

**LATHROP R-II SCHOOL DISTRICT
LATHROP, MISSOURI**

**FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITORS' REPORTS**

FOR THE YEAR ENDED JUNE 30, 2009

**LATHROP R-II SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Lathrop R-II School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lathrop 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 administration. 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 the 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 the administration, 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, these financial statements were prepared on the modified 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 assets, liabilities, and net assets/fund equity of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2009, and the revenues, expenditures and changes in net assets/fund equity, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 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 and grant agreements. 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.

The required supplementary information, as listed in the accompanying table of contents, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires 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 District's basic financial statements. The accompanying supplementary information presented on pages 30 through 39, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information 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 on the modified cash basis of accounting as described in Note A.

September 10, 2009



LATHROP R-II SCHOOL DISTRICT

700 East Street Lathrop, Missouri 64465

Distinction in Performance

DR. CHRIS BLACKBURN, SUPERINTENDENT

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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The discussion and analysis of the Lathrop R-II School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the 2009 fiscal year include:

- Operating balances for the School District (General Fund and Special Revenue Fund) went from \$2,112,424 to \$2,445,421.
- From the Capital Projects Fund, the District paid \$309,927 for the Energy Savings Contract. The District finished the school year with a balance of \$104,982 in the Capital Projects Fund.
- The District's total revenues increased from \$9,552,919 in 2008 to \$10,006,515 in 2009.
- The District's total expenditures decreased from \$14,274,986 in 2008 to \$9,966,565 in 2009.
- The District's indebtedness decreased from \$11,943,854 in 2008 to \$11,503,254 in 2009.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Lathrop R-II School District as a whole and present a longer-term view of the District's finances.

Fund financial statements provide the next level of detail. For government activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. The statements then proceed to provide an increasingly detailed look at specific financial activities. The fund financial statements also look at the District's most significant funds.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the questions, “How did we do financially during 2009?” The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the modified cash basis of accounting. The modified cash basis of accounting records revenues when collected and expenses when paid, except for teachers’ salaries as explained in Note A to the financial statements.

These two statements report the School District’s net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The cause of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District’s property tax base, current property tax laws in Missouri, required educational programs, facility conditions and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District’s programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

Reporting the School District’s Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District’s major funds. The School District uses four major funds to account for a multitude of financial transactions. The School District considers the following to be major governmental funds: General (Incidental) Fund, Special Revenue (Teachers’) Fund, Debt Service Fund, and Capital Projects Fund.

The Scholarship Fund accounts for assets held on behalf of outside parties. The fund maintains the awarding of scholarships to specific individuals in accordance with the terms of scholarship agreements entered into with the donors.

Governmental Funds

All of the School District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. The funds are reported using an accounting method called modified cash accounting. The modified cash basis of accounting records revenues when collected and expenses when paid, except for teacher’s salaries. The governmental fund statements provide a detailed short-term view of the School District’s general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

The School District as a Whole

The Statement of Net Assets and Statement of Activities provide information about the District's overall financial situation taking into account all liabilities and all assets using the modified cash basis of accounting. This basis of accounting takes into account the District's current year's revenues and expenses based upon when cash is paid or received, except certain teacher's salaries.

The following chart identifies the net assets of the District showing both the restricted and unrestricted assets that give the long-term and short-term perspective of the District's financial position.

ASSETS	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 333,139	\$ 535,555
Certificates of deposit	<u>2,680,837</u>	<u>2,438,260</u>
Total net assets	<u>3,013,976</u>	<u>2,973,815</u>
 LIABILITIES		
Cafeteria plan payable	<u>17,596</u>	<u>17,386</u>
 NET ASSETS		
Restricted for:		
Professional development	9,628	9,836
Capital outlay	104,982	360,694
Debt service	445,977	483,311
Unrestricted	<u>2,435,793</u>	<u>2,102,588</u>
Total net assets	<u>\$ 2,996,380</u>	<u>\$ 2,956,429</u>

Total net assets of governmental activities increased by \$39,951. Unrestricted net assets, the part of the net assets that can be used to finance day-to-day activities without constraints, established by grants or legal requirements of the School District, increased by \$333,205. The District's restricted net assets for debt service decreased by \$37,334. The District's restricted net assets for professional development decreased by \$208. The restricted net assets for capital outlay decreased by \$255,712, which includes construction cost for the new high school.

REVENUES

School District revenues come from five different sources with the following percentages accounting for the amount of revenue received in 2008-2009 school year.

Local Revenue 43.1% (\$4,315,347), County Revenue 3.1% (\$311,385), State Revenue 48.9% (\$4,888,300), Federal Revenue 4.9% (\$488,478) and Other Revenue less than 1% (\$3,006).

Local Revenue

The original budget was amended to reflect an increase in local receipts due to a higher collection of delinquent local taxes and the earnings on investments. Local revenues were within 8% of what was budgeted.

County Revenue

County revenues exceeded what was budgeted by \$116,378. The difference was due to more revenues from the newly established natural gas pipeline.

State Revenue

State revenue receipts were budgeted conservatively in the original budget and adjusted in the amended budget. Overall this area came in over budget on revenues by \$129,802 due largely to a reimbursement of the High Need Fund for special education expenses.

Federal Revenue

Federal revenue dollars received by the District were \$54,066 more than budgeted. The additional funds were largely due to an increase in receipts for the school breakfast and lunch program in the amount of \$28,196, and an increase in IDEA reimbursement in the amount of \$30,191.

Revenues for the Statement of Activities are presented by program revenues and general revenues. There are three program revenue types: Charges for Services, Operating Grants and Contributions and Capital Grants and Contributions. Total revenues, expenditures and changes in net assets are presented in the following table:

	<u>2009</u>	<u>2008</u>
REVENUES:		
Program Revenues:		
Charges for services	\$ 480,650	\$ 452,042
Operating grants and contributions	1,062,868	1,004,955
Capital grants and contributions	<u>3,811</u>	<u>310,816</u>
Total Program Revenues	<u>1,547,329</u>	<u>1,767,813</u>
General Revenues:		
Basic formula	4,310,099	3,956,028
Property taxes	2,713,379	2,606,405
Sales tax	707,415	725,774
State assessed utilities	229,201	116,727
Fines and escheats	82,184	81,156
Earnings on investments	104,687	275,152
M&M surtax	9,608	7,554
Other	302,603	12,039
Financial institution tax	<u>11</u>	<u>4,271</u>
Total General Revenues	<u>8,459,187</u>	<u>7,785,106</u>
Total revenues	<u>10,006,516</u>	<u>9,552,919</u>

	<u>2009</u>	<u>2008</u>
PROGRAM EXPENDITURES:		
Instruction	\$ 5,566,482	\$ 5,262,167
Student services	267,285	250,622
Instructional staff support	371,056	384,336
General administration and central services	308,327	272,623
Building level administration	505,193	500,589
Operation of plant	1,063,518	753,931
Transportation	445,712	391,248
Food service	333,100	312,460
Community services	69,660	64,069
Facility acquisition and construction	-	5,218,413
Debt service:		
Principal retirement	440,601	391,121
Interest and fees	595,631	473,407
Total expenditures	<u>9,966,565</u>	<u>14,274,986</u>
CHANGE IN NET ASSETS	39,951	(4,722,067)
Net assets beginning of year	<u>2,956,429</u>	<u>7,678,496</u>
Net assets end of year	<u>\$ 2,996,380</u>	<u>\$ 2,956,429</u>

District program expenditures, excluding debt service, decreased \$4,480,125 over the previous year. These were the final expenditures for the construction of the new high school. Some expenditure areas increased due to unsure totals for the operation of the new facility and there were salary increases for certified and classified staff.

GOVERNMENTAL ACTIVITIES

General revenues accounted for \$8,459,187 in revenue. General revenues are composed primarily of State Basic Foundation Formula, \$4,310,099, and receipts from local property taxes, \$2,713,379. Other sources of general revenues are federal and state aid not restricted for specific purposes. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,547,329 of total revenues.

The School District had \$9,966,565 in expenses, only \$1,547,329 of these expenses was offset by program specific charges for services, grants or contributions.

The Statement of Activities shows the costs of program services and the charges for services and grants offsetting those services. The table below, comparing 2009 and 2008, shows the total cost of services and the net cost of services. That is, it identifies the costs of these services supported by tax revenue and unrestricted State entitlements.

	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 5,566,482	\$ 4,541,801	\$ 5,262,167	\$ 3,992,326
Student services	267,285	267,285	250,622	250,622
Instructional staff support	371,056	371,056	384,336	384,336
General administration & central services	308,327	308,327	272,623	272,623
Building level administration	505,193	505,193	500,589	500,589
Operation of plant	1,063,518	1,059,081	753,931	750,870
Transportation	445,712	299,554	391,248	245,915
Food service	333,100	22,407	312,460	27,370
Community services	69,660	8,300	64,069	(419)
Facility acquisition and construction	-	-	5,218,413	5,218,413
Debt service:				
Principal retirement	440,601	440,601	391,121	391,121
Interest and fees	595,631	595,631	473,407	473,407
Total Governmental Activities	<u>\$ 9,966,565</u>	<u>\$ 8,419,236</u>	<u>\$ 14,274,986</u>	<u>\$ 12,507,173</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Student services include guidance and counseling, health services, as well as the costs of student attendance reporting.

Instructional staff support includes the activities involved with assisting staff with the content and process of teaching to pupils.

General administration and central services includes the expenses associated with administrative and financial supervision of the district. It also includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Building administration includes the cost of salaries and benefits for building level principals and office support staff.

Operations of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Food service includes the preparation, delivery, and servicing of lunches, snacks, and other incidental meals to students and school staff in connection with school activities.

Community services includes expense related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Facility acquisition and construction includes expenditures for land or existing buildings; improvements of grounds; construction of buildings' remodeling of buildings; initial equipment; additional equipment; and replacement of equipment.

Debt service involves the transactions associated with the payment of principal, interest, and other related charges for debt of the School District.

The School District's Funds

The School District's major funds are accounted for using the modified cash basis of accounting. All major funds had total revenues of \$10,006,516 and expenditures of \$9,966,565.

General Fund Budgeting Highlights

The School District's budget is prepared according to Missouri law and is based on accounting for certain transactions on the modified cash basis. The most significant budgeted fund is the General Fund.

During the course of the fiscal 2009 year, the School District amended its General Fund budget once, in January. Local and state revenues were amended to reflect the tax levy rate that was set in August. The budget was amended during the 2009 year in the General Fund and Capital Projects Fund to reflect expenses for the operation of the new high school.

For the General Fund, the final budget basis revenue was \$4,569,145 representing a \$962,446 over the original budget. The increased revenue was due to more revenue from the following areas: earnings on investments, food service revenue, county taxes from the pipe line, higher reimbursement for special services, transportation reimbursement, and a repayment to the school district from the lease construction fund, in the amount of \$285,425, for expenses the district paid prior to issuing the 2007 Certificates of Participation.

The School District's ending actual total fund balance was \$992,527 above the original budget estimate for all funds, which is a reflection of the increased revenue.

DEBT ADMINISTRATION

The District's total debt balance for facilities that is repaid through local tax dollars each year on a scheduled basis is \$7,540,000. The District is postured to comfortably handle this debt as long as the current structure of funding schools remains in place.

The following chart shows the District's debt obligations at June 30:

	<u>2009</u>	<u>2008</u>
2002 General Obligation Refunding Bonds	\$ 190,000	\$ 315,000
2006 General Obligation Building Bonds	7,350,000	7,350,000
2002 Certificates of Participation	1,375,000	1,480,000
2007 Certificates of Participation	2,205,000	2,255,000
Energy Savings Lease	317,392	434,838
Computer lease	24,733	47,927
Playground surface lease	<u>41,128</u>	<u>61,090</u>
	<u>\$ 11,503,253</u>	<u>\$ 11,943,855</u>

Current Financial Issues and Concerns

The Lathrop R-II School District is financially sound. A major factor in the District's financial strength is the community's support of the full Prop C waiver passed in August of 2002, the \$0.75 operating levy increase in April 2004, and passage of the \$7,350,000 bond issue in 2006. The tax levy support of the community will ensure that the District will maintain excellent academic programs, attract and retain quality personnel, offer outstanding professional development for staff, and maintain and make improvements to facilities. As the preceding information shows, the School District heavily depends on its property taxpayers and revenue from the state foundation formula. The School District is proud of its community support.

The Lathrop R-II School District is greatly impacted by the State revenue. The administration has been working with other Districts to insure that the legislators representing the School District and its taxpayers are fully aware of the impact any state aid reductions may have on the School District.

In conclusion, the Lathrop R-II School District has committed itself to financial excellence. The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the District's Financial Management

This report is designed to provide our patrons, taxpayers and constituents involved in any manner with our District, a general overview of the District's finances, and to demonstrate the District's financial responsibility for the funding it receives. If you have questions about this report or need further information, contact Dr. Chris Blackburn, Superintendent of Schools, Lathrop R-II School District Central Office at 816-528-7500 or 816-740-3861.

LATHROP R-II SCHOOL DISTRICT
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2009

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	\$ 333,139
Certificates of deposit	<u>2,680,837</u>
Total assets	<u>3,013,976</u>
LIABILITIES	
Cafeteria plan payable	<u>17,596</u>
NET ASSETS	
Restricted for:	
Professional development	9,628
Capital outlay	104,982
Debt service	445,977
Unrestricted	<u>2,435,793</u>
Total net assets	<u><u>\$ 2,996,380</u></u>

See accompanying notes to the basic financial statements.

**LATHROP R-II SCHOOL DISTRICT
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2009**

	PROGRAM REVENUES				NET (EXPENDITURE)
EXPENDITURES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGE IN NET ASSETS	GOVERNMENTAL
GOVERNMENTAL ACTIVITIES:					
Instruction	\$ 5,566,482	\$ 292,398	\$ 728,472	\$ 3,811	\$ (4,541,801)
Student services	267,285	-	-	-	(267,285)
Instructional staff support	371,056	-	-	-	(371,056)
General administration and central services	308,327	-	-	-	(308,327)
Building level administration	505,193	-	-	-	(505,193)
Operation of plant	1,063,518	4,437	-	-	(1,059,081)
Pupil transportation	445,712	671	145,487	-	(299,554)
Food service	333,100	183,144	127,549	-	(22,407)
Community services	69,660	-	61,360	-	(8,300)
Facility acquisition and construction	-	-	-	-	-
Debt service:					
Principal retirement	440,601	-	-	-	(440,601)
Interest and fees	595,631	-	-	-	(595,631)
Total Governmental Activities	\$ 9,966,565	\$ 480,650	\$ 1,062,868	\$ 3,811	(8,419,236)
General Revenues:					
					4,310,099
					2,713,379
					707,415
					229,201
					82,184
					104,687
					9,608
					302,614
					8,459,187
					39,951
					2,956,429
					\$ 2,996,380

See accompanying notes to the basic financial statements.

**LATHROP R-II SCHOOL DISTRICT
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS					
Cash and cash equivalents	\$ 12,425	\$ 15,018	\$ 200,714	\$ 104,982	\$ 333,139
Certificates of deposits	<u>2,435,574</u>	<u>-</u>	<u>245,263</u>	<u>-</u>	<u>2,680,837</u>
Total assets	<u>\$ 2,447,999</u>	<u>\$ 15,018</u>	<u>\$ 445,977</u>	<u>\$ 104,982</u>	<u>\$ 3,013,976</u>
LIABILITIES AND FUND BALANCES					
Cafeteria plan payable	<u>\$ 2,578</u>	<u>\$ 15,018</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,596</u>
Fund Balances:					
Reserved:					
Reserved for professional development	9,628	-	-	-	9,628
Reserved for capital outlay	-	-	-	104,982	104,982
Reserved for debt service	-	-	445,977	-	445,977
Unreserved	<u>2,435,793</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,435,793</u>
Total fund balances	<u>2,445,421</u>	<u>-</u>	<u>445,977</u>	<u>104,982</u>	<u>2,996,380</u>
Total Liabilities and Fund Balances	<u>\$ 2,447,999</u>	<u>\$ 15,018</u>	<u>\$ 445,977</u>	<u>\$ 104,982</u>	<u>\$ 3,013,976</u>

See accompanying notes to the basic financial statements.

LATHROP R-II SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES :					
Local	\$ 3,288,330	\$ 737,194	\$ 275,245	\$ 14,578	\$ 4,315,347
County	202,348	82,184	26,853	-	311,385
State	586,983	4,143,195	154,311	3,811	4,888,300
Federal	488,478	-	-	-	488,478
Other	3,006	-	-	-	3,006
	<u>4,569,145</u>	<u>4,962,573</u>	<u>456,409</u>	<u>18,389</u>	<u>10,006,516</u>
Total Revenues					
EXPENDITURES :					
Instruction	1,031,777	4,474,591	-	60,114	5,566,482
Student services	87,073	180,212	-	-	267,285
Instructional staff support	173,858	185,348	-	11,850	371,056
General administration & central services	171,331	118,520	-	18,476	308,327
Building level administration	141,935	357,027	-	6,231	505,193
Operation of plant	780,370	-	-	283,148	1,063,518
Pupil transportation	400,162	17,000	-	28,550	445,712
Food service	332,930	-	-	170	333,100
Community services	50,020	19,640	-	-	69,660
Facility acquisition and construction	-	-	-	-	-
Debt service:					
Principal retirement	-	-	125,000	315,601	440,601
Interest and fees	-	-	368,743	226,888	595,631
	<u>3,169,456</u>	<u>5,352,338</u>	<u>493,743</u>	<u>951,028</u>	<u>9,966,565</u>
Total Expenditures					
Revenues Over (Under) Expenditures	1,399,689	(389,765)	(37,334)	(932,639)	39,951
Other Financing Sources (Uses):					
Transfers	<u>(1,066,692)</u>	<u>389,765</u>	<u>-</u>	<u>676,927</u>	<u>-</u>
Net change in fund balances	332,997	-	(37,334)	(255,712)	39,951
Fund balance, beginning	<u>2,112,424</u>	<u>-</u>	<u>483,311</u>	<u>360,694</u>	<u>2,956,429</u>
Fund balance, ending	<u>2,445,421</u>	<u>-</u>	<u>445,977</u>	<u>104,982</u>	<u>2,996,380</u>

See accompanying notes to the basic financial statements.

**LATHROP R-II SCHOOL DISTRICT
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUND
JUNE 30, 2009**

	<u>SCHOLARSHIP FUND</u>
ASSETS	
Certificate of deposit	<u>\$ 10,067</u>
NET ASSETS	
Held in trust for scholarships	<u>\$ 10,067</u>

See accompanying notes to the basic financial statements.

**LATHROP R-II SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET ASSETS
MODIFIED CASH BASIS - FIDUCIARY FUND
JUNE 30, 2009**

	SCHOLARSHIP FUND
Additions	
Interest received	\$ 471
Deductions	
Scholarships paid to students	500
Change in Net Assets	(29)
Net Assets, beginning	10,096
Net Assets, ending	\$ 10,067

See accompanying notes to the basic financial statements.

LATHROP R-II SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles Used to Determine Scope of Entity: The District's reporting entity includes the District's governing board and all related organizations.

The District has implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. GASB Statement No. 39, which amended GASB Statement No.14, provides specific criteria which must be met in order for an organization to be included in the District's financial statements.

The District has determined that no outside agency meets the criteria set forth in GASB Statement No. 39 and, therefore, no other agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity which would result in the District being considered a component unit of the entity.

Basis of Presentation: The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the District, except for fiduciary funds.

The Statement of Net Assets presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenditures and program revenues for each program or function of the District's governmental activities. Direct expenditures are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenditures 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 - During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, 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 following funds are used by the District:

LATHROP R-II SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major Governmental Funds:

General (Incidental) Fund: Accounts for general activities of the District, including student activities, food service, and textbooks which are not required to be accounted for in another fund.

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

Debt Service Fund: Accounts for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs on general long-term debt.

Capital Projects Fund: Accounts for the proceeds of long-term debt, taxes and other revenues designated for construction of major capital assets and all other capital outlay.

Fiduciary Fund:

Scholarship Fund: Accounts for assets held on behalf of outside parties. The fund maintains the awarding of scholarships to specific individuals in accordance with the terms of scholarship agreements entered into with the donors.

Measurement Focus

Government-wide Financial Statements: The government-wide financial statements are prepared using the total economic resources measurement focus. All assets and liabilities arising from cash basis transactions are included on the Statement of Net Assets.

Fund Financial Statements: All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement of focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach does not differ from the manner in which the governmental activities of the District-wide financial statements are prepared.

Basis of Accounting: In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues and expenditures when they result from cash transactions. Also, salaries for teachers are recorded as expenditures paid in the fiscal year in which the obligation under the salary contracts are fulfilled by the teachers, even though a portion of such salaries are not paid until July and August of the following fiscal year. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

LATHROP R-II SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pooled Cash and Temporary Investments: Cash resources of the individual funds are combined to form a pool of cash and temporary investments which is managed by the District's Treasurer. Interest income received is allocated to contributing funds based on cash and temporary investment balances. The investment pool is available for use by all funds except the Debt Service Fund (State law requires that all deposits of the Debt Service Fund be kept separate and apart from all other funds of the District).

Vacation and Sick Leave: Vacation time, personal business days, and sick leave are considered as expenditures in the year paid. Sick leave amounts unused and which are vested in the employee are payable upon retirement or separation at \$35 per day for certified staff and \$20 per day for non-certified. Each year end employees may accumulate unused sick leave to 75 days. Excess of 75 sick days will be reimbursed yearly at the end of the fiscal year at \$35/\$20 per day.

Teachers' Salaries: Payroll checks written and dated in June 2009, for July and August 2009 payrolls related to 2008-2009 contracts in the amount of \$634,279 are included in the financial statements as an expenditure paid in the month of June. This practice has been consistently followed in previous years.

NOTE B - DEPOSITS AND INVESTMENTS

Custodial credit risk: For deposits, custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. At June 30, 2009, the bank balances of the District's deposits totaled \$746,390. Of this amount \$250,000 was covered by FDIC insurance, and \$496,390 was supported by collateral, held by banks in the District's name that do not hold the collateralized deposits.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has a formal investment policy that minimizes the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter term securities.

Credit risk: Credit risk is defined as the risk that an issuer or other counterparties to an investment in debt securities will not fulfill its obligation.

The District is participating in the program created by Senate Bill 301 administered by the Missouri Health and Educational Authority (MOHEFA). The program intercepts a portion of state aid and places those funds in escrow to pay the current debt service requirement of the District's outstanding bonds. The District's investments in MOHEFA are not rated by any of the nationally recognized statistical rating organizations. The District had \$193,992 invested with MOHEFA at June 30, 2009.

MOSIP is professionally managed by PFM Asset Management LLC, a registered investment adviser, who is one of the nations' largest administrators of local government investment programs. All investments in the MOSIP pool are rated AAAM by Standard and Poor's and meet the permitted investments statutes for Missouri Schools. The District had \$1,136,535 invested with MOSIP at June 30, 2009.

Concentration of credit risk: Concentration of credit risk is the risk loss attributed to the magnitude of a government's investment in a single user. The District's investment policy places no limit on the amount the District may invest in any one issuer.

LATHROP R-II SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE B - DEPOSITS AND INVESTMENTS (continued)

Certificates of Deposit: Certificates of deposit with maturities in excess of three months are considered deposits for custodial risk determination. As of June 30, 2009, the bank balances of the District's certificates of deposit totaled \$1,607,904. Of this amount, \$1,607,904 was supported by collateral, held by banks in the District's name that do not hold the collateralized deposits.

NOTE C - RETIREMENT PLAN

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

PSRS members are required to contribute 13.0% of their annual covered salary and the District is required to contribute a matching amount. The contribution requirements of members and the District are established and may be amended by the PSRS Board of Trustees. The District's contributions to PSRS for the year ended June 30, 2009 were \$544,685, equal to the required contributions.

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

PEERS members are required to contribute 6.25% 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 District's contributions to PEERS for the year ended June 30, 2009 were \$68,908, equal to the required contributions.

LATHROP R-II SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE D - 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. Clinton County and Caldwell County collect the property tax and remit it to the District. The District also receives sales tax collected by the state and remitted based on weighted average daily attendance. The District is required to reduce its property tax levy by one-half the amount of sales tax estimated to be received in the subsequent calendar year. The District's voters have approved a waiver of the rollback and, therefore, the District was not required to reduce its levy for the calendar year 2008.

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

Real Estate:		
Residential	\$	37,190,960
Agricultural		4,928,620
Commercial		4,052,627
Personal Property		<u>14,297,408</u>
	\$	<u><u>60,469,615</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	\$ 4.2414	\$ 4.2414
Special Revenue Fund	-	-
Debt Service Fund	0.4486	0.4486
Capital Projects Fund	<u>-</u>	<u>-</u>
	<u>\$ 4.6900</u>	<u>\$ 4.6900</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2009 aggregated approximately 96 percent of the current assessment computed on the basis of the levy as shown above.

NOTE E - INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District maintains commercial insurance to protect itself from such risks

**LATHROP R-II SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE F - LONG-TERM DEBT

Changes in long-term debt during the fiscal year were as follows:

	Balance			Amount Due	
	July 1, 2008	Additions	Retirements	Balance June 30, 2009	Within One Year
2002 G.O. Refunding Bonds	\$ 315,000	\$ -	\$ 125,000	\$ 190,000	\$ 120,000
2002 Certificates of Participation	1,480,000	-	105,000	1,375,000	110,000
2006 G.O. Building Bonds	7,350,000	-	-	7,350,000	-
2007 Certificates of Participation	2,255,000	-	50,000	2,205,000	75,000
Engery Savings lease	434,838	-	117,445	317,393	122,759
Computer lease	47,926	-	23,194	24,732	24,732
Playground surface lease	61,090	-	19,961	41,129	20,360
Total	\$ 11,943,854	\$ -	\$ 440,600	\$ 11,503,254	\$ 472,851

NOTE G - CAPITAL LEASE OBLIGATIONS

On December 31, 2002, the District entered into a lease purchase agreement with a bank to finance the cost of acquiring and installing certain equipment designed to reduce energy consumption and operating costs. The District issued \$1,935,000 Series 2002 Certificates of Participation (Lathrop R-II School District Energy Improvement Project) with the proceeds used to provide funds to pay the costs of the project. Under the project, the District entered into an agreement with the contractor installing the equipment to guarantee certain savings. The lease requires varying annual installments through August 2018; interest at 3.80 to 5.125%.

On July 13, 2004, the District entered into a lease purchase agreement with a financial institution to finance the cost of acquiring and installing certain equipment designed to reduce energy consumption and operating costs. Under the project, the District entered into an agreement with the contractor installing the equipment to guarantee certain savings. The lease requires quarterly installments of \$33,713 through December 2011; interest at 4.450%.

On July 5, 2006, the District entered into a lease purchase agreement to finance the cost of acquiring and installing rubberized safety playground surfacing. The lease requires annual installments of \$21,183, beginning July 5, 2006 through July 5, 2010; interest at 1.999%.

On November 15, 2007, the District entered into a lease purchase agreement with a financial institution to finance the cost of acquisition, construction, improving, renovating, furnishing and equipping the new high school facility. The District issued \$2,255,000 Series 2007 Certificates of Participation with the proceeds used to provide funds to pay the costs of the project. The lease requires varying annual installments through March 1, 2028, interest at 4.00 to 5.00%.

On October 22, 2007, the District entered into a lease purchase agreement to finance the cost of acquiring and installing computer equipment in the High School. The lease requires annual installments of \$26,374, beginning November 1, 2007 through November 1, 2009; interest at 6.50%.

**LATHROP R-II SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE G - CAPITAL LEASE OBLIGATIONS (continued)

Future minimum lease payments on the above leases are as follows:

Year ending June 30,	
2010	\$ 537,205
2011	508,180
2012	416,052
2013	354,347
2014	354,413
2015	363,444
2016	356,641
2017	354,453
2018	351,753
2019	353,419
2020	178,838
2021	183,375
2022	177,438
2023	181,500
2024	184,750
2025	182,500
2026	185,000
2027	182,000
2028	<u>183,750</u>
Total	5,589,058
Less: amounts representing interest	<u>(1,625,804)</u>
Principal	<u>\$ 3,963,254</u>

NOTE H - BONDS PAYABLE

Bond payable outstanding at June 30, 2009 are as follows:

Series 2002 general obligation refunding bonds due in varying annual installments through March 2011, interest from 3.40% to 3.75	\$ 190,000
Series 2006 general obligation building bonds due in varying annual installments through March 2026, interest from 4.0% to 5.0%	<u>7,350,000</u>
	<u>\$ 7,540,000</u>

LATHROP R-II SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE H - BONDS PAYABLE (continued)

Debt service requirements to maturity are:

Year ending June 30,	Principal	Interest	Total
2010	\$ 120,000	\$ 364,205	\$ 484,205
2011	70,000	360,125	430,125
2012	150,000	357,500	507,500
2013	150,000	351,500	501,500
2014	200,000	345,500	545,500
2015	250,000	337,500	587,500
2016	250,000	327,500	577,500
2017	300,000	317,500	617,500
2018	350,000	302,500	652,500
2019	400,000	285,000	685,000
2020	450,000	265,000	715,000
2021	500,000	242,500	742,500
2022	600,000	217,500	817,500
2023	700,000	187,500	887,500
2024	800,000	152,500	952,500
2025	900,000	112,500	1,012,500
2026	<u>1,350,000</u>	<u>67,500</u>	<u>1,417,500</u>
Total	<u>\$ 7,540,000</u>	<u>\$ 4,593,830</u>	<u>\$ 12,133,830</u>

NOTE I - LEASE COMMITMENTS

The District leases copiers from third parties under operating leases. The copier leases are non-cancelable with a term of 48 months.

The District also leases communication equipment from a third party. The lease requires sixty monthly payments of \$675 through October 1, 2012.

Future minimum lease payments (assuming non-cancellation) are as follows:

Year ending June 30,	
2010	\$ 39,840
2011	12,660
2012	10,380
2013	<u>2,025</u>
Total	<u>\$ 64,905</u>

Lease expense for the year ended June 30, 2009 was \$48,900.

LATHROP R-II SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE J - INTERFUND TRANSFERS

During the year the District made a \$367,000 transfer from the General Fund to the Capital Projects Fund for necessary capital outlay expenditures. This revenue transfer is capped by an amount calculated annually by the Missouri Department of Elementary and Secondary Education (DESE).

The District also made a \$309,927 transfer from the General Fund to the Capital Projects Fund based on the Guaranteed Energy Performance Savings Contract.

Also, as allowed by DESE, the District transferred \$389,765 from the General Fund to the Special Revenue Fund to avoid deficit spending in the Special Revenue Fund.

REQUIRED SUPPLEMENTARY INFORMATION

LATHROP R-II SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES:				
Local	\$ 2,533,380	\$ 3,386,189	\$ 3,288,330	\$ (97,859)
County	93,000	202,378	202,348	(30)
State	537,991	581,100	586,983	5,883
Federal	442,328	434,411	488,478	54,067
Other	-	-	3,006	3,006
Total Revenues	3,606,699	4,604,078	4,569,145	(34,933)
EXPENDITURES:				
Instruction	835,177	831,287	1,031,777	(200,490)
Student services	90,318	90,318	87,073	3,245
Instructional staff support	177,623	186,532	173,858	12,674
General administration & central services	196,833	196,641	171,331	25,310
Building level administration	150,783	150,692	141,935	8,757
Operation of plant	835,572	914,886	780,370	134,516
Pupil transportation	434,320	443,481	400,162	43,319
Food service	332,569	352,273	332,930	19,343
Community services	51,798	51,798	50,020	1,778
Facility acquisition and construction	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total Expenditures	3,104,993	3,217,908	3,169,456	48,452
Revenues Over (Under) Expenditures	501,706	1,386,170	1,399,689	13,519
Other Financing Sources (Uses):				
Transfers	(1,189,111)	(1,207,741)	(1,066,692)	141,049
Net change in fund balance	(687,405)	178,429	332,997	154,568
Fund balance, beginning	2,112,424	2,112,424	2,112,424	-
Fund balance, ending	\$ 1,425,019	\$ 2,290,853	\$ 2,445,421	\$ 154,568

See accompanying notes to the required supplementary information.

**LATHROP R-II SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2009**

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES:				
Local	\$ 741,899	\$ 738,076	\$ 737,194	\$ (882)
County	81,156	82,184	82,184	-
State	4,066,181	4,160,400	4,143,195	(17,205)
Federal	-	-	-	-
Total Revenues	<u>4,889,236</u>	<u>4,980,660</u>	<u>4,962,573</u>	<u>(18,087)</u>
EXPENDITURES:				
Instruction	4,532,346	4,551,091	4,474,591	76,500
Student services	182,891	182,891	180,212	2,679
Instructional staff support	188,109	188,109	185,348	2,761
General administration & central services	123,567	123,567	118,520	5,047
Building level administration	371,802	371,802	357,027	14,775
Operation of plant	-	-	-	-
Pupil transportation	-	-	17,000	(17,000)
Food service	-	-	-	-
Community services	19,966	19,966	19,640	326
Facility acquisition and construction	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total Expenditures	<u>5,418,681</u>	<u>5,437,426</u>	<u>5,352,338</u>	<u>85,088</u>
Revenues Over (Under) Expenditures	(529,445)	(456,766)	(389,765)	67,001
Other Financing Sources (Uses):				
Transfers	<u>529,445</u>	<u>548,706</u>	<u>389,765</u>	<u>(158,941)</u>
Net change in fund balance	-	91,940	-	(91,940)
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ 91,940</u>	<u>\$ -</u>	<u>\$ (91,940)</u>

See accompanying notes to the required supplementary information.

LATHROP R-II SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009

Budgetary Process:

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 funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Education, the budget document is available for public inspection.
4. Prior to July 1 the budget is legally enacted by a vote of the Board of Education.
5. Subsequent to its formal approval of the budget, the Board of Education has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the final budget information included in the financial statements.
6. Budgets for District funds are prepared and adopted on the modified cash basis (budget basis), recognizing revenues when collected and expenditures when paid.

SUPPLEMENTARY INFORMATION

**LATHROP R-II SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2009**

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES:				
Local	\$ 514,994	\$ 276,934	\$ 275,245	\$ (1,689)
County	20,000	27,000	26,853	(147)
State	-	159,000	154,311	(4,689)
Federal	-	-	-	-
Total Revenues	<u>534,994</u>	<u>462,934</u>	<u>456,409</u>	<u>(6,525)</u>
EXPENDITURES:				
Instruction	-	-	-	-
Student services	-	-	-	-
Instructional staff support	-	-	-	-
General administration & central services	-	-	-	-
Building level administration	-	-	-	-
Operation of plant	-	-	-	-
Pupil transportation	-	-	-	-
Food service	-	-	-	-
Community services	-	-	-	-
Facility acquisition and construction	-	-	-	-
Debt service:				
Principal retirement	125,000	125,000	125,000	-
Interest and fees	369,043	369,043	368,743	300
Total Expenditures	<u>494,043</u>	<u>494,043</u>	<u>493,743</u>	<u>300</u>
Revenues Over (Under) Expenditures	40,951	(31,109)	(37,334)	(6,225)
Other Financing Sources (Uses):				
Transfers	-	-	-	-
Net change in fund balance	40,951	(31,109)	(37,334)	(6,225)
Fund balance, beginning	<u>483,311</u>	<u>483,311</u>	<u>483,311</u>	<u>-</u>
Fund balance, ending	<u>\$ 524,262</u>	<u>\$ 452,202</u>	<u>\$ 445,977</u>	<u>\$ (6,225)</u>

**LATHROP R-II SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2009**

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES:				
Local	\$ 22,416	\$ 19,577	\$ 14,578	\$ (4,999)
County	-	-	-	-
State	102,407	106,950	3,811	(103,139)
Federal	-	-	-	-
Total Revenues	<u>124,823</u>	<u>126,527</u>	<u>18,389</u>	<u>(108,138)</u>
EXPENDITURES:				
Instruction	60,012	68,141	60,114	8,027
Student services	-	-	-	-
Instructional staff support	10,000	10,000	11,850	(1,850)
General administration & central services	13,900	18,495	18,476	19
Building administration	11,500	11,500	6,231	5,269
Operation of plant	413,085	445,585	283,148	162,437
Pupil transportation	37,000	29,000	28,550	450
Food service	3,000	3,000	170	2,830
Community services	-	-	-	-
Facility acquisition and construction	-	-	-	-
Debt service:				
Principal retirement	315,600	315,600	315,601	(1)
Interest and fees	222,343	223,343	226,888	(3,545)
Total Expenditures	<u>1,086,440</u>	<u>1,124,664</u>	<u>951,028</u>	<u>173,636</u>
Revenues Over (Under) Expenditures	(961,617)	(998,137)	(932,639)	65,498
Other Financing Sources (Uses):				
Transfers	659,665	659,665	676,927	17,262
Net change in fund balance	(301,952)	(338,472)	(255,712)	82,760
Fund balance, beginning	360,694	360,694	360,694	-
Fund balance, ending	<u>\$ 58,742</u>	<u>\$ 22,222</u>	<u>\$ 104,982</u>	<u>\$ 82,760</u>

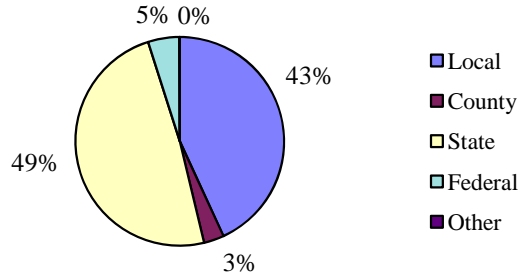
**LATHROP R-II SCHOOL DISTRICT
SCHEDULE OF REVENUES COLLECTED BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2009**

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL
LOCAL:					
Property tax	\$ 2,453,843	\$ -	\$ 259,536	\$ -	\$ 2,713,379
Sales tax	-	707,415	-	-	707,415
Financial institution tax	-	-	1	10	11
M & M surtax	-	-	919	8,689	9,608
Transportation fees	671	-	-	-	671
Tuition from individuals	-	4,000	-	-	4,000
Earnings on investments	62,758	25,699	14,789	1,441	104,687
Food service	183,144	-	-	-	183,144
Student activities	288,398	-	-	-	288,398
Other	299,516	80	-	4,438	304,034
Total Local	<u>3,288,330</u>	<u>737,194</u>	<u>275,245</u>	<u>14,578</u>	<u>4,315,347</u>
COUNTY:					
Fines and escheats	-	82,184	-	-	82,184
State assessed utilities	202,348	-	26,853	-	229,201
Total County	<u>202,348</u>	<u>82,184</u>	<u>26,853</u>	<u>-</u>	<u>311,385</u>
STATE:					
Basic formula	-	4,032,795	-	-	4,032,795
Transportation	145,487	-	-	-	145,487
Early Childhood Special Ed.	87,924	-	-	-	87,924
Basic formula - classroom trust fund	163,321	-	154,311	-	317,632
Career ladder	-	110,400	-	-	110,400
Vocational/technical aid	6,616	-	-	3,811	10,427
Food service	2,352	-	-	-	2,352
Early childhood development	61,360	-	-	-	61,360
High need fund	119,917	-	-	-	119,917
Other state revenues	6	-	-	-	6
Total State	<u>586,983</u>	<u>4,143,195</u>	<u>154,311</u>	<u>3,811</u>	<u>4,888,300</u>
FEDERAL:					
Title I	91,147	-	-	-	91,147
Title II A	35,938	-	-	-	35,938
Title IV	2,420	-	-	-	2,420
Title V	31	-	-	-	31
Medicaid	21,384	-	-	-	21,384
Individuals with Disabilities	196,520	-	-	-	196,520
Early Childhood Special Ed.	15,841	-	-	-	15,841
Child Nutrition	125,197	-	-	-	125,197
Total Federal	<u>488,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>488,478</u>
OTHER:					
Net insurance recovery	3,006	-	-	-	3,006
Total Revenues Collected	<u>\$ 4,569,145</u>	<u>\$ 4,962,573</u>	<u>\$ 456,409</u>	<u>\$ 18,389</u>	<u>\$ 10,006,516</u>

**LATHROP R-II SCHOOL DISTRICT
SCHEDULE OF REVENUES COLLECTED BY SOURCE
FOR THE YEARS ENDED JUNE 30, 2009, 2008 AND 2007**

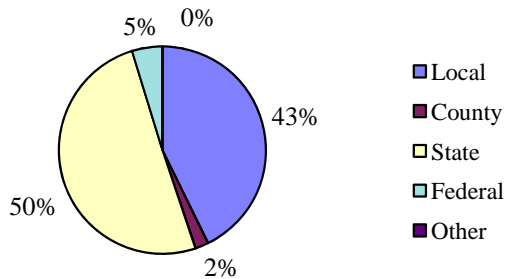
June 30, 2009

Local	\$ 4,315,347
County	311,385
State	4,888,300
Federal	488,478
Other	<u>3,006</u>
	<u>\$ 10,006,516</u>



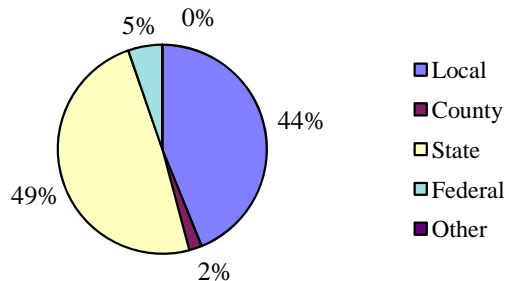
June 30, 2008

Local	\$ 4,083,237
County	197,883
State	4,819,668
Federal	452,131
Other	<u>-</u>
	<u>\$ 9,552,919</u>



June 30, 2007

Local	\$ 3,988,924
County	178,949
State	4,445,575
Federal	479,707
Other	<u>-</u>
	<u>\$ 9,093,155</u>

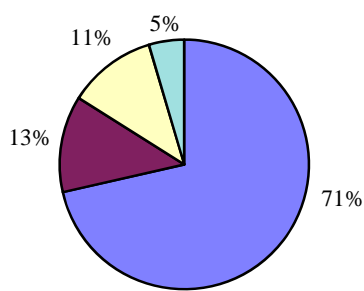


Note: The above graphs do not include proceeds from the sale of bonds.

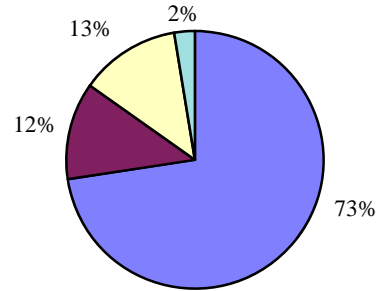
**LATHROP R-II SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES PAID BY OBJECT
FOR THE YEARS ENDED JUNE 30, 2009, 2008 AND 2007**

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	2009 TOTALS	2008 TOTALS	2007 TOTALS
Salaries	\$ 957,738	\$ 4,075,204	\$ -	\$ -	\$ 5,032,942	\$ 4,741,478	\$ 4,480,962
Employee benefits	328,848	1,017,815	-	-	1,346,663	1,206,182	1,105,269
Purchased services	857,661	259,319	-	-	1,116,980	999,203	1,302,485
Supplies	1,025,209	-	-	-	1,025,209	1,033,338	808,139
Capital outlay	-	-	-	408,539	408,539	5,430,257	3,187,281
Principal	-	-	125,000	315,601	440,601	391,121	364,530
Interest and fees	-	-	368,743	226,888	595,631	473,407	396,564
	<u>\$ 3,169,456</u>	<u>\$ 5,352,338</u>	<u>\$ 493,743</u>	<u>\$ 951,028</u>	<u>\$ 9,966,565</u>	<u>\$ 14,274,986</u>	<u>\$ 11,645,230</u>

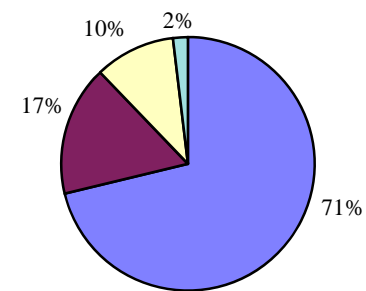
JUNE 30, 2009



JUNE 30, 2008



JUNE 30, 2007



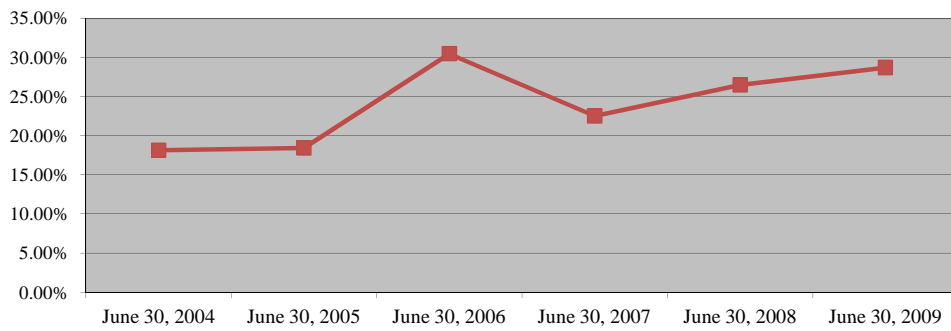
- Salaries and employee benefits
- Purchased services
- Supplies
- Capital outlay

Note: The above graphs do not include expenditures for debt service expenditures or for capital improvements.

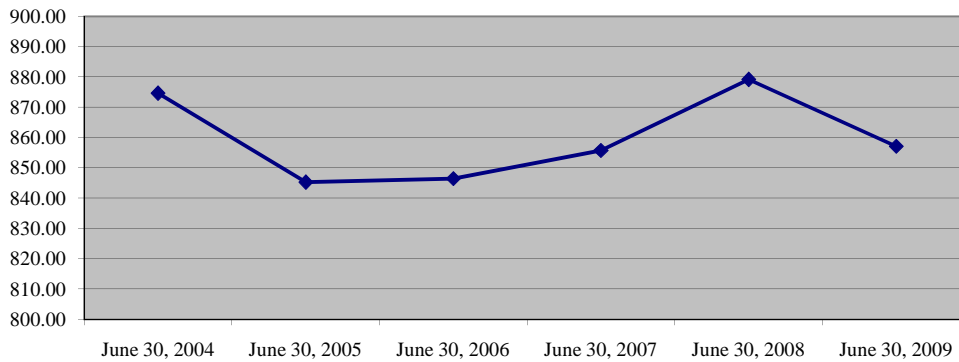
**LATHROP R-II SCHOOL DISTRICT
SELECTED TRENDS**

	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>
Total Fund Balances - Funds 1 and 2	\$ 1,139,825	\$ 1,185,504	\$ 2,107,573	\$ 1,731,455	\$ 2,112,424	\$ 2,445,421
Total Expenditures - Funds 1 and 2	<u>6,287,407</u>	<u>6,443,356</u>	<u>6,918,054</u>	<u>7,696,855</u>	<u>7,980,201</u>	<u>8,521,794</u>
Reserve ratios	18.13%	18.40%	30.46%	22.50%	26.47%	28.70%
Average Daily Attendance	874.59	845.21	846.42	855.71	879.12	857.09

Reserve Ratios



Average Daily Attendance



**LATHROP R-II SCHOOL DISTRICT
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2009**

Type of audit performed: Yellow Book X Single Audit _____

1. CALENDAR

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

Grades K - 5	1,061.17
Grades 6 - 8	1,066.33
Grades 9 - 12	1,060.08

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

2. AVERAGE DAILY ATTENDANCE (ADA)

Grades K-12	816.39
Remedial hours	0.10
Summer School	<u>40.60</u>
Total Average Daily Attendance	<u><u>857.09</u></u>

3. SEPTEMBER MEMBERSHIP

September Membership FTE Count 866.00

4. FREE AND REDUCED PRICE LUNCH FTE COUNT (Section 163.011(6), RSMo)

State FTE Total Free 154.00
Reduced 118.00

5. FINANCE

A. A bond as required by Section 162.401, RSMo. has been purchased for the District's treasurer in the amount of: \$50,000

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

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

D. The District issued the following type(s) of general obligation refunding bonds in the current year.

Current: N/A
Advanced-Defeased: N/A
Advanced-Crossover: N/A

**LATHROP R-II SCHOOL DISTRICT
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2009**

5. FINANCE (continued)

- E. The District has appropriately included all current year and prior year crossover refunding bonds in the financial statements. True
- F. The District has a school improvement plan. True
- G. The District has a professional development committee plan adopted by the Board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment. True
- H. The amount spent for approved professional development committee plan activities was: \$40,472
- I. The District did not use state funded grant monies to supplant existing salaries. True
- J. Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records. True
- K. If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, did the Board approve a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken? N/A
- L. The District took action prior to October 31 to cause the current year audit to be performed. True
- M. 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

6. TRANSPORTATION (Section 163.161, RSMo.)

- A. The school transportation allowable cost substantially conforms to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid. True
- B. The District's school transportation ridership records are so maintained as to accurately disclose in all material respects the average number of regular riders transported. True
- D. 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: 555.50
 - Ineligible ADT: 16.00
- E. The District's transportation odometer mileage records are so maintained as to accurately disclose in all material respects the eligible and ineligible miles for the year. True

**LATHROP R-II SCHOOL DISTRICT
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2009**

6. **TRANSPORTATION** (Section 163.161, RSMo.) (continued)

F. Actual odometer records, the total district-operated and contracted mileage for the year was: 143,712

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

Eligible miles 110,224
Ineligible miles (non-route/disapproved) 33,488

G. Number of days the District operated the school transportation system during this school year. 174

7. **MISSOURI SCHOOL IMPROVEMENT PROGRAM (MSIP)**

A. The District has adequate procedures that allow for the proper recording and reporting of hours of absence. True

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. True

C. The District has a set of adequate procedures for following up on the College and Vocational Placement of all the previous years' graduates 180 days after graduation. True

D. The District has a set of procedures that ensures Advanced Courses and Vocational Courses (approved by the state) are properly identified and reported according to Core Data standards. True

INTERNAL CONTROL AND COMPLIANCE

**REPORT ON THE ADMINISTRATION'S ASSERTIONS
ABOUT COMPLIANCE WITH SPECIFIED REQUIREMENTS
OF MISSOURI LAWS AND REGULATIONS**

To the Board of Education
Lathrop R-II School District

We have audited the administration's assertions, included in its representation letter dated September 10, 2009, that Lathrop R-II School District complied with the requirements of Missouri Laws and Regulations regarding budgetary and disbursement procedures; accurate disclosure by the District's attendance records of average daily attendance, resident membership on the last Wednesday of September, 2008 and the number of students eligible to receive free or reduced price lunches on the last Wednesday of January, 2009; and accurate disclosure by the District's pupil transportation records of the average students scheduled to be transported eligible and ineligible for state aid, the number of miles eligible and ineligible for state aid and the allowable costs for pupil transportation during the year ended June 30, 2009. As discussed in that representation letter, the administration is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the administration's assertions about the District's compliance based on our audit.

Our audit was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our opinion does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the administration's assertions that the District complied with the aforementioned requirements for the year ended June 30, 2009 are fairly stated in all material respects.

We noted immaterial instances of noncompliance with the aforementioned requirements that we have reported to the administration of the District in the accompanying Schedule of State Findings.

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

September 10, 2009

**LATHROP R-II SCHOOL DISTRICT
SCHEDULE OF STATE FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

TRANSPORTATION

During our audit we noted the ridership count was understated on the Application for State Transportation Aid. We also noted riders that were less than one mile from school that were not reported on the Application for State Transportation Aid. As a result of our audit the Application for State Transportation Aid has been corrected.

**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 Board of Education
Lathrop R-II School District

We have audited the financial statements of Lathrop R-II School District as of and for the year ended June 30, 2009, and have issued our unqualified report thereon dated September 10, 2009. These financial statements were prepared on the modified cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. 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 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 and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

FINANCIAL ACCOUNTING AND REPORTING - Statement on Auditing Standards 112, which is effective for audits of periods ending on or after December 15, 2006, require auditors to communicate control deficiencies whereby material misstatements will not be prevented or detected by the District's internal control.

Under SAS 112, the auditor cannot be part of the District's internal control, nor can any audit procedure be considered a compensating control. In prior years, material misstatements have often been identified by auditors during the audit process, and the resulting adjustments were then accepted and posted by the auditee. The auditors then rendered an opinion on the materially correct financial statements.

The new audit regulations require that material misstatements in the financial statements for the period under audit should be identified by the District's internal control and not by the auditor. Therefore, the District will need to have management and accounting employees with expertise in financial accounting and reporting. These employees should possess qualifications and training to be able to prepare materially correct financial statements and disclosures in conformity with the comprehensive basis of accounting used by the District. If financial statements are prepared by the auditors or other outside source, then the District must be able to detect any omission of material disclosure or material misstatement of account.

We noted that the District does not have the expertise in financial accounting and reporting as required under SAS 112. Internal controls should be designed to prevent, detect and correct misstatements in financial accounting and reporting. The lack of controls could allow misstatements in the financial statements to occur and go undetected.

In order to remove this material weakness in the District's internal control, the District would need to hire an accounting firm independent of the auditing process; however, costs would exceed benefits. The District would incur costs for the accounting firm which would need to perform additional procedures in order to prepare materially correct financial statements and disclosures. The only benefit of this action would be to remove this comment from the report as the independent audit process will ultimately result in materially correct financial statements.

Response: We do not believe it is cost beneficial to hire additional personnel or out source this work in order to mitigate this condition. Further, we see no benefit of this action other than the removal of this comment from this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 other matters involving internal control and compliance that we have reported to the administration of the District in a separate letter dated September 10, 2009.

This report is intended solely for the information and use of the administration, 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.

September 10, 2009