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INDEPENDENT AUDITORS' REPORT

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

We have audited the basic financial statements of the governmental activities and each major fund of the Blackwater R-II School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes 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.

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of Blackwater R-II School District as of June 30, 2013, and the respective changes in modified cash basis financial position thereof for the year then ended, in conformity with the basis of accounting described in Note A.

Basis of Accounting

We draw attention to Note A 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 opinion is not modified with respect to that matter.

Disclaimer of Opinion on 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 Management's Discussion and Analysis and budgetary comparison information on pages 8-15 and 31-34, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Blackwater R-II School District's basic financial statements. The data contained under Other Financial Information, is presented for purposes of additional analysis and is not a required part of the financial statements.

The Other Financial 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 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
December 9, 2013

BLACKWATER R-II SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Year Ended June 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
RECEIPTS				
Local	\$ 324,983	\$ 120,708	\$ -	\$ 445,691
County	75,667	16,219	-	91,886
State	84,434	590,837	16,895	692,166
Federal	85,244	68,819	-	154,063
TOTAL RECEIPTS	<u>570,328</u>	<u>796,583</u>	<u>16,895</u>	<u>1,383,806</u>
DISBURSEMENTS				
Instruction	91,650	765,164	-	856,814
Student services	8,241	14,099	-	22,340
Instructional staff support	15,569	21,825	-	37,394
General administration	86,342	70,611	-	156,953
Operation of plant	89,215	-	6,161	95,376
Transportation	99,877	4,218	36,995	141,090
Food service	72,227	-	2,149	74,376
Community services	1,921	4,638	-	6,559
TOTAL DISBURSEMENTS	<u>465,042</u>	<u>880,555</u>	<u>45,305</u>	<u>1,390,902</u>
EXCESS (DEFICIT) OF RECEIPTS OVER DISBURSEMENTS	105,286	(83,972)	(28,410)	(7,096)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	83,972	62,105	146,077
Operating transfers (out)	(146,077)	-	-	(146,077)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(146,077)</u>	<u>83,972</u>	<u>62,105</u>	<u>-</u>
EXCESS (DEFICIT) OF RECEIPTS AND OTHER SOURCES OVER DISBURSEMENTS AND OTHER (USES)	(40,791)	-	33,695	(7,096)
FUND BALANCE, July 1, 2012	604,817	-	77,799	682,616
FUND BALANCE, June 30, 2013	<u>\$ 564,026</u>	<u>\$ -</u>	<u>\$ 111,494</u>	<u>\$ 675,520</u>

See accompanying notes.