

Kingston 42 School District
Kingston, Missouri
Financial Statements
Year Ended June 30, 2023

Kingston 42 School District
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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Kingston 42 School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of Kingston 42 School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the District, as of June 30, 2023, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter-Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of receipts collected by source – school district funds, schedule of expenditures paid by object – school district funds, and the summary schedule of receipts collected, expenditures paid, and changes in fund balances – school district funds 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of receipts collected by source – school district funds, schedule of expenditures paid by object – school district funds, and the summary schedule of receipts collected, expenditures paid, and changes in fund balances – school district funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison information and pension information but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2023, on our consideration of Kingston 42 School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Kingston 42 School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kingston 42 School District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Martin & Hanway CPA's PC". The signature is written in a cursive, flowing style.

Martin & Hanway CPA's, P.C.

Saint Joseph, Missouri

October 16, 2023

BASIC FINANCIAL STATEMENTS

Kingston 42 School District

Statement of Net Position -

Modified Cash Basis

June 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 904,195
Total Current Assets	<u>904,195</u>
Non-Current Assets:	
Land, Buildings and Improvements (Net of Accumulated Depreciation)	128,802
Equipment (Net of Accumulated Depreciation)	9,999
Vehicles (Net of Accumulated Depreciation)	96,884
Copier Lease (Net of Amortization)	<u>7,091</u>
Total Non-Current Assets	<u>242,776</u>
Total Assets	<u><u>\$ 1,146,971</u></u>
LIABILITIES	
Current Liabilities:	
Copier Lease	\$ 2,057
Total Current Liabilities	<u>2,057</u>
Non-Current Liabilities:	
Copier Lease	<u>5,005</u>
Total Non-Current Liabilities	<u>5,005</u>
Total Liabilities	<u>7,062</u>
NET POSITION	
Net Investment in Capital Assets	235,714
Restricted	-
Unrestricted	<u>904,195</u>
Total Net Position	<u>1,139,909</u>
Total Liabilities and Net Position	<u><u>\$ 1,146,971</u></u>

Kingston 42 School District
Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2023

Functions/Programs		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges For	Operating	Capital	
	<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental Activities:					
Instruction:					
Instruction Regular	\$ 325,453	\$ -	\$ 152,393	\$ -	\$ (173,060)
Instruction Special Ed	31,659	-	24,870	-	(6,789)
Career Education Programs	-	-	-	-	-
Depreciation & Amortization	9,761	-	-	-	(9,761)
Student Activities	3,164	5,362	-	-	2,198
Payments to Other Districts	94,004	-	-	-	(94,004)
Total Instruction	<u>464,041</u>	<u>5,362</u>	<u>177,263</u>	<u>-</u>	<u>(281,416)</u>
Support Services:					
Attendance and Social Work Services	-	-	-	-	-
Guidance Services	-	-	-	-	-
Health, Psych, Speech and Audio	10,921	-	-	-	(10,921)
Professional Development	4,343	-	1,626	-	(2,717)
Educational Media Services	9,265	-	-	-	(9,265)
Board Services	10,449	-	-	-	(10,449)
Executive Administration	96,276	-	-	-	(96,276)
Building Administration	44,829	-	-	-	(44,829)
Business Services	-	-	-	-	-
Fiscal Services	4,525	-	-	-	(4,525)
Operation and Maintenance of Plant	123,190	-	-	-	(123,190)
Pupil Transportation	26,140	-	12,892	-	(13,248)
Depreciation	18,433	-	-	-	(18,433)
Food Services	28,575	142	33,092	-	4,659
Depreciation	1,350	-	-	-	(1,350)
Adult Education	-	-	-	-	-
Total Support Services	<u>378,296</u>	<u>142</u>	<u>47,610</u>	<u>-</u>	<u>(330,544)</u>
Non-Instruction/Support Services:					
Community Services	541	-	310	-	(231)
Early Childhood	1,180	-	1,789	-	609
Parental Involvement	-	-	-	-	-
Facilities Acquisition and Constr.	-	-	-	-	-
Interest on Long-Term Debt	-	-	-	-	-
Other - Fin Fees, Etc.	-	-	-	-	-
Total Non-Instruction/Support Services	<u>1,721</u>	<u>-</u>	<u>2,099</u>	<u>-</u>	<u>378</u>
Total Governmental Activities	<u>\$ 844,058</u>	<u>\$ 5,504</u>	<u>\$ 226,972</u>	<u>\$ -</u>	<u>\$ (611,582)</u>

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

Kingston 42 School District
Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2023

	Governmental Activities
Total Governmental Activities	\$ (611,582)
General Revenues:	
Property Taxes, Levied for General Purposes	259,100
Property Taxes, Levied for Capital Outlay	30,410
Property Taxes, Levied for Debt Service	-
Proposition C Sales Tax	55,111
Other Taxes	101,817
Earnings on Investments	2,055
Other Revenue	-
Federal and State Aid Not Restricted to Specific Purposes:	
Minimum Foundation Program	274,334
Other	-
Total General Revenues	<u>722,827</u>
Changes in Net Position	111,245
Net Position July 1, 2022	<u>1,028,664</u>
Net Position June 30, 2023	<u><u>\$ 1,139,909</u></u>

Kingston 42 School District
Reconciliation of the Statement of Receipts, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2023

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

Net change in fund balances of total governmental funds.	\$ 108,894
Entering into a lease agreement creates a right to use asset and related lease liability. Paying a lease liability consumes current financial resources of governmental funds. This amount is the net effect of the difference between new lease liabilities recorded during the year and payment made on outstanding leases.	2,006
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, some of the cost of those assets may be allocated over their estimated useful lives and reported as depreciation or amortization expense. This is the amount by which net capital outlays exceeded depreciation and amortization in the current period.	<u>345</u>
Change in net position of governmental activities	<u>\$ 111,245</u>

Kingston 42 School District
Balance Sheet
Governmental Funds
Modified Cash Basis
June 30, 2023

	Governmental Fund Types			
	General Fund	Special Revenue Fund	Capital Projects Fund	Totals
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 653,361	\$ -	\$ 250,834	\$ 904,195
Total Current Assets	<u>653,361</u>	<u>-</u>	<u>250,834</u>	<u>904,195</u>
Non-Current Assets:				
None	-	-	-	-
Total Non-Current Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 653,361</u>	<u>\$ -</u>	<u>\$ 250,834</u>	<u>\$ 904,195</u>
LIABILITIES				
Current Liabilities:				
None	\$ -	\$ -	\$ -	\$ -
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-Current Liabilities:				
None	-	-	-	-
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	-	-	-	-
Assigned to:				
Capital Projects	-	-	250,834	250,834
Unassigned	<u>653,361</u>	<u>-</u>	<u>-</u>	<u>653,361</u>
Total Fund Balances	<u>653,361</u>	<u>-</u>	<u>250,834</u>	<u>904,195</u>
Total Liabilities and Fund Balances	<u>\$ 653,361</u>	<u>\$ -</u>	<u>\$ 250,834</u>	<u>\$ 904,195</u>
Reconcile to Statement of Net Position:				
Net Position Fund Balance				\$ 1,139,909
Capital Assets used in Governmental activities, are not financial resources.				
Therefore, these assets are not reported as assets in the Governmental Funds.				
Cost of Capital Assets			(1,013,378)	
Accumulated Depreciation & Amortization			<u>770,602</u>	
Net Capital Assets				(242,776)
Liabilities included in Net Position and not in Funds are:				
Copier Lease				<u>7,062</u>
Total Governmental Fund Balances				<u>\$ 904,195</u>

Kingston 42 School District
Statement of Receipts, Expenditures and Changes in Fund Balances
Governmental Funds
Modified Cash Basis
For the Year Ended June 30, 2023

	General Fund	Special Revenue Fund	Capital Projects Fund	Totals
Revenues Collected:				
Local	\$ 282,957	\$ 55,116	\$ 30,808	\$ 368,881
County	76,459	6,247	15,520	98,226
State	14,771	317,960	-	332,731
Federal	94,178	61,287	-	155,465
Other Revenue	-	-	-	-
Total Revenues Collected	<u>468,365</u>	<u>440,610</u>	<u>46,328</u>	<u>955,303</u>
Expenditures Paid:				
Instruction	71,527	384,759	-	456,286
Support Services				
Attendance and Social Work Services	-	-	-	-
Guidance Services	-	-	-	-
Health, Psych, Speech and Audio	10,921	-	-	10,921
Improvement Of Instruction	-	-	-	-
Professional Development	3,100	1,243	-	4,343
Educational Media Services	804	8,461	-	9,265
Board Of Education Services	10,449	-	-	10,449
Executive Administration Services	45,644	50,632	-	96,276
Support Services - Building Level Administration	-	44,829	-	44,829
Business Support Services	-	-	-	-
Fiscal Services	4,525	-	-	4,525
Operation and Maintenance Of Plant Services	53,937	-	69,253	123,190
Security Services	-	-	-	-
Pupil Trans.-Contracted	-	-	-	-
Pupil Trans.-District Owned	26,140	-	29,889	56,029
Disabled Trans.-Contracted	-	-	-	-
Disabled Trans.-District Owned	-	-	-	-
Non Allowable Transportation	-	-	-	-
Food Service	28,575	-	-	28,575
Non-Instruction/Support Services				
Adult Education & Literacy Programs	-	-	-	-
Community Services	541	-	-	541
Early Childhood	774	406	-	1,180
Parental Involvement	-	-	-	-
Facilities Acquisition and Constr.	-	-	-	-
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Other - Fin Fees, Etc.	-	-	-	-
Total Expenditures Paid	<u>256,937</u>	<u>490,330</u>	<u>99,142</u>	<u>846,409</u>
Revenues Collected Over (Under)				
Expenditures Paid	211,428	(49,720)	(52,814)	108,894
Other Financing Sources (Uses):				
Transfers	(139,720)	49,720	90,000	-
Revenues Collected and Other Sources Over (Under) Expenditures Paid and Other Uses	71,708	-	37,186	108,894
Fund Balance, July 1, 2022	<u>581,653</u>	<u>-</u>	<u>213,648</u>	<u>795,301</u>
Fund Balance, June 30, 2023	<u>\$ 653,361</u>	<u>\$ -</u>	<u>\$ 250,834</u>	<u>\$ 904,195</u>

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

Kingston 42 School District
Notes to Financial Statements
Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies

Kingston 42 School District (the District) was established under the Statutes of the State of Missouri. The District operates as a "six director" district (with seven members of the Board of Education) as described in RSMo Chapter 162.

The financial statements of Kingston 42 School District have been prepared, on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the above, the District has determined that no outside agency meets the above criteria and, therefore, no agency has been included as a component unit in the District's financial statements. In addition, the District is not aware of any entity which would exercise such oversight which would result in the District being considered a component unit of the entity.

B. District-wide and Fund Financial Statements

District-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenue of the District.

Kingston 42 School District
Notes to Financial Statements
Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

During the year, the District segregates transactions related to certain functions or activities into 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. Separate financial statements are provided for governmental funds. The focus of governmental fund financial statements is on major funds. The District considers each of its funds to be major and each is presented in a separate column.

Interfund transfers are flows of assets from one fund to another where repayment is not expected. Interfund transfers are recorded on the statement of receipts, expenditures and changes in fund balances – governmental funds and the budgetary comparison schedules as other financing sources (uses). The District made a transfer to zero out the fund balance of the Special Revenue Fund and a \$162,326 or 7% x SAT x WADA transfer of \$90,000 to the Capital Projects Fund.

C. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities and fund balances arising from cash transactions. The following funds are used by the District:

Governmental Funds

General (Incidental) Fund - Accounts for general activities of the District, including expenditures for non-certified employees, student activities, food service, community services, operation and maintenance of plant and textbook funds which are not designated in a separate fund.

Special Revenue (Teachers') Fund - Accounts for expenditures for certified employees involved in administration and instruction. It includes revenues restricted by the State for the payment of teacher salaries.

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

D. Measurement Focus and Basis of Accounting

Measurement Focus

The District-wide financial statements are reported using the economic resources measurement focus, as applied to the modified cash basis of accounting.

The Governmental Fund financial statements are reported using the current financial resources measurement focus, as applied to the modified cash basis of accounting. Only current assets and liabilities are generally included on the balance sheet. The statement of receipts, expenditures and changes in fund balances presents sources and uses of available spendable financial resources during a given period. The fund balances are used as the measure of available spendable financial resources at the end of the period.

Kingston 42 School District
Notes to Financial Statements
Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The District-wide statement of net position and statement of activities, and the fund financial statements, governmental funds, are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund balance, receipts and expenditures when they result from cash transactions with a modification on the District-wide statements for recording of capital assets, depreciation and amortization expense and the copier lease liability. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable) and their related revenues and expenses, certain deferred outflows of resources, certain liabilities (such as accounts payable) and their related expenses, and certain deferred inflows of resources are not recorded in these financial statements.

Accounting principles generally accepted in the United States of America would provide all governmental funds be presented on the modified accrual basis of accounting. All District-wide statements would be presented on the accrual basis of accounting. This basis recognizes all assets, deferred outflows of resources, liabilities (both current and non-current), deferred inflows of resources and all revenues and expenses during the year regardless of when cash is received or paid.

Fund Balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

1. Nonspendable, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Education (the District's highest level of decision-making authority).
4. Assigned fund balance classification is intended to be used by the government for specific purposes and do not meet the criteria to be classified as restricted or committed.

Kingston 42 School District
Notes to Financial Statements
Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Committed Fund Balance Policy- The Board may establish commitments of fund balance from time to time in order to meet specific District needs. Commitments of fund balance shall be vetted and approved by the Board finance committee. Commitments of fund balance shall be submitted to the Board for approval. The District did not have any committed fund balances at the end of the year.

Assigned Fund Balance Policy- The Board may establish assignments of fund balance from time to time in order to meet specific District needs. Assignments of fund balance shall be vetted and approved by the Board finance committee. \$250,834 of the capital projects fund balance was assigned to capital projects during upcoming years.

Order of Fund Balance Spending Policy- Fund balances will be used in this order: restricted, committed, assigned and then unassigned.

Minimum Fund Balance- In order to preserve financial stability, the District must be prepared to respond to cash flow shortages, large or unexpected one-time expenditures, changes in the economy, and changes in state funding. The District shall, therefore, target a yearly unassigned general fund balance between 17 percent (60 days) and 25 percent (90 days) of total operating expenditures. Additionally, the District shall target a yearly minimum restricted debt service fund balance of 25 percent of annual debt service requirements on all outstanding debt issuance and an assigned internal service fund balance of 20 percent of total operating expenditures, if applicable. Following any year where the audited fund balance falls outside the above-listed targeted range or below the minimum requirement, adjustments in budgeted expenditures shall be incorporated into the budget development process for that year. If the Board determines that the minimum targeted fund balance is not attainable in the proposed budget being considered, it shall be the goal of the Board to reach that level within a specified period of time, not to exceed two years.

E. 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.

F. Staff Salaries

The salary payment schedule of the District for the 2022-23 school year requires the payment of salaries over a twelve month period. Consequently, the July and August, 2023 payroll checks are included in the financial statements as an expenditure paid in the month of June. This practice has been consistently followed in previous years.

Kingston 42 School District
Notes to Financial Statements
Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies (Continued)

G. Compensated Absences

Vacation time, personal business days, and sick leave are considered as expenditures in the year paid. The time is granted to employees as requested or needed according to local board policy and forfeited if not taken in the period granted.

H. Pooled Cash and Temporary Investments

Cash resources of the individual funds are combined to form a pool of cash and temporary investments which is managed by the District. Interest income earned is allocated to contributing funds based on cash and temporary investment balances.

I. Post Employment Benefits

COBRA Benefits - Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District provides healthcare benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the District under this program as the premiums for the continuation coverage are remitted by the former employees.

J. Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

K. Program Revenues

In the Statement of Activities, revenues that are received directly for a particular activity are reported as program revenues. The District has the following program revenues in each activity:

Instruction – Student activities, misc local revenue, and other state and federal monies (basic formula- classroom trust fund, small schools grant, medicaid, title monies, IDEA, ECSE, ARP-ESSER III, CRRSA-ESSER II and Teacher Baseline Grant).

Support Services – Other state and federal monies (title monies, food service-state, school lunch and breakfast monies, non reimbursable meal sales and transportation).

Non-Instruction/Support Services – Revenue from enterprise activities and educational screening prog. (PAT).

Kingston 42 School District
Notes to Financial Statements
Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies (Concluded)

L. Pension Plans

Financial reporting information pertaining to the District's participation in the Public School Retirement System of Missouri ("PSRS") and the Public Education Employee Retirement System of Missouri ("PEERS") (also referred to as the Systems) is prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended.

The annual comprehensive financial report (ACFR) can be obtained at www.psr-peers.org. The District is on the modified cash basis, therefore, member and employer contributions are recognized when paid and no net pension liability and no deferred outflows and inflows of resources related to pensions are included on the Statement of Net Position or the Balance Sheet.

M. Leases

The District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No 87, *Leases*. GASB No 87 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. The Statement has not been applied retrospectively.

Note 2. Deposits and Investments

As of June 30, 2023, the District had the following deposits and investments:

Schedule of Deposits and Investments by Type:

Type	Fair Value	Credit Rating	On Demand	Maturities in Years	
				Less than One	1-5
Demand Accounts	\$ 904,195	N/A	\$ 904,195	\$ -	\$ -
Total	<u>\$ 904,195</u>		<u>\$ 904,195</u>	<u>\$ -</u>	<u>\$ -</u>

Reconciliation to the Statement of Net Position:

	District-wide Statement of Net Position
Cash and Cash Equivalents	\$ 904,195
Total	<u>\$ 904,195</u>

Deposits

Custodial Credit Risk - Exposure to custodial credit risk related to deposits exists when the District holds deposits that are uninsured and uncollateralized; collateralized with securities held

Kingston 42 School District
Notes to Financial Statements
Year Ended June 30, 2023

Note 2. Deposits and Investments (Concluded)

by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized without a written or approved collateral agreement. The District's policy as it relates to custodial credit risk is to follow the Missouri Statutes and School Policies and Regulations requiring that all deposits with financial institutions shall at all times be not less than 100% of the actual amount of the funds on deposit with the depository, less the amount, if any, insured by the Federal Deposit Insurance Corporation (FDIC).

At June 30, 2023 the District's deposits were not exposed to custodial credit risk.

Investments:

Custodial Credit Risk

Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name. The District's investment policy is to follow School Policies and Regulations and the Missouri Statutes on investments. The District is authorized to invest in Securities issued by the State of Missouri, United States Treasury Securities, United States Agency Securities (including coupon and zero coupon securities, discount notes, callable securities, step-up securities, floating rate securities and mortgage backed securities), Repurchase Agreements, Certificates of Deposits, Banker's Acceptances and Commercial Paper or in any instrument permitted by law for investment of state monies.

At June 30, 2023, the District had no investments.

Note 3. Taxes

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

The District also receives sales tax collected by the State and remitted based on eligible pupil counts. School Districts are required by the proposition C sales tax to reduce their property tax levy by one-half the amount of sales tax estimated to be received in the subsequent calendar year. The District voted to waive this rollback in June 1995.

The assessed valuation of the tangible taxable property (excluding state assessed railroad and utilities) for calendar year 2022 for purposes of local taxation was:

Real Estate:	<u>12-31-22</u>
Residential	\$ 2,514,050
Commercial	810,300
Agricultural	688,640
Personal Property	<u>2,262,840</u>
Total	<u>\$ 6,275,830</u>

Kingston 42 School District
Notes to Financial Statements
Year Ended June 30, 2023

Note 3. Taxes (Concluded)

The tax levy per \$100 of assessed valuation of tangible taxable property for calendar year 2022 for purposes of local taxation was:

	12-31-22	
	<u>Unadjusted</u>	<u>Adjusted</u>
General Fund	\$ 4.2500	\$ 4.2500
Special Revenue Fund	-	-
Debt Service Fund	-	-
Capital Projects Fund	0.5000	0.5000
Total	<u>\$ 4.7500</u>	<u>\$ 4.7500</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2023, aggregated approximately 97.1175 percent of the current assessment computed on the basis of the levy as shown above.

Note 4. Legal Debt Margin

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 (excluding state-assessed railroad and utilities). The legal debt margin of the District at June 30, 2023 was:

Constitutional Debt Limit	\$941,375
Less: Lease Liabilities	<u>(7,062)</u>
Legal Debt Margin	<u>\$934,313</u>

Note 5. Contingencies

Litigation-At June 30, 2023, there was no pending or threatened litigation against the District.

Grant Programs-The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. If the District has not complied with the rules and regulations governing grants, refunds of any money received may be required. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

Note 6. Economic Dependency

The District receives a substantial amount of its support from federal and state grants or contracts. If a significant reduction in the level of these government supports were to occur, it could have an effect on the District's activities.

Kingston 42 School District
Notes to Financial Statements
Year Ended June 30, 2023

Note 7. Pension Plans

General Information about the Pension Plan

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

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

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

PEERS is a defined benefit plan providing retirement, disability, and death benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of 5 years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional

Kingston 42 School District
Notes to Financial Statements
Year Ended June 30, 2023

Note 7. Pension Plans (Concluded)

temporary benefit until reaching minimum Social Security age (currently age 62), which is calculated using a 0.8% benefit factor. Actuarially age-reduced retirement benefits are available with 5 to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

Summary Plan Descriptions detailing the provisions of the plans as well as additional information regarding the District's net pension liability and deferred inflows and outflows of resources can be found on the Systems' website at www.psr-peers.org.

Cost-of-Living Adjustments ("COLA"). The Board of Trustees has established a policy of providing COLAs to both PSRS and PEERS members as follows: If the June to June change in the Consumer Price Index for All Urban Consumers (CPI-U) is less than 2% for one or more consecutive one-year periods, a cost-of-living increase of 2% will be granted when the cumulative increase is equal to or greater than 2%, at which point the cumulative increase in the CPI-U will be reset to zero. For the following year, the starting CPI-U will be based on the June value immediately preceding the January 1 at which the 2% cost-of-living increase is granted. If the June to June change in the CPI-U is greater than or equal to 2%, but less than 5%, a cost-of-living increase of 2% will be granted. If the June to June change in the CPI-U is greater than or equal to 5%, a cost-of-living increase of 5% will be granted. If the CPI decreases, no COLA is provided. For any PSRS member retiring on or after July 1, 2001, such adjustments commence on the second January after commencement of benefits and occur annually thereafter. For PEERS members, such adjustments commence on the fourth January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80% of the original benefit for any member.

Contributions. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2021, 2022 and 2023. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay.

PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2021, 2022 and 2023. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay.

The District's contributions to PSRS and PEERS were \$42,581 and \$4,671, respectively, for the year ended June 30, 2023.

Kingston 42 School District
Notes to Financial Statements
Year Ended June 30, 2023

Note 8. Long-Term Debt and Changes in Long-Term Debt

On November 11, 2021 the District entered into a lease agreement with Marco Technologies LLC. for monthly services. The lease calls for 60 monthly payments of \$184.19 for equipment starting November 15, 2021. A \$10 support desk fee and a \$5 supply freight fee are also paid monthly. The lease is noncancelable. A discount rate of 2.5% is used.

Remaining Annual Payments:

Year Ending	Total	Liability	Interest
<u>June 30,</u>	<u>Payments</u>	<u>Amortization</u>	<u>Component</u>
2024	\$ 2,210.28	\$ 2,057.18	\$ 153.10
2025	2,210.28	2,109.23	101.05
2026	2,210.28	2,162.56	47.72
2027	736.76	732.94	3.82
Total	<u>\$ 7,367.60</u>	<u>\$ 7,061.91</u>	<u>\$ 305.69</u>

Payments of \$2,626.59 were made for the year ending June 30, 2023 and \$1,668.52 for the year ending June 30, 2022.

Following is a summary of long-term debt for the year ended June 30, 2023:

	<u>Lease Liabilities</u>	<u>Total</u>
Long-Term Debt Payable, July 1, 2022	\$ 9,068.36	\$ 9,068.36
New Lease Liability	-	-
Principal Paid	<u>(2,006.45)</u>	<u>(2,006.45)</u>
Long-Term Debt Payable June 30, 2023	<u>\$ 7,061.91</u>	<u>\$ 7,061.91</u>

Note 9. Retirement Plan

The District has a 403(b) defined contribution salary deferral plan covering substantially all employees meeting minimum service requirements. Participation in the plan is optional. Forrest T. Jones & Company, Inc. provides plan investment options and documents. Employees may defer up to a maximum amount allowed by tax law. The District does not contribute to the plan.

Note 10. Capital Assets

As a part of the change to the GASB 34 reporting model, the District has established a system to account for major capital assets. Only items with initial individual costs exceeding \$5,000 and items financed with leases are included in the accounting for the financial statements. The District owns two buses and a van. The other items included are the land, school building, improvements, equipment and copier lease.

Original purchase dates are not available for many items and dates and costs are estimated using current costs for similar items discounted to the estimated time of purchase. Construction interest is not included in building costs.

Kingston 42 School District
Notes to Financial Statements
Year Ended June 30, 2023

Note 10. Capital Assets (Concluded)

Depreciation and amortization have been calculated using actual or estimated purchase dates. Depreciation and amortization are allocated to the programs based on what the purchases are used for.

Depreciation and amortization are calculated using the straight line method over the estimated useful life beginning with the month of purchase. Estimated useful lives are as follows:

Buildings and Improvements -	50 years
Equipment	- 5 & 15 years
Vehicles	- 5, 8 years
Copier Lease	- 5 years

The summary of general capital assets as of June 30, 2023 is as follows:

	Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Removals</u>	Balance <u>June 30, 2023</u>
Land, Buildings and Improvements	\$ 727,438	\$ -	\$ -	\$ 727,438
Equipment	99,799	-	-	99,799
Copier Lease	10,378	-	-	10,378
Vehicles	<u>145,874</u>	<u>29,889</u>	-	<u>175,763</u>
Total	983,489	29,889	-	1,013,378
Depreciation	(739,847)	(27,468)	-	(767,315)
Amortization	<u>(1,211)</u>	<u>(2,076)</u>	-	<u>(3,287)</u>
Net Total	<u>\$ 242,431</u>	<u>\$ 345</u>	<u>\$ -</u>	<u>\$ 242,776</u>

Depreciation expense was \$27,468 for the year ending June 30, 2023 and amortization expense was \$2,076 for the year ending June 30, 2023.