



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Education
Park Hill School District

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the Park Hill School District ("District") as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls.

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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

This communication is intended solely for the information and use of the Board of Education, District Management, the Missouri Department of Elementary and Secondary Education and other audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
November 20, 2012

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

2012-01 Criteria: Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which is effective for periods ending on or after December 15, 2009, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Condition: Documentation of the District's internal controls has not been prepared.

Context: During discussions with management, we noted that internal control documentation has not been prepared.

Effect: SAS 115 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the District may not be able to ensure that controls are in place, communicated and operating effectively.

Cause: The District did not prepare the required documentation.

Recommendation: We recommend that the District develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

Views of responsible officials and planned corrective actions: The District is developing a process to obtain an independent review of antifraud programs and internal controls. Based upon this review, the District will prepare communication to staff members on internal controls.

2012-02 Criteria: Antifraud programs and controls are the policies and procedures an organization puts in place by an organization to ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition: During our audit, we noted there is no formal fraud risk assessment in place.

Context: During discussions with management, we noted there were no formal fraud risk assessments implemented.

Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by District's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

Recommendation: We recommend that the District address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Views of responsible officials and planned corrective actions: The District is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the District's annual budget document and annual financial statement. The District was not aware of new SAS requirements. The District will obtain an independent assessment of fraud and internal controls.

2012-03 Criteria: Governmental Account Standard Board (GASB) pronouncement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was effective for financial statements beginning after June 15, 2010. This standard provides revised definitions for fund balance classifications and requires written acknowledgement of the Districts understanding of their classifications.

Condition: It is necessary to implement a policy of procedure implementing GASB 54, which defines the Districts understanding of their fund balance classifications.

Context: This policy was not made available during our field work.

Effect: The District was not compliant with GASB 54.

Cause: The District was not aware of the need to implement GASB 54.

Recommendation: We recommend the District prepare necessary documentation to acknowledge their understanding of fund balance classifications.

Views of responsible officials and planned corrective actions: The District will adopt a revised Board policy that includes GASB 54 compliance.

II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

GASB Statement No. 61 – *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*'s objective is to improve financial reporting for a governmental financial reporting entity. This statement modifies certain requirements for inclusion of component units in the financial reporting entity and is effective for periods beginning after June 15, 2012.

GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement*'s objective is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance. This Statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. This Statement is effective for periods beginning after December 15, 2011.

GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*'s objective is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources (a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively). This Statement is effective for periods beginning after December 15, 2011.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 18, 2012. Professional standards also require that we communicate to you the following information related to our audit.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (continued)

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2011-2012 fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance from those expected. Due to the District applying the modified cash basis of accounting, no estimates are made during the preparation of financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 20, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. We noted the District accounted for the extra pay of mileage reimbursement as accounts payable. Because the District did not maintain mileage logs to support the reimbursement, these amounts should have been reported as ordinary income. New board policies have been implemented in the beginning of the 2012 fiscal year and will be evaluated in the 2013 audit.

III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (concluded)

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, as applicable to a modified cash basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

PARK HILL SCHOOL DISTRICT
KANSAS CITY, MISSOURI
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2012

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FINANCIAL SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

To the Members of
The Board of Education
Park Hill School District

We have audited the accompanying financial statements of the governmental activities and each major fund of Park Hill School District, Missouri, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Park Hill School 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 I, Park Hill School District prepares its financial statements on the basis of modified cash receipts and disbursements 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 previously present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities and each major fund of the District, as of June 30, 2012, and the respective changes in financial position-modified cash basis, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America, as applicable to a modified cash basis of accounting.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, require that the management's discussion and analysis and budgetary comparison information on pages 3-10 and 30-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, such as the budgetary comparison on pages 34-36, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 other information, state compliance section on pages 37-41, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The state compliance 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 20, 2012

PARK HILL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Park Hill School District
7703 NW Barry Road
Kansas City, Missouri 64153
816-359-4000
<http://www.parkhill.k12.mo.us>

The Management's Discussion and Analysis (MD&A) of the Park Hill School District ("District") provides an overview and analysis of the District's modified cash basis financial activities for the fiscal year ended June 30, 2012. The intent of the MD&A is to look at the District's modified cash basis financial performance as a whole. Readers should also review the modified cash basis financial statements found in the Financial Section starting on page 11 and the notes thereto to enhance their understanding of the District's modified cash basis financial performance.

The financial statements of the District have been prepared on the modified cash basis of accounting, as applied to local governmental units, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Differences in the modified cash basis of accounting and accounting principles generally accepted in the United States of America arise in the recognition of revenue when received, rather than when earned, and the presentation of expenditures/expenses when paid versus when incurred. Additional information of the District's modified cash basis of accounting can be found in Note I on Page 17.

The MD&A is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in 1999. Certain comparative information between the current year, 2011-2012 (FY2012), and the prior year, 2010-2011 (FY2011), is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2012, include the following:

The governmental activities net assets (modified cash basis) were \$76,902,682.98 as compared to \$44,476,883.81 the previous year. The governmental funds ending fund balances (modified cash basis) were \$76,902,682.98 as compared to \$44,476,883.81 the previous year. The increase is primarily due to bond issuance revenues received.

The school district collected \$21,156,740.52 in program revenues, which made up 12.2% of the total revenues collected for the year ended June 30, 2012 as compared to 15.9% the previous year. These program revenues covered 15.1% of the program expenditures paid leaving 84.9%, to be covered by general revenues collected and fund balances, as compared to 19.6% of the program expenditures paid leaving 80.4%, to be covered by general revenues collected and fund balances the previous year.

Using the Basic Financial Statements

The District's basic financial statements consist of a series of financial statements and the associated notes to those statements. The statements are organized so the reader can understand the modified cash basis operations of the District as a whole (i.e., an entire operating entity).

PARK HILL SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Using the Basic Financial Statements (concluded)

The “Basic Financial Statements” section includes government-wide financial statements, fund financial statements and notes to financial statements.

The government-wide financial statements, consisting of the Statement of Net Assets (modified cash basis) and the Statement of Activities (modified cash basis) (see pages 11 and 12), provide highly consolidated modified cash basis financial information and render a government-wide perspective of the District’s modified cash basis financial condition. They present an aggregate view of the District’s modified cash basis finances. These statements seek to answer the question, “How did the District do financially during the 2011-2012 fiscal year?” In short, is the District better financially this year, or is it worse than the prior year? These statements include all cash and investments using the modified cash basis of accounting.

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

To provide more in depth reporting of the District’s modified cash basis financial position and changes in cash basis financial position, fund financial information is presented in the ‘Fund Financial Statements’ section beginning on page 13. These fund financial statements, which should be familiar to those who have read previous governmental financial statements, report governmental activities on a current cash basis, indicating modified cash basis sources and uses of funding.

Fund financial statements also provide more in-depth data on the District’s most significant funds, its General Fund, Special Revenue Fund, Debt Service Fund and Capital Fund. These funds are considered “major funds” under GASB Statement No. 34. The relationship between governmental activities reported in the government-wide financial statements and the governmental funds reported in the fund financial statements is reconciled in the financial statements on pages 15 and 16.

Government – Wide Financial Analysis

Net Assets of the District at June 30, 2012, of \$76,902,682.98 reflect the District’s total assets of cash and investments net of payroll liabilities at June 30, 2012, of \$10,370,476.32. Net assets of the District consist of the following:

<u>Net Assets</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Restricted	\$ 45,761,718.75	\$ 19,102,492.28
Unrestricted	31,140,964.23	25,374,391.53
<u>Total Net Assets</u>	<u>\$ 76,902,682.98</u>	<u>\$ 44,476,883.81</u>

PARK HILL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Government – Wide Financial Analysis (concluded)

The restricted net assets are restricted for payment of principal and interest on general obligation bonds, scholarships, and capital projects.

Governmental Activities

\$76,902,682.98 in net assets at June 30, 2012, reflect an increase of \$32,425,799.17 from the net asset balance of \$44,476,883.81 at June 30, 2011. Key elements of this increase consist of the following:

Revenues Collected	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<i>Program Revenues Collected</i>		
Charges for Services	\$ 8,787,522.61	\$ 8,651,076.83
Operating Grants and Contributions	12,369,217.91	14,065,040.84
Capital Grants and Contributions	-	-
<i>General Revenues Collected</i>	86,929,522.45	85,551,491.85
Federal State and County Taxes Not Restricted to Specific Purposes	23,957,039.27	19,109,505.74
Interest and Investment Earnings	2,378,996.37	938,970.90
Bond Issuance	38,500,000.00	10,000,000.00
Sale of Property	39,738.32	20,452.39
Miscellaneous	6,083.87	
Refunding of Bonds	-	4,595,000.00
Total Revenues Collected	\$ 172,968,120.80	\$ 142,931,538.55
 Expenses Paid		
Instruction	\$ 63,268,309.96	\$ 63,324,165.45
Other	53,579,190.72	51,013,505.56
Capital Outlay	14,259,221.52	1,071,703.30
Debt Service		
Principal Retirement	6,004,331.71	11,789,763.82
Interest and Fiscal Charges	3,431,267.72	3,265,236.95
Total Expenses Paid	\$ 140,542,321.63	\$ 130,464,375.08
 Change in Net Assets	 \$ 32,425,799.17	 \$ 12,467,163.47
Net Assets July 1, 2011 and 2010	<u>\$ 44,476,883.81</u>	<u>\$ 32,009,720.34</u>
Net Assets July 1, 2012 and 2011	<u>\$ 76,902,682.98</u>	<u>\$ 44,476,883.81</u>

PARK HILL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Governmental Activities (concluded)

As reflected on the previous page, the expenses paid of the District's governmental activities for the fiscal years ending June 30, 2012 and 2011, of \$140,542,321.63 and \$130,464,375.08 respectively are not all borne by the taxpayers of the District. Of these amounts \$8,787,522.61 and \$8,651,076.83 were paid by those who benefited from the services rendered (e.g., charges for school lunches) and \$12,369,217.91 and \$14,065,040.84 were paid through federal and state operating grants and contributions.

Consequently, the net costs of \$119,385,581.11 and \$107,693,505.41, after taking into consideration these fees and grants, were paid from other general revenues, which include property taxes paid by the taxpayers of the District as well as other taxes, additional state funding and fund balances.

The next table shows the total cost of programs and the net cost of these programs (after deducting charges for services and grants and contributions revenue collected of the various categories of expenses paid for the years ended June 30, 2012 and 2011. The net cost presentation allows the taxpayers of the District to determine the remaining cost of the various categories which were borne by them or paid from other general revenues and fund balances, and allows them the opportunity to assess the cost of these functions in comparison to the benefits received.

	<u>June 30, 2012</u>		<u>June 30, 2011</u>	
	Total Cost of Programs	Net Cost of Programs	Total Cost of Programs	Net Cost of Programs
Instruction	\$ 63,268,309.96	52,097,382.65	\$ 63,324,165.45	49,692,418.10
Attendance	1,088,070.25	1,088,070.25	697,672.99	697,672.99
Guidance	2,076,070.98	2,076,070.98	2,045,786.54	2,045,786.54
Health, Psych, Speech and Audio	691,815.84	691,815.84	645,410.27	645,410.27
Improvement of Instruction	2,016,446.93	1,689,211.13	3,029,978.00	2,877,337.79
Professional Development	211,469.96	211,469.96	56,280.54	56,280.54
Media Services (Library)	3,439,643.79	3,439,643.79	3,324,288.58	3,324,288.58
Board of Education Services	663,987.82	663,987.82	376,876.23	376,876.23
Executive Administration Building Level	1,491,274.22	1,491,274.22	1,377,461.75	1,377,461.75
Administration	6,309,853.22	6,309,853.22	6,151,970.69	6,151,970.69
Business Central Service	5,725,554.83	5,725,554.83	5,648,625.09	5,648,625.09
Operation of Plant	13,711,613.19	13,711,613.19	13,133,918.11	13,133,918.11
Security Services	664,767.15	664,767.15	674,745.27	674,745.27
Pupil Transportation	5,368,087.79	4,288,006.79	5,289,531.77	4,256,926.77
Food Services	4,927,484.01	(86,054.14)	4,681,742.13	557.63
Central Office Support Services	1,334,248.54	1,334,248.54	204,418.01	204,418.01
Other Supporting Services	13,377.92	13,377.92	-	-
Community Services	3,845,424.28	280,466.02	3,674,799.59	456,858.98
Capital Outlay	14,259,221.52	14,259,221.52	1,071,703.30	1,071,703.30
Debt Service:				
Principal Retirement	6,004,331.71	6,004,331.71	11,789,763.82	11,789,763.82
Interest/Fiscal Charges	3,431,267.72	3,431,267.72	3,210,484.95	3,210,484.95
Total	\$ 140,542,321.63	119,385,581.11	\$ 130,409,623.08	107,693,505.41

PARK HILL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Governmental Funds Financial Analysis

The District uses funds to control and manage money for particular purposes (e.g., dedicated taxes and bond proceeds). The fund basis financial statements allow the District to demonstrate its stewardship over and accountability for modified cash basis resources provided by the taxpayers and other entities.

These statements also allow the reader to obtain more insight into the modified cash basis financial workings of the District and assess further the District's modified cash basis financial health. The District completed the fiscal year ended June 30, 2012 with a combined modified cash basis fund balance for Governmental funds (as presented in the Statement of Assets and Fund Balances (Modified cash basis) on page 13) of \$76,902,682.98 as compared to a combined fund balance of \$44,476,883.81, an increase of \$32,425,799.17. The increase is primarily due to bond issuance revenues received.

The fund balance of the operating funds (General and Special Revenue) was increased by \$2,203,733.86 as compared to an increase of \$1,854,120.11 the previous year. In addition, a transfer of \$4,593,679.00 was made from operating funds to the Capital Projects Fund during 2011-2012 (FY2012).

The fund balance of the Debt Service Fund increased by \$774,913.12 as a result of the collection of local tax revenue that exceeded the district's debt payment in 2011-2012 (FY2012). A year prior, the Debt Service Fund balance decreased by \$468,142.03. The \$9,952,758.28 balance of the Debt Service Fund is legally restricted for payment of bond principal, interest and related fees.

The fund balance of the Capital Fund increased \$29,447,152.19 as compared to an increase of \$11,081,185.39 the previous year. Increases in the Capital Fund balance the last two years are primarily due to the sale of \$49,500,000 of bonds authorized by district voters in April, 2011 and sold in the last two fiscal years.

The district received \$99,742,409.35 in revenue from local sources. The major source of revenue for operations and debt service is local property taxes amounting to \$77,521,310.22. This is derived from the District's operating levy of \$4.8026 and the debt service levy of \$.6107 for a total levy of \$5.4133. Other significant local revenues are \$8,226,586.95 from sales tax, \$2,378,996.37 from interest and earnings on investments, \$3,247,739.28 from food service, \$3,564,958.26 from community services and \$1,974,825.07 from student activities.

County revenues of \$3,602,147.35 are derived from state assessed utility property and county fines of \$484,940.29.

State funding which makes up 14.8% of total revenues collected increased from the previous year by \$4,501,139.84 to \$25,522,951.16. The State Foundation Formula for Basic State Aid was \$18,259,997.00, an increase of \$4,465,242.00 from the prior year when the state utilized federal stimulation revenues to supplement school funding. Other significant state revenues collected are:

PARK HILL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Governmental Funds Financial Analysis (continued)

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Basic Formula	\$ 18,259,997.00	\$ 13,794,755.00
Classroom Trust Fund	3,880,527.00	4,066,732.00
Transportation	1,080,081.00	1,032,605.00
Early Childhood Special Education	1,771,043.08	1,756,482.76
Other	531,303.08	371,236.56
Total State Revenue	\$ <u>25,522,951.16</u>	\$ <u>21,021,811.32</u>

Federal funding which makes up 3.2% of total revenues collected decreased to \$5,554,790.75 from \$7,595,896.52 the previous year. The decrease is primarily due to the elimination of federal stimulus and state stabilization funds available in prior years. Significant federal revenues collected are:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Medicaid	\$ 97,967.64	\$ 88,618.70
Individuals with Disabilities	1,445,869.52	1,643,277.84
Individuals with Disabilities - ARRA	288,482.00	540,553.00
Stabilization Funding - ARRA	492,209.00	1,390,990.00
Early Childhood Special Education	221,382.13	219,560.34
School Lunch and Breakfast	1,755,491.32	1,381,657.83
Title I	706,434.73	584,288.13
Title I – ARRA	109,573.46	269,585.12
Title II A & D	327,235.80	152,640.21
Other	110,145.15	1,324,725.35
Total Federal Revenue	\$ <u>5,554,790.75</u>	\$ <u>7,595,896.52</u>

Total expenditures paid were \$140,542,321.63 for the year compared to \$130,464,375.08 the previous fiscal year. The increase in spending is primarily due to the construction of the district's tenth elementary school, Tiffany Ridge Elementary.

The General Fund accounts for \$45,064,337.71 or 32.1% of the total expenditures. The Special Revenue (Teachers) Fund accounts for \$66,061,238.36 or 47.0% of total expenditures and consists of certificated teachers salaries and insurance benefits. Debt Service Fund expenditures of \$8,699,863.23 or 6.2% of total expenditures are for principal and interest on general obligation bonds. Capital Fund expenditures of \$20,716,882.33 or 14.7% of total expenditures are for construction projects, facility repairs and equipment.

The following tables summarize the governmental fund revenues collected and expenditures paid for the fiscal years ending June 30, 2012 and 2011.

PARK HILL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Governmental Funds Financial Analysis (concluded)

	<u>June 30, 2012</u>	<u>%</u>	<u>June 30, 2011</u>	<u>%</u>
Local	\$ 99,742,409.35	57.7	\$ 96,259,519.05	67.3
County	3,602,147.35	2.1	3,438,859.27	2.4
State	25,522,951.16	14.8	21,021,811.32	14.7
Federal	5,554,790.75	3.2	7,595,896.52	5.3
Other	38,545,822.19	22.3	14,615,452.39	10.2
Total Revenues Collected	\$ 172,968,120.80	100.0	\$ 142,931,538.55	100.0
	<u>June 30, 2012</u>	<u>%</u>	<u>June 30, 2011</u>	<u>%</u>
Instruction	63,268,309.96	45.0	\$ 63,324,165.45	48.5
Support Services	49,733,766.44	35.4	47,338,705.97	36.3
Debt Service / Loans	9,435,599.43	6.7	15,055,000.77	11.5
Capital Outlay	14,259,221.52	10.1	1,071,703.30	0.8
Community Service & Other	3,845,424.28	2.7	3,674,799.59	2.8
Total Expenditures	140,542,321.63	100.0	\$ 130,464,375.08	100.0

Budgetary Highlights

Over the course of the year, the Board of Education revised the District's budget to take into consideration expected changes in revenues collected or expenditures paid. Missouri statutes for public School finance, Section 67.010, RSMo. require a budget amendment if anticipated expenditures are in excess of budgetary goals. The original budget was adopted on June 23, 2011, and the final budget amendment was adopted on June 28, 2012.

Statements comparing fund modified cash basis revenues and expenditures to the original and final budgets are provided in the auditor's report on pages 30 – 31 and 34 - 36. General revenues exceeded the original budgets reflecting increases over budgeted values in all sources. Expenditures were less than the original budgets primarily due to expenditures being reduced as a result of the uncertainties in state funding and the warnings of further reductions projected for the next few years.

Capital Assets and Debt Administration

Capital Assets

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

PARK HILL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Long-Term Debt

At June 30, 2012, the District had outstanding general obligation bonds of \$103,275,000 reflecting the issuance of \$38,500,000.00 in bonds and principal payments of \$5,735,000 made during the year.

State statutes limit the amount of general obligation debt a school district may issue to 15% of the assessed valuation. The debt limitation is \$215,961,910.65 at June 30, 2012, based on the December 31, 2011 assessed values.

The District has capital leases with outstanding future lease payments of \$352,935.09 at June 30, 2012. These capital leases are for copier and technology equipment and the District will pay principal and interest payments through 2015.

On November 20, 2003, the Board approved a loan of approximately \$4,118,251 for which the construction maximum amount was \$4,077,711. These funds were used to upgrade current energy issues within existing facilities. As of June 30, 2012, the District had received all funding from this loan. The District will pay principle and interest on this loan through 2020.

The District operates on the modified cash basis of accounting, therefore, payments on long-term debt are recorded as expenditures. Long-term debt is not reflected in the financial statements. Commitments for long-term debt and other obligations are disclosed in the notes to the financial statements in Notes IV (page 24).

Economic Factors

During the year ended June 30, 2012 the District was impacted by national and state wide economic factors that resulted in revenues being reduced below previously expected levels. Sales taxes and State Funded Revenues, particularly transportation funding and the Basic Foundation Formula for State Aid for public education, were impacted this year.

The District responded to the funding uncertainties that it was faced with by reducing planned expenditures where it could be done without adversely impacting students in the classrooms. This timely response to the funding uncertainties allowed the District to increase its operating fund balances by \$2,203,733.86. This has enhanced the District's position in dealing with the funding problems that it continues to face.

Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of Park Hill School District finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report, please contact Dr. Paul Kelly, Assistant Superintendent – Business & Technology or Mary Carrier, Accounting Coordinator at 816-359-4000.

FINANCIAL STATEMENTS

**PARK HILL SCHOOL DISTRICT
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
AS OF JUNE 30, 2012**

	Governmental Activities
Assets	
Current assets:	
Cash and Cash Equivalents (Note II)	\$ 8,181,196.06
Investments	22,959,768.17
Total current assets	31,140,964.23
Restricted assets:	
Cash and Cash Equivalents	
Debt Service	9,952,758.28
Bond Reserve	35,808,419.97
Scholarship	540.50
Total Restricted assets	45,761,718.75
Total assets	\$ 76,902,682.98
Net Assets	
Restricted for:	
Debt Service	\$ 9,952,758.28
Construction (Capital) Projects	35,808,419.97
Scholarship	540.50
Unrestricted	31,140,964.23
Total net assets	\$ 76,902,682.98

The notes to the financial statements are an integral part of this statement.

**PARK HILL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	and Contributions	Operating Grants and Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 63,268,309.96	\$ 1,974,825.07	\$ 9,196,102.24	\$ -	\$ (52,097,382.65)
Attendance	1,088,070.25	-	-	-	(1,088,070.25)
Guidance	2,076,070.98	-	-	-	(2,076,070.98)
Health, Psych, Speech and Audio	691,815.84	-	-	-	(691,815.84)
Improvement of Instruction	2,016,446.93	-	327,235.80	-	(1,689,211.13)
Professional Development	211,469.96	-	-	-	(211,469.96)
Media Services (Library)	3,439,643.79	-	-	-	(3,439,643.79)
Board of Education Services	663,987.82	-	-	-	(663,987.82)
Executive Administration	1,491,274.22	-	-	-	(1,491,274.22)
Building Level Administration	6,309,853.22	-	-	-	(6,309,853.22)
Business Central Service	5,725,554.83	-	-	-	(5,725,554.83)
Operation of Plant	13,711,613.19	-	-	-	(13,711,613.19)
Security Services	664,767.15	-	-	-	(664,767.15)
Pupil Transportation	5,368,087.79	-	1,080,081.00	-	(4,288,006.79)
Food Services	4,927,484.01	3,247,739.28	1,765,798.87	-	86,054.14
Central Office Support Services	1,334,248.54	-	-	-	(1,334,248.54)
Other Supporting Services	13,377.92	-	-	-	(13,377.92)
Adult Education	-	-	-	-	-
Community Services	3,845,424.28	3,564,958.26	-	-	(280,466.02)
Capital Outlay	14,259,221.52	-	-	-	(14,259,221.52)
Debt Service:					
Principal Retirement	6,004,331.71	-	-	-	(6,004,331.71)
Interest and Fiscal Charges	3,431,267.72	-	-	-	(3,431,267.72)
Total Governmental Activities	\$ 140,542,321.63	\$ 8,787,522.61	\$ 12,369,217.91	\$ -	(119,385,581.11)
 General revenues:					
Property taxes, levied for general purposes					69,466,061.78
Property taxes, levied for debt service					8,745,545.99
Other taxes					491,327.73
Prop C - Sales tax					8,226,586.95
Federal, State and County aid not restricted to specific purposes					23,957,039.27
Interest and investment earnings					2,378,996.37
Bond Issuance					38,500,000.00
Sale of Property					39,738.32
Miscellaneous					6,083.87
Subtotal, general revenues					151,811,380.28
 Changes in net assets					
 Net assets July 1, 2011					
					44,476,883.81
 Net assets June 30, 2012					
					\$ 76,902,682.98

The notes to the financial statements are an integral part of this statement.

PARK HILL SCHOOL DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE-MODIFIED CASH BASIS
ALL GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012

	<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 (Note II)	\$ 366,750.34	\$ -	\$ -	\$ 7,814,445.72	\$ 8,181,196.06
Investments	22,959,768.17	-	-	-	22,959,768.17
Restricted Assets:					
Cash and Cash Equivalents (Note II)	540.50	-	9,952,758.28	35,808,419.97	45,761,718.75
Investments	-	-	-	-	-
Total Assets	\$ 23,327,059.01	\$ -	\$ 9,952,758.28	\$ 43,622,865.69	\$ 76,902,682.98
FUND BALANCES					
Fund Balances					
Restricted for:					
Debt Service	-	-	9,952,758.28	-	9,952,758.28
Bond Reserve	-	-	-	35,808,419.97	35,808,419.97
Committed for:					
Stabilization Reserve	-	-	-	-	-
Assigned to:					
Capital Projects	-	-	-	7,814,445.72	7,814,445.72
Special Revenue	-	-	-	-	-
Scholarships	540.50	-	-	-	540.50
Unassigned	23,326,518.51	-	-	-	23,326,518.51
Total Fund Balances	23,327,059.01	-	9,952,758.28	43,622,865.69	76,902,682.98
Total Fund Balances	\$ 23,327,059.01	\$ -	\$ 9,952,758.28	\$ 43,622,865.69	\$ 76,902,682.98

The notes to the financial statements are an integral part of this statement.

PARK HILL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues Collected					
Local Sources	\$ 78,814,957.66	\$ 8,248,918.84	\$ 9,049,492.58	\$ 3,629,040.27	\$ 99,742,409.35
County Sources	2,622,832.36	484,940.29	425,283.77	69,090.93	3,602,147.35
State Sources	3,380,421.80	18,810,043.36	-	3,332,486.00	25,522,951.16
Federal Sources	5,062,470.82	492,319.93	-	-	5,554,790.75
TOTAL REVENUES	89,880,682.64	28,036,222.42	9,474,776.35	7,030,617.20	134,422,298.61
Expenditures Paid					
Current					
Regular Instruction	6,575,491.17	55,394,079.80	-	1,298,738.99	63,268,309.96
Attendance	1,088,070.25	-	-	-	1,088,070.25
Guidance	217,376.98	1,858,694.00	-	-	2,076,070.98
Health, Psych, Speech & Audio	691,815.84	-	-	-	691,815.84
Improvement of Instruction	562,568.35	1,452,130.62	-	1,747.96	2,016,446.93
Professional Development	23,789.75	187,680.21	-	-	211,469.96
Media Services	2,177,358.58	1,259,047.71	-	3,237.50	3,439,643.79
Board of Education Services	651,537.82	-	-	12,450.00	663,987.82
Executive Administration	504,039.29	987,234.93	-	-	1,491,274.22
Building Level Administration	2,281,407.28	4,028,445.94	-	-	6,309,853.22
Business Central Services	3,861,476.43	199,979.59	-	1,664,098.81	5,725,554.83
Operation of Plant	11,372,513.07	-	-	2,339,100.12	13,711,613.19
Security Services	547,967.27	116,799.88	-	-	664,767.15
Pupil Transportation	5,381,465.71	-	-	-	5,381,465.71
Food Service	4,538,886.38	-	-	388,597.63	4,927,484.01
Central Office Support Services	906,384.08	426,481.30	-	1,383.16	1,334,248.54
Other Supporting Services	-	-	-	-	-
Community Services	3,682,189.46	150,664.38	-	12,570.44	3,845,424.28
Capital Outlay	-	-	-	14,259,221.52	14,259,221.52
Debt Service:					
Principal	-	-	5,735,000.00	269,331.71	6,004,331.71
Interest and Charges	-	-	2,964,863.23	466,404.49	3,431,267.72
Total Support Services	45,064,337.71	66,061,238.36	8,699,863.23	20,716,882.33	140,542,321.63
Excess (deficiency) of revenues over expenditures	44,816,344.93	(38,025,015.94)	774,913.12	(13,686,265.13)	(6,120,023.02)
Other Financing Sources (Uses):					
Transfers	(42,618,694.94)	38,025,015.94	-	4,593,679.00	-
Sale of Bonds	-	-	-	38,500,000.00	38,500,000.00
Net Insurance Recovery	6,083.87	-	-	-	6,083.87
Sale of School Buses	-	-	-	-	-
Sale of Other Property	-	-	-	39,738.32	39,738.32
Refunding Bonds	-	-	-	-	-
Tuition from other Districts	-	-	-	-	-
Area Voc Fees from Other LEAS	-	-	-	-	-
Contracted Educational Services	-	-	-	-	-
Trans from other LEAS Non-Handi	-	-	-	-	-
Trans from other LEAS for Handi	-	-	-	-	-
Trans from other LEAS for ECSE Handi	-	-	-	-	-
Total Other Financing Sources (Uses)	(42,612,611.07)	38,025,015.94	-	43,133,417.32	38,545,822.19
NET CHANGE IN FUND BALANCES	2,203,733.86	-	774,913.12	29,447,152.19	32,425,799.17
Fund Balance, July 1, 2011	21,123,325.15	-	9,177,845.16	14,175,713.50	44,476,883.81
Fund Balance, June 30, 2012	\$ 23,327,059.01	\$ -	\$ 9,952,758.28	\$ 43,622,865.69	\$ 76,902,682.98

The notes to the financial statements are an integral part of this statement.

**PARK HILL SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2012**

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

Total Fund Balance - Governmental Funds	\$ 76,902,682.98
No reconciling items.	<u>-</u>
Total Net Assets - Governmental Activities	<u><u>\$ 76,902,682.98</u></u>

The notes to the financial statements are an integral part of this statement.

PARK HILL SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCES WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

Total net change in fund balances - governmental funds	\$ 32,425,799.17
No reconciling items.	<u>-</u>
Change in net assets of governmental activities	<u><u>\$ 32,425,799.17</u></u>

The notes to the financial statements are an integral part of this statement.

PARK HILL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of Park Hill School District have been prepared on the prescribed basis of accounting that demonstrates compliance with the modified cash basis and budget laws of the State of Missouri, which is a comprehensive basis of accounting other than generally accepted accounting principles. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Principles Used to Determine Scope of Entity

The District's reporting entity includes the District's governing board and all related organizations that exercise oversight responsibility.

The District has developed criteria to determine whether outside agencies with activities that benefit the citizens of the District, including joint agreements that serve pupils from numerous districts, should be included within its financial reporting entity. The criterion includes, but is not limited to, whether the District exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matter), scope of public service, and special financing relationships.

Excluded from the reporting entity:

Public School Retirement System of Missouri, Public Education Employee Retirement System, and Missouri United School Insurance Council (MUSIC). The participating School District's governing bodies have appointed these potential component units jointly. These are independent units that select management staff, set user charges, establish budgets and control all aspects of its daily activity.

The District has determined that no other outside agency meets the above criteria 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 that would exercise such oversight that would result in the District being considered a component unit of the entity.

B. Basis of Presentation – Fund Accounting

The accounts of the School 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 by providing a separate set of self-balancing accounts, which 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 fund types are used by the District on the modified cash basis of accounting.

PARK HILL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation – Fund Accounting (concluded)

The School District Reports The Following Major Funds and Fund Types In This Report:

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 local tax levy for the payment of teacher salaries and certain employee benefits.

Capital Projects Fund: Accounts for the proceeds of long-term debt, taxes and other revenues restricted for acquisition or construction of major capital assets.

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

The School 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: Presents the financial condition of the government at year-end.

The Statement of Activities: Presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department, and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements: During the year, the School District segregates transactions related to certain School 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 financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds, if applicable, are aggregated and presented in a single column.

PARK HILL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The District's policy is to prepare its government-wide financial statements on the modified cash basis of accounting; consequently, revenues are recognized when received rather than when earned, and expenditures and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Accordingly the accompanying financial statements are not intended to present the financial position or results of operations in accordance with generally accepted accounting principles accepted in the United States of America.

D. Pooled Cash and Temporary Investments

Cash resources of the individual funds are combined to form a pool of cash and temporary investments that is managed by the District Treasurer. Investments of the pooled accounts consist of certificates of deposit and MOSIP investments, carried at cost, which approximates market. Interest income earned is allocated to contributing funds based on cash and temporary investment balances.

E. Property and Equipment

General fixed assets are recorded as expenditures in the General (Incidental) Fund and the Capital Projects (Building) Fund at the time the expenditures are paid. No depreciation is provided for property and equipment.

F. Compensated Absences

Vacation time, personal business days, and sick leave are considered as expenditures in the year paid. Amounts that are unpaid and vested in the employee are payable upon termination. Total vested and unpaid vacation and sick leave at June 30, 2012, amounted to approximately \$3,301,476.51. These estimates have not been subjected to auditing procedures.

G. Teacher's Salaries

The salary payment schedule of the District for the 2011-2012 school year requires the payment of salaries over a twelve-month period. Consequently, the July and August 2012 payroll checks are included in the financial statements as an expenditure paid in the month of May. This practice has been consistently followed in previous years.

H. Net Assets

The District has not adopted the policy providing for the implementation of GASB 54 – *Fund Balance Reporting and Governmental Fund-type Definitions*. Although the implementation did not occur the financial statements were presented as if it had been adopted. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

PARK HILL SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Net Assets (Concluded)

- Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g., inventories and prepaids) or funds that legally or contractually must remain intact. The District did not have any nonspendable resources as of June 30, 2012.
- Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District-held bonds and are restricted through debt covenants.
- Committed Fund Balance consists of funds that are set aside for a specific purpose by the District's highest level of decision-making authority. Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.
- Assigned Fund Balance consists of funds that are set aside for a specific purpose by the District's highest level of decision-making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance. This classification includes the remaining positive fund balance of all governmental funds except for the General Fund.
- Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The District would typically use Restricted Fund Balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

As of June 30, 2012, fund balance components other than unassigned fund balances consist of the following:

	Nonspendable	Restricted	Committed	Assigned
General Fund	\$ -	\$ -	\$ -	\$ 540.50
Special Revenue (Teachers) Fund	-	-	-	-
Debt Service Fund	-	9,952,758.28	-	-
Capital Projects Fund	-	35,808,419.97	-	7,814,445.72
Total	\$ -	\$ 45,761,178.25	\$ -	\$ 7,814,986.22

I. Interfund Activity

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

PARK HILL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

J. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

K. Inventories

The District does not maintain inventory cost records. Inventory is deemed to be immaterial and accounted for using the purchase method in which supplies are charged to expenditures when purchased.

II. CASH AND INVESTMENTS

The District maintains a cash and temporary investment pool that 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). Deposits with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the combined statement of assets, liabilities and fund balances arising from cash transactions as "Cash and Cash Equivalents and Investments" under each fund's caption.

Deposits

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At June 30, 2012, the carrying amount of the District's pooled deposits and investments was \$76,902,682.98 and the bank balance was \$114,307,150.37. As of June 30, 2012, 100% of the District's investments were guaranteed by the U.S. Government through pledged securities and FDIC insurance.

SUMMARY OF CARRYING VALUES

The carrying values of deposits and investments shown above are included in the financial statements at June 30, 2012, as follows:

Included in the following fund financial statement captions:

<u>Balance Sheet – Government Funds</u>	
Unrestricted Deposits	\$ 8,181,196.06
Unrestricted Investments	22,959,768.17
Deposits Restricted for Debt	852,637.69
Investments Restricted for Debt	9,100,120.59
Deposits Restricted for Student Scholarships	540.50
Deposits Restricted for Capital Projects	7,156,235.12
Investments Restricted for Capital Projects	<u>28,652,184.85</u>
Total	\$ <u>76,902,682.98</u>

PARK HILL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

II. CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2012, the District's investments were as follows:

BALANCE AT JUNE 30, 2012

Fund	Type	Maturities	Cost
General	CD	Less than One Year	\$ 960,000.00
General	FMCDN	Less than One Year	21,999,768.17
Capital Projects	CD	1-2 Years	1,611,000.00
Capital Projects	CD	Less than One Year	1,240,000.00
Capital Projects	COM. PAPER	Less than One Year	5,377,472.90
Capital Projects	FED BOND/NOTE	2-4 Years	368,368.70
Capital Projects	FED BOND/NOTE	1-2 Years	8,725,939.88
Capital Projects	FED BOND/NOTE	Less than One Year	6,487,749.52
Capital Projects	US TREASURY NOTES	Less than One Year	4,841,653.85
Debt Service	FMCDN	Less than One Year	4,500,057.85
Debt Service	CD	Less than one Year	2,880,188.71
Debt Service	MOHEFA	N/A	604,694.03
Debt Service	MOHEFA	3/31/2023	1,115,180.00
Total Investments			<u>\$ 60,712,073.61</u>

Custodial Credit Risk – Deposits

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

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by the party who sold the security to the District or its agent but not in the government's name.

The District does not have a policy for custodial credit risk relating to investments. All investments, evidenced by individual securities, are registered in the name of the District or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

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

PARK HILL SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2012

II. CASH AND INVESTMENTS (CONCLUDED)

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the District for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The District has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The District's deposits were not exposed to concentration of investment credit risk for the year end June 30, 2012.

III. TAXES

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

The District also receives sales tax collected by the State and remitted based on a prior year weighted average attendance. The assessed valuation of the tangible taxable property for the calendar years 2011 and 2010 for purposes of local taxation was:

	2011	2010
Assessed Valuation	\$ 1,439,746,071	\$ 1,447,118,907

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2011 and 2010 for purposes of local taxation was:

	2011		2010	
	Unadjusted	Adjusted	Unadjusted	Adjusted
General (Incidental)Fund	\$ 4.7573	\$ 4.7573	\$ 4.7573	\$ 4.7573
Special Revenue Fund	0.0000	0.0000	0.0000	0.0000
Debt Service Fund	0.6107	.6107	0.6107	0.6107
Capital Project Fund	0.0453	.0453	0.0453	0.0453
Total	\$ 5.4133	\$ 5.4133	\$ 5.4133	\$ 5.4133

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2012, aggregated approximately 99.46 % of the current assessment computed on the basis of the levy as shown above.

PARK HILL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

IV. CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	GENERAL OBLIGATION BONDS	CAPITAL LEASES	DNR ENERGY LOAN	TOTAL
Long-Term Debt – July 1, 2011	\$ 70,510,000.00	\$ 551,855.81	\$ 2,575,553.73	\$ 73,637,409.54
Add-issued	38,500,000.00	-	-	38,500,000.00
Less-Payments	(5,735,000.00)	(198,920.72)	(269,331.71)	(6,203,252.43)
Long-Term Debt June 30, 2012	<u>\$ 103,275,000.00</u>	<u>\$ 352,935.09</u>	<u>\$ 2,306,222.02</u>	<u>\$ 105,934,157.11</u>

General Obligation Bonds

Bonds payable at June 30, 2012, consist of:

On April 29, 2003, the District issued \$9,950,000 in General Obligation Refunding Bonds to refund the 1997 Issue. The issue was used for the purpose of crossover refunding Series 1977 bonds due in March 2007. These bonds are being liquidated through the Missouri Direct Deposit Program (Intercept).	\$ 3,370,000.00
On February 12, 2004, the District issued \$27,090,000 in General Obligation Refunding Bonds. The issue was used for the purpose of crossover refunding \$12,875,000 Series 1997 Issue Bonds due after March 2009 and \$13,985,000 Series 1999 Issue Bonds due after March 2007.	19,495,000.00
On May 23, 2006, the District issued \$33,000,000 in General Obligation Bonds. Series 2006 bonds are due in annual installments through 2018 with interest rates between 4.125% and 5.250%.	27,920,000.00
On December 20, 2010, the District issued \$4,595,000 in General Obligation Refunding Bonds, Series 2010. The issue was used to return \$4,635,000 of Series 2001 General Obligation Bonds at March 1, 2011. Series 2010 bonds are due in annual installments through 2020 with interest rates between 2.375% and 4%.	3,990,000.00
On June 14, 2011, the District issued \$10,000,000 in General Obligation Building Bonds, Series 2011. These bonds are due in annual installments through 2030 with interest rates between 2.75% and 3.75%	10,000,000.00
On April 12, 2012 the District issued \$38,500,000 in General Obligation Bonds, Series 2012. The bonds are due in annual installments through 2030 with interest being paid semiannually at rates between 3.00% and 4.00% .	38,500,000.00
	<u>\$ 103,275,000.00</u>

PARK HILL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

IV. CHANGES IN LONG-TERM DEBT (CONTINUED)

General Obligation Bonds (Concluded)

The annual requirements to amortize all bonds outstanding as of June 30, 2012, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 6,745,000.00	\$ 3,943,706.27	\$ 10,688,706.27
2014	6,760,000.00	3,918,162.50	10,678,162.50
2015	7,560,000.00	3,667,100.00	11,227,100.00
2016	8,255,000.00	3,333,025.00	11,588,025.00
2017	10,510,000.00	2,924,100.00	13,434,100.00
2018-2022	23,325,000.00	9,017,824.90	32,342,824.90
2023-2027	22,045,000.00	5,669,962.50	27,714,962.50
2028-2030	18,075,000.00	1,305,900.00	19,380,900.00
Totals	<u>\$ 103,275,000.00</u>	<u>\$ 33,779,781.17</u>	<u>\$ 137,054,781.17</u>

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a district to 15 percent of the assessed valuation of the district (including state-assessed railroad and utilities). The District did not exceed the legal debt margin at June 30, 2012.

Capital Leases

The leases payable at June 30, 2012, consist of:

The District entered into a lease purchase agreement with Commerce Bank for copier equipment in the amount of \$615,005.65. The amount will be repaid in 60 monthly payments of \$11,292.99 with an interest rate of 3.880%. \$ 352,935.09

The District entered into a lease purchase agreement with Key Government Finance on July 15, 2009 for the acquisition of a computer network. The total lease was in the amount of \$238,138.15 with three annual payments \$83,226.31 with an interest rate of 4.53%. -
\$ 352,935.09

The annual requirements to amortize all capital leases outstanding as of June 30, 2012, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 124,011.93	\$ 11,503.95	\$ 135,515.88
2014	128,910.09	6,605.79	135,515.88
2015	100,013.07	1,623.84	101,636.91
Totals	<u>\$ 352,935.09</u>	<u>\$ 19,733.58</u>	<u>\$ 372,668.67</u>

PARK HILL SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2012

IV. CHANGES IN LONG-TERM DEBT (CONCLUDED)

Capital Leases (Concluded)

DNR Energy Loan

On November 20, 2003, the Board approved a loan of approximately \$4,118,251 for which the construction maximum amount was \$4,077,711. These funds were used to upgrade current energy issues within existing facilities. As of June 30, 2012, the District had received all funding from this loan.

The annual requirements to amortize the DNR loan outstanding as of June 30, 2012, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2013	\$ 279,252.03	\$ 81,651.97	\$ 360,904.00
2014	289,537.74	71,366.26	360,904.00
2015	300,202.30	60,701.70	360,904.00
2016	311,259.66	49,644.34	360,904.00
2017	322,724.31	38,179.69	360,904.00
2018-2020	803,245.98	42,481.76	845,727.74
Totals	<u>\$ 2,306,222.02</u>	<u>\$ 344,025.72</u>	<u>\$ 2,650,247.74</u>

Operating Leases

On January 1, 2007, the District renewed the lease with Park College for space in the Parkville Commercial Underground Facility. The District utilizes the leased facility for office space and warehousing maintenance through December 31, 2016. Payments are paid monthly in the amount of \$11,006.44.

On June 30, 2008, the District entered into an operating lease for a 64x24 relocatable, modular, and/or prefabricated structure with Williams Scotsman. The lease was renewable through monthly payments of \$851.63 through July 2012.

On May 10, 2012, the District entered into an operating lease for 2,200 laptops with Hewlett-Packard Financial Services Company. The lease is for the three years which will be paid through annual lease payments of \$641,797.12.

The annual requirements to amortize the operating leases outstanding as of June 30, 2012, including interest payments are as follows:

Fiscal Year Ending June 30,	Underground Office Rent	Laptops	Modular Building
2013	\$ 132,077.28	\$ 641,797.12	\$ 851.63
2014	132,077.28	641,797.12	-
2015	132,077.28	-	-
2016	132,077.28	-	-
2017	66,038.64	-	-
Totals	<u>\$ 594,347.76</u>	<u>\$ 1,283,594.24</u>	<u>\$ 851.63</u>

PARK HILL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

V. RETIREMENT PLAN

Statement 27 of the Governmental Accounting Standards Board (GASB), *Accounting for Pensions by State and Local Governmental Employers*, requires public employers to provide detailed disclosure of pension information in financial statements and accompanying information.

PSRS/PEERS administers two separate pension plans as described below.

1. The District contributes to the Public School Retirement System of Missouri (PSRS) – PSRS is a mandatory cost-sharing multiple-employer defined benefit pension plan for full-time employees and certain part-time certified employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and some educational associations. PSRS provides service retirement, death and disability benefits to its members.

Statutes governing PSRS are found in Sections 169.010 - 169.141 and Sections 169.560 – 169.595 of RSMo.

PSRS members are required to contribute 13.0% of their annual covered salary during 2008-2009, 13.5% during 2009-2010, 14.0% during 2010-2011, and 14.5% during 2011-2012. The employer districts were required to match this amount. The Board of Trustees sets the contribution rate based upon the recommendation of the system's actuary.

Total required employee contributions for PSRS are equal to 100% of employer charges. The School District's contribution to PSRS for the year ending June 30, 2012, was \$7,921,504.26.

2. The District also contributes to The Public Education Employee Retirement System of Missouri (PEERS) – PEERS is a mandatory cost-sharing multiple-employer defined benefit pension plan for non-certified employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and some educational associations. Employees of covered districts who work 20 or more hours per week on a regular basis and are not contributing members of PSRS must contribute to PEERS.

Statutes governing PEERS are found in Sections 169.600 – 169.715 and Sections 169.560 – 169.595 RSMo.

PEERS members were required to contribute 6.25% of the annual covered salary during 2008-2009, 6.5% during 2009-2010, 6.63% during 2010-2011, and 6.86% during 2011-2012. The employer districts were required to match this amount. The Board of Trustees sets the contribution rate based upon the recommendation of the system's actuary.

Total required employee contributions for PSRS are equal to 100% of employer charges. The School District's contributions to PEERS for the year ending June 30, 2012, was \$1,298,378.78, equal to the required contributions.

PSRS/PEERS issues a stand-alone Comprehensive Annual Financial Report. Interested parties may obtain a copy by writing to PSRS/PEERS, P.O. Box 268, Jefferson City, MO 65102 or by calling 800-392-6848. A copy may also be viewed online at:

<http://www.psr-peers.org/Investments/AnnualReport.htm>.

PARK HILL SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2012

VI. PARTICIPATION IN A PUBLIC ENTITY RISK POOL

The District is a member of the Missouri United School Insurance Council (MUSIC), a protected self-insurance program of Missouri Public School Districts. The District does not pay premiums to purchase insurance policies, but pays assessments to be a member of a self-sustaining, risk-sharing group. Part of the assessment is used to purchase excess insurance for the group as a whole.

VII. CONTINGENCIES

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

The District is involved in a pending lawsuit at June 30, 2012. No provision has been made in the financial statements for any loss that might arise in the event of an unfavorable outcome of these matters. District management believes that such litigation and claims will ultimately be resolved without material financial liability, if any, to the District.

VIII. POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note V, page 27, the District allows employees who retire from the District to participate in the District's health, dental and vision insurance plans. Upon meeting the retirement requirements per PSRS or PEERS, the employees can elect to participate in the District's plans. The retirees must pay for 100% of their coverage for each plan in which they elect to participate. The premiums are based on a single-blended rate used for both active employees and retirees. The difference between the amount the retiree is required to pay and the actual cost to the District is considered to be a post employment benefit. The District has not established an irrevocable trust fund for the accumulation of resources for the future payment of benefits under the plan; benefits are paid on a pay-as-you-go basis. A stand alone financial report is not available for the plan. During the year, 287 retirees participated in the District's insurance plans and paid premiums totaling \$957,957.97. There were 17 people who participated in COBRA for the year ended June 30, 2012.

IX. INTERFUND TRANSFERS

During 2012, transfers were made to the Capital Projects Fund and Special Revenue Fund from the General Fund. The transfer to the Capital Projects Fund consists of \$360,904.00 for DNR Energy Conservation loans and \$4,232,775.00 for a 7%xSATxWADA transfer. The maximum allowable transfer is the greater of the prior year guaranteed tax base or 9% of the prior June 30 line one entitlement. A transfer of \$38,025,015.94 was made to the Special Revenue Fund in order to achieve a zero balance in the account.

The following is a summary of interfund transfers for the year ended June 30, 2012.

Transfers From	Transfers To		Total
	Special Revenue (Teachers') Fund	Capital Projects Fund	
General (Incidental) Fund	\$ 38,025,015.94	\$ 4,593,679.00	\$ 42,618,694.94
	<u>\$ 38,025,015.94</u>	<u>\$ 4,593,679.00</u>	<u>\$ 42,618,694.94</u>

PARK HILL SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

X. SUBSEQUENT EVENTS

There is nothing to report for subsequent events as of the audit report date.

REQUIRED SUPPLEMENTARY INFORMATION

PARK HILL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-GAAP BUDGET BASIS AND ACTUAL
GENERAL FUND - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Modified Cash Basis Actual	Variance Actual Over (Under) Final
	Original	Final		Budget
Revenues Collected				
Local Sources	\$ 78,172,286.00	\$ 78,172,286.00	\$ 78,814,957.66	\$ 642,671.66
County Sources	2,495,000.00	2,495,000.00	2,622,832.36	127,832.36
State Sources	2,720,529.00	2,720,529.00	3,380,421.80	659,892.80
Federal Sources	4,934,901.00	4,934,901.00	5,062,470.82	127,569.82
TOTAL REVENUES	88,322,716.00	88,322,716.00	89,880,682.64	1,557,966.64
Expenditures Paid				
Current				
Instruction	7,500,930.00	7,420,256.96	6,575,491.17	(844,765.79)
Attendance	829,518.00	779,656.89	1,088,070.25	308,413.36
Guidance	211,063.00	198,376.30	217,376.98	19,000.68
Health, Psych, Speech & Audio	606,107.00	569,674.76	691,815.84	122,141.08
Improvement of Instruction	1,080,459.00	1,015,514.11	562,568.35	(452,945.76)
Professional Development	22,500.00	21,147.57	23,789.75	2,642.18
Media Services	2,373,841.00	2,231,152.80	2,177,358.58	(53,794.22)
Board of Education Services	1,003,934.00	943,588.94	651,537.82	(292,051.12)
Executive Administration	418,672.00	393,506.20	504,039.29	110,533.09
Building Level Administration	2,263,385.00	2,127,336.10	2,281,407.28	154,071.18
Business Central Services	3,770,011.00	3,543,400.87	3,861,476.43	318,075.56
Operation of Plant	11,488,084.00	10,797,551.26	11,372,513.07	574,961.81
Security Services	646,126.00	607,313.57	547,967.27	(59,346.30)
Pupil Transportation	5,361,509.00	5,058,312.97	5,381,465.71	323,152.74
Food Service	5,146,636.00	4,977,483.97	4,538,886.38	(438,597.59)
Central Office Support Services	1,039,529.00	982,568.61	906,384.08	(76,184.53)
Other Supporting Services	-	-	-	-
Community Services	3,478,958.00	3,725,741.27	3,682,189.46	(43,551.81)
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and Charges	-	-	-	-
Total Expenditures	47,241,262.00	45,392,583.15	45,064,337.71	(328,245.44)
Revenues Collected Over (Under)				
Expenditures Paid	41,081,454.00	42,930,132.85	44,816,344.93	1,886,212.08
Other Financing Sources (Uses):				
Transfers	(41,687,075.00)	(41,687,075.00)	(42,618,694.94)	(931,619.94)
Sale of Bonds	-	-	-	-
Tuition from other Districts	-	-	-	-
Transportation From Other LEA's	-	-	-	-
Sale of Other Property/Net Insur Rec	-	-	6,083.87	6,083.87
Sources (Uses)	(41,687,075.00)	(41,687,075.00)	(42,612,611.07)	(925,536.07)
NET CHANGE IN FUND BALANCES	(605,621.00)	1,243,057.85	2,203,733.86	960,676.01
Fund Balance, July 1, 2011	21,123,325.15	21,123,325.15	21,123,325.15	-
Fund Balance, June 30, 2012	\$ 20,517,704.15	\$ 22,366,383.00	\$ 23,327,059.01	\$ 960,676.01

PARK HILL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-GAAP BUDGET BASIS AND ACTUAL
SPECIAL REVENUE FUND - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Modified Cash Basis Actual	Variance
	Original	Final		Actual Over (Under) Final Budget
Revenues Collected				
Local Sources	\$ 7,802,145.00	\$ 7,802,145.00	\$ 8,248,918.84	\$ 446,773.84
County Sources	501,000.00	501,000.00	484,940.29	(16,059.71)
State Sources	20,684,494.00	20,684,494.00	18,810,043.36	(1,874,450.64)
Federal Sources	-	-	492,319.93	492,319.93
TOTAL REVENUES	28,987,639.00	28,987,639.00	28,036,222.42	(951,416.58)
Expenditures Paid				
Current				
Instruction	56,771,132.00	55,877,878.98	55,394,079.80	(483,799.18)
Attendance	-	-	-	-
Guidance	1,841,672.00	1,812,694.56	1,858,694.00	45,999.44
Health, Psych, Speech & Audio	-	-	-	-
Improvement of Instruction	1,908,042.00	1,878,020.35	1,452,130.62	(425,889.73)
Professional Development	37,500.00	36,909.96	187,680.21	150,770.25
Media Services	1,247,520.00	1,227,891.10	1,259,047.71	31,156.61
Board of Education Services	-	-	-	-
Executive Administration	515,626.00	507,513.00	987,234.93	479,721.93
Building Level Administration	4,051,048.00	3,987,307.68	4,028,445.94	41,138.26
Business Central Services	403,494.00	397,145.32	199,979.59	(197,165.73)
Operation of Plant	-	-	-	-
Security Services	-	-	116,799.88	116,799.88
Pupil Transportation	-	-	-	-
Food Service	-	-	-	-
Central Office Support Services	274,219.00	269,904.36	426,481.30	156,576.94
Other Supporting Services	-	-	-	-
Community Services	134,461.00	132,345.33	150,664.38	18,319.05
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and Charges	-	-	-	-
Total Support Services	67,184,714.00	66,127,610.64	66,061,238.36	(66,372.28)
Revenues Collected Over (Under)				
Expenditures Paid	(38,197,075.00)	(37,139,971.64)	(38,025,015.94)	(885,044.30)
Other Financing Sources (Uses):				
Transfers	38,197,075.00	38,197,075.00	38,025,015.94	(172,059.06)
Sale of Bonds	-	-	-	-
Tuition from other Districts	-	-	-	-
Sale of Other Property/Net Insur Rec	-	-	-	-
Sources (Uses)	38,197,075.00	38,197,075.00	38,025,015.94	(172,059.06)
NET CHANGE IN FUND BALANCES	-	1,057,103.36	-	(1,057,103.36)
Fund Balance, July 1, 2011	-	-	-	-
Fund Balance, June 30, 2012	\$ -	\$ 1,057,103.36	\$ -	\$ (1,057,103.36)

PARK HILL SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

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 of the political subdivision.
- 2) Prior to July, the Superintendent, who serves as the budget officer, submits to the Board of Education a proposed budget for the fiscal year beginning on the following July 1. The proposed budget includes estimated revenues and proposed expenditures for all District funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
- 3) A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Education, the budget document is available for public inspection.
- 4) In June 2011, the budget was legally enacted by 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.
- 6) Budgets for District funds are prepared and adopted on the modified cash basis (budget basis), recognizing revenues when collected and expenditures when paid. The actual results of operation are presented in the combined statement of revenues collected, expenditures paid, and changes in fund balances – budget and actual in accordance with the budget basis to provide a meaningful comparison of actual results with the budget.

PARK HILL SCHOOL DISTRICT
OTHER POST EMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2012

POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note V, page 27, the District allows employees who retire from the District to participate in the District's health, dental and vision insurance plans. Upon meeting the retirement requirements per PSRS or PEERS, the employees can elect to participate in the District's plans. The retirees must pay for 100% of their coverage for each plan in which they elect to participate. The premiums are based on a single-blended rate used for both active employees and retirees. The difference between the amount the retiree is required to pay and the actual cost to the District is considered to be a post employment benefit. The District has not established an irrevocable trust fund for the accumulation of resources for the future payment of benefits under the plan; benefits are paid on a pay-as-you-go basis. A stand alone financial report is not available for the plan. During the year, 287 retirees participated in the District's insurance plans and paid premiums totaling \$957,957.97. There were 17 people who participated in COBRA for the year ended June 30, 2012.

SUPPLEMENTARY INFORMATION

PARK HILL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-GAAP BUDGET BASIS AND ACTUAL
DEBT SERVICE FUND - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Modified Cash Basis</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Actual Over</u> <u>(Under) Final</u> <u>Budget</u>
Revenues Collected				
Local Sources	\$ 8,867,023.00	\$ 8,867,023.00	\$ 9,049,492.58	\$ 182,469.58
County Sources	364,778.00	364,778.00	425,283.77	60,505.77
State Sources	-	-	-	-
Federal Sources	-	-	-	-
TOTAL REVENUES	9,231,801.00	9,231,801.00	9,474,776.35	242,975.35
Expenditures Paid				
Current				
Instruction	-	-	-	-
Attendance	-	-	-	-
Guidance	-	-	-	-
Health, Psych, Speech & Audio	-	-	-	-
Improvement of Instruction	-	-	-	-
Professional Development	-	-	-	-
Media Services	-	-	-	-
Board of Education Services	-	-	-	-
Executive Administration	-	-	-	-
Building Level Administration	-	-	-	-
Business Central Services	-	-	-	-
Operation of Plant	-	-	-	-
Security Services	-	-	-	-
Pupil Transportation	-	-	-	-
Food Service	-	-	-	-
Central Office Support Services	-	-	-	-
Other Supporting Services	-	-	-	-
Community Services	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	5,735,000.00	5,759,579.64	5,735,000.00	(24,579.64)
Interest and Charges	2,977,522.00	2,990,283.36	2,964,863.23	(25,420.13)
Total Expenditures	8,712,522.00	8,749,863.00	8,699,863.23	(49,999.77)
Revenues Collected Over (Under)				
Expenditures Paid	519,279.00	481,938.00	774,913.12	292,975.12
Other Financing Sources (Uses):				
Transfers	-	-	-	-
Sale of Bonds	-	-	-	-
Tuition from other Districts	-	-	-	-
Sale of Other Property/Net Insur Rec	-	-	-	-
Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	519,279.00	481,938.00	774,913.12	292,975.12
Fund Balance, July 1, 2011	9,177,845.16	9,177,845.16	9,177,845.16	-
Fund Balance, June 30, 2012	\$ 9,697,124.16	\$ 9,659,783.16	\$ 9,952,758.28	\$ 292,975.12

PARK HILL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-GAAP BUDGET BASIS AND ACTUAL
CAPITAL PROJECTS FUND - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Modified Cash Basis</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Revenues Collected				
Local Sources	\$ 1,986,877.00	\$ 1,986,877.00	\$ 3,629,040.27	\$ 1,642,163.27
County Sources	45,000.00	45,000.00	69,090.93	24,090.93
State Sources	-	-	3,332,486.00	3,332,486.00
Federal Sources	-	-	-	-
TOTAL REVENUES	2,031,877.00	2,031,877.00	7,030,617.20	4,998,740.20
Expenditures Paid				
Current				
Instruction	604,044.00	652,992.43	1,298,738.99	645,746.56
Attendance	-	-	-	-
Guidance	-	-	-	-
Health, Psych, Speech & Audio	625.00	675.65	-	(675.65)
Improvement of Instruction	85,250.00	92,158.19	1,747.96	(90,410.23)
Professional Development	-	-	-	-
Media Services	5,850.00	6,324.05	3,237.50	(3,086.55)
Board of Education Services	2,500.00	2,702.59	12,450.00	9,747.41
Executive Administration	6,446.00	6,968.35	-	(6,968.35)
Building Level Administration	-	-	-	-
Business Central Services	1,873,852.00	2,025,698.68	1,664,098.81	(361,599.87)
Operation of Plant	3,302,136.00	3,569,722.96	2,339,100.12	(1,230,622.84)
Security Services	109,333.00	117,306.57	-	(117,306.57)
Pupil Transportation	30,000.00	32,431.04	-	(32,431.04)
Food Service	-	-	388,597.63	388,597.63
Central Office Support Services	9,000.00	9,729.31	1,383.16	(8,346.15)
Other Supporting Services	-	-	-	-
Community Services	-	-	12,570.44	12,570.44
Capital Outlay	13,198,198.00	14,159,745.46	14,259,221.52	99,476.06
Debt Service:				
Principal	269,332.00	291,157.19	269,331.71	(21,825.48)
Interest and Charges	91,573.00	98,993.57	466,404.49	367,410.92
Total Support Services	19,588,139.00	21,066,606.04	20,716,882.33	(349,723.71)
Revenues Collected Over (Under)				
Expenditures Paid	(17,556,262.00)	(19,034,729.04)	(13,686,265.13)	5,348,463.91
Other Financing Sources (Uses):				
Transfers	3,490,000.00	3,490,000.00	4,593,679.00	1,103,679.00
Sale of Bonds	9,915,256.00	9,915,256.00	38,500,000.00	28,584,744.00
Tuition from other Districts	-	-	-	-
Sale of Other Property/Net Insur Rec	-	-	39,738.32	39,738.32
Sources (Uses)	13,405,256.00	13,405,256.00	43,133,417.32	29,728,161.32
NET CHANGE IN FUND BALANCES	(4,151,006.00)	(5,629,473.04)	29,447,152.19	\$ 35,076,625.23
Fund Balance, July 1, 2011	14,175,713.50	14,175,713.50	14,175,713.50	-
Fund Balance, June 30, 2012	\$ 10,024,707.50	\$ 8,546,240.46	\$ 43,622,865.69	\$ 35,076,625.23

PARK HILL SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - NON-GAAP BUDGET BASIS AND ACTUAL
ALL GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Modified Cash Basis</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Revenues Collected				
Local Sources	\$ 96,828,331.00	\$ 96,828,331.00	\$ 99,742,409.35	\$ 2,914,078.35
County Sources	3,405,778.00	3,405,778.00	3,602,147.35	196,369.35
State Sources	23,405,023.00	23,405,023.00	25,522,951.16	2,117,928.16
Federal Sources	4,934,901.00	4,934,901.00	5,554,790.75	619,889.75
TOTAL REVENUES	128,574,033.00	128,574,033.00	134,422,298.61	5,848,265.61
Expenditures Paid				
Current		-		
Instruction	64,876,106.00	63,951,128.37	63,268,309.96	(682,818.41)
Attendance	829,518.00	779,656.89	1,088,070.25	308,413.36
Guidance	2,052,735.00	2,011,070.86	2,076,070.98	65,000.12
Health, Psych, Speech & Audio	606,732.00	570,350.41	691,815.84	121,465.43
Improvement of Instruction	3,073,751.00	2,985,692.65	2,016,446.93	(969,245.72)
Professional Development	60,000.00	58,057.53	211,469.96	153,412.43
Media Services	3,627,211.00	3,465,367.95	3,439,643.79	(25,724.16)
Board of Education Services	1,006,434.00	946,291.53	663,987.82	(282,303.71)
Executive Administration	940,744.00	907,987.55	1,491,274.22	583,286.67
Building Level Administration	6,314,433.00	6,114,643.78	6,309,853.22	195,209.44
Business Central Services	6,047,357.00	5,966,244.87	5,725,554.83	(240,690.04)
Operation of Plant	14,790,220.00	14,367,274.22	13,711,613.19	(655,661.03)
Security Services	755,459.00	724,620.14	664,767.15	(59,852.99)
Pupil Transportation	5,391,509.00	5,090,744.01	5,381,465.71	290,721.70
Food Service	5,146,636.00	4,977,483.97	4,927,484.01	(49,999.96)
Central Office Support Services	1,322,748.00	1,262,202.28	1,334,248.54	72,046.26
Other Supporting Services	-	-	-	-
Community Services	3,613,419.00	3,858,086.60	3,845,424.28	(12,662.32)
Capital Outlay	13,198,198.00	14,159,745.46	14,259,221.52	99,476.06
Debt Service:				
Principal	6,004,332.00	6,050,736.83	6,004,331.71	(46,405.12)
Interest and Charges	3,069,095.00	3,089,276.93	3,431,267.72	341,990.79
Total Expenditures	142,726,637.00	141,336,662.83	140,542,321.63	(794,341.20)
Revenues Collected Over (Under)				
Expenditures Paid	(14,152,604.00)	(12,762,629.83)	(6,120,023.02)	6,642,606.81
Other Financing Sources (Uses):				
Transfers	-	-	-	-
Sale of Bonds	9,915,256.00	9,915,256.00	38,500,000.00	28,584,744.00
Tuition from other Districts	-	-	-	-
Transportation From Other LEA's	-	-	-	-
Sale of Other Property/Net Insur Rec	-	-	45,822.19	45,822.19
Sources (Uses)	9,915,256.00	9,915,256.00	38,545,822.19	28,630,566.19
NET CHANGE IN FUND BALANCES	(4,237,348.00)	(2,847,373.83)	32,425,799.17	35,273,173.00
Fund Balance, July 1, 2011	44,476,883.81	44,476,883.81	44,476,883.81	-
Fund Balance, June 30, 2012	\$ 40,239,535.81	\$ 41,629,509.98	\$ 76,902,682.98	\$ 35,273,173.00

STATE COMPLIANCE SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

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

To the Members of the
Board of Education
Park Hill School District

We have audited the basic financial statements of the Park Hill School District (the "District") as of and for the year ended June 30, 2012, and have issued our report thereon dated November 20, 2012.

As required by the Revised Statutes of the State of Missouri, we have performed auditing procedures to test compliance with the budgetary statute (Chapter 67 RSMo) and the methods of maintaining pupil attendance and pupil transportation records (Chapter 165.121.3(7) RSMo) with respect to the methods of maintaining pupil attendance and pupil transportation records for the year ended June 30, 2012. The management of the District is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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

In our opinion, the District's budgetary and disbursements procedures were in compliance, in all material respects, with the budgetary statute (Chapter 67 RSMo) for the year ended June 30, 2012. It is further our opinion that the pupil attendance and pupil transportation records are so maintained as to accurately disclose, in all material respects, the average daily attendance; resident membership on the last Wednesday of September; average number of students transported on a regular basis; and mileage and allowable cost for pupil transportation in compliance with state law and administrative rules for the year ended June 30, 2012.

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

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 20, 2012

PARK HILL SCHOOL DISTRICT
DISTRICT COUNTY NUMBER 083-005
SCHEDULE OF SELECTED STATISTICS
YEAR ENDED JUNE 30, 2012

TYPE OF AUDIT PERFORMED – SINGLE AUDIT

I. CALENDAR

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

	Hours
Kindergarten	1,121.84
Grades 1-5	1,121.84
Grade 6-8	1,157.04
Grades 9-12	1,188.72
Russell Jones Education Center (6000) School K-12	1,106.00

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

	Days
Kindergarten	178
1-5	178
6-8	178
9-12	178
Russell Jones Education Center (6000) School K-12	178

II. AVERAGE DAILY ATTENDANCE (ADA)

Regular Term	Full-Time / Part-Time	Remedial	Total
Grades K	728.2294	.0196	728.2490
Grades 1-5	3,709.0596	11.9733	3,721.0329
Grades 6-8	2,273.3818	0.7675	2,274.1493
Grades 9-12	3,032.9514	-	3,032.9514
Subtotal Regular Term	9,743.6222	12.760	9,756.3826

SUMMER SCHOOL SUBTOTAL

The applicable summer school for this fiscal year was held in calendar year 2011.

113.3372

TOTAL REGULAR TERM PLUS SUMMER SCHOOL ADA

9,869.7198

III. SEPTEMBER MEMBERSHIP

September Membership FTE Count

10,242.51

IV. FREE AND REDUCED PRICED LUNCH FTE COUNT (SECTION 163.011(6), RSMo)

Free	2,215.00
Reduced	570.00
Total	2,785.00

PARK HILL SCHOOL DISTRICT
DISTRICT COUNTY NUMBER 083-005
SCHEDULE OF SELECTED STATISTICS
YEAR ENDED JUNE 30, 2012

V. FINANCE

A.	As required by Section 162.401, RSMo, a bond was purchased for the District’s treasurer in the total amount of	\$ 50,000
B.	The District’s deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo.....	TRUE
C.	The District maintained a separate bank account for the Debt Service Fund in accordance with Section 165.011, RSMo.....	TRUE
D.	Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records.....	TRUE
E.	If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the Board approved a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken.....	TRUE
F.	The District published a summary of the prior year’s audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo.....	TRUE

VI. 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.....	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
C.	Based on the ridership records, the average number of students (non-disabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was:	
	• Eligible ADT.....	6,039.50
	• Ineligible ADT.....	1,176.50
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.....	FALSE

PARK HILL SCHOOL DISTRICT
DISTRICT COUNTY NUMBER 083-005
SCHEDULE OF SELECTED STATISTICS
YEAR ENDED JUNE 30, 2012

VI. TRANSPORTATION (SECTION 163.161, RSMO) (CONCLUDED)

E.	Actual odometer records show the total District-operated <u>and</u> contracted mileage for the year was:.....	<u>1,135,105.00</u>
	Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route <u>and</u> disapproved miles (combined) was:	
	• Eligible Miles.....	<u>1,013,983.00</u>
	• Ineligible Miles (Non-Route/Disapproved).....	<u>121,122.00</u>
F.	Number of days the District operated the school transportation system during the regular school year:.....	<u>179</u>

PARK HILL SCHOOL DISTRICT
SCHEDULE OF STATE FINDINGS
YEAR ENDED JUNE 30, 2012

I. Chapter 67 RSMO (Budget Statute)

Chapter 67 RSMo requires that each political subdivision of the State of Missouri adopt an annual budget, itemized by fund. It further requires that in no event shall the total proposed expenditures from any fund exceed the estimated revenues to be received plus any unencumbered balance or less any deficit estimated for the beginning of the budget year.

II. Other State Findings

For the year ended June 30, 2012, the District's transportation company did not track actual odometer readings for mileage records in accordance with section 163.161, RSMO, the information for the numbers were obtained by use of estimates. They track each route one time by GPS then multiply each route by the number of times they run the route.

Views of responsible officials and planned corrective actions: The District's transportation company has adopted an approved method of calculating total miles effective FY2013.

FEDERAL COMPLIANCE SECTION



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

To the Members of
The Board of Education
Park Hill School District

We have audited the governmental activities and each major fund of Park Hill School District, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 20, 2012, which was modified because the District prepares its financial statements on the modified 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

Management of the District is responsible for establishing and maintaining effective 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 opinions 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as 2012-1, 2012-2, and 2012-3. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Park Hill 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 matters that we reported to management of the District in a separate letter dated November 20, 2012.

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

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

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 20, 2012



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

To the Members of
The Board of Education
Park Hill School District

Compliance

We have audited Park Hill School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The 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 District's management. Our responsibility is to express an opinion on the 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 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 of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, Missouri Department of Elementary and Secondary Education, 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.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 20, 2012

PARK HILL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor Program Title	Grant or Identifying Number	CFDA Number	Amount Expended
<u>Cash Federal Expenditures</u>			
U.S. Department of Labor			
<i>Passed through Full Employment Council, Inc. a Not-for-Profit</i>			
Workforce Investment Act (WIA)	W09915	17.259	\$ 96.05
Total U.S. Department of Labor			96.05
U.S. Department of Education:			
<i>Passed through Missouri Department of Elementary and Secondary Education:</i>			
State Fiscal Stabilization Fund Cluster			
ARRA-Basic Formula - Stabilization Funds	083-005	84.394	448,527.00
ARRA-Basic Formula - Stabilization Funds	083-005	84.397	24,906.00
Total State Fiscal Stabilization Fund Cluster			473,433.00
Federal Education Jobs Fund Cluster			
ARRA-Fed Educ Jobs Fund - Classroom Trust Fund	083-005	84.410	18,776.00
Total Federal Education Jobs Fund Cluster			18,776.00
Special Education Cluster			
Special Education Cluster Grants to States - IDEA	083-005	84.027	1,868,087.15
ARRA-Special Education Grants to States-IDEA	083-005	84.391	75.90
ECSE Preschool Grants	083-005	84.173	221,382.13
ARRA-ECSE Preschool Grants Part B	083-005	84.392	4,600.56
Total Special Education Cluster			2,094,145.74
Title I, Part A Cluster			
Title I Grants to Local Education Agencies	083-005	84.010	695,045.08
ARRA-Title I Grants to Local Education Agencies	083-005	84.389	2,540.00
Title I School Improvement	083-005	84.010	30,000.00
ARRA-Title I School Improvement	083-005	84389A	36,087.20
Total Title I, Part A Cluster			763,672.28
Title II-A, Cluster			
Title II-A, ESEA - Teacher & Principal Quality	083-005	84.367	252,585.47
Educator Quality Substitute Reimbursement	083-005	84.367	110.93
Total Title II-A, Cluster			252,696.40
Title III English Language Acq Grants	083-005	84.365	52,933.55
Total U.S. Department of Education			3,655,656.97
U.S. Department of Agriculture:			
<i>Passed through Missouri Department of Elementary and Secondary Education:</i>			
Child Nutrition Cluster			
National School Lunch Program	083-005	10.555	1,389,866.68
School Breakfast Program	083-005	10.553	343,037.57
After School Snack Program	083-005	10.555	22,587.07
			1,755,491.32
<u>Non - Cash Proceeds</u>			
Food Distribution - Commodities	083-005	10.555	340,709.90
Total Child Nutrition Cluster/U.S. Department of Agriculture			2,096,201.22
U.S. Department of Homeland Security			
<i>Passed through Missouri State Emergency Management Agency</i>			
Presidentially Declared Disasters	1961-DR-MO	97.036	14,865.98
Total U.S. Department of Homeland Security			14,865.98
Total Schedule of Expenditures of Federal Awards			\$ 5,766,820.22

PARK HILL SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The Schedule includes all federal awards administered by Park Hill School District.

NOTE 2 - BASIS OF PRESENTATION

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

NOTE 3 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified cash basis of accounting, which is described above in Note I to the District's accompanying financial statements.

NOTE 4 - RELATIONSHIP TO ACCOMPANYING FINANCIAL STATEMENTS

Federal awards are reported in the District's accompanying financial statements as follows:

<u>Federal Sources</u>	
General Fund	\$ 5,062,470.82
Capital Projects Fund	-
Special Revenue Fund	492,319.93
Total	<u>\$ 5,554,790.75</u>

NOTE 5 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with the Modified Cash Basis of Accounting.

NOTE 6 –MATCHING REVENUES

For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

NOTE 7 – NON-CASH PROGRAMS

The commodities received, which are non-cash revenues, are valued using prices provided by the United States Department of Agriculture.

NOTE 8 – SUBRECIPIENTS

The School District provided no federal awards to subrecipients during the year ended June 30, 2012.

PARK HILL SCHOOL DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

I. SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. Type of auditor's report issued: unqualified
2. Internal control over financial reporting:
 - a. Any Material Weakness(es) identified? Yes No
 - b. Any Significant Deficiencies identified that are not considered to be material weaknesses? Yes None Reported
3. Any noncompliance material to financial statements noted? Yes No

B. Federal Awards

1. Internal control over major programs:
 - a. Any Material Weakness(es) identified? Yes No
 - b. Any Significant Deficiencies identified that are not considered to be material weaknesses? Yes None Reported
2. Type of auditor's report issued on compliance for major programs: unqualified
3. Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133? Yes No

4. Identification of major programs:

CFDA Number(s):

84.027, 84.391, 84.173, 84.392
10.555, 10.553

Name of Federal Program or Cluster:

Special Education Cluster
Child Nutrition Cluster

5. Dollar threshold used to distinguish between type A and type B programs: \$ 300,000
6. Auditee qualified as low-risk auditee? Yes No

PARK HILL SCHOOL DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION II – FINDINGS – FINANCIAL STATEMENTS AUDIT

- 2012-01 Criteria: Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, which is effective for periods ending on or after December 15, 2009, considers inadequate documentation of the components of internal control to be at least a significant deficiency.
- Condition: Documentation of the District’s internal controls has not been prepared.
- Context: During discussions with management, we noted that internal control documentation has not been prepared.
- Effect: SAS 115 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the District may not be able to ensure that controls are in place, communicated and operating effectively.
- Cause: The District did not prepare the required documentation.
- Recommendation: We recommend that the District develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.
- Views of responsible officials and planned corrective actions: The District is developing a process to obtain an independent review of antifraud programs and internal controls. Based upon this review, the District will prepare communication to staff members on internal controls.
- 2012-02 Criteria: Antifraud programs and controls are the policies and procedures an organization puts in place by an organization to ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
- Condition: During our audit, we noted there is no formal fraud risk assessment in place.
- Context: During discussions with management, we noted there were no formal fraud risk assessments implemented.
- Effect: Lack of an appropriate risk assessment process may result in certain risks not being identified by District’s management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.
- Cause: Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

PARK HILL SCHOOL DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION II – FINDINGS – FINANCIAL STATEMENTS AUDIT (CONCLUDED)

Recommendation: We recommend that the District address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

Views of responsible officials and planned corrective actions: The District is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the District's annual budget document and annual financial statement. The District was not aware of new SAS requirements. The District will obtain an independent assessment of fraud and internal controls.

2012-03

Criteria: Governmental Account Standard Board (GASB) pronouncement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was effective for financial statements beginning after June 15, 2010. This standard provides revised definitions for fund balance classifications and requires written acknowledgement of the Districts understanding of their classifications.

Condition: It is necessary to implement a policy of procedure implementing GASB 54, which defines the Districts understanding of their fund balance classifications.

Context: This policy was not made available during our field work.

Effect: The District was not compliant with GASB 54.

Cause: The District was not aware of the need to implement GASB 54.

Recommendation: We recommend the District prepare necessary documentation to acknowledge their understanding of fund balance classifications.

Views of responsible officials and planned corrective actions: The District will adopt a revised Board policy that includes GASB 54 compliance.

SECTION III – FINDINGS AND QUESTIONS COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no audit findings related to internal control, compliance, questioned costs, or fraud that related to federal awards for the year ended June 30, 2012.

PARK HILL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

PRIOR YEAR FINDINGS – FINANCIAL STATEMENTS AUDIT

There were no audit findings related to internal control, compliance, or fraud that related to the financial statements for the year ended June 30, 2011.

PRIOR YEAR FINDINGS – FEDERAL AWARDS

There were no audit findings related to internal control, compliance, questioned costs, or fraud that related to federal awards for the year ended June 30, 2011.