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***PATTONVILLE R-3 SCHOOL DISTRICT***

***FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORTS  
AND SUPPLEMENTARY INFORMATION***

***JUNE 30, 2014***

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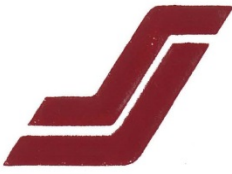
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# **SCHOWALTER & JABOURI, P.C.**

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## **INDEPENDENT AUDITORS' REPORT**

To the Members of the Board  
of Education  
Pattonville R-3 School District

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pattonville R-3 School District (the "District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

#### MEMBERS

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities and each major fund of the District as of June 30, 2014, and the respective changes in financial position - modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

## **Basis of Accounting**

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

## **Other Matters**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The management's discussion and analysis, budgetary comparison schedules and related note and schedule of selected statistics are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

The management's discussion and analysis, budgetary comparison schedule and related note and the schedule of selected statistics, except for the budgetary procedures, pupil attendance and pupil transportation records, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required Under *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 26, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

  
SCHOWALTER & ABOURI, P.C.

St. Louis, Missouri  
December 26, 2014

## PATTONVILLE R-3 SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2014 - UNAUDITED

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The discussion and analysis of Pattonville School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the enclosed financial statements, and the related notes to the financial statements to enhance their understanding of the School District's performance.

#### Overview of Financial Statements

The annual report consists of four parts: Government-wide financial statements, fund financial statements, notes to the financial statements, and supplementary information. This is an overview of the included financial statements.

#### Government-wide Financial Statements:

- The **Statement of Net Position** is a district-wide summary of assets, and net position based on restriction.
- The **Statement of Activities** is a district-wide financial statement. The focus of this statement is to show total expenditures by function for the entire governmental entity. There is no reference to any individual fund. These expenditures are then shown net of any specific program revenues (*reimbursements*) such as revenues from grants, to arrive at the net expenditures for all activities. General revenues, such as local taxes and state aid, are then reported against net expenditures to determine the change in net position.

#### Fund Financial Statements:

- The **Balance Sheet** is prepared by governmental fund. Total cash is reported on a fund basis, and balances in each fund are reported based on the purpose they are reserved for.
- The **Statement of Revenues, Expenditures, and Changes in Fund Balances** is a fund based financial statement. The information contained in the Statement of Activities is reported in the appropriate fund where transactions occurred (*additional information on the types of activity reported in each fund can be found in the Summary of Significant Accounting Policies*). This statement reports all general and program revenues collectively by fund. Expenditures are reported in a manner similar to the Statement of Activities, and shown net of revenues to arrive at changes in individual fund balances. This statement is shown in a consolidated summary by fund.

#### Overview of Governmental Funds

The School District utilizes four different funds through which functions of the District are financed. Revenues from local taxes are recorded to each fund based on the respective tax levy and all other revenues are recorded based on Missouri restrictions.

**PATTONVILLE R-3 SCHOOL DISTRICT**

*Management's Discussion and Analysis (continued)*

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- The **General fund** is the general operating fund of the School District and accounts for expenditures of non-certified employees, pupil transportation, operation of plant, fringe benefits, community services, the food service program, and any expenditure not required or permitted to be accounted for in other funds.
- The **Special revenue fund** accounts for expenditures of certified employees involved in the School District's administration and instruction.
- The **Debt service fund** is restricted for the accumulation of resources used for the payment of principal, interest, and fiscal charges for long-term debt.
- The **Capital projects fund** is restricted for activities related to the acquisition or construction of major capital assets.

**Discussion and Analysis of District Wide Results**

Total Net Position for the year decreased by \$6,301,341 (21.9%) from \$28,764,600 to \$22,463,259. This is primarily due to a \$41,000,000 bond issue approved by voters in November 2010. Proceeds from bond sales are held in Capital Projects fund balance until needed for construction activities. During 2014 \$2,489,666 of these funds were used for construction activities. In addition the district expended \$1,902,843 from the Capital Projects fund for roofing repairs needed following a hailstorm in 2013. Insurance proceeds were received in 2013 and 2015, but the majority of the repairs were expended in 2014.

Unrestricted funds were originally projected to decrease by approximately \$1.7 million, due to anticipated deficit spending.

Net position is detailed below:

<b>Restriction</b>	<b>Ending Balance</b>
Capital Projects	\$ 5,868,558
Debt Service	5,441,666
Unrestricted	11,153,035
<b>Total</b>	<b>\$ 22,463,259</b>

Total assets of the District were \$22,463,259 and consist of cash and investments.



## PATTONVILLE R-3 SCHOOL DISTRICT

### *Management's Discussion and Analysis (continued)*

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#### **General Revenues**

General Revenues are all revenues not classified as program revenues and represent 87.7% of all district revenues (excluding bond proceeds). Total General Revenues for the year decreased by \$2,547,698 (3.4%) from \$75,254,078 in 2013 to \$72,706,380 in 2014. A comparative table is provided below.

<b>General Revenues</b>	<b>2014</b>	<b>2013</b>	<b>Change</b>
Property Taxes	\$ 63,209,459	\$ 65,993,705	\$ (2,784,246)
Sales Taxes	4,858,717	4,635,648	223,069
State Aid	4,217,557	4,231,216	(13,659)
Fines and Escheats	260,954	242,868	18,086
Investment Earnings	159,693	150,641	9,052
<b>Total</b>	<b>\$ 72,706,380</b>	<b>\$ 75,254,078</b>	<b>\$ (2,547,698)</b>

The most significant source of General Revenues is from Property Taxes. 2014 actual Property Tax Revenue can be classified as follows:

<b>Type</b>	<b>2014</b>	<b>2013</b>	<b>Change</b>
Current	\$ 53,950,293	\$ 58,100,936	\$ (4,150,642)
Delinquent	-	-	-
Intangible	36,164	22,076	14,088
M&M Surcharge	8,381,428	7,073,338	1,308,090
State Assessed Utilities	841,573	797,355	44,219
<b>Total</b>	<b>\$ 63,209,459</b>	<b>\$ 65,993,705</b>	<b>\$ (2,784,246)</b>

Current Taxes decreased \$4.2 million in 2014, which is largely due to the successful tax appeal of the district's largest taxpayer. In 2011 the St. Louis County Assessor originally valued the Harrah's Casino property at \$531 million, but was later lowered by the St. Louis County Board of Equalization to \$243 million. Shortly thereafter the casino property was sold for \$610 million.

Since the property was largely valued as personal property the St. Louis County Assessor valued the casino property at \$537 million in 2012, and the St. Louis County Board of Equalization upheld the value set by the assessor. Only personal property can be revalued each year, and real property can only be reassessed in odd numbered years. The State Tax Commission ruled in May 2014 that the property is primarily real property and set aside the increase in valuation from 2012. This resulted in a refund of \$3.4 million in property taxes. Other decreases in revenue resulted from anticipated refunds for other large commercial taxpayers.

M&M Surcharge is a special tax paid on Commercial real property. Since the casino was changed to real property from personal property the district received additional tax revenues as a result.

## PATTONVILLE R-3 SCHOOL DISTRICT

### *Management's Discussion and Analysis (continued)*

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#### **Expenses**

Total expenses for Governmental Activities were \$95,438,702. Program revenues offset \$16,430,980 of expenses, and Net Governmental Activities of \$79,007,722 were provided for from General Revenues and the School District's Total Net Position. Below is a list of program expenses by function:

<b>Function</b>	<b>2014</b>	<b>2013</b>	<b>\$ Change</b>	<b>% Change</b>
Instruction	\$ 43,806,627	\$ 42,751,268	\$ 1,055,359	2.47%
Attendance	35,511	35,064	447	1.27%
Guidance	2,536,077	2,469,310	66,767	2.70%
Health services	676,173	691,289	(15,116)	(2.19%)
Improvement of instruction	3,423,150	3,645,866	(222,716)	(6.11%)
Professional development	37,030	21,060	15,970	75.83%
Media services	1,481,398	1,602,031	(120,633)	(7.53%)
Board of Education services	324,219	240,068	84,151	35.05%
Executive administration	1,649,723	1,946,866	(297,143)	(15.26%)
Building level administration	5,064,417	5,278,623	(214,206)	(4.06%)
Operation of plant	9,290,088	9,089,367	200,721	2.21%
Pupil transportation	3,253,599	3,349,854	(96,255)	(2.87%)
Food services	2,232,028	2,258,401	(26,373)	(1.17%)
Business, fiscal, internal services	3,032,870	3,312,070	(279,200)	(8.43%)
Security services	421,920	386,637	35,283	9.13%
Adult basic education	19,688	16,168	3,520	21.77%
Community services	606,533	736,170	(129,637)	(17.61%)
Facilities acquisition and construction	3,601,493	17,251,265	(13,649,772)	(79.12%)
Debt Service - Principal	4,419,225	4,340,000	79,225	1.83%
Debt Service - Interest	3,136,386	3,267,095	(130,709)	(4.00%)
Payment to bond refunding escrow agent	6,312,605	-	6,312,605	100.00%
Other expenses	77,942	105,161	(27,219)	(25.88%)
<b>Total</b>	<b>\$ 95,438,702</b>	<b>\$ 102,793,633</b>	<b>\$ (7,354,931)</b>	<b>-7.16%</b>

#### **Governmental Activities**

- Approximately 87% of all district operating expenditures represent salaries and benefits, and changes of 3% - 5% are normal as salaries and benefits increase. In addition the district continues to look for budget efficiencies to reduce operating expenses. For purposes of this discussion only those changes that are both greater than \$50,000 and 10% are reviewed.

Expenses for Board of Education Services increased by \$84,151 or 35.05%. This increase is due to legal fees related to ongoing protested tax issues.

Expenses for Executive administration decreased \$297,143 or 15.26%. This decrease was due to a one-time separation incentive payment for support staff in 2013, and central office budget reductions.

**PATTONVILLE R-3 SCHOOL DISTRICT**

*Management's Discussion and Analysis (continued)*

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**Governmental Activities (continued)**

Facilities acquisition and construction expenses decreased \$13,649,772 or 79.12%. 2013 was the final year of major construction expenses financed by \$41 million no tax rate increase bond issue passed in November 2010.

Payments to escrow refunding agent of \$6,312,605 represent the pass through of funds related to a refunding of series 2006 and 2007 bonds that occurred during 2014.

**Program Revenues**

Program revenues were \$16,430,980 and are detailed by major source below:

<b>Source</b>	<b>2014</b>	<b>2013</b>	<b>\$ Change</b>	<b>% Change</b>
Charges for Sales and Service:				
Student Activities	\$ 1,303,302	\$ 1,613,960	\$ (310,658)	(19.25%)
Transportation	517,095	480,048	37,047	7.72%
Food Services	2,409,601	2,464,406	(54,805)	(2.22%)
Facilities acquisition and construction	-	22,932,350	(22,932,350)	(100.00%)
Bond proceeds and premium	6,270,382	-	6,270,382	100.00%
Build America Bond Subsidy	382,149	438,356	(56,207)	(12.82%)
Operating Grants	5,548,451	5,133,494	414,957	8.08%
<b>Total Program Revenues</b>	<b>\$ 16,430,980</b>	<b>\$ 33,062,614</b>	<b>\$(16,631,634)</b>	<b>(50.30%)</b>

- Revenues from Student Activities decreased by \$310,658 or 19.25%. These revenues are related to fundraisers and other funding to support student activities such as clubs and athletics. These revenues do not follow typical patterns and fluctuations of this nature are not uncommon, but generally remain consistent over time.
- Revenues for Facilities Acquisition and Construction decreased by \$22,932,350. During 2013 the district sold \$20,205,000 in General Obligation bonds, which included \$1,860,661 of premium. In addition during 2013 the district received \$866,689 in insurance proceeds toward roof repairs that occurred in 2014.
- Bond proceeds and premium of \$6,270,382 reflect the proceeds and premium from bonds issued for an advance refunding of series 2006 and 2007 bonds that occurred in 2014.
- The Build America Bond subsidy decreased from \$438,356 to \$382,149. This reflects a federal subsidy for bonds issued in 2010. Under this special program the district receives an annual payment to offset higher interest payments on taxable bonds. Some payments were slightly delayed by the Internal Revenue Service and will be received during 2015.

**PATTONVILLE R-3 SCHOOL DISTRICT**

*Management's Discussion and Analysis (continued)*

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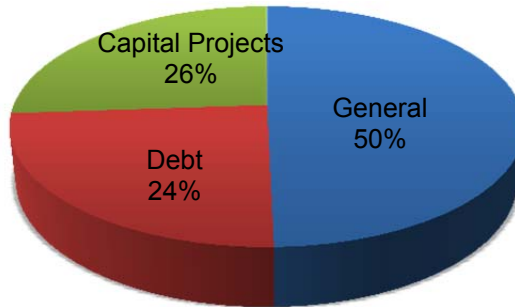
**Discussion and Analysis of Results for Governmental Funds**

Total fund balances for the year decreased by \$6,301,341 (21.9%) from \$28,764,600 to \$22,463,259. This is primarily due to the sale of bonds and construction activities related to a \$41,000,000 bond issue approved by voters in November 2010. Proceeds from bond sales are held in Capital Projects fund balance until needed for construction activities. During 2014 \$2,489,666 of these funds were used for construction activities. In addition the district expended \$1,902,843 from the Capital Projects fund for roofing repairs needed following a hailstorm in 2013. Insurance proceeds were received in 2013 and 2015, but the majority of the repairs were expended in 2014.

Unrestricted funds were originally projected to decrease by approximately \$1.7 million, due to anticipated deficit spending.

<b>Fund</b>	<b>Beginning Balance</b>	<b>Ending Balance</b>	<b>Change</b>
General	\$ 12,832,615	\$ 11,153,035	\$ (1,679,580)
Debt Service	5,686,085	5,441,666	(244,419)
Capital Projects	10,245,900	5,868,558	(4,377,342)
<b>Total</b>	<b>\$ 28,764,600</b>	<b>\$ 22,463,259</b>	<b>\$ (6,301,341)</b>

**Fund Balance Distribution**



- Fund Balance in the General fund decreased by \$1,679,580 (13.1%) from \$12,832,615 to \$11,153,035. This compares favorably to the final budget that estimated a decrease of \$3,532,029. This favorable difference of \$1,852,449 is due to following:

General Fund revenues higher than budget	\$ 2,661,819
General Fund expenditures lower than budget	11,100
General Fund Transfer higher than budget	<u>(820,470)</u>
<b>Total</b>	<b><u>\$ 1,852,449</u></b>

**PATTONVILLE R-3 SCHOOL DISTRICT**

*Management's Discussion and Analysis (continued)*

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General fund revenues exceeded budget by \$2,661,519. This was largely due to the following:

- \$800,596 The district received increased tuition payments for students transferring to the district from unaccredited school districts.
- 503,301 Student Activity revenues were higher than anticipated, and increased revenues are offset by a similar increase in expenditures. These accounts do vary from year, and any fluctuations in revenue usually result in a corresponding change in expenses.
- 313,384 M&M tax collections improved slightly and the districts largest taxpayer had a portion of their property reclassified, which resulted in increased M&M tax.
- 280,940 A greater portion of Early Childhood reimbursement from the state was recorded as General revenue than anticipated. This is offset by a similar corresponding negative variance in the Special Revenue fund.
- 255,280 Regular property tax collection rates were slightly higher than anticipated.
- 185,614 A greater portion of Title II federal funding was recorded as General revenue than anticipated. This is offset by a similar corresponding negative variance in the Special Revenue fund.
- 167,449 A greater portion of Title I federal funding was recorded as General revenue than anticipated. This is offset by a similar corresponding negative variance in the Special Revenue fund.

Transfers from the General fund to the Special Revenue fund were \$820,470 higher than budgeted. This was due to a greater portion of some state and federal revenues being recorded in the General fund, and subsequently transferred at yearend to the Special Revenue Fund.

- Fund balance in the Special Revenue fund remained unchanged from \$0 in 2013 to \$0 in 2014. The Special Revenue fund is established to record the salaries and benefits of certified teachers, and is restricted solely to that purpose. In order to create the greatest flexibility possible in meeting the needs of students, the district is maintaining a \$0 Special Revenue fund balance. By design the Special Revenue fund generates a negative balance from normal activities. The district utilizes a component of Missouri law, which allows school districts to annually transfer needed General fund dollars into the Special Revenue fund.

Special Fund revenues lower than budget	\$ (321,930)
Special Fund expenditures higher than budget	(498,540)
Special Fund Transfer higher than budget	820,470
<b>Total</b>	<b>\$ -</b>

**PATTONVILLE R-3 SCHOOL DISTRICT**

*Management's Discussion and Analysis (continued)*

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Special Revenue fund revenues were lower than budgeted by \$321,930. This was largely due to the following:

- 197,914 Regular property tax collection rates were slightly higher than anticipated.
- (159,895) A greater portion of Title I federal funding was recorded as General revenue than anticipated. This is offset by a similar corresponding favorable variance in the General fund.
- (195,298) A greater portion of Early Childhood reimbursement from the state was recorded as General revenue than anticipated. This is offset by a similar corresponding favorable variance in the General fund.
- (199,127) A greater portion of Title I federal funding was recorded as General revenue than anticipated. This is offset by a similar corresponding favorable variance in the General fund.

Operating Fund Revenues

<b>Fund</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
General	\$ 41,576,135	\$ 44,289,954	\$ 2,713,819
Special Revenue	32,071,440	31,749,510	(321,930)
Capital (excluding other financing sources)	497,500	486,469	(11,031)
<b>Total</b>	<b>\$ 74,145,075</b>	<b>\$ 76,525,933</b>	<b>\$ 2,380,858</b>

District Operating revenues were \$2,380,858 or 3.2% higher than budget. This was the largely the result of tuition payments for students attending Pattonville from unaccredited school districts, fluctuating student activity revenues, and collection rates trending slightly higher from property tax billings. The district received \$800,596 in tuition payments during the year from unaccredited school districts. A provision of state law requires those districts to pay the cost of education for students families who opt to attend fully accredited schools in another district. This was the first year under this program and due to the financial uncertainty of the unaccredited school districts it was unknown if tuition payments would be received.

**Discussion and Analysis of Changes to the General Fund Budget**

- The Net Change in General fund balance in the Final Budget decreased \$5,369,193 from the Original Budget, which showed an increase of \$1,837,164. The total decrease in fund balance presented in the Final Budget is \$3,532,029.

Total Revenues decreased by \$2,253,060 (5.1%) from an Original Budget of \$43,829,195 to a Final Budget of \$41,576,135. Total Expenditures decreased \$395,218 (1.3%) from an Original Budget of \$30,984,244 to a Final Budget of \$30,589,026. The transfer out of the General fund to the Special Revenue fund increased \$3,511,351 from an Original Budget of \$11,059,787 to a final budget of \$14,571,138.

## **PATTONVILLE R-3 SCHOOL DISTRICT**

### *Management's Discussion and Analysis (continued)*

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- The \$2,253,060 decrease in the General fund revenue budget was primarily due to property tax refunds. Each year approximately 50% of all commercial taxpayers pay their property taxes under protest. These protests are typically decided 3-5 years later through the Missouri State Tax Commission, and there is lack of consistency each year in how the district may be impacted. The district's practice is to initially budget for a minimal impact, and then revise the budget as needed. However, in the case of large appeals the districts does restrict a portion of reserves to fund repayments.

During 2014 a \$3.5 million refund was awarded to the district's largest taxpayer (Harrah's Casino), and those refunds were paid from the restricted portion of district reserves for that purpose. In addition there were approximately \$1.9 million more in additional refunds granted for other taxpayers. Refunds are then applied across all funds. As a result the General fund revenue property tax budget was reduced \$3.2 million, which is that funds proportional share of the refunds. The \$3.2 million decrease in property tax revenue was partially offset by increased M&M tax revenue of \$0.9 million.

- The transfer out of the General fund to the Special Revenue fund increased by \$3,511,351. This was largely due to decreased property tax revenue in the Special Revenue fund of \$3.1 million, which is that funds proportional share of the refunds.

### **Financial Outlook**

On November 5, 2013 voters in Pattonville School District approved Proposition P, a \$.9972 tax rate increase. This measure passed with a voter approval of 70.28%, and will provides the funding necessary to eliminate a potential \$10 million deficit. Based on available information this was both the largest rate increase and highest approval rate of any Missouri School District passed in the past 20 years. Pattonville is among the highest achieving districts in Missouri, and the support shown by the Pattonville community is unlike any other in our state.

Currently in St. Louis County there are two school districts, which are unaccredited by the state. Due to a provision of state law families in those districts can send their children to an accredited district in the same or adjoining county. Pattonville has approximately 80 students participating in that program, and receives nearly \$1.1 million in tuition payments for those students. The ability of these districts to continue paying tuition for students transferring to high achieving districts like Pattonville is an ongoing concern. Each year unaccredited districts are working with fewer financial resources, and their ability to pay tuition is in question. In addition there is the potential for other districts to lose their accreditation, which creates even larger problems as more struggling districts are stripped of their resources to educate students. This issue will be one of ongoing debate throughout Missouri. We remain hopeful the Missouri Legislature and the Missouri Department of Elementary can work together to find a solution to this ongoing concern.

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

This report is designed to give our citizens, taxpayers, investors and creditors a general overview of the financial condition of the Pattonville R-3 School District. If you desire additional information, please contact Ron Orr, C.P.A., Chief Financial Officer for the Pattonville R-3 School District by phone at (314) 213-8005 or by writing to the Pattonville R-3 School District, 11097 St. Charles Rock Road, St. Ann, Missouri 63074.

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**Basic Financial Statements**

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**PATTONVILLE R-3 SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
JUNE 30, 2014**

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	<b><u>Governmental Activities</u></b>
<b>-- ASSETS --</b>	
Cash and investments	\$ 22,557,752
Restricted cash and investments	<u>1,063,558</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 23,621,310</u></b>
<b>-- LIABILITIES --</b>	
Payroll withholdings	<u>\$ 1,158,051</u>
<b>Total Liabilities</b>	<b><u>1,158,051</u></b>
<b>-- NET POSITION --</b>	
Restricted for:	
Bond proceeds	830,096
Capital projects	5,038,462
Debt service	4,241,666
Unrestricted	<u>12,353,035</u>
<b>Total Net Position</b>	<b><u>22,463,259</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 23,621,310</u></b>

**PATTONVILLE R-3 SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Program Revenues				Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Bond Proceeds	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total Governmental Activities
<b>GOVERNMENTAL ACTIVITIES:</b>					
Instruction	\$ 43,806,627	\$ 2,763,108	\$ 4,088,645	\$ -	\$ (36,954,874)
Attendance	35,511	-	-	-	(35,511)
Guidance	2,536,077	-	-	-	(2,536,077)
Health services	676,173	-	-	-	(676,173)
Improvement of instruction	3,423,150	-	-	-	(3,423,150)
Professional development	37,030	-	-	-	(37,030)
Media services	1,481,398	-	-	-	(1,481,398)
Board of Education services	324,219	-	-	-	(324,219)
Executive administration	1,649,723	-	-	-	(1,649,723)
Building level administration	6,766,908	-	-	-	(6,766,908)
Operation of plant	9,290,088	-	-	-	(9,290,088)
Pupil transportation	3,253,599	-	517,095	-	(2,736,504)
Food services	2,232,028	766,093	1,643,508	-	177,573
Business and central services	3,032,870	-	-	-	(3,032,870)
Security services	421,920	-	-	-	(421,920)
Adult basic education	19,688	-	-	-	(19,688)
Community services	606,533	-	-	-	(606,533)
Facilities acquisition and construction	1,899,002	-	-	-	(1,899,002)
Debt service:					
Principal	4,419,225	-	-	-	(4,419,225)
Interest	3,136,386	-	382,149	-	(2,754,237)
Other	77,942	-	-	-	(77,942)
Payment to bond refunding escrow agent	6,312,605	-	6,270,382	-	(42,223)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 95,438,702</b>	<b>\$ 3,529,201</b>	<b>\$ 12,901,779</b>	<b>\$ -</b>	<b>(79,007,722)</b>

**General Revenues:**

Taxes:

Property taxes	63,209,459
Sales taxes	4,858,717
Basic formula	4,217,557
Fines and escheats	260,954
Investment earnings	159,694

TOTAL GENERAL REVENUES 72,706,381

CHANGE IN NET POSITION (6,301,341)

NET POSITION, BEGINNING  
OF YEAR 28,764,600

NET POSITION, END OF YEAR \$ 22,463,259

**PATTONVILLE R-3 SCHOOL DISTRICT**

**BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
JUNE 30, 2014**

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	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>-- ASSETS --</b>					
Cash and investments	\$ 11,584,525	\$ 726,561	\$ 4,378,108	\$ 5,868,558	\$ 22,557,752
Restricted cash and investments	-	-	1,063,558	-	1,063,558
<b>TOTAL ASSETS</b>	<b>\$ 11,584,525</b>	<b>\$ 726,561</b>	<b>\$ 5,441,666</b>	<b>\$ 5,868,558</b>	<b>\$ 23,621,310</b>
<b>-- LIABILITIES --</b>					
Payroll withholdings	\$ 431,490	726,561	\$ -	\$ -	\$ 1,158,051
<b>Total Liabilities</b>	<b>431,490</b>	<b>726,561</b>	<b>-</b>	<b>-</b>	<b>1,158,051</b>
<b>-- FUND BALANCES --</b>					
Restricted for:					
Bond proceeds	-	-	-	830,096	830,096
Debt service	-	-	4,241,666	-	4,241,666
Capital projects	-	-	-	5,038,462	5,038,462
Assigned for:					
Food service	170,861	-	-	-	170,861
Student activities	92,657	-	-	-	92,657
Protested taxes	6,000,000	-	1,200,000	-	7,200,000
Unassigned	4,889,517	-	-	-	4,889,517
<b>Total Fund Balances</b>	<b>11,153,035</b>	<b>-</b>	<b>5,441,666</b>	<b>5,868,558</b>	<b>22,463,259</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 11,584,525</b>	<b>\$ 726,561</b>	<b>\$ 5,441,666</b>	<b>\$ 5,868,558</b>	<b>\$ 23,621,310</b>

**PATTONVILLE R-3 SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>					
Local sources:					
Property taxes	\$ 27,433,280	\$ 20,352,914	\$ 5,698,946	\$ 465,154	\$ 53,950,294
Sales taxes	-	4,858,717	-	-	4,858,717
Investment income	30,382	36,338	82,218	10,755	159,693
Student activities	1,303,302	-	-	-	1,303,302
Food service	766,093	-	-	-	766,093
Other local	9,611,791	258,895	6,000	712	9,877,398
Total local	39,144,848	25,506,864	5,787,164	476,621	70,915,497
County sources:					
State assessed utilities	391,811	285,483	155,738	8,542	841,574
Other county	77,024	166,630	15,994	1,306	260,954
Total county	468,835	452,113	171,732	9,848	1,102,528
State sources:					
Basic formula	-	4,217,557	-	-	4,217,557
State grants and contributions	2,176,612	1,179,097	-	-	3,355,709
Total state	2,176,612	5,396,654	-	-	7,573,266
Federal sources	2,499,659	393,879	382,149	-	3,275,687
<b>Total Revenues</b>	<b>44,289,954</b>	<b>31,749,510</b>	<b>6,341,045</b>	<b>486,469</b>	<b>82,866,978</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction	4,952,848	38,853,779	-	-	43,806,627
Attendance	35,511	-	-	-	35,511
Guidance	515,722	2,020,355	-	-	2,536,077
Health services	676,173	-	-	-	676,173
Improvement of instruction	2,105,717	1,317,433	-	-	3,423,150
Professional development	37,030	-	-	-	37,030
Media services	528,061	953,337	-	-	1,481,398
Board of Education services	324,219	-	-	-	324,219
Executive administration	649,925	999,798	-	-	1,649,723
Building level administration	2,359,264	2,684,377	-	-	5,043,641
Operation of plant	9,141,381	-	-	-	9,141,381
Pupil transportation	3,252,671	-	-	-	3,252,671
Food services	2,232,028	-	-	-	2,232,028
Business and central services	2,719,235	312,039	-	-	3,031,274
Security services	421,920	-	-	-	421,920
Adult basic education	19,688	-	-	-	19,688
Community services	606,533	-	-	-	606,533
Capital outlay	-	-	-	3,773,499	3,773,499
Debt service:					
Principal	-	-	3,345,000	1,074,225	4,419,225
Interest	-	-	3,120,299	16,087	3,136,386
Other	-	-	77,942	-	77,942
Payment to bond refunding escrow agent	-	-	119,491	-	119,491
<b>Total Expenditures</b>	<b>30,577,926</b>	<b>47,141,118</b>	<b>6,662,732</b>	<b>4,863,811</b>	<b>89,245,587</b>

**PATTONVILLE R-3 SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	13,712,028	(15,391,608)	(321,687)	(4,377,342)	(6,378,609)
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from the sale of capital assets	-	-	-	-	-
Proceeds from the sale of bonds	-	-	5,785,000	-	5,785,000
Bond premium	-	-	485,382	-	485,382
Payment to bond refunding escrow agent	-	-	(6,193,114)	-	(6,193,114)
Transfers (to) from other funds	(15,391,608)	15,391,608	-	-	-
<b>Total Other Financing Sources (Uses)</b>	(15,391,608)	15,391,608	77,268	-	77,268
<b>NET CHANGES IN FUND BALANCES</b>	(1,679,580)	-	(244,419)	(4,377,342)	(6,301,341)
<b>FUNDS BALANCES, BEGINNING OF YEAR</b>	12,832,615	-	5,686,085	10,245,900	28,764,600
<b>FUND BALANCES, END OF YEAR</b>	\$ 11,153,035	\$ -	\$ 5,441,666	\$ 5,868,558	\$ 22,463,259

**PATTONVILLE R-3 SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Pattonville R-3 School District (the "District") operates under the regulations pursuant to Section 162.092 RSMo of the Public School Laws of Missouri, which designates a Board of Education to act as the governing authority. The District provides educational services.

As discussed further in Note 1, these financial statements are presented on the modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

Principles Determining the Scope of Reporting Entity

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

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

Fund Accounting

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

Governmental Funds

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

## PATTONVILLE R-3 SCHOOL DISTRICT

### *Notes to Basic Financial Statements (continued)*

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#### General Fund

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

#### Special Revenue Fund

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

#### Debt Service Fund

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

#### Capital Projects Fund

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

#### Basis of Presentation

##### *Government-wide Financial Statements:*

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

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* include (a) charges paid by the students for tuition, fees, or goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as *program revenues* are presented as general revenues and include all property taxes. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

## PATTONVILLE R-3 SCHOOL DISTRICT

### *Notes to Basic Financial Statements (continued)*

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#### *Fund Financial Statements:*

The fund financial statements provide information about the District's funds. A balance sheet - modified cash basis and statement of revenues, expenditures, and changes in fund balances - modified cash basis are presented. The emphasis of fund financial statements is on *major* governmental funds; each displayed in a separate column. The District considers each of its funds to be major.

#### Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using a modified cash basis of accounting. This basis of accounting recognizes assets, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions except that the purchases of investments are recorded as assets and payroll withholdings and protested taxes are recorded as liabilities. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

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

#### Property Taxes

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

The District also receives sales tax collected by the State and remitted based on eligible pupils. The District is required to reduce its property tax levy by one-half the amount of sales tax estimated to be received in the subsequent calendar year.

The assessed valuations of the tangible taxable property for the calendar years 2013 and 2012, excluding TIF, for purposes of local taxation were \$1,310,274,710 and \$1,377,943,120, respectively.



## PATTONVILLE R-3 SCHOOL DISTRICT

### *Notes to Basic Financial Statements (continued)*

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The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2013 and 2012 for purposes of local taxation were:

	<u>December 31, 2013</u>		<u>December 31, 2012</u>	
	<u>Unadjusted</u>	<u>Adjusted</u>	<u>Unadjusted</u>	<u>Adjusted</u>
General Fund	\$ 2.5450	\$ 2.3598	\$ 2.3466	\$ 2.1934
Special Revenue Fund	1.7500	1.7500	1.7500	1.7500
Capital Projects Fund	0.0400	0.0400	0.0400	0.0400
Debt Service Fund	0.4900	0.4900	0.4900	0.4900
<b>Total</b>	<u>\$ 4.8250</u>	<u>\$ 4.6398</u>	<u>\$ 4.6266</u>	<u>\$ 4.4734</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2014, aggregated approximately 89% of the current assessment computed on the basis of the levy as shown above.

#### Pooled Cash and Temporary Investments

Cash resources are combined to form a pool of cash and temporary investments which is managed by the District Treasurer, except resources from the Debt Service Fund, as state law requires these deposits to be separately maintained.

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

Interest income received is allocated to contributing funds based on each funds' proportionate share of funds invested.

See Footnote 2, Cash and Investments for further information.

#### Restricted Cash

Restricted cash represent amounts whose use is limited by legal requirements and consist of amounts escrowed for future general obligation bond principal and interest payments in conjunction with the Missouri School District Direct Deposit Program as discussed in Note 2 and Note 3.

#### Governmental Fund Balances

In the governmental fund financial statements the following classifications are used to define the governmental fund balances:

Nonspendable - This consists of the governmental fund balances that are not in spendable form or legally or contractually required to be maintained intact. The District has no nonspendable fund balance as of June 30, 2014.

**PATTONVILLE R-3 SCHOOL DISTRICT**

*Notes to Basic Financial Statements (continued)*

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Restricted - This consists of the governmental fund balances that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The District's restricted funds consist of debt service and capital projects.

Committed - This consists of the governmental fund balances that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the Board of Education, the District's highest level of decision-making authority. The District has no committed fund balances as of June 30, 2014.

Assigned - This consists of the governmental fund balances that are intended to be used for specific purposes by a) Board of Education or b) Chief Financial Officer. The District's assigned fund balance includes student activities, food service, and protested taxes.

Unassigned - This consists of the governmental funds that do not meet the definition of "nonspendable," "restricted," "committed," or "assigned."

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances, and finally unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classifications of fund balance that is identified.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The following net position is reported as restricted:

Payment of capital projects funded by a tax levy	\$ 5,038,462
Payment of principal and interest on long-term debt	4,241,666
Unspent bond proceeds	<u>830,096</u>
<b>Total Restricted Net Position</b>	<b><u>\$ 10,110,224</u></b>

Interfund Activity

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

An interfund transfer was made from the General Fund to the Special Revenue Fund to eliminate the deficit.

## PATTONVILLE R-3 SCHOOL DISTRICT

### *Notes to Basic Financial Statements (continued)*

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#### Extraordinary and Special Items

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

#### Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

## 2. CASH AND INVESTMENTS

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

The District participates in the Missouri Direct Deposit Program which is a mechanism for public school bond repayments through the MOHEFA Bond Program. It authorizes the direct deposit of a portion of the District's state aid payment by the State of Missouri to a trustee bank that accumulates these payments and then makes the principal and interest payments to the paying agent on the bonds. The direct deposits occur monthly and the balance is withdrawn every six months to pay the debt service requirement of the related bond issues. At June 30, 2014, the District had \$1,063,151 in this program, which has been included in investments.

The District also participates in the Missouri Securities Investment Program (MOSIP). MOSIP is an external investment pool in which a district's monies are pooled with other districts' monies to purchase investments that are permitted by state statutes. The District's monies are used to purchase a pro-rata share of the pool. A board of directors comprised of Missouri school administrators, school board members, and school business officials provides governance and oversight of MOSIP's operations. The board seeks to maintain a stable net asset value of \$1 per share.

The deposits and investments held at June 30, 2014, and reported at cost, are as follows:

<u>Type</u>	<u>Maturities</u>	<u>Cost</u>
Deposits:		
Demand deposits	N/A	<u>\$ 22,557,752</u>
Investments:		
MOHEFA Bond Program:		
Money market mutual funds	Less than 1 year	1,063,151
External investment pool	Less than 1 year	<u>407</u>
Total Investments		<u>1,063,558</u>
<b>Total Deposits and Investments</b>		<b><u><u>\$ 23,621,310</u></u></b>

## PATTONVILLE R-3 SCHOOL DISTRICT

### Notes to Basic Financial Statements (continued)

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#### Custodial Credit Risk - Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy with regard to custodial credit risk. As of June 30, 2014, \$-0- of the District's bank balance of \$28,007,847 was exposed to custodial credit risk.

#### Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investments are of a type that are not exposed to custodial credit risk.

#### Investment Interest Rate Risk

The District has policies in place to minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investments portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities. At June 30, 2014, none of the investments held were subject to interest rate risk.

#### Investment Credit Risk

The District has policies in place to minimize credit risk, the risk of loss due to the failure of the security issuer or backer by pre-qualifying the institution with which the district will do business and by diversifying the portfolio so that potential losses on individual securities will be minimized. At June 30, 2014, the District's investments were rated as follows:

<u>Description</u>	<u>Amount</u>	<u>Rating</u>
Money market mutual funds	\$ 1,063,151	AAAm
External investment pool	407	AAAm

#### Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the District for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the US Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments).

**PATTONVILLE R-3 SCHOOL DISTRICT**

*Notes to Basic Financial Statements (continued)*

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

- a. U.S. treasuries and securities having principal and/or interest guaranteed by the U.S. government -- 100%
- b. Collateralized time and demand deposits -- 100%
- c. U.S. Government agencies, and government sponsored enterprises -- No more than 75%
- d. Collateralized repurchased agreements -- 75%
- e. U.S. Government agency callable securities -- No more than 50%
- f. Commercial Paper and Bankers' Acceptances -- No more than 50%

At June 30, 2014, the District did not have any investments subject to this disclosure.

**3. LONG-TERM DEBT**

For the year ended June 30, 2014, the following changes occurred in long-term debt:

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2014</b>	<b>Amounts Due Within One Year</b>
Bonds payable	\$ 70,245,000	\$ 5,785,000	\$ 9,210,000	\$ 66,820,000	\$ 3,590,000
Capital lease payable	1,693,363	910,509	1,074,225	1,529,647	1,074,225
<b>Totals</b>	<b>\$ 71,938,363</b>	<b>\$ 6,695,509</b>	<b>\$ 10,284,225</b>	<b>\$ 68,349,647</b>	<b>\$ 4,664,225</b>

General Obligation Bonds

Bonds payable at June 30, 2014 consist of:

\$24,780,000 general obligation refunding bonds, Series 2004 due in varying annual installments through 2018; interest at 3.00% to 5.25%	\$6,760,000
\$9,500,000 general obligation bonds, Series 2006, due in varying installments through 2018, interest at 3.75% to 4.00%	705,000
\$9,295,000 general obligation bonds, Series 2007, due in varying installments through 2017 interest at 3.85% to 5.50%	2,420,000

**PATTONVILLE R-3 SCHOOL DISTRICT**

*Notes to Basic Financial Statements (continued)*

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\$21,000,000 general obligation bonds, Series 2010 due in varying annual installments through 2030, interest at 5.85% to 6.15%	21,000,000
\$10,070,000 taxable general obligation refunding bonds, Series 2012, due in varying annual installments through 2020, interest at 1.00% to 4.00%	9,945,000
\$20,205,000 general obligation bonds, Series 2013, due in varying installments through 2025, interest at 2.00% through 4.00%	20,205,000
\$5,785,000 general obligation refunding bonds, Series 2013, due in varying installments through 2022, interest at 3.00% through 4.00%	<u>5,785,000</u>
<b>Total Bonds Payable</b>	<b><u>\$66,820,000</u></b>

The annual requirements to amortize bonded debt outstanding as of June 30, 2014, are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 3,590,000	\$ 3,004,715	\$ 6,594,715
2016	3,830,000	2,861,678	6,691,678
2017	4,065,000	2,651,477	6,716,477
2018	4,285,000	2,498,350	6,783,350
2019	4,445,000	2,341,163	6,786,163
2020 - 2024	21,800,000	9,398,625	31,198,625
2025 - 2029	20,255,000	5,066,313	25,321,313
2030	4,550,000	279,825	4,829,825
	<u>\$ 66,820,000</u>	<u>\$ 28,102,146</u>	<u>\$ 94,922,146</u>

Repayment of the general obligation bonds, Series 2000, Series 2006, Series 2007, Series 2010, and Series 2012 will be through the Missouri School District Direct Deposit Program, which is a mechanism for public school bond repayments. It authorizes the direct deposit of a portion of the District's state aid payment by the State of Missouri to a trustee bank that accumulates these payments and then makes the principal and interest payments to the paying agent on the bonds. At June 30, 2014, the balance of these funds held at the trustee bank was \$1,063,151.

## PATTONVILLE R-3 SCHOOL DISTRICT

### *Notes to Basic Financial Statements (continued)*

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The American Recovery and Reinvestment Act of 2009 (the “Recovery Act”) authorizes the District to issue taxable bonds known as “Build America Bonds” and as qualified bonds to finance capital expenditures for which it could otherwise issue tax-exempt bonds and to elect to receive a subsidy payment from the federal government equal to 35% of the amount of each interest payment on such taxable bonds. The bonds were issued for the purpose of acquiring, constructing, renovating, repairing, improving, furnishing, and equipping school sites, buildings and related facilities for school purposes in the District; (1) including life safety systems, (2) facilities that promote student wellness, (3) improving energy efficiency, (4) removal of asbestos flooring, (5) improving classroom technology, and (6) upgrade the current facilities and instructional areas by continuing to fund major capital repairs and improvements. Principal is due annually with principal payments beginning in March 2026 and ending in March 2030. Interest is due semiannually at rates between 5.85% and 6.15%.

During the year ended June 30, 2014, the District issued \$5,785,000 in Series 2013 General Obligation Refunding Bonds. The bonds were issued to refund \$4,445,000 of the outstanding principal of the Series 2006 bonds and \$1,420,000 of the outstanding principal of the Series 2007 bonds. The net proceeds were used to purchase United States governmental securities. These securities were deposited in an irrevocable trust with an escrow agency to provide future debt service on the refunded portion of the Series 2006 and 2007 bonds. The bonds bear interest at rates ranging from 3.00% to 4.00% and mature December 1, 2027.

The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$214,109.

#### Defeased General Obligation Debt

In December 2005 and March 2008, the District contributed to an escrow account to advance refund a portion of the District’s Series 2004 bonds, and, in 2012, the District issued taxable refunding bonds to advance refund a portion of those Series 2004 bonds. The advance refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the District’s debt. Those bonds were paid in full during the fiscal year ended June 30, 2014.

During the fiscal year ended June 30, 2014, the District issued \$5,785,000 in general obligation refunding bonds, Series 2013, to advance refund a portion of the Series 2006 and Series 2007 outstanding bonds. The advance refunding met the requirements of an in-substance debt defeasance and the bonds were removed from the District’s debt. At June 30, 2014, the amount of defeased debt outstanding but removed from the debt of the District is \$4,565,000.

#### Legal Debt Margin

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a District to fifteen (15%) percent of the assessed valuation of the District (including State assessed railroad and utility). The legal debt margin, computed excluding the assessed valuation of State assessed railroad and utilities, of the District at June 30, 2014, was:

## PATTONVILLE R-3 SCHOOL DISTRICT

### *Notes to Basic Financial Statements (continued)*

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Constitutional debt Limit	\$ 196,541,267
General obligation bonds payable	(66,820,000)
Amount available in Debt Service Fund	<u>5,441,666</u>
Legal Debt Margin	<u><u>\$ 135,162,933</u></u>

#### Capital Lease Agreements

During the year ended June 30, 2012 the District entered into a lease purchase agreement for approximately \$3,387,000. The proceeds of the lease were used to purchase computer equipment. The lease calls for annual payments of \$858,766 through April 2015 with interest at 0.95%.

During the year ended June 30, 2014, the District entered into a lease purchase agreement for \$910,509. The proceeds of the lease were used to purchase computer equipment. The lease calls for annual payments of \$231,546 through July 2016 with interest at 1.15%.

Future minimum lease payments under the leases described above are as follows:

2015	\$ 1,090,312
2016	231,546
2017	<u>231,546</u>
Total future minimum lease payments	1,553,404
Less amount representing interest	<u>(23,757)</u>
Present value of future minimum lease payments	<u><u>\$ 1,529,647</u></u>

#### **4. RETIREMENT PLANS**

The District contributes to the Public School Retirement System of Missouri (PSRS), a mandatory cost-sharing multiple-employer defined benefit pension plan. PSRS provides retirement and disability benefits to full-time (and certain part-time) certified employees and death benefits to members and beneficiaries. Positions covered by the PSRS are generally not covered by Social Security; however, since July 1, 2010, certain PSRS members are required to contribute Social Security and are also required by Missouri law to contribute to PSRS at two-thirds the normal PSRS contribution rate. PSRS benefit provisions are set forth in Sections 169.010-.141 and sections 169.560-.595 of the Missouri Revised Statutes. The statutes assign responsibility for the administration of the system to a seven member Board of Trustees. PSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: The Public School Retirement System of Missouri, P.O. Box 268, Jefferson City, Missouri 65102, or by calling 1-800-392-6848. A copy may also be viewed online at <http://www.psr-peers.org/investments/annualreport.htm>.



## PATTONVILLE R-3 SCHOOL DISTRICT

### *Notes to Basic Financial Statements (continued)*

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The PSRS members normal contribution rates were 14.5% of the annual covered salary during 2011-2012, 14.5% during 2012-2013 and 14.5% during 2013-2014. The employer districts were required to match member contributions. The contribution requirements of members and the District, which are based on an actuarially determined rate, are established and may be amended by the PSRS Board of Trustees. The District's contributions to PSRS for the years ended June 30, 2012 through June 30, 2014 were equal to the required contributions and are as listed in the table below.

The District also contributes to the Public Education Employee Retirement System of Missouri (PEERS), a mandatory cost-sharing multiple-employer defined benefit pension plan. PEERS provides retirement and disability benefits to employees of the district who work 20 or more hours per week and who do not contribute to PSRS. Positions covered by PEERS are also covered by Social Security. Benefit provisions are set forth in Sections 169.600-.715 and Sections 169.560-.595 of the Missouri Revised Statutes. The statutes assign responsibility for the administration of the system to the Board of Trustees of PSRS. PEERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: The Public Education Employee Retirement System of Missouri, P.O. Box 268, Jefferson City, Missouri 65102 or by calling 1-800-392-6848. A copy may also be viewed online at <http://www.psr-peers.org/investments/annualreport.htm>.

PEERS members were required to contribute 6.86% of the annual covered salary during 2011-2012, 6.86% during 2012-2013 and 6.86% during 2013-2014. The employer districts were required to match this amount. The contribution requirements of members and the District, which are based on an actuarially determined rate, are established and may be amended by the Board of Trustees. The District's contributions to PEERS for the years ended June 30, 2012 through June 30, 2014 were equal to the required contributions and are as listed in the table below:

<b>Year Ended</b>	<b>PSRS</b>	<b>PEERS</b>
<b>June 30,</b>		
2014	\$ 5,594,218	\$ 1,083,949
2013	5,565,789	1,144,632
2012	5,581,411	1,147,006

### **5. INSURANCE PROGRAM**

The District, along with various other local school districts, participates in the Missouri United School Insurance Council ("MUSIC"), an insurance association for workers' compensation, general liability, and property and casualty insurance. The purpose of MUSIC is to distribute the cost of self-insurance over similar entities. MUSIC requires an annual premium payment to cover estimated claims payable and reserves for claims from each entity. The members of MUSIC have no legal interest in the assets, liabilities, or fund balances of the insurance association. However, although MUSIC purchases stop-loss insurance for excessively large claims, the District retains a contingent liability to fund its pro rata share of any deficit incurred by MUSIC should it cease operations at some future date. The District's premium assessment from MUSIC for the year ended June 30, 2014, was \$893,122.

**PATTONVILLE R-3 SCHOOL DISTRICT**

*Notes to Basic Financial Statements (continued)*

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**6. COMMITMENTS AND CONTINGENCIES**

The District is involved in various lawsuits and other legal matters. While in the District's opinion, based on consultation with legal counsel, these items will be resolved with no material adverse effect on the District, the results of the proceedings have yet to be finalized.

During a previous year the District approved voluntary supplemental retirement plans for eligible (as defined) certified personnel. The compensation offered varies depending on the plan, and the plan calls for different payment options which can cause the payments to be paid out through the year ended June 30, 2015. The plan was not renewed or extended to those individuals retiring subsequent to the 2011-2012 school year, and is limited to a maximum number of employees that can participate. The estimated amount due under the plans for the following three years as of June 30, 2014, is as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2015	<u>\$ 333,334</u>

During the year ended June 30, 2014, the District approved a voluntary separation incentive plan for eligible (as defined) certified personnel and administrators who would agree to terminate in June 2014. Those incentives included a one-time cash payment of \$25,000 to each participant, and these incentives were paid in June 2014. The incentive amount was intended to approximate the total cost of the District's health and dental insurance premiums for the next three years. The plan calls for an additional one-time cash payment per participant if, after three years, the total cost of the District's health and dental insurance premiums is determined to have been greater than \$25,000. As the future cost of health and dental insurance premiums are not known as of June 30, 2014, the estimated amount due under the plans for the next three years cannot be determined.

The District is committed under a lease considered an operating lease for various office equipment through June 30, 2017. Payments for the year ended June 30, 2014 were approximately \$134,000. Future minimum lease payments under this operating lease for years subsequent to June 30, 2014 are as follows:

<b>Year Ending June 30,</b>	<b>Amount</b>
2015	\$ 134,028
2016	134,028
2017	<u>134,028</u>
	<u>\$ 402,084</u>

## **PATTONVILLE R-3 SCHOOL DISTRICT**

### *Notes to Basic Financial Statements (continued)*

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#### **7. POST EMPLOYMENT BENEFITS**

In addition to the pension benefits described in Note 4, the District allows employees who retire from the District to participate in the District's health, dental and life insurance plans. Upon meeting the retirement requirements per PSRS or PEERS, the employees can elect to participate in the District's plans. The retirees must pay for 100% of their coverage for each plan in which they elect to participate. The premiums are based on a single blended rate used for both active employees and retirees. The difference between the amount the retiree is required to pay and the actual cost to the District is considered to be a post-employment benefit. The District has not established an irrevocable trust fund for the accumulation of resources for the future payment of benefits under the plan; benefits are paid on a pay as you go basis. During the current year, 338 retirees participated in the District's health and dental insurance plans.

#### **8. RECENT ACCOUNTING PRONOUNCEMENTS**

The accounting principles governing the reported amounts, presentation and related disclosures are subject to change from time to time based on new pronouncements and/or rules issued by various governing bodies. The Government Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments.

In June 2012, the GASB issued Statement No. 67 "Financial Reporting for Pension Plans" and Statement No. 68 "Accounting and Reporting for Pensions." The objective of these statements is to revise existing accounting and financial reporting requirements for most pension plans, and to revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits. The requirements in Statement No. 67 are effective for periods beginning after June 15, 2013, and the requirements in Statement No. 68 are effective for periods beginning after June 15, 2014.

In November 2013, the GASB issued Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68." This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The requirements in this Statement are effective simultaneously with the requirements of Statement No. 68 which is effective for periods beginning after June 15, 2014.

The effects on the District's financial statements as a result of the adoption of these new pronouncements are unknown.

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**Supplementary Information**

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**PATTONVILLE R-3 SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -  
MODIFIED CASH BASIS - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		<b>Positive (Negative)</b>
<b>REVENUES:</b>				
Local	\$ 39,534,130	\$ 37,111,130	\$ 39,144,848	\$ 2,033,718
County	465,000	440,000	468,835	28,835
State	1,760,000	1,845,700	2,176,612	330,912
Federal	2,070,065	2,179,305	2,499,659	320,354
<b>Total Revenues</b>	<b>43,829,195</b>	<b>41,576,135</b>	<b>44,289,954</b>	<b>2,713,819</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	5,484,932	5,458,681	4,952,848	505,833
Attendance	33,719	32,475	35,511	(3,036)
Guidance	476,478	494,570	515,722	(21,152)
Health services	708,107	671,364	676,173	(4,809)
Improvement of instruction	2,238,612	2,072,724	2,105,717	(32,993)
Professional development	31,600	37,600	37,030	570
Media services	524,061	511,280	528,061	(16,781)
Board of Education services	255,100	312,540	324,219	(11,679)
Executive administration	648,568	657,425	649,925	7,500
Building level administration	2,145,189	2,255,549	2,359,264	(103,715)
Operation of plant	8,798,625	8,819,829	9,141,381	(321,552)
Pupil transportation	3,577,723	3,362,819	3,252,671	110,148
Food services	2,232,348	2,139,950	2,232,028	(92,078)
Business and central services	2,707,713	2,705,805	2,719,235	(13,430)
Security services	448,800	419,831	421,920	(2,089)
Adult basic education	20,800	17,666	19,688	(2,022)
Community services	651,869	618,918	606,533	12,385
<b>Total Expenditures</b>	<b>30,984,244</b>	<b>30,589,026</b>	<b>30,577,926</b>	<b>11,100</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>12,844,951</b>	<b>10,987,109</b>	<b>13,712,028</b>	<b>2,724,919</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	(11,059,787)	(14,571,138)	(15,391,608)	(820,470)
Proceeds from sale of property	52,000	52,000	-	(52,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(11,007,787)</b>	<b>(14,519,138)</b>	<b>(15,391,608)</b>	<b>(872,470)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>1,837,164</b>	<b>(3,532,029)</b>	<b>(1,679,580)</b>	<b>1,852,449</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>12,761,010</b>	<b>12,832,615</b>	<b>12,832,615</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 14,598,174</b>	<b>\$ 9,300,586</b>	<b>\$ 11,153,035</b>	<b>\$ 1,852,449</b>

**PATTONVILLE R-3 SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -  
MODIFIED CASH BASIS - BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Local	\$ 28,276,530	\$ 25,261,226	\$ 25,506,864	\$ 245,638
County	460,000	405,000	452,113	47,113
State	5,615,080	5,596,000	5,396,654	(199,346)
Federal	618,680	809,214	393,879	(415,335)
<b>Total Revenues</b>	<b>34,970,290</b>	<b>32,071,440</b>	<b>31,749,510</b>	<b>(321,930)</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	40,499,867	38,421,051	38,853,779	(432,728)
Guidance	-	1,972,940	2,020,355	(47,415)
Improvement of instruction	1,572,770	1,357,940	1,317,433	40,507
Media services	-	938,080	953,337	(15,257)
Executive administration	966,333	1,009,953	999,798	10,155
Building level administration	2,704,207	2,633,015	2,684,377	(51,362)
Business and central services	286,900	309,599	312,039	(2,440)
<b>Total Expenditures</b>	<b>46,030,077</b>	<b>46,642,578</b>	<b>47,141,118</b>	<b>(498,540)</b>
<b>EXCESS OF REVENUES UNDER EXPENDITURES</b>	<b>(11,059,787)</b>	<b>(14,571,138)</b>	<b>(15,391,608)</b>	<b>(820,470)</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfer in	11,059,787	14,571,138	15,391,608	820,470
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**PATTONVILLE R-3 SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -  
MODIFIED CASH BASIS - BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Local	\$ 6,541,000	\$ 5,676,000	\$ 5,787,164	\$ 111,164
County	171,000	173,000	171,732	(1,268)
Federal	442,908	442,908	382,149	(60,759)
<b>Total Revenues</b>	7,154,908	6,291,908	6,341,045	49,137
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	4,645,000	4,645,000	3,345,000	1,300,000
Interest	3,241,525	3,241,525	3,120,299	121,226
Other	2,500	4,000	77,942	(73,942)
Payment to bond refunding escrow agent	-	-	119,491	(119,491)
<b>Total Expenditures</b>	7,889,025	7,890,525	6,662,732	1,227,793
<b>EXCESS OF REVENUES UNDER EXPENDITURES</b>				
	(734,117)	(1,598,617)	(321,687)	1,276,930
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from the sale of bonds	-	-	5,785,000	5,785,000
Bond premium	-	-	485,382	485,382
Payment to bond refunding escrow agent	-	-	(6,193,114)	(6,193,114)
<b>Total Other Financing (Uses)</b>	-	-	77,268	77,268
<b>NET CHANGE IN FUND BALANCE</b>				
	(734,117)	(1,598,617)	(244,419)	1,354,198
<b>FUND BALANCE, BEGINNING OF YEAR</b>				
	5,607,267	5,686,085	5,686,085	-
<b>FUND BALANCE, END OF YEAR</b>				
	\$ 4,873,150	\$ 4,087,468	\$ 5,441,666	\$ 1,354,198

**PATTONVILLE R-3 SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -  
MODIFIED CASH BASIS - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Local	\$ 1,220,500	\$ 486,500	\$ 476,621	\$ (9,879)
County	22,000	11,000	9,848	(1,152)
<b>Total Revenues</b>	<u>1,242,500</u>	<u>497,500</u>	<u>486,469</u>	<u>(11,031)</u>
<b>EXPENDITURES:</b>				
Capital outlay	3,677,045	4,194,137	3,773,499	420,638
Debt Service:				
Principal	-	-	1,074,225	(1,074,225)
Interest	-	-	16,087	(16,087)
<b>Total Expenditures</b>	<u>3,677,045</u>	<u>4,194,137</u>	<u>4,863,811</u>	<u>(669,674)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(2,434,545)</u>	<u>(3,696,637)</u>	<u>(4,377,342)</u>	<u>(680,705)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>12,174,775</u>	<u>10,245,900</u>	<u>10,245,900</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 9,740,230</u>	<u>\$ 6,549,263</u>	<u>\$ 5,868,558</u>	<u>\$ (680,705)</u>



**PATTONVILLE R-3 SCHOOL DISTRICT**

**NOTE TO BUDGETARY COMPARISON INFORMATION  
JUNE 30, 2014**

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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 June 30, the Superintendent, who serves as the budget officer, submits to the Board of Education a proposed budget for the fiscal year beginning on the following July 1. The proposed budget includes estimated revenues and proposed expenditures for all District funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Education, the budget document is available for public inspection.
4. Prior to July 1, the budget is legally enacted by a vote of the Board of Education.
5. Subsequent to its formal approval of the budget, the Board of Education has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.

Budgeted amounts are as originally adopted on June 11, 2013, or as amended by the Board of Education on May 13, 2014.

Actual expenditures exceeded those budgeted in the Special Revenue and Capital Projects Funds.

6. Budgets are adopted on the modified cash basis of accounting for all governmental funds.

**PATTONVILLE R-3 SCHOOL DISTRICT**

**SCHEDULE OF SELECTED STATISTICS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

1.     Calendar

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

Grades K - 5	<u>1,096.5200 Hours</u>
Grades 6 - 8	<u>1,110.8553 Hours</u>
Grades 9 - 11	<u>1,063.4325 Hours</u>
Traditional School K - 8	<u>1,109.8000 Hours</u>
Grade 12	<u>1,050.8625 Hours</u>

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

Traditional School K - 8	<u>176 Days</u>
Grades K - 5	<u>176 Days</u>
Grades 6 - 8	<u>177 Days</u>
Grades 9 - 11	<u>177 Days</u>
Grade 12	<u>174 Days</u>

2.     Average Daily Attendance (ADA)

<u>Regular Term</u>	<u>Full-Time &amp; Part-Time</u>	<u>Remedial</u>	<u>Deseg In</u>	<u>Total</u>	<u>Deseg Out</u>
Grades    K - 5	<u>2,171.6391</u>	<u>0</u>	<u>0</u>	<u>2,171.6391</u>	<u>0</u>
Traditional School K - 8	<u>366.8725</u>	<u>0</u>	<u>0</u>	<u>366.8725</u>	<u>0</u>
Grades    6 - 8	<u>1,057.5461</u>	<u>0</u>	<u>0</u>	<u>1,057.5461</u>	<u>0</u>
Grades    9 - 11	<u>1,202.0035</u>	<u>0</u>	<u>0</u>	<u>1,202.0035</u>	<u>0</u>
Grade     12	<u>360.9589</u>	<u>0</u>	<u>2.9053</u>	<u>363.8643</u>	<u>0</u>
Subtotal Regular Term	<u>5,159.0202</u>	<u>0</u>	<u>2.9053</u>	<u>5,161.9255</u>	<u>0</u>
		<u>Resident</u>	<u>Deseg In</u>	<u>Total</u>	
Summer School Subtotal		<u>34.3439</u>	<u>0.1031</u>	<u>34.4470</u>	
	Total Regular Term Plus Summer School ADA			<u>5,196.3725</u>	

Notes: \_\_\_\_\_

**PATTONVILLE R-3 SCHOOL DISTRICT**

*Schedule of Selected Statistics (continued)*

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3. September Membership

	<u>Full-Time &amp; Part-Time</u>	<u>Deseg In</u>	<u>Total</u>	<u>Deseg Out</u>
September Membership FTE Count	<u>5,419.56</u>	<u>3.00</u>	<u>5,422.56</u>	<u>21.00</u>

Notes: \_\_\_\_\_

---

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

		<u>Full-Time &amp; Part-Time</u>	<u>Deseg In</u>	<u>Total</u>
State FTE Total	Free	<u>2,131.18</u>	<u>1.00</u>	<u>2,132.18</u>
	Reduced	<u>506.65</u>	<u>0</u>	<u>506.65</u>
	Total	<u>2,637.83</u>	<u>1.00</u>	<u>2,638.83</u>

5. Finance

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

- A. As required by Section 162.401, RSMo, a bond was purchased for the District's treasurer in the total amount of: \$50,000
- B. The District's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo. True
- C. The District maintained a separate bank account for the Debt Service Fund in accordance with Section 165.011, RSMo. True
- D. Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records. True
- E. If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the Board approve a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken. N/A
- F. The District published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo. False
- G. The District has a professional development committee plan adopted by the board with the professional development committee plan identifying the expenditures of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment. True
- H. The amount spent for approved professional development committee plan activities was: \$37,030

**PATTONVILLE R-3 SCHOOL DISTRICT**

*Schedule of Selected Statistics (continued)*

---

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

Finding #: \_\_\_\_\_

Management Letter Comment #: \_\_\_\_\_

Notes: Reported on page 40 in the “Report on Compliance – State Requirements”.

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6. Transportation (Section 163.161, RSMo)

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

A. The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid. True

B. The District’s school transportation ridership records are so maintained as to accurately disclose in all material respects the average number of regular riders transported. True

C. Based on the ridership records, the average number of students (non-disabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was:

- Eligible ADT #3,279
- Ineligible ADT #764.5

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. True

E. Actual odometer records show the total District-operated and contracted mileage for the year was: #521,868

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

- Eligible Miles #447,641
- Ineligible Miles (Non-Route/Disapproved) #74,227

F. Number of days the District operated the school transportation system during the regular school year: 177

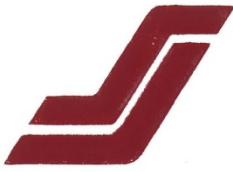
G. All above “False” answers must be supported by a finding or management letter comment.

Finding #: \_\_\_\_\_

Management Letter Comment #: \_\_\_\_\_

Notes: \_\_\_\_\_

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## **REPORT ON COMPLIANCE - STATE REQUIREMENTS**

To the Members of the  
Board of Education  
Pattonville R-3 School District

We have audited the financial statements of the Pattonville R-3 School District (the "District") as of and for the year ended June 30, 2014, and have issued our report thereon dated December 26, 2014. Our report on the financial statements disclosed that, as described in Note 1 to the financial statements, the District prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As required by the Revised Statutes of the State of Missouri, we have performed auditing procedures to test compliance with the budgetary statute (Chapter 67 RSMo) and Section 165.121.3(7) RSMo with respect to the methods of maintaining pupil attendance and pupil transportation records for the year ended June 30, 2014. The management of the District is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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

In our opinion, the District's budgetary and disbursements procedures were in compliance, in all material respects, with the budgetary statute (Chapter 67 RSMo) for the year ended June 30, 2014 with the exception of actual expenditures exceeding those budgeted in the Special Revenue, Debt Service, and Capital Projects Funds. It is further our opinion that the pupil attendance and pupil transportation records are so maintained as to accurately disclose, in all material respects, the average daily attendance; resident membership on the last Wednesday of September; average number of students transported on a regular basis; and mileage and allowable cost for pupil transportation in compliance with state law and administrative rules for the year ended June 30, 2014.

However, we did note an immaterial instance of non-compliance because the District did not publish a summary of the prior year's audit report within thirty days of the receipt of the audit, pursuant to Section 165.121, RSMo. We also noted certain other transportation matters that we reported to management of the District in a separate letter dated December 26, 2014.

### MEMBERS

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

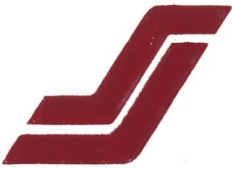
  
SCHOWALTER & ABOURI, P.C.

St. Louis, Missouri  
December 26, 2014

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**Federal Compliance Section**

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# SCHOWALTER & JABOURI, P.C.

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

To the Members of the Board  
of Education  
Pattonville R-3 School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Pattonville R-3 School District (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 26, 2014. Our report on the basic financial statements disclosed that, as described in Note 1 to the financial statements, the District prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

### **Internal Control Over Financial Reporting**

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

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

#### MEMBERS

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

### **Compliance and Other Matters**

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

We noted certain other matters that we reported to management of the District in a separate letter dated December 26, 2014.

### **Purpose of this Report**

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

  
SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri  
December 26, 2014



# **SCHOWALTER & JABOURI, P.C.**

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Members of the Board  
of Education  
Pattonville R-3 School District

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

We have audited Pattonville R-3 School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2014. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Basis for Qualified Opinion on the Child Nutrition Cluster***

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the Child Nutrition Cluster as described in finding number 2014-001 for Reporting. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

### ***Qualified Opinion on the Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster for the year ended June 30, 2014.

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

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
SCHOWALTER & LABOURI, P.C.

St. Louis, Missouri  
December 26, 2014

**PATTONVILLE R-3 SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Identification Number</b>	<b>Expenditures</b>
<u>U.S. Department of Education:</u>			
Passed through Missouri			
Department of Elementary and Secondary Education:			
Title I	84.010	096-090	\$ 725,714
Title II A	84.367	096-090	206,826
Title III	84.365	096-090	70,000
Early Childhood Special Education	84.173	096-090	312,435
Vocational Education Act	84.048	096-090	62,955
<b>Total U.S. Department of Education</b>			<b>1,377,930</b>
<u>U.S. Department of Agriculture:</u>			
Passed through Missouri			
Department of Elementary and Secondary Education:			
National School Breakfast	10.553	096-090	534,361
National School Lunch	10.555	096-090	1,090,808
Donated Foods	10.555	096-090	97,398
Subtotal CFDA 10.553			534,361
Subtotal CFDA 10.555			1,188,206
Total Child Nutrition Cluster			1,722,567
<b>Total Department of Agriculture</b>			<b>1,722,567</b>
<b>TOTAL</b>			<b>\$ 3,100,497</b>

**PATTONVILLE R-3 SCHOOL DISTRICT**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is a summary of the cash activity of the District's federal award programs and does not present transactions that would be included in financial statements of the District presented on the accrual basis of accounting, as contemplated by accounting principles generally accepted in the United States of America.

Note 2 - Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note 3 - Insurance

The District did not have any federal insurance in effect during the fiscal year ended June 30, 2014.

Note 4 - Loans/Loan Guarantees

The District did not have any loans or loan guarantees outstanding as of June 30, 2014.

**PATTONVILLE R-3 SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

---

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified on the modified cash basis of accounting

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency (ies) identified  
not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements  
noted?  Yes  No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiency (ies) identified  
not considered to be material weaknesses?  Yes  None reported

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

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section .510(a)?  Yes  No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

2. FINANCIAL STATEMENT FINDINGS

There were no findings which are required to be reported in accordance with Generally Accepted *Government Auditing Standards*.

**PATTONVILLE R-3 SCHOOL DISTRICT**

*Schedule of Findings and Questioned Costs (continued)*

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3. **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Reference

2014-001      Federal Program: CFDA# 10.555 and 10.553 – Child Nutrition Cluster

Pass Through Entity: Missouri Department of Elementary and Secondary Education

Compliance Requirement: Reporting

Criteria: According to 7 CFR § 210.8, every school year, each school food authority with more than one school shall perform no less than one on-site review of the lunch counting and claiming system employed by each school under its jurisdiction. The on-site review shall take place prior to February 1 of each school year.

Condition: The required on-site reviews were not completed prior to February 1.

Questioned Costs: None

Context: None of the required on-site reviews were performed by February 1.

Cause: Procedures are not in place to monitor compliance with this requirement.

Effect: The District was not in compliance with the requirement to perform on-site reviews prior to February 1. If problems with a school's meal counting or claiming procedures exist, corrective action would not be taken timely.

Recommendation: We recommend that the District implement procedures to ensure performance of all requirements of the program.

**Management's Response:** *The District will implement new review procedures to ensure that the required on-site reviews are completed timely.*

4. **FOLLOW-UP OF PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no prior year federal award findings and questioned costs.