

MILLER R-II SCHOOL DISTRICT

MILLER, MISSOURI

BASIC FINANCIAL STATEMENTS

Year Ended June 30, 2009

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets – Cash Basis	15
Statement of Activities – Cash Basis	16
Statement of Assets and Fund Balances – Governmental Funds – Cash Basis	18
Statement of Receipts, Disbursements and Changes in Fund Balances – Governmental Funds – Cash Basis	19
Notes to Financial Statements.....	20
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund.....	30
Budgetary Comparison Schedule – Special Revenue Fund.....	31
Note to Budgetary Comparison Schedules	32
OTHER FINANCIAL INFORMATION	
Budgetary Comparison Schedule – Capital Projects Fund.....	34
Schedule of Receipts by Source.....	35
Schedule of Disbursements by Object	37

TABLE OF CONTENTS

OTHER FINANCIAL INFORMATION (continued)

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>	38
Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	40
Schedule of Expenditures of Federal Awards.....	42
Summary Schedule of Findings and Questioned Costs	43
Schedule of Prior Audit Findings	46

SUPPLEMENTARY STATE INFORMATION

Independent Auditors' Report on Supplementary State Information.....	48
Independent Auditors' Report on Compliance with Certain Laws and Regulations Specified by Missouri Statute.....	49
Schedule of Selected Statistics.....	50
Schedule of Transportation Costs Eligible for State Aid.....	53



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

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

INDEPENDENT AUDITORS' REPORT

Board of Education
Miller R-II School District
Miller, Missouri

We have audited the accompanying financial statements of the governmental activities and each major fund of the Miller R-II School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

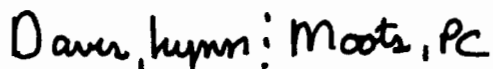
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and each major fund of Miller R-II School District as of June 30, 2009, and the respective changes in cash basis financial position thereof for the year then ended, in conformity with the basis of accounting described in Note A.

Board of Education
Miller R-II School District
Miller, Missouri

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2009, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

A handwritten signature in black ink that reads "Davis, Lynn: Moots, PC". The signature is written in a cursive, slightly slanted style.

DAVIS, LYNN & MOOTS, P.C.
October 28, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MILLER R-II SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Our discussion and analysis of Miller R-II School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2009, within the limitations of the District's cash basis of accounting. Please read it in conjunction with the District's financial statements that begin on page 15.

FINANCIAL HIGHLIGHTS

The 2008-2009 school year posed some interesting financial challenges to the District. Revenues came in as expected, however expenditures were more than anticipated. The reason for these higher than usual expenditures resulted from additional costs of constructing the new elementary school. Additionally, the District was required to build a new softball field and baseball field to replace the one that had to be removed because of the new school. Additionally, fuel costs were exceptionally high consuming a larger portion of the budget. ECSE costs, though reimbursable, were extraordinarily higher due to the addition of a blended classroom at Little Cards Preschool.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34 as applicable to the District's cash basis of accounting.

Report Components

Government-Wide Financial Statements: The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances.

Fund Financial Statements: Fund financial statements focus on the individual parts of the District operations in more detail than the government-wide statements by providing information about the District's funds. These statements tell how these services were financed in the short term as well as what remains for future spending.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: This Management's Discussion and Analysis and the budgetary comparison schedules represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Other Financial Information: This part of the annual report includes optional financial information, which includes the Schedule of Receipts by Source and the Schedule of Disbursements by Object as well as schedules and reports required by the State and Federal Governments. This other financial information is provided to address certain needs of various users of the District's annual report.

Basis of Accounting

This District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing receipts, disbursements, and their related assets and liabilities. Under the cash basis of accounting, receipts and disbursements and the related assets are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed or services provided yet not collected) and liabilities and their related expenditures (such as accounts payable and disbursements for goods and services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Government-Wide Statement of Net Assets and the Statement of Activities

Our financial analysis of the District as a whole begins on page 9. The government-wide financial statements are presented on pages 15-16. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all of the District's assets resulting from the use of the cash basis of accounting.

The statements report the District's net assets and changes in them. Over time, increases and decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other non-financial factors, however; such as changes in the District tax base, attendance, and the condition of the District's facilities, to assess the overall health of the District.

The Statement of Activities is presented by its governmental functions which include instruction, student services, instructional staff support, building administration, general administration, operation of plant, transportation, food services, community services, facility acquisition and construction and debt service. The Statement of Activities shows the net cost of these functions before considering the general receipts of the District.

Fund Financial Statements

Our analysis of the District's funds begins on page 11. The fund financial statements begin on page 18 and provide detailed information about the District's funds. These funds are required to be established by state law and by bond covenants. These fund financial statements help the reader to determine whether there are more or fewer financial resources that can be spent in the near future for District programs.

General Fund: Accounts for all resources except those required to be accounted for in the Special Revenue or Capital Project Funds.

Special Revenue Fund: Accounts for disbursements for certified employees involved in administration and instruction, and includes receipts restricted by the State for the payment of teacher salaries and taxes allocated to this fund based on the District's tax levy.

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

The District's Net Assets, resulting from cash transactions, decreased by \$496,956 between fiscal years 2008 and 2009.

Net Assets – Cash Basis

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 492,982	\$ 989,938
TOTAL ASSETS	<u>\$ 492,982</u>	<u>\$ 989,938</u>
NET ASSETS		
Restricted for professional development	\$ 18	\$ -
Unrestricted	492,964	989,938
TOTAL NET ASSETS	<u>\$ 492,982</u>	<u>\$ 989,938</u>

MILLER R-II SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

Changes in Net Assets – Cash Basis

For the year ended June 30, 2009, net assets of the District, resulting from cash transactions, changed as follows:

RECEIPTS	<u>2009</u>	<u>2008</u>
<u>Program Receipts</u>		
Charges for services	\$ 277,384	\$ 266,419
Operating grants and contributions	1,621,194	1,328,713
Capital grants and contributions	7,659	-
<u>General Receipts</u>		
Ad valorem tax receipts	1,597,936	1,563,514
Prop C sales tax receipts	488,337	522,026
Other tax receipts	72,830	76,616
County receipts	112,704	125,335
State receipts	2,128,291	2,161,144
Interest receipts	38,396	66,512
Other receipts	13,993	13,309
<u>Special Items</u>		
Net insurance recovery	2,680	12,250
Sale of property	19,000	-
TOTAL RECEIPTS	<u>6,380,404</u>	<u>6,135,838</u>
 DISBURSEMENTS		
Instruction	3,639,644	3,369,701
Student services	149,993	137,286
Instructional staff support	219,226	207,765
Building administration	291,096	292,985
General administration	319,083	290,570
Operation of plant	652,230	688,588
Transportation	401,851	367,617
Food service	327,508	319,820
Community services	157,604	121,007
Facilities acquisition and construction	205,127	4,000
Debt service	513,998	199,927
TOTAL DISBURSEMENTS	<u>6,877,360</u>	<u>5,999,266</u>
INCREASE (DECREASE) IN NET ASSETS	<u>\$ (496,956)</u>	<u>\$ 136,572</u>

The total cost of all programs and services was \$6,877,360. The majority of District disbursements were related to instruction and support for students (58%). Administrative activities accounted for 9% of total costs. The remaining disbursements were for plant maintenance and operations (10%), transportation (6%), food services (5%), community services (2%), facilities acquisition (3%), and debt service (7%).

MILLER R-II SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2009

To aid in understanding the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis. You will notice that disbursements are listed in the first column, with receipts from that particular activity reported to the right. The result is a Net (Disbursements)/Receipts. This type of format highlights the relative financial burden of each of the functions on the District’s taxpayers. It also identifies how much each function draws from the general receipts, or if it is self-financing through fees and grants. All other governmental receipts are reported as general. It is important to note that all taxes are classified as general receipts, even if restricted for a specific purpose.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Though the District’s reserve balance declined from 16% to 8%, the budget reserve amount was more than it was several years ago when it hovered at 3.6%. The 2008-2009 school year brought teachers their highest raise to the salary schedule of approximately \$1,300. Even though expenditures were higher than expected the District has made tremendous improvements with District facilities.

FINANCIAL ANALYSIS OF GENERAL FUND BUDGET VERSUS ACTUAL RESULTS

	Budget		Actual
	Original	Final	
RECEIPTS			
Local	\$ 2,186,124	\$ 1,662,041	\$ 1,662,041
County	111,000	78,037	78,037
State	1,296,906	377,711	377,711
Federal	684,764	544,283	544,283
TOTAL RECEIPTS	\$ 4,278,794	\$ 2,662,072	\$ 2,662,072
DISBURSEMENTS			
Instruction	\$ 832,119	\$ 997,006	\$ 997,006
Student services	57,200	48,006	48,006
Instructional staff support	142,840	149,737	149,737
Building administration	84,297	100,073	100,073
General administration	157,599	219,674	219,674
Operation of plant	468,323	534,498	534,498
Transportation	360,096	325,429	325,429
Food services	309,725	321,562	321,562
Community services	72,708	93,509	93,509
TOTAL DISBURSEMENTS	\$ 2,484,907	\$ 2,789,494	\$ 2,789,494

MILLER R-II SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2009

Receipts

This reflects only the District's General Fund (Fund 1) and does not include the Special Revenue Fund (Fund 2). The District originally budgeted total receipts of \$4,278,794. Actual receipts were \$2,662,072. This amounted to a difference of \$1,616,722. The significant decrease is due to a reallocation of revenues to the Special Revenue Fund (Fund 2).

Disbursements

The original District budget had total disbursements of \$2,484,907 and actual disbursements of \$2,789,494, a difference of \$304,587.

The District's original budget reflects a conservative philosophy of management in order to protect the District from unanticipated changes in state and federal monies. The likelihood of significant state receipt shortfalls will be a major factor in future budget decisions. The District amended the budget during the year.

DEBT ADMINISTRATION

Long-Term Debt – Cash Basis

The District uses the cash basis of accounting, which recognizes disbursements when paid in cash and receipts when collected in cash. Therefore, long-term debt of the District is not reflected in the financial statements. The following is a summary of long-term debt of the District for the years ended June 30, 2009 and 2008.

	June 30,	
	2009	2008
LONG-TERM DEBT		
Capital Leases Payable	\$ 6,417,898	\$ 6,393,348
TOTAL LONG-TERM DEBT	<u>\$ 6,417,898</u>	<u>\$ 6,393,348</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health:

For the first time since 2000, the District has experienced an increase in enrollment. Though tough economic times have made it a challenge, the state legislature fully funded the formula, resulting in the District receiving additional funding for the 2009-2010 fiscal year. This, coupled with fewer construction costs, should improve the District's 2009-2010 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Superintendent of Schools, Dr. Anthony Rossetti at Miller R-II School District, 110 W. 6th St, Miller, Missouri 65707; Telephone (417) 452-3515; email rossetti@miller.k12.mo.us.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

MILLER R-II SCHOOL DISTRICT
 STATEMENT OF NET ASSETS – CASH BASIS
 June 30, 2009

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 492,982
TOTAL ASSETS	<u>\$ 492,982</u>
NET ASSETS	
Restricted for professional development	\$ 18
Unrestricted	492,964
TOTAL NET ASSETS	<u>\$ 492,982</u>

See accompanying notes.

MILLER R-II SCHOOL DISTRICT
STATEMENT OF ACTIVITIES – CASH BASIS
Year Ended June 30, 2009

	Cash Disbursements	Program Cash Receipts			Net (Disbursements)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Receipts and Changes in Net Assets
Governmental Activities:					
Instruction	\$ (3,639,644)	\$ 176,384	\$ 1,028,254	\$ -	\$ (2,435,006)
Student services	(149,993)	-	54,367	-	(95,626)
Instructional staff support	(219,226)	-	66,536	7,659	(145,031)
Building administration	(291,096)	-	-	-	(291,096)
General administration	(319,083)	-	-	-	(319,083)
Operation of plant	(652,230)	-	-	-	(652,230)
Transportation	(401,851)	-	135,996	-	(265,855)
Food services	(327,508)	86,646	221,882	-	(18,980)
Community services	(157,604)	14,354	114,159	-	(29,091)
Facilities acquisition and construction	(205,127)	-	-	-	(205,127)
Debt service	(513,998)	-	-	-	(513,998)
NET PROGRAM (DISBURSEMENTS) RECEIPTS	<u>\$ (6,877,360)</u>	<u>\$ 277,384</u>	<u>\$ 1,621,194</u>	<u>\$ 7,659</u>	(4,971,123)
General Receipts:					
Ad valorem tax receipts					1,597,936
Prop C sales tax receipts					488,337
Other tax receipts					72,830
County receipts					112,704
State receipts					2,128,291
Interest receipts					38,396
Other receipts					13,993
TOTAL GENERAL RECEIPTS					4,452,487
Special Items:					
Net insurance recovery					2,680
Sale of property					19,000
TOTAL SPECIAL ITEMS					21,680
(DECREASE) IN NET ASSETS					(496,956)
NET ASSETS - Beginning of year					989,938
NET ASSETS - End of year					<u>\$ 492,982</u>

See accompanying notes.

FUND FINANCIAL STATEMENTS

MILLER R-II SCHOOL DISTRICT
 STATEMENT OF ASSETS AND FUND BALANCES – GOVERNMENTAL FUNDS – CASH BASIS
 June 30, 2009

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 472,914	\$ -	\$ 20,068	\$ 492,982
TOTAL ASSETS	<u>\$ 472,914</u>	<u>\$ -</u>	<u>\$ 20,068</u>	<u>\$ 492,982</u>
FUND BALANCES				
Reserved for professional development	\$ 18	\$ -	\$ -	\$ 18
Unreserved	472,896	-	20,068	492,964
TOTAL FUND BALANCES	<u>\$ 472,914</u>	<u>\$ -</u>	<u>\$ 20,068</u>	<u>\$ 492,982</u>

See accompanying notes.

MILLER R-II SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS – CASH BASIS
Year Ended June 30, 2009

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
RECEIPTS				
Local	\$ 1,662,041	\$ 488,337	\$ 335,624	\$ 2,486,002
County	78,037	11,875	22,792	112,704
State	377,711	2,100,326	205,333	2,683,370
Federal	544,283	521,832	7,659	1,073,774
Other	-	2,874	-	2,874
TOTAL RECEIPTS	2,662,072	3,125,244	571,408	6,358,724
DISBURSEMENTS				
Instruction	997,006	2,590,211	52,427	3,639,644
Student services	48,006	101,977	10	149,993
Instructional staff support	149,737	56,142	13,347	219,226
Building administration	100,073	191,023	-	291,096
General administration	219,674	97,424	1,985	319,083
Operation of plant	534,498	13,734	103,998	652,230
Transportation	325,429	13,778	62,644	401,851
Food services	321,562	1,946	4,000	327,508
Community services	93,509	59,009	5,086	157,604
Facilities acquisition and construction	-	-	205,127	205,127
Debt service	-	-	513,998	513,998
TOTAL DISBURSEMENTS	2,789,494	3,125,244	962,622	6,877,360
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(127,422)	-	(391,214)	(518,636)
OTHER FINANCING SOURCES (USES)				
Net insurance recovery	2,680	-	-	2,680
Sale of property	-	-	19,000	19,000
Operating transfers in	-	-	282,291	282,291
Operating transfers (out)	(282,291)	-	-	(282,291)
TOTAL OTHER FINANCING SOURCES (USES)	(279,611)	-	301,291	21,680
(DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	(407,033)	-	(89,923)	(496,956)
FUND BALANCE, July 1, 2008	879,947	-	109,991	989,938
FUND BALANCE, June 30, 2009	<u>\$ 472,914</u>	<u>\$ -</u>	<u>\$ 20,068</u>	<u>\$ 492,982</u>

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

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

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements present governmental activities generally financed through taxes, intergovernmental receipts, and other non-exchange transactions.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, fund equity, receipts and disbursements. The District has only governmental funds. The governmental funds of the District are all considered major funds by the Department of Elementary and Secondary Education.

The funds presented in the accompanying basic financial statements include all funds established under Missouri Revised Statutes and controlled by the Board of Education. The purpose of each fund is:

General Fund - Accounts for disbursements for non-certified employees, school transportation costs, operation of plant, fringe benefits, student body activities, community services, the food service program, and any disbursements not required or permitted to be accounted for in other funds.

Special Revenue Fund - Accounts for disbursements for certified employees involved in administration and instruction, and includes receipts restricted by the State for the payment of teacher salaries and taxes allocated to this fund based on the District's tax levy.

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

Basis of Accounting

The government-wide Statement of Net Assets and Statement of Activities and the fund financial statements are presented using the cash basis of accounting. This basis recognizes assets, net assets/fund equity, receipts, and disbursements when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenditures (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

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

MILLER R-II SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Outlay

General fixed assets are recorded as disbursements in the Capital Projects Fund at the time the goods received are paid for.

Compensated Absences

Vacation time, personal business days, and sick leave are considered as disbursements in the year paid. Such amounts unused that are vested in the employee are payable upon termination at varying rates depending on length of service.

Long-Term Debt

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

Teachers' Salaries

The salary payment schedule of the District for the 2008-2009 school year requires the payment of salaries for a twelve-month period. Consequently, the July and August 2009, payroll checks are included in the financial statements as disbursements in the month of June. This practice has been consistently followed in previous years.

Pooled Cash and Cash Equivalents

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are valued at cost and consist of food and educational materials. The cost is recorded as a disbursement at the time inventory is purchased.

Equity Classification

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

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

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

Program Receipts

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

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the District's deposits be collateralized in the name of the District by the trust department of a bank that does not hold the collateralized deposits. As of June 30, 2009, all bank balances on deposit are entirely insured or collateralized with securities.

MILLER R-II SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2009

NOTE C – TAXES

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

The District also receives sales tax collected by the State and remitted based on eligible pupils. The District is required to reduce its property tax levy by one-half the amount of sales tax estimated to be received in the subsequent calendar year unless the voters have approved a waiver of the rollback provision. The District has voted a full waiver of the rollback provision.

The assessed valuation of the tangible taxable property for the calendar year 2008 for purposes of local taxation was:

Real estate	\$ 28,136,880
Personal property	<u>12,930,843</u>
TOTAL ASSESSED VALUATION	<u><u>\$ 41,067,723</u></u>

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2008 for purposes of local taxation was:

	<u>Unadjusted</u>	<u>Adjusted</u>
General Fund	\$ 3.3300	\$ 3.3300
Capital Projects Fund	<u>0.6600</u>	<u>0.6600</u>
TOTAL LEVY	<u><u>\$ 3.9900</u></u>	<u><u>\$ 3.9900</u></u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2009, aggregated approximately 98 percent of the current assessment computed on the basis of the levy as shown above.

NOTE D – RISK MANAGEMENT

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

MILLER R-II SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE E – RETIREMENT PLANS

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

PSRS members are required to contribute 13% of their annual covered salary and the District is required to contribute a matching amount. The contribution requirements of members and the District are established and may be amended by the PSRS Board of Trustees. The District's contributions to PSRS for the years ending June 30, 2009, 2008 and 2007, were \$635,894, \$642,662 and \$574,276, respectively, equal to the required contributions.

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

PEERS members are required to contribute 6.25% of their annual covered salary and the District is required to contribute a matching amount. The contribution requirements of members and the District are established and may be amended by the Board of Trustees. The Miller R-II School District's contributions to PEERS for the years ending June 30, 2009, 2008 and 2007, were \$116,832, \$103,446 and \$84,437, respectively, equal to the required contributions.

MILLER R-II SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE F – LEASES PAYABLE

During the year ended June 30, 2006, the District entered into a cancelable lease purchase agreement with Blue Bird Leasing for a bus that cost \$61,270.

During the year ended June 30, 2007, the District entered into a cancelable lease purchase agreement with Blue Bird Leasing for a bus that cost \$73,390.

During the year ended June 30, 1996, the District entered into a cancelable lease purchase agreement with the Missouri Association of Rural Education for school facilities for \$707,000. The lease was refinanced on February 15, 1999 with total principal due of \$711,000.

During the year ended June 30, 2007, the District entered into a cancelable lease purchase agreement for equipment at a cost of \$39,743.

During the year ended June 30, 2008, the District entered into a cancelable lease purchase agreement with the Missouri Association of Rural Education for school facilities for \$4,860,000.

During the year ended June 30, 2008, the District entered into a \$1,040,000 lease agreement to fund energy conservation and efficiency projects. Funds totaling \$516,525 are being held in reserve at United Missouri Bank for future payments on the lease.

During the year ended June 30, 2008, the District entered into a cancelable lease to finance the purchase of a new school bus, which cost \$56,502 plus interest at 3.50%.

During the current year, the District entered into a cancelable lease purchase agreement with the Missouri Association of Rural Education for school facilities for \$279,000.

During the current year, the District entered into a cancelable lease purchase agreement for furniture at a cost of \$73,633. The Missouri Association of Rural Education lease paid \$25,000 of the principal resulting in a principal balance owed by the District of \$48,633.

During the current year, the District entered into a cancelable lease to finance the purchase of a new van, which cost \$14,000 plus interest at 4.5%.

Although the agreements provide for cancellation of the leases at the District's option at the renewal dates, the District does not foresee exercising its options to cancel. The leases provide for interest at varying rates.

MILLER R-II SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE F – LEASES PAYABLE (continued)

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

Year Ended June 30,	1996	2008	2009	Energy Conservation and Efficiency	Equipment	Bus	2009	2009	Total
	Mare Lease	Mare Lease	Mare Lease	Lease	Lease	Leases	Van Lease	Furniture Lease	
2010	\$ 65,275	\$ 344,310	\$ 34,325	\$ 95,780	\$ 9,699	\$ 49,290	\$ 3,189	\$ 27,918	\$ 629,786
2011	62,775	338,910	38,100	94,130	9,699	16,177	3,189	25,051	588,031
2012	65,225	308,510	36,912	97,370	8,083	-	3,189	-	519,289
2013	62,420	318,948	40,725	95,330	-	-	3,189	-	520,612
2014	64,505	323,768	39,300	98,170	-	-	3,189	-	528,932
2015	26,325	343,218	37,875	95,733	-	-	-	-	503,151
2016	-	361,655	36,300	93,198	-	-	-	-	491,153
2017	-	364,055	34,725	95,598	-	-	-	-	494,378
2018	-	385,970	33,150	97,693	-	-	-	-	516,813
2019	-	386,490	31,575	94,504	-	-	-	-	512,569
2020	-	381,490	-	95,980	-	-	-	-	477,470
2021	-	386,034	-	97,220	-	-	-	-	483,254
2022	-	379,830	-	93,224	-	-	-	-	473,054
2023	-	393,280	-	94,230	-	-	-	-	487,510
2024	-	380,080	-	-	-	-	-	-	380,080
2025	-	416,880	-	-	-	-	-	-	416,880
2026	-	401,480	-	-	-	-	-	-	401,480
2027	-	856,080	-	-	-	-	-	-	856,080
TOTAL MINIMUM LEASE PAYMENTS	346,525	7,070,988	362,987	1,338,160	27,481	65,467	15,945	52,969	9,280,522
LESS AMOUNT REPRESENTING INTEREST	(51,525)	(2,360,988)	(83,987)	(353,160)	(3,109)	(3,574)	(1,945)	(4,336)	(2,862,624)
NET LEASE PAYMENTS	<u>\$ 295,000</u>	<u>\$ 4,710,000</u>	<u>\$ 279,000</u>	<u>\$ 985,000</u>	<u>\$ 24,372</u>	<u>\$ 61,893</u>	<u>\$ 14,000</u>	<u>\$ 48,633</u>	<u>\$ 6,417,898</u>

The following represents the changes in the net lease payments for the year ended June 30, 2009:

Leases Payable, July 1, 2008	\$ 6,393,348
Additions	341,633
Net Lease Retirements	<u>(317,083)</u>
Leases Payable, June 30, 2009	<u>\$ 6,417,898</u>

NOTE G – CLAIMS AND ADJUSTMENTS

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulation, the District may be required to reimburse the grantor government. As of June 30, 2009, disbursements have not been audited by grantor governments, but the District believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the District.

NOTE H – COMPENSATED ABSENCES PAYABLE

Compensated absences payable at June 30, 2009, consists of accumulated sick leave of the District employees. District employees receive ten days sick leave each year accumulative to sixty days. Days accumulated in excess of sixty days are paid each year at a rate of \$50 per day for certified employees and \$20 per day for non-certified employees. When an employee honorably leaves the District, accumulated sick leave days are paid at the same rates per day. Total compensated absences payable at June 30, 2009, was \$69,973.

NOTE I – SUBSEQUENT EVENT

On September 19, 2009, the District entered into a lease agreement to purchase a school van in the amount of \$37,675.

NOTE J – POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note E, the District makes available post-retirement healthcare benefits to all employees who retire from the District. Participation by retirees in the District health plan is subjected to terms and conditions set forth in the Board policy. The cost of the coverage is charged to the retiree at a blended rate for all employees. The District has not made a formal evaluation or projection on the future cost of the existing health care benefit plan in relation to retirees.

REQUIRED SUPPLEMENTARY INFORMATION

MILLER R-II SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Local	\$ 2,186,124	\$ 1,662,041	\$ 1,662,041	\$ -
County	111,000	78,037	78,037	-
State	1,296,906	377,711	377,711	-
Federal	684,764	544,283	544,283	-
TOTAL RECEIPTS	4,278,794	2,662,072	2,662,072	-
DISBURSEMENTS				
Instruction	832,119	997,006	997,006	-
Student services	57,200	48,006	48,006	-
Instructional staff support	142,840	149,737	149,737	-
Building administration	84,297	100,073	100,073	-
General administration	157,599	219,674	219,674	-
Operation of plant	468,323	534,498	534,498	-
Transportation	360,096	325,429	325,429	-
Food services	309,725	321,562	321,562	-
Community services	72,708	93,509	93,509	-
TOTAL DISBURSEMENTS	2,484,907	2,789,494	2,789,494	-
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	1,793,887	(127,422)	(127,422)	-
OTHER FINANCING SOURCES (USES)				
Net insurance recovery	1,000	2,680	2,680	-
Operating transfers (out)	(2,154,030)	(282,291)	(282,291)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,153,030)	(279,611)	(279,611)	-
(DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	(359,143)	(407,033)	(407,033)	-
FUND BALANCE, July 1, 2008	879,947	879,947	879,947	-
FUND BALANCE, June 30, 2009	\$ 520,804	\$ 472,914	\$ 472,914	\$ -

MILLER R-II SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND
 Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Local	\$ -	\$ 488,337	\$ 488,337	\$ -
County	10,585	11,875	11,875	-
State	1,103,099	2,100,326	2,100,326	-
Federal	251,085	521,832	521,832	-
Other	3,000	2,874	2,874	-
TOTAL RECEIPTS	1,367,769	3,125,244	3,125,244	-
DISBURSEMENTS				
Instruction	2,513,003	2,590,211	2,590,211	-
Student services	100,140	101,977	101,977	-
Instructional staff support	64,787	56,142	56,142	-
Building administration	200,038	191,023	191,023	-
General administration	89,283	97,424	97,424	-
Operation of plant	13,735	13,734	13,734	-
Transportation	22,734	13,778	13,778	-
Food services	1,946	1,946	1,946	-
Community services	57,543	59,009	59,009	-
TOTAL DISBURSEMENTS	3,063,209	3,125,244	3,125,244	-
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(1,695,440)	-	-	-
OTHER FINANCING SOURCES				
Operating transfers in	1,695,440	-	-	-
EXCESS OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	-	-	-	-
FUND BALANCE, July 1, 2008	-	-	-	-
FUND BALANCE, June 30, 2009	\$ -	\$ -	\$ -	\$ -

MILLER R-II SCHOOL DISTRICT
NOTE TO BUDGETARY COMPARISION SCHEDULES
June 30, 2009

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 budget includes estimated receipts and proposed disbursements for all District funds. Budgeted disbursements cannot exceed beginning available monies plus estimated receipts for the year.
- 3) A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Education, the budget document is available for public inspection.
- 4) Prior to July 1, the budget is legally enacted by a vote of the Board of Education.
- 5) Subsequent to its formal approval of the budget, the Board of Education has the authority to make necessary adjustments to the budget by formal vote of the board. Adjustments made during the year are reflected in the budget information included in the financial statements. Budgeted amounts are as originally adopted, or as amended by the Board of Education. Individual amendments were not material to the original appropriations, which were amended.
- 6) Budgets for District funds are prepared and adopted on the cash basis (budget basis).

OTHER FINANCIAL INFORMATION

MILLER R-II SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE – CAPITAL PROJECTS FUND
 Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Local	\$ 276,196	\$ 335,624	\$ 335,624	\$ -
County	-	22,792	22,792	-
State	207,583	205,333	205,333	-
Federal	-	7,659	7,659	-
TOTAL RECEIPTS	483,779	571,408	571,408	-
DISBURSEMENTS				
Instruction	35,136	52,427	52,427	-
Student services	-	10	10	-
Instructional staff support	-	13,347	13,347	-
Building administration	1,554	-	-	-
General administration	900	1,985	1,985	-
Operation of plant	93,150	103,998	103,998	-
Transportation	61,000	62,644	62,644	-
Food services	2,500	4,000	4,000	-
Community services	1,000	5,086	5,086	-
Facilities acquisition and construction	724,172	205,127	205,127	-
Debt service	22,957	513,998	513,998	-
TOTAL DISBURSEMENTS	942,369	962,622	962,622	-
(DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	(458,590)	(391,214)	(391,214)	-
OTHER FINANCING SOURCES				
Operating transfers in	458,590	282,291	282,291	-
Sale of property	-	19,000	19,000	-
TOTAL OTHER FINANCING SOURCES	458,590	301,291	301,291	-
(DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS	-	(89,923)	(89,923)	-
FUND BALANCE, July 1, 2008	109,991	109,991	109,991	-
FUND BALANCE, June 30, 2009	\$ 109,991	\$ 20,068	\$ 20,068	\$ -

MILLER R-II SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE
Year Ended June 30, 2009

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
LOCAL				
Current taxes	\$ 1,206,906	\$ -	\$ 239,200	\$ 1,446,106
Delinquent taxes	125,853	-	25,977	151,830
School district trust fund (Prop C)	-	488,337	-	488,337
Financial institution tax	18	-	-	18
M & M surcharge taxes	595	-	69,661	70,256
In lieu of tax	2,556	-	-	2,556
Earnings on investments	37,610	-	786	38,396
Food service program	74,029	-	-	74,029
Food service non-program	12,617	-	-	12,617
Student activities	173,510	-	-	173,510
Community services	14,354	-	-	14,354
Other	13,993	-	-	13,993
TOTAL LOCAL	1,662,041	488,337	335,624	2,486,002
COUNTY				
Fines, escheats, etc.	-	11,875	-	11,875
State assessed utilities	78,037	-	22,792	100,829
TOTAL COUNTY	78,037	11,875	22,792	112,704
STATE				
Basic formula	-	1,942,382	-	1,942,382
Transportation	135,996	-	-	135,996
Early childhood special education	73,421	70,488	-	143,909
Career ladder	-	72,300	-	72,300
Basic formula - classroom trust fund	-	-	205,333	205,333
Educational screening program	26,944	-	-	26,944
Vocational	7,625	5,400	-	13,025
Food service	1,695	-	-	1,695
Missouri preschool project	77,459	9,756	-	87,215
T.E.A.C.H. Scholarship	204	-	-	204
Preschool lunch	54,367	-	-	54,367
TOTAL STATE	377,711	2,100,326	205,333	2,683,370

MILLER R-II SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE (CONTINUED)
Year Ended June 30, 2009

	General Fund	Special Revenue Fund	Capital Projects Fund	Total
FEDERAL				
Medicaid	33,310	-	-	33,310
IDEA	12,902	121,359	-	134,261
Early childhood special education	25,927	-	-	25,927
School lunch program	131,982	-	-	131,982
School breakfast program	58,745	-	-	58,745
After school snack program	2,273	-	-	2,273
ESEA, Title I	-	177,187	-	177,187
Title I, Part B	-	79,578	-	79,578
ESEA, Title V	486	-	-	486
ESEA, Title IV	3,845	-	-	3,845
21st century community learning centers grant	204,845	143,708	-	348,553
ESEA, Title II, Part A	42,781	-	-	42,781
Summer food service program	27,187	-	-	27,187
Title VI, Part B	-	-	7,659	7,659
TOTAL FEDERAL	544,283	521,832	7,659	1,073,774
OTHER SOURCES				
Net insurance recovery	2,680	-	-	2,680
Sale of property	-	-	19,000	19,000
Tuition from other districts	-	2,874	-	2,874
TOTAL OTHER SOURCES	2,680	2,874	19,000	24,554
TOTAL RECEIPTS	\$ 2,664,752	\$ 3,125,244	\$ 590,408	\$ 6,380,404

The Schedule of Receipts by Source agrees to the Annual Secretary of the Board Report.

MILLER R-II SCHOOL DISTRICT
SCHEDULE OF DISBURSEMENTS BY OBJECT
Year Ended June 30, 2009

	General Fund	Special Revenue Fund	Capital Projects Fund
Salaries	\$ 1,022,374	\$ 2,492,448	\$ -
Teacher retirement	3,554	315,629	-
Non-teacher retirement	56,535	963	-
Social security	66,953	5,126	-
Medicare	15,925	35,944	-
Employee insurance	85,222	216,847	-
Tuition	2,172	32,353	-
Professional services	60,463	25,934	-
Audit	14,475	-	-
Technical services	5,547	-	-
Legal services	3,090	-	-
Property services	281,546	-	-
Travel	44,684	-	-
Property insurance	24,310	-	-
Liability insurance	18,000	-	-
Fidelity premium	80	-	-
Other purchased services	39,436	-	-
General supplies	607,628	-	-
Warehouse adjustments	380	-	-
Food service	213,409	-	-
Energy supplies	215,491	-	-
Other supplies	8,220	-	-
Land	-	-	5,000
Buildings	-	-	200,127
Improvement to sites	-	-	107,868
Equipment - general	-	-	43,182
Equipment - instructional	-	-	18,204
Vehicles	-	-	26,297
School buses	-	-	36,346
Other capital outlay	-	-	11,600
Principal	-	-	262,308
Interest	-	-	248,973
Other	-	-	2,717
TOTAL DISBURSEMENTS	<u>\$ 2,789,494</u>	<u>\$ 3,125,244</u>	<u>\$ 962,622</u>



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

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

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

Board of Education
Miller R-II School District
Miller, Missouri

We have audited the accompanying financial statements of the governmental activities and each major fund of Miller R-II School District as of and for the year ended June 30, 2009, which collectively comprise Miller R-II School District's basic financial statements and have issued our report thereon dated October 28, 2009. In our report, our opinion was modified because the District prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

Board of Education
Miller R-II School District
Miller, Missouri

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiencies 09-1 and 09-2 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

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

We noted certain other matters that we have reported to management of the Miller R-II School District in a separate letter dated October 28, 2009.

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

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

A handwritten signature in black ink that reads "Davis, Lynn: Moots, PC". The signature is written in a cursive, slightly slanted style.

DAVIS, LYNN & MOOTS, P.C.
October 28, 2009



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

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Miller R-II School District
Miller, Missouri

Compliance

We have audited the compliance of the Miller R-II School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Miller R-II School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Miller R-II School District's management. Our responsibility is to express an opinion on the Miller R-II School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Miller R-II School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Miller R-II School District's compliance with those requirements.

In our opinion, the Miller R-II School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

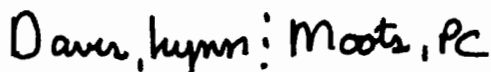
The management of the Miller R-II School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Miller R-II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

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in black ink that reads "Davis, Lynn; Moots, PC". The signature is written in a cursive, slightly slanted style.

DAVIS, LYNN & MOOTS, P.C.
October 28, 2009

MILLER R-II SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2009

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Missouri Department of Elementary and Secondary Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	055-104	\$ 58,745
National School Lunch Program - Cash	10.555	055-104	131,982
- Commodities	10.555	055-104	18,218
After School Snack	10.555	055-104	2,273
Missouri Department of Health			
Summer Food Service Program	10.559	055-104	<u>27,187</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			238,405
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Missouri Department of Elementary and Secondary Education			
ESEA, Title I - Grants to LEAs	84.010	055-104	151,300
ESEA, Title I, Part B - Reading Skills Improvement	84.357	055-104	80,444
ESEA, Title II, Part A - Teacher and Principal Quality	84.367	055-104	12,000
Special Education Cluster			
IDEA, Special Education	84.027	055-104	129,024
Early Childhood Special Education	84.027	055-104	44,779
ESEA, Title, IV - Safe and Drug-Free Schools and Communities	84.186	055-104	4,000
Title VI, Part B - Rural Education Initiative	84.358	055-104	7,659
21st Century Community Learning Centers Program	84.287	055-104	<u>294,289</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>723,495</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 961,900</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. The Schedule of Expenditures of Federal Awards is presented using the cash basis of accounting, which is described in Note A to the District's basic financial statements.
2. Commodities received and expended are valued by the Food Service Section of the Department of Elementary and Secondary Education.

MILLER R-II SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2009

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion, on the basic financial statements presented on the cash basis of accounting.
2. Deficiencies disclosed during the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The deficiencies are reported as material weaknesses.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. There were no findings required to be reported in accordance with Section 510(a) of Circular A-133.
7. The programs tested as major programs were:

Child Nutrition Cluster	10.553, 10.555 & 10.559
21 st Century Community Learning Centers Program	84.287
8. The threshold for determining a Type A program was \$300,000.
9. Miller R-II School District was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

09-1. Segregation of duties

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

MILLER R-II SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2009

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

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

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

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

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

09-2 Design of internal control system for preparation of basic financial statements

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

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

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

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

Response: The District does not have the resources to hire additional accounting personnel with the knowledge, experience and training solely to prepare governmental financial statements in conformity with Governmental Accounting Standards. The District does have personnel with sufficient knowledge to understand and take responsibility for the basic financial statements.

MILLER R-II SCHOOL DISTRICT
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
Year Ended June 30, 2009

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

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

MILLER R-II SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2009

There were no prior audit findings.

SUPPLEMENTARY STATE INFORMATION



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

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343
www.dlmcpa.com
e-mail: cpa@dlmcpa.com

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY STATE INFORMATION**

Board of Education
Miller R-II School District
Miller, Missouri

We have audited the basic financial statements of the Miller R-II School District, Miller, Missouri for the year ended June 30, 2009, and have issued our report thereon dated October 28, 2009. Our audit of such basic financial statements was made in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* and the standards for financial and compliance audits issued by the Missouri Department of Elementary and Secondary Education and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
October 28, 2009



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

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

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

Board of Education
Miller R-II School District
Miller, Missouri

We have audited the basic financial statements of the Miller R-II School District, Miller, Missouri as of and for the year ended June 30, 2009, and have issued our report thereon dated October 28, 2009.

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

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

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

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

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
October 28, 2009

MILLER R-II SCHOOL DISTRICT 055-104
 SCHEDULE OF SELECTED STATISTICS
 Year Ended June 30, 2009

A single audit was performed.

1. Calendar (Sections 160.041 and 171.031, RSMo)

- A. The number of actual calendar hours classes were in session and pupils were under the direction of teachers during this school year was 1,086.45.
- B. The number of days classes were in session and pupils were under the direction of the teachers during this school year was 173.

2. Average Daily Attendance (ADA)

Average Daily Attendance:

Regular term:

Kindergarten – Grade 12

534.17

Total regular term

534.17

Summer school average daily attendance

33.99

Total Average Daily Attendance

568.16

3. September Membership

September Membership FTE Count

565.78

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

State FTE Total

Free

284.00

Reduced

61.00

Total

345.00

5. Finance

- A. A bond as required by Section 162.401, RSMo has been purchased for the District treasurer in the amount of \$25,000.
- B. The District's deposits were adequately secured during the year as required by Sections 110.010 and 110.020 RSMo.
- C. The District does not have a Debt Service Fund.

MILLER R-II SCHOOL DISTRICT 055-104
SCHEDULE OF SELECTED STATISTICS (continued)
Year Ended June 30, 2009

5. Finance (continued)

- D. The District did not issue general obligation refunding bonds in the current year.
- E. The District does not have any current or prior year crossover refunding bonds.
- F. The District has a school improvement plan.
- G. The District has a professional development committee plan adopted by the Board with the professional development committee plan identifying the disbursement of seventy-five percent of one percent of the current year basic formula apportionment.
- H. The amount spent for approved professional development committee plan activities was \$19,405.
- I. The District did not use state-funded grant monies to supplant existing salaries.
- J. Salaries reported for educators in the October core data cycle are supported by payroll/contract records.
- K. The District's \$162,326 or 7% x SAT x WADA transfer was not in excess of the adjusted operating expenditures. The Board of Education approved the transfer.
- L. The District took action prior to October 31 to cause the 2008-2009 audit to be performed.
- M. The District published a summary of the 2007-2008 audit report within thirty days of receipt of the audit, pursuant to Section 165.121, RSMo.
- N. There were no findings noted above.

6. Transportation (Section 163.161, RSMo)

- A. The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.
- B. The District's school transportation ridership records are so maintained as to accurately disclose in all material respects the average number of regular riders transported.
- C. Based on the ridership records, the average number of students (non-disabled K-12, career education, and K-12 students with disabilities) transported on a regular basis (ADT) eligible for state transportation aid was 456.50 and the average number of students transported on a regular basis (ADT) ineligible to be counted for state transportation aid was 33.00.
- D. The District's transportation odometer mileage records are so maintained as to accurately disclose in all material respects the eligible and ineligible mileage for the year.

MILLER R-II SCHOOL DISTRICT 055-104
SCHEDULE OF SELECTED STATISTICS (continued)
Year Ended June 30, 2009

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

- E. Actual odometer records show the total District operated and contracted mileage for the year was 165,526. Of this total, the eligible non-disabled and students with disabilities route miles were 124,093 and the ineligible non-route and disapproved miles combined were 41,433.
- F. The District operated the school transportation system for 173 days during this school year.
- G. There were no findings noted above.

7. Missouri School Improvement Program (MSIP)

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

MILLER R-II SCHOOL DISTRICT
 SCHEDULE OF TRANSPORTATION COSTS ELIGIBLE FOR STATE AID
 Year Ended June 30, 2009

	District Owned
Administrative salaries	\$ 15,717
Non-certified salaries	143,098
Employee benefits	27,081
Purchased services	12,539
Supplies	110,835
Depreciation	32,165
	<u>\$ 341,435</u>
School buses lease/purchased	
Principal	<u>\$ 36,346</u>
Interest	<u>\$ 6,056</u>