

NEOSHO R-5 SCHOOL DISTRICT

NEOSHO, MISSOURI

BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2010

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INDEPENDENT AUDITORS' REPORT

Board of Education
Neosho R-5 School District
Neosho, Missouri

We have audited the accompanying financial statements of the governmental activities and each major fund of the Neosho R-5 School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic 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 of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note A, the Neosho R-5 School District prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the Neosho R-5 School District as of June 30, 2010, and the respective changes in modified cash basis financial position and cash flows, where applicable, for the year then ended in conformity with the basis of accounting described in Note A.

Board of Education
Neosho R-5 School District
Neosho, Missouri

In accordance with *Government Auditing Standards*, we have also issued a report dated November 5, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Neosho R-5 School District's basic financial statements. The data contained under Other Financial Information, although not considered necessary for a fair presentation of the basic financial statements, is presented for purposes of additional analysis. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, this data is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole on the basis of accounting described in Note A.

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
November 5, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

**NEOSHO R-5 SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

Our discussion and analysis of Neosho R-5 School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2010, 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 16.

FINANCIAL HIGHLIGHTS

- Assets: Total net assets were \$10,949,856 at June 30, 2010. This was a decrease of \$597,353 compared to the prior year.
- Receipts and Disbursements: Total receipts were \$35,127,290 and disbursements were \$35,724,643.
- Balances: The Operating Fund (Funds 1 and 2) balance increased from \$5,080,006 to \$5,421,959.
- Capital Projects: The District continued a comprehensive maintenance schedule, replacing roofs on part of South School, paving at Goodman, waterproofing at the high school library, and additional SMART boards.

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 District's modified cash basis of accounting.

Report Components

Government-Wide Financial Statements: The Statement of Net Assets 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 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.

Required Supplementary Information: This Management's Discussion and Analysis and the budgetary comparison schedules represent financial information required by GASB to be presented. 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").

NEOSHO R-5 SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

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 modified cash 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 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 Assets and the Statement of Activities

Our financial analysis of the District as a whole begins on page 9. The government-wide financial statements are presented on pages 16-17. 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 Assets 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 assets and yearly changes within them. Over time, increases and decreases in the District's net assets 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 service. The Statement of Activities shows the net cost of these functions before considering the general receipts of the District.

NEOSHO R-5 SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

Fund Financial Statements

Our analysis of the District's funds begins on page 11. The fund financial statements begin on page 19 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, or Capital Project Funds.

Special Revenue Fund: Accounts for disbursements 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 designated for the retirement of principal and interest on the District's general obligation bonds.

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

Internal Service Fund – Accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the District. The Internal Service Fund of the District is used to account for the health self-insurance program.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

The District's Net Assets, resulting from cash transactions, decreased by \$597,353 between fiscal years 2009 and 2010.

Net Assets – Modified Cash Basis

| ASSETS | 2010 | 2009 |
|---------------------------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 8,463,927 | \$ 7,023,036 |
| Investments | 621,650 | 2,605,037 |
| Health insurance trust | 1,864,279 | 1,919,136 |
| TOTAL ASSETS | \$ 10,949,856 | \$ 11,547,209 |
| NET ASSETS | | |
| Restricted for debt service | \$ 1,011,678 | \$ 839,846 |
| Restricted for health insurance trust | 1,864,279 | 1,919,136 |
| Unrestricted | 8,073,899 | 8,788,227 |
| TOTAL NET ASSETS | \$ 10,949,856 | \$ 11,547,209 |

NEOSHO R-5 SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

Changes in Net Assets – Modified Cash Basis

For the year ended June 30, 2010, net assets of the District, resulting from cash transactions, changed as follows:

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|-----------------------|
| RECEIPTS | | |
| <u>Program Receipts</u> | | |
| Charges for services | \$ 1,361,983 | \$ 939,382 |
| Operating grants and contributions | 8,118,594 | 5,212,534 |
| <u>General Receipts</u> | | |
| Ad valorem tax receipts | 7,720,787 | 7,702,612 |
| Prop C sales tax receipts | 3,409,099 | 3,572,047 |
| Other tax receipts | 161,211 | 154,031 |
| County receipts | 999,153 | 980,201 |
| State receipts | 13,002,324 | 14,538,540 |
| Interest receipts | 232,282 | 441,920 |
| Other receipts | 121,857 | 23,194 |
| <u>Special Item</u> | | |
| Gain on health insurance trust | - | 211,098 |
| TOTAL RECEIPTS | <u>35,127,290</u> | <u>33,775,559</u> |
| DISBURSEMENTS | | |
| Instruction | 20,829,385 | 20,023,393 |
| Student services | 1,458,423 | 1,467,930 |
| Instructional staff support | 1,933,797 | 1,801,251 |
| Building administration | 1,091,733 | 1,076,738 |
| General administration | 899,549 | 877,789 |
| Operation of plant | 3,400,557 | 3,244,578 |
| Transportation | 1,972,260 | 1,660,785 |
| Food service | 1,616,348 | 1,614,987 |
| Community services | 512,349 | 376,578 |
| Facilities acquisition and construction | 623,094 | 2,398,073 |
| Debt service | 1,332,291 | 1,728,062 |
| Loss on health insurance trust | 54,857 | - |
| TOTAL DISBURSEMENTS | <u>35,724,643</u> | <u>36,270,164</u> |
| (DECREASE) IN NET ASSETS | <u>\$ (597,353)</u> | <u>\$ (2,494,605)</u> |

NEOSHO R-5 SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

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 Fund Balances - Modified Cash Basis. 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

- Assets: Fund balances totaled \$9,085,577 on June 30, 2010. This was a decrease of \$542,496 over the prior year. This is due to the capital spending to complete building projects authorized in the 2006 Bond issue.
- Receipts and Disbursements: Total receipts were \$35,127,290 and disbursements were \$35,669,786.
- Operating Fund: Operating Fund balances increased from \$5,080,006 to \$5,421,959, an increase of \$341,953. On June 30, 2010, the reserves amounted to 16.84% of the total operating disbursements expended for the 2009-2010 fiscal year. The decrease in reserve percentage is due to the restricting of \$1,864,279 to the Healthcare Trust.
- Special Revenue Fund: Receipts for the Special Revenue Fund amounted to \$18,993,336. The total disbursement amount for the 2009-2010 fiscal year was \$18,993,336.
- Capital Projects Fund: The fund had total receipts of \$167,878. Disbursements were \$2,694,419.

NEOSHO R-5 SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

FINANCIAL ANALYSIS OF GENERAL FUND BUDGET VERSUS ACTUAL RESULTS

| | | Budget | | |
|-----------------------------|--|---------------|---------------|---------------|
| | | Original | Final | Actual |
| RECEIPTS | | | | |
| Local | | \$ 10,216,557 | \$ 7,660,439 | \$ 8,029,603 |
| County | | 576,162 | 576,162 | 601,935 |
| State | | 2,254,837 | 2,848,385 | 1,742,531 |
| Federal | | 2,815,917 | 5,557,352 | 4,233,000 |
| Other | | 15,688 | 15,688 | 355,762 |
| TOTAL RECEIPTS | | \$ 15,879,161 | \$ 16,658,026 | \$ 14,962,831 |
| DISBURSEMENTS | | | | |
| Instruction | | \$ 3,860,470 | \$ 5,023,626 | \$ 4,477,913 |
| Student services | | 575,868 | 589,530 | 553,512 |
| Instructional staff support | | 1,178,860 | 1,277,879 | 1,267,840 |
| Building adminstration | | 172,309 | 173,724 | 173,873 |
| General administration | | 546,902 | 505,176 | 542,617 |
| Operation of plant | | 2,667,588 | 2,823,961 | 2,794,061 |
| Transportation | | 1,370,702 | 1,471,659 | 1,365,054 |
| Food service | | - | 1,488,395 | 1,555,213 |
| Community services | | 148,892 | 739,572 | 416,721 |
| Debt service | | 3,929 | 3,815 | 3,814 |
| TOTAL DISBURSEMENTS | | \$ 10,525,520 | \$ 14,097,337 | \$ 13,150,618 |

Receipts

This reflects only the District's General Fund (Fund 1) and does not include the Special Revenue Fund (Fund 2). The District originally budgeted total receipts of \$15,879,161. Actual total receipts were \$14,962,831. This amounted to a difference of \$916,330.

The District's original budget reflects a conservative philosophy of management in order to protect the District from unanticipated changes in state and federal monies. The phase-in of a new state foundation formula will be a major factor in future budget decisions. The District amends the budget at the end of the year to reflect actual results.

Disbursements

The original District budget had total disbursements at \$10,525,520 and actual disbursements were \$13,150,618, a difference of \$2,625,098. The District amends the budget at the end of the year to reflect actual results.

NEOSHO R-5 SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

DEBT ADMINISTRATION

Long-Term Debt – Modified Cash Basis

The District uses the modified cash basis of accounting, which recognizes disbursements when paid in cash and receipts when collected in cash. Therefore, long-term debt of the District is not reflected in the financial statements. The following reflects a summary of long-term debt of the District for the years ended June 30, 2010, and 2009.

| | June 30, | |
|------------------------|----------------------|----------------------|
| | 2010 | 2009 |
| LONG-TERM DEBT | | |
| Bonds Payable | \$ 11,800,000 | \$ 12,050,000 |
| Capital Leases Payable | 1,150,000 | 1,625,000 |
| TOTAL LONG-TERM DEBT | <u>\$ 12,950,000</u> | <u>\$ 13,675,000</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:

- **State Formula Change:** Although the State of Missouri put a proration factor on the foundation formula, the District is budgeting a 2.5% increase for 2010-11. As the federal stimulus dollars used to plug shortfalls by the State disappear for school year 2011-12, it remains to be determined what impact this will have on the school district.
- **Local Revenue Changes:** Contributions to local funding are collected from several sources. Assessed valuation grew by 1.6%. Depending on collections, this could provide the District with new revenues. Proposition C monies decreased this fiscal year, and we are budgeted for a small decrease in 2010-11.
- **District Reserves:** Although the total money in Fund 1 and Fund 2 (Operations) increased in 2009-10, the reserve percentage decreased. The reserve percentage at June 30, 2010, was 16.84%. The decrease was two-fold: the expenditures in Operations went up \$1,207,447 and \$1,864,279 was designated as restricted. The restricted amount is the accumulated balance in the Healthcare Trust. If the restricted were still included in the Operations balance, the reserve percentage would be 22.63%.

NEOSHO R-5 SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

CONTACTING THE SCHOOL 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 show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Dr. Jim Cummins, Assistant Superintendent of Finance at Neosho R-5 School District, 511 Neosho Boulevard, Neosho, Missouri 64850, or email at cumminsjim@neosho.k12.mo.us.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

NEOSHO R-5 SCHOOL DISTRICT
STATEMENT OF NET ASSETS – MODIFIED CASH BASIS
June 30, 2010

| | <u>Governmental Activities</u> |
|--------------------------------|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 8,463,927 |
| Investments | 621,650 |
| Health insurance trust | <u>1,864,279</u> |
| TOTAL ASSETS | <u>\$ 10,949,856</u> |
| NET ASSETS | |
| Restricted for insurance trust | \$ 1,864,279 |
| Restricted for debt service | 1,011,678 |
| Unrestricted | <u>8,073,899</u> |
| TOTAL NET ASSETS | <u>\$ 10,949,856</u> |

See accompanying notes.

NEOSHO R-5 SCHOOL DISTRICT
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
Year Ended June 30, 2010

| | | Program Cash Receipts | | | Net (Disbursements) |
|---|------------------------|-------------------------|--|--|--|
| | Cash Disbursements | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Receipts and Changes in Net Assets |
| Governmental Activities: | | | | | |
| Instruction | \$ (20,829,385) | \$ 803,376 | \$ 5,555,624 | \$ - | \$ (14,470,385) |
| Student services | (1,458,423) | - | 40,937 | - | (1,417,486) |
| Instructional staff support | (1,933,797) | - | 305,654 | - | (1,628,143) |
| Building administration | (1,091,733) | - | - | - | (1,091,733) |
| General administration | (899,549) | - | - | - | (899,549) |
| Operation of plant | (3,400,557) | - | - | - | (3,400,557) |
| Transportation | (1,972,260) | - | 585,704 | - | (1,386,556) |
| Food service | (1,616,348) | 516,286 | 1,392,340 | - | 292,278 |
| Community services | (512,349) | 42,321 | 238,335 | - | (231,693) |
| Facilities acquisition and construction | (623,094) | - | - | - | (623,094) |
| Debt service | (1,332,291) | - | - | - | (1,332,291) |
| NET PROGRAM (DISBURSEMENTS) RECEIPTS | <u>\$ (35,669,786)</u> | <u>\$ 1,361,983</u> | <u>\$ 8,118,594</u> | <u>\$ -</u> | (26,189,209) |
| General Receipts: | | | | | |
| Ad valorem tax receipts | | | | | 7,720,787 |
| Prop C sales tax receipts | | | | | 3,409,099 |
| Other tax receipts | | | | | 161,211 |
| County receipts | | | | | 999,153 |
| State receipts | | | | | 13,002,324 |
| Interest receipts | | | | | 232,282 |
| Other receipts | | | | | 121,857 |
| TOTAL GENERAL RECEIPTS | | | | | 25,646,713 |
| Special Item: | | | | | |
| (Loss) on health insurance trust | | | | | (54,857) |
| (DECREASE) IN NET ASSETS | | | | | (597,353) |
| NET ASSETS - Beginning of year | | | | | 11,547,209 |
| NET ASSETS - End of year | | | | | <u>\$ 10,949,856</u> |

See accompanying notes.

FUND FINANCIAL STATEMENTS

NEOSHO R-5 SCHOOL DISTRICT

STATEMENT OF ASSETS AND FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS

June 30, 2010

| | General Fund | Special Revenue Fund | Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
|---|---------------------|----------------------------|-------------------------|-----------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 5,421,959 | \$ - | \$ 663,350 | \$ 2,378,618 | \$ 8,463,927 |
| Investments | - | - | 348,328 | 273,322 | 621,650 |
| TOTAL ASSETS | <u>\$ 5,421,959</u> | <u>\$ -</u> | <u>\$ 1,011,678</u> | <u>\$ 2,651,940</u> | <u>\$ 9,085,577</u> |
| FUND BALANCES | | | | | |
| Reserved for debt service | \$ - | \$ - | \$ 1,011,678 | \$ - | \$ 1,011,678 |
| Unreserved | <u>5,421,959</u> | <u>-</u> | <u>-</u> | <u>2,651,940</u> | <u>8,073,899</u> |
| TOTAL FUND BALANCES | <u>\$ 5,421,959</u> | <u>\$ -</u> | <u>\$ 1,011,678</u> | <u>\$ 2,651,940</u> | <u>\$ 9,085,577</u> |
| Total Fund Balances - Governmental Funds | | | | | \$ 9,085,577 |
| Some of the amounts reported for governmental activities in the statement of net assets are different because internal service fund assets are included with governmental activities. | | | | | <u>1,864,279</u> |
| Net Assets of Governmental Activities | | | | | <u>\$ 10,949,856</u> |

See accompanying notes.

NEOSHO R-5 SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Year Ended June 30, 2010

| | General Fund | Special Revenue Fund | Debt Service Fund | Capital Projects Fund | Total Governmental Funds |
|--|-----------------|----------------------------|-------------------------|-----------------------------|--------------------------------|
| RECEIPTS | | | | | |
| Local | \$ 8,029,603 | \$ 3,418,097 | \$ 926,190 | \$ 167,878 | \$ 12,541,768 |
| County | 601,935 | 320,163 | 77,055 | - | 999,153 |
| State | 1,742,531 | 12,421,255 | - | - | 14,163,786 |
| Federal | 4,233,000 | 2,724,132 | - | - | 6,957,132 |
| Other | 355,762 | 109,689 | - | - | 465,451 |
| TOTAL RECEIPTS | 14,962,831 | 18,993,336 | 1,003,245 | 167,878 | 35,127,290 |
| DISBURSEMENTS | | | | | |
| Instruction | 4,477,913 | 16,062,854 | - | 288,618 | 20,829,385 |
| Student services | 553,512 | 904,911 | - | - | 1,458,423 |
| Instructional staff support | 1,267,840 | 665,957 | - | - | 1,933,797 |
| Building administration | 173,873 | 917,860 | - | - | 1,091,733 |
| General administration | 542,617 | 356,733 | - | 199 | 899,549 |
| Operation of plant | 2,794,061 | - | - | 606,496 | 3,400,557 |
| Transportation | 1,365,054 | 85,021 | - | 522,185 | 1,972,260 |
| Food services | 1,555,213 | - | - | 61,135 | 1,616,348 |
| Community services | 416,721 | - | - | 95,628 | 512,349 |
| Facilities acquisition and construction | - | - | - | 623,094 | 623,094 |
| Debt service | 3,814 | - | 831,413 | 497,064 | 1,332,291 |
| TOTAL DISBURSEMENTS | 13,150,618 | 18,993,336 | 831,413 | 2,694,419 | 35,669,786 |
| EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS | 1,812,213 | - | 171,832 | (2,526,541) | (542,496) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Operating transfers in | - | - | - | 1,470,260 | 1,470,260 |
| Operating transfers (out) | (1,470,260) | - | - | - | (1,470,260) |
| TOTAL OTHER FINANCING SOURCES (USES) | (1,470,260) | - | - | 1,470,260 | - |
| EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES) | 341,953 | - | 171,832 | (1,056,281) | (542,496) |
| FUND BALANCE, July 1, 2009 | 5,080,006 | - | 839,846 | 3,708,221 | 9,628,073 |
| FUND BALANCE, June 30, 2010 | \$ 5,421,959 | \$ - | \$ 1,011,678 | \$ 2,651,940 | \$ 9,085,577 |
| Change in Fund Balances - Governmental Funds | | | | | \$ (542,496) |
| The Change in Net Assets for governmental activities in the Statement of Activities is different than the Change in Fund Balances - Governmental Funds because Internal Service Fund receipts and disbursements are included in the Statement of Activities. | | | | | (54,857) |
| Change in Net Assets - Governmental Activities | | | | | \$ (597,353) |

See accompanying notes.

NEOSHO R-5 SCHOOL DISTRICT
STATEMENT OF NET ASSETS – PROPRIETARY FUND – MODIFIED CASH BASIS
June 30, 2010

| | <u>Internal Service Fund</u> |
|--------------------------------|----------------------------------|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 1,864,279</u> |
| NET ASSETS | |
| Restricted for insurance trust | <u>\$ 1,864,279</u> |

See accompanying notes.

NEOSHO R-5 SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS – PROPRIETARY
FUND – MODIFIED CASH BASIS
Year Ended June 30, 2010

| | | <u>Internal Service Fund</u> |
|--|-----------------------------|----------------------------------|
| RECEIPTS | | |
| Charges for services | | <u>\$ 2,614,524</u> |
| | TOTAL RECEIPTS | 2,614,524 |
| DISBURSEMENTS | | |
| Insurance claims and administrative expenses | | <u>2,723,767</u> |
| | TOTAL DISBURSEMENTS | <u>2,723,767</u> |
| | OPERATING (LOSS) | (109,243) |
| NONOPERATING RECEIPTS | | |
| Interest receipts | | <u>54,386</u> |
| | TOTAL NONOPERATING RECEIPTS | <u>54,386</u> |
| | NET (LOSS) | (54,857) |
| NET ASSETS, July 1, 2009 | | <u>1,919,136</u> |
| NET ASSETS, June 30, 2010 | | <u><u>\$ 1,864,279</u></u> |

See accompanying notes.

NEOSHO R-5 SCHOOL DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND – MODIFIED CASH BASIS
Year Ended June 30, 2010

| | <u>Internal Service Fund</u> |
|--|----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from insurance premiums | \$ 2,614,524 |
| Payment of insurance claims and administrative costs | <u>(2,723,767)</u> |
| NET CASH (USED) BY OPERATING ACTIVITIES | (109,243) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received | <u>54,386</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>54,386</u> |
| NET (DECREASE) IN CASH | (54,857) |
| CASH AND CASH EQUIVALENTS, July 1, 2009 | <u>1,919,136</u> |
| CASH AND CASH EQUIVALENTS, June 30, 2010 | <u><u>\$ 1,864,279</u></u> |
| RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES | |
| Operating (loss) | <u>\$ (109,243)</u> |
| NET CASH (USED) BY OPERATING ACTIVITIES | <u><u>\$ (109,243)</u></u> |

See accompanying notes.

NEOSHO R-5 SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's accounting policies conform to the modified cash basis of accounting, which is characteristic of local governmental units of this type.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Financially accountable means the primary government is accountable for the component unit and the primary government is able to impose its will or the component unit may provide financial benefits or impose a burden on the primary government. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District is a primary government, which is governed by an elected seven-member board. As required by accounting principles generally accepted in the United States of America, the District has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The District has determined that no other outside entity meets the above criteria and therefore, no other entity has been included as a component unit in the District's basic financial statements. In addition, the District is not aware of any entity for which the District would be considered as a component unit of that entity.

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets 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.

NEOSHO R-5 SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The funds presented in the accompanying basic 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 required or permitted to be accounted for in other funds.

Special Revenue Fund - Accounts for disbursements 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 designated for the retirement of principal and interest on the Districts' general obligation bonds.

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

Internal Service Fund - Accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the District. The Internal Service Fund of the District is used to account for the health self-insurance program.

Basis of Accounting

The government-wide Statement of Net Assets and Statement of Activities and the fund financial statements are presented using the modified cash basis of accounting. This basis recognizes assets, net assets/fund equity, receipts, and disbursements when they result from cash transactions. The modification to the cash basis relates to the presentation of investments. 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 disbursements (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.

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. All government-wide financials would be presented on the accrual basis of accounting.

NEOSHO R-5 SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Outlay

General fixed assets are recorded as disbursements paid in the Capital Projects Fund at the time the invoices for the capital items are paid.

Compensated Absences

Vacation time and personal business days are considered as disbursements in the year paid. Such amounts unused that are vested in the employee are payable upon termination.

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.

Teachers' Salaries

The salary payment schedule of the District for the 2009-2010 school year requires the payment of salaries for a twelve-month period. Consequently, the July and August 2010, 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 Cash Equivalents

Cash and cash equivalents of the individual funds are combined to form a pool of cash and cash equivalents. Cash equivalents of the pooled accounts consist primarily of money market accounts, carried at cost, which approximates market.

NEOSHO R-5 SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Equity is classified as net assets and displayed in two components:

- A. Restricted net assets – Consists of net assets 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.
- B. Unrestricted net assets – All other net assets that do not meet the definition of “restricted”.

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

Program Receipts

Amounts reported as program receipts include 1) charges to students or others for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. All other governmental receipts are reported as general receipts. All taxes are classified as general receipts even if restricted for a specific purpose.

NOTE B – CASH AND CASH 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, 2010, all bank balances on deposit are entirely insured or collateralized with securities.

NEOSHO R-5 SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE C – INVESTMENTS

Investments at June 30, 2010, consist of:

| <u>Investment Type</u> | <u>Maturity</u> | <u>Amount</u> |
|---|-----------------|-------------------|
| Pro-rata shares of investment contracts with Wells Fargo Bank through the Missouri School District Direct Deposit Program | N/A | \$ 348,328 |
| Missouri Securities Investment Program (MOSIP) | N/A | 273,322 |
| | | <u>\$ 621,650</u> |

Investment Contracts with Wells Fargo Bank

Funds on deposit with Wells Fargo Bank 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. Fair market value approximates cost.

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 and Section 360 of the Missouri Revised States and the cash management fund has a current rating of AAAm. Fair market value approximates cost.

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.

NEOSHO R-5 SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE D – TAXES (continued)

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 partial waiver of the rollback provision.

The assessed valuation of the tangible taxable property for the calendar year 2009 for purposes of local taxation was:

| | |
|--------------------------|------------------------------|
| Real estate | \$ 182,144,690 |
| Personal property | <u>69,073,277</u> |
| TOTAL ASSESSED VALUATION | <u><u>\$ 251,217,967</u></u> |

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2009 for purposes of local taxation was:

| | <u>Unadjusted</u> | <u>Adjusted</u> |
|-------------------|-------------------------|-------------------------|
| General Fund | \$ 2.9688 | \$ 2.7500 |
| Debt Service Fund | <u>.3600</u> | <u>.3600</u> |
| TOTAL LEVY | <u><u>\$ 3.3288</u></u> | <u><u>\$ 3.1100</u></u> |

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2010, aggregated approximately 99 percent of the current assessment computed on the basis of the levy as shown above.

NOTE E – RETIREMENT PLANS

The District contributed to the Public School Retirement System of Missouri (PSRS), a cost-sharing multiple-employer defined benefit pension plan. PSRS provides retirement and disability benefits to full-time (and certain part-time) certificated employees and death benefits to members and beneficiaries. Positions covered by the Public School Retirement System are not covered by Social Security. PSRS benefit provisions are set forth in Chapter 169.010 - .141 of the Missouri Revised Statutes (1986). The statutes assign responsibility for the administration of the system to a seven-member Board of Trustees. PSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public School Retirement System of Missouri, P.O. Box 268, Jefferson City, Missouri 65102 or by calling 1-800-392-6848.

NEOSHO R-5 SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE E – RETIREMENT PLANS (continued)

PSRS members are required to contribute 13.5% of their annual covered salary and the District is required to contribute a matching amount. The contribution requirements of members and the District are established and may be amended by the PSRS Board of Trustees. The District's contributions to PSRS for the years ending June 30, 2010, 2009, and 2008, were \$4,281,651, \$4,118,281, and \$3,731,671, respectively, equal to the required contributions.

The District also contributes to the Public Education Employee Retirement System of Missouri (PEERS), a cost-sharing multiple-employer defined benefit pension plan. PEERS provides retirement and disability benefits to employees of the district who work 20 or more hours per week and who do not contribute to the Public School Retirement System of Missouri. Positions covered by the Public Education Employee Retirement System are also covered by Social Security. Benefit provisions are set forth in Chapter 169.600 - .715 of the Missouri Revised Statutes (1986). The statutes assign responsibility for the administration of the system of the Board of Trustees of the Public School Retirement System. PEERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Education Employee Retirement System of Missouri, P.O. Box 268, Jefferson City, Missouri 65102 or by calling 1-800-392-6848.

PEERS members are required to contribute 6.5% of their annual covered salary and the District is required to contribute a matching amount. The contribution requirements of members and the District are established and may be amended by the Board of Trustees. The Neosho R-5 School District's contributions to PEERS for the years ending June 30, 2010, 2009, and 2008, were \$723,136, \$671,533, and \$623,601, respectively, equal to the required contributions.

NOTE F – GENERAL OBLIGATION BONDS PAYABLE

Bonds payable at June 30, 2010, consist of:

| | |
|--|----------------------|
| \$12,500,000 general obligation bond issue dated June 19, 2006, due in varying annual installments through March 2026; interest at 4% to 5.25%. | <u>\$ 11,800,000</u> |
|--|----------------------|

The following summary of bond transactions for the year ended June 30, 2010:

| | |
|------------------------------|----------------------|
| Bonds Payable, July 1, 2009 | \$ 12,050,000 |
| Bonds issued | - |
| Bonds retired | <u>(250,000)</u> |
| Bonds Payable, June 30, 2010 | <u>\$ 11,800,000</u> |

NEOSHO R-5 SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE F – GENERAL OBLIGATION BONDS PAYABLE (continued)

Debt service requirements are:

| Year Ended June 30, | Principal | Interest | Total |
|------------------------|----------------------|---------------------|----------------------|
| 2011 | \$ 300,000 | \$ 570,813 | \$ 870,813 |
| 2012 | 325,000 | 558,812 | 883,812 |
| 2013 | 350,000 | 545,813 | 895,813 |
| 2014 | 400,000 | 530,938 | 930,938 |
| 2015 | 540,000 | 513,938 | 1,053,938 |
| 2016 | 585,000 | 490,988 | 1,075,988 |
| 2017 | 625,000 | 466,125 | 1,091,125 |
| 2018 | 585,000 | 434,875 | 1,019,875 |
| 2019 | 700,000 | 405,625 | 1,105,625 |
| 2020 | 800,000 | 370,625 | 1,170,625 |
| 2021 | 850,000 | 328,625 | 1,178,625 |
| 2022 | 990,000 | 284,000 | 1,274,000 |
| 2023 | 1,000,000 | 234,500 | 1,234,500 |
| 2024 | 1,000,000 | 184,500 | 1,184,500 |
| 2025 | 1,250,000 | 134,500 | 1,384,500 |
| 2026 | 1,500,000 | 72,000 | 1,572,000 |
| TOTAL BOND PAYMENTS | <u>\$ 11,800,000</u> | <u>\$ 6,126,677</u> | <u>\$ 17,926,677</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, 2010, was:

| | |
|---------------------------------------|----------------------|
| Constitutional debt limit | \$ 37,682,695 |
| General obligation bonds payable | (11,800,000) |
| Amount available in Debt Service Fund | <u>1,011,678</u> |
| LEGAL DEBT MARGIN | <u>\$ 26,894,373</u> |

NEOSHO R-5 SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE G – LEASES PAYABLE

In 2003, the District entered into a lease agreement to refund a 1999 energy conservation and efficiency improvements loan and to refund the 1998 leasehold revenue bonds. The Series 2003 lease was in the amount of \$5,430,000 with interest rates from 2.0% to 3.1%. The previous bond issue consisted of \$4,140,000 in 1998 leasehold revenue bonds. The 1999 MARE energy loan, with a balance of \$1,290,000 was paid from the proceeds as well. The District granted a property lien to the lender, which will be released upon fulfillment by the District of the lease purchase agreement.

The 2003 lease investment reserve account consists of investments of U.S. Treasury Securities invested in accordance with Section 165.051 of the Missouri Revised Statutes. Since the account has the characteristics of a mutual fund, the investment is not reported by risk category in accordance with Governmental Accounting Standards Board Statement #3. Fair market value approximates cost. The District's investment as of June 30, 2010, is \$464,428.

Although the agreement provides for cancellation of the lease at the District's option at the renewal date each year, the District does not foresee exercising its option to cancel. Therefore, the lease is accounted for as a non-cancelable capital lease.

The following is a schedule of the future minimum lease payments under the lease (assuming noncancellation):

| Year Ended June 30, | Principal | Interest | Total |
|------------------------|---------------------|------------------|---------------------|
| 2011 | \$ 475,000 | \$ 27,075 | \$ 502,075 |
| 2012 | 500,000 | 12,925 | 512,925 |
| 2013 | 175,000 | 2,712 | 177,712 |
| TOTAL LEASE PAYMENTS | <u>\$ 1,150,000</u> | <u>\$ 42,712</u> | <u>\$ 1,192,712</u> |

The following represents the changes in lease payable for the year ended June 30, 2010:

| | |
|------------------------------|---------------------|
| Leases Payable, July 1, 2009 | \$ 1,625,000 |
| Additional lease obligations | - |
| Net lease retirement | (475,000) |
| Lease Payable, June 30, 2010 | <u>\$ 1,150,000</u> |

NEOSHO R-5 SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE H – COMPENSATED ABSENCES PAYABLE

Compensated absences payable consists of accumulated vacation and sick days by District personnel. Upon leaving the District, the employees may be paid accrued vacation days up to 15 days at their regular hourly rate of pay. Upon leaving the district after ten years of service the employee may be paid for accrued sick days at \$15 per day not to exceed \$1,500. Compensated absences payable at June 30, 2010, totaled \$163,883.

NOTE I – 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, 2010, 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 J – SELF INSURANCE FUND

The District has established a medical self-insurance plan for District employees and their covered dependents to minimize the total cost of medical health insurance to the District. This program is for the benefit of all District employees covered under the Neosho School's Employee Health Care Plan. Medical claims exceeding an individual participant limit of \$50,000 are covered through a private insurance carrier. The District established an Internal Service Fund to account for these activities.

NOTE K – 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.

NEOSHO R-5 SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE L – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2010, consisted of the following:

| | Transfers In | Transfers Out |
|-----------------------|---------------------|---------------------|
| General Fund | \$ - | \$ 1,470,260 |
| Capital Projects Fund | 1,470,260 | - |
| | <u>\$ 1,470,260</u> | <u>\$ 1,470,260</u> |

The District makes allowed transfers from the General Fund to the Capital Projects Fund to cover disbursements and build balances as allowed by state law.

NOTE M – POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note E, 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 subjected 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.

REQUIRED SUPPLEMENTARY INFORMATION

NEOSHO R-5 SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year Ended June 30, 2010

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|------------------|--------------|--------------|---|
| | Original | Final | Actual | |
| RECEIPTS | | | | |
| Local | \$ 10,216,557 | \$ 7,660,439 | \$ 8,029,603 | \$ 369,164 |
| County | 576,162 | 576,162 | 601,935 | 25,773 |
| State | 2,254,837 | 2,848,385 | 1,742,531 | (1,105,854) |
| Federal | 2,815,917 | 5,557,352 | 4,233,000 | (1,324,352) |
| Other | 15,688 | 15,688 | 355,762 | 340,074 |
| TOTAL RECEIPTS | 15,879,161 | 16,658,026 | 14,962,831 | (1,695,195) |
| DISBURSEMENTS | | | | |
| Instruction | 3,860,470 | 5,023,626 | 4,477,913 | 545,713 |
| Student services | 575,868 | 589,530 | 553,512 | 36,018 |
| Instructional staff support | 1,178,860 | 1,277,879 | 1,267,840 | 10,039 |
| Building administration | 172,309 | 173,724 | 173,873 | (149) |
| General administration | 546,902 | 505,176 | 542,617 | (37,441) |
| Operation of plant | 2,667,588 | 2,823,961 | 2,794,061 | 29,900 |
| Transportation | 1,370,702 | 1,471,659 | 1,365,054 | 106,605 |
| Food service | - | 1,488,395 | 1,555,213 | (66,818) |
| Community services | 148,892 | 739,572 | 416,721 | 322,851 |
| Debt service | 3,929 | 3,815 | 3,814 | 1 |
| TOTAL DISBURSEMENTS | 10,525,520 | 14,097,337 | 13,150,618 | 946,719 |
| EXCESS OF RECEIPTS OVER DISBURSEMENTS | 5,353,641 | 2,560,689 | 1,812,213 | (748,476) |
| OTHER FINANCING (USES) | | | | |
| Operating transfers (out) | (3,638,625) | (388,401) | (1,470,260) | (1,081,859) |
| EXCESS OF RECEIPTS OVER DISBURSEMENTS AND OTHER (USES) | 1,715,016 | 2,172,288 | 341,953 | (1,830,335) |
| FUND BALANCE, July 1, 2009 | 5,080,006 | 5,080,006 | 5,080,006 | - |
| FUND BALANCE, June 30, 2010 | \$ 6,795,022 | \$ 7,252,294 | \$ 5,421,959 | \$ (1,830,335) |

NEOSHO R-5 SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND
Year Ended June 30, 2010

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|--------------|--------------|---|
| | Original | Final | | |
| RECEIPTS | | | | |
| Local | \$ 3,240,746 | \$ 3,539,160 | \$ 3,418,097 | \$ (121,063) |
| County | 327,454 | 327,454 | 320,163 | (7,291) |
| State | 11,690,202 | 12,150,752 | 12,421,255 | 270,503 |
| Federal | 87,729 | 2,867,944 | 2,724,132 | (143,812) |
| Other | 88,138 | 88,138 | 109,689 | 21,551 |
| TOTAL RECEIPTS | 15,434,269 | 18,973,448 | 18,993,336 | 19,888 |
| DISBURSEMENTS | | | | |
| Instruction | 16,129,191 | 16,622,968 | 16,062,854 | 560,114 |
| Student services | 918,340 | 918,340 | 904,911 | 13,429 |
| Instructional staff support | 475,896 | 499,154 | 665,957 | (166,803) |
| Building administration | 917,509 | 917,509 | 917,860 | (351) |
| General administration | 399,854 | 399,854 | 356,733 | 43,121 |
| Transportation | 4,024 | 4,024 | 85,021 | (80,997) |
| TOTAL DISBURSEMENTS | 18,844,814 | 19,361,849 | 18,993,336 | 368,513 |
| (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS | (3,410,545) | (388,401) | - | 388,401 |
| OTHER FINANCING SOURCES | | | | |
| Operating transfers in | 3,410,545 | 388,401 | - | (388,401) |
| EXCESS OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS | - | - | - | - |
| FUND BALANCE, July 1, 2009 | - | - | - | - |
| FUND BALANCE, June 30, 2010 | \$ - | \$ - | \$ - | \$ - |

NEOSHO R-5 SCHOOL DISTRICT
NOTE TO BUDGETARY COMPARISON SCHEDULES
June 30, 2010

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 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

NEOSHO R-5 SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND
Year Ended June 30, 2010

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|---------------------|---|
| | Original | Final | Actual | |
| RECEIPTS | | | | |
| Local | \$ 898,925 | \$ 871,381 | \$ 926,190 | \$ 54,809 |
| County | 76,585 | 76,585 | 77,055 | 470 |
| TOTAL RECEIPTS | 975,510 | 947,966 | 1,003,245 | 55,279 |
| DISBURSEMENTS | | | | |
| Debt service | 829,850 | 844,850 | 831,413 | 13,437 |
| TOTAL DISBURSEMENTS | 829,850 | 844,850 | 831,413 | 13,437 |
| EXCESS OF RECEIPTS OVER DISBURSEMENTS | 145,660 | 103,116 | 171,832 | 68,716 |
| FUND BALANCE, July 1, 2009 | 839,846 | 839,846 | 839,846 | - |
| FUND BALANCE, June 30, 2010 | <u>\$ 985,506</u> | <u>\$ 942,962</u> | <u>\$ 1,011,678</u> | <u>\$ 68,716</u> |

NEOSHO R-5 SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – CAPITAL PROJECTS FUND
Year Ended June 30, 2010

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-------------|--------------|---|
| | Original | Final | | |
| RECEIPTS | | | | |
| Local | \$ 178,787 | \$ 165,736 | \$ 167,878 | \$ 2,142 |
| TOTAL RECEIPTS | 178,787 | 165,736 | 167,878 | 2,142 |
| DISBURSEMENTS | | | | |
| Instruction | 256,724 | 394,186 | 288,618 | 105,568 |
| Instructional staff support | 40,487 | 40,000 | - | 40,000 |
| General administration | 12,759 | 15,000 | 199 | 14,801 |
| Operation of plant | 486,459 | 520,000 | 606,496 | (86,496) |
| Transportation | 216,648 | 522,185 | 522,185 | - |
| Food services | - | 60,000 | 61,135 | (1,135) |
| Community services | 12,400 | 177,880 | 95,628 | 82,252 |
| Facilities acquisition and construction | 2,386,095 | 650,000 | 623,094 | 26,906 |
| Debt service | 703,516 | 514,663 | 497,064 | 17,599 |
| TOTAL DISBURSEMENTS | 4,115,088 | 2,893,914 | 2,694,419 | 199,495 |
| (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS | (3,936,301) | (2,728,178) | (2,526,541) | 201,637 |
| OTHER FINANCING SOURCES | | | | |
| Operating transfers in | 228,080 | - | 1,470,260 | 1,470,260 |
| (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS | (3,708,221) | (2,728,178) | (1,056,281) | 1,671,897 |
| FUND BALANCE, July 1, 2009 | 3,708,221 | 3,708,221 | 3,708,221 | - |
| FUND BALANCE, June 30, 2010 | \$ - | \$ 980,043 | \$ 2,651,940 | \$ 1,671,897 |

NEOSHO R-5 SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE
Year Ended June 30, 2010

| | General Fund | Special Revenue Fund | Debt Service Fund | Capital Projects Fund | Total |
|---|-----------------|----------------------------|-------------------------|-----------------------------|--------------|
| LOCAL | | | | | |
| Current taxes | \$ 5,993,172 | \$ - | \$ 784,578 | \$ - | \$ 6,777,750 |
| Delinquent taxes | 833,866 | - | 109,171 | - | 943,037 |
| School district trust fund (Prop C) | - | 3,409,099 | - | - | 3,409,099 |
| Financial institution tax | - | - | 3,125 | 26,561 | 29,686 |
| M & M surcharge taxes | - | - | 321 | 131,204 | 131,525 |
| Tuition from individuals | - | 5,850 | - | - | 5,850 |
| Earnings on investments | 199,244 | 3,148 | 28,995 | 895 | 232,282 |
| Food service program | 349,074 | - | - | - | 349,074 |
| Food service non-program | 167,212 | - | - | - | 167,212 |
| Student activities | 332,075 | - | - | - | 332,075 |
| Community services | 42,321 | - | - | - | 42,321 |
| Other | 112,639 | - | - | 9,218 | 121,857 |
| TOTAL LOCAL | 8,029,603 | 3,418,097 | 926,190 | 167,878 | 12,541,768 |
| COUNTY | | | | | |
| Fines, escheats, etc. | - | 320,163 | - | - | 320,163 |
| State assessed utilities | 601,935 | - | 77,055 | - | 678,990 |
| TOTAL COUNTY | 601,935 | 320,163 | 77,055 | - | 999,153 |
| STATE | | | | | |
| Basic formula - state monies | - | 11,652,147 | - | - | 11,652,147 |
| Transportation | 525,413 | - | - | - | 525,413 |
| Early childhood special education | 312,574 | - | - | - | 312,574 |
| Basic formula - classroom trust fund | 697,590 | 769,108 | - | - | 1,466,698 |
| Educational screening program | 144,274 | - | - | - | 144,274 |
| Vocational | 11,420 | - | - | - | 11,420 |
| Food service | 9,823 | - | - | - | 9,823 |
| MO school age children's health services grant | 40,937 | - | - | - | 40,937 |
| MSIP | 500 | - | - | - | 500 |
| TOTAL STATE | 1,742,531 | 12,421,255 | - | - | 14,163,786 |

NEOSHO R-5 SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE (CONTINUED)
Year Ended June 30, 2010

| | General Fund | Special Revenue Fund | Debt Service Fund | Capital Projects Fund | Total |
|---|----------------------|----------------------------|-------------------------|-----------------------------|----------------------|
| FEDERAL | | | | | |
| Medicaid | 84,915 | - | - | - | 84,915 |
| Reserve officer training corps | - | 59,741 | - | - | 59,741 |
| Basic formula - ARRA | - | 2,130,838 | - | - | 2,130,838 |
| Transportation - ARRA | 60,291 | - | - | - | 60,291 |
| Career Ladder - ARRA | - | 348,850 | - | - | 348,850 |
| IDEA | 570,368 | - | - | - | 570,368 |
| Early childhood special education - ARRA | - | 88,067 | - | - | 88,067 |
| School lunch program | 1,094,228 | - | - | - | 1,094,228 |
| School breakfast program | 273,502 | - | - | - | 273,502 |
| Special milk program | 3,599 | - | - | - | 3,599 |
| After school snack program | 11,188 | - | - | - | 11,188 |
| ESEA, Title I | 1,026,947 | - | - | - | 1,026,947 |
| ESEA, Title I - ARRA | 601,587 | - | - | - | 601,587 |
| 21st Century community learning centers grant | 43,088 | - | - | - | 43,088 |
| ESEA, Title IV | 20,843 | - | - | - | 20,843 |
| Title III, ESEA - english language acquisition | 47,873 | - | - | - | 47,873 |
| ESEA, Title II, Part A | 157,276 | 96,636 | - | - | 253,912 |
| ESEA, Title II, Part D | 6,949 | - | - | - | 6,949 |
| Title VII, Part B - ARRA | 1,502 | - | - | - | 1,502 |
| ESEA, Title II, Part D - ARRA | 30,096 | - | - | - | 30,096 |
| Summer food service program | 92,259 | - | - | - | 92,259 |
| IDEA, Part B (611) - ARRA | 106,489 | - | - | - | 106,489 |
| TOTAL FEDERAL | 4,233,000 | 2,724,132 | - | - | 6,957,132 |
| OTHER SOURCES | | | | | |
| Tuition from other districts | 345,409 | 109,689 | - | - | 455,098 |
| Contracted educational services | 10,353 | - | - | - | 10,353 |
| TOTAL OTHER SOURCES | 355,762 | 109,689 | - | - | 465,451 |
| TOTAL RECEIPTS | <u>\$ 14,962,831</u> | <u>\$ 18,993,336</u> | <u>\$ 1,003,245</u> | <u>\$ 167,878</u> | <u>\$ 35,127,290</u> |

NOTE TO SCHEDULE: This schedule does not include transactions of the Internal Service Fund.

NEOSHO R-5 SCHOOL DISTRICT
SCHEDULE OF DISBURSEMENTS BY OBJECT
Year Ended June 30, 2010

| | General Fund | Special Revenue Fund | Capital Projects Fund |
|--|----------------------|----------------------------|-----------------------------|
| Salaries | \$ 5,290,283 | \$ 15,174,082 | \$ - |
| Teacher retirement | 16,281 | 2,132,788 | - |
| Non-teacher retirement | 355,671 | 3,422 | - |
| Social security | 311,119 | 18,736 | - |
| Medicare | 74,247 | 198,983 | - |
| Employee insurance | 1,001,174 | 1,148,087 | - |
| Tuition | - | 317,238 | - |
| Audit | 20,200 | - | - |
| Technical services | 50,933 | - | - |
| Legal services | 1,117 | - | - |
| Property services | 295,990 | - | - |
| Travel | 241,589 | - | - |
| Property insurance | 121,496 | - | - |
| Liability insurance | 92,226 | - | - |
| Fidelity premium | 72 | - | - |
| Other purchased services | 1,139,411 | - | - |
| General supplies | 1,781,763 | - | - |
| Regular textbook | 289,461 | - | - |
| Library books | 102,756 | - | - |
| Periodicals | 18,379 | - | - |
| Food service | 686,457 | - | - |
| Energy supplies | 870,870 | - | - |
| Other supplies | 385,309 | - | - |
| Buildings | - | - | 1,177,023 |
| Equipment - general | - | - | 431,772 |
| Equipment - instructional apparatus | - | - | 40,702 |
| Vehicles | - | - | 25,673 |
| School buses | - | - | 429,500 |
| School buses - purchased with specific funds | - | - | 92,685 |
| Principal | - | - | 475,000 |
| Interest | - | - | 22,064 |
| Other | 3,814 | - | - |
| TOTAL DISBURSEMENTS | <u>\$ 13,150,618</u> | <u>\$ 18,993,336</u> | <u>\$ 2,694,419</u> |

NOTE: This schedule does not present disbursements of the Internal Service Fund.



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

Board of Education
Neosho R-5 School District
Neosho, Missouri

We have audited the accompanying financial statements of the governmental activities and each major fund of Neosho R-5 School District as of and for the year ended June 30, 2010, which collectively comprise Neosho R-5 School District's basic financial statements and have issued our report thereon dated November 5, 2010. In our report, our opinion was modified because the District prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Neosho R-5 School District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. They are identified as items 10-1, 10-2, and 10-03.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Neosho R-5 School District's financial statements are free of 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*.

We noted certain other matters that we have reported to management of the Neosho R-5 School District in a separate letter dated November 5, 2010.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
November 5, 2010



DAVIS, LYNN &
MOOTS, P.C.
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**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Neosho R-5 School District
Neosho, Missouri

Compliance

We have audited the compliance of the Neosho R-5 School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Neosho R-5 School District's major federal programs for the year ended June 30, 2010. The Neosho R-5 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Neosho R-5 School District's management. Our responsibility is to express an opinion on the Neosho R-5 School District's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Neosho R-5 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. Our audit does not provide a legal determination on the Neosho R-5 School District's compliance with those requirements.

In our opinion, the Neosho R-5 School District complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

The management of the Neosho R-5 School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Neosho R-5 School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the District's 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management, others within the District, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
November 5, 2010

NEOSHO R-5 SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

| Federal Grantor Pass Through Grantor/ Program Title | Federal CFDA Number | Pass-through Grantor's Number | Federal Expenditures |
|--|---------------------------|----------------------------------|-------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | |
| Missouri Department of Elementary and Secondary Education | | | |
| Child Nutrition Cluster | | | |
| School Breakfast Program | 10.553 | 073-108 | \$ 273,502 |
| National School Lunch Program - Cash | 10.555 | 073-108 | 1,094,228 |
| - Commodities | 10.555 | 073-108 | 101,606 |
| After School Snacks Program | 10.555 | 073-108 | 11,188 |
| Special Milk Program | 10.556 | 073-108 | 3,599 |
| Missouri Department of Health Services | | | |
| Child Nutrition Cluster | | | |
| Summer Food Service Program | 10.559 | 073-108 | 92,259 |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | 1,576,382 |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | |
| Missouri Department of Elementary and Secondary Education | | | |
| Title I, Part A Grants Cluster | | | |
| Title I Grants to LEAs | 84.010 | 073-108 | 1,135,259 |
| ARRA Title I Grants to LEAs, Recovery Act | 84.389 | 073-108 | 603,675 |
| Improving Teacher Quality State Grants | 84.367 | 073-108 | 254,701 |
| Educational Technology State Grants Cluster | | | |
| Educational Technology State Grants | 84.318 | 073-108 | 9,207 |
| ARRA Educational Technology State Grants, Recovery Act | 84.386 | 073-108 | 25,849 |
| Special Education Grants Cluster | | | |
| Special Education Grants to States | 84.027 | 073-108 | 813,969 |
| Special Education Preschool Grants | 84.173 | 073-108 | 69,445 |
| ARRA Special Education Preschool Grants, Recovery Act | 84.392 | 076-108 | 793,586 |
| Safe and Drug-Free Schools and Communities State Grants | 84.186 | 073-108 | 20,843 |
| 21st Century Learning Community Centers | 84.287 | 073-108 | 118,815 |
| English Language Acquisition Grants | 84.365 | 073-108 | 52,865 |
| State Fiscal Stabilization Funds Cluster | | | |
| ARRA Education State Grants, Recovery Act | 84.394 | 073-108 | 2,130,838 |
| ARRA Government Services, Recovery Act | 84.397 | 073-108 | 409,141 |
| ARRA Education for Homeless Children and Youth, Recovery Act | 84.387 | 073-108 | 1,502 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | 6,439,695 |
| <u>U.S. DEPARTMENT OF DEFENSE</u> | | | |
| Air Force ROTC | 12.357 | N/A | 59,741 |
| TOTAL U.S. DEPARTMENT OF DEFENSE | | | 59,741 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ 8,075,818 |

N/A – Not Applicable

NEOSHO R-5 SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
Year Ended June 30, 2010

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 basic 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 received \$348,850 for ARRA Government Services, Recovery Act (CFDA 84.397) for reimbursement of amounts expended in fiscal year ended June 30, 2009. Since these expenditures were subsequently identified as federal expenditures, they have been appropriately reported on this schedule for the year ended June 30, 2010.

NEOSHO R-5 SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements presented on the modified cash basis of accounting.
2. Deficiencies disclosed during the audit of the financial statements are reported in the 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*. The deficiencies are reported as material weaknesses.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of major federal award programs.
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. There were no findings required to be reported in accordance with Section 510(a) of Circular A-133.
7. The following were major programs:

| | |
|--|-------------------------|
| State Fiscal Stabilization Funds Cluster | 84.394 & 84.397 |
| Title I, Part A Grants Cluster | 84.010 & 84.389 |
| Special Education Grants Cluster | 84.027, 84.173 & 84.392 |
8. The threshold between Type A programs and Type B programs was \$300,000.
9. The Neosho R-5 School District was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

10-1 Segregation of duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The District currently has one full time bookkeeper and the Superintendent's secretary to handle the accounting needs of the District. There are some mitigating controls in place but it is not possible to have segregation in all areas.

NEOSHO R-5 SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The limited number of available personnel prohibits segregation of incompatible duties, and the District does not have the resources to hire additional accounting personnel.

10-2 Design of internal control system for preparation of financial statements

Condition: The District has personnel in place to perform all bookkeeping functions necessary to maintain a general ledger and prepare internal use statements for management and the Board of Education. However the District does not have the resources to have accounting professionals with the knowledge, experience and training to prepare governmental financial statements in conformity with Governmental Accounting Standards as part of their internal control system.

Criteria: A properly designed system of internal control, which includes preparation of financial statements in conformity with Governmental Accounting Standards, includes having accounting professionals as part of the system to perform that function.

Effect: The District employs the auditors that perform the annual audit of the financial statements to prepare the annual financial statements.

Recommendation: We recognize that the District may not have the resources to have an accounting professional with the knowledge, experience and training to prepare governmental financial statements in conformity with Governmental Accounting Standards. However, we recommend that management continue to increase their knowledge of financial reporting.

Response: The District does not have the resources to hire additional accounting personnel with the knowledge, experience and training solely to prepare governmental financial statements in conformity with Governmental Accounting Standards but will take responsibility for the financial statements and continue to increase our knowledge of financial reporting.

NEOSHO R-5 SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

10-3 Application of accounting principles generally accepted in the United States of America

Condition: The District has an accounting system and personnel in place to perform all basic bookkeeping functions necessary to maintain a general ledger and prepare internal use statements for management and the Board of Education for the day-to-day operation of the District. However, the District does not have the resources to employ accounting professionals with the knowledge, experience, and training needed to properly apply accounting principles generally accepted in the United States of America. This condition is found in the majority of smaller entities.

Criteria: The District should have an accounting system that will ensure that accounting principles generally accepted in the United States of America are properly applied.

Effect: Audit adjustments were proposed to management to correct misstatements in order to ensure that the accounting principles generally accepted in the United States of America were properly applied.

Recommendation: We realize due to limited resources, the District may not be able to employ or contract accounting professionals with the combination of knowledge, experience, and training necessary to properly apply accounting principles generally accepted in the United States of America. However, our professional standards require that we bring this to your attention in this report.

Response: Due to limited resources, the District does not have the ability to employ accounting professionals with the combination of knowledge, experience, and training needed to properly apply accounting principles generally accepted in the United States of America.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings or questioned costs for the major federal award programs.

NEOSHO R-5 SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2010

There were no prior year audit findings.

SUPPLEMENTARY STATE INFORMATION



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

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LAWRENCE W. DAVIS, CPA
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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY STATE INFORMATION**

Board of Education
Neosho R-5 School District
Neosho, Missouri

We have audited the basic financial statements of the Neosho R-5 School District, Neosho, Missouri, for the year ended June 30, 2010, and have issued our report thereon dated November 5, 2010. Our audit of such basic financial statements was made in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* and the standards for financial and compliance audits issued by the Missouri Department of Elementary and Secondary Education and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Neosho R-5 School District's basic financial statements. The accompanying Supplementary State Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in this section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
November 5, 2010



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**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH CERTAIN LAWS AND
REGULATIONS SPECIFIED BY MISSOURI STATUTE**

Board of Education
Neosho R-5 School District
Neosho, Missouri

We have audited the basic financial statements of the Neosho R-5 School District, Neosho, Missouri, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 5, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, grant agreements and other matters applicable to the District is the responsibility of the District's management. As required by Statutes of the State of Missouri, we have performed auditing procedures to test compliance with the requirements governing budgets (Chapter 67, RSMo) and the methods of maintaining pupil attendance and school transportation records (Chapter 165.121.3(7), RSMo).

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

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

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
November 5, 2010

NEOSHO R-5 SCHOOL DISTRICT 073-108
 SCHEDULE OF SELECTED STATISTICS
 Year Ended June 30, 2010

A single audit was performed.

1. Calendar (Sections 160.041 and 171.031, RSMo)

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

| | |
|------------------------|----------|
| Kindergarten – Grade 4 | 1,134.25 |
| Grades 5 – 12 | 1,140.65 |

B. The number of days classes were in session and pupils were under the direction of the teachers during this school year was 174 for grades K – 12.

2. Average Daily Attendance (ADA)

Average Daily Attendance:

Regular term:

| | |
|------------------------|-----------------|
| Kindergarten – Grade 4 | 1,575.27 |
| Grades 5 – 12 | 2,331.09 |
| Remedial | .32 |
| Total regular term | <u>3,906.68</u> |

| | |
|--|---------------|
| Summer school average daily attendance | <u>133.19</u> |
|--|---------------|

| | |
|--------------------------------|------------------------|
| Total Average Daily Attendance | <u><u>4,039.87</u></u> |
|--------------------------------|------------------------|

3. September Membership

| | |
|--------------------------------|------------------------|
| September Membership FTE Count | <u><u>4,198.41</u></u> |
|--------------------------------|------------------------|

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

| | | |
|-----------------|---------|------------------------|
| State FTE Total | Free | 1,975.71 |
| | Reduced | <u>507.64</u> |
| | Total | <u><u>2,483.35</u></u> |

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.

NEOSHO R-5 SCHOOL DISTRICT 073-108
SCHEDULE OF SELECTED STATISTICS (continued)
Year Ended June 30, 2010

5. Finance (continued)

- C. The District maintained a separate bank account for its Debt Service Fund in accordance with Section 165.011 RSMo.
- D. The District did not issue general obligation refunding bonds in the current year.
- E. The District does not have any current or prior year crossover refunding bonds.
- F. The District has a school improvement plan.
- G. The District has a professional development committee plan adopted by the Board with the professional development committee plan identifying the disbursement of seventy-five percent of one percent of the current year basic formula apportionment.
- H. The amount spent for approved professional development committee plan activities was \$177,797.
- I. The District did not use state-funded grant monies to supplant existing salaries.
- J. Salaries reported for educators in the October core data cycle are supported by payroll/contract records.
- K. The District's 7% x SAT x WADA transfer was not in excess of adjusted operating disbursements and was approved by the Board of Education.
- L. The District took action prior to October 31 to cause the 2009-2010 audit to be performed.
- M. The District published a summary of the 2008-2009 audit report within thirty days of receipt of the audit, pursuant to Section 165.121, RSMo.
- N. 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 2,316.00 and the average number of students transported on a regular basis (ADT) ineligible to be counted for state transportation aid was -0-.

NEOSHO R-5 SCHOOL DISTRICT 073-108
SCHEDULE OF SELECTED STATISTICS (continued)
Year Ended June 30, 2010

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

- 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.
- E. Actual odometer records show the total District operated mileage for the year was 618,781. Of this total, the eligible non-disabled and students with disabilities route miles were 518,463 and the ineligible non-route and disapproved miles combined were 100,318.
- F. The District operated the school transportation system for 174 days during this school year.
- G. There were no findings noted above.

7. Missouri School Improvement Program (MSIP)

- A. The District has adequate procedures that allow for the proper recording and reporting of hours of absence.
- B. The District has adequate procedures that allow for the identification and recording of dropouts as defined in the Core Data Manual (Exhibit 6) and the subsequent reporting of those students to the Adult Literacy Hotline and on the June Cycle of Core Data.
- C. The District has a set of adequate procedures for following up on the College and Career Placement of all of the previous year's graduates 180 days after graduation.
- D. The District has a set of procedures that ensures Advanced Courses and Career Courses (approved by the State) are properly identified and reported according to Core Data standards.
- E. There were no findings noted above.

NEOSHO R-5 SCHOOL DISTRICT
 SCHEDULE OF TRANSPORTATION COSTS ELIGIBLE FOR STATE AID
 Year Ended June 30, 2010

| | District Owned | Disabled District Owned | Disabled Contracted | Total |
|---------------------------------|---------------------|-------------------------------|------------------------|---------------------|
| Certified salaries | \$ 80,901 | \$ - | \$ - | \$ 80,901 |
| Non-certified salaries | 651,880 | 134,815 | - | 786,695 |
| Employee benefits | 148,751 | 40,619 | - | 189,370 |
| Purchased services | 54,590 | - | 2,243 | 56,833 |
| Supplies | 291,965 | 10,589 | - | 302,554 |
| Capital outlay | 7,500 | - | - | 7,500 |
| Depreciation, net of adjustment | 283,401 | - | - | 283,401 |
| | <u>\$ 1,518,988</u> | <u>\$ 186,023</u> | <u>\$ 2,243</u> | <u>\$ 1,707,254</u> |
| School buses purchased | <u>\$ 422,000</u> | | | |