As more accurate estimates and information become available, the District amends its operating budget to reflect these changes.

For the combined operating funds (page 49), the original budgeted revenues were \$2.3 million and final budgeted revenues were \$2.4 million. The original budgeted expenditures were \$2.3 million and final budgeted expenditures were \$2.4 million.

Final budgeted revenues increased \$0.1 million over the original budget. Changes to revenue include an increase in current taxes, assessed utilities monies and state money.

Final budgeted expenses increased \$0.1 million over the original budget. Changes to expenses include more building construction expenses, an increase in interest on debt along with an increase of general administration expenses and Special Ed instruction. There was a decrease in media services.

**AVENUE CITY R-IX SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)**

Capital Assets and Debt Administration

Capital assets (in thousands) at June 30, were as follows:

	2016	2017		
	Net Capital Assets	Cost	Accumulated Depreciation	
Buildings and Improvements	\$ 4,209	\$ 6,282	\$ (2,132)	\$ 4,150
Land	9	9	-	9
Equipment and Fixtures	41	213	(137)	76
Totals	<u>\$ 4,259</u>	<u>\$ 6,504</u>	<u>\$ (2,269)</u>	<u>\$ 4,235</u>

Capital asset additions in the current year were playground equipment, outside sign, cooler, server, furnace, projector, thinkpads and building addition.

Additional information on the District's capital assets can be found in Note 11 to the financial statements.

At June 30, 2017, the District had outstanding Series 2016 general obligation refunding bonds of \$2,000,000 reflecting no principal payments made during the year.

At June 30, 2017, the District had outstanding Series 2014 general obligation bonds of \$2,350,000 reflecting principal payments of \$150,000 made during the year.

At June 30, 2017, the District's overall legal debt margin was \$1.6 million.

Current Financial Issues and Concerns

The financial condition of the District has improved over the past several years. The size and volatility of student enrollment forces the District to remain vigilant in its efforts to remain financially solvent. Student numbers in 2015-16 decreased from the enrollment in 2014-15. This will begin to have a negative impact financially in 2017-18. With an adequate carryover, the District is prepared to weather Missouri's current financial condition for the short term.

With good oversight from the Board of Education, the administration maintains good financial stewardship. The District has prevented deficit spending and is maintaining an adequate balance. The State of Missouri failed to fully fund the education formula in 2016-17. However, due to redefining terms in the foundation formula, it appears that the formula will be fully funded in 2017-18. However, if this triggers full implementation of the legislation that will allow preschoolers to become part of the school funding process, this might not be a good thing for the Avenue City School District. Failure of the legislature to fully fund the upcoming formula will cause a per dollar amount to be deducted from the amount received in 2017-18 from non-hold harmless districts like Avenue City.

**AVENUE CITY R-IX SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017
(Unaudited)**

Because of a lack of revenue growth at the state level, the only increases in funding for the local public school must come via local growth. This growth comes via new construction of housing and through growth in state assessed utilities. Upgrades to a local power substation has provided a one-time source of revenue and apparently is going to supply that same money again in 2017-18. Because of the lack of growth in state funding, the District must remain cautious with regards to spending as new construction is not a predictable source of income.

A significant portion of the School District's resources is derived from state aid based on student attendance. The District's enrollment increased significantly 2-3 years ago. That growth has flattened out and has decreased. This will result in a loss in state revenue as revenues are distributed on a "per pupil basis." The District is allowed to utilize the larger student numbers from 2014-15 for two years. This ends in 2017-18. In order to avoid financial losses from state revenue the District must see a recovery of student numbers in 2017-18 or project a significant student number increase in 2018-19. Growth is important, however, growth which is proportionate to current K-8 enrollees and high school tuition students would be best. A sudden increase in high school tuition costs due to either a disproportionate number of 9-12 students or an increase in the per pupil tuition rate could be devastating to the District's financial status.

Avenue City R-IX School District continues to provide quality programs and its students continue to achieve at high levels. The Avenue City R-IX School District has committed itself to educational excellence for many years. In addition, the District's system of financial planning, budgeting, and control is well documented and respected.

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Don Lawrence, Superintendent of Schools at the Avenue City R-IX School District Office, 18069 Highway 169, Cosby, Missouri 64436.

BASIC FINANCIAL STATEMENTS

Avenue City R-IX School District
Statement of Net Position -
Modified Cash Basis
June 30, 2017

	Governmental Activities
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 81,177
Investments - Operating	2,398,262
Bond Escrowed Cash	2,139,958
Total Current Assets	4,619,397
Non-Current Assets:	
Land	8,684
Equipment and Fixtures (Net of Depr.)	76,011
Buildings and Improvements (Net of Depr.)	4,150,150
Total Non-Current Assets	4,234,845
Total Assets	8,854,242
DEFERRED OUTFLOWS OF RESOURCES	
None	-
Total Deferred Outflows of Resources	-
Total Assets and Deferred Outflows of Resources	\$ 8,854,242
LIABILITIES	
Current Liabilities:	
Payroll Liabilities	\$ 134
General Obligation Bonds	150,000
Total Current Liabilities	150,134
Non-Current Liabilities:	
General Obligation Bonds	2,200,000
Refunding Bonds	2,000,000
Total Non-Current Liabilities	4,200,000
Total Liabilities	4,350,134
DEFERRED INFLOWS OF RESOURCES	
None	-
Total Deferred Inflows of Resources	-
NET POSITION	
Net Investment in Capital Assets	(115,155)
Restricted	2,300,912
Unrestricted	2,318,351
Total Net Position	4,504,108
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 8,854,242

Avenue City R-IX School District
Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2017

	Governmental	
Total Activities	Activities	
General Revenues:	(1,862,046)	
Property Taxes, Levied for General Purposes	779,965	
Property Taxes, Levied for Capital Outlay	-	
Property Taxes, Levied for Debt Service	226,843	
Proposition C Sales Tax	195,620	
Other Taxes	147,443	
Earnings on Investments	29,784	
Other Revenue	-	
State and Federal Aid Not Restricted to Specific Purposes:	770,805	
Minimum Foundation Program	-	
Other	-	
Total General Revenue	<u>2,150,460</u>	
Changes in Net Position	288,414	
Net Position July 1, 2016	<u>4,215,694</u>	
Net Position June 30, 2017	<u>\$ 4,504,108</u>	

Avenue City R-IX School District
Reconciliation of Statement of Revenues, Expenditures and
Changes in Fund Balances for Governmental Funds to
Statement of Activities
For the Year Ended June 30, 2017

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

Net change in fund balances of total governmental funds	\$ 2,162,711
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, some of the cost of those assets may be allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and removals in the current period.	(24,297)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of the difference between new refunding bonds issued during the year and payments made on outstanding bonds.	<u>(1,850,000)</u>
Change in net position of governmental activities	<u>\$ 288,414</u>

Avenue City R-IX School District
Balance Sheet
Governmental Funds -
Modified Cash Basis
June 30, 2017

	Governmental Fund Types				Totals
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 2,228,865	\$ (2,569,558)	\$ 320,671	\$ 101,199	\$ 81,177
Investments - Operating	(121,173)	2,569,558	(66,570)	16,447	2,398,262
Bond Escrowed Cash	98,845	-	2,041,113	-	2,139,958
Total Current Assets	<u>2,206,537</u>	<u>-</u>	<u>2,295,214</u>	<u>117,646</u>	<u>4,619,397</u>
Non-Current Assets:					
None	-	-	-	-	-
Total Non-Current Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>2,206,537</u>	<u>-</u>	<u>2,295,214</u>	<u>117,646</u>	<u>4,619,397</u>
DEFERRED OUTFLOWS OF RESOURCES					
None	-	-	-	-	-
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,206,537</u>	<u>\$ -</u>	<u>\$ 2,295,214</u>	<u>\$ 117,646</u>	<u>\$ 4,619,397</u>
LIABILITIES					
Current Liabilities:					
Payroll Liabilities	\$ 134	-	-	-	\$ 134
Total Current Liabilities	<u>134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134</u>
Non-Current Liabilities:					
None	-	-	-	-	-
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134</u>
DEFERRED INFLOWS OF RESOURCES					
None	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted	5,698	-	2,295,214	-	2,300,912
Assigned to:					
Capital Projects	-	-	-	117,646	117,646
Unassigned	2,200,705	-	-	-	2,200,705
Total Fund Balances	<u>2,206,403</u>	<u>-</u>	<u>2,295,214</u>	<u>117,646</u>	<u>4,619,263</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,206,537</u>	<u>\$ -</u>	<u>\$ 2,295,214</u>	<u>\$ 117,646</u>	<u>\$ 4,619,397</u>
Reconcile to Statement of Net Position:					
Net Position Fund Balance					\$ 4,504,108
Capital Assets used in Governmental activities, are not financial resources.					
Therefore, these assets are not reported as assets in the Governmental Funds.					
Cost of Capital Assets				(6,503,843)	
Accumulated Depreciation				<u>2,268,998</u>	
Net Capital Assets					(4,234,845)
Liabilities included in Net Position and not in Funds are:					
General Obligation Bonds					2,350,000
Refunding Bonds					<u>2,000,000</u>
Total Governmental Fund Balances					<u>\$ 4,619,263</u>

Avenue City R-IX School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - Modified Cash Basis
For the Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
Revenues Collected:					
Local	\$ 937,747	\$ 195,635	\$ 233,205	\$ 55	\$ 1,366,642
County	65,803	10,716	67,138	-	143,657
State	22,754	958,063	-	-	980,817
Federal	21,740	71,444	-	2,607	95,791
Other Revenue	-	-	2,000,000	-	2,000,000
Total Revenues Collected	<u>1,048,044</u>	<u>1,235,858</u>	<u>2,300,343</u>	<u>2,662</u>	<u>4,586,907</u>
Expenditures Paid:					
Instruction	154,449	1,058,919	-	3,823	1,217,191
Support Services					
Attendance and Social Work Services	-	-	-	-	-
Guidance Services	1,455	22,569	-	-	24,024
Health, Psych, Speech and Audio	37,147	-	-	500	37,647
Improvement Of Instruction	-	962	-	-	962
Professional Development	5,658	1,777	-	-	7,435
Educational Media Services	6,703	60,806	-	-	67,509
Board Of Education Services	21,779	-	-	-	21,779
Executive Administration Services	117,740	48,937	-	19,655	186,332
Support Services - Building Level Administration	29,047	79,445	-	-	108,492
Business Support Services	-	-	-	-	-
Operation and Maintenance Of Plant Services	169,680	-	-	4,619	174,299
Security Services	-	-	-	-	-
Pupil Trans.-Contracted	68,528	3,942	-	-	72,470
Pupil Trans.-District Owned	-	-	-	-	-
Disabled Trans.-Contracted	77	-	-	-	77
Disabled Trans.-District Owned	-	-	-	-	-
Non-Allowable Transportation	-	-	-	-	-
Early Childhood Special Ed. Trans.	423	-	-	-	423
Food Service	62,764	-	-	-	62,764
Non-Instruction/Support Services					
Adult Education and Literacy Programs	-	-	-	-	-
Community Services	24,225	46,824	-	-	71,049
Facilities Acquisition and Constr.	-	-	-	77,822	77,822
Principal	-	-	150,000	-	150,000
Interest and Other Charges	-	-	105,685	-	105,685
Other - Fin Fees, Etc.	-	-	38,236	-	38,236
Total Expenditures Paid	<u>699,675</u>	<u>1,324,181</u>	<u>293,921</u>	<u>106,419</u>	<u>2,424,196</u>
Revenues Collected Over(Under)					
Expenditures Paid	348,369	(88,323)	2,006,422	(103,757)	2,162,711
Other Financing Sources (Uses):					
Transfers	(186,921)	88,323	-	98,598	-
Revenues Collected and Other Sources					
Over(Under) Expenditures Paid and					
Other Uses	161,448	-	2,006,422	(5,159)	2,162,711
Fund Equity, July 1, 2016	2,044,955	-	288,792	122,805	2,456,552
Fund Equity, June 30, 2017	<u>\$ 2,206,403</u>	<u>\$ -</u>	<u>\$ 2,295,214</u>	<u>\$ 117,646</u>	<u>\$ 4,619,263</u>

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 1. Summary of Significant Accounting Policies

Avenue City R-IX School District (the District) was established in 1927 under the Statutes of the State of Missouri. The District operates as a "six director" district (with seven members of the Board of Education) as described in RSMo Chapter 162.

The financial statements of Avenue City R-IX School District have been prepared, on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the above, the District has determined that no outside agency meets the above criteria and, therefore, no agency has been included as a component unit in the District's financial statements. 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.

B. District-wide and Fund Financial Statements

District-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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.

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

Program revenues include (a) charges paid by the recipients for goods or 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 that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenue of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. Separate financial statements are provided for governmental funds. The focus of governmental fund financial statements is on major funds. The District considers each of its funds to be major and each is presented in a separate column.

Interfund transfers are flows of assets from one fund to another where repayment is not expected. Interfund transfers are recorded on the statement of revenues, expenditures and changes in fund balances – governmental funds and the budgetary comparison schedules as other financing sources (uses). The District made a \$162,326 or 7% x SAT x WADA transfer for \$98,598 and a teachers fund transfer for \$88,323.

C. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, deferred outflows of resources, liabilities, deferred inflows of resources and fund balances arising from cash transactions. The following funds are used by the District:

Governmental Funds

General (Incidental) Fund - Accounts for general activities of the District, including student activities, food service and textbook funds which are not designated in a separate fund.

Special Revenue (Teachers') Fund - Accounts for expenditures for certified employees involved in administration and instruction. It includes revenues restricted by the State for the payment of teacher salaries.

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

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

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting

Measurement Focus

The District-wide financial statements are reported using the economic resources measurement focus, as applied to the modified cash basis of accounting.

The Governmental Fund financial statements are reported using the current financial resources measurement focus, as applied to the modified cash basis of accounting. Only current assets and liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances present sources and uses of available spendable financial resources during a given period. The fund balances are used as the measure of available spendable financial resources at the end of the period.

Basis of Accounting

The District-wide statement of net position and statement of activities, and the fund financial statements, governmental funds, are presented using a modified cash basis of accounting. This basis recognizes assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues and expenditures when they result from cash transactions, with a modification on the District-wide statements for recording of capital assets, depreciation expense, refunding bonds and general obligation bonds. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable) and their related revenues and expenses, certain deferred outflows of resources, certain liabilities (such as accounts payable) and their related expenses, and certain deferred inflows of resources are not recorded in these financial statements.

Accounting principles generally accepted in the United States of America would provide all governmental funds be presented on the modified accrual basis of accounting. All District-wide statements would be presented on the accrual basis of accounting. This basis recognizes all assets, deferred outflows of resources, liabilities (both current and non-current), deferred inflows of resources and all revenues and expenses during the year regardless of when cash is received or paid.

Fund Balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

1. Nonspendable, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The Debt Service fund balance of \$2,295,214 was restricted at the end of the year, for debt service payments. \$5,698 of the General Fund balance was restricted for 2 student scholarships.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Education (the District's highest level of decision-making authority).
4. Assigned fund balance classification is intended to be used by the government for specific purposes and do not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Committed Fund Balance Policy- Commitments of fund balance shall be submitted to the Board for approval. The District did not have any committed fund balances at the end of the year.

Assigned Fund Balance Policy- The Board may establish assignments of fund balance from time to time in order to meet specific District needs. Assignments of fund balance shall be vetted and approved by the Superintendent. \$117,646 of the Capital Projects fund balance was assigned to capital projects during upcoming years.

Order of Fund Balance Spending Policy- Fund balances will be used in this order: restricted, committed, assigned and then unassigned.

Minimum Fund Balance- In order to preserve financial stability, the District must be prepared to respond to cash flow shortages, large or unexpected one-time expenditures, changes in the economy, and changes in state funding. The District shall, therefore, target a yearly unassigned general fund balance of 25 percent or 90 days of total operating expenditures. Following any year where the audited fund balance falls below the above targeted limit, adjustments in budgeted expenditures shall be incorporated into the budget development process for that year. If the Board determines that the minimum targeted fund balance is not attainable in the proposed budget being considered, it shall be the goal of the Board to reach that level within a specified period of time, not to exceed two years.

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting

The District uses the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles, when preparing the budget for the year. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with Chapter 67, RSMo, the District adopts a budget for each fund of the political subdivision.
- 2) Prior to July, the Superintendent, who serves as the budget officer, submits to the Board of Education a proposed budget for the fiscal year beginning on the following July 1. The proposed budget includes estimated revenues and proposed expenditures for all District funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues and transfers for the year.
- 3) A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Education, the budget document is available for public inspection.
- 4) On June 15, 2016 the budget was legally enacted by a vote of the Board of Education.
- 5) Subsequent to its formal approval of the budget, the Board of Education has the authority to make necessary adjustments to the budget by formal vote of the board. Adjustments made during the year are reflected in the budget information included in the financial statements. Budgeted amounts were amended as necessary by the Board of Education.

F. 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.

G. Compensated Absences

Vacation time, personal business days, and sick leave are considered as expenditures in the year paid.

H. Staff Salaries

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

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

I. Risk Management

Insurance Pool - The District is a member of the Missouri United School Insurance Council which is a “protected self-insurance program”. It is a self-insurance pool which provides loss sharing and reimbursement benefits for members of the pool. The District relies on this program for loss reimbursement for most potential losses including building and contents, equipment, electronic data processing, boiler and machinery, and automotive. The Council has acquired co-insurance coverage for catastrophic losses. The Council can, however, make additional assessments on its members to cover losses.

J. Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

K. Program Revenues

In the Statement of Activities, revenues that are received directly for a particular activity are reported as program revenues. The District has the following program revenues in each activity:

Instruction – Student activities and other state and federal monies (medicaid, title monies, basic formula-classroom trust fund, early childhood special education, IDEA, high need fund and small schools grant).

Support Services – Food service and other state and federal monies (food service state, school lunch and breakfast monies, after school snack monies, and transportation).

Non-Instruction/Support Services – Community services, rentals and other state and federal monies (Education Screening/PAT).

L. Pension Plans

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

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of PSRS and PEERS have been determined on the same basis as they are reported by the Systems. The financial statements were prepared using the accrual basis of accounting. Member and employer

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 1. Summary of Significant Accounting Policies (Concluded)

contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing the Systems. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value. The fiduciary net position is reflected in the measurement of the District's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense. A Comprehensive Annual Financial Report (CAFR) can be obtained at www.psr-peers.org. The District is on the modified cash basis, therefore, no net pension liability and no deferred outflows and inflows of resources related to pensions are included on the Statement of Net Position or the Balance Sheet. However, they are included in the footnotes as reported by the Systems.

Note 2. Deposits and Investments

GASB Statement No. 72 clarifies the definition of fair value for financial reporting, establishes general principles for measuring fair value, provides additional fair value application guidance and enhances disclosures. GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a reoccurring basis as of June 30.

Fair Value Measurement at Reporting Date Using
Quoted Prices in Active Markets for Identical Assets
(Level 1)

External Investment Pool	\$ 260,262
Certificate of Deposits	<u>2,138,000</u>
Total Investments	<u>\$2,398,262</u>

As of June 30, 2017, the District had the following deposits and investments:

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 2. Deposits and Investments (Continued)

Schedule of Deposits and Investments by Type:

<u>Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>On Demand</u>	<u>Maturities in Years</u>	
				<u>Less than One</u>	<u>1-5</u>
Demand Accounts	\$2,221,135	N/A	\$2,221,135	\$ -	\$ -
Certificate of Deposits	<u>2,138,000</u>	N/A	-	<u>2,138,000</u>	-
Subtotal	\$4,359,135		<u>\$2,221,135</u>	<u>\$2,138,000</u>	<u>\$ -</u>
Pooled Cash					
Management Funds	<u>260,262</u>	AAA-S&P			
Total	<u>\$4,619,397</u>				

Reconciliation to the Statement of Net Position:

	<u>District-wide Statement of Net Position</u>
Cash & Cash Equivalents	\$ 81,177
Bond Escrowed Cash	2,139,958
Investments - Operating	<u>2,398,262</u>
Total	<u>\$4,619,397</u>

Deposits

Custodial Credit Risk- Exposure to custodial credit risk related to deposits exists when the District holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized without a written or approved collateral agreement. The District's policy as it relates to custodial credit risk is to follow the Missouri Statutes and School Policies and Regulations requiring that all deposits with financial institutions must be at least 100% collateralized with approved securities. All securities which serve as collateral against the deposits of a depository institution must be safekept at a nonaffiliated custodial facility.

At June 30, 2017, the District's deposits were not exposed to custodial credit risk.

Investments:

Custodial Credit Risk

Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name. The District's investment policy is to follow School Policies and Regulations and the Missouri Statutes on investments. The District is authorized to invest in either open time deposits or certificates of deposit secured by collateral of any amount above the FDIC limit, United States Treasury Securities, United States Agency Securities (including coupon and zero coupon securities, discount notes, step-up securities, collateral securities, floating rate securities and mortgage backed securities), Commercial Paper, Banker's acceptances, and Repurchase agreements, or in any instrument permitted by law for investment of state monies.

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 2. Deposits and Investments (Continued)

Missouri Securities Investment Program (MOSIP) is a common law trust organized under the laws of the State of Missouri. Income is distributed daily to participating investors to reflect the market value of these money market type investments. All funds are invested in accordance with RSMo Section 165.051. Each participating district is deemed to own a pro-rata share of each of the investments or deposits which are held in the name of MOSIP. MOSIP money market series seeks to maintain a stable net asset value of \$1.00 per share at the end of the statement period. MOSIP issues a publicly available financial report. That report may be obtained by writing to the Missouri Securities Investment Program, 77 West Port Plaza, Suite 220, St. Louis, MO 63146 or by calling 1-877-MY-MOSIP.

At June 30, 2017, the District was not exposed to custodial credit risk as defined above.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as determined by nationally recognized statistical rating organizations-rating agencies. The District's policy for limiting investments based on credit ratings is that investments are limited to commercial paper and banker's acceptances which has received the highest letter and numerical ranking as provided by Standard & Poor's and Moody's. Issues are limited to corporations that are organized and operated in the United States, have a total commercial paper program in excess of \$500,000,000 and have a long term debt rating, if any, of "A" or better from Standard & Poor's and Moody's. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The credit ratings of the District's investments are listed in the schedule above.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The District's investment policy provides that investments will remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated, therefore minimizing the risk that the market value will decrease due to changes in general interest rates. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments, as listed in the schedule above.

Concentration of Credit Risk

Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments may be excluded from this consideration. The District's policy is to diversify investments to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer, or specific classes of securities. At a minimum District investments will be allocated as follows: Time Deposits will have a maximum allocation of 50%, U.S. Treasuries/Securities with a maximum of 95%, U.S. Government Agencies will have a maximum of 70%, U.S. Government Agency Callable Securities

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 2. Deposits and Investments (Concluded)

and U.S. Government Floating Rate Securities have a maximum of 15%, Commercial Paper and Banker's Acceptances have a maximum of 40%, Banker's Certificates have a maximum of 20%, and Repurchase Agreements have a minimum of 3% and a maximum of 50%.

At June 30, 2017, the District's concentration of credit risk representing more than 5% of investments is as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
Crestmark Bank	Certificates of Deposits	\$246,000
Third Coast Bank	Certificates of Deposits	\$246,000
Citi Bank NA	Certificates of Deposits	\$246,000

Note 3. 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 eligible pupil counts. The District is required to reduce its property tax levy by one-half the amount of sales tax estimated to be received in the subsequent calendar year. The District voted to waive this rollback in April 1996.

The assessed valuation of the tangible taxable property (excluding state assessed railroad and utilities) for calendar year 2016 for purposes of local taxation was:

Real Estate:	<u>12-31-16</u>
Residential	\$16,221,510
Commercial	1,755,387
Agricultural	814,160
Personal Property	<u>4,931,733</u>
Total	<u>\$23,722,790</u>

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

	<u>Unadjusted</u>	<u>12-31-16</u> <u>Adjusted</u>
General Fund	\$ 3.3682	\$ 3.3682
Special Revenue Fund	-	-
Debt Service Fund	.9800	.9800
Capital Projects Fund	-	-
Total	<u>\$ 4.3482</u>	<u>\$ 4.3482</u>

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 3. Taxes (Concluded)

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2017, aggregated approximately 97.6048 percent of the current assessment computed on the basis of the levy as shown above.

Note 4. Long-Term Debt

Series 2014 General Obligation Bonds

On December 2, 2014 the District issued general obligation bonds, series 2014 in the amount of \$2,500,000 to be used for the purpose of providing funds for the completion of safety and security improvements including the construction of a secure main entrance and the acquisition and installation of a fire detection system; the construction, equipping and furnishing of a new kitchen and cafeteria; restroom renovation improvements; land acquisition for parking lot expansion; completion of other remodeling and repair improvements to the existing facilities of the District and to pay the cost of issuance thereof.

These bonds were issued using the Missouri Direct Deposit program that deducts bond payment requirements from the monthly State District revenues and forwards them to the paying agent.

Principal of the bonds will be paid on March 1 of the years in which the bonds mature, beginning March 1, 2017 and ending March 1, 2029. Interest will be payable semi annually on March 1 and September 1 in each year, beginning September 1, 2015 and ending March 1, 2029. Interest rates vary from 0.75% on March 1, 2017 to 5.00% on March 1, 2029. On December 30, 2016 the Bonds were refunded and will call and be paid off March 1, 2019. Of the \$2,500,000 proceeds, cost of issuance was \$43,700 and was fully expensed.

Bonds were deposited and disbursed as follows:

Deposit of proceeds of Series 2014 General Obligation Bonds	\$2,500,000
Funds from the reoffering premium	238,392
Deposit to Construction Fund	(2,694,692)
Cost of Issuance	<u>(43,700)</u>
Balance of Funds	<u>\$ -</u>

Bonds payable at June 30, 2017 are as follows:

General obligation bonds of \$2,350,000 due in varying annual installments through March 1, 2019; interest at 0.75% to 1.25%.

The State withheld from monthly checks \$24,823 in 2016 for 2 months, \$49,645 for 2 months and \$24,710 for 4 months for a total of \$247,776 in the 2016/2017 year to make debt service payments.

Annual Debt Service Requirements

The annual requirements to amortize all debt outstanding as of June 30, 2017, including interest payments are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2018	\$ 150,000.00	\$ 97,100.00	\$ 247,100.00
2019	<u>2,200,000.00</u>	<u>95,600.00</u>	<u>2,295,600.00</u>
Total	<u>\$2,350,000.00</u>	<u>\$ 192,700.00</u>	<u>\$2,542,700.00</u>

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 4. Long-Term Debt (Concluded)

Series 2016 General Obligation Refunding Bonds

On December 30, 2016 the District issued general obligation refunding bonds, Series 2016 in the amount of \$2,000,000 to be used for the purpose of providing funds to advance crossover refund the \$2,000,000 portion of principal callable on March 1, 2019 of the District's General Obligation Bonds, Series 2014 maturing from March 1, 2020 to March 1, 2029 callable March 1, 2019 which will be redeemed on March 1, 2019.

These bonds were issued using the Missouri Direct Deposit program that deducts bond payment requirements from the monthly State District revenues and forwards them to the paying agent.

Principal of the bonds will be paid on March 1 of the years in which the bonds mature, beginning March 1, 2020 and ending March 1, 2027. Interest will be payable semi annually on March 1 and September 1 in each year, beginning March 1, 2017 and ending March 1, 2027. Interest rates vary from 1.7% to 2.65% on March 1, 2027. Of the \$2,000,000 proceeds, cost of issuance was \$37,600 and was fully expensed.

Bonds were deposited and disbursed as follows:

Deposit of Proceeds of Series 2016 General Obligation Refunding Bonds	\$2,000,000.00
Funds From Debt Service Fund	82,207.58
Deposit to Refunding Escrow Account to Purchase Securities to Prepay the Series 2014 Bonds	(2,044,607.00)
Deposit to Escrow Account	(0.58)
Cost of Issuance	(37,600.00)
Balance of Funds	<u>\$ -</u>

Bonds payable at June 30, 2017 are as follows:

General Obligation Refunding Bonds of \$2,000,000 due in varying annual installments through March 1, 2027; interest at 1.7% to 2.65%.

Annual Debt Service Requirements

The annual requirements to amortize all debt outstanding as of June 30, 2017, including interest payments are as follows:

Year Ended

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 44,025.00	\$ 44,025.00
2019	-	44,025.00	44,025.00
2020	275,000.00	44,025.00	319,025.00
2021	165,000.00	39,350.00	204,350.00
2022	215,000.00	36,380.00	251,380.00
2023	280,000.00	32,080.00	312,080.00
2024	270,000.00	26,200.00	296,200.00
2025	265,000.00	20,125.00	285,125.00
2026	280,000.00	13,765.00	293,765.00
2027	<u>250,000.00</u>	<u>6,625.00</u>	<u>256,625.00</u>
Total	<u>\$2,000,000.00</u>	<u>\$306,600.00</u>	<u>\$2,306,600.00</u>

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 5. Changes in Long-Term Debt and Debt Limit

Following is a summary of long-term debt for the year ended June 30, 2017:

	Series <u>2014</u>	Series <u>2016</u>	<u>Total</u>
Long-Term Debt Payable, July 1, 2016	\$2,500,000	\$ -	\$2,500,000
Principal Paid	(150,000)	-	(150,000)
New Borrowings	<u>-</u>	<u>2,000,000</u>	<u>2,000,000</u>
Long-Term Debt Payable, June 30, 2017	<u>\$2,350,000</u>	<u>\$2,000,000</u>	<u>\$4,350,000</u>

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

Constitutional debt limit	\$3,558,419
Less: General obligation bonds payable	(4,350,000)
Add: Amount available in Debt Service Fund	2,295,214
Add: Bond reserve	<u>98,845</u>
Total legal debt margin	<u>\$1,602,478</u>

Note 6. Commodities

The District is the recipient of food commodities from the U.S. Department of Agriculture. Although the District does not account for the receipt of the commodities in its accounting records, it does maintain a system of controls over the inventory and consumption of the food commodities. The amount of food commodities received during the year approximated \$6,623.11.

Note 7. Pension Plans

General Information about the Pension Plan

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.

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 7. Pension Plans (Continued)

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

Benefits Provided. PSRS is a defined benefit plan providing retirement, disability, and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of 5 years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55% benefit factor was used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with 5 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.

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 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 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.

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

Cost-of-Living Adjustments ("COLA"). The Board of Trustees has established a policy of providing a 0.00% COLA for years in which the CPI increases between 0.00% and 2.00% a 2.00% COLA for years in which CPI increases between 2.00% and 5.00%, and a COLA of 5.00% if the CPI increase is greater than 5.00%. If the CPI decreases, no COLA is provided. For any PSRS member retiring

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 7. Pension Plans (Continued)

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

Contributions. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2015, 2016 and 2017. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay.

PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2015, 2016 and 2017. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay.

The District's contributions to PSRS and PEERS were \$108,409 and \$21,011, respectively, for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District had a liability of \$1,130,979 (not recorded on books due to being modified cash basis) for its proportionate share of PSRS' pension liability and \$149,234 (not recorded on books due to being modified cash basis) for its proportionate share of PEERS' net pension liability. In total the District had net pension liabilities of \$1,280,213 (not recorded on books due to being modified cash basis). The net pension liability for the plan in total was measured as of June 30, 2016, and determined by an actuarial valuation as of that date. The District's proportionate share of the total net pension liability was based on the ratio of its actual contributions paid to PSRS and PEERS of \$101,579 and \$19,694, respectively, for the year ended June 30, 2016, relative to the actual contributions of \$669,858,142 for PSRS and \$105,934,385 for PEERS from all participating employers. At June 30, 2016, the District's proportionate share was 0.0152% for PSRS and 0.0186% for PEERS.

For the year ended June 30, 2017, the District had pension expense of \$140,206 (not recorded on books due to being modified cash basis) for PSRS and \$35,263 (not recorded on books due to being modified cash basis) for PEERS, its proportionate share of the total pension expense.

At June 30, 2017, the District had deferred outflows of resources and deferred inflows of resources from the following sources related to PSRS pension benefits (not recorded on books due to being modified cash basis):

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 7. Pension Plans (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance of Deferred Outflows and Inflows Due to:		
-Differences between expected & actual experience	\$ 81,373	\$ 86,414
-Changes of assumptions	12,792	-
-Net difference between projected and actual earnings on pension plan investments	384,316	149,952
-Changes in proportion and differences between Employer contributions and proportionate share of contributions	14,074	32,986
-Employer contributions subsequent to the measurement date	<u>108,409</u>	<u>-</u>
Total	<u>\$ 600,964</u>	<u>\$ 269,352</u>

At June 30, 2017, the District had deferred outflows of resources and deferred inflows of resources from the following sources related to PEERS pension benefits (not recorded on books due to being modified cash basis):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance of Deferred Outflows and Inflows Due to:		
-Differences between expected & actual experience	\$ 4,320	\$ 8,746
-Changes of assumptions	8,888	-
-Net difference between projected and actual earnings on pension plan investments	54,247	20,228
-Changes in proportion and differences between Employer contributions and proportionate share of contributions	21,346	902
-Employer contributions subsequent to the measurement date	<u>21,011</u>	<u>-</u>
Total	<u>\$ 109,812</u>	<u>\$ 29,876</u>

Amounts reported as deferred outflows of resources resulting from contribution subsequent to the measurement date of June 30, 2016, will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as collective deferred (inflows)/outflows of resources are to be recognized in pension expense as follows:

Year Ending June 30:	<u>PSRS</u>	<u>PEERS</u>
2018	\$ 33,474	\$ 13,745
2019	33,474	14,957
2020	108,450	20,655
2021	64,906	9,568
2022	(12,413)	-
Thereafter	<u>(4,688)</u>	<u>-</u>
	<u>\$ 223,203</u>	<u>\$ 58,925</u>

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 7. Pension Plans (Continued)

Actuarial Assumptions

Actuarial valuations of the Systems' involve 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 Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience for the Systems', derived from experience studies conducted every fifth year. The most recent comprehensive experience studies were completed in June 2016. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the study and effective with the June 30, 2016 valuation. Significant actuarial assumption and method changes are detailed below. For additional information please refer to the Systems' CAFR. The next experience studies are scheduled for 2021.

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

-Measurement Date	June 30, 2016
-Valuation Date	June 30, 2016
-Expected Return on Investments	7.75%, net of investment expenses and including 2.25% inflation
-Inflation	2.25%
-Total Payroll Growth	PSRS 2.75% per annum, consisting of 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity. PEERS 3.25% per annum, consisting of 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.
-Future Salary Increases	PSRS 3.00%-9.50%, depending on service and including 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity. PEERS 4.00%-11.00%, depending on service and including 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 7. Pension Plans (Continued)

-Cost-of-Living Increases	PSRS and PEERS The long-term cost-of-living adjustment (COLA) assumed in the valuation is 1.50% per year, based on the current policy of the Board to grant a 0.00% COLA when annual inflation, as measured by the CPI-U index for a fiscal year, increases between 0.00% and 2.00% and to grant 2.00% when the increase is between 2.00% and 5.00%. The actuarial assumption increases from 1.00% to 1.50% over ten years (from fiscal year 2017 to fiscal year 2027). The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over age 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. The total lifetime COLA cannot exceed 80% of the original benefit. PSRS members receive a COLA on the second January after retirement, while PEERS members receive a COLA on the fourth January after retirement.
-Mortality Assumption Actives:	<p>PSRS RP 2006 White Collar Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.</p> <p>PEERS RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.</p>
Non-Disabled Retirees, Beneficiaries and Survivors:	<p>PSRS RP-2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.</p> <p>PEERS RP-2006 Total Dataset Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.</p>
Disabled Retirees:	PSRS and PEERS RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
Changes in Actuarial Assumptions and Methods	<p>An experience study was completed in June 2016 resulting in an update to the following assumptions:</p> <p>PSRS and PEERS The inflation assumption decreased from 2.50% to 2.25% per year.</p>

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 7. Pension Plans (Continued)

PSRS The payroll growth assumption decreased from 3.50% to 2.75% per year. The future salary increase assumption decreased from 4.00%-10.00%, depending on service to 3.00%-9.50%, depending on service. The investment return assumption decreased from 8.00% to 7.75% per year. The active mortality assumption changed from the RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA to 75% of the RP-2006 White Collar Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale. The non-disabled retiree mortality assumption changed from the RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA to the RP-2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale. The disabled retiree mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to the RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.

PEERS The payroll growth assumption decreased from 3.75% to 3.25% per year. The future salary increase assumption decreased from 5.00%-12.00%, depending on service to 4.00%-11.00%, depending on service. The investment return assumption decreased from 8.00% to 7.75% per year. The active mortality assumption changed from the RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA to 75% of the RP-2006 Total Dataset Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale. The non-disabled retiree mortality assumption changed from the RP 2000 Mortality Table set forward one year for males and no set back/forward for females, then projected to 2016 using Scale AA to the RP-2006 Total Dataset Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale. The disabled retiree mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to the RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.

PSRS and PEERS In addition, the Board adopted a new COLA policy during fiscal 2016 resulting in a decrease in the future COLA assumption from 2.00% per year to a variable, increasing assumption of 1.00%-1.50% over ten years beginning January 1, 2018.

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 7. Pension Plans (Continued)

Fiduciary Net Position The Systems issue a publicly available financial report that can be obtained at www.psr-peers.org

-Expected Rate of Return The long-term expected rate of return on investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27 Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed rate of return. The long-term expected rate of return on the Systems' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems' target allocation as of June 30, 2016 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 cashflows.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Return Arithmetic Basis</u>	<u>Weighted Long-term Expected Real Return Arithmetic Basis</u>
U.S. Public Equity	27.0%	5.16%	1.39%
Public Credit	7.0%	2.17%	0.15%
Hedged Assets	6.0%	4.42%	0.27%
Non-U.S. Public Equity	15.0%	6.01%	0.90%
U.S. Treasuries	16.0%	0.96%	0.15%
U.S. TIPS	4.0%	0.80%	0.03%
Private Credit	4.0%	5.60%	0.22%
Private Equity	12.0%	9.86%	1.18%
Private Real Estate	9.0%	3.56%	0.32%
Total	<u>100.0%</u>		4.61%
		Inflation	<u>2.25%</u>
		Long-term arithmetical nominal return	6.86%
		Effect of covariance matrix	<u>0.89%</u>
		Long-term expected geometric return	<u>7.75%</u>

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 7. Pension Plans (Concluded)

-Discount Rate

The long-term expected rate of return used to measure the total pension liability was 7.75% as of June 30, 2016, and is consistent with the long-term expected geometric return on plan investments. The actuarial assumed rate of return was 8.0% from 1980 through fiscal year 2016. The Board of Trustees adopted a new actuarial assumed rate of return of 7.75% based on the actuarial experience studies and asset-liability study conducted during the current year. 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 policies 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.

-Discount Rate Sensitivity

The sensitivity of the District's net pension liabilities to changes in the discount rate is presented below. The District's net pension liabilities calculated using the discount rate of 7.75% is presented as well as the net pension liabilities using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

	<u>Discount Rate</u>	<u>1% Decrease (6.75%)</u>	<u>Current Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
PSRS Proportionate share of the Net Pension Liability/ (Asset)	\$ 1,918,658	\$ 1,130,979	\$ 475,116	
PEERS Proportionate share of the Net Pension Liability/ (Asset)	\$ 259,524	\$ 149,234	\$56,674	

Note 8. Operating Lease

On March 24, 2014 the District entered into a master commercial services agreement with United Services, Inc. for monthly communication services. The lease calls for 60 monthly payments of \$652 starting July 1, 2014. The District is enrolled in an ERate-government discount program in which the program pays for a portion of this agreement each month. For Fiscal 2015, the monthly discount rate was \$260.28, leaving the District to pay a monthly amount of \$391.20. For Fiscal 2016, the monthly discount rate is \$326.00, leaving the District to pay a monthly amount of \$326.00. Starting in January 2016, the District added additional bandwidth to the service for a fee of \$49.95 a month. Starting August 1, 2016, the monthly discount rate is \$375, leaving the District to pay a monthly amount of \$375.00. The additional bandwidth also went up to \$69.95 but there was a monthly discount rate of \$34.98.

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 8. Operating Lease (Concluded)

Remaining Annual Payments:

Year Ending	Total
<u>June 30,</u>	<u>Payments</u>
2018	\$4,919.64
2019	4,919.64
Total	<u>\$9,839.28</u>

Payments of \$4,871.57 and \$4,226.95 were made as of June 30, 2017 and 2016, respectively.

Note 9. Economic Dependency

The District receives a substantial amount of its support from federal and state grants or contracts. If a significant reduction in the level of these government supports were to occur, it could have an effect on the District's activities.

Note 10. Contingencies

Litigation -At June 30, 2017, there was no pending or threatened litigation against the District.

Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audits and adjustments by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing grants, refunds of any money received may be required. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

Note 11. Capital Assets

As a part of the change to the GASB 34 reporting model, the District has established a system to account for major capital assets. Only items with initial individual costs exceeding \$1,500 are included in the accounting for the financial statements. The District does not own vehicles.

Original purchase dates are not available for many items and dates and costs are estimated using current costs for similar items discounted to the estimated time of purchase. Construction interest is not included in building costs.

Depreciation has been calculated using actual or estimated purchase dates. Buildings and Improvements and Equipment and Fixtures depreciation is allocated 100% to Instruction.

Depreciation is calculated using the straight line method over the estimated useful life beginning with the month of purchase. Estimated useful lives are as follows:

- Buildings and Improvements - 50 years
- Equipment and Fixtures - 5, 10 years

Avenue City R-IX School District
Notes to Financial Statements
Year Ended June 30, 2017

Note 11. Capital Assets (Concluded)

The summary of general capital assets as of June 30, 2017 is as follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance</u> <u>June 30, 2017</u>
Equipment and Fixtures	\$ 168,823	\$ 45,808	\$ (1,750)	\$ 212,881
Buildings and Improv.	6,255,941	29,908	(3,571)	6,282,278
Land	8,684	-	-	8,684
Less: Depreciation	<u>(2,174,306)</u>	<u>(96,934)</u>	<u>2,242</u>	<u>(2,268,998)</u>
Net Total	<u>\$4,259,142</u>	<u>\$(21,218)</u>	<u>\$ (3,079)</u>	<u>\$4,234,845</u>

SUPPLEMENTARY INFORMATION

Avenue City R-IX School District
Budgetary Comparison Schedule
Modified Cash Basis
General Fund
For the Year Ended June 30, 2017

General Fund	Budget Amounts			Variances	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Original to Final</u>	<u>Final to Actual</u>
Revenues Collected:					
Local	\$ 845,400	\$ 847,000	\$ 937,747	\$ 1,600	\$ 90,747
County	85,000	100,000	65,803	15,000	(34,197)
State	15,500	15,500	22,754	-	7,254
Federal	20,600	20,050	21,740	(550)	1,690
Other Revenue (Bonds, Sales, Ins)	-	-	-	-	-
Other Districts	-	-	-	-	-
Total Revenues Collected	<u>966,500</u>	<u>982,550</u>	<u>1,048,044</u>	<u>16,050</u>	<u>65,494</u>
Expenditures Paid:					
Instruction:					
Instruction Regular	49,044	46,400	57,610	2,644	(11,210)
Instruction Special Ed	51,171	60,103	58,659	(8,932)	1,444
Career Education Programs	-	-	-	-	-
Student Activities	30,600	26,200	38,180	4,400	(11,980)
Payments To Other Districts	-	-	-	-	-
Total Instruction	<u>130,815</u>	<u>132,703</u>	<u>154,449</u>	<u>(1,888)</u>	<u>(21,746)</u>
Support Services:					
Attendance and Social Work Services	-	-	-	-	-
Guidance Services	2,450	2,450	1,455	-	995
Health, Psych, Speech and Audio	32,090	37,708	37,147	(5,618)	561
Professional Development	8,000	5,600	5,658	2,400	(58)
Educational Media Services	80,783	7,300	6,703	73,483	597
Total Support Services	<u>123,323</u>	<u>53,058</u>	<u>50,963</u>	<u>70,265</u>	<u>2,095</u>
Administration:					
Board Services	28,300	28,650	21,779	(350)	6,871
Executive Administration	38,533	124,619	117,740	(86,086)	6,879
Building Administration	27,093	28,371	29,047	(1,278)	(676)
Business Services	-	-	-	-	-
Total Administration	<u>93,926</u>	<u>181,640</u>	<u>168,566</u>	<u>(87,714)</u>	<u>13,074</u>
Other:					
Operation and Maintenance of Plant	179,796	183,332	169,680	(3,536)	13,652
Pupil Transportation	67,750	74,000	69,028	(6,250)	4,972
Food Services	63,908	65,454	62,764	(1,546)	2,690
Adult Education	-	-	-	-	-
Community Services	25,942	24,380	24,225	1,562	155
Facilities Capital Outlay	-	-	-	-	-
Principal Pmts on Long-Term Debt	-	-	-	-	-
Interest on Long-Term Debt	-	-	-	-	-
Other - Fin Fees, Etc.	-	-	-	-	-
Total Other	<u>337,396</u>	<u>347,166</u>	<u>325,697</u>	<u>(9,770)</u>	<u>21,469</u>
Total Expenditures Paid	<u>685,460</u>	<u>714,567</u>	<u>699,675</u>	<u>(29,107)</u>	<u>14,892</u>
Revenues Collected Over (Under)					
Expenditures Paid	281,040	267,983	348,369	(13,057)	80,386
Other Financing Sources (Uses):					
Transfers In (Out)	(197,567)	(155,182)	(186,921)	42,385	(31,739)
Net Change in Fund Balance	\$ 83,473	\$ 112,801	\$ 161,448	\$ 29,328	\$ 48,647
Fund Equity July 1, 2016	2,044,955	2,044,955	2,044,955	-	-
Fund Equity June 30, 2017	<u>\$ 2,128,428</u>	<u>\$ 2,157,756</u>	<u>\$ 2,206,403</u>	<u>\$ 29,328</u>	<u>\$ 48,647</u>

Avenue City R-IX School District
Budgetary Comparison Schedule
Modified Cash Basis
Special Revenue Fund
For the Year Ended June 30, 2017

Special Revenue Fund	Budget Amounts			Variances	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Original to Final</u>	<u>Final to Actual</u>
Revenues Collected:					
Local	\$ 190,000	\$ 178,000	\$ 195,635	\$ (12,000)	\$ 17,635
County	9,500	9,500	10,716	-	1,216
State	837,200	903,500	958,063	66,300	54,563
Federal	76,500	78,000	71,444	1,500	(6,556)
Other Revenue (Bonds, Sales, Ins)	-	-	-	-	-
Other Districts	-	-	-	-	-
Total Revenues Collected	<u>1,113,200</u>	<u>1,169,000</u>	<u>1,235,858</u>	<u>55,800</u>	<u>66,858</u>
Expenditures Paid:					
Instruction:					
Instruction Regular	641,807	631,832	617,023	9,975	14,809
Instruction Special Ed	148,336	177,556	177,833	(29,220)	(277)
Career Education Programs	-	-	-	-	-
Student Activities	-	-	-	-	-
Payments To Other Districts	<u>270,000</u>	<u>253,027</u>	<u>264,063</u>	<u>16,973</u>	<u>(11,036)</u>
Total Instruction	<u>1,060,143</u>	<u>1,062,415</u>	<u>1,058,919</u>	<u>(2,272)</u>	<u>3,496</u>
Support Services:					
Attendance and Social Work Services	-	-	-	-	-
Guidance Services	21,767	22,823	22,569	(1,056)	254
Health, Psych, Speech and Audio	-	-	-	-	-
Professional Development	306	2,153	2,739	(1,847)	(586)
Educational Media Services	<u>58,610</u>	<u>61,234</u>	<u>60,806</u>	<u>(2,624)</u>	<u>428</u>
Total Support Services	<u>80,683</u>	<u>86,210</u>	<u>86,114</u>	<u>(5,527)</u>	<u>96</u>
Administration:					
Board Services	-	-	-	-	-
Executive Administration	47,662	49,141	48,937	(1,479)	204
Building Administration	77,623	79,495	79,445	(1,872)	50
Business Services	-	-	-	-	-
Total Administration	<u>125,285</u>	<u>128,636</u>	<u>128,382</u>	<u>(3,351)</u>	<u>254</u>
Other:					
Operation and Maintenance of Plant	-	-	-	-	-
Pupil Transportation	3,942	3,943	3,942	(1)	1
Food Services	-	-	-	-	-
Adult Education	-	-	-	-	-
Community Services	40,714	42,978	46,824	(2,264)	(3,846)
Facilities Capital Outlay	-	-	-	-	-
Principal Pmts on Long-Term Debt	-	-	-	-	-
Interest on Long-Term Debt	-	-	-	-	-
Other - Fin Fees, Etc.	-	-	-	-	-
Total Other	<u>44,656</u>	<u>46,921</u>	<u>50,766</u>	<u>(2,265)</u>	<u>(3,845)</u>
Total Expenditures Paid	<u>1,310,767</u>	<u>1,324,182</u>	<u>1,324,181</u>	<u>(13,415)</u>	<u>1</u>
Revenues Collected Over (Under)					
Expenditures Paid	(197,567)	(155,182)	(88,323)	42,385	66,859
Other Financing Sources (Uses):					
Transfers In (Out)	<u>197,567</u>	<u>155,182</u>	<u>88,323</u>	<u>(42,385)</u>	<u>(66,859)</u>
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Equity July 1, 2016	-	-	-	-	-
Fund Equity June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Avenue City R-IX School District
Budgetary Comparison Schedule
Modified Cash Basis
Debt Service Fund
For the Year Ended June 30, 2017

Debt Service Fund	Budget Amounts			Variances	
	Original	Final	Actual	Original to Final	Final to Actual
Revenues Collected:					
Local	\$ 200,950	\$ 203,500	\$ 233,205	\$ 2,550	\$ 29,705
County	35,000	32,000	67,138	(3,000)	35,138
State	-	-	-	-	-
Federal	-	-	-	-	-
Other Revenue (Bonds, Sales, Ins)	-	-	2,000,000	-	2,000,000
Other Districts	-	-	-	-	-
Total Revenues Collected	235,950	235,500	2,300,343	(450)	2,064,843
Expenditures Paid:					
Instruction:					
Instruction Regular	-	-	-	-	-
Instruction Special Ed	-	-	-	-	-
Career Education Programs	-	-	-	-	-
Student Activities	-	-	-	-	-
Payments To Other Districts	-	-	-	-	-
Total Instruction	-	-	-	-	-
Support Services:					
Attendance and Social Work Services	-	-	-	-	-
Guidance Services	-	-	-	-	-
Health, Psych, Speech and Audio	-	-	-	-	-
Professional Development	-	-	-	-	-
Educational Media Services	-	-	-	-	-
Total Support Services	-	-	-	-	-
Administration:					
Board Services	-	-	-	-	-
Executive Administration	-	-	-	-	-
Building Administration	-	-	-	-	-
Business Services	-	-	-	-	-
Total Administration	-	-	-	-	-
Other:					
Operation and Maintenance of Plant	-	-	-	-	-
Pupil Transportation	-	-	-	-	-
Food Services	-	-	-	-	-
Adult Education	-	-	-	-	-
Community Services	-	-	-	-	-
Facilities Capital Outlay	-	-	-	-	-
Principal Pmts on Long-Term Debt	200,000	200,000	150,000	-	50,000
Interest on Long-Term Debt	50,000	93,271	105,685	(43,271)	(12,414)
Other - Fin Fees, Etc.	650	650	38,236	-	(37,586)
Total Other	250,650	293,921	293,921	(43,271)	-
Total Expenditures Paid	250,650	293,921	293,921	(43,271)	-
Revenues Collected Over (Under)					
Expenditures Paid	(14,700)	(58,421)	2,006,422	(43,721)	2,064,843
Other Financing Sources (Uses):					
Transfers In (Out)	-	-	-	-	-
Net Change in Fund Balance	\$ (14,700)	\$ (58,421)	\$ 2,006,422	\$ (43,721)	\$ 2,064,843
Fund Equity July 1, 2016	288,792	288,792	288,792	-	-
Fund Equity June 30, 2017	\$ 274,092	\$ 230,371	\$ 2,295,214	\$ (43,721)	\$ 2,064,843

Avenue City R-IX School District
Budgetary Comparison Schedule
Modified Cash Basis
Capital Projects Fund
For the Year Ended June 30, 2017

Capital Projects Fund	Budget Amounts			Variance Positive (Negative)	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Original to Final</u>	<u>Final to Actual</u>
Revenues Collected:					
Local	\$ -	\$ -	\$ 55	\$ -	\$ 55
County	-	-	-	-	-
State	-	-	-	-	-
Federal	-	-	2,607	-	2,607
Other Revenue (Bonds, Sales, Ins)	-	-	-	-	-
Other Districts	-	-	-	-	-
Total Revenues Collected	<u>-</u>	<u>-</u>	<u>2,662</u>	<u>-</u>	<u>2,662</u>
Expenditures Paid:					
Instruction:					
Instruction Regular	5,000	2,000	1,198	3,000	802
Instruction Special Ed	1,200	1,200	2,625	-	(1,425)
Career Education Programs	-	-	-	-	-
Student Activities	-	-	-	-	-
Payments To Other Districts	-	-	-	-	-
Total Instruction	<u>6,200</u>	<u>3,200</u>	<u>3,823</u>	<u>3,000</u>	<u>(623)</u>
Support Services:					
Attendance and Social Work Services	-	-	-	-	-
Guidance Services	-	-	-	-	-
Health, Psych, Speech and Audio	500	500	500	-	-
Professional Development	-	-	-	-	-
Educational Media Services	30,000	-	-	30,000	-
Total Support Services	<u>30,500</u>	<u>500</u>	<u>500</u>	<u>30,000</u>	<u>-</u>
Administration:					
Board Services	-	-	-	-	-
Executive Administration	5,000	20,750	19,655	(15,750)	1,095
Building Administration	500	500	-	-	500
Business Services	-	-	-	-	-
Total Administration	<u>5,500</u>	<u>21,250</u>	<u>19,655</u>	<u>(15,750)</u>	<u>1,595</u>
Other:					
Operation and Maintenance of Plant	10,000	10,000	4,619	-	5,381
Pupil Transportation	-	-	-	-	-
Food Services	500	-	-	500	-
Adult Education	-	-	-	-	-
Community Services	1,000	1,000	-	-	1,000
Facilities Capital Outlay	-	70,469	77,822	(70,469)	(7,353)
Principal Pmts on Long-Term Debt	-	-	-	-	-
Interest on Long-Term Debt	-	-	-	-	-
Other - Fin Fees, Etc.	-	-	-	-	-
Total Other	<u>11,500</u>	<u>81,469</u>	<u>82,441</u>	<u>(69,969)</u>	<u>(972)</u>
Total Expenditures Paid	<u>53,700</u>	<u>106,419</u>	<u>106,419</u>	<u>(52,719)</u>	<u>-</u>
Revenues Collected Over (Under)					
Expenditures Paid	(53,700)	(106,419)	(103,757)	(52,719)	2,662
Other Financing Sources (Uses):					
Transfers In (Out)	-	-	98,598	-	98,598
Net Change in Fund Balance	\$ (53,700)	\$ (106,419)	\$ (5,159)	\$ (52,719)	\$ 101,260
Fund Equity July 1, 2016	122,805	122,805	122,805	-	-
Fund Equity June 30, 2017	<u>\$ 69,105</u>	<u>\$ 16,386</u>	<u>\$ 117,646</u>	<u>\$ (52,719)</u>	<u>\$ 101,260</u>

Avenue City R-IX School District
Budgetary Comparison Schedule
Modified Cash Basis
Total All Funds
For the Year Ended June 30, 2017

Total All Funds	Budget Amounts		Actual	Variances	
	Original	Final		Original to Final	Final to Actual
Revenues Collected:					
Local	\$ 1,236,350	\$ 1,228,500	\$ 1,366,642	\$ (7,850)	\$ 138,142
County	129,500	141,500	143,657	12,000	2,157
State	852,700	919,000	980,817	66,300	61,817
Federal	97,100	98,050	95,791	950	(2,259)
Other Revenue (Bonds, Sales, Ins)	-	-	2,000,000	-	2,000,000
Other Districts	-	-	-	-	-
Total Revenues Collected	2,315,650	2,387,050	4,586,907	71,400	2,199,857
Expenditures Paid:					
Instruction:					
Instruction Regular	695,851	680,232	675,831	15,619	4,401
Instruction Special Ed	200,707	238,859	239,117	(38,152)	(258)
Career Education Programs	-	-	-	-	-
Student Activities	30,600	26,200	38,180	4,400	(11,980)
Payments To Other Districts	270,000	253,027	264,063	16,973	(11,036)
Total Instruction	1,197,158	1,198,318	1,217,191	(1,160)	(18,873)
Support Services:					
Attendance and Social Work Services	-	-	-	-	-
Guidance Services	24,217	25,273	24,024	(1,056)	1,249
Health, Psych, Speech and Audio	32,590	38,208	37,647	(5,618)	561
Professional Development	8,306	7,753	8,397	553	(644)
Educational Media Services	169,393	68,534	67,509	100,859	1,025
Total Support Services	234,506	139,768	137,577	94,738	2,191
Administration:					
Board Services	28,300	28,650	21,779	(350)	6,871
Executive Administration	91,195	194,510	186,332	(103,315)	8,178
Building Administration	105,216	108,366	108,492	(3,150)	(126)
Business Services	-	-	-	-	-
Total Administration	224,711	331,526	316,603	(106,815)	14,923
Other:					
Operation and Maintenance of Plant	189,796	193,332	174,299	(3,536)	19,033
Pupil Transportation	71,692	77,943	72,970	(6,251)	4,973
Food Services	64,408	65,454	62,764	(1,046)	2,690
Adult Education	-	-	-	-	-
Community Services	67,656	68,358	71,049	(702)	(2,691)
Facilities Capital Outlay	-	70,469	77,822	(70,469)	(7,353)
Principal Pmts on Long-Term Debt	200,000	200,000	150,000	-	50,000
Interest on Long-Term Debt	50,000	93,271	105,685	(43,271)	(12,414)
Other - Fin Fees, Etc.	650	650	38,236	-	(37,586)
Total Other	644,202	769,477	752,825	(125,275)	16,652
Total Expenditures Paid	2,300,577	2,439,089	2,424,196	(138,512)	14,893
Revenues Collected Over (Under)					
Expenditures Paid	15,073	(52,039)	2,162,711	(67,112)	2,214,750
Other Financing Sources (Uses):					
Transfers In (Out)	-	-	-	-	-
Net Change in Fund Balance	\$ 15,073	\$ (52,039)	\$ 2,162,711	\$ (67,112)	\$ 2,214,750
Fund Equity July 1, 2016	2,456,552	2,456,552	2,456,552	-	-
Fund Equity June 30, 2017	\$ 2,471,625	\$ 2,404,513	\$ 4,619,263	\$ (67,112)	\$ 2,214,750

Avenue City R-IX School District
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios-PSRS
For the Year Ended June 30, 2017

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
6/30/2014	0.0158%	\$ 648,207	\$ 699,766	92.63%	89.30%
6/30/2015	0.0159%	\$ 917,885	\$ 718,285	127.79%	85.78%
6/30/2016	0.0152%	\$ 1,130,979	\$ 700,547	161.44%	82.18%

* Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

Avenue City R-IX School District
Schedule of Employer Contributions-PSRS
For the Year Ended June 30, 2017

Year Ended *	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess/(Deficiency) (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
6/30/2013	\$ 97,229	\$ 97,229	\$ -	\$ 670,544	14.50%
6/30/2014	\$ 101,466	\$ 101,466	\$ -	\$ 699,766	14.50%
6/30/2015	\$ 104,151	\$ 104,151	\$ -	\$ 718,285	14.50%
6/30/2016	\$ 101,579	\$ 101,579	\$ -	\$ 700,547	14.50%

* Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Avenue City R-IX School District
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios-PEERS
For the Year Ended June 30, 2017

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
6/30/2014	0.0132%	\$ 48,202	\$ 192,316	25.06%	91.33%
6/30/2015	0.0136%	\$ 71,931	\$ 204,659	35.15%	88.28%
6/30/2016	0.0186%	\$ 149,234	\$ 287,091	51.98%	83.32%

* Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

Avenue City R-IX School District
Schedule of Employer Contributions-PEERS
For the Year Ended June 30, 2017

Year Ended *	Contractually Required Contribution	Actual Employer Contributions	Contribution Excess/(Deficiency) (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
6/30/2013	\$ 13,230	\$ 13,230	\$ =	\$ 192,854	6.86%
6/30/2014	\$ 13,193	\$ 13,193	\$ -	\$ 192,316	6.86%
6/30/2015	\$ 14,040	\$ 14,040	\$ -	\$ 204,659	6.86%
6/30/2016	\$ 19,694	\$ 19,694	\$ -	\$ 287,091	6.86%

* Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

OTHER SUPPLEMENTARY INFORMATION

Avenue City R-IX School District
Schedule of Revenues Collected by Source - School District Funds
Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
Local:					
Current Taxes	\$ 746,933	\$ -	\$ 217,325	\$ -	\$ 964,258
Delinquent Taxes	33,032	-	9,518	-	42,550
School Dist. Trust Fund (Prop C)	-	195,620	-	-	195,620
Financial Institution Tax	8	-	-	-	8
M&M Surtax	2,927	-	851	-	3,778
In Lieu of Tax	-	-	-	-	-
City Sales Tax	-	-	-	-	-
Reg Day School Tuition (K-12) from Individuals	-	-	-	-	-
Summer School Tuition (K-12) from Individuals	-	-	-	-	-
Adult/Continuing Education Tuition-Post Secondary	-	-	-	-	-
Transportation Fees From Patrons	-	-	-	-	-
Earnings On Investments	24,203	15	5,511	55	29,784
Food Service Program	44,046	-	-	-	44,046
Food Service Non-Program	1,778	-	-	-	1,778
Student Activities	31,946	-	-	-	31,946
Community Services	52,374	-	-	-	52,374
Rentals	500	-	-	-	500
Gifts	-	-	-	-	-
Prior Period Adjustment	-	-	-	-	-
Net Receipts From Clearing Accounts	-	-	-	-	-
Miscellaneous Local Revenue	-	-	-	-	-
Total Local	937,747	195,635	233,205	55	1,366,642
County:					
Fines, Escheats, Etc.	-	10,716	-	-	10,716
State Assessed Utilities	65,803	-	67,138	-	132,941
County Stock Insurance Fund	-	-	-	-	-
Fed Prop (Fed Forest, Flood & Mineral)	-	-	-	-	-
Penalties, Concentrated Animal Feed Oper	-	-	-	-	-
Other - County	-	-	-	-	-
Total County	65,803	10,716	67,138	-	143,657
State:					
Basic Formula - State Monies	-	770,805	-	-	770,805
Transportation	14,610	-	-	-	14,610
Early Childhood Special Education	-	13,622	-	-	13,622
Career Ladder/Excellence in Education Act	-	-	-	-	-
Basic Formula - Classroom Trust Fund	-	80,916	-	-	80,916
Career Education/At Risk	-	-	-	-	-
Educ. Screening Prog/PAT	-	6,182	-	-	6,182
Small Schools Grant	-	86,538	-	-	86,538
Career Education	-	-	-	-	-
Food Service - State	539	-	-	-	539
Adult Education & Literacy	-	-	-	-	-
Career Education Enhancement Grant	-	-	-	-	-
MO Dept of Nat Res (DNR) Energy Loan	-	-	-	-	-
Residential Placement/Excess Cost	-	-	-	-	-
Readers for the Blind	-	-	-	-	-
State Emer Management Agency (SEMA) Funds	-	-	-	-	-
High Need Fund	7,605	-	-	-	7,605
Missouri Preschool Project	-	-	-	-	-
Other - State	-	-	-	-	-
Total State	\$ 22,754	\$ 958,063	\$ -	\$ -	\$ 980,817

Avenue City R-IX School District
Schedule of Revenues Collected by Source - School District Funds
Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
Federal:					
State Administered					
Impact Aid (PL 81-874)	\$ 1,155	\$ -	\$ -	\$ -	\$ 1,155
Medicaid	1,155	-	-	-	1,155
Reserve Officer Training Corps (ROTC)	-	-	-	-	-
Child Development Associate (CDA) Grant	-	-	-	-	-
Perkins Basic Grant, Career Education	-	-	-	-	-
Adult Education & Literacy (AEL)	-	-	-	-	-
IDEA Grants	559	-	-	2,607	3,166
Non-IDEA Special Education Grants	-	-	-	-	-
IDEA Entitlement Funds, Part B IDEA	-	35,030	-	-	35,030
Early Childhood Special Education-Federal	-	1,995	-	-	1,995
National School Lunch Equipment Grant	-	-	-	-	-
School Lunch Program	15,316	-	-	-	15,316
School Breakfast Program	4,315	-	-	-	4,315
Special Milk Program	-	-	-	-	-
After School Snack Program	395	-	-	-	395
Fresh Fruits and Vegetable Program	-	-	-	-	-
Title I - ESEA	-	8,890	-	-	8,890
Title I, Part C - Migrant Education	-	-	-	-	-
21st Century Community Learning Centers Grant	-	-	-	-	-
Title III, ESEA - English Language Acquisition	-	-	-	-	-
Educ for Homeless Children and Youth	-	-	-	-	-
Title II, Part A & B, ESEA - Teacher & Principal Quality	-	-	-	-	-
Childcare Development Fund Grant	-	-	-	-	-
Federal Emergency Mgt Agency (FEMA) Funds	-	-	-	-	-
Vocational Rehabilitation	-	-	-	-	-
Dept of Health Food Service Program	-	-	-	-	-
Headstart	-	-	-	-	-
Pell Grants	-	-	-	-	-
Impact Aid, Restricted Purpose	-	-	-	-	-
Title VI, Part B Rural Education Initiative	-	25,529	-	-	25,529
Other - Federal	-	-	-	-	-
Total Federal	<u>21,740</u>	<u>71,444</u>	<u>-</u>	<u>2,607</u>	<u>95,791</u>
Other Revenue:					
Sale of Bonds	-	-	-	-	-
Sale of Bonds-QZAB (ARRA)	-	-	-	-	-
Net Insurance Recovery	-	-	-	-	-
Sale of School Buses	-	-	-	-	-
Sale of Other Property	-	-	-	-	-
Refunding Bonds	-	-	2,000,000	-	2,000,000
Total Other Revenue	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
Receipts From Other Districts:					
Tuition From Other Districts	-	-	-	-	-
Area Voc Fees From Other LEAs	-	-	-	-	-
Contracted Educational Services	-	-	-	-	-
Trans From Other LEAs For Non-Disabled Route	-	-	-	-	-
Trans From Other LEAs For K-12 Disabled Students	-	-	-	-	-
Trans From Other LEAs For ECSE	-	-	-	-	-
Total Receipts From Other Districts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>\$ 1,048,044</u>	<u>\$ 1,235,858</u>	<u>\$ 2,300,343</u>	<u>\$ 2,662</u>	<u>\$ 4,586,907</u>

Avenue City R-IX School District
Schedule of Expenditures Paid by Object - School District Funds
Year Ended June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals</u>
Salaries	\$ 280,474	\$ 834,191	\$ -	\$ -	\$ 1,114,665
Employee Benefits	77,054	196,759	-	-	273,813
Purchased Services	136,923	293,231	-	-	430,154
Supplies	205,224	-	-	-	205,224
Capital Outlays	-	-	-	106,419	106,419
Other Objects	<u>-</u>	<u>-</u>	<u>293,921</u>	<u>-</u>	<u>293,921</u>
Total	<u>\$ 699,675</u>	<u>\$ 1,324,181</u>	<u>\$ 293,921</u>	<u>\$ 106,419</u>	<u>\$ 2,424,196</u>

Avenue City R-IX School District
Summary Schedule of Revenues Collected, Expenditures Paid, and Changes in Fund Balances
School District Funds
Year Ended June 30, 2017

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Totals</u>
Revenues Collected	\$ 1,048,044	\$ 1,235,858	\$ 2,300,343	\$ 2,662	\$ 4,586,907
Expenditures Paid	<u>699,675</u>	<u>1,324,181</u>	<u>293,921</u>	<u>106,419</u>	<u>2,424,196</u>
Excess of Revenues Collected Over(Under) Expenditures Paid	348,369	(88,323)	2,006,422	(103,757)	2,162,711
Other Sources(Uses) Transfers	<u>(186,921)</u>	<u>88,323</u>	<u>-</u>	<u>98,598</u>	<u>-</u>
Excess of Revenues Collected and Other Sources Over(Under) Expenditures Paid and Other Uses	161,448	-	2,006,422	(5,159)	2,162,711
Fund Balance July 1, 2016	<u>2,044,955</u>	<u>-</u>	<u>288,792</u>	<u>122,805</u>	<u>2,456,552</u>
Fund Balance June 30, 2017	<u>\$ 2,206,403</u>	<u>\$ -</u>	<u>\$ 2,295,214</u>	<u>\$ 117,646</u>	<u>\$ 4,619,263</u>

STATE COMPLIANCE SECTION

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Ruthanna Martin, CPA

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE REQUIREMENTS

To the Board of Education
Avenue City R-IX School District


We have audited the financial statements of Avenue City R-IX School District, as of and for the year ended June 30, 2017, and have issued our report thereon dated October 5, 2017.

As required by the Revised Statutes of the State of Missouri (RSMo), we have performed auditing procedures to test compliance with the requirements governing budgets (Chapter 67, RSMo) and the methods of maintaining pupil attendance and pupil transportation records (Chapter 165.121.3(7), RSMo). The management of the District is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the District's budgetary and disbursement procedures were in compliance with the budgetary statute (Chapter 67, RSMo). It is further our opinion that the pupil attendance and pupil transportation records are so maintained as to accurately disclose, in all material respects, the average daily attendance, resident membership on the last Wednesday of September, free and reduced price eligible pupils, average daily transportation of pupils and mileage and allowable cost for pupil transportation in compliance with State law and administrative rules.

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


Martin & Hanway CPA's, P.C.
Saint Joseph, Missouri
October 5, 2017

Avenue City R-IX School District
Schedule of State Findings
Year Ended June 30, 2017

Finding/Noncompliance

The District does not have any State findings.

002-090
Avenue City R-IX School District
 Schedule of Selected Statistics
 Year Ended June 30, 2017

1. Calendar (Sections 160.041 and 171.031, RSMo)

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

Kindergarten -Full-day	6.3000 SDL
Grades 1-8	6.3000 SDL
Grades 9-12 -St. Joseph Central	6.8000 SDL
-St. Joseph Lafayette	6.8000 SDL
-St. Joseph Benton	6.8000 SDL
-Savannah	6.7500 SDL
-East Buchanan	6.4500 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	1,071.70 Hours
Grades 1-8	1,071.70 Hours
Grades 9-12 -St. Joseph Central	1,115.80 Hours
-St. Joseph Lafayette	1,113.20 Hours
-St. Joseph Benton	1,120.00 Hours
-Savannah	1,155.00 Hours
-East Buchanan	1,089.80 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	174 Days
Grades 1-8	174 Days
St. Joseph Grades 9-12	170 Days
Savannah Grades 9-12	172 Days
East Buchanan Grades 9-12	170 Days

2. Average Daily Attendance (ADA)

<u>Regular Term</u>	<u>Full-Time & Part-Time</u>	<u>Remedial</u>	<u>Deseg In</u>	<u>Federal Lands</u>	<u>Total</u>	<u>Deseg Out</u>
Kindergarten	21.71	-	-	-	21.71	-
Grades 1-8	122.70	.12	-	-	122.82	-
Grades 9-12						
-Savannah	41.13	-	-	-	41.13	-
-St. Joseph	20.96	-	-	-	20.96	-
-East Buchanan	0.99	-	-	-	0.99	-
Subtotal Regular Term	<u>207.49</u>	<u>.12</u>	<u>-</u>	<u>-</u>	<u>207.61</u>	<u>-</u>

002-090
Avenue City R-IX School District
Schedule of Selected Statistics
Year Ended June 30, 2017

	<u>Resident</u>	<u>Deseg In</u>	<u>Federal Lands</u>	<u>Total</u>
Summer School Subtotal	-	-	-	-
Total Regular Term Plus Summer School ADA				<u>207.61</u> -

3. September Membership

	<u>Full-Time & Part-Time</u>	<u>Deseg In</u>	<u>Federal Lands</u>	<u>Total</u>	<u>Deseg Out</u>
September Membership FTE Count	<u>218</u>	-	-	<u>218</u>	-

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

		<u>Full-Time & Part-Time</u>	<u>Deseg In</u>	<u>Total</u>
State FTE Total	Free	<u>27</u>	-	<u>27</u>
	Reduced	<u>3</u>	-	<u>3</u>
	Total	<u>30</u>	-	<u>30</u>

5. Finance

Fill in the blank with the appropriate response of true, false, or N/A unless otherwise noted.

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

002-090
Avenue City R-IX School District
Schedule of Selected Statistics
Year Ended June 30, 2017

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: \$7,434.58

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

Finding#: _____

Management Letter Comment #: _____

6. Transportation (Section 163.161, RSMo)

Fill in the blank with the appropriate response of true, false, or N/A unless otherwise noted.

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** # 126.0
- **Ineligible ADT** # 6.0

D. The district’s transportation odometer mileage records are maintained in a manner to accurately disclose in all material respects the eligible and ineligible mileage for the year. True

E. Actual odometer records show the total district-operated and contracted mileage for the year was: #37,177

Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route and disapproved miles (combined) was:

- **Eligible Miles** #35,245
- **Ineligible Miles (Non-Route/Disapproved)** # 1,932

002-090
Avenue City R-IX School District
Schedule of Selected Statistics
Year Ended June 30, 2017

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

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

Finding #: _____

Management Letter Comment #: _____

FEDERAL COMPLIANCE SECTION

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

To the Board of Education
Avenue City R-IX 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 Avenue City R-IX School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 5, 2017. Our report included an explanatory paragraph addressing the District's preparation of its financial statements on the modified cash basis.

Internal Control Over Financial Reporting

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

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

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

not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-1 and 2017-2 that we consider to be significant deficiencies.

Compliance and Other Matters


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

Avenue City R-IX School District's Responses to Findings

Avenue City R-IX School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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


Martin & Hanway CPA's, P.C.
Saint Joseph, Missouri
October 5, 2017

Avenue City R-IX School District
Schedule of Findings and Responses
For the Year Ended June 30, 2017

Findings – Financial Statement Audit

2017-1 Segregation of Duties

Condition: The bookkeeper is responsible for recording receipts and journal entries, payroll, accounts payable, bank reconciliations and all financial reporting and monitoring tasks.

Criteria: Internal controls should be in place that provide for adequate segregation of duties so as to provide reasonable assurance that errors and irregularities that may occur are detected in a timely manner.

Cause: The size of the District’s accounting staff precludes certain internal controls that would be preferred if staff were large enough to provide optimum segregation of duties.

Effect: A concentration of duties does not provide the checks and balances of multiple people involved in accounting functions, increasing the chance that errors and irregularities may occur and not be detected in a timely manner.

Recommendation: Continued involvement of the Board is important. Review and approval of invoices for items purchased by the person receiving the merchandise can add to controls. Review of bank reconciliations by a second person helps with cash.

Response: In regard to “Segregation of Duties” for school personnel at Avenue City that handles financial matters, hiring additional personnel to help with this area is not a realistic expectation. Ms. Janice Pankau serves as the District bookkeeper. The superintendent signs all purchase orders and vouchers. Checks require two signatures and a detailed analysis of District finances also occurs at each monthly Board of Education meeting.

2017-2 Preparation of Full-Disclosure Financial Statements

Condition: The District has personnel in place to perform all bookkeeping functions necessary to maintain a general ledger and prepare internal use statements. However, the District does not have the resources to have accounting professionals with the expertise, experience and training to prepare note disclosures in conformity with Governmental Accounting Standards.

Criteria: Preparation of note disclosures in conformity with Governmental Accounting Standards is required.

Cause: The District does not have the resources to have accounting professionals with the expertise, experience and training to prepare note disclosures in conformity with Governmental Accounting Standards.

Effect: This increases the possibility that errors could occur and not be detected in a timely manner.

Avenue City R-IX School District
Schedule of Findings and Responses
For the Year Ended June 30, 2017

Recommendation: We recommend that this service be outsourced, either to the auditor, or another accountant knowledgeable of the standards.

Response: We will outsource this service to our auditor, as it is not economically feasible to incur additional personnel costs to prepare the full-disclosure financial statements in house.