

**STRASBURG C-3 SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

**STRASBURG C-3 SCHOOL DISTRICT
TABLE OF CONTENTS**

		<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....		1-2
GOVERNMENT-WIDE FINANCIAL STATEMENTS		
<u>Exhibit</u>	<u>Description</u>	
A	Statement of Net Position-Modified Cash Basis, June 30, 2017.....	3
B	Statement of Activities - Modified Cash Basis, For the Year Ended June 30, 2017.....	4
FUND FINANCIAL STATEMENTS		
C	Balance Sheet - Modified Cash Basis, All Governmental Funds, June 30, 2017.....	5
D	Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis All Governmental Funds, For the Year Ended June 30, 2017.....	6
NOTES TO THE FINANCIAL STATEMENTS.....		7-22
OTHER FINANCIAL SUPPLEMENTARY INFORMATION		
<u>Schedule</u>		
1	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis Budget and Actual - General Fund, For the Year Ended June 30, 2017.....	23
2	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis Budget and Actual - Special Revenue Fund, For the Year Ended June 30, 2017.....	24
3	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis Budget and Actual - Debt Service Fund, For the Year Ended June 30, 2017.....	25
4	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis Budget and Actual - Capital Projects Fund, For the Year Ended June 30, 2017.....	26
5	Schedule of Revenues - Modified Cash Basis, For the Year Ended June 30, 2017.....	27
6	Schedule of Expenditures - Modified Cash Basis, For the Year Ended June 30, 2017.....	28
7	Schedule of Transportation Costs Eligible for State Aid, For the Year Ended June 30, 2017.....	29
8	Public School Retirement System of Missouri, Schedule of Proportionate Share of the Net Pension Liability and Related Ratios.....	30
9	Public Education Employee Retirement System of Missouri, Schedule of Proportionate Share of the Net Pension Liability and Related Ratios.....	31
10	Public School Retirement System of Missouri, Schedule of Employer Contributions.....	32

**STRASBURG C-3 SCHOOL DISTRICT
TABLE OF CONTENTS**

<u>Schedule</u>	<u>Description</u>	<u>Page</u>
11	Public Education Employee Retirement System of Missouri, Schedule of Employer Contributions	33
12	Schedule of Selected Statistics, For the Year Ended June 30, 2017.....	34-36
13	Schedule of Debt Service Requirements, For the Year ended June 30, 2017	37
 REPORTS ON INTERNAL CONTROLS AND COMPLIANCE MATTERS		
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT</i> <i>AUDITING STANDARDS</i>		
		38-39
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE REQUIREMENTS.....		
		40-41
SCHEDULE OF FINDINGS AND RESPONSES.....		
		42

RANDALL FIENE

Certified Public Accountant

Old Highway 40 East - P.O. Box 108

Concordia, Missouri 64020-0108

Phone 660-463-2130 – Fax 660-463-2132

*Member of American Institute of
Certified Public Accountants*

*Member of Missouri Society of
Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Strasburg C-3 School District

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, and each major fund of the Strasburg C-3 School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, and each major fund of the Strasburg C-3 School District, as of June 30, 2017, and the respective changes in modified cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note I.

Basis of Accounting

I draw attention to Note I of the financial statements that 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. My opinions are not modified with respect to this matter.

Other Matters

Report on Supplementary and Other Information

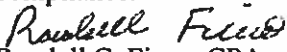
My audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Strasburg C-3 School District's basic financial statements. The budgetary comparison information, Schedule of Revenues-Modified Cash Basis, Schedule of Expenditures-Modified Cash Basis, Schedule of Transportation Costs Eligible for State Aid, Schedules of Proportional Share of the Net Pension Liabilities and Related Ratios, Schedules of Employer Contributions, the Schedule of Selected Statistics, and the Schedule of Debt Service Requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison information, Schedule of Revenues-Modified Cash Basis, Schedule of Expenditures-Modified Cash Basis, Schedule of Transportation Costs Eligible for State Aid, Schedules of Proportional Share of the Net Pension Liabilities and Related Ratios, Schedules of Employer Contributions, the Schedule of Selected Statistics, and the Schedule of Debt Service Requirements are the responsibility of management and were derived from and relate directly to the underlying accounting records or other underlying records used to prepare the District's basic financial statements.

The Schedule of Revenues-Modified Cash Basis, Schedule of Expenditures-Modified Cash Basis, Schedule of Transportation Costs Eligible for State Aid, the Schedule of Selected Statistics, and the Schedule of Debt Service Requirements have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Revenues-Modified Cash Basis, Schedule of Expenditures-Modified Cash Basis, Schedule of Transportation Costs Eligible for State Aid, the Schedule of Selected Statistics, and the Schedule of Debt Service Requirements are fairly stated in all material respects in relation to the financial statements as a whole.

The budgetary comparison information, Schedules of Proportional Share of the Net Pension Liabilities and Related Ratios, and the Schedules of Employer Contributions have not been subjected to the auditing procedures applied in the audit of the basic financial statements. I have applied limited procedures, which consisted primarily of inquiries of management regarding the method of measurement and presentation of these schedules. However, I did not audit this information and express no opinion on this financial information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated September 14, 2017, on my consideration of the Strasburg C-3 School District's internal control over financial reporting and on my 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 my 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* and considering the Strasburg C-3 School District's internal control over financial reporting and compliance.


Randall C. Fiene, CPA
Concordia, Missouri
September 14, 2017

GOVERNMENT-WIDE FINANCIAL STATEMENTS

EXHIBIT A
STRASBURG C-3 SCHOOL DISTRICT
STATEMENT OF NET POSITION-MODIFIED CASH BASIS
JUNE 30, 2017

ASSETS

Cash	\$ 1,829,677
Investments	<u>22,252</u>
TOTAL ASSETS	<u><u>1,851,929</u></u>

NET POSITION

Restricted for:	
Professional development	1,752
Debt service	119,349
Unexpended bond proceeds	1,218,210
Capital outlay	37,836
Teachers' salaries and benefits	44,537
Unrestricted	<u>430,245</u>
TOTAL NET POSITION	<u><u>\$ 1,851,929</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT B
STRASBURG C-3 SCHOOL DISTRICT
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017

	Expenditures	Program Revenues		Net (Expenditures) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instructional services	\$ (985,236)	0	53,241	\$ (931,995)
Student services	(5,392)	5,229	0	(163)
Instructional staff support	(41,927)	0	13,579	(28,348)
Building administration	(196,027)	0	0	(196,027)
General administration and central services	(13,002)	0	0	(13,002)
Operation of plant	(149,268)	0	0	(149,268)
Transportation	(98,873)	0	13,191	(85,682)
Food service	(67,288)	21,580	21,120	(24,588)
Community services	(3,034)	0	0	(3,034)
Retirement of indebtedness	(220,000)	0	0	(220,000)
Interest expense	(14,835)	0	0	(14,835)
Other	(28,016)	0	0	(28,016)
Net program (expenditures) revenues	\$ (1,822,898)	26,809	101,131	(1,694,958)
General revenues:				
Current taxes				520,394
Delinquent taxes				187,546
School District Trust Fund				149,872
M&M surtax				464
Fines				4,100
State assessed utility taxes				56,029
Small schools grant				69,495
Basic Formula - State Monies				570,969
Basic Formula - Classroom Trust Fund				59,796
Other Local Sources				5,929
Investment income				94,103
Total General Revenues				1,718,697
Extraordinary Item				
Bond Proceeds				1,200,000
Increase in net assets				1,223,739
Net Position - beginning of year				628,190
Net Position - end of year				\$ 1,851,929

The accompanying Notes to the Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

**EXHIBIT C
STRASBURG C-3 SCHOOL DISTRICT
BALANCE SHEET - MODIFIED CASH BASIS
ALL GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>Governmental Funds</u>				
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS					
Cash	\$ 431,997	44,537	97,097	1,256,046	1,829,677
Investments	0	0	22,252	0	22,252
TOTAL ASSETS	\$ 431,997	44,537	119,349	1,256,046	1,851,929
FUND BALANCES					
Restricted:					
Debt service	0	0	119,349	0	119,349
Professional development	1,752	0	0	0	1,752
Teachers' salaries and benefits	0	44,537	0	0	44,537
Unexpended bond proceeds	0	0	0	1,218,210	1,218,210
Assigned	0	0	0	37,836	37,836
Unassigned	430,245	0	0	0	430,245
TOTAL FUND BALANCES	431,997	44,537	119,349	1,256,046	1,851,929

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT D
STRASBURG C-3 SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General	Special Revenue	Debt Service	Capital Projects	Total
REVENUES					
Local	\$ 675,818	61,408	156,507	91,384	985,117
County	0	49,041	11,088	0	60,129
State	292,478	428,228	0	0	720,706
Federal	76,349	4,336	0	0	80,685
TOTAL REVENUES	1,044,645	543,013	167,595	91,384	1,846,637
EXPENDITURES					
Instruction	396,168	589,068	0	0	985,236
Student services	5,392	0	0	0	5,392
Guidance	128	0	0	0	128
Professional development	2,834	1,926	0	0	4,760
Media and health services	18,185	18,854	0	0	37,039
Board of Education	13,002	0	0	0	13,002
Building level administration	91,263	104,764	0	0	196,027
Operation of plant	103,393	0	0	45,875	149,268
Transportation	98,873	0	0	0	98,873
Food service	62,958	0	0	4,330	67,288
Community services	3,034	0	0	0	3,034
Retirement of debt	0	0	220,000	0	220,000
Interest	0	0	14,835	0	14,835
Other	0	0	716	27,300	28,016
TOTAL EXPENDITURES	795,230	714,612	235,551	77,505	1,822,898
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	249,415	(171,599)	(67,956)	13,879	23,739
OTHER FINANCING SOURCES (USES)					
Operating transfers in	0	205,910	0	0	205,910
Operating transfers out	(205,910)	0	0	0	(205,910)
Bond proceeds	0	0	0	1,200,000	1,200,000
TOTAL OTHER FINANCING SOURCES (USES)	(205,910)	205,910	0	1,200,000	1,200,000
Excess (deficiency) of revenues over expenditures after other financing sources (uses)	43,505	34,311	(67,956)	1,213,879	1,223,739
Fund balances at beginning of year.	388,492	10,226	187,305	42,167	628,190
Fund balances at end of year.	\$ 431,997	44,537	119,349	1,256,046	1,851,929

The accompanying Notes to the Financial Statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**STRASBURG C-3 SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Presentation

GOVERNMENT – WIDE FINANCIAL STATEMENTS

The Statement of Net Position–Modified Cash Basis and Statement of Activities–Modified Cash Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Since the District has no enterprise or internal service funds, the government-wide financial statements do not reflect business-type activities.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The District presently has no proprietary or fiduciary funds. An emphasis is placed on major funds within the governmental categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined. Or,
3. The governing body elects to designate a governmental fund as major.

The Board of Education has elected to designate all governmental funds as major funds. The District's major governmental funds are as follows:

General Fund: The general fund is the general operating fund of the District. This fund is used to account for all financial resources except those required to be accounted for and reported in another fund.

Special Revenue Fund: Accounts for expenditures for certified employees involved in administration and instruction. It includes revenues restricted by the State and the local tax levy for the payment of teacher salaries and certain employee benefits.

Debt Service Fund: The Debt Service Fund is used to account for all financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Capital Projects Fund: The purpose of this fund is to account for all financial resources that are restricted, committed, or assigned to expenditures for capital outlay.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

In the government-wide Statement of Net Position-Modified Cash Basis and the Statement of Activities-Modified Cash Basis, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets (cash and investments) are generally included on the Balance Sheet-Modified Cash Basis-All Governmental Funds. They present sources and uses of available spendable financial resources (cash and investments) during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Position-Modified Cash Basis and Statement of Activities-Modified Cash Basis and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, net position/fund equity, revenues, and expenditures when they result from cash transactions with the exception of investments. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

D. Pooled Cash

Cash resources of the individual funds are combined to form a pool of cash and cash equivalents, which is managed by the District Treasurer. Interest income received is allocated to contributing funds based on fund balances.

E. Capital Assets

Capital assets are recorded as expenditures in the General Fund and the Capital Projects Fund at the time the expenditures are paid.

F. Vacation and Sick Leave

Vacation time, personal business days, and sick leave are considered expenditures in the year paid. Such amounts unused and which are vested by the employee are payable upon termination. At June 30, 2017, the District's compensated leave liability balance was approximately \$20,056 which represents 477 days.

G. Teachers' Salaries

Payroll checks written and dated in June, 2017, for July and August, 2017, (payrolls from 2017-2017 contracts) are included in the financial statements as expenditures paid in the month of June. This practice has been consistently followed in previous years.

H. Inventories

Inventories are reported as expenditures in the appropriate fund when purchased.

I. Net Position

Net Position is classified and displayed in two components:

1. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
2. Unrestricted net position – All other net positions that do not meet the definition of "restricted".

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

J. Cash and Investments

The District's cash includes demand deposits and certificates of deposit. Investments consist of funds held in Missouri School District Direct Deposit Program accounts maintained at BOK Financial, United States Treasury Securities, and certificates of deposit with a term of three months or greater.

K. Statement of Activities–Modified Cash Basis

In the Statement of Activities-Modified Cash Basis, revenues that are derived directly from each activity or from parties outside the District's taxpayers are reported as program revenues. The District has the following program revenues in each activity:

Instructional services
 Student services
 Transportation
 Food service

 Instructional Staff Support

State and federal aid
 Student activity fees
 Transportation state aid
 State and Federal aid, meal prices
 paid by food service participants.
 State and federal aid

L. Long-Term Debt

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

II. Deposits and Investments

The District complies with various restrictions on deposits and investments which are imposed by state statutes and bond covenants.

Investments

Investments of the District as of June 30, 2017 are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
BOK Financial through the Missouri School District Direct Deposit Program	Not Applicable	<u>22,252</u>
Total Investments		<u>\$ 22,252</u>

Interest Rate Risk: Interest risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the District's investment policy and state law, the District manages its exposure to declines in fair values by investing only in the Missouri School District Direct Deposit Program and United States Treasury Securities.

The District's investments with BOK Financial are invested in investment contracts in accordance with Sections 165.051 and 360.120 of the Missouri Revised Statutes through the Missouri School District Direct Deposit Program. Each district investing in the program owns a pro-rata share of each investment which is held in the name of the district. Fair market value approximates cost and carries various interest rates.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's credit risk in the Missouri School District Direct Deposit Program is set forth in Section 360.120.1(5), which allows the District to invest its funds in investment agreements constituting an obligation of a bank, bank holding company, savings and loan association, trust company, financial institution or other credit provider whose outstanding unsecured long-term debt is rated at the time of such agreement in either of the two highest rating categories by a nationally recognized rating service.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District limits its concentration to the Missouri School District Direct Deposit Program and United States Treasury Securities.

Custodial Credit Risk-Investments: Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment custodial credit risk is limited to investment contracts through the Missouri School District Direct Deposit Program and United States Treasury Securities.

Deposits

Custodial Credit Risk-Deposits: Custodial credit risk for deposits is the risk that, in the event of a depository financial institution failure, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. In accordance with Section 110.010 and 110.020, RSMo, the District's deposits at June 30, 2017, were entirely insured by the Federal Deposit Insurance Corporation (FDIC). Of the District's total deposits of \$1,902,485 at June 30, 2017, \$1,902,485 was insured by the FDIC.

III. Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. Counties collect the property taxes and remit it to the District.

The District also received 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 valuation of the tangible taxable property for calendar year 2016 for purposes of local taxation was as follows:

Residential	\$ 8,693,130
Agricultural	1,161,230
Commercial	109,316
Personal Property	<u>2,617,237</u>
Total	<u>\$ 12,580,913</u>

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

	<u>Unadjusted</u>	<u>Adjusted</u>
General Fund	\$ 4.2617	4.2617
Debt Service Fund	<u>1.2083</u>	<u>1.2083</u>
Total	<u>\$ 5.4700</u>	<u>5.4700</u>

IV. Bonds Payable

The following is a summary of bond transactions for the year ended June 30, 2017:

Bonds Payable, July 1, 2016	\$ 720,000
Debt issued	1,200,000
Bonds Retired	<u>(220,000)</u>
Bonds Payable, June 30, 2017	<u>\$ 1,700,000</u>

Bonds payable consist of General Obligation Bonds Series 2012, with various interest rates ranging from 1.70 percent to 2.75 percent, interest payments due semiannually on March 1 and September 1, and principal payments due annually in March; and General Obligation Bonds Series 2017, with interest rates ranging from 1.20 percent to 5 percent, interest payments due semiannually on March 1 and September 1, and principal payments due annually in March.

Schedule 13 found in the Other Supplementary Data shows the future debt service requirements for each bond issue.

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

Constitutional debt limit	\$ 1,887,137
General obligation bonds payable	(1,700,000)
Amount available in Debt Service Fund	<u>1,256,046</u>
LEGAL DEBT MARGIN	<u>\$ 1,443,183</u>

V. Cafeteria Plan

The cafeteria plan is a flexible compensation program created in accordance with Internal Revenue Code Section 125. This plan permits employees to reduce their salaries in exchange for nontaxable benefits, creating tax savings that are used to pay or reimburse certain expenses elected by the employees. The options available to employees are medical expense reimbursement, dependent care reimbursement, and premium payment for state medical and life insurance.

VI. Claims and Judgments

The District receives substantial funding from state and federal governments. Expenditures financed by this funding are subject to audit by those state and federal governments. If expenditures are disallowed due to noncompliance with state or federal regulations, the District may be required to reimburse the applicable government. As of June 30, 2017, expenditures have not been audited by state or federal governments, but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any individual government funds or the overall financial position of the District.

VII. Interfund Transfers

Transfers between funds of the primary government for the year ended June 30, 2017, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 0	205,910
Special Revenue Fund	205,910	0
Total	<u>\$ 205,910</u>	<u>205,910</u>

These transfers were used to move receipts from the fund that statute or budget requires to collect them, to the funds that statute or budget requires to disburse them.

VIII. Post-Employment Benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured on or before the month for the actual month covered. This program is offered for duration of 18 months after the termination date. There is no associated cost to the District under this program.

IX. Risk Management

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

X. Pension Plans— Public School and Education Employee Retirement Systems of Missouri

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

Plan Description. PSRS is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. PSRS also includes certificated employees of PSRS, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the State of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987, and 1989. The majority of PSRS members are exempt from Social Security contributions. In some

instances, positions may be determined not to be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of Section 169.070 (9) RSMo, known as the "2/3's statute." PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members' benefits are further calculated at two-thirds the normal benefit amount.

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

Benefits Provided. PSRS is a defined benefit plan providing retirement, disability, and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of 5 years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.50 percent benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55 percent benefit factor was used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

PEERS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of 5 years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61 percent benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional temporary .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

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

Cost-of-living Adjustments (COLA). The Board of Trustees has established a policy of providing a 0.00 percent COLA for years in which the CPI increases between 0.00 percent and 2.00 percent, a 2.00 percent COLA for years in which the CPI increases between 2.00 percent and 5.00 percent, and a COLA of 5.00 percent if the CPI increase is greater than 5.00 percent. If the CPI decreases, no COLA is provided. For any PSRS member retiring on or after July 1, 2001, such adjustments commence on the second January after commencement of benefits and occur annually thereafter. For PEERS members, such adjustments commence on the fourth January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80.00 percent of the original benefit for any member.

Contributions. PSRS members were required to contribute 14.50 percent of their annual covered salary during the fiscal years 2015, 2016 and 2017. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1 % of pay.

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

The District's contributions to PSRS and PEERS were \$89,163 and \$10,353, respectively for the year ended June 30, 2017.

Actuarial Assumptions

Actuarial valuations of the Systems involve estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipate experienced for the Systems, derived from experience studies conducted every fifth year. The most recent comprehensive experience studies were completed in June, 2016. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the study and effective with the June 30, 2016 valuation. Significant actuarial assumption and method changes are detailed below. For additional information please refer to the Systems' CAFR. The next experience studies are scheduled for 2021.

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

Expected Return on Investments	7.75% net of investment expenses and including 2.25% inflation
Inflation	2.25%
Total Payroll Growth	<p>PSRS: 2.75% per annum, consisting of 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.</p> <p>PEERS: 3.25 % per annum, consisting of 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.</p>
Future Salary Increases	<p>PSRS: 3.00% - 9.50% depending on service and including 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care cost in pensionable earnings, and 0.50% of real wage growth due to productivity.</p> <p>PEERS: 4.00% - 11.00%, depending on service and including 2.25% inflation, 0.50% real wage growth due to the inclusion of health care costs in pensionable earnings, and 0.50% real growth due to productivity</p>
Cost-of-Living Increases PSRS & PEERS:	<p>The long-term cost-living adjustment (COLA) assumed in the valuation is 1.50% per year, based on the current policy of the Board to grant a 0.00% COLA when annual inflation, as measured by the CPI-U index for a fiscal year, increase between 0.00% and 2.00% and to grant 2.00% when the increase is between 2.00% and 5.00%. The actuarial assumption increases from 1.00% to 1.50% over ten years (from 2017 fiscal year to 2027 fiscal year). The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over age 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. The total lifetime COLA cannot exceed 80% of the original benefit. PSRS members receive a COLA on the second January after retirement, while PEERS member receive a COLA on the fourth January after retirement.</p>

Mortality Assumption

Actives:

PSRS:

RP 2006 White Collar Employee Mortality Table, multiplied by an adjustment factor of 0.75% at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028

PEERS:

RP 2006 Total Dataset Mortality Employee Morality Table, multiplied by an adjustment factor of 0.75% at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028

**Non-Disabled Retirees,
Beneficiaries, and Survivors:**

PSRS:

RP-2006 White Collar Mortality Table with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale

PEERS:

RP-2006 Total Dataset Mortality Table with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale

Disabled Retirees:

RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale

**Changes in Actuarial Assumptions
and Methods:**

An experience study was completed in June 2016 resulting in an update to the following assumptions:

PSRS & PEERS

The inflation assumption decreased from 2.50% to 2.25% per year

PSRS:

The payroll growth assumption decreased from 3.50% to 2.75% per year

The future salary increase assumption decreased from 4.00%-10.00%, depending on service to 3.00%-9.50% depending on service.

The investment return assumption decreased from 8% to 7.75% per year.

The active mortality assumption changed from the RP 2000 Mortality Table set back one year for male and six years for females, then projected to 2016 using Scale AA to 75% of the RP-2006 White Collar Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale. The non-disabled retiree mortality assumption changed from the RP 2000 Mortality Table set back one year for both males and females projected to 2016 using Scale AA to the RP-2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale. The disabled retiree mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to the RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.

PEERS:

The payroll growth assumption decreased from 3.75% to 3.25% per year. The future salary increase assumption decreased from 5.00%-12.00%, depending on services to 4.00%-11.00%, depending on service. The investment return assumption decreased from 8.00% to 7.75% per year.

The active mortality assumption changed from the RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA to 75% of the RP-2006 Total Dataset Mortality Table with static projection to 2028 using the 2014 SSA Improvement Scale.

The non-disabled retiree mortality assumption changed from the RP 2000 Mortality Table set forward one year for males and no set back/forward for females, then projected to 2016 using Scale AA to the RP-2006 Total Dataset Mortality Table with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.

The disabled retiree mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to the RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.

PSRS & PEERS:

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

Fiduciary Net Position

The System issue a publicly available financial report that can be obtained at www.psrs-peers.org

Expected Rate of Return

The long-term expected rate of return on investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumption for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed rate of return. The long-term expected rate of return on Systems' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investments expected expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target allocation as of June 30, 2016 are summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within investment management industry. Geometric returns represent the compound rate of growth of a portfolio. The method eliminates the effects created by cashflows.

Asset Class	Target Asset Allocation	Long-term Expected Return Arithmetic Basis	Weighted Long-term Expected Real Return Arithmetic Basis
U.S. Public Equity	27.00%	5.16%	1.39%
Public Credit	7.00%	2.17%	0.15%
Hedged Assets	6.00%	4.42%	0.27%
Non-U.S. Public Equity	15.00%	6.01%	0.90%
U.S. Treasuries	16.00%	0.96%	0.15%
U.S. TIPS	4.00%	0.80%	0.03%
Private Credit	4.00%	5.60%	0.22%
Private Equity	12.00%	9.86%	1.18%
Private Real Estate	9.00%	3.56%	0.32%
Total	100%		4.61%
		Inflation	2.25%
		Long-term arithmetical nominal return	6.86%
		Effect of covariance matrix	0.89%
		Long-term expected geometric return	7.75%

Discount Rate

The long-term expected rate of return used to measure the total pension liability was 7.75% as of June, 30, 2016, and is consistent with long-term expected geometric return on plan investments. The actuarial assumed rate of return was 8.0% from 1980 through fiscal year 2016. The Board of Trustees adopted a new actuarial assumed rate of return of 7.75% based on the actuarial experience studies and asset-liability study conducted during the current year. The projection of cash flow used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Discount Rate Sensitivity

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

<u>Discount Rate</u>	<u>1% Decrease (6.75%)</u>	<u>Current Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
PSRS			
Pension Liability/(Asset)			
Net Pension Liability/(Asset)	\$ 1,704,072	1,004,488	421,978
PEERS			
Proportionate share of the			
Net Pension Liability/(Asset)	\$ 142,319	81,838	31,080

XI. Post-Employment Health Care Plan

Plan Description: The District participates in a multiple-employer defined benefit health care plan administered by Midwest Public Risk. The District provides medical insurance benefits to eligible retirees through this plan in accordance with the Consolidated Omnibus Budget Reconciliation Act (COBRA). The obligation for payment of benefits has been transferred from the District to the retiree. The retiree sends the premium directly to Midwest Public Risk.

Various policies give the Board of Education the authority to establish and amend benefit provisions for current and retired employees. The District does not guarantee benefits in the event of the insurance company's insolvency. The District does not issue a separate publicly available financial report.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

Funding Policy: The District requires retired plan members to contribute 100% of the premium amount for the plan option they select. While, in regards to retirees, this amount contains an implied rate subsidy by the District through a reduced blended premium covering all current employees and retirees, there is no actuarial valuation performed to determine the amount of such subsidy. Because the retiree insurance premium as established is paid entirely by retiree contributions directly to Midwest Public Risk, there is no cash outflow by the District related to these benefits. Therefore, there are no cash basis disbursements reported for the District in regards to plan benefits.

The plan options and contribution requirements of plan members is reviewed and established annually by the Board of Education. The required contribution is based on plan options offered by the insurance company. The District does not provide any additional amount to prefund benefits nor does the plan have an actuarial valuation.

XII. Fund Balance Reporting

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. The District has no nonspendable fund balances.

GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balance of the General Fund that is not constrained for any particular purpose.

The District has classified its fund balances with the following hierarchy:

Spendable: The District has classified the spendable fund balances as *Restricted, Assigned and Unassigned* and considered each to have been spent when expenditures are incurred. The District currently has no funds classified as committed.

- Restricted for State Categorical Programs, Capital Projects, Debt Service and Student Activities:
Federal Laws, Missouri Statutes and local ordinances require that certain revenues be specifically designed for the purposes of capital projects, debt service and student activities. The funds have been included in restricted category of fund balance. The restricted fund balances totaled \$1,383,848 and represents \$119,349 in debt service, \$1,218,210 in unexpended bond proceeds, \$1,752 in professional development and \$44,537 in teachers' salaries.

- Assigned:
The assigned fund balance for the Capital Projects Fund is \$37,836.
- Unassigned:
The unassigned fund balance for the General Fund is \$430,245.

XIII. Budgets and Budgetary Practices

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

- A. In accordance with Chapter 67, RSMo, the District adopts a budget for each fund.
- B. Prior to July, the superintendent, who serves as the budget officer, submits to the Board of Education a proposed budget for the fiscal year beginning on the following July 1. The proposed budget includes estimated revenues and proposed expenditures for all district funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
- C. A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Education, the budget document is available for public inspection.
- D. In June, 2016, the budget was legally enacted by a vote of the Board of Education.
- E. Subsequent to its formal approval of the budget, the Board of Education has the authority to make necessary adjustments to the budget by formal vote of the board.
- F. Budgets for district funds are prepared and adopted on the modified cash basis recognizing revenues when collected and expenditures when paid, except for investments.

OTHER FINANCIAL SUPPLEMENTARY INFORMATION

SCHEDULE 1
STRASBURG C-3 SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - MODIFIED CASH BASIS - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local	\$ 600,915	675,818	675,818	0
State	289,375	292,478	292,478	0
Federal	82,500	76,349	76,349	0
TOTAL REVENUES	<u>972,790</u>	<u>1,044,645</u>	<u>1,044,645</u>	<u>0</u>
EXPENDITURES				
Instruction	378,000	396,168	396,168	0
Student activities	5,690	5,392	5,392	0
Professional development	5,200	2,834	2,834	0
Media and health services	15,650	18,185	18,185	0
Board of Education	12,550	13,002	13,002	0
Building level administration	91,401	91,263	91,263	0
Operation of plant	103,610	103,393	103,393	0
Transportation	99,005	98,873	98,873	0
Food services	62,214	62,958	62,958	0
Community services	3,000	3,162	3,162	0
TOTAL EXPENDITURES	<u>776,320</u>	<u>795,230</u>	<u>795,230</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>196,470</u>	<u>249,415</u>	<u>249,415</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(192,928)</u>	<u>(205,910)</u>	<u>(205,910)</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(192,928)</u>	<u>(205,910)</u>	<u>(205,910)</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures after other financing sources (uses)	<u>3,542</u>	<u>43,505</u>	<u>43,505</u>	<u>0</u>
Fund balances at beginning of year	<u>329,306</u>	<u>388,492</u>	<u>388,492</u>	<u>0</u>
Fund balances at end of year	<u>\$ 332,848</u>	<u>431,997</u>	<u>431,997</u>	<u>0</u>

SCHEDULE 2
STRASBURG C-3 SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local	\$ 49,395	61,408	61,408	0
County	45,700	49,041	49,041	0
State	424,125	428,228	428,228	0
Federal	0	4,336	4,336	0
TOTAL REVENUES	<u>519,220</u>	<u>543,013</u>	<u>543,013</u>	<u>0</u>
EXPENDITURES				
Instruction	585,419	589,068	589,068	0
Professional development	2,380	1,926	1,926	0
Media and health services	19,000	18,854	18,854	0
Building level administration	105,349	104,764	104,764	0
TOTAL EXPENDITURES	<u>712,148</u>	<u>714,612</u>	<u>714,612</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(192,928)</u>	<u>(171,599)</u>	<u>(171,599)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>192,928</u>	<u>205,910</u>	<u>205,910</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>192,928</u>	<u>205,910</u>	<u>205,910</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures after other financing sources (uses)	<u>0</u>	<u>34,311</u>	<u>34,311</u>	<u>0</u>
Fund balances at beginning of year	<u>10,226</u>	<u>10,226</u>	<u>10,226</u>	<u>0</u>
Fund balances at end of year	<u>\$ 10,226</u>	<u>44,537</u>	<u>44,537</u>	<u>0</u>

**SCHEDULE 3
STRASBURG C-3 SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local	\$ 138,195	156,507	156,507	0
County	0	11,088	11,088	0
TOTAL REVENUES	<u>138,195</u>	<u>167,595</u>	<u>167,595</u>	<u>0</u>
EXPENDITURES				
Retirement of debt	120,000	220,000	220,000	0
Interest	23,000	14,835	14,835	0
Other	700	716	716	0
TOTAL EXPENDITURES	<u>143,700</u>	<u>235,551</u>	<u>235,551</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>(5,505)</u>	<u>(67,956)</u>	<u>(67,956)</u>	<u>0</u>
Fund balances at beginning of year	180,859	187,305	187,305	0
Fund balances at end of year	<u>\$ 175,354</u>	<u>119,349</u>	<u>119,349</u>	<u>0</u>

**SCHEDULE 4
STRASBURG C-3 SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local	0	91,384	91,384	0
TOTAL REVENUES \$	<u>0</u>	<u>91,384</u>	<u>91,384</u>	<u>0</u>
EXPENDITURES				
Operation of plant	0	45,875	45,875	0
Food Service		4,330	4,330	0
Other		27,300	27,300	0
TOTAL EXPENDITURES	<u>0</u>	<u>77,505</u>	<u>77,505</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>0</u>	<u>13,879</u>	<u>13,879</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	0	1,200,000	1,200,000	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures after other financing sources (uses)	<u>0</u>	<u>1,213,879</u>	<u>1,213,879</u>	<u>0</u>
Fund balances at beginning of year	42,167	42,167	42,167	0
Fund balances at end of year	<u>\$ 42,167</u>	<u>1,256,046</u>	<u>1,256,046</u>	<u>0</u>

SCHEDULE 5
 STRASBURG C-3 SCHOOL DISTRICT
 SCHEDULE OF REVENUES-MODIFIED CASH BASIS
 FOR THE YEAR ENDED JUNE 30, 2017

	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
LOCAL					
Current taxes	\$ 405,439	0	114,955	0	520,394
Delinquent taxes	146,163	0	41,383	0	187,546
School District Trust Fund (Prop C)	88,464	61,408	0	0	149,872
M&M surtax	361	0	103	0	464
Earnings from investments	2,653	0	66	91,384	94,103
Food service	21,580	0	0	0	21,580
Student activities	5,229	0	0	0	5,229
Other local sources	5,929	0	0	0	5,929
TOTAL LOCAL	<u>675,818</u>	<u>61,408</u>	<u>156,507</u>	<u>91,384</u>	<u>985,117</u>
COUNTY					
Fines	0	4,100	0	0	4,100
State assessed utility taxes	0	44,941	11,088	0	56,029
TOTAL COUNTY	<u>0</u>	<u>49,041</u>	<u>11,088</u>	<u>0</u>	<u>60,129</u>
STATE					
Basic formula - State Monies	142,741	428,228	0	0	570,969
Transportation aid	13,191	0	0	0	13,191
Early childhood special education	2,558	0	0	0	2,558
Basic formula - Classroom Trust Fund	59,796	0	0	0	59,796
Educational screening	4,335	0	0	0	4,335
Small schools grant	69,495	0	0	0	69,495
Food service	362	0	0	0	362
TOTAL STATE	<u>292,478</u>	<u>428,228</u>	<u>0</u>	<u>0</u>	<u>720,706</u>
FEDERAL					
IDEA Entitlement Funds, Prt B IDEA	29,746	0	0	0	29,746
Early childhood special education	374	0	0	0	374
School Lunch program	13,526	0	0	0	13,526
School Breakfast program	7,232	0	0	0	7,232
Title I - ESEA	11,892	4,336	0	0	16,228
Title II, Part A, ESEA - Teacher & Principal Quality	2,384	0	0	0	2,384
Title VI, Part B Rural Education Initiative	11,195	0	0	0	11,195
TOTAL FEDERAL	<u>76,349</u>	<u>4,336</u>	<u>0</u>	<u>0</u>	<u>80,685</u>
TOTAL REVENUES \$	<u><u>1,044,645</u></u>	<u><u>543,013</u></u>	<u><u>167,595</u></u>	<u><u>91,384</u></u>	<u><u>1,846,637</u></u>

**SCHEDULE 6
STRASBURG C-3 SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES-MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Salaries	\$ 141,971	550,597	0	0
Fringe benefits	49,371	164,015	0	0
Tuition	317,360	0	0	0
Professional services	46,463	0	0	0
Audit and accounting	5,100	0	0	0
Technical services	402	0	0	0
Repairs and Maintenance	5,884	0	0	0
Water and Sewer	960	0	0	0
Trash Removal	773	0	0	0
Legal Service	1,880	0	0	0
Contracted transportation	91,238	0	0	0
Travel	3,048	0	0	0
Insurance	12,915	0	0	0
Other purchased services and prior year adjustments	8,647	0	0	0
Supplies	56,869	0	0	0
Books and periodicals	3,056	0	0	0
Food service	19,643	0	0	0
Energy services	29,650	0	0	0
Retirement of indebtedness	0	0	220,000	0
Interest	0	0	14,835	0
Other	0	0	716	27,300
Capital Outlay	0	0	0	50,205
TOTAL EXPENDITURES	\$ <u>795,230</u>	<u>714,612</u>	<u>235,551</u>	<u>77,505</u>

**SCHEDULE 7
STRASBURG C-3 SCHOOL DISTRICT
SCHEDULE OF TRANSPORTATION COSTS ELIGIBLE FOR STATE AID
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Contracted</u>
Purchased services	\$ 87,840
Supplies	<u>7,634</u>
Total Costs	<u><u>\$ 95,474</u></u>

SCHEDULE 8
STRASBURG C-3 SCHOOL DISTRICT
PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS

<u>Year Ended*</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Actual Covered Member Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
June 30, 2014	0.0132%	\$541,540	\$584,086	92.72%	89.34%
June 30, 2015	0.0133%	\$767,790	\$600,254	127.91%	85.78%
June 30, 2016	0.0135%	\$1,004,488	\$622,677	161.32%	82.18%

*Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The data provided in the schedule is based as of the measurement date of PSRS' net pension liability, which is as of the beginning of the District's fiscal year.

SCHEDULE 9
STRASBURG C-3 SCHOOL DISTRICT
PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS

Year Ended*	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Pension as a Percentage of Total Pension Liability
June 30, 2014	0.0089%	\$ 32,500	\$ 129,573	25.08%	91.33%
June 30, 2015	0.0093%	\$ 49,188	\$ 139,881	35.16%	88.28%
June 30, 2016	0.0102%	\$ 81,838	\$ 157,227	52.05%	83.32%

*Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The data provided in the schedule is based as of the measurement date of PEERS' net pension liability, which is as of the beginning of the District's fiscal year.

**SCHEDULE 10
STRASBURG C-3 SCHOOL DISTRICT
PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ended*</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess/(Deficiency)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2013	\$ 85,438	\$ 85,438	\$ 0	\$ 589,224	14.50%
June 30, 2014	84,692	84,692	0	584,086	14.50%
June 30, 2015	87,037	87,037	0	600,254	14.50%
June 30, 2016	90,288	90,288	0	622,677	14.50%

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

**SCHEDULE 11
STRASBURG C-3 SCHOOL DISTRICT
PUBLIC EDUCATION EMPLOYEE RETIREMENT SYSTEM OF MISSOURI
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<u>Year Ended*</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess/(Deficiency)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2013	\$ 8,485	\$ 8,485	\$ 0	\$ 123,694	6.86%
June 30, 2014	8,889	8,889	0	129,573	6.86%
June 30, 2015	9,596	9,596	0	139,881	6.86%
June 30, 2016	10,786	10,786	0	157,227	6.86%

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

**SCHEDULE 12
STRASBURG C-3
019-140
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2017**

1. Calendar

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

Kindergarten – Full day	6.6000 SDL
Grades 1 – 6	6.6000 SDL
Grades 7 – 12	6.6000 SDL

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

Kindergarten - Full-day	1,124.40 hours
Grades 1 – 8	1,124.40 hours

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

2. Average Daily Attendance

Kindergarten-Full-day	17.3253
Grades 1-8	96.0672
Grades 9-12 attending other districts	41.1609
Total Average Daily Attendance	<u>154.5534</u>

3. September Membership

The District's September, 2016 membership count of resident students in grades K-12, taken the last Wednesday in September who were enrolled on the count day, and in attendance at least one of the ten previous school days was 163 students.

4. Free and Reduced Priced Lunch Full-time Equivalency Count

Free	34
Reduced	<u>12</u>
Total	<u>46</u>

5. Finance

A. Bond, as required by Section 162.401, RSMo, has been purchased for the district treasurer in the total amount of \$50,000.

True False Not applicable

B. The District's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo.

True False Not applicable

C. The District maintained a separate bank account for its Debt Service Fund in accordance with Section 165.011, RSMo.

True False Not applicable

D. Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records.

True False Not applicable

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.

True False Not applicable

F. The District published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo.

True False Not applicable

G. The District has a professional development committee plan adopted by the board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment.

True False Not applicable

H. The amount spent for approved professional development committee plan activities was \$4,760.

6. Transportation

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

True False Not applicable

- 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 False Not applicable

- 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 – 96 and ineligible ADT – 0.

True False Not applicable

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

True False Not applicable

- E. Actual odometer records show the total District-operated and contracted mileage for the year was 35,289.

Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route and disapproved miles (combined) was: Eligible miles – 24,175 and ineligible miles (non-route/disapproved) – 11,114.

True False Not applicable

- F. The total number of days the District's transportation system operated was 174 days.

True False Not applicable

SCHEDULE 13
STRASBURG C-3 SCHOOL DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2017

For the Year Ending June 30,	General Obligation Bonds Series 2012		General Obligation Bonds Series 2017		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 45,000	11,272	0	31,683	45,000	42,955
2019	45,000	10,508	125,000	41,325	170,000	51,833
2020	45,000	9,742	100,000	39,825	145,000	49,567
2021	45,000	8,978	50,000	38,475	95,000	47,453
2022	50,000	7,988	50,000	37,625	100,000	45,613
2023	50,000	6,888	50,000	36,775	100,000	43,663
2024	50,000	5,788	50,000	35,775	100,000	41,563
2025	55,000	4,538	50,000	34,775	105,000	39,313
2026	55,000	3,162	50,000	33,600	105,000	36,762
2027	60,000	1,650	50,000	32,425	110,000	34,075
2028	0	0	125,000	31,250	125,000	31,250
2029	0	0	125,000	25,000	125,000	25,000
2030	0	0	125,000	18,750	125,000	18,750
2031	0	0	125,000	12,500	125,000	12,500
2032	0	0	125,000	6,250	125,000	6,250
TOTAL	\$ 500,000	70,514	1,200,000	456,033	1,700,000	526,547

The accompanying Notes to the Financial Statements are an integral part of this schedule.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE MATTERS

RANDALL FIENE

Certified Public Accountant

Old Highway 40 East - P.O. Box 108

Concordia, Missouri 64020-0108

Phone 660-463-2130 - Fax 660-463-2132

*Member of American Institute of
Certified Public Accountants*

*Member of Missouri Society of
Certified Public Accountants*

INDEPENDENT AUDITOR'S 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*

Members of the Board of Education
Strasburg C-3 School District

I 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 Strasburg C-3 School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Strasburg C-3 School District's basic financial statements, and have issued my report thereon dated September 14, 2017. I noted in my report the District prepares its financial statements 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.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Strasburg C-3 School District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Strasburg C-3 School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified a certain deficiency in internal control that I consider to be a material weakness and significant deficiency.

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. I consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Strasburg C-3 School District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that was required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Randall C. Fiene, CPA
Concordia, Missouri
September 14, 2017

RANDALL FIENE
Certified Public Accountant
Old Highway 40 East - P.O. Box 108
Concordia, Missouri 64020-0108
Phone 660-463-2130 – Fax 660-463-2132

*Member of American Institute of
Certified Public Accountants*

*Member of Missouri Society of
Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE REQUIREMENTS

Members of the Board of Education
Strasburg C-3 School District

I have audited the financial statements of the governmental activities and each major fund of the Strasburg C-3 School District, as of June 30, 2017, as listed in the table of contents and have issued my report thereon dated September 14, 2017. In my report, I noted 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. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Management's Responsibility for Compliance

Management is responsible for the District's compliance with the requirements governing budgets (Chapter 67 RSMo) and the methods of maintaining pupil attendance and pupil transportation records (Chapter 165.121.3(7) RSMo). Management is also responsible for the design, implementation, and maintenance of internal control relevant to compliance with those requirements, whether due to fraud or error.

Auditor's Responsibility

As required by the Revised Statutes of the State of Missouri, I have performed auditing procedures to test compliance with the requirements governing budgets (Chapter 67 RSMo) and the methods of maintaining pupil attendance and pupil transportation records (Chapter 165.121.3(7) RSMo). My responsibility is to express opinions on the District's compliance with those requirements based on my audit. I conducted my audit of compliance with those requirements in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit involves performing procedures to obtain audit evidence about the District's compliance with these requirements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of noncompliance, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's compliance in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, I express no such opinion.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**STRASBURG C-3 SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES**

2017-1. Segregation of Duties

Criteria: To safeguard against the possible loss, theft, or misuse of district funds, proper internal controls require that duties be segregated so that no one person maintains the general ledger, record and process expenditures, and record and process payroll.

Condition: During my review of the District's internal control policies and procedures, I noted that one person was primarily responsible to maintain the general ledger, record and process expenditures, and payroll.

Cause: Due to limited personnel, it is not always practical to entirely segregate duties.

Effect: The risk of intentional or unintentional errors and irregularities may not be prevented and go undetected when incompatible duties are not segregated.

Recommendation: Segregate duties so that no one person is responsible for maintaining the general ledger, recording and processing expenditures, and payroll.

Response: *"As noted in the finding, due to limited personnel, it is not always practical to entirely segregate duties. A continued effort will be kept in reconciling bank statements and verifying the general ledger each month."*