

NORTHWEST R-1 SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2017

NORTHWEST R-1 SCHOOL DISTRICT

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Independent Auditors' Report

Board of Education
Northwest R-1 School District

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Northwest R-1 School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Northwest R-1 School District's basic financial statements. The management's discussion and analysis, supplementary information, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, and is not a required part of the basic financial statements.

The management's discussion and analysis, supplementary information, and schedule of selected statistics as listed in the table of contents, 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.

The schedule of expenditures of federal awards as listed in the table of contents is the responsibility of management and was derived from and relates 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2017, on our consideration of the Northwest R-1 School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwest R-1 School District's internal control over financial reporting and compliance.

Kerben Eck & Brackel LLP

St. Louis, Missouri
November 7, 2017

NORTHWEST R-1 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

The discussion and analysis of the Northwest R-I School District's financial performance provides a review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the Northwest R-I School District's financial performance as a whole. Readers should also review the basic financial statements and their supporting notes to enhance their understanding of the School District's financial performance.

The financial statements of the District have been prepared 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. Differences in the modified cash basis of accounting and accounting principles generally accepted in the United States of America arise in the recognition of revenue when received, rather than when earned, and the presentation of expenditures/expenses when paid versus when incurred.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2017, include the following:

- The beginning fund balance for the Northwest R-I School District for all funds was \$20,008,453, of which \$700,697 was assigned in the Capital Projects Fund and \$4,302,589 was restricted in the Debt Service Fund.
- The ending fund balance for the Northwest R-I School District for all funds was \$20,943,964, of which \$1,282,994 was assigned in the Capital Projects Fund and \$4,405,872 was restricted in the Debt Service Fund.
- The ending unrestricted fund balance for all funds was \$15,255,098 which represents 23.87% of the operating expenditures of the General and Teachers' Funds for the year ended June 30, 2017.
 - The District budget for the fiscal year reflected a balanced budget. This year the surplus increased slightly due to savings in diesel fuel, staffing and benefits.
- This is the third year that staff received a step on the pay schedule and the District was also able to add \$400 to the base.
 - This is a direct result of three years worth of salary schedule committee work that resulted in salary schedules being revised to ensure that annual increases are more sustainable.
 - This is a direct result of eliminating positions through attrition and decreasing the total amount of district personnel throughout the District.
- This year the District began implementation of E-Learning at the High School.
 - All students were issued a Chromebook as an educational learning tool that they are able to take back and forth between school and home.

NORTHWEST R-1 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

- The District looks to implement E-Learning at the middle schools during the 2017-2018 school year, and then at the elementary schools during the 2018-2019 school year.

Using the Basic Financial Statements

The District's basic financial statements consist of a series of financial statements and the associated notes to those statements. The statements are organized so the reader can understand the operations of the District as a whole (i.e., an entire operating entity). The "Basic Financial Statements" section includes government-wide financial statements, fund financial statements and notes to financial statements.

The government-wide financial statements, consisting of the Statement of Net Position and the Statement of Activities provide highly consolidated financial information and render a government-wide perspective of the District's financial condition. They present an aggregate view of the District's finances. These statements seek to answer the question, "How did the District do financially during the 2016-17 fiscal year?" These statements include all cash and investments using the modified cash basis of accounting.

By showing the change in net position for the year, the reader may ascertain whether the District's financial condition has improved or deteriorated. The changes that are discussed in this MD&A may be financial or non-financial in nature. Non-financial factors that may have an impact on the District's financial condition include increases in or erosion of the property tax base within the District, facilities maintenance and condition, mandated educational programs for which little or no funding is provided, or other external factors.

To provide more in-depth reporting of the District's financial position and changes in financial position, fund basis financial information is presented in the "Fund Financial Statements" section. These financial statements should be familiar to those who have read previous governmental financial statements. These statements report governmental activities on a modified cash basis, indicating modified cash basis sources and uses of funds.

Fund financial statements also provide more in-depth data on the District's most significant funds, its General Fund, Special Revenue (Teacher's) Fund, Debt Service Fund, and Capital Projects Fund. These funds are considered "major funds" in accordance with DESE. The relationship between governmental activities reported in the government-wide financial statements and the governmental funds reported in the fund financial statements are reconciled in the financial statements.

NORTHWEST R-1 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

Government-Wide Financial Analysis

Net Position of the Northwest R-I School District at June 30, 2017 of \$23,500,479 reflects the District's total assets of cash and investments. Net position of the District consists of the following as of June 30,:

	<u>2017</u>	<u>2016</u>
Restricted	\$ 6,962,387	\$ 7,252,012
Unrestricted	<u>16,538,092</u>	<u>15,507,982</u>
	<u>\$ 23,500,479</u>	<u>\$ 22,759,994</u>

The restricted net position are restricted for payment of principal and interest on general obligation bonds and payment of future medical insurance claims.

NORTHWEST R-1 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

Governmental Activities

Net position as presented in the Statement of Activities – Modified Cash Basis in the amount of \$23,500,479 as of June 30, 2017 reflects an increase of \$740,485 over the June 30, 2016 balance of \$22,759,994. Key elements of this increase consist of the following:

CHANGES IN NET POSITION		
Year ended June 30,		
	2017	2016
Program revenues		
Charges for services	\$ 2,272,708	\$ 2,267,617
Operating grants and contributions	33,905,565	33,710,213
Capital grants and contributions	7,081	7,067
General revenues		
Property taxes	25,648,609	26,330,272
Other taxes	6,382,001	6,257,524
State and federal grants not restricted to specific purposes	1,685,775	1,767,756
Interest and investment earnings	492,147	1,325,637
Refunding bond proceeds	-	9,150,000
Miscellaneous	118,653	379,177
Total revenues	70,512,539	81,195,263
Function/Program expenses		
Instruction	39,989,741	39,485,388
Student services	5,017,714	4,081,552
Instructional staff support	568,520	555,078
Administration and Board of Education	3,034,015	2,916,762
Building level administration	3,252,215	3,271,602
Operation of plant	6,371,606	6,631,673
Transportation	4,471,095	4,262,276
Food service	2,585,982	2,560,736
Debt service	3,754,215	13,726,806
Capital outlay	136,345	4,447,516
Community services	590,606	588,996
Total functional/program expenses	69,772,054	82,528,385
Change in net position	740,485	(1,333,122)
Net position at beginning of year	22,759,994	24,093,116
Net position at end of year	<u>\$ 23,500,479</u>	<u>\$ 22,759,994</u>

NORTHWEST R-1 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

Governmental Funds Financial Analysis

The District uses funds to control and manage money for particular purposes (e.g., dedicated taxes and bond proceeds). The fund basis financial statements allow the reader to obtain more insight into the financial workings of the District and assess further the District's financial health.

The District completed the fiscal year ended June 30, 2017 with total fund balance for all major governmental funds, of \$20,943,964, as compared to a combined fund balance of \$20,008,453 at June 30, 2016, for an increase of \$935,511.

The fund balance of the General Fund increased by \$249,931, due in large part to savings in fuel, staffing, and benefits. Diesel Fuel has continued to increase and decrease over the past several years but is still tracking approximately \$.80 - \$.90 less than it was in 2008.

The District has some restricted and assigned fund balances. The balance of \$4,405,872 in the Debt Service Fund is legally restricted for payment of general obligation bond principal, interest and related fees. The balance of \$1,282,994 in the Capital Projects Fund is assigned for the construction of a gym/SEMA storm shelter at High Ridge Elementary. This project is due in large part to a SEMA grant that the District was awarded in 2017 to be spent in 2018. The District is responsible to match a portion of the federal funds that will be received with the grant in order to complete the project.

NORTHWEST R-1 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

The following table summarizes the governmental fund revenues and other financing sources collected and expenditures paid for the year ended June 30, 2017:

REVENUES			
Years ended June 30,			
	2017	2016	Increase (Decrease)
Local	\$ 35,845,077	\$ 37,249,872	\$ (1,404,795)
County	1,685,776	1,767,756	(81,980)
State	28,560,551	28,444,520	116,031
Federal	4,421,135	4,583,116	(161,981)
Other	-	9,150,000	(9,150,000)
Total revenues collected	<u>\$ 70,512,539</u>	<u>\$ 81,195,264</u>	<u>\$ (10,682,725)</u>
EXPENDITURES			
Years ended June 30,			
	2017	2016	Increase (Decrease)
Instruction	\$ 39,871,361	\$ 39,424,897	\$ 446,464
Support services	25,226,249	24,242,483	983,766
Facilities acquisition and construction	136,345	4,447,516	(4,311,171)
Debt service	3,754,215	13,726,806	(9,972,591)
Community service and other	588,858	588,094	764
Total expenditures	<u>\$ 69,577,028</u>	<u>\$ 82,429,796</u>	<u>\$ (12,852,768)</u>

Local revenue in the amount of \$35,845,077 accounts for 50.84% of the total revenues collected for the District. The major source of local revenue for the operations and debt service is the local property taxes. Local property taxes collected for the 2016-2017 school year were \$25,648,609. This amount is derived from the District's operating levy of \$3.8060, Capital Projects levy of \$.15 and the debt service levy of \$.59 for a total levy of \$4.5460. The other significant local revenues are \$6,119,039 from Proposition C, \$492,147 from earnings on investments, \$993,952 from food services - breakfasts and lunches served, \$1,225,887 from student activities, and \$550,871 from after school program and preschool program tuition.

County revenue in the amount of \$1,685,776 accounts for 2.39% of the total revenues collected for the District. The major source of county revenue for the District is from State Assessed Railroad and Utilities in the amount of \$1,581,432. These revenues are used for operations and debt service.

NORTHWEST R-1 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

State revenue in the amount of \$28,560,551 accounts for 40.50% of the total revenues collected for the District. The major sources of state revenue for the District are from the Basic Formula Calculation, \$23,506,107 and from Classroom Trust Fund, \$2,531,057. Other significant state revenues include \$765,561 from transportation, \$1,391,953 from early childhood special education, \$116,332 from the high need fund and 111,634 from career education. Other state revenues include state food service, career education enhancement grant, Parents as Teachers, and other.

Federal revenue in the amount of \$4,421,135 accounts for 6.27% of the total revenues collected for the District. The major sources of federal revenue for the District are from the federal school lunch and breakfast program in the amount of \$1,488,730 combined, \$1,610,942 from Individuals with Disabilities Education Act (IDEA), \$203,873 from early childhood special education, \$756,905 from Title I, \$190,356 from Title II and \$7,509 from Title III. Other sources of federal revenue include Medicaid, IDEA grant, Non-IDEA special education grant and Carl Perkins Grant.

Overall, the total revenues and other financing sources from the 2016-2017 fiscal year decreased by \$10,682,725 as compared to the 2015-2016 fiscal year. \$9,150,000 was from the sale of the 2008 bonds that the District refunded last fiscal year. The revenue generated from the refunding was placed in escrow and will be used to make the remaining payments associated with the 2008 bonds at a lower than previously financed rate. This year the transportation allocation was decreased due to cuts issued by the Governor. The District received \$765,561, which was a \$200,000 reduction from DESE's preliminary projection for the fiscal year.

Local revenue decreased by \$1,404,795. A big portion of this decrease was due to a decrease in our tax collections of \$681,663 and a decrease in our earning on investments of \$833,490. In 2015/2016 the District received a settlement from a five year protested tax, which increased our tax collections for that year. Also in 2015/2016, the District refunded the 2008 bonds and the bond premiums were included in our 2015/2016 earnings on investments revenue. Other changes include an increase in Proposition C revenue of \$36,297, an increase in Financial Institution Tax revenue of \$41,836, an increase in student activity revenues of \$36,284, an increase in M & M Surtax revenue of \$38,509, an increase in In Lieu of Tax revenue of \$7,835 offset by a decrease in food service program and non-program combined revenue of \$35,360, a decrease in after school and preschool tuition combined of \$45,227 and an increase in miscellaneous local revenue of \$30,184.

County revenue decreased by \$81,980. This was due to a decrease in State Assessed Railroad and Utilities of \$106,175 offset by an increase in the Fines and Forfeitures revenues of \$24,195.

State revenues increased by a total of \$116,031. This year the Basic Formula and Classroom Trust funding from the State increased in total. The amount that was paid by state-sourced funds increased by \$41,823 from the 2015-2016 fiscal year - the Basic Formula state sourced funding decreased by \$6,590 and the Classroom Trust funds increased by \$48,413. Other increases were \$92,050 in career education and \$264,775 in early childhood special education funding. These increases were offset by decreases in transportation of \$218,376, the Career Education Enhancement Grant of \$10,872, the high needs fund of \$48,599, Parents as Teachers of \$4,286, food service of \$132 and other state revenue of \$350.

NORTHWEST R-1 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

Federal revenues decreased by \$161,981. IDEA funding increased by \$200,561 based on the current year entitlement and Early Childhood Special Education increased by \$47,878. The District also had an increase in Medicaid Revenue of \$19,181, an increase in Non-IDEA special education grants of \$13,602 and an increase in the federal lunch and breakfast program of \$9,691. These increases were offset by a decrease in IDEA Grants of \$27,864, a decrease in Title I funding of \$339,934, a decrease in Title II funding of \$83,011, and a decrease in Title III funding of \$3,549 due to the timing of revenues carried over.

Other revenue decreased by \$9,150,000 is due to the revenue received in 2015/2016 from the partial refunding of the 2008 bonds.

The governmental funds expenditures paid were \$69,577,028 for the 2016-2017 fiscal year. This is a decrease of \$12,852,768 from the 2015-2016 fiscal year. This decrease in expenditures is due to a decrease in acquisition and construction expenditures and a decrease in debt service expenditures, offset by increases in instruction, support services and community service. The largest portion of expenditures was for instruction \$39,871,361. This accounts for 57.30% of the total expenditures. This is an increase of \$446,464 from the 2015-2016 fiscal year. Expenditures include salaries and benefits for teachers and classified staff, totaling \$34,563,873. The other significant expenditures include tuition for the summer school program of \$1,087,000, student activities of \$1,128,753 and other purchased services, supplies and capital outlay of \$3,091,735.

Support Services expenditures of \$25,226,249 accounted for 36.26% of the total expenditures for the District. This is an increase of \$983,766 from last year. Expenditures include salaries and benefits of \$12,701,217, food service supplies, equipment and purchased services of \$1,306,832, transportation services and supplies of \$4,440,827, operation of plant supplies, equipment and other purchased services of \$3,705,687, board and administration supplies and other purchased services of \$925,216 (which includes informational technology), educational media services of \$1,822,690 and other supplies and purchased services in the amount of \$323,780.

Capital outlay expenditures of \$136,345 accounted for .20% of the total expenditures for the District. This is a decrease of \$4,311,171 from last fiscal year. These expenditures are a direct result of the 2014 bond proceeds approved by the voters and received during the 2013-2014 fiscal year. This fiscal year represents the final year of expenditures for the 2014 bond proceeds.

Debt Service expenditures of \$3,754,215 accounted for 5.40% of the total expenditures for the District. These expenditures were for the payment of principal, interest and fees relating to the general obligation bonds in the amount of \$3,594,910 and principal and interest and fees for the certificates of participation in the amount of \$159,305.

NORTHWEST R-1 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

District Annual Budget

In June 2016, the Northwest R-I School District's Board of Education approved a preliminary budget for the 2016-2017 fiscal year. The District presented a revised budget to the Board of Education in November 2016, an amended budget in April 2017 and a final budget to the Board of Education in June 2017. The Amended budget in April included any purchase requests that were generated from potential savings that were able to be recaptured and reallocated. The final budget amendment approved by the Board of Education in June adopted the Final budget as the actual expenditures and revenues at the close of the fiscal year.

With the change in the state basic formula calculation and rules for placement of funds for the revenues, the District opted once again to place all of the state basic formula revenues, including those for the Classroom Trust Fund and Prop "C" into the Teacher's Fund. The District placed all local tax revenue income into the General, Debt Service and Capital Project's Funds.

Capital Assets

The District operates under the modified cash basis of accounting, therefore, capital asset purchases are recorded as expenditures and depreciation is not recognized.

Long-term Debt

As of June 30, 2017, the District had outstanding general obligation indebtedness in the amount of \$30,790,000 as compared to \$33,345,000 as of June 30, 2016. This was due to the payment of \$2,555,000 in principal.

The District paid \$130,000 in principal in fiscal year 2017, in addition to interest on the certificates of participation from the high school parking lot project.

The District operates under a modified cash basis of accounting; therefore, payments on long-term debt are recorded as expenditures. Commitments for long-term debt are disclosed in the notes to the financial statements. Additional information of the District's long-term debt can be found in Note 4.

Economic Factors and Next Year Budget Rates

The District will continue to budget according the following priorities:

- Priority number one, the District will maintain a balanced budget annually and make additional cuts moving forward if necessary.

NORTHWEST R-1 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

- Priority number two, the District will continue to budget \$500,000 to maintain District buildings and capital assets, which is approximately \$.50 per square foot. It is a small amount for a district as big as Northwest R-I.
- Priority number three, the District will maintain quality salaries and benefits for employees in the Northwest R-I School District. This District is currently fourth in Jefferson County in terms of starting salaries.
- Priority number four focuses on increasing technology across the District. The District will implement E-Learning at the middle schools during the 2017-2018 school year.

In terms of revenue, 2017 is a reassessment year and historically the District has experienced an increase in assessed valuations during these years. The current Consumer Price Index is also set at 2.1%, which specifies the District can only appreciate this percentage increase to any existing properties. This is the highest CPI that we have seen in the last several years, and the District has an opportunity to experience an increase to local tax revenues by approximately \$400,000. This increase will only be appreciated if local tax collections are achieved at a high rate.

The District is projecting a decrease in State Formula revenue due to a decrease in ADA of approximately 70. This decrease in ADA coincides with a direct decrease to total enrollment and allowable attendance.

The healthcare plan premiums for 2017-2018 will remain the same as 2016-2017. Northwest R-1 has managed the self-funded insurance exceptionally well and there is a 0% increase for the renewal of the plan. The District Paid Deductible Plan will be \$524 per month.

- Employees can buy up to the premium plan coverage for \$184 per month.
- Employees can elect the high deductible plan and apply \$103 per month savings to an HSA, stipend or as a credit toward family health, dental or vision coverage.

The budget annually allocates resources to buildings on a per pupil basis. Allocations were made for instructional supplies, textbooks, special education, library materials, building repairs and office supplies. This budget reflects an overall rate of \$55 per pupil to cover these building expenditures.

The local tax rate was set on September 21, 2017 after the tax rate hearing was held and the Board of Education approved the calculation submitted to the State Auditor's Office. The total tax rate for 2017 is set at \$4.4653 per \$100 of assessed value. Of the \$4.4653, \$.5896 is allocated strictly for debt service and \$.15 is allocated for capital projects.

NORTHWEST R-1 SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

Contacting the District's Financial Management

The financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Northwest R-I School District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report, or need additional information, please contact the Northwest R-I School District Finance Department.

NORTHWEST R-1 SCHOOL DISTRICT

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

Year ended June 30, 2017

	<u>Governmental activities</u>
ASSETS	
Cash and investments	\$ 19,460,624
Restricted cash and investments	<u>4,039,855</u>
TOTAL ASSETS	<u><u>\$ 23,500,479</u></u>
NET POSITION	
Restricted for	
Debt service	\$ 4,405,872
For future insurance claims	2,556,515
Unrestricted	<u>16,538,092</u>
TOTAL NET POSITION	<u><u>\$ 23,500,479</u></u>

See notes to financial statements.

NORTHWEST R-1 SCHOOL DISTRICT

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

Year ended June 30, 2017

Function/program	Expenses	Program revenues			Net (expense) revenue and changes in net position
		Charges for services	Operating grants and contributions	Capital grants and contributions	Total governmental activities
Governmental activities					
Instruction	\$ 39,989,741	\$ 1,239,956	\$ 30,809,781	\$ 7,081	\$ (7,932,923)
Attendance	97,083	-	-	-	(97,083)
Guidance	1,244,047	-	-	-	(1,244,047)
Health, psych, speech and audio	613,399	-	-	-	(613,399)
Improvement of instruction	290,411	-	190,356	-	(100,055)
Professional development	278,111	-	-	-	(278,111)
Media services	3,063,184	-	-	-	(3,063,184)
Board of Education services	350,806	-	-	-	(350,806)
Executive administration	2,676,427	-	-	-	(2,676,427)
Building level administration	3,252,214	-	-	-	(3,252,214)
Operation of plant	6,186,539	-	-	-	(6,186,539)
Security services	185,067	-	-	-	(185,067)
Pupil transportation	4,471,095	38,800	765,561	-	(3,666,734)
Food services	2,585,982	993,952	1,508,121	-	(83,909)
Central office support services	6,782	-	-	-	(6,782)
Community services	590,606	-	631,746	-	41,140
Facilities acquisition and construction	136,345	-	-	-	(136,345)
Debt service:					
Principal	2,685,000	-	-	-	(2,685,000)
Interest and other charges	1,069,215	-	-	-	(1,069,215)
Total governmental activities	\$ 69,772,054	\$ 2,272,708	\$ 33,905,565	\$ 7,081	(33,586,700)
Taxes					
Property taxes, levied for general purposes					22,319,419
Property taxes, levied for debt service					3,329,190
Other taxes					262,962
Prop C - sales tax					6,119,039
County aid not restricted to specific purposes					1,685,775
Interest and investment earnings					492,147
Miscellaneous					118,653
Total general revenues					34,327,185
Change in net position					740,485
					22,759,994
					\$ 23,500,479

See notes to financial statements.

NORTHWEST R-1 SCHOOL DISTRICT

BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

Year ended June 30, 2017

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash and investments	\$ 15,255,098	\$ -	\$ 2,922,532	\$ 1,282,994	\$ 19,460,624
Restricted cash and investments	-	-	1,483,340	-	1,483,340
TOTAL ASSETS	<u>\$ 15,255,098</u>	<u>\$ -</u>	<u>\$ 4,405,872</u>	<u>\$ 1,282,994</u>	<u>\$ 20,943,964</u>
FUND BALANCES					
Restricted for:					
Debt service	\$ -	\$ -	\$ 4,405,872	\$ -	\$ 4,405,872
Assigned:					
Capital projects	-	-	-	1,282,994	1,282,994
Unrestricted	15,255,098	-	-	-	15,255,098
TOTAL FUND BALANCES	<u>\$ 15,255,098</u>	<u>\$ -</u>	<u>\$ 4,405,872</u>	<u>\$ 1,282,994</u>	<u>\$ 20,943,964</u>

Reconciliation to Statement of Net Position

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

Fund balances of governmental funds	\$ 20,943,964
Internal service funds are used by the District to charge the cost of insurance activities to individual funds. The net position of the internal service fund are included in governmental activities in the Statement of Net Position.	2,556,515
Net position of governmental activities	<u>\$ 23,500,479</u>

See notes to financial statements.

NORTHWEST R-1 SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS Year ended June 30, 2017

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
Revenues					
Local sources	\$ 24,787,399	\$ 6,545,720	\$ 3,390,927	\$ 1,121,031	\$ 35,845,077
County sources	1,254,344	104,344	307,266	19,822	1,685,776
State sources	2,487,464	26,037,163	-	35,924	28,560,551
Federal sources	3,664,230	756,905	-	-	4,421,135
Total revenues	32,193,437	33,444,132	3,698,193	1,176,777	70,512,539
Expenditures					
Instruction	7,786,856	31,781,206	-	303,299	39,871,361
Attendance	96,796	-	-	-	96,796
Guidance	62,534	1,177,830	-	-	1,240,364
Health, psych, speech and audio	608,093	1	-	3,489	611,583
Improvement of instruction	68,443	221,108	-	-	289,551
Professional development	160,238	117,050	-	-	277,288
Media services	1,935,730	821,099	-	297,287	3,054,116
Board of Education services	349,768	-	-	-	349,768
Executive administration	1,472,082	1,090,551	-	105,870	2,668,503
Building level administration	977,847	2,264,740	-	-	3,242,587
Operation of plant	5,372,028	-	-	796,197	6,168,225
Security services	181,370	-	-	3,150	184,520
Pupil transportation	4,444,722	13,137	-	-	4,457,859
Food service	2,307,351	-	-	270,976	2,578,327
Central office support services	2,473	4,289	-	-	6,762
Community services	559,983	28,012	-	863	588,858
Facilities acquisition and construction	-	-	-	136,345	136,345
Debt service					
Principal	-	-	2,555,000	130,000	2,685,000
Interest and other charges	-	-	1,039,910	29,305	1,069,215
Total expenditures	26,386,314	37,519,023	3,594,910	2,076,781	69,577,028
Revenues over (under) expenditures	5,807,123	(4,074,891)	103,283	(900,004)	935,511
Other financing sources (uses)					
Transfers	(5,557,192)	4,074,891	-	1,482,301	-
NET CHANGE IN FUND BALANCES	249,931	-	103,283	582,297	935,511
Fund balance at July 1, 2016	15,005,167	-	4,302,589	700,697	20,008,453
Fund balance at June 30, 2017	\$ 15,255,098	\$ -	\$ 4,405,872	\$ 1,282,994	\$ 20,943,964

Reconciliation to Statement of Activities

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

Net change in fund balances for governmental funds	\$ 935,511
Internal service funds are used by the District to charge the cost of insurance activities to individual funds. The change in net position of the internal service fund is included in governmental activities in the Statement of Activities.	(195,026)
Change in net position of governmental activities	\$ 740,485

See notes to financial statements.

NORTHWEST R-1 SCHOOL DISTRICT

STATEMENT OF NET POSITION - MODIFIED CASH BASIS - PROPRIETARY FUND

Year ended June 30, 2017

	<u>Governmental Activities - Internal Service Fund</u>
ASSETS	
Restricted cash and investments	<u>\$ 2,556,515</u>
NET POSITION	
Restricted for:	
Future insurance claims	<u>\$ 2,556,515</u>

See notes to financial statements.

NORTHWEST R-1 SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS - PROPRIETARY FUND Year ended June 30, 2017

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Self-insurance premiums	\$ 5,359,908
OPERATING EXPENSES	
Medical claims	4,924,080
Administrative fees	645,630
Total operating expenses	<u>5,569,710</u>
Operating loss	(209,802)
NON-OPERATING REVENUES	
Interest Income	<u>14,776</u>
CHANGE IN NET POSITION	(195,026)
Net position at July 1, 2016	<u>2,751,541</u>
Net position at June 30, 2017	<u><u>\$ 2,556,515</u></u>

See notes to financial statements.

NORTHWEST R-1 SCHOOL DISTRICT

STATEMENT OF NET POSITION - MODIFIED CASH BASIS - FIDUCIARY FUNDS

Year ended June 30, 2017

	Agency Fund COBRA/Retiree Insurance	Agency Fund Cafeteria and Flex Plan
ASSETS		
Cash and investments	\$ 5,666	\$ 28,890
LIABILITIES		
Accrued liabilities for future payment requests	\$ 5,666	\$ 28,890

See notes to financial statements.

NORTHWEST R-1 SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Northwest R-1 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.

These financial statements are presented on the modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP) as further discussed in this footnote under Basis of Accounting. Generally accepted accounting principles include relevant Governmental Accounting Standards Board (GASB) pronouncements.

Principles Determining the Scope of Reporting Entity

Generally accepted accounting principles require that the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in the applicable GASB statements have been considered and there are no other agencies or entities that should be presented with the District.

While parent-teacher organizations of the District's schools provide financial support exclusively to the District, they are not included as a component unit because the amount of financial support provided is of a de minimus nature.

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

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 charges paid by the students for goods and services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

NORTHWEST R-1 SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. The emphasis is placed on major funds. Each major fund is presented in a separate column while nonmajor funds, if applicable, are aggregated and presented in a single column.

The major funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the District and is used to account for expenditures for noncertified employees, pupil transportation, operation of plant, fringe benefits, student body activities, community services, the food service program and any expenditures not required or permitted to be accounted for in other funds.

Special Revenue Fund

The Special Revenue Fund is used to account for specific revenue sources that are restricted, committed or assigned for the payment of salaries and certain employee benefits for certified personnel.

Debt Service Fund

The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned for the periodic payment of principal, interest and fiscal charges on general long-term debt.

Capital Projects Fund

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Proprietary Fund

Internal Service Fund

The Internal Service Fund accounts for premiums collected for the payment of claims associated with the District's self insurance activities (primarily medical benefits). Expenses consist of claims paid.

NORTHWEST R-1 SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Fiduciary Fund

Agency Funds

The Fiduciary Fund is used to account for assets held by the District in a trustee capacity to account for transactions of the District for flex spending accounts and COBRA/retiree insurance. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Basis of Accounting

The 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 purchase of investments are recorded as assets and payroll withholdings are recorded as liabilities, when applicable. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable and general obligation bonds payable 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 governmental fund financial statements would use the modified accrual basis of accounting, while the government-wide financial statements would be presented on the accrual basis of accounting.

Cash and Investments

Cash resources from all funds, except the Debt Service Fund, are combined to form a pool of cash and temporary investments. State law requires that all deposits of the Debt Service Fund be kept separate from all other funds of the District. Interest income earned is allocated to contributing funds based on each funds' proportionate share of funds invested.

The District may invest in United States Treasury-bills, notes, bonds, government agency and instrumentality obligations, repurchase agreements collateralized by government securities, time certificates of deposit and A1-P1 commercial paper.

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The restricted assets consist of amounts escrowed for future general obligation bond principal and interest payments included in the Missouri Direct Deposit Program and amounts held for future medical claim payments.

NORTHWEST R-1 SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Fund Balances – Governmental Funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board.

Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the District's highest level of decision making authority, or a body or official. The chief operating officer has such authority.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. In other governmental funds if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned for those purposes, a negative assigned balance may be reported.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions. The District has not reported any nonspendable or committed fund balances.

The details of the fund balances are included in the Governmental Funds Balance Sheet.

Net Position

In the government-wide financial statements, equity is classified as net position. 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, contributors, or laws or regulations of other governments. The remaining balance of net position is reported as unrestricted. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

NORTHWEST R-1 SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Interfund Activity

Interfund transfers are reported as other financing sources (uses) in governmental funds. During the year the District transferred \$4,074,891 from the General Fund to the Special Revenue Fund in order to achieve a zero fund balance in this Fund. The District also transferred \$1,482,301 from the General Fund to the Capital Projects Fund. This transfer was to facilitate certain building improvements and purchases of equipment.

Teachers' Salaries

The salary payment schedule of the District for the year ended June 30, 2017, requires the payment of salaries over a twelve month period. Consequently, the July and August 2017 payroll checks are included in the accompanying financial statements as an expenditure paid in the month of June. This practice has been consistently followed in previous years.

NOTE 2 – CASH AND INVESTMENTS

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

The District has investments managed by BOK Financial in conjunction with the Missouri Direct Deposit Program. These investments are restricted for payment of interest and retirement of general obligation bonds issued through the MOHEFA Bond Program. The District also participates in the Missouri Security Investment Program (MoSIP). All funds of these programs are invested in accordance with Section 165.051 of the Missouri Revised Statutes. Each school district owns a pro rata share of each investment or deposit which is held in the name of the Fund. The District had \$1,483,340 and \$14,544,175 invested through MOHEFA and MoSIP at June 30, 2017, respectively.

NORTHWEST R-1 SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

The cash and investments held at June 30, 2017, are reported at cost as follows:

	Cost	Investment maturities 0 to 1 year
Deposits	\$ 5,892	N/A
Investments		
Certificates of Deposit	7,501,628	7,501,628
Investments - external investment pools		
Missouri Direct Deposit Program	1,483,340	1,483,340
Missouri Security Investment Program		
Money market funds	1,000,000	1,000,000
Term investments	13,544,175	13,544,175
Total investments	<u>23,529,143</u>	<u>23,529,143</u>
Total deposits and investments	<u>\$ 23,535,035</u>	<u>\$ 23,529,143</u>
Governmental activities	\$ 23,500,479	
Agency funds	<u>34,556</u>	
	<u>\$ 23,535,035</u>	

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District's investment policy does not include custodial credit risk requirements. The District's deposits were not exposed to custodial credit risk at year end.

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. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the District or its agent, but not in the government's name. The District does not have a policy for custodial credit risk for investments. The District's investments were not exposed to custodial credit risk at year end.

NORTHWEST R-1 SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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.

The credit ratings of the District's investments at June 30, 2017, are summarized in the schedule below.

	Cost	Credit rating
Investments		
Certificates of deposit	\$ 7,501,628	Unrated
Missouri Direct Deposit Program	1,483,340	Unrated
Missouri Security Investment Program		
Money market funds	13,544,175	AAAm
Term investments	1,000,000	AAAf
	<u>\$ 23,529,143</u>	

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 U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). 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 by requiring periodic review of diversification strategies. The District's investments were not exposed to concentration credit risk at year end.

NORTHWEST R-1 SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3 – TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are payable by December 31. All unpaid taxes become delinquent January 1 of the following year. The county collects the property taxes and remits them to the District on a monthly basis.

The District also receives sales tax collected by the State and remitted based on a prior year weighted average attendance.

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

Real estate	
Residential	\$ 346,974,100
Agricultural	1,776,502
Commercial	92,236,700
RR & Utility	1,666,423
Personal property	<u>124,376,439</u>
Total	<u>\$ 567,030,164</u>

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

	<u>Unadjusted</u>	<u>Adjusted</u>
General Fund	\$ 3.8060	\$ 3.8060
Special Revenue Fund	-	-
Debt Service Fund	0.5900	0.5900
Capital Projects Fund	<u>0.1500</u>	<u>0.1500</u>
Total	<u>\$ 4.5460</u>	<u>\$ 4.5460</u>

The receipts of current property taxes during the fiscal year ended June 30, 2017, aggregated approximately 93.42 percent of the current assessment computed on the basis of the levy as shown above.

NORTHWEST R-1 SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 4 – LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts due within one year
Bonds payable	\$ 33,345,000	\$ -	\$ (2,555,000)	\$ 30,790,000	\$ 2,765,000
Certificates of participation	715,000	-	(130,000)	585,000	135,000
	<u>\$ 34,060,000</u>	<u>\$ -</u>	<u>\$ (2,685,000)</u>	<u>\$ 31,375,000</u>	<u>\$ 2,900,000</u>

Principal and interest on all bonded indebtedness is paid through the Debt Service Fund. The certificates of participation are paid by the Capital Projects Fund.

General Obligation Bonds

Bonds payable consists of the following at June 30, 2017,:

	Original issue amount	Maturity date	Interest rates	Balance at June 30, 2017
Series 2008	\$ 10,000,000	2021	4.25%	\$ 710,000
Series 2009	7,930,000	2019	3.375-4.1%	590,000
Series 2011	4,330,000	2020	2-3%	2,665,000
Series 2012	8,740,000	2020	1-3.5%	5,325,000
Series 2014A	8,880,000	2034	3-4%	8,880,000
Series 2014B	3,620,000	2034	1.15%	3,470,000
Series 2016	9,150,000	2023	3%	9,150,000
	<u>\$ 52,650,000</u>			<u>\$ 30,790,000</u>

NORTHWEST R-1 SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

The annual requirements to amortize general obligation bonds are as follows at June 30, 2017:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,765,000	\$ 937,670	\$ 3,702,670
2019	2,915,000	847,875	3,762,875
2020	3,300,000	754,780	4,054,780
2021	2,915,000	639,118	3,554,118
2022	3,265,000	556,618	3,821,618
2023-2027	7,550,000	1,727,503	9,277,503
2028-2032	5,590,000	951,773	6,541,773
2033-2034	2,490,000	124,263	2,614,263
Total	<u>\$ 30,790,000</u>	<u>\$ 6,539,600</u>	<u>\$ 37,329,600</u>

Certificates of Participation

During 2010, the District issued Certificates of Participation to finance the District's Energy Improvement Project. The District is required to make semi-annual lease payments due April 1 and October 1.

The annual requirements to amortize Certificates of Participation are as follows at June 30, 2017:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 135,000	\$ 19,763	\$ 154,763
2019	150,000	14,344	164,344
2020	150,000	8,531	158,531
2021	<u>150,000</u>	<u>3,000</u>	<u>153,000</u>
Total	<u>\$ 585,000</u>	<u>\$ 45,638</u>	<u>\$ 630,638</u>

Capital Leases

The District leases certain equipment under agreements classified as capital leases. The cost for such equipment as of June 30, 2017 was \$966,823.

NORTHWEST R-1 SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

The following is a summary of the future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of June 30, 2017:

Year ending June 30,	
2018	\$ 167,029
2019	130,082
2020	102,316
2021	18,160
2022	18,612
2023-2027	46,314
2028-2032	14,138
2033-2034	<u>7,738</u>
Total future minimum lease payments	504,389
Less amount representing interest	<u>(17,634)</u>
Present value of future minimum lease payments	<u>\$ 486,755</u>

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 utilities). The legal debt margin, computed excluding the assessed valuation of State assessed railroad and utilities, of the District at June 30, 2017, was:

Constitutional debt limit	\$ 85,054,525
General obligation bonds payable	(30,790,000)
Amount available in Debt Service Fund	<u>4,405,872</u>
Legal debt margin	<u>\$ 58,670,397</u>

NOTE 5 – PENSION PLANS

The District contributes to The Public School Retirement System of Missouri (PSRS), a cost-sharing multiple-employer defined benefit pension plan. PSRS provides retirement and disability benefits to certificated employees and death benefits to members and beneficiaries. Positions covered by The Public School Retirement System are not covered by Social Security. PSRS benefit provisions are set forth in Chapter 169.010-.141 of the Missouri Revised Statutes.

NORTHWEST R-1 SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

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.

PSRS members are required to contribute 14.5% of their annual covered salary and the District is required to contribute a matching amount. The contribution requirements of members and the District are established and may be amended by the PSRS Board of Trustees. The District's contributions to PSRS for the year ending June 30, 2017, 2016 and 2015 were \$4,543,124, \$4,674,130 and \$5,017,028 respectively, equal to the required contributions.

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

PEERS members are required to contribute 6.86% of their annual covered salary and Northwest R-1 School District is required to contribute a matching amount. The contribution requirements of members and Northwest R-1 School District are established and may be amended by the Board of Trustees. The District's contributions to PEERS for the year ending June 30, 2017, 2016 and 2015 were \$593,104, \$583,437 and \$678,383, respectively, equal to the required contributions.

NOTE 6 – CONTINGENCIES

Grant Audits

The District receives Federal grants and State funding for specific purposes that are subject to review and audit. These reviews and audits could lead to requests for reimbursements or to withholding of future funding for expenditures disallowed under, or other noncompliance with terms of the grants and funding. The District is not aware of any noncompliance with Federal or State provisions that might require the District to provide reimbursement.

NORTHWEST R-1 SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

Litigation

Various claims and lawsuits are pending against the District. In the opinion of District management and legal counsel, the potential loss on all claims and lawsuits will not be significant to the District's financial statements.

NOTE 7 – SICK LEAVE

All District personnel who have been continuously employed by the District for no less than 7 years will be compensated for accumulated sick leave.

For fiscal year ended June 30, 2017, the District paid approximately \$256,711 under the sick leave compensation plan. Approximately \$227,079 will be paid during the year ended June 30, 2018.

NOTE 8 – POST EMPLOYMENT BENEFITS

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 and 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. A stand alone financial report is not available for the plan. During the year ended June 30, 2017, 218 retirees participated in the District's insurance plans and paid premiums totaling \$805,944. There were a total of 11 employees that participated in COBRA and paid premiums totaling \$31,441 during the year ended June 30, 2017.

NOTE 9 – SELF-INSURANCE

The District has a self-insurance plan which covers all employees' (and their dependents) medical expenses. These employees contribute to the plan through payroll deductions based on their coverage election. The District maximum liability is limited by excess insurance coverage.

NORTHWEST R-1 SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET TO ACTUAL - GENERAL FUND - UNAUDITED Year ended June 30, 2017

	Budgeted amounts		Actual	Variances - positive (negative)	
	Original	Final		Original to final	Final to actual
Revenues					
Local sources	\$ 23,815,303	\$ 24,787,399	\$ 24,787,399	\$ 972,096	\$ -
County sources	1,350,063	1,254,344	1,254,344	(95,719)	-
State sources	2,532,025	2,487,464	2,487,464	(44,561)	-
Federal sources	3,148,617	3,664,230	3,664,230	515,613	-
Total revenues	30,846,008	32,193,437	32,193,437	1,347,429	-
Expenditures					
Instruction	6,479,596	7,786,856	7,786,856	(1,307,260)	-
Attendance	100,417	96,796	96,796	3,621	-
Guidance	65,500	62,534	62,534	2,966	-
Health, psych, speech and audio	599,749	608,093	608,093	(8,344)	-
Improvement of instruction	62,313	68,443	68,443	(6,130)	-
Professional development	121,454	160,238	160,238	(38,784)	-
Media services	143,246	1,935,730	1,935,730	(1,792,484)	-
Instructional related technology	955,055	-	-	955,055	-
Board of Education services	388,100	349,768	349,768	38,332	-
Executive administration	821,852	1,472,082	1,472,082	(650,230)	-
Administrative technology	660,854	-	-	660,854	-
Building level administration	977,819	977,847	977,847	(28)	-
Operation of plant	6,030,795	5,372,028	5,372,028	658,767	-
Security services	-	181,370	181,370	(181,370)	-
Pupil transportation	4,723,899	4,444,722	4,444,722	279,177	-
Food service	2,658,979	2,307,351	2,307,351	351,628	-
Central office support services	-	2,473	2,473	(2,473)	-
Community services	560,095	559,983	559,983	112	-
Total expenditures	25,349,723	26,386,314	26,386,314	(1,036,591)	-
Revenues over expenditures	5,496,285	5,807,123	5,807,123	310,838	-
Other financing uses					
Transfers	(6,941,589)	(5,557,192)	(5,557,192)	1,384,397	-
NET CHANGE IN FUND BALANCE	<u>\$ (1,445,304)</u>	<u>\$ 249,931</u>	249,931	<u>\$ 1,695,235</u>	<u>\$ -</u>
Fund balance at July 1, 2016			15,005,167		
Fund balance at June 30, 2017			<u>\$ 15,255,098</u>		

See notes to supplementary information.

NORTHWEST R-1 SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET TO ACTUAL - SPECIAL REVENUE FUND - UNAUDITED Year ended June 30, 2017

	Budgeted amounts		Actual	Variances - positive (negative)	
	Original	Final		Original to final	Final to actual
Revenues					
Local sources	\$ 6,100,563	\$ 6,545,720	\$ 6,545,720	\$ 445,157	\$ -
County sources	44,856	104,344	104,344	59,488	-
State sources	25,893,643	26,037,163	26,037,163	143,520	-
Federal sources	1,260,569	756,905	756,905	(503,664)	-
Total revenues	33,299,631	33,444,132	33,444,132	144,501	-
Expenditures					
Instruction	32,788,826	31,781,206	31,781,206	1,007,620	-
Guidance	1,192,042	1,177,830	1,177,830	14,212	-
Health, psych, speech, & audio	18,087	1	1	18,086	-
Improvement of instruction	342,161	221,108	221,108	121,053	-
Professional development	110,001	117,050	117,050	(7,049)	-
Media services	717,641	821,099	821,099	(103,458)	-
Instructional related technology	109,535	-	-	109,535	-
Executive administration	1,033,191	1,090,551	1,090,551	(57,360)	-
Administrative technology	17,628	-	-	17,628	-
Building level administration	2,309,545	2,264,740	2,264,740	44,805	-
Pupil transportation	-	13,137	13,137	(13,137)	-
Central office support services	-	4,289	4,289	(4,289)	-
Community services	90,203	28,012	28,012	62,191	-
Total expenditures	38,728,860	37,519,023	37,519,023	1,209,837	-
Revenues over (under) expenditures	(5,429,229)	(4,074,891)	(4,074,891)	1,354,338	-
Other financing sources					
Transfers	5,429,229	4,074,891	4,074,891	(1,354,338)	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-	\$ -	\$ -
Fund balance at July 1, 2016			-		
Fund balance at June 30, 2017			\$ -		

See notes to supplementary information.

NORTHWEST R-1 SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET TO ACTUAL - DEBT SERVICE FUND - UNAUDITED Year ended June 30, 2017

	Budgeted amounts		Actual	Variances - positive (negative)	
	Original	Final		Original to final	Final to actual
Revenues					
Local sources	\$ 3,453,277	\$ 3,390,927	\$ 3,390,927	\$ (62,350)	\$ -
County sources	316,896	307,266	307,266	(9,630)	-
Total revenues	<u>3,770,173</u>	<u>3,698,193</u>	<u>3,698,193</u>	<u>(71,980)</u>	<u>-</u>
Expenditures					
Debt service:					
Principal	2,555,000	2,555,000	2,555,000	-	-
Interest and other charges	1,043,395	1,039,910	1,039,910	3,485	-
Total expenditures	<u>3,598,395</u>	<u>3,594,910</u>	<u>3,594,910</u>	<u>3,485</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 171,778</u>	<u>\$ 103,283</u>	103,283	<u>\$ (68,495)</u>	<u>\$ -</u>
Fund balance at July 1, 2016			<u>4,302,589</u>		
Fund balance at June 30, 2017			<u>\$ 4,405,872</u>		

See notes to supplementary information.

NORTHWEST R-1 SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS BUDGET TO ACTUAL - CAPITAL PROJECTS FUND - UNAUDITED Year ended June 30, 2017

	Budgeted amounts		Actual	Variances - positive (negative)	
	Original	Final		Original to final	Final to actual
Revenues					
Local sources	\$ 1,116,546	\$ 1,121,031	\$ 1,121,031	\$ 4,485	\$ -
County sources	20,647	19,822	19,822	(825)	-
State sources	146,450	35,924	35,924	(110,526)	-
Federal sources	131,720	-	-	(131,720)	-
Total revenues	1,415,363	1,176,777	1,176,777	(238,586)	-
Expenditures					
Instruction	291,566	303,299	303,299	(11,733)	-
Health, psych, speech, & audio	3,500	3,489	3,489	11	-
Improvement of instruction	37,750	-	-	37,750	-
Professional development	4,545	-	-	4,545	-
Media services	-	297,287	297,287	(297,287)	-
Instructional related technology	328,022	-	-	328,022	-
Executive administration	69,562	105,870	105,870	(36,308)	-
Administrative technology	105,800	-	-	105,800	-
Operation of plant	531,556	796,197	796,197	(264,641)	-
Security services	-	3,150	3,150	(3,150)	-
Food service	133,397	270,976	270,976	(137,579)	-
Community service	2,500	863	863	1,637	-
Facilities acquisition and construction	1,250,000	136,345	136,345	1,113,655	-
Debt Service:					
Principal	130,000	130,000	130,000	-	-
Interest and other charges	39,525	29,305	29,305	10,220	-
Total expenditures	2,927,723	2,076,781	2,076,781	850,942	-
Revenues over (under) expenditures	(1,512,360)	(900,004)	(900,004)	612,356	-
Other financing sources					
Transfers	1,512,360	1,482,301	1,482,301	(30,059)	-
NET CHANGE IN FUND BALANCE	\$ -	\$ 582,297	582,297	\$ 582,297	\$ -
Fund balance at July 1, 2016			700,697		
Fund balance at June 30, 2017			\$ 1,282,994		

See notes to supplementary information.

NORTHWEST R-1 SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - BUDGET TO ACTUAL - ALL GOVERNMENTAL FUNDS - UNAUDITED Year ended June 30, 2017

	Budgeted amounts		Actual	Variances - positive (negative)	
	Original	Final		Original to final	Final to actual
Revenues					
Local sources	\$ 34,485,689	\$ 35,845,077	\$ 35,845,077	\$ 1,359,388	\$ -
County sources	1,732,462	1,685,776	1,685,776	(46,686)	-
State sources	28,572,118	28,560,551	28,560,551	(11,567)	-
Federal sources	4,540,906	4,421,135	4,421,135	(119,771)	-
Total revenues	69,331,175	70,512,539	70,512,539	1,181,364	-
Expenditures					
Instruction	39,559,988	39,871,361	39,871,361	(311,373)	-
Attendance	100,417	96,796	96,796	3,621	-
Guidance	1,257,542	1,240,364	1,240,364	17,178	-
Health, psych, speech and audio	621,336	611,583	611,583	9,753	-
Improvement of instruction	442,224	289,551	289,551	152,673	-
Professional development	236,000	277,288	277,288	(41,288)	-
Media services	860,887	3,054,116	3,054,116	(2,193,229)	-
Instructional related technology	1,392,612	-	-	1,392,612	-
Board of Education services	388,100	349,768	349,768	38,332	-
Executive administration	1,924,605	2,668,503	2,668,503	(743,898)	-
Building level administration	3,287,364	3,242,587	3,242,587	44,777	-
Administrative technology	784,282	-	-	784,282	-
Operation of plant	6,562,351	6,168,225	6,168,225	394,126	-
Security services	-	184,520	184,520	(184,520)	-
Pupil transportation	4,723,899	4,457,859	4,457,859	266,040	-
Food service	2,792,376	2,578,327	2,578,327	214,049	-
Central office support services	-	6,762	6,762	(6,762)	-
Community services	652,798	588,858	588,858	63,940	-
Facilities acquisition and construction	1,250,000	136,345	136,345	1,113,655	-
Debt service:					
Principal	2,685,000	2,685,000	2,685,000	-	-
Interest and other charges	1,082,920	1,069,215	1,069,215	13,705	-
Total expenditures	70,604,701	69,577,028	69,577,028	1,027,673	-
NET CHANGE IN FUND BALANCE	\$ (1,273,526)	\$ 935,511	935,511	\$ 2,209,037	\$ -
Fund balance at July 1, 2016			20,008,453		
Fund balance at June 30, 2017			<u>\$ 20,943,964</u>		

See notes to supplementary information.

NORTHWEST R-1 SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

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

1. In accordance with Chapter 67 RSMo, the District adopts a budget for each fund.
2. Prior to July, the Superintendent, who serves as the budget officer, submits to the Board of Education a proposed budget for the fiscal year beginning on the following July 1. The 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.
6. Budgets are adopted on the modified cash basis of accounting for all governmental funds.



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Independent Accountants' Report on Compliance with Specified Requirements of Missouri Laws and Regulations

Board of Education
Northwest R-1 School District

We have examined Northwest R-1 School District's compliance with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures, accurate disclosure by Northwest R-1 School District's records of average daily attendance and average daily pupil transportation and other statutory requirements as listed in the Schedule of Selected Statistics for the year ended June 30, 2017. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on Northwest R-1 School District's compliance with the specified requirements based on our examination.

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

Our examination does not provide a legal determination on Northwest R-1 School District's compliance with specified requirements

In our opinion, Northwest R-1 School District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2017.

This report is intended solely 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.

Kerber, Eck & Braeckel LLP

St. Louis, Missouri
November 7, 2017

NORTHWEST R-1 SCHOOL DISTRICT

SCHEDULE OF SELECTED STATISTICS - UNAUDITED

District Number: 050-001

1. Calendar (Sections 160.041 and 171.031, RSMo)

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

	<u>Hours</u>
Kindergarten through Grade 5	6.7000
Grades 6 through 8	6.5000
Grades 9 through 12	6.4667

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

	<u>Hours</u>	<u>Days</u>
Kindergarten through Grade 5	1,066.3000	165
Grades 6 through 8	1,035.3767	165
Grades 9 through 12	1,031.6043	165

2. Average Daily Attendance (ADA)

	<u>Full-Time & Part-Time</u>
Regular term	
Kindergarten	438.6977
Grades 1 through 5	2,367.1130
Grades 6 through 8	1,323.3871
Grades 9 through 12	<u>1,689.2731</u>
Subtotal regular term	<u>5,818.4709</u>
Summer School subtotal	<u>345.9497</u>
ESY	<u>2.9023</u>
Total regular term plus summer school and ESY ADA	<u><u>6,167.3229</u></u>

NORTHWEST R-1 SCHOOL DISTRICT

SCHEDULE OF SELECTED STATISTICS - UNAUDITED

3. September Membership

	<u>Full-Time & Part-Time</u>
September resident membership	<u>6,171.16</u>

4. Free and Reduced Priced Lunch FTE Count

State FTE Total	<u>Full-Time & Part-Time</u>
Free	2,029.59
Reduced	<u>388.00</u>
Total	<u>2,417.59</u>

5. Finance

A.	As required by Section 162.401, RSMo, a bond was purchased for the schools' treasurer in the total amount of:	<u>\$50,000</u>
B.	The District's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo.	<u>True</u>
C.	The District maintained a separate bank account for the Debt Service Fund in accordance with Section 165.011, RSMo.	<u>True</u>
D.	Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records.	<u>True</u>
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 date for the projects to be undertaken.	<u>N/A</u>
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.	<u>True</u>
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.	<u>True</u>

NORTHWEST R-1 SCHOOL DISTRICT

SCHEDULE OF SELECTED STATISTICS - UNAUDITED

H. The amount spent for approved professional development committee plan activities was: \$277,288

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

Findings #: N/A

Management Letter Comment #: N/A

6. Transportation

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 transportation ridership records are maintained in a manner to accurately disclose in all material respects the average number of regular riders transported. True

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

▪ Eligible ADT	<u>4,142.5</u>
▪ Ineligible ADT	<u>396.0</u>

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

E. Actual odometer records show the total district-operated and contracted mileage for the year was: 1,173,475

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	<u>1,074,251</u>
▪ Ineligible Miles (Non-Route/Disapproved)	<u>99,224</u>

NORTHWEST R-1 SCHOOL DISTRICT

SCHEDULE OF SELECTED STATISTICS - UNAUDITED

- F. Number of days the schools operated the school transportation system during the regular school year:

165

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

Findings #: N/A

Management Letter Comment #: N/A

**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Board of Education
Northwest R-1 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, each major fund and the aggregate remaining fund information of the Northwest R-1 School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Northwest R-1 School's basic financial statements, and have issued our report thereon dated November 7, 2017. 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 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.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Northwest R-1 School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Northwest R-1 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northwest R-1 School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Northwest R-1 School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Kerker, Eck & Brueckel LLP

St. Louis, Missouri
November 7, 2017

**Independent Auditors' Report on Compliance for Each Major
Program and on Internal Control over Compliance
Required by the Uniform Guidance**

Board of Education
Northwest R-1 School District

Report on Compliance for Each Major Federal Program

We have audited the Northwest R-1 School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Northwest R-1 School District's major federal programs for the year ended June 30, 2017. The Northwest R-1 School District's major federal programs are 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 federal statutes, regulations, and the terms and conditions of its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Northwest R-1 School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Northwest R-1 School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Northwest R-1 School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Northwest R-1 School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Northwest R-1 School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Northwest R-1 School District's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Northwest R-1 School District's internal control over compliance.

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

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

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

Kerker, Eck & Brackelw

St. Louis, Missouri
November 7, 2017

NORTHWEST R-1 SCHOOL DISTRICT**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****For the year ended June 30, 2017**

<u>Federal grantor/Pass-through grantor/Program title/Cluster title</u>	<u>Federal CFDA number</u>	<u>Pass-through entity number</u>	<u>Expenditures</u>
U.S. Department of Education			
Passed-through Missouri Department of Elementary and Secondary Education:			
Title I Part A, Grants to Local Educational Agencies	84.010	050-001	\$ 1,148,090
Title II Part A, Improving Teacher Quality State Grants	84.367	050-001	259,492
English Language Acquisition Grants	84.365	050-001	9,026
Grants for State Assessments and Related Activities	84.369	050-001	1,098
Special Education - State Personnel Development	84.323	050-001	13,602
 Special Education Grants to States	84.027	050-001	2,076,852
Special Education - Preschool Grants	84.173	050-001	46,499
Total Special Education Cluster			<u>2,123,351</u>
 Passed-through The Junior College District of Jefferson County Missouri			
Career and Technical Education - Basic Grants	84.048	N/A	5,164
Total U.S. Department of Education			<u>3,559,823</u>
 U.S. Department of Agriculture			
Passed-through Missouri Department of Elementary and Secondary Education:			
School Breakfast Program	10.553	050-001	429,083
National School Lunch Program	10.555	050-001	
Cash assistance			1,059,647
Non-cash assistance (food distribution)			191,288
Total National School Lunch Program			<u>1,250,935</u>
Total Department of Agriculture and Child Nutrition cluster			<u>1,680,018</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,239,841</u>

The accompanying notes are an integral part of this schedule.

NORTHWEST R-1 SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Northwest R-1 School District (the District) under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District and is reported on the modified cash basis of accounting, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain expenditures are not allowable or are limited as to reimbursement.

The District has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 – SUBRECIPIENTS

There have been no awards passed through to subrecipients.

NORTHWEST R-1 SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report issued on financial statements: Unmodified opinion

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified that are not considered to be material weaknesses? No

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness identified? No

Significant deficiencies identified that are not considered to be material weaknesses? No

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

Any audit findings disclosed that are required to be reported under 2 CFR Section 200.516(a) of the Uniform Guidance? No

The programs tested as a major program are as follows:

<u>CFDA Number(s)</u>	<u>Name of Program or Cluster</u>
10.553 and 10.555 84.010	Child Nutrition Cluster Title I

The dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? No

NORTHWEST R-1 SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION II – FINANCIAL STATEMENT FINDINGS

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

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings and questioned costs related to Federal awards.