

Raytown C-2 School District
Raytown, Missouri

BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2018

KPM
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

Board of Education
Raytown C-2 School District
Raytown, Missouri

We have audited the basic financial statements of the governmental activities and each major fund of the Raytown C-2 School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 A; 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 District'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 District'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.

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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 Raytown C-2 School District as of June 30, 2018, and the respective changes in modified cash basis financial position thereof for the year then ended, in conformity with the basis of accounting described in Note A.

Basis of Accounting

We draw attention to Note A 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 opinion is not modified with respect to that matter.

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 and budgetary comparison information, 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 Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Raytown C-2 School District's basic financial statements. The data contained under Other Financial Information is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Board of Education
Raytown C-2 School District
Raytown, Missouri

The Other Financial Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 December 6, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
December 6, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

**RAYTOWN C-2 SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Our discussion and analysis of Raytown C-2 School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018, within the limitations of the District's modified cash basis of accounting. Please read it in conjunction with the District's financial statements that begin on page 18.

FINANCIAL HIGHLIGHTS

- Total assets were \$39,556,145 on June 30, 2018. This was a decrease of \$8,678,472 from the prior year.
- Overall receipts were \$117,193,160, and disbursements were \$125,871,632.
- One longevity step was given to all staff, resulting in an average increase of 2.57%.
- Health insurance premiums increased 8.9%.
- \$300 contribution to employees' Health Savings Accounts.
- The district-operated pre-school opened.

The General and Special Revenue funds are used for the day to day operations of the District and referenced throughout as operating funds support the salary increase. The combined balance carried in operating funds is the primary indicator of a District's financial viability. Fiscal year 2018 was marked with flat revenue growth and 2% increase in expenditures. This resulted in a deficit of \$2.9M. The second year in a row the district has ended the year with a deficit. Nonetheless, the District finished the year with a healthy fund balance, which is a reflection of the District's continued efforts to maintain balanced spending to assure continued fiscal stability. The District must now balance its budget to maintain those healthy balances and it's strong financial position.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34 as applicable to the modified cash basis of accounting.

Report Components

Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances.

Fund Financial Statements: Fund financial statements focus on the individual parts of the District's operations in more detail than the government-wide statements by providing information about the District's funds. These statements tell how these services were financed in the short term as well as what remains for future spending.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Supplementary Information: This Management's Discussion and Analysis and budgetary comparison schedules represent additional financial information. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Other Financial Information: This part of the annual report includes optional financial information, which includes the Schedule of Receipts by Source and the Schedule of Disbursements by Object as well as schedules and reports required by the State and Federal Governments. This other financial information is provided to address certain needs of various users of the District's annual report.

Basis of Accounting

This District has elected to present its financial statements on the modified cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing receipts, disbursements, and their related assets and liabilities. Under the District's modified cash basis of accounting, receipts and disbursements and the related assets are recorded when they result from cash transactions. The modification to the cash basis relates to the presentation of investments.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed or services provided yet not collected) and liabilities and their related expenditures (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements except for the recording of investments. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Government-Wide Statement of Net Position and the Statement of Activities

Our financial analysis of the District as a whole begins on page 11. The government-wide financial statements are presented on pages 21-22. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all of the District's assets resulting from the use of the modified cash basis of accounting.

The statements report the District's net position and yearly changes within them. Over time, increases and decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other non-financial factors, however; such as changes in the District tax base, attendance, and the condition of the District's facilities, to assess the overall health of the District.

The Statement of Activities is presented by its governmental functions which include instruction, student services, instructional staff support, building administration, general administration, operation of plant, transportation, food services, community services, facility acquisition and construction and debt services. The Statement of Activities shows the net cost of these functions before considering the general receipts of the District.

Fund Financial Statements

Our analysis of the District's funds begins on page 13. The fund financial statements begin on page 21 and provide detailed information about the District's funds. These funds are required to be established by state law and by bond covenants. These fund financial statements help the reader to determine whether there are more or fewer financial resources that can be spent in the near future for District programs.

General Fund: Accounts for all resources except those required to be accounted for in the Special Revenue, Debt Service, or Capital Project Funds.

Special Revenue Fund: Accounts for receipts for certified employees involved in administration and instruction, and includes receipts restricted by the State for the payment of teacher salaries and taxes allocated to this fund based on the District's tax levy.

Debt Service Fund: Accounts for receipts restricted, committed, or assigned for the retirement of principal and interest on the District's general obligation bonds.

Capital Projects Fund: Accounts for taxes and other receipts restricted, committed, or assigned for acquisition or construction of major capital assets and other capital outlay as defined by State of Missouri statutes.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

The District’s Net Position, resulting from cash transactions, decreased by \$8,678,472 between fiscal years 2017 and 2018.

Net Position – Modified Cash Basis

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and investments, net of cost plus insurance due	\$ 39,556,145	\$ 48,234,617
TOTAL ASSETS	<u>\$ 39,556,145</u>	<u>\$ 48,234,617</u>
NET POSITION		
Restricted for debt service	\$ 7,151,908	\$ 6,347,327
Restricted for student activities	985,167	913,271
Restricted from bond proceeds	-	4,862,200
Restricted for terminal liability	600,000	600,000
Restricted for capital projects	-	600,000
Unrestricted	<u>30,819,070</u>	<u>34,911,819</u>
TOTAL NET POSITION	<u>\$ 39,556,145</u>	<u>\$ 48,234,617</u>

The District’s net position showed a decrease for the year. The District expended \$4.86 million from the 2014 general obligation bond proceeds, which contributed to the net decrease of \$8.68 million in net position. Material increases for premiums in health insurance, an average salary increase of 2.57% to all staff taff, and staff additions had operating expenditures up by 2.2% from the prior year. Tax Increment Financing developments within the District's boundaries continue to cause traditional school revenues to be diverted to developers. Additionally a trend of declining enrollment creates the need for a cautious advance in expenditures to protect the financial position of the District.

We entered the fifth year of the fully phased-in foundation formula, which transitioned the state funding from the previous revenue-driven formula to a student expenditure model. This allows for increased per-pupil revenues received from the State under the new foundation formula. This makes our student enrollment and attendance average a critical component of current and future state revenue appropriation amounts.

Unrestricted net position, the part of net position that can be used to finance day-to-day activities without constraints, decreased \$4,092,749.

RAYTOWN C-2 SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

Changes in Net Position – Modified Cash Basis

For the year ended June 30, 2018, net position of the District, resulting from cash transactions, changed as follows:

	<u>2018</u>	<u>2017</u>
RECEIPTS		
<u>Program Receipts</u>		
Charges for services	\$ 5,152,280	\$ 5,118,775
Operating grants and contributions	15,561,985	15,513,951
Capital grants and contributions	132,902	180,850
<u>General Receipts</u>		
Ad valorem tax receipts	41,376,707	40,338,346
Prop C sales tax receipts	9,427,239	9,417,075
Other tax receipts	1,386,044	1,139,177
County receipts	1,953,562	1,977,855
State receipts	39,397,539	39,344,556
Interest receipts	589,691	407,333
Other receipts	1,849,901	2,744,539
<u>Special Items</u>		
Net insurance recovery	-	63,145
Sale of other property	363,810	27,016
Sale of buses	1,500	-
TOTAL RECEIPTS	<u>117,193,160</u>	<u>116,272,618</u>
DISBURSEMENTS		
Instruction	58,119,464	57,244,960
Student services	4,098,040	4,172,077
Instructional staff support	4,453,165	4,734,935
Building administration	6,980,289	6,582,484
General administration	11,211,954	12,754,032
Operation of plant	11,109,128	10,611,017
Transportation	5,268,118	4,284,456
Food service	5,373,789	5,314,156
Adult continuing education	365,265	356,512
Community services	3,591,723	2,913,101
Facilities acquisition and construction	6,343,074	6,922,325
Debt service	8,957,623	8,745,998
TOTAL DISBURSEMENTS	<u>125,871,632</u>	<u>124,636,053</u>
(DECREASE) IN NET POSITION	<u>\$ (8,678,472)</u>	<u>\$ (8,363,435)</u>

RAYTOWN C-2 SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

The total cost of all programs and services was \$125,871,632. The District's disbursements are predominately related to educating and caring for students (53%) and for the construction, maintenance and operation of plant facilities (14%). The remaining disbursements were payment of bond principal and interest (7%), administration and business activities (15%), transportation (4%), food service (4%), community services, and adult continuing education (3%).

To aid in understanding the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Receipts, Disbursements and Changes in Modified Cash Basis Fund Balances. You will notice that disbursements are listed in the first column, with receipts from that particular activity reported to the right. The result is a Net (Disbursements)/Receipts. This type of format highlights the relative financial burden of each of the functions on the District's taxpayers. It also identifies how much each function draws from the general receipts, or if it is self-financing through fees and grants. All other governmental receipts are reported as general. It is important to note that all taxes are classified as general receipts, even if restricted for a specific purpose.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District began fiscal year 2018 with a modest decrease in its financial balances. District revenues were flat this year as a result of local revenues being capped by the requirements of the Hancock Amendment as well as declining enrollment impacting the District's state revenues. Additionally, the District experienced an increase in expenditures mainly because of the opening of a preschool. These factors resulted in fiscal year ending with a \$2.9M deficit. It appears as if this trend will continue until the District can balance their budget.

Over the course of the year, the District revises its annual budget to reflect unexpected changes in receipts and disbursements. A schedule of the District's budget amounts compared with actual receipts and disbursements is provided in the supplemental section of the audited financial report.

- The General Fund balance decreased by \$2,919,304 for the year ended June 30, 2018.
- The Debt Service Fund retired \$5,350,000 in bond principal, and made interest and bond fee payments of \$2,965,572 on outstanding bonds for total debt service disbursements of \$8,315,572.
- The Debt Service Fund balance increased by \$804,581 for the year ended June 30, 2018.
- The Capital Projects Fund balance decreased \$6,563,749 for the year ended June 30, 2018; the large decrease is due to the \$6,343,074 in facilities acquisition and construction spending. The Series 2014 general obligation bonds were issued for the purpose of constructing, improving, furnishing and equipping school facilities of the District. Therefore, an increase in spending was expected in the Capital Projects Fund.

RAYTOWN C-2 SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2018

FINANCIAL ANALYSIS OF GENERAL FUND BUDGET VERSUS ACTUAL RESULTS

	Budget		Actual
	Original	Final	
RECEIPTS			
Local	\$ 37,785,088	\$ 37,785,088	\$ 38,375,761
County	1,450,000	1,450,000	1,472,992
State	2,707,500	2,713,730	2,904,704
Federal	5,931,514	5,933,237	5,918,974
Other	22,000	22,000	62,582
TOTAL RECEIPTS	\$ 47,896,102	\$ 47,904,055	\$ 48,735,013
DISBURSEMENTS			
Instruction	\$ 9,097,951	\$ 9,317,639	\$ 8,534,052
Student services	2,034,148	2,076,217	1,997,697
Instructional staff support	1,554,215	1,926,567	1,674,994
Building administration	1,817,056	1,798,956	1,926,495
General administration	10,806,887	10,884,069	9,381,988
Operation of plant	10,301,871	10,569,886	10,316,030
Transportation	4,655,067	5,663,067	5,124,812
Food services	4,963,711	5,441,665	5,116,359
Adult continuing education	360,000	360,000	365,265
Community services	2,604,720	2,618,880	2,739,774
TOTAL DISBURSEMENTS	\$ 48,195,626	\$ 50,656,946	\$ 47,177,466

Receipts

The District originally budgeted total receipts of \$47,896,102. The actual total receipts were \$48,735,013. This represents more receipts than originally budgeted by \$838,911.

The District’s budget reflects a conservative philosophy of management in order to protect the District from unanticipated changes in local, state and federal revenues. While we are affected by reductions in state and federal funding, nearly half of our receipts come from local sources. Local TIF districts continue to impact new commercial revenues. Additionally, the assessed valuation of the District is inaccurate which impacts our local revenues. In addition to the concern for local receipts, state revenues are being impacted by declining enrollment. To this point, we have experienced no major changes in the total state monies received or the proportion of state to local receipts generated.

RAYTOWN C-2 SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2018

Disbursements

The District's original General Fund budget had total disbursements at \$48,195,626. The actual disbursements were \$47,177,466, which is \$1,081,160 less than originally budgeted.

The District continues to prepare a budget according to Missouri law and adhere to the modified cash basis of accounting. The expenditures of the District are approved by the Board of Education through a budget allocation and with a monthly approval. As mentioned above, funding concerns at all levels of government, budgeted expenditures were carefully monitored, and in some cases reduced in an effort to protect the fund balances. Despite these efforts the District experienced a deficit of \$2.9M. During the year, policies and procedures are in place to ensure that the budget is carefully managed and fiscal integrity is maintained. To this end, that efficiency allows for anticipated expenditure amounts to be mitigated, and in some cases not required. This focus and diligence by the entire organization helps to realize lower actual disbursements than originally anticipated and to maintain a healthy fund balance.

DEBT ADMINISTRATION

Long-Term Debt – Modified Cash Basis

The District uses the modified cash basis of accounting. Therefore, long-term debt of the District is not reflected in the financial statements. The following is a summary of the long-term debt of the District for the years ended June 30, 2018 and 2017.

	June 30,	
	2018	2017
LONG-TERM DEBT		
General Obligation Bonds	\$ 62,195,000	\$ 67,545,000
Capital Leases	11,596,754	5,389,305
TOTAL LONG-TERM DEBT	<u>\$ 73,791,754</u>	<u>\$ 72,934,305</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health:

- Overall revenues will be generally flat as a result of declining enrollment and the effects of the Hancock Amendment.
- Expenditures will be slightly up because of staff raises and inflation. These have been mostly offset by a decrease in overall staffing and a 0% increase in health insurance premiums.
- State sales tax revenues are up slightly in the current year, but the growth is relatively small and at current growth will have a negligible impact on state funding levels for public schools.
- There is a continued desire by all municipalities that are incorporated within the District's boundaries to extend and enlarge current TIF districts, which will continue to exclude the District from enjoying any new commercial, and possibly some residential, revenue growth generated from those areas.
- Staff has received salary increases for the past seven years. To stay competitive in the market place, the District must continue to find ways to fund salary increases and offer quality benefit packages in order to recruit and retain the best staff possible.
- Workers' Compensation, property, casualty and liability insurance appear to be stabilizing in fiscal year 2018.
- Based on the anticipated revenues and expenditures, the District is expecting a deficit of \$4.4M for FY19.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Dr. Steve Shelton, Associate Superintendent of Operations, 6608 Raytown Road, Raytown, MO 64133; telephone: (816) 268-7000; email: steve.shelton@raytownschools.org.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

RAYTOWN C-2 SCHOOL DISTRICT
 STATEMENT OF NET POSITION – MODIFIED CASH BASIS
 June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and investments, net of cost plus insurance due	\$ 39,556,145
TOTAL ASSETS	<u>\$ 39,556,145</u>
NET POSITION	
Restricted for debt service	\$ 7,151,908
Restricted for student activities	985,167
Restricted for terminal liability	600,000
Unrestricted	<u>30,819,070</u>
TOTAL NET POSITION	<u>\$ 39,556,145</u>

See accompanying notes

RAYTOWN C-2 SCHOOL DISTRICT
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2018

	Cash Disbursements	Program Cash Receipts			Net
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Disbursements) Receipts and Changes in Net Position
Governmental Activities:					
Instruction	\$ (58,119,464)	\$ 3,169,331	\$ 8,373,073	\$ 132,902	\$ (46,444,158)
Student services	(4,098,040)	-	380,538	-	(3,717,502)
Instructional staff support	(4,453,165)	-	1,023,471	-	(3,429,694)
Building administration	(6,980,289)	-	-	-	(6,980,289)
General administration	(11,211,954)	-	-	-	(11,211,954)
Operation of plant	(11,109,128)	-	-	-	(11,109,128)
Transportation	(5,268,118)	53,852	1,040,012	-	(4,174,254)
Food services	(5,373,789)	1,047,955	3,916,561	-	(409,273)
Adult continuing education	(365,265)	9,750	-	-	(355,515)
Community services	(3,591,723)	871,392	828,330	-	(1,892,001)
Facilities acquisition and construction	(6,343,074)	-	-	-	(6,343,074)
Debt service	(8,957,623)	-	-	-	(8,957,623)
NET PROGRAM (DISBURSEMENTS) RECEIPTS	<u>\$ (125,871,632)</u>	<u>\$ 5,152,280</u>	<u>\$ 15,561,985</u>	<u>\$ 132,902</u>	(105,024,465)
General Receipts:					
Ad valorem tax receipts					41,376,707
Prop C sales tax receipts					9,427,239
Other tax receipts					1,386,044
County receipts					1,953,562
State receipts					39,397,539
Interest receipts					589,691
Other receipts					1,849,901
TOTAL GENERAL RECEIPTS					95,980,683
Special Items:					
Sale of other property					363,810
Sale of school buses					1,500
TOTAL SPECIAL ITEMS					365,310
(DECREASE) IN NET POSITION					(8,678,472)
NET POSITION - Beginning of year					48,234,617
NET POSITION - End of year					<u>\$ 39,556,145</u>

See accompanying notes

FUND FINANCIAL STATEMENTS

RAYTOWN C-2 SCHOOL DISTRICT
 STATEMENT OF ASSETS AND FUND BALANCES – MODIFIED CASH BASIS
 June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and investments, net of cost plus insurance due	\$ 23,402,803	\$ 420,000	\$ 7,151,908	\$ 8,581,434	\$ 39,556,145
TOTAL ASSETS	<u>\$ 23,402,803</u>	<u>\$ 420,000</u>	<u>\$ 7,151,908</u>	<u>\$ 8,581,434</u>	<u>\$ 39,556,145</u>
FUND BALANCES					
Restricted for:					
Debt service	\$ -	\$ -	\$ 7,151,908	\$ -	\$ 7,151,908
Student activities	985,167	-	-	-	985,167
Terminal liability	180,000	420,000	-	-	600,000
Assigned to capital outlay	-	-	-	8,581,434	8,581,434
Unassigned	<u>22,237,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,237,636</u>
TOTAL FUND BALANCES	<u>\$ 23,402,803</u>	<u>\$ 420,000</u>	<u>\$ 7,151,908</u>	<u>\$ 8,581,434</u>	<u>\$ 39,556,145</u>

See accompanying notes

RAYTOWN C-2 SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
RECEIPTS					
Local	\$ 38,375,761	\$ 9,436,649	\$ 8,693,091	\$ 1,086,752	\$ 57,592,253
County	1,472,992	53,508	427,062	-	1,953,562
State	2,904,704	41,479,780	-	132,902	44,517,386
Federal	5,918,974	4,656,066	-	-	10,575,040
Other	62,582	2,127,027	-	-	2,189,609
TOTAL RECEIPTS	48,735,013	57,753,030	9,120,153	1,219,654	116,827,850
DISBURSEMENTS					
Instruction	8,534,052	49,285,488	-	299,924	58,119,464
Student services	1,997,697	2,100,343	-	-	4,098,040
Instructional staff support	1,674,994	2,778,171	-	-	4,453,165
Building administration	1,926,495	5,053,794	-	-	6,980,289
General administration	9,381,988	1,710,993	-	118,973	11,211,954
Operation of plant	10,316,030	191,865	-	601,233	11,109,128
Transportation	5,124,812	119,878	-	23,428	5,268,118
Food services	5,116,359	181,135	-	76,295	5,373,789
Adult continuing education	365,265	-	-	-	365,265
Community services	2,739,774	808,214	-	43,735	3,591,723
Facilities acquisition and construction	-	-	-	6,343,074	6,343,074
Debt service	-	-	8,315,572	642,051	8,957,623
TOTAL DISBURSEMENTS	47,177,466	62,229,881	8,315,572	8,148,713	125,871,632
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	1,557,547	(4,476,851)	804,581	(6,929,059)	(9,043,782)
OTHER FINANCING SOURCES (USES)					
Sale of other property	-	-	-	363,810	363,810
Sale of school buses	-	-	-	1,500	1,500
Operating transfers in	-	4,476,851	-	-	4,476,851
Operating transfers (out)	(4,476,851)	-	-	-	(4,476,851)
TOTAL OTHER FINANCING SOURCES (USES)	(4,476,851)	4,476,851	-	365,310	365,310
EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	(2,919,304)	-	804,581	(6,563,749)	(8,678,472)
FUND BALANCE, July 1, 2017	26,322,107	420,000	6,347,327	15,145,183	48,234,617
FUND BALANCE, June 30, 2018	<u>\$ 23,402,803</u>	<u>\$ 420,000</u>	<u>\$ 7,151,908</u>	<u>\$ 8,581,434</u>	<u>\$ 39,556,145</u>

See accompanying notes

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are presented on the modified cash basis of accounting, which is characteristic of local governmental units of this type.

Financial Reporting Entity

The District is organized under the laws of the State of Missouri and is a primary government governed by an elected seven-member board. The District is not financially accountable for any other organization, nor is it a component unit of any other primary governmental entity.

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements present governmental activities generally financed through taxes, intergovernmental receipts, and other non-exchange transactions.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, fund equity, receipts and disbursements. The governmental funds of the District are all considered major funds by the Department of Elementary and Secondary Education.

The funds presented in the accompanying financial statements include all funds established under Missouri Revised Statutes and controlled by the Board of Education. The purpose of each fund is:

General Fund - Accounts for disbursements for noncertified employees, school transportation costs, operation of plant, fringe benefits, student body activities, community services, the food service program, and any disbursements not accounted for in other funds.

Special Revenue Fund - Accounts for receipts for certified employees involved in administration and instruction, and includes receipts restricted by the State for the payment of teacher salaries and taxes allocated to this fund based on the District's tax levy.

Debt Service Fund - Accounts for receipts restricted, committed, or assigned for the retirement of principal and interest on the District's general obligation bonds.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Projects Fund - Accounts for taxes and other receipts restricted, committed, or assigned for acquisition or construction of major capital assets and other capital outlay as defined by State of Missouri statutes.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental activities are presented using the modified cash basis of accounting. The modification relates to the presentation of investments. This basis recognizes assets, net position/fund equity, receipts and disbursements when they result from cash transactions. 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 the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenditures (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements except for the recording of investments.

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

Capital Outlay

Capital outlay is recorded as disbursements in the Capital Projects Fund at the time the goods received are purchased.

Compensated Absences

Vacation time and paid leave time are considered as disbursements in the year paid. Accrued vacation time is paid upon termination but paid leave time is only paid upon retirement at 25% of the daily rate. Accumulated paid leave days over 100 days are paid at 20% of the daily rate annually.

Long-Term Debt

Long-term debt arising from cash transactions of the governmental funds is not reported in the government-wide financial statements or the fund financial statements, which is consistent with the modified cash basis of accounting. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as disbursements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Teachers' Salaries

The salary payment schedule of the District for the 2017-2018 school year requires the payment of salaries for a twelve-month period. Consequently, the July and August 2018 payroll checks are included in the financial statements as a disbursement in the month of June. This practice has been consistently followed in previous years.

Pooled Cash and Investments

Cash resources of the individual funds are combined to form a pool of cash and investments with the exception of the Debt Service Fund, which is kept in separate bank accounts. Investments of the pooled accounts consist primarily of certificates of deposit, carried at cost, which approximates market and various mutual fund type accounts in which the District owns a pro-rata share. Cash is presented net of amounts due for the District's cost plus insurance contract.

Inventories

Inventories are valued at cost and consist of food and educational materials. The cost is recorded as a disbursement at the time inventory is purchased

Equity Classification

In the government-wide financial statements, net position is classified in two components as follows:

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of “restricted”.

It is the District's policy to first use restricted net position prior to the use of unrestricted net position when disbursements are made for purposes for which both restricted and unrestricted net position are available.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources as follows:

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted fund balance – This classification reflects the constraints imposed on resources either a) externally by creditors, grantors, contributors, or laws and regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Education – the District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Education removes the specified use by taking the same type of action imposing the commitment.

Assigned fund balance – This classification reflects the amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is used to report negative fund balances in other governmental funds.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the District’s taxpayers are reported as program receipts. These include various grants from the State and Federal governments. All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

NOTE B – CASH AND EQUIVALENTS

State statutes require that the District's deposits be insured or collateralized in the name of the District by the trust department of a bank that does not hold the collateralized deposits. As of June 30, 2018, all bank balances on deposit are entirely insured or collateralized with securities.

RAYTOWN C-2 SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE C – INVESTMENTS

The District's investments at June 30, 2018, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Pro-rata shares of investment contracts with BOK Financial through the Missouri School District Direct Deposit Program	N/A	\$ 3,316,018
Missouri Securities Investment Program (MOSIP) - Money Market Fund	N/A	22,604,716
Missouri Securities Investment Program (MOSIP) - Term Investment	7/13/2018	<u>10,000,000</u>
		<u><u>\$ 35,920,734</u></u>

Investment Contracts with BOK Financial

Funds on deposit with BOK Financial are invested in investment contracts in which the District has a pro-rata share of the investment contract. The investment contracts are in accordance with Section 165.051 and Section 360 of the Missouri Revised Statutes through the Missouri School District Direct Deposit Program. The investment contracts are with credit providers whose unsecured long-term debt is rated at the time of such agreement in either of the two highest rating categories by a nationally recognized rating service.

Missouri Securities Investment Program

District funds in the Missouri Securities Investment Program are invested in cash management funds in which the District has a pro-rata share. The funds are invested in accordance with Section 165.051 of the Missouri Revised Statutes and the cash management fund has a current rating of AAAM.

Missouri Securities Investment Program Term Investment

District funds in Missouri Securities Investment Program Term Investments are fixed rate investments permitted under Missouri law. The funds are invested in short-term governmental investments.

RAYTOWN C-2 SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE C – INVESTMENTS (continued)

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District’s investment policy limits the District’s investment portfolio to maturities of approximately one year. All investments are held to maturity.

NOTE D – TAXES

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

The District also receives sales tax collected by the State and remitted based on eligible pupils. The District is required to reduce its property tax levy by one-half the amount of sales tax estimated to be received in the subsequent calendar year unless the voters have approved a waiver of the rollback provision. The District has voted a waiver of the rollback provision.

The assessed valuation of the tangible taxable property for the calendar year 2017 for purposes of local taxation was:

Real estate	\$ 517,769,773
Personal property	<u>142,530,727</u>
	<u><u>\$ 660,300,500</u></u>

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

	<u>Unadjusted</u>	<u>Adjusted</u>
General Fund	\$ 4.9996	\$ 4.9996
Debt Service Fund	<u>1.3204</u>	<u>1.3204</u>
	<u><u>\$ 6.3200</u></u>	<u><u>\$ 6.3200</u></u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2018, aggregated approximately 99 percent of the current assessment computed on the basis of the levy as shown above.

RAYTOWN C-2 SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE E – GENERAL OBLIGATION BONDS PAYABLE

Bonds payable at June 30, 2018, consists of:

\$19,995,000 general obligation refunding bond issue dated May 19, 2010, due in varying annual installments through March 1, 2021; interest at 2.00% to 5.0%.	\$ 9,975,000
\$9,390,000 general obligation refunding bond issue dated March 1, 2012, due in varying annual installments through March 1, 2022; interest at 2.00% to 2.3%.	2,900,000
\$22,000,000 general obligation bond issue dated May 29, 2014, due in varying annual installments through March 1, 2034; interest at 5.00%.	22,000,000
\$25,120,000 general obligation refunding bond issue dated July 29, 2014, due in varying annual installments through March 1, 2027; interest at 3.0% to 5.0%.	24,570,000
\$5,200,000 general obligation refunding bond issue dated March 1, 2016, due in varying annual installments through March 1, 2020; interest at 3.0%.	2,750,000
	<u>\$ 62,195,000</u>

The following is a summary of bond transactions for the year ended June 30, 2018:

Bonds Payable, July 1, 2017	\$ 67,545,000
Bonds issued	-
Bonds retired	<u>(5,350,000)</u>
Bonds Payable, June 30, 2018	<u>\$ 62,195,000</u>

RAYTOWN C-2 SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE E – GENERAL OBLIGATION BONDS PAYABLE (continued)

Debt service requirements are:

Year Ended June 30,	Principal	Interest	Total
2019	\$ 5,490,000	\$ 2,799,972	\$ 8,289,972
2020	5,715,000	2,613,610	8,328,610
2021	6,070,000	2,391,984	8,461,984
2022	4,320,000	2,169,700	6,489,700
2023	4,355,000	2,004,800	6,359,800
2024	4,850,000	1,793,050	6,643,050
2025	5,195,000	1,558,550	6,753,550
2026	5,525,000	1,305,000	6,830,000
2027	5,895,000	1,028,750	6,923,750
2028	1,745,000	739,000	2,484,000
2029	1,855,000	651,750	2,506,750
2030	1,975,000	559,000	2,534,000
2031	2,100,000	460,250	2,560,250
2032	2,230,000	355,250	2,585,250
2033	2,365,000	243,750	2,608,750
2034	2,510,000	125,500	2,635,500
	<u>\$ 62,195,000</u>	<u>\$ 20,799,916</u>	<u>\$ 82,994,916</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. The legal debt margin (excluding state assessed railroad and utility) of the District at June 30, 2018, was:

Constitutional debt limit	99,045,075
General obligation bonds payable	(62,195,000)
Amount available in Debt Service Fund	<u>7,151,908</u>
LEGAL DEBT MARGIN	<u>\$ 44,001,983</u>

NOTE F – RETIREMENT PLANS

Public School Retirement System of Missouri and Public Education Employee Retirement System of Missouri

Summary of Significant Accounting Policies

The District participates in the Public School Retirement System and the Public Education Employee Retirement System (PSRS and PEERS, also referred to as the systems). The financial statements of the District were prepared using the modified cash basis of accounting. Therefore, member and employer contributions are recognized when paid and the District's net pension liability, deferred outflows and inflows of resources related to pensions are not recorded in these financial statements.

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

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

NOTE F – RETIREMENT PLANS (continued)

Benefits Provided. PEERS is a defined benefit plan providing retirement, disability, and death benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the “Rule of 80” (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for “Rule of 80” or “30-and-out” are entitled to an additional temporary benefit until reaching minimum Social Security age (currently age 62), which is calculated using a 0.8% benefit factor. Actuarially age-reduced retirement benefits are available with 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.

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 is greater than 5.00%. If the CPI decreases, no COLA is provided. For any PSRS member retiring on or after July 1, 2001, such adjustments commence on the second January after commencement of benefits and occur annually thereafter. 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 2016, 2017, and 2018. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay.

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

The District's contributions to PSRS and PEERS were \$7,329,013 and \$1,488,349, respectively, for the year ended June 30, 2018.

Summary Plan descriptions detailing the provisions of the plans as well as additional information regarding the District's net pension liability and deferred inflows and outflows of resources can be found on the Systems' website at www.psr-peers.org.

RAYTOWN C-2 SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE G – CLAIMS AND ADJUSTMENTS

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulation, the District may be required to reimburse the grantor government. As of June 30, 2018, disbursements have not been audited by grantor governments, but the District believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the District.

NOTE H – RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has transferred its risk by obtaining coverage from commercial insurance companies. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

NOTE I – INTERFUND TRANSFERS

Transfers between funds of the District for the year ended June 30, 2018, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 4,476,851
Special Revenue Fund	<u>4,476,851</u>	<u>-</u>
	<u>\$ 4,476,851</u>	<u>\$ 4,476,851</u>

The District is required to make a transfer from the General Fund to the Special Revenue Fund to cover the excess of disbursements over receipts each year.

NOTE J – CAPITAL LEASES PAYABLE

On June 1, 2018, the District entered into a capital lease with Commerce Bank for \$3,500,000 with interest at 4.00% to 5.00%. The purpose of this lease was to finance the cost of acquisitions and improvements for an early childhood center.

RAYTOWN C-2 SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE J – CAPITAL LEASES PAYABLE (continued)

On February 21, 2018, the District entered into a capital lease with Commerce Bank for \$2,960,000 with interest at 2.75% to 3.125%. The purpose of the lease was to finance the cost of construction, installation, furnishing, and equipping of two baseball/softball complexes at each of the two high schools.

On August 25, 2017, the District entered into a capital lease with Arvest Equipment Finance for \$217,159 with interest at 3.25%. The purpose of the lease was to finance the acquisition of radio equipment for the District.

On March 3, 2016, the District entered into a capital lease with Commerce Bank for \$4,460,000 with interest at 3.00%. The purpose of the lease was to finance the cost of acquisition, construction, installation, improvement, and furnishing the District’s wellness center and warehouse.

On August 19, 2015, the District entered into a capital lease purchase with Wells Fargo Equipment, Inc. for \$382,578 with interest at 4.06%. The purpose of the lease was to finance the acquisition of equipment for the two high schools.

On March 1, 2009, the District entered into a capital lease with the Missouri School Boards Association for \$3,140,000 with interest at 2.25% to 4.00%. The purpose of the lease was to finance improvements to District facilities.

The following is a schedule of the future minimum lease payments under the leases (assuming non-cancellation):

Year Ended June 30,	Amount
2019	\$ 846,783
2020	1,317,619
2021	1,241,871
2022	1,255,921
2023	1,202,025
2024	1,211,325
2025	1,199,325
2026	1,211,625
2027	1,202,425
2028	1,208,038
2029	1,196,638
2030	1,209,338
TOTAL MINIMUM LEASE PAYMENTS	14,302,933
LESS AMOUNT REPRESENTING INTEREST	(2,706,179)
NET LEASE PAYMENTS	<u>\$ 11,596,754</u>

RAYTOWN C-2 SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE J – CAPITAL LEASES PAYABLE (continued)

The following represents the changes in the net lease payments for the year ended June 30, 2018:

Lease Payable, July 1, 2017	\$ 5,389,305
Additional Lease Obligations	6,677,159
Net Lease Retirements	<u>(469,710)</u>
Leases Payable, June 30, 2018	<u><u>\$ 11,596,754</u></u>

NOTE K – POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note F, the District makes available post-retirement healthcare benefits to all employees who retire from the District. Participation by retirees in the District health plan is subject to terms and conditions set forth in the Board policy. The cost of the coverage is charged to the retiree at a blended rate for all employees. The District has not made a formal evaluation or projection on the future cost of the existing health care benefit plan in relation to retirees.

NOTE L – COST PLUS INSURANCE CONTRACT

The District has a cost plus contract for employee health insurance. As part of the contract there is a terminal liability maximum maintained by the District in cash reserves. The amount of \$600,000 is approximately two months' average expenses multiplied by certain factors. The amount is reflected in the financial statements as cash and restricted net position/fund balance.

Due to the modified cash basis presentation of the financial statements and the timing of amounts paid for health insurance, billing for claims and fees and settlement for the prior year, cash and investments are presented of amounts due based on the cost plus insurance contract. At June 30, 2018, cash and investments was reduced by \$2,524,370 for amounts due.

RAYTOWN C-2 SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE M – OPERATING LEASES

The District has operating lease agreements for copier machines, multiple leases for vehicles, two building leases, and equipment lease and seventeen buses. The leases are for various monthly or annual payments to Unisource, Enterprise, Diocese’ of KC – SJ Real Estate Trust, KC Bobcat, and Santander Leasing, Inc.

The future minimum lease payments are as follows:

Year Ended June 30,	Payment
2019	\$ 404,461
2020	369,962
2021	300,330
2022	252,342
2023	241,158
2024	439,399
2025	165,323
2026	83,160
2027	83,160
	<u>\$ 2,339,295</u>

NOTE N – COMMITMENTS

The District had the following commitments as of June 30, 2018:

Committed To	Purpose	Amount
Wellner Architects	Central Offices Relocation	\$ 74,952
Hollis + Miller Architects	Restaurant at Herndon	\$ 134,862
Mid-America Sports LLC	High School Baseball Stadium Improvements	\$ 735,694
Advanced Asphalt Paving and Concrete, LLC	District-wide asphalt, sealcoat and crackfill	\$ 126,694

NOTE O – SUBSEQUENT EVENTS

On August 14, 2018, the District approved an operating lease with Santander Leasing Inc. for 5 school buses. The lease requires annual payments of \$48,000 to \$69,416 for 8 years.

NOTE P – TAX ABATEMENTS

As of June 30, 2018, the District did not provide tax abatements to any businesses. However, the District's taxes were reduced by agreements entered into by other governments through the following programs: the Urban Redevelopment Corporation Law (Chapter 353), the Chapter 100 Industrial Development Act, and, the Real Property Tax Increment Allocation Redevelopment Act (Tax Incremental Financing).

- The Urban Redevelopment Corporation Law, or Chapter 353, is an economic development tool to encourage redevelopment of blighted areas. Under Sections 353.010-353.190, RSMo., the Urban Redevelopment Corporation has a tax abatement available for 25 years. During the first 10 years, the property is not subject to real property taxes except in the amount of real property taxes assessed on the land during the calendar year during with the Urban Redevelopment Corporation acquired title to the real property. For the remaining 15 years, the property may be assessed up to 50% of its true value. Payments in lieu of taxes (PILOTs) may be imposed on the Urban Redevelopment Corporation by the city in order to replace all or part of the real estate taxes abated. The PILOTs must be allocated based on a proportionate share to each taxing district.
- The Chapter 100 Industrial Development Act allow cities or counties to purchase or construct certain types of projects with bond proceeds and lease the project to a company under Sections 100.010-100.200, RSMo. Eligible projects include the purchase, construction, extension and improvement of warehouses, distributions facilities, research and development facilities, office industries, agricultural processing industries, service facilities which provide interstate commerce, and industrial plants. Since the city or county owns the property and leases it to the company, an amount of the property taxes can be abated for a term agreed on by the city or county issuer and the company. Cities and counties are allowed to require the company to make payments in lieu of taxes (PILOTs) for a portion of the taxes it would have otherwise been required to pay.

RAYTOWN C-2 SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE P – TAX ABATEMENTS (continued)

- Tax Incremental Financing (TIF) is an economic development tool which redirects local tax revenues towards the redevelopment of eligible properties that are otherwise economically unfeasible. Sections 99.800-99.865, RSMo, the Real Property Tax Increment Allocation Redevelopment Act, enables cities to finance certain redevelopment costs with the incremental tax revenue generated by the net increase in assessed valuation resulting from the redevelopment. Real estate taxes in the redevelopment area are frozen at the current level or base valuation. The increased assessed valuation resulting from the redevelopment is referred to as payments in lieu of taxes (PILOT). PILOTs for each TIF district are collected by the county collector and distributed to the cities that authorized the TIF, these funds are then distributed to a TIF special allocation fund or other political subdivisions.

Information relevant to disclosure of these programs for the year ended June 30, 2018, is as follows:

Government Entering into Agreement	Tax Abatement Program	Amount of Taxes Abated During 6/30/2018	Payment in Lieu of Tax Received
City of Kansas City	Tax Increment Financing		
	Ad-valorem taxes	\$ 512,684	\$ -
	Chapter 353		
	Ad-valorem taxes	1,061	-
	Chapter 100		
	Ad-valorem taxes	687,255	588,762
City of Independence	Tax Increment Financing		
	Ad-valorem taxes	85,514	-
City of Raytown	Tax Increment Financing		
	Ad-valorem taxes	297,147	-
	Chapter 353		
	Ad-valorem taxes	144,806	-
		<u>\$ 1,728,467</u>	<u>\$ 588,762</u>

SUPPLEMENTARY INFORMATION

RAYTOWN C-2 SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
RECEIPTS				
Local	\$ 37,785,088	\$ 37,785,088	\$ 38,375,761	\$ 590,673
County	1,450,000	1,450,000	1,472,992	22,992
State	2,707,500	2,713,730	2,904,704	190,974
Federal	5,931,514	5,933,237	5,918,974	(14,263)
Other	22,000	22,000	62,582	40,582
TOTAL RECEIPTS	47,896,102	47,904,055	48,735,013	830,958
DISBURSEMENTS				
Instruction	9,097,951	9,317,639	8,534,052	783,587
Student services	2,034,148	2,076,217	1,997,697	78,520
Instructional staff support	1,554,215	1,926,567	1,674,994	251,573
Building administration	1,817,056	1,798,956	1,926,495	(127,539)
General administration	10,806,887	10,884,069	9,381,988	1,502,081
Operation of plant	10,301,871	10,569,886	10,316,030	253,856
Transportation	4,655,067	5,663,067	5,124,812	538,255
Food services	4,963,711	5,441,665	5,116,359	325,306
Adult continuing education	360,000	360,000	365,265	(5,265)
Community services	2,604,720	2,618,880	2,739,774	(120,894)
TOTAL DISBURSEMENTS	48,195,626	50,656,946	47,177,466	3,479,480
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(299,524)	(2,752,891)	1,557,547	4,310,438
OTHER FINANCING (USES)				
Operating transfers (out)	(4,744,779)	(5,095,792)	(4,476,851)	618,941
TOTAL OTHER FINANCING (USES)	(4,744,779)	(5,095,792)	(4,476,851)	618,941
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS AND OTHER (USES)	(5,044,303)	(7,848,683)	(2,919,304)	4,929,379
FUND BALANCE, July 1, 2017	24,947,020	26,322,107	26,322,107	-
FUND BALANCE, June 30, 2018	\$ 19,902,717	\$ 18,473,424	\$ 23,402,803	\$ 4,929,379

RAYTOWN C-2 SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
RECEIPTS				
Local	\$ 9,396,705	\$ 9,396,705	\$ 9,436,649	\$ 39,944
County	50,000	50,000	53,508	3,508
State	41,320,230	41,320,230	41,479,780	159,550
Federal	4,280,001	4,280,001	4,656,066	376,065
Other	2,105,200	2,105,200	2,127,027	21,827
TOTAL RECEIPTS	57,152,136	57,152,136	57,753,030	600,894
DISBURSEMENTS				
Instruction	48,400,715	48,590,124	49,285,488	(695,364)
Student services	2,153,761	2,153,761	2,100,343	53,418
Instructional staff support	2,738,313	2,792,313	2,778,171	14,142
Building administration	5,049,038	5,049,038	5,053,794	(4,756)
General administration	2,589,699	2,589,699	1,710,993	878,706
Operation of plant	186,088	186,088	191,865	(5,777)
Transportation	119,344	119,344	119,878	(534)
Food services	122,953	122,953	181,135	(58,182)
Community services	630,808	644,608	808,214	(163,606)
TOTAL DISBURSEMENTS	61,990,719	62,247,928	62,229,881	18,047
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(4,838,583)	(5,095,792)	(4,476,851)	618,941
OTHER FINANCING SOURCES				
Operating transfers in	4,744,779	5,095,792	4,476,851	(618,941)
(DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	(93,804)	-	-	-
FUND BALANCE, July 1, 2017	636,553	420,000	420,000	-
FUND BALANCE, June 30, 2018	\$ 542,749	\$ 420,000	\$ 420,000	\$ -

RAYTOWN C-2 SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Local	\$ 8,156,349	\$ 8,156,349	\$ 8,693,091	\$ 536,742
County	390,000	390,000	427,062	37,062
TOTAL RECEIPTS	8,546,349	8,546,349	9,120,153	573,804
DISBURSEMENTS				
Debt service	8,319,473	8,319,473	8,315,572	3,901
TOTAL DISBURSEMENTS	8,319,473	8,319,473	8,315,572	3,901
EXCESS OF RECEIPTS OVER DISBURSEMENTS	226,876	226,876	804,581	577,705
FUND BALANCE, July 1, 2017	6,290,221	6,347,327	6,347,327	-
FUND BALANCE, June 30, 2018	\$ 6,517,097	\$ 6,574,203	\$ 7,151,908	\$ 577,705

RAYTOWN C-2 SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – CAPITAL PROJECTS FUND
 Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
RECEIPTS				
Local	\$ 715,000	\$ 715,000	\$ 1,086,752	\$ 371,752
State	165,785	165,785	132,902	(32,883)
TOTAL RECEIPTS	880,785	880,785	1,219,654	338,869
DISBURSEMENTS				
Instruction	348,166	364,061	299,924	64,137
General administration	400,000	385,000	118,973	266,027
Operation of plant	635,500	635,500	601,233	34,267
Transportation	-	23,500	23,428	72
Food services	30,000	76,296	76,295	1
Community services	91,500	91,944	43,735	48,209
Facilities acquisition and construction	8,346,323	11,246,323	6,343,074	4,903,249
Debt service	-	644,272	642,051	2,221
TOTAL DISBURSEMENTS	9,851,489	13,466,896	8,148,713	5,318,183
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(8,970,704)	(12,586,111)	(6,929,059)	5,657,052
OTHER FINANCING SOURCES				
Sale of buses	-	-	1,500	1,500
Sale of other property	-	-	363,810	363,810
TOTAL OTHER FINANCING SOURCES	-	-	365,310	365,310
(DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	(8,970,704)	(12,586,111)	(6,563,749)	6,022,362
FUND BALANCE, July 1, 2017	19,287,084	15,145,183	15,145,183	-
FUND BALANCE, June 30, 2018	\$ 10,316,380	\$ 2,559,072	\$ 8,581,434	\$ 6,022,362

RAYTOWN C-2 SCHOOL DISTRICT
NOTE TO BUDGETARY COMPARISON SCHEDULES
June 30, 2018

Budgets and Budgetary Accounting

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

- 1) In accordance with Chapter 67, RSMo, the District adopts a budget for each fund.
- 2) Prior to July, the superintendent, who serves as the Budget Officer, submits to the Board of Education a proposed budget for the fiscal year beginning on the following July 1. The budget includes estimated receipts and proposed disbursements for all District funds. Budgeted disbursements cannot exceed beginning available monies plus estimated receipts for the year.
- 3) A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Education, the budget document is available for public inspection.
- 4) Prior to July 1, the budget is legally enacted by a vote of the Board of Education.
- 5) Subsequent to its formal approval of the budget, the Board of Education has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements. Budgeted amounts are as originally adopted, or as amended by the Board of Education. Individual amendments were not material to the original appropriations, which were amended.
- 6) Budgets for District funds are prepared and adopted on the modified cash basis (budget basis).

OTHER FINANCIAL INFORMATION

RAYTOWN C-2 SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE
Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
LOCAL					
Current taxes	\$ 30,395,473	\$ -	\$ 8,026,360	\$ -	\$ 38,421,833
Delinquent taxes	2,336,546	-	618,328	-	2,954,874
School district trust fund (Prop C)	-	9,427,239	-	-	9,427,239
Financial institution tax	-	-	-	105,982	105,982
M & M surtax	-	-	-	691,300	691,300
In lieu of tax	588,762	-	-	-	588,762
Adult/continuing education -					
Tuition - post secondary	9,750	-	-	-	9,750
Earnings on investments	476,633	416	48,403	64,239	589,691
Food service - programs	826,075	-	-	-	826,075
Food service non-program	221,880	-	-	-	221,880
Student activities	1,033,574	-	-	-	1,033,574
Community services	871,392	-	-	-	871,392
Rentals	11,492	-	-	-	11,492
Prior period adjustment	505,855	6,675	-	225,231	737,761
Other	1,098,329	2,319	-	-	1,100,648
TOTAL LOCAL	38,375,761	9,436,649	8,693,091	1,086,752	57,592,253
COUNTY					
Fines, escheats, etc.	-	53,508	-	-	53,508
State assessed utilities	1,472,992	-	427,062	-	1,900,054
TOTAL COUNTY	1,472,992	53,508	427,062	-	1,953,562
STATE					
Basic formula	-	36,181,572	-	-	36,181,572
Transportation	780,672	-	-	-	780,672
Early childhood special education	1,228,402	-	-	-	1,228,402
Basic formula - classroom trust fund	-	3,579,996	-	-	3,579,996
Educational screening program	162,841	-	-	-	162,841
Career education	694,144	188,000	-	-	882,144
Food service	38,645	-	-	-	38,645
Career education enhancement grant	-	-	-	132,902	132,902
Residential placement/Excess cost	-	266,386	-	-	266,386
High need fund - special education	-	1,263,826	-	-	1,263,826
TOTAL STATE	2,904,704	41,479,780	-	132,902	44,517,386

RAYTOWN C-2 SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE (continued)
Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
FEDERAL					
Medicaid	489,887	-	-	-	489,887
Perkins basic grant, career education	190,235	-	-	-	190,235
IDEA Grants	1,690	26,887	-	-	28,577
Non-IDEA special education grants	5,566	-	-	-	5,566
IDEA entitlement funds part B IDEA	-	1,732,954	-	-	1,732,954
Early childhood special education	171,386	-	-	-	171,386
School lunch program	2,602,458	-	-	-	2,602,458
School breakfast program	1,202,407	-	-	-	1,202,407
After school snack program	73,051	-	-	-	73,051
Title I	172,840	2,895,725	-	-	3,068,565
Title III	61,935	-	-	-	61,935
Title II.A	338,483	-	-	-	338,483
Department of health food service program	372,872	-	-	-	372,872
Headstart	236,164	-	-	-	236,164
Grants for state assessments	-	500	-	-	500
TOTAL FEDERAL	5,918,974	4,656,066	-	-	10,575,040
OTHER SOURCES					
Sale of school buses	-	-	-	1,500	1,500
Sale of other property	-	-	-	363,810	363,810
Tuition from other districts	8,730	492,627	-	-	501,357
Area voc fees from other LEAs	-	1,634,400	-	-	1,634,400
Transportation from other LEAs for non-disabled routes	53,852	-	-	-	53,852
TOTAL OTHER SOURCES	62,582	2,127,027	-	365,310	2,554,919
TOTAL RECEIPTS	\$ 48,735,013	57,753,030	\$ 9,120,153	\$ 1,584,964	\$ 117,193,160

The above presentation is in the form of the Annual Secretary of the Board Report (ASBR).

RAYTOWN C-2 SCHOOL DISTRICT
SCHEDULE OF DISBURSEMENTS BY OBJECT
Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Salaries	\$ 18,590,459	\$ 47,132,934	\$ -	\$ -	\$ 65,723,393
Teacher's retirement	29,721	7,261,833	-	-	7,291,554
Non-teacher retirement	1,422,511	61,945	-	-	1,484,456
Old age survivor and disability (OASDI)	1,110,046	120,607	-	-	1,230,653
Medicare	260,664	659,566	-	-	920,230
Employee insurance	4,823,768	5,211,027	-	-	10,034,795
Purchased instructional services - tuition	-	1,781,969	-	-	1,781,969
Professional services	87,718	-	-	-	87,718
Audit services	30,000	-	-	-	30,000
Legal services	263,970	-	-	-	263,970
Other professional services	1,050,319	-	-	-	1,050,319
Repairs and maintenance	543,138	-	-	-	543,138
Rentals - land and buildings	109,517	-	-	-	109,517
Rentals - equipment	448,634	-	-	-	448,634
Water and sewer	373,851	-	-	-	373,851
Trash removal	103,150	-	-	-	103,150
Technology-related repairs and maintenance	251,796	-	-	-	251,796
Other property services	489,236	-	-	-	489,236
Contracted transportation to and from school	1,219,851	-	-	-	1,219,851
Other contracted pupil transportation (non-route)	65,235	-	-	-	65,235
Travel	199,277	-	-	-	199,277
Property insurance	902,487	-	-	-	902,487
Liability insurance	23,327	-	-	-	23,327
Judgements against LEA and settlements	81,000	-	-	-	81,000
Communication	239,753	-	-	-	239,753
Advertising, printing, dues and other purchased services	3,375,434	-	-	-	3,375,434
General supplies	3,710,712	-	-	-	3,710,712
Supplies - technology - related	1,546,542	-	-	-	1,546,542
Textbook	415,905	-	-	-	415,905
Library books	62,288	-	-	-	62,288
Food supplies - exclude non-food supplies	2,707,815	-	-	-	2,707,815
Energy	2,477,510	-	-	-	2,477,510
Other supplies and materials	161,832	-	-	-	161,832
Buildings	-	-	-	4,699,561	4,699,561
Improvements other than buildings	-	-	-	1,643,513	1,643,513
Regular equipment	-	-	-	319,452	319,452
Equipment - classroom instructional apparatus	-	-	-	197,674	197,674
Technology-related hardware	-	-	-	96,198	96,198
Vehicles	-	-	-	20,398	20,398
Other capital outlay	-	-	-	529,866	529,866
Principal	-	-	5,350,000	469,710	5,819,710
Interest	-	-	2,963,472	167,341	3,130,813
Other (fin. fees, etc.)	-	-	2,100	5,000	7,100
TOTAL DISBURSEMENTS	\$ 47,177,466	\$ 62,229,881	\$ 8,315,572	\$ 8,148,713	\$ 125,871,632

RAYTOWN C-2 SCHOOL DISTRICT
 SCHEDULE OF TRANSPORTATION COSTS ELIGIBLE FOR STATE AID
 Year Ended June 30, 2018

	<u>Contracted</u>	<u>District Owned</u>	<u>Contracted Disabled</u>	<u>Disabled District Owned</u>	<u>Payments to Other Districts</u>	<u>Total</u>
Certified salaries	\$ -	\$ 94,585	\$ -	\$ -	\$ -	\$ 94,585
Non-certified salaries	-	1,495,418	-	464,633	-	1,960,051
Employee benefits	-	557,786	-	195,603	-	753,389
Purchased services	940,224	310,357	241,983	74,452	102,879	1,669,895
Supplies	-	492,895	-	138,557	-	631,452
Capital outlay	-	23,428	-	-	-	23,428
Depreciation, net of adjustment	-	176,434	-	-	-	176,434
	<u>\$ 940,224</u>	<u>\$ 3,150,903</u>	<u>\$ 241,983</u>	<u>\$ 873,245</u>	<u>\$ 102,879</u>	<u>\$ 5,309,234</u>

OTHER REPORTING REQUIREMENTS



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

Board of Education
Raytown C-2 School District
Raytown, Missouri

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 Raytown C-2 School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Raytown C-2 School District's basic financial statements and have issued our report thereon dated December 6, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Raytown C-2 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

Board of Education
Raytown C-2 School District
Raytown, Missouri

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Raytown C-2 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*.

Purpose of 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.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
December 6, 2018



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

Board of Education
Raytown C-2 School District
Raytown, Missouri

Report on Compliance for Each Major Federal Program

We have audited Raytown C-2 School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Raytown C-2 School District's major federal programs for the year ended June 30, 2018. The Raytown C-2 School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Raytown C-2 School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Raytown C-2 School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Raytown C-2 School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Raytown C-2 School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
December 6, 2018

RAYTOWN C-2 SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2018

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Passed-through to Subrecipients	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Missouri Department of Elementary and Secondary Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	20177N109943	\$ -	\$ 225,827
	10.553	20188N109943	-	976,580
			-	1,202,407
National School Lunch Program - Cash	10.555	20177N109943	-	483,850
	10.555	20188N109943	-	2,118,608
			-	2,602,458
- Commodities	10.555	048-073	-	280,273
After School Snack Program	10.555	20177N109943	-	15,490
	10.555	20188N109943	-	57,561
			-	73,051
Missouri Department of Health and Senior Services				
Child Nutrition Cluster				
Summer Food Service Program for Children	10.559	ERS042887S	-	284,067
Total Child Nutrition Cluster			-	4,442,256
Child and Adult Care Food Program	10.558	ERS46111809	-	73,772
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	4,516,028
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Missouri Department of Elementary and Secondary Education				
Title I Grants to LEAs	84.010	S010A170025	-	2,654,321
Supporting Effective Instruction State Grant	84.367	S367A160024	-	158,771
	84.367	S367A170024	-	170,767
			-	329,538
Grants for State Assessments	84.369	S369A160026	-	500
English Language Acquisition Grants	84.365	S365A160025	-	36,925
		S365A170025	-	21,732
			-	58,657
Perkins Vocational	84.048	V048A160025	-	221,023
Special Education - State Personnel Development	84.323	H323A120018	-	5,566
Student Support and Academic Enrichment	84.424	S424A170026	-	13,450
Special Education Grants Cluster				
Special Education Grants to States	84.027	H027A170040	-	1,894,770
Special Education Preschool Grants	84.173	H171A170103	-	38,148
Total Special Education Grants Cluster			-	1,932,918
TOTAL U.S. DEPARTMENT OF EDUCATION			-	5,215,973

RAYTOWN C-2 SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
 Year Ended June 30, 2018

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Passed-through to Subrecipients	Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Mid-America Regional Council Head Start	93.600	N/A	-	277,729
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	277,729
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 10,009,730

N/A – Not applicable

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. The Schedule of Expenditures of Federal Awards is presented using the modified cash basis of accounting, which is described in Note A to the District's financial statements.
2. Commodities received and expended are valued by the Food Service Section of the Department of Elementary and Secondary Education.
3. The District did not provide funds to subrecipients in the current year.
4. The District elected not to use the 10% de minimis indirect cost rate.

RAYTOWN C-2 SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

Section I – Summary of Audit Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with the modified cash basis of accounting:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified: _____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified: _____ yes X none reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?

_____ yes X no

Identification of major federal programs:

CFDA Number(s)
84.010
84.027 & 84.173

Name of Federal Program or Cluster
Title I, Grants to LEAs
Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes X no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

RAYTOWN C-2 SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2018

There were no prior year audit findings.

SUPPLEMENTARY STATE INFORMATION



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

Board of Education
Raytown C-2 School District
Raytown, Missouri

We have examined management's assertions that Raytown C-2 School District complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures; accurate disclosure of the District's attendance records of average daily attendance, standard day length, resident membership on the last Wednesday of September, pupil transportation records of the average daily transportation of pupils eligible and ineligible for state aid, the number of miles eligible and ineligible for state aid and other statutory requirements as listed in the schedule of selected statistics during the year ended June 30, 2018. Raytown C-2 School District's management is responsible for its assertions. Our responsibility is to express an opinion on management's assertions based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertions are fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertions. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertions, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, management's assertions referred to above are fairly stated, in all material respects.

This report is intended solely for the information and use of the Board of Education, District 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.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
December 6, 2018

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Member of The Leading Edge Alliance

RAYTOWN C-2 SCHOOL DISTRICT 048-073
 SCHEDULE OF SELECTED STATISTICS
 Year Ended June 30, 2018

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 were as follows:

Kindergarten – Grade 5	6.7500
Grade 6 – Grade 8	6.7000
Grade 9 – Grade 12	6.6500

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

Kindergarten – Grade 5	1,105.50
Grade 6 – Grade 8	1,098.00
Grade 9 – Grade 12	1,087.10

C. The number of days classes were in session and pupils were under the direction of the teachers during this school year was 174.

2. Average Daily Attendance (ADA)

Average Daily Attendance:

Regular term:

Kindergarten – Grade 5	3,702.79
Grade 6 – Grade 8	1,877.44
Grade 9 – Grade 12	<u>2,346.57</u>
Total regular term	7,926.80

ESY	12.26
Summer school average daily attendance	<u>405.34</u>

Total Average Daily Attendance	<u><u>8,344.40</u></u>
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3. September Membership

September Membership FTE Count	<u><u>8,720.73</u></u>
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4. Free and Reduced Price Lunch FTE Count (Section 163.011(6), RSMo)

State FTE Total	Free	4,843.95
	Reduced	<u>729.00</u>
	Total	<u><u>5,572.95</u></u>

RAYTOWN C-2 SCHOOL DISTRICT 048-073
SCHEDULE OF SELECTED STATISTICS (continued)
Year Ended June 30, 2018

5. Finance

- A. A bond, as required by Section 162.401, RSMo, has been purchased for the District treasurer in the amount of \$25,000.
- B. The District's deposits were adequately secured during the year as required by Sections 110.010 and 110.020, RSMo.
- C. The District maintained a separate bank account for its Debt Service Fund in accordance with Section 165.011, RSMo.
- D. Salaries reported for educators in the October core data cycle are supported by payroll/contract records.
- E. The District did not make a \$162,326 or 7% x SAT x WADA transfer.
- F. The District published a summary of the 2016-2017 audit report within thirty days of receipt of the audit, pursuant to Section 165.121, RSMo.
- 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.
- H. The amount spent for approved professional development committee plan activities was \$370,205.

There were no findings noted above.

6. Transportation (Section 163.161, RSMo)

- A. The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.
- B. The District's school transportation ridership records are so maintained as to accurately disclose in all material respects the average number of regular riders transported.
- C. Based on the ridership records, the average number of students (non-disabled K-12, career education, and K-12 students with disabilities) transported on a regular basis (ADT) eligible for state transportation aid was 4,686.50 and the average number of students transported on a regular basis (ADT) ineligible to be counted for state transportation aid was 1,147.50.
- D. The District's transportation odometer mileage records are so maintained as to accurately disclose in all material respects the eligible and ineligible mileage for the year.

RAYTOWN C-2 SCHOOL DISTRICT 048-073
SCHEDULE OF SELECTED STATISTICS (continued)
Year Ended June 30, 2018

6. Transportation (Section 163.161, RSMo) (continued)

E. Actual odometer records show the total District operated and contracted mileage for the year was 975,129. Of this total, the eligible non-disabled and students with disabilities route miles were 812,659 and the ineligible non-route and disapproved miles combined were 162,470.

F. The District operated the school transportation system for 174 days during this school year.

There were no findings noted above.