

---

***KIRKWOOD SCHOOL DISTRICT R-7***

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

***JUNE 30, 2018***

---

**Table of Contents**

---

	<b>Page</b>
INDEPENDENT AUDITORS' REPORT .....	1
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position – Modified Cash Basis.....	3
Statement of Activities – Modified Cash Basis.....	4
<i>Fund Financial Statements:</i>	
Balance Sheet – Modified Cash Basis – Governmental Funds .....	5
Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Governmental Funds.....	6
Notes to Basic Financial Statements.....	8
SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Change in Fund Balance – Modified Cash Basis – Budget and Actual:	
General Fund.....	24
Special Revenue Fund .....	25
Debt Service Fund.....	26
Capital Projects Fund .....	27
Note to Budgetary Comparison Information.....	28
Combining Balance Sheet – Modified Cash Basis – Debt Service Fund by Component Unit.....	29
Combining Balance Sheet – Modified Cash Basis – Capital Projects Fund by Component Unit.....	30
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Debt Service Fund by Component Unit.....	31
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Modified Cash Basis – Capital Projects Fund by Component Unit.....	32
Schedule of Selected Statistics.....	33
Report on Compliance – State Requirements.....	36

## Table of Contents

---

	<b>Page</b>
FEDERAL COMPLIANCE SECTION:	
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 <i>Government Auditing Standards</i> .....	37
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance .....	39
Schedule of Expenditures of Federal Awards .....	41
Schedule of Findings and Questioned Costs.....	43



**INDEPENDENT AUDITORS' REPORT**

To the Members of the Board of Education  
Kirkwood School District R-7

**Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of Kirkwood School District R-7 (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditors' Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities and each major fund of the District as of June 30, 2018, and the respective changes in financial position – modified cash basis 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

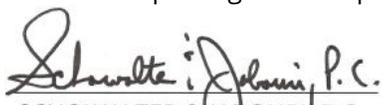
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedules and related note, the combining schedules, and the schedule of selected statistics are presented for purposes 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 for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditure of federal awards 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.

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

  
SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri  
October 1, 2018

---

## Basic Financial Statements

---

**KIRKWOOD SCHOOL DISTRICT R-7**

**STATEMENT OF NET POSITION – MODIFIED CASH BASIS  
JUNE 30, 2018**

---

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
Cash and investments	\$ 33,885,131
Cash and investments - restricted	4,772,910
<b>TOTAL ASSETS</b>	<b>\$ 38,658,041</b>
<b>LIABILITIES:</b>	
Payroll liabilities	\$ 1,115,440
<b>Total Liabilities</b>	<b>1,115,440</b>
<b>NET POSITION:</b>	
Restricted for:	
Certified employees' compensation and benefits	960,021
Debt service	5,366,440
Maintenance	2,291,054
Technology	2,425,587
Prop I	116,107
Unrestricted	26,383,392
<b>Total Net Position</b>	<b>37,542,601</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 38,658,041</b>

See accompanying notes to basic financial statements

**KIRKWOOD SCHOOL DISTRICT R-7**

**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>GOVERNMENTAL ACTIVITIES:</b>					
Instruction	\$ 43,872,225	\$ 1,727,944	\$ 3,744,155	\$ 27,809	\$ (38,372,317)
Guidance	2,405,059	-	-	-	(2,405,059)
Health services	556,259	-	-	-	(556,259)
Improvement of instruction	537,813	-	110,916	-	(426,897)
Professional development	68,782	-	-	-	(68,782)
Media services	2,920,415	-	-	-	(2,920,415)
Board of Education services	182,441	-	-	-	(182,441)
General administration	1,152,208	-	-	-	(1,152,208)
Building level administration	5,081,564	-	-	-	(5,081,564)
Business, fiscal and internal services	1,078,546	32,258	-	-	(1,046,288)
Operation of plant	7,514,430	-	403,472	-	(7,110,958)
Security services	436,041	-	-	-	(436,041)
Transportation	1,352,834	14,323	133,266	-	(1,205,245)
Food service	1,437,908	999,430	457,646	-	19,168
Community services	3,750,513	3,648,931	549,703	-	448,121
Facilities	2,677,409	-	-	-	(2,677,409)
Debt services:					
Principal retirements	7,258,933	-	-	-	(7,258,933)
Interest and other	1,774,809	-	-	-	(1,774,809)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 84,058,189</b>	<b>\$ 6,422,886</b>	<b>\$ 5,399,158</b>	<b>\$ 27,809</b>	<b>(72,208,336)</b>
<b>General Revenues</b>					
Taxes:					
Property taxes, levied for general purposes					18,032,372
Property taxes, levied for special revenue fund					36,879,756
Property taxes, levied for debt services					4,988,513
Property taxes, levied for capital projects					5,466,863
Sales tax					5,067,726
Financial institution tax/M&M surtax					2,471,844
Other taxes					
State assessed railroad and utility					1,026,257
Fines					53,404
State - basic formula					828,551
State - classroom trust fund					2,125,827
Investment earnings					380,138
Miscellaneous					330,088
<b>TOTAL GENERAL REVENUES</b>					<b>77,651,339</b>
<b>CHANGE IN NET POSITION</b>					<b>5,443,003</b>
<b>NET POSITION, BEGINNING OF YEAR</b>					<b>32,099,598</b>
<b>NET POSITION, END OF YEAR</b>					<b>\$ 37,542,601</b>

See accompanying notes to basic financial statements

**KIRKWOOD SCHOOL DISTRICT R-7**

**BALANCE SHEET – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>-- ASSETS --</b>					
Cash and investments	\$ 23,480,283	\$ 2,014,660	\$ 5,366,440	\$ 3,023,748	\$ 33,885,131
Cash and investments-restricted	4,772,910	-	-	-	4,772,910
<b>TOTAL ASSETS</b>	<b>\$ 28,253,193</b>	<b>\$ 2,014,660</b>	<b>\$ 5,366,440</b>	<b>\$ 3,023,748</b>	<b>\$ 38,658,041</b>
<b>-- LIABILITIES AND FUND BALANCES --</b>					
<b>LIABILITIES:</b>					
Payroll liabilities	\$ 60,801	\$ 1,054,639	\$ -	\$ -	\$ 1,115,440
<b>Total Liabilities</b>	<b>60,801</b>	<b>1,054,639</b>	<b>-</b>	<b>-</b>	<b>1,115,440</b>
<b>FUND BALANCES:</b>					
Restricted for:					
Certificated employees' compensation and benefits	-	960,021	-	-	960,021
Debt service	-	-	5,366,440	-	5,366,440
Prop l	-	-	-	116,107	116,107
Maintenance	-	-	-	2,291,054	2,291,054
Technology	2,425,587	-	-	-	2,425,587
Committed:					
Self-funded insurance	4,772,910	-	-	-	4,772,910
Assigned:					
Kirkwood Early Childhood Center	1,415,167	-	-	-	1,415,167
Student activities	1,852,115	-	-	-	1,852,115
Capital projects	-	-	-	616,587	616,587
Unassigned	17,726,613	-	-	-	17,726,613
<b>Total Fund Balances</b>	<b>28,192,392</b>	<b>960,021</b>	<b>5,366,440</b>	<b>3,023,748</b>	<b>37,542,601</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 28,253,193</b>	<b>\$ 2,014,660</b>	<b>\$ 5,366,440</b>	<b>\$ 3,023,748</b>	<b>\$ 38,658,041</b>

See accompanying notes to basic financial statements

**KIRKWOOD SCHOOL DISTRICT R-7**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
MODIFIED CASH BASIS – GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>					
Local sources:					
Property taxes	\$ 18,032,370	\$ 36,879,757	\$ 4,988,513	\$ 5,466,864	\$ 65,367,504
Sales taxes	3,167,329	1,900,397	-	-	5,067,726
Financial institution tax/M&M surtax	2,471,844	-	-	-	2,471,844
Investment income	293,354	4,318	57,347	25,119	380,138
Food service	999,430	-	-	-	999,430
Student activities	1,711,642	-	-	-	1,711,642
Community services	3,648,931	-	-	-	3,648,931
Voluntary transfer program	912,300	-	-	-	912,300
Tuition from other districts	282,573	-	-	-	282,573
Other local	1,014,308	-	-	41,312	1,055,620
<b>Total Local</b>	<b>32,534,081</b>	<b>38,784,472</b>	<b>5,045,860</b>	<b>5,533,295</b>	<b>81,897,708</b>
County sources:					
State assessed utilities	254,413	521,564	121,949	128,331	1,026,257
Other county	-	53,404	-	-	53,404
<b>Total County</b>	<b>254,413</b>	<b>574,968</b>	<b>121,949</b>	<b>128,331</b>	<b>1,079,661</b>
State sources:					
Basic formula	2,329,533	624,845	-	-	2,954,378
State grants and contributions	1,062,641	1,032,326	-	27,809	2,122,776
<b>Total State</b>	<b>3,392,174</b>	<b>1,657,171</b>	<b>-</b>	<b>27,809</b>	<b>5,077,154</b>
Federal grants and contributions	701,964	381,641	351,431	11,633	1,446,669
<b>Total Revenues</b>	<b>36,882,632</b>	<b>41,398,252</b>	<b>5,519,240</b>	<b>5,701,068</b>	<b>89,501,192</b>
<b>EXPENDITURES:</b>					
Current:					
Instruction	4,834,407	38,846,075	-	-	43,680,482
Guidance	208,779	2,193,607	-	-	2,402,386
Health services	556,259	-	-	-	556,259
Improvement of instruction	292,105	245,532	-	-	537,637
Professional development	8,939	59,843	-	-	68,782
Media services	2,164,788	437,123	-	-	2,601,911
Board of Education services	182,441	-	-	-	182,441
General administration	928,313	223,543	-	-	1,151,856
Building level administration	2,608,135	2,379,355	-	-	4,987,490
Business, fiscal and internal services	963,716	-	-	-	963,716
Operation of plant	7,422,403	-	-	-	7,422,403
Security services	436,041	-	-	-	436,041
Transportation	1,352,834	-	-	-	1,352,834
Food service	1,431,139	-	-	-	1,431,139
Community services	3,596,183	153,864	-	-	3,750,047
Capital outlay	-	-	-	3,499,023	3,499,023
Debt services:					
Principal retirements	-	-	5,855,000	1,403,933	7,258,933
Interest	-	-	1,768,611	2,038	1,770,649
Other charges	-	-	450	3,710	4,160
<b>Total Expenditures</b>	<b>26,986,482</b>	<b>44,538,942</b>	<b>7,624,061</b>	<b>4,908,704</b>	<b>84,058,189</b>

See accompanying notes to basic financial statements

**KIRKWOOD SCHOOL DISTRICT R-7**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	9,896,150	(3,140,690)	(2,104,821)	792,364	5,443,003
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in (out)	-	-	2,536,840	(2,536,840)	-
<b>NET CHANGE IN FUND BALANCES</b>	9,896,150	(3,140,690)	432,019	(1,744,476)	5,443,003
<b>FUND BALANCES, BEGINNING OF YEAR</b>	18,296,242	4,100,711	4,934,421	4,768,224	32,099,598
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 28,192,392</b>	<b>\$ 960,021</b>	<b>\$ 5,366,440</b>	<b>\$ 3,023,748</b>	<b>\$ 37,542,601</b>

---

See accompanying notes to basic financial statements

**KIRKWOOD SCHOOL DISTRICT R-7**

**NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Kirkwood School District R-7 (the "District") operates under the regulations pursuant to Section 162.092 RSMo of the Public School Laws of Missouri, which designates a Board of Education to act as the governing authority. The District provides educational services.

As discussed further in Note 1 under "Basis of Accounting," these financial statements are presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

Principles Determining the Scope of Reporting Entity

The basic financial statements of the reporting entity include those of the Kirkwood School District (the primary government) and the Kirkwood School District Educational Facilities Authority (the "Authority"). A component unit is a legally separate organization for which the primary government is financially accountable or closely related. The Authority has been determined to be a component unit of the District. Its purpose is to act on behalf of the District in its acquisition, construction, improvement, extension, repair, remodeling, renovation and financing of capital improvement projects. The financial information of the Authority has been incorporated into the District's financial statements using the blending method. Under the blending method, transactions of a component unit are presented as if they were executed directly by the primary government. Complete financial statements of the Authority are as shown in the supplementary information following these Notes to Basic Financial Statements.

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

Fund Accounting

The accounts of the District are organized on the basis of legally established funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. District resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The District's policy is to close all encumbrances at the end of each fiscal year. The following fund types are used by the District:

*Governmental Funds*

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

## **KIRKWOOD SCHOOL DISTRICT R-7**

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

---

#### General Fund

This fund is the general operating fund of the District and accounts for expenditures for noncertified employees, pupil transportation costs, operation of plant, fringe benefits, 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

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

#### Debt Service Fund

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

#### Capital Projects Fund

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

#### Basis of Presentation

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

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

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

##### *Fund Financial Statements:*

The fund financial statements provide information about the District's funds. A balance sheet and statement of revenues, expenditures and changes in fund balances are presented. The emphasis of

**KIRKWOOD SCHOOL DISTRICT R-7**

*Notes to Basic Financial Statements (continued)*

---

fund financial statements is on *major* governmental funds, each displayed in a separate column. The District considers each of its funds to be major.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

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 balance, revenues, and expenditures/expenses when they result from cash transactions except that the purchase of investments are recorded as assets, payroll withholdings are reported as liabilities, and summer payroll is recorded as an in-substance cash disbursement when the direct deposit file is sent to the bank, regardless of the actual pay date. 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.

Property Taxes

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

The assessed valuations of the tangible taxable property for the calendar years 2017 and 2016 for purposes of local taxation were \$1,413,111,040 and \$1,303,616,780, respectively.

The blended tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2017 and 2016 for purposes of local taxation were:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
General Fund	\$1.3171	\$0.5614
Special Revenue Fund	2.7000	3.2199
Capital Projects Fund	0.4000	0.4000
Debt Service Fund	0.3650	0.3650
<b>Total</b>	<u>\$4.7821</u>	<u>\$4.5463</u>

The receipts of current property taxes during the fiscal year ended June 30, 2018, aggregated approximately 96.73% of the current assessment computed on the basis of the levy as shown above.

## **KIRKWOOD SCHOOL DISTRICT R-7**

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

---

#### Pooled Cash and Temporary Investments

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

The District may invest in United States Treasury bills, notes, bonds, government agency and instrumentality obligations, repurchase agreements collateralized by government securities, time certificates of deposit, bankers' acceptances issued by domestic commercial banks and commercial paper issued by domestic corporations. Investments are reported at cost value.

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

#### Restricted Cash and Investments

Restricted cash and investments represent amounts whose use is limited by legal requirements and consist of amounts held by the District for self-insurance as discussed in Note 8.

#### Governmental Fund Balances

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

Nonspendable - This consists of the governmental fund balances that are not in spendable form or legally or contractually required to be maintained intact. The District has no nonspendable fund balance as of June 30, 2018.

Restricted - This consists of the governmental fund balances that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The District's restricted funds consist of debt service and various taxes approved by voters for specific purposes.

Committed - This consists of the governmental fund balances that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the Board of Education, the District's highest level of decision-making authority. The District's committed fund balance consists of monies available for the District's self-insurance program.

Assigned - This consists of the governmental fund balances that are intended to be used for specific purposes by a) Board of Education or b) Superintendent. The District's assigned fund balance includes tuition, student activities, and capital projects.

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

The District's policy is to maintain sufficient financial reserves to provide for prudent financial management and for adequacy of cash flow to support operations. The District strives to

## **KIRKWOOD SCHOOL DISTRICT R-7**

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

---

maintain a minimum unassigned fund balance in its operating funds equal to 20% of its operating budget.

#### Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

#### Use of Restricted Resources

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted resources (net position) are available. For governmental funds, except the Debt Service fund, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances. For the Debt Service fund, unrestricted or assigned balances may be spent prior to restricted balances.

#### Interfund Activity

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

During the current year, the Authority made transfers between the Debt Service Fund and Capital Projects Fund to eliminate payments from the District under the Capital Projects Fund to the Authority's Debt Service Fund.

#### Estimates

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

## **2. CASH AND INVESTMENTS**

The District is governed by the deposit and investment limitations of state law. The depository bank is to pledge securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance at least equal to the amount on deposit at all times in accordance with sections 110.010 and 110.020 of the Missouri Revised Statutes. The District may invest the funds in bonds or any instrument permitted by law for the investment of state monies in accordance with section 165.051 of the Missouri Revised Statutes.

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

**KIRKWOOD SCHOOL DISTRICT R-7**

*Notes to Basic Financial Statements (continued)*

---

operations. The board seeks to maintain a stable net asset value of \$1 per share. A separately issued financial statement can be obtained by contacting 1-877-MY-MOSIP.

The deposits and investments held at June 30, 2018 are as follows:

<b>Type</b>	<b>Carrying Value</b>
<b>Kirkwood School District</b>	
Deposits:	
Demand deposits	\$ 17,615,906
Nonnegotiable certificates of deposit	4,000,000
	<u>21,615,906</u>
Investments:	
MOSIP:	
Money market mutual funds	1,042,135
External investment pool	16,000,000
	<u>17,042,135</u>
<b>Total District Deposits and Investments</b>	<u><u>\$ 38,658,041</u></u>
Reconciliation to financial statements:	
Current:	
Cash and investments	\$ 33,885,131
Cash and investments - restricted	4,772,910
	<u><u>\$ 38,658,041</u></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 to it. The District has a custodial credit risk policy for repurchase agreement investments and for certificate of deposits which requires these funds to be collateralized at least 100% or greater of the balance plus any demand deposit with the depository, less any insurance (Federal Deposit Insurance Corporation or National Credit Union Share Insurance Fund), as applicable. As of June 30, 2018, none of the District's deposits were exposed to custodial credit risk.

***Custodial Credit Risk - Investments*** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by the party who sold the security to the District or the seller's agent but not in the District's name. The District has a custodial credit risk policy to minimize credit risk by (1) pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the District will do business and (2) diversifying the portfolio so that potential losses on individual securities will be minimized. The District's investments were not exposed to custodial credit risk at year end.

***Investment Interest Rate Risk*** - Investment interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at June 30, 2018 were less than one year.

## KIRKWOOD SCHOOL DISTRICT R-7

### Notes to Basic Financial Statements (continued)

**Investment Credit Risk** - The District has no investment policy that limits its investment choices other than the limitation of state law, as documented above. At June 30, 2018, the District's investments were rated as AAAF.

**Concentration of Investment Credit Risk** - Concentration of credit risk is required to be disclosed by the District for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the US Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The District does not have a policy on limiting the amount it may invest in any one issuer. At June 30, 2018, none of the District's investments were subject to concentration of investment credit risk.

### **3. GENERAL LONG-TERM LIABILITIES**

#### Changes in Long-Term Liabilities

A summary of changes in long-term liabilities (excluding the Kirkwood School District Facilities Authority leasehold revenue bonds) for the year ended June 30, 2018 is as follows:

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2018</b>	<b>Amounts Due Within One Year</b>
Bonds payable	\$ 23,425,000	\$ -	\$ 4,010,000	\$ 19,415,000	\$ 4,120,000
Capital lease obligations	137,712	4,059,019	1,421,357	2,775,374	1,422,369
Total	<u>\$ 23,562,712</u>	<u>\$ 4,059,019</u>	<u>\$ 5,431,357</u>	<u>\$ 22,190,374</u>	<u>\$ 5,542,369</u>

Payments on the general obligation bonds are made by the debt service fund. The obligations under capital leases are paid by the capital projects fund.

#### Bonds Payable

Bonds payable at June 30, 2018 consist of:

\$33,575,000 taxable general obligation bonds,  
Series 2010 (Build America Bonds); issued on  
December 21, 2010; due in varying installments  
through February 15, 2023; interest at a variable  
rate ranging from 1.682% to 5.192% and is payable  
on February 15 and August 15 of each year

\$19,415,000

#### General Obligation Bonds

General obligation bonds are supported by a pledge of the District's full faith and credit. These bonds were originally issued to finance various capital projects.

## KIRKWOOD SCHOOL DISTRICT R-7

### Notes to Basic Financial Statements (continued)

The annual requirements to amortize bonded debt outstanding as of June 30, 2018, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 4,120,000	\$ 908,672	\$ 5,028,672
2020	4,330,000	729,781	5,059,781
2021	4,460,000	535,278	4,995,278
2022	4,690,000	326,015	5,016,015
2023	1,815,000	94,235	1,909,235
<b>Total</b>	<b>\$ 19,415,000</b>	<b>\$ 2,593,981</b>	<b>\$ 22,008,981</b>

### Legal Debt Margin

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a District to fifteen (15%) percent of the assessed valuation of the District (including State assessed railroad and utility). The legal debt margin, computed excluding the assessed valuation of State assessed railroad and utilities, of the District at June 30, 2018, was:

Constitutional debt limit	\$ 211,966,656
General obligation bonds payable	(19,415,000)
Amount available in Debt Service Fund	<u>5,366,440</u>
Legal Debt Margin	<u><u>\$ 197,918,096</u></u>

### Capital Leases

The District leases certain equipment under agreements classified as capital leases for the purchase of computer equipment and copiers. One of these leases calls for \$52,272 of professional development to enhance high-quality instruction and improve the learning experience for students. For the year ended June 30, 2018, \$17,424 was recorded as professional development. \$34,848 of future lease payments are related to professional development.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2018:

<u>Year Ending June 30,</u>	
2019	\$ 1,423,395
2020	<u>1,353,006</u>
Total future minimum lease payments	2,776,401
Less amount representing interest	<u>(1,027)</u>
Present value of future minimum lease payments	<u><u>\$ 2,775,374</u></u>

**KIRKWOOD SCHOOL DISTRICT R-7**

*Notes to Basic Financial Statements (continued)*

---

**4. KIRKWOOD SCHOOL DISTRICT EDUCATIONAL FACILITIES AUTHORITY**

The Kirkwood School District adopted a resolution approving the formation of the Kirkwood School District Educational Facilities Authority (the "Authority") on February 19, 2002. The Authority is organized under the not for profit provisions of Chapter 355, revised statutes of Missouri (1986) as amended, for the purpose of acting on behalf of the Kirkwood School District (the "District") in its acquisition, construction, improvement, extension, repair, remodeling, renovation and financing of capital improvement projects, and other purposes as specified in the Authority's Articles of Incorporation.

On August 1, 2005, the District leased to the Authority the Kirkwood High School in exchange for issuing bonds. The District also authorized the Authority to issue \$30,335,000 principal amount of Leasehold Revenue Bonds ("2005B Bonds"). On April 24, 2013, the Authority issued \$20,110,000 principal amount of Leasehold Refunding Revenue Bonds ("2013 Bonds") to advance refund \$23,520,000 of the outstanding Series 2005B Bonds.

On April 14, 2014, the District authorized the Authority to issue \$3,565,000 principal amount of Leasehold Revenue Bonds ("2014 Bonds") for certain project additions.

The District executed a lease agreement dated August 1, 2005, as amended May 1, 2013 and April 29, 2014, between the Authority and the District under which the Authority will lease the Kirkwood High School to the District. The term of the lease expires on February 16, 2025. Rental payments will be determined annually based on the amount of monies necessary for the payment of bond principal and interest on the outstanding bonds when due, less amounts held by the Authority in its Bond Fund and Bond Reserve Fund. The District is also obligated to make additional payments for costs specified in the lease agreement. The Authority has agreed to convey to the District title to the Kirkwood High School at the expiration of the lease term following full payment of the outstanding bonds.

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

	<b>Balance</b>				<b>Balance</b>		<b>Amounts</b>
	<b>July 1,</b>				<b>June 30,</b>		<b>Due Within</b>
	<b>2017</b>	<b>Additions</b>	<b>Deductions</b>		<b>2018</b>		<b>One Year</b>
Leasehold revenue bonds payable	\$ 17,760,000	\$ -	\$ 1,845,000		\$ 15,915,000		\$ 1,930,000
	\$ 17,760,000	\$ -	\$ 1,845,000		\$ 15,915,000		\$ 1,930,000

**KIRKWOOD SCHOOL DISTRICT R-7**

*Notes to Basic Financial Statements (continued)*

---

Bonds Payable

Bonds payable at June 30, 2018 consist of:

\$20,110,000 leasehold revenue refunding bonds, Series 2013; issued on April 24, 2013; due in varying installments through February 15, 2025; interest at a variable rate ranging from 2.00% to 5.00% and is payable on February 15 and August 15 of each year	\$14,195,000
\$3,565,000 leasehold revenue bonds, Series 2014; issued on April 14, 2014; due in varying installments through February 15, 2025; interest at a variable rate ranging from 2.00% to 2.65% and is payable on February 15 and August 15 of each year	<u>1,720,000</u>
<b>Total bonds payable at June 30, 2018</b>	<b><u>\$15,915,000</u></b>

The following are the annual debt service requirements of the bonds:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,930,000	\$ 603,940	\$ 2,533,940
2020	2,055,000	529,540	2,584,540
2021	2,155,000	432,640	2,587,640
2022	2,305,000	331,040	2,636,040
2023	2,375,000	263,930	2,638,930
2024-2025	5,095,000	293,680	5,388,680
<b>Total</b>	<b><u>\$ 15,915,000</u></b>	<b><u>\$ 2,454,770</u></b>	<b><u>\$ 18,369,770</u></b>

## **KIRKWOOD SCHOOL DISTRICT R-7**

*Notes to Basic Financial Statements (continued)*

---

### **5. RETIREMENT PLANS**

#### **Public School and Education Employee Retirement Systems of Missouri (PSRS and PEERS also referred to as the Systems)**

##### General Information about the Pension Plans

*Plan Description.* PSRS is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. PSRS also includes certificated employees of the Systems, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the state of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989. The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined not to be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of Section 169.070 (9) RSMo, known as the "2/3's statute." PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members' benefits are further calculated at two-thirds the normal benefit amount.

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

*Benefits Provided.* PSRS is a defined benefit plan providing retirement, disability, and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of 5 years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55% benefit factor was used to calculate benefits for members who have 31 or more years of service at retirement. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

PEERS is a defined benefit plan providing service retirement, disability, and death benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are

## **KIRKWOOD SCHOOL DISTRICT R-7**

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

---

entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional temporary benefit until reaching minimum Social Security age (currently age 62), which is calculated using a 0.8% benefit factor. Actuarially age-reduced retirement benefits are available with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

Summary Plan Descriptions detailing the provisions of the plans can be found on the Systems' website at [www.psr-peers.org](http://www.psr-peers.org).

*Cost-of-Living Adjustments ("COLA")*. The Board of Trustees has established a policy of providing COLAs to both PSRS and PEERS members as follows:

- If the June to June change in the Consumer Price Index for All Urban Consumers (CPI-U) is less than 2% for consecutive one-year periods, a cost of living increase of 2% will be granted when the cumulative increase is equal to or greater than 2%, at which point the cumulative increase in the CPI-U will be reset to zero. For the following year, the starting CPI-U will be based on the June value immediately preceding the January 1 at which the 2% cost-of-living increase is granted.
- If the June to June change in the CPI-U is greater than or equal to 2%, but less than 5%, a cost-of-living increase of 2% will be granted.
- If the June to June change in the CPI-U is greater than or equal to 5%, a cost-of-living increase of 5% will be granted.
- If the CPI decreases, no COLA is provided.

For any PSRS member retiring on or after July 1, 2001, such adjustments commence on the second January after commencement of benefits and occur annually thereafter. For PEERS members, such adjustments commence on the fourth January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80% of the original benefit for any member.

*Contributions*. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2016, 2017 and 2018. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay.

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

The District's contributions to PSRS and PEERS were \$5,417,252 and \$782,485, respectively, for the year ended June 30, 2018.

## **KIRKWOOD SCHOOL DISTRICT R-7**

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

---

#### **6. EMPLOYEE BENEFIT PLANS**

The District offers its employees a tax-sheltered annuity program created in accordance with Internal Revenue Code Section 403(b). The plan, available to all District employees, permits them to defer a portion of their salary for investment purposes.

The District also offers a Section 125 cafeteria plan to all employees. Under this plan, the deferred portion can be used to purchase health insurance benefits.

In addition, the District offers a Section 457 Deferred Compensation Plan that is offered to all employees. This plan is an investment program to enhance retirement benefits similar to the 403(b) plan.

#### **7. INSURANCE PROGRAM**

The District, along with various other local school districts, participates in the Missouri United School Insurance Council ("MUSIC"), an insurance association for workers' compensation, general liability and property and casualty insurance. The purpose of MUSIC is to distribute the cost of self-insurance over similar entities. MUSIC requires an annual premium payment to cover estimate claims payable and reserves for claims from each entity. The members of MUSIC have no legal interest in the assets, liabilities, or fund balances of the insurance association. However, the District retains a contingent liability to fund its pro rata share of any deficit incurred by MUSIC should it cease operations at some future date. The District's premium payments to MUSIC during the year ended June 30, 2018 were \$854,525. Settled claims have not exceeded insurance coverage in any of the past three years.

#### **8. SELF-INSURANCE**

The District has self-insurance plans which cover participating employees' and retirees' medical and dental coverage. Both the members and the District contribute to a reserve maintained by an insurance administrator, which is used to pay claims. The District utilizes the general fund to account for the activity of the plans. A premium is charged to each fund that accounts for employees' salaries based on past trends and experience. Provisions are also made for unexpected and unusual claims. The District purchases stop loss insurance coverage to limit its exposure to catastrophic claims in excess of \$150,000 per individual.

#### **9. COMMITMENTS AND CONTINGENCIES**

##### Early Retirement Incentive

The District has an early retirement incentive program (ERIP), in which retirees receive wage and/or health insurance premium payments. Payments to retirees cease three years after they begin; however, for the year ended June 30, 2014, the District enhanced the insurance benefits for certified employees from three to five years. There are currently 64 certified employees participating in the District's ERIP.

##### Operating Leases

The District has operating leases for solar panels. Payments related to these leases for the year ended June 30, 2018 totaled \$10,800.

**KIRKWOOD SCHOOL DISTRICT R-7**

*Notes to Basic Financial Statements (continued)*

---

Future minimum lease payments are as follows:

<b>Fiscal Year Ending June 30,</b>	
2019	\$ 10,800
2020	10,800
2021	10,800
2022	10,800
2023	10,800
2024-2028	54,000
2029-2033	52,200
<b>Total</b>	<b>\$ 160,200</b>

Protested Taxes

Each year St. Louis County remits certain unresolved protested tax payments to the District. When the County refunds tax payments to those who are successful in their protests, it withholds the refunded amount from future distributions to taxing districts. Normal withholdings by the County are not material in relation to the District's financial position and results of operations.

Litigation

The District is involved in various lawsuits and any other legal matters at June 30, 2018. While in the District's opinion, based on consultation with legal counsel, these items will be resolved with no material adverse effect on the District, the results of the proceedings have yet to be finalized.

Compensated Absences

Vacation time, personal days and sick leave are considered expenditures in the year paid. Unused sick time vested in the employee are payable upon retirement. The amount of unpaid vacation, personal days and sick leave, which is not included in the accompanying financial statements, has not been calculated by the District.

**10. OTHER POST EMPLOYMENT BENEFITS**

In addition to providing the pension benefits described in Note 6, the District provides an opportunity for continuation of medical, prescription drug, dental and vision insurance to employees that retire from the District who meet the retirement requirements of PSRS and PEERS. Retirees who elect to participate must pay 100% of the premium in effect for the current plan year or any subsequent year at the premium rates in effect at that time. Since the retirees pay the premium for each year, the District share of any premium cost is determined on the basis of a blended rate or implicit rate subsidy calculation. The plan is a single-employer defined benefit OPEB plan. The benefits and benefit levels are governed by District policy. The plan is not accounted for as a trust fund since an irrevocable trust has not been established. A stand-alone financial report is not available for the plan.

**KIRKWOOD SCHOOL DISTRICT R-7**

*Notes to Basic Financial Statements (continued)*

The District currently pays for the implicit rate subsidy associated with these post employment health care benefits on a pay-as-you-go basis. During the current year, 306 retirees participating in the District's insurance plans paid premiums totaling approximately \$1,051,000.

**11. TAX ABATEMENTS**

As of June 30, 2018, the District is subject to the following tax abatement programs initiated by other governmental entities:

	<b>Real Estate Tax</b>	<b>Surcharge</b>	<b>Property Tax</b>
Enhanced enterprise zones			
City of Berkley	\$ -	\$ 108	\$ -
City of Hazelwood	-	1,240	-
City of Kinloch	-	4,482	-
Industrial development bonds/ St. Louis County Chapter 100			
City of Bellerive	-	2,360	-
City of Bridgeton	-	16	-
City of Clayton	-	5,466	-
City of Eureka	-	529	-
City of Ferguson	-	902	-
City of Jennings	-	45	-
St. Louis County	266,596	26,718	7,732
Land Clearance for Redevelopment Authority			
City of University City	-	1	-
Urban redevelopment corporations			
City of Brentwood	-	1,070	-
City of Edmundson	-	2,358	-
City of Ferguson	-	154	-
City of Hazelwood	-	3,011	-
City of Kinloch	-	1,376	-
City of Maryland Heights	-	125	-
City of Overland	-	1,162	-
City of Richmond Heights	-	1,294	-
City of Rock Hill	-	637	-
City of Sunset Hills	-	29	-
City of Wellston	-	133	-
St. Louis County	-	3,823	-
<b>Total</b>	<b>\$ 266,596</b>	<b>\$ 57,039</b>	<b>\$ 7,732</b>

## **KIRKWOOD SCHOOL DISTRICT R-7**

*Notes to Basic Financial Statements (continued)*

---

### **12. RECENT ACCOUNTING PRONOUNCEMENTS**

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

In June 2017, the GASB approved Statement No. 87, "Leases." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In March 2018, the GASB approved Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements." The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

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

---

**Supplementary Information**

---

**KIRKWOOD SCHOOL DISTRICT R-7**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -  
MODIFIED CASH BASIS - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Local	\$ 27,333,753	\$ 31,716,498	\$ 32,534,081	\$ 817,583
County	145,861	145,861	254,413	108,552
State	3,525,100	3,526,290	3,392,174	(134,116)
Federal	621,666	673,825	701,964	28,139
<b>Total Revenues</b>	<b>31,626,380</b>	<b>36,062,474</b>	<b>36,882,632</b>	<b>820,158</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	5,162,179	4,986,139	4,834,407	151,732
Guidance	233,639	211,358	208,779	2,579
Health services	498,473	521,368	556,259	(34,891)
Improvement of instruction	288,829	326,003	292,105	33,898
Professional development	12,754	8,939	8,939	-
Media services	2,249,221	2,235,293	2,164,788	70,505
Board of Education services	183,622	201,637	182,441	19,196
Executive administration	970,236	963,907	928,313	35,594
Building level administration	2,495,488	2,616,398	2,608,135	8,263
Business, fiscal and internal services	974,742	1,005,294	963,716	41,578
Operation of plant	7,632,458	7,621,440	7,422,403	199,037
Security services	436,116	438,346	436,041	2,305
Pupil transportation	1,096,532	1,071,243	1,352,834	(281,591)
Food service	1,332,476	1,332,476	1,431,139	(98,663)
Community services	3,599,150	3,676,198	3,596,183	80,015
<b>Total Expenditures</b>	<b>27,165,915</b>	<b>27,216,039</b>	<b>26,986,482</b>	<b>229,557</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>4,460,465</b>	<b>8,846,435</b>	<b>9,896,150</b>	<b>1,049,715</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>18,296,242</b>	<b>18,296,242</b>	<b>18,296,242</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 22,756,707</b>	<b>\$ 27,142,677</b>	<b>\$ 28,192,392</b>	<b>\$ 1,049,715</b>

See accompanying independent auditors' report and note to budgetary comparison information

**KIRKWOOD SCHOOL DISTRICT R-7**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -  
MODIFIED CASH BASIS - BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Local	\$ 42,929,029	\$ 39,100,139	\$ 38,784,472	\$ (315,667)
County	676,997	676,997	574,968	(102,029)
State	1,695,485	1,695,485	1,657,171	(38,314)
Federal	265,081	359,560	381,641	22,081
<b>Total Revenues</b>	<b>45,566,592</b>	<b>41,832,181</b>	<b>41,398,252</b>	<b>(433,929)</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	39,840,012	39,738,817	38,846,075	892,742
Guidance	1,941,255	2,197,113	2,193,607	3,506
Improvement of instruction	289,663	265,014	245,532	19,482
Professional development	40,248	59,843	59,843	-
Media services	680,182	441,392	437,123	4,269
Executive administration	281,845	223,564	223,543	21
Building level administration	2,372,987	2,405,459	2,379,355	26,104
Community services	120,400	153,752	153,864	(112)
<b>Total Expenditures</b>	<b>45,566,592</b>	<b>45,484,954</b>	<b>44,538,942</b>	<b>946,012</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(3,652,773)</b>	<b>(3,140,690)</b>	<b>512,083</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>4,100,711</b>	<b>4,100,711</b>	<b>4,100,711</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 4,100,711</b>	<b>\$ 447,938</b>	<b>\$ 960,021</b>	<b>\$ 512,083</b>

See accompanying independent auditors' report and note to budgetary comparison information

**KIRKWOOD SCHOOL DISTRICT R-7**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -  
MODIFIED CASH BASIS – BUDGET AND ACTUAL – DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Local	\$ 5,170,918	\$ 5,026,752	\$ 5,045,860	\$ 19,108
County	115,000	115,000	121,949	6,949
Federal	350,490	350,490	351,431	941
<b>Total Revenues</b>	<b>5,636,408</b>	<b>5,492,242</b>	<b>5,519,240</b>	<b>26,998</b>
<b>EXPENDITURES:</b>				
Debt Services:				
Principal retirements	4,010,000	4,010,000	4,010,000	-
Interest	1,076,771	1,076,771	1,076,771	-
Other charges	3,500	3,500	450	3,050
<b>Total Expenditures</b>	<b>5,090,271</b>	<b>5,090,271</b>	<b>5,087,221</b>	<b>3,050</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>546,137</b>	<b>401,971</b>	<b>432,019</b>	<b>30,048</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>4,934,421</b>	<b>4,934,421</b>	<b>4,934,421</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 5,480,558</b>	<b>\$ 5,336,392</b>	<b>\$ 5,366,440</b>	<b>\$ 30,048</b>

This schedule does not include the activity of the Kirkwood School District Educational Authority.

**KIRKWOOD SCHOOL DISTRICT R-7**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -  
MODIFIED CASH BASIS - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Local	\$ 5,735,304	\$ 5,517,307	\$ 5,533,295	\$ 15,988
County	88,642	88,642	128,331	39,689
State	-	27,809	27,809	-
Federal	21,300	5,933	11,633	5,700
<b>Total Revenues</b>	<b>5,845,246</b>	<b>5,639,691</b>	<b>5,701,068</b>	<b>61,377</b>
<b>EXPENDITURES:</b>				
Capital outlay	3,674,859	3,485,031	3,499,023	(13,992)
Debt services:				
Lease payments to facilities authority	2,536,840	2,536,840	2,536,840	-
Principal retirements	67,746	1,362,623	1,403,933	(41,310)
Interest	2,645	2,039	2,038	1
Other charges	4,000	4,000	3,710	290
<b>Total Expenditures</b>	<b>6,286,090</b>	<b>7,390,533</b>	<b>7,445,544</b>	<b>(55,011)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(440,844)</b>	<b>(1,750,842)</b>	<b>(1,744,476)</b>	<b>6,366</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>4,768,224</b>	<b>4,768,224</b>	<b>4,768,224</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 4,327,380</b>	<b>\$ 3,017,382</b>	<b>\$ 3,023,748</b>	<b>\$ 6,366</b>

This schedule does not include the activity of the Kirkwood School District Educational Authority.

**KIRKWOOD SCHOOL DISTRICT R-7**

**NOTE TO BUDGETARY COMPARISON INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

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.

Budgeted amounts are as originally adopted on June 12, 2017 and as amended on June 11, 2018.

5. Subsequent to its formal approval of the budget, the Board of Education has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the final budget amounts included in the budget and actual schedules.
6. Budgets are adopted on the modified cash basis of accounting.

2. Excess of Expenditures Over Appropriations

For the year ended June 30, 2018, expenditures exceeded appropriations in the capital projects fund.

**KIRKWOOD SCHOOL DISTRICT R-7**

**COMBINING BALANCE SHEET - MODIFIED CASH BASIS -  
DEBT SERVICE FUND BY COMPONENT UNIT  
JUNE 30, 2018**

---

	<b>Kirkwood School District</b>	<b>Kirkwood School District Educational Facilities Authority</b>	<b>Total</b>
<b>-- ASSETS --</b>			
<b>ASSETS:</b>			
Cash and investments	\$ 5,366,440	\$ -	\$ 5,366,440
<b>TOTAL ASSETS</b>	<b>\$ 5,366,440</b>	<b>\$ -</b>	<b>\$ 5,366,440</b>
<b>-- FUND BALANCES --</b>			
<b>FUND BALANCES:</b>			
Restricted for debt service	\$ 5,366,440	\$ -	\$ 5,366,440
<b>TOTAL FUND BALANCES</b>	<b>\$ 5,366,440</b>	<b>\$ -</b>	<b>\$ 5,366,440</b>

See accompanying independent auditors' report

**KIRKWOOD SCHOOL DISTRICT R-7**

**COMBINING BALANCE SHEET - MODIFIED CASH BASIS -  
CAPITAL PROJECTS FUND BY COMPONENT UNIT  
JUNE 30, 2018**

	<b>Kirkwood School District</b>	<b>Kirkwood School District Educational Facilities Authority</b>	<b>Total</b>
<b>-- ASSETS --</b>			
<b>ASSETS:</b>			
Cash and investments	\$ 3,023,748	\$ -	\$ 3,023,748
<b>TOTAL ASSETS</b>	<b>\$ 3,023,748</b>	<b>\$ -</b>	<b>\$ 3,023,748</b>
<b>-- FUND BALANCES --</b>			
<b>FUND BALANCES:</b>			
Fund balances:			
Restricted for:			
Prop I	\$ 116,107	\$ -	\$ 116,107
Maintenance	2,291,054	-	2,291,054
Assigned to capital projects	616,587	-	616,587
	<b>3,023,748</b>	<b>-</b>	<b>3,023,748</b>
<b>TOTAL FUND BALANCES</b>	<b>\$ 3,023,748</b>	<b>\$ -</b>	<b>\$ 3,023,748</b>

See accompanying independent auditors' report

**KIRKWOOD SCHOOL DISTRICT R-7**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - DEBT SERVICE  
FUND BY COMPONENT UNIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

	<b>Kirkwood School District</b>	<b>Kirkwood School District Educational Facilities Authority</b>	<b>Eliminations</b>	<b>Total</b>
<b>REVENUES:</b>				
Local	\$ 5,045,860	\$ -	\$ -	\$ 5,045,860
County	121,949	-	-	121,949
Federal	351,431	-	-	351,431
Lease/purchase payments from the District	-	2,536,840	(2,536,840)	-
<b>Total Revenues</b>	<b>5,519,240</b>	<b>2,536,840</b>	<b>(2,536,840)</b>	<b>5,519,240</b>
<b>EXPENDITURES:</b>				
Debt service:				
Principal retirements	4,010,000	1,845,000	-	5,855,000
Interest	1,076,771	691,840	-	1,768,611
Other charges	450	-	-	450
<b>Total Expenditures</b>	<b>5,087,221</b>	<b>2,536,840</b>	<b>-</b>	<b>7,624,061</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>432,019</b>	<b>-</b>	<b>(2,536,840)</b>	<b>(2,104,821)</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	-	-	2,536,840	2,536,840
<b>NET CHANGE IN FUND BALANCES</b>	<b>432,019</b>	<b>-</b>	<b>-</b>	<b>432,019</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>4,934,421</b>	<b>-</b>	<b>-</b>	<b>4,934,421</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 5,366,440</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,366,440</b>

See accompanying independent auditors' report

**KIRKWOOD SCHOOL DISTRICT R-7**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -  
CAPITAL PROJECTS FUND BY COMPONENT UNIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<b>Kirkwood School District</b>	<b>School District Educational Facilities Authority</b>	<b>Eliminations</b>	<b>Total</b>
<b>REVENUES:</b>				
Local	\$ 5,533,295	\$ -	\$ -	\$ 5,533,295
County	128,331	-	-	128,331
State	27,809	-	-	27,809
Federal	11,633	-	-	11,633
<b>Total Revenues</b>	<b>5,701,068</b>	<b>-</b>	<b>-</b>	<b>5,701,068</b>
<b>EXPENDITURES:</b>				
Capital outlay	3,499,023	-	-	3,499,023
Debt service:				
Lease/purchase payments to the Authority	2,536,840	-	(2,536,840)	-
Principal retirements	1,403,933	-	-	1,403,933
Interest	2,038	-	-	2,038
Other charges	3,710	-	-	3,710
<b>Total Expenditures</b>	<b>7,445,544</b>	<b>-</b>	<b>(2,536,840)</b>	<b>4,908,704</b>
<b>EXCESS OF REVENUES (UNDER) OVER EXPENDITURES</b>	<b>(1,744,476)</b>	<b>-</b>	<b>2,536,840</b>	<b>792,364</b>
<b>OTHER FINANCING USES:</b>				
Transfers out	-	-	(2,536,840)	(2,536,840)
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,744,476)</b>	<b>-</b>	<b>-</b>	<b>(1,744,476)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>4,768,224</b>	<b>-</b>	<b>-</b>	<b>4,768,224</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 3,023,748</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,023,748</b>

See accompanying independent auditors' report

**KIRKWOOD SCHOOL DISTRICT R-7**

**SCHEDULE OF SELECTED STATISTICS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**County District Number**    096-092

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.

Kindergarten - A.M.	-	SDL	Grades	<u>6 - 8</u>	6.1500	SDL
Kindergarten - Full-day	<u>6.6000</u>	SDL	Grades	<u>9 - 12</u>	<u>6.4500</u>	SDL
Grades 1 - 5	<u>6.6000</u>	SDL				

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

Kindergarten - A.M.	-	Hours	Grades	<u>6 - 8</u>	1,061.05	Hours
Kindergarten - Full-day	<u>1,142.35</u>	Hours	Grades	<u>9 - 12</u>	<u>1,100.55</u>	Hours
Grades 1 - 5	<u>1,142.35</u>	Hours				

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

Kindergarten - A.M.	-	Days	Grades	<u>1 - 5</u>	176	Days
Kindergarten - P.M.	-	Days	Grades	<u>6 - 8</u>	176	Days
Kindergarten - Full-day	<u>176</u>	Days	Grades	<u>9 - 12</u>	<u>176</u>	Days

2.    Average Daily Attendance (ADA)

<u>Regular Term</u>	<u>Full-Time &amp; Part-Time</u>	<u>Remedial</u>	<u>Deseg In</u>	<u>Total</u>	<u>Deseg Out</u>
Kindergarten - A.M.	-	-	-	-	-
Kindergarten - P.M.	-	-	-	-	-
Kindergarten - Full-day	<u>413.082</u>	-	<u>4.021</u>	<u>417.103</u>	-
Grades <u>1 - 5</u>	<u>2,098.434</u>	-	<u>24.885</u>	<u>2,123.319</u>	-
Grades <u>6 - 8</u>	<u>1,235.611</u>	-	<u>26.313</u>	<u>1,261.924</u>	-
Grades <u>9 - 12</u>	<u>1,483.135</u>	-	<u>65.753</u>	<u>1,548.888</u>	-
Subtotal Regular Term	<u>5,230.262</u>	-	<u>120.972</u>	<u>5,351.234</u>	-
		<u>Resident</u>	<u>Deseg In</u>	<u>Total</u>	
Summer School Subtotal		<u>13.522</u>	<u>1.200</u>	<u>14.722</u>	-
Total Regular Term Plus Summer School ADA				<u><u>5,365.956</u></u>	<u><u>-</u></u>

See accompanying independent auditors' report

**KIRKWOOD SCHOOL DISTRICT R-7**

*Schedule of Selected Statistics (continued)*

---

3. September Membership

	<u>Full-Time &amp; Part-Time</u>	<u>Deseg In</u>	<u>Total</u>	<u>Deseg Out</u>
September Membership FTE Count	5,517.57	134.85	5,652.42	1.00

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

---

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

		<u>Full-Time &amp; Part-Time</u>	<u>Deseg In</u>	<u>Total</u>
State FTE Total	Free	518.06	81.71	599.77
	Reduced	110.00	9.00	119.00
	Total	628.06	90.71	718.77

5. Finance

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

- A. As required by Section 162.401, RSMo, a bond was purchased for the District's treasurer in the total amount of: \$50,000
- B. The District's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo. True
- C. The District maintained a separate bank account for the Debt Service Fund in accordance with Section 165.011, RSMo. True
- D. Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records. True
- E. If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the Board approved a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken. N/A
- F. The District published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo. True
- G. The District has a professional development committee plan adopted by the board with the professional development committee plan identifying the expenditures of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment. True
- H. The amount spent for approved professional development committee plan activities was: \$68,752

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

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

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

**KIRKWOOD SCHOOL DISTRICT R-7**

*Schedule of Selected Statistics (continued)*

---

6. Transportation (Section 163.161, RSMo)

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

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

B. The District's school transportation ridership records are 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 #1,665.5
- Ineligible ADT #154.0

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

E. Actual odometer records show the total District-operated and contracted mileage for the year was: #174,231

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

- Eligible Miles #133,960
- Ineligible Miles (Non-Route/Disapproved) #40,271

F. Number of days the District operated the school transportation system during the regular school year: 176

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

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

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

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

---



**REPORT ON COMPLIANCE - STATE REQUIREMENTS**

To the Members of the Board of Education  
Kirkwood School District R-7

We have audited the financial statements of the Kirkwood School District R-7 (the "District") as of and for the year ended June 30, 2018, and have issued our report thereon dated October 1, 2018. Our report on the financial statements disclosed that, as described in Note 1 to the financial statements, the District prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As required by the Revised Statutes of the State of Missouri, we have performed auditing procedures to test compliance with the budgetary statute (Chapter 67 RSMo) and Section 165.121.3(7) RSMo with respect to the methods of maintaining pupil attendance and pupil transportation records for the year ended June 30, 2018. The management of the District is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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

In our opinion, the District's budgetary and disbursements procedures were in compliance, in all material respects, with the budgetary statute (Chapter 67 RSMo) for the year ended June 30, 2018. It is further our opinion that the pupil attendance and pupil transportation records are so maintained as to accurately disclose, in all material respects, the average daily attendance; resident membership on the last Wednesday of September; average number of students transported on a regular basis; and mileage and allowable cost for pupil transportation in compliance with state law and administrative rules for the year ended June 30, 2018.

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

  
SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri  
October 1, 2018

---

**Federal Compliance Section**

---



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

To the Members of the Board of Education  
Kirkwood School District R-7

We have audited, 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, the financial statements of the governmental activities and each major fund of the Kirkwood School District R-7 (the "District") as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 1, 2018. Our report on the basic financial statements disclosed that, as described in Note 1 to the financial statements, the District prepares its financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 to 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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



SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri  
October 1, 2018



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

To the Members of the Board of Education  
Kirkwood School District R-7

**Report on Compliance for Major Federal Program**

We have audited the Kirkwood School District R-7's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2018. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations, contracts, and terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

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

## ***Opinion on Major Federal Program***

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

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

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

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

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.

  
SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri  
October 1, 2018

**KIRKWOOD SCHOOL DISTRICT R-7**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass - Through Identification Program</b>	<b>Expenditures</b>
<b><u>U.S. Department of Education:</u></b>			
Passed through Missouri Department of Elementary and Secondary Education:			
ESEA Title I	84.010	096-092	\$ 212,057
ESEA Title II A	84.367	096-092	106,342
ESEA Title IV	84.424	096-092	4,510
Early Childhood Special Education	84.173	096-092	<u>236,808</u>
<b>Total Special Education Cluster (IDEA)</b>			<u>236,808</u>
Passed through Special School District of St. Louis County:			
Carl Perkins Career and Technical Education	84.048	096-092	<u>37,746</u>
<b>Total U.S. Department of Education</b>			<u>597,463</u>
<b><u>U.S. Department of Agriculture:</u></b>			
Passed through Missouri Department of Elementary and Secondary Education:			
National School Breakfast	10.553	096-092	103,181
National School Lunch	10.555	096-092	345,683
Food Distribution	10.555	096-092	82,475
Subtotal CFDA 10.555			<u>428,158</u>
<b>Total Child Nutrition Cluster</b>			<u>531,339</u>
Passed through Missouri Department of Health and Senior Services:			
Child and Adult Care Food Program	10.558	ERS46110992	<u>25,721</u>
<b>Total U.S. Department of Agriculture</b>			<u>557,060</u>
<b>TOTAL</b>			<u><u>\$ 1,154,523</u></u>

## **KIRKWOOD SCHOOL DISTRICT R-7**

### Schedule of Expenditures of Federal Awards (continued)

---

#### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the fiscal year ended June 30, 2018. The information reported 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, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

#### Note 2 - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is a summary of the cash activity of the District's federal award programs and does not present transactions that would be included in financial statements of the District presented on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

#### Note 3 - Indirect Cost Rate

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

#### Note 4 - Food Distribution

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

#### Note 5 - Insurance

The District did not have any federal insurance in effect during the fiscal year ended June 30, 2018.

#### Note 6 - Loans/Loan Guarantees

The District did not have any loans or loan guarantees outstanding as of June 30, 2018.

#### Note 7 - Subrecipients

The District did not provide federal awards to any subrecipients during the fiscal year ended June 30, 2018.

**KIRKWOOD SCHOOL DISTRICT R-7**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

---

**1. SUMMARY OF AUDITORS' RESULTS**

Financial Statements

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

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

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

Noncompliance material to financial statements  
noted?  Yes  No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?  Yes  No

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

Type of auditor's report issued on compliance  
for major programs: Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with  
2 CFR Section 200.516(a)?  Yes  No

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

10.553 and 10555 Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**2. FINANCIAL STATEMENT FINDINGS**

There were no financial statement findings.

**KIRKWOOD SCHOOL DISTRICT R-7**

*Schedule of Findings and Questioned Costs (continued)*

---

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

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

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

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