



Board of Education
Fort Zumwalt School District
O' Fallon, Missouri

We have audited the cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Zumwalt School District (the District) as of and for the year ended June 30, 2017, and have issued our report thereon dated November 20, 2017. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements.

The District updated accounting policies by adopting Statement of Governmental Accounting Standards (GASB Statements) No. 77, Tax Abatement, for the year ended June 30, 2017 and noted no material effects of the change.

We noted no transactions entered into by the District 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

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 to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- The disclosure of long-term debt in Note 5 to the financial statements. Debt transactions can be very complicated and bonding capacity is very important to a school district so it is important that the disclosure be accurate.

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.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated November 20, 2017.

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 auditors' 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.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in documents containing audited financial statements

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements.

Other information in documents containing audited financial statements (continued)

We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated November 20, 2017.

With respect to the Schedule of Receipts, Disbursements and Changes in Fund Balance – Budget to Actual – Debt Service Fund and Capital Projects Fund, the Schedule of Receipts by Source – All Governmental Funds, the Schedule of Disbursements Paid by Object and the schedule of expenditures of federal awards, (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, 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, the method of preparing it has not changed from the prior period or the reasons for such changes, 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. We have issued our report thereon dated November 20, 2017.

The Management’s Discussion and Analysis and Schedule of Principal Taxpayers accompanying the financial statements, which are the responsibility of management, were prepared for purposes of additional analysis and are not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on them.

Our auditors’ opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

This communication is intended solely for the information and use of the Board of Education and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

St. Louis, Missouri
November 20, 2017

FORT ZUMWALT SCHOOL DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

**FORT ZUMWALT SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

Board of Education
Fort Zumwalt School District
O' Fallon, Missouri

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities and each major fund, and aggregate remaining fund information of Fort Zumwalt School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity'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 cash basis of accounting described in Note 2; this includes determining that the 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 entity'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 entity'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.

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 financial position – cash basis of the governmental activities, each major fund, and aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position – cash basis, thereof and the respective budgetary comparison for the general fund and the major special revenue fund – cash basis for the year then ended, on the basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fort Zumwalt School District – O’Fallon, Missouri’s basic financial statements. The schedule of receipts, disbursements, and changes in fund balance – budget to actual – debt service fund and capital projects fund, the schedule of receipts by source – all governmental funds, the schedule of disbursements paid by object, the management’s discussion and analysis, and the schedule of principal taxpayers are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of receipts, disbursements, and changes in fund balance – budget to actual – debt service fund and capital projects fund, the schedule of receipts by source – all governmental funds, the schedule of disbursements paid by object and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of principal taxpayers and management’s discussion and analysis 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.

Board of Education
Fort Zumwalt School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2017, on our consideration of the Fort Zumwalt 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 result of that testing, and not to provide an opinion on the effectiveness of 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.

CliftonLarsonAllen LLP

St. Louis, Missouri
November 20, 2017

**FORT ZUMWALT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

The discussion and analysis of Fort Zumwalt School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Overall, the School District's financial position declined during fiscal year 2017 as reflected by a decrease in net position of \$6.3 million. This decrease is attributed to \$9.2 million of capital expenditures mainly for facility acquisition and construction financed by bond proceeds received in previous years. In addition, inflows from other financing sources related to bond sales decreased by \$17.9 million. These changes were partially offset by growth in local property taxes of \$13.5 million from the passage of a .48 cent operating tax levy increase. The combination of all this resulted in a decrease in revenue of \$2.9 million when compared to the prior year. Also contributing to the decrease in net position was an increase in expenses of \$6.8 million when compared to the prior year. Of this amount, there was a net decrease of \$4.5 million in spending on construction projects and debt refinancing, completely overshadowed by increases in operating expenses of \$11.3 million. The majority of the increases are directly related to salaries and benefits awarded to staff. Salary expenses grew by \$7.6 million or 6.3% and benefit expenses grew by \$3.0 million or 7.0%. Although in total the School District's financial position appears to have declined, this is only because of the planned deficit spending of bond proceeds received in a prior year. If changes to capital and debt related balances are excluded, the School District's financial position from operations actually improved by \$2.8 million. Overall, the District's financial position is stable with total net position of \$56.9 million and unrestricted net position of \$31.6 million.

General receipts for the year totaled \$214.9 million or 89.6% of all receipts. These general receipts are comprised mainly of local property taxes along with state aid, which totaled a combined \$199.3 million or 92.7% of all general receipts. Program receipts and charges for services make up \$24.9 million or 10.4% of receipts and include grants, tuition and fees. Total disbursements for the year were \$246.1 million of which \$221.2 million were funded by general receipts.

Using this Other Comprehensive Basis of Accounting Report (OCBOA)

This annual report consists of a series of financial statements and notes to those statements. The Statement of Net Position and the Statement of Activities are presented on pages 11 and 12. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. The fund financial statements also provide more detail about the most significant funds.

**FORT ZUMWALT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Reporting the School District as a Whole (Continued)

Statement of Net Position and the Statement of Activities

The analysis of the School District as a whole begins on page 11. This analysis provides answers as to whether the School District is financially stronger or weaker as a result of the year's activities. The Statement of Net Position and the Statement of Activities report information on the School District as a whole and its activities, which help to provide this answer. These statements include all significant assets and liabilities using the cash basis of accounting, which is an Other Comprehensive Basis of Accounting than Generally Accepted Accounting Principles. The District's policy is to prepare its financial statements on the cash basis of accounting; consequently, receipts 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.

These two statements report the School District's net position and changes in that position. The change in net position is the difference between assets and liabilities and represents one way to measure the School District's financial position and whether it is improving or declining. The relationship between receipts and disbursements indicates the School District's operating results. However, the School District's mission is to provide services to our students, not to generate profits as commercial entities strive to do each year.

Nonfinancial factors, such as the quality of education provided to our students and state and federal mandates, must also be considered to assess the overall health of the School District.

The Statement of Net Position and the Statement of Activities report the activity for all of the District's programs and services which are classified as governmental activities. Governmental activities are the activities where all of the School District's programs and services are reported including: instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general (Incidental) fund, special revenue (Teachers) fund, debt service fund, and capital projects fund.

**FORT ZUMWALT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Reporting the School District as a Whole (Continued)

Reporting the School District's Most Significant Funds

Governmental Funds

The School District's primary activities are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year end available for spending in future periods. These statements include all assets and liabilities using the cash basis of accounting, which is an other comprehensive basis of accounting than Generally Accepted Accounting Principles. The District's policy is to prepare its financial statements on the cash basis of accounting; consequently, receipts 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. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Fund

The School District uses a proprietary self-insurance fund which is included in the total Net Position of the District, and represents amounts set aside for the self-funding of health insurance.

The School District as a Whole

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The School District's net position at June 30, 2017 was \$56.9 million. This represents a decrease of \$6.3 million from the prior year and is primarily the result of self-funding health insurance and the sale of bonds to fund capital needs and to refund previously issued bonds, as well as facility acquisition and construction. Of the total net position, \$40.7 million was unrestricted and represents the accumulated results of all past years' operations.

**FORT ZUMWALT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

The School District as a Whole (Continued)

Table 1 below provides a summary of net position for fiscal year 2017 compared to fiscal year 2016.

**TABLE 1
NET ASSETS
(In Millions)**

	Governmental Activities	
	June 30,	
	2017	2016
ASSETS		
Current and Other Assets	\$ 56.9	\$ 63.2
Total Assets	<u>56.9</u>	<u>63.2</u>
LIABILITIES		
Current and Other Liabilities	-	-
Total Liabilities	<u>-</u>	<u>-</u>
NET POSITION		
Restricted	\$ 16.2	\$ 24.1
Unrestricted	40.7	39.1
Total Net Position	<u>\$ 56.9</u>	<u>\$ 63.2</u>

Restricted net position is reported separately to reflect legal constraints from debt covenants and enabling legislation that limit the School District's ability to use the net position for day-to-day operations. As noted above, restricted net position totals \$16.2 million at June 30, 2017. Of this amount, \$11.9 million was restricted for debt service purposes, \$0.2 million was for scholarship purposes, and \$4.0 million for capital project purposes.

**FORT ZUMWALT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

The School District as a Whole (Continued)

The results of this year's operations for the School District as a whole are reported in the Statement of Activities on page 12. This information is summarized below in Table 2.

**TABLE 2
CHANGE IN NET ASSETS
(In Millions)**

	Governmental Activities		Total Percentage Change
	Year Ended June 30,		
	2017	2016	
RECEIPTS			
Charges for Services	\$ 9.0	\$ 8.9	1
Operating Grants and Contributions	15.9	15.5	3
General Receipts:			
Property Taxes	139.8	126.4	11
Federal and State Aid	59.5	59.3	0
Interest and Investment Earnings	0.6	0.2	200
Bond Premium	0.3	2.3	(87)
Sale of Bonds	12.4	28.2	(56)
Other	2.2	1.8	22
Total Receipts	<u>239.7</u>	<u>242.6</u>	(1)
PROGRAM DISBURSEMENTS			
Instruction	127.1	120.0	6
Student Services	16.5	15.7	5
Instructional Staff Support	7.4	7.0	6
Building Administration	15.5	14.6	6
General Administration and Central Services	6.4	5.9	8
Operation of Plant	17.5	17.0	3
Transportation	11.2	10.6	6
Food Service	6.4	5.9	8
Community Services	1.0	1.0	-
Facility Acquisition and Construction	8.9	21.1	(58)
Debt Service and Fiscal Charges	28.1	20.4	38
Total Disbursements	<u>246.0</u>	<u>239.2</u>	3
CHANGE IN NET POSITION	<u>\$ (6.3)</u>	<u>\$ 3.4</u>	

Governmental Activities

The cost of all governmental activities totaled \$246.0 million in fiscal year 2017. The School District's taxpayers funded \$221.2 million or 89.9% of these costs. In addition to taxpayer funding, charges for services funded \$9.0 million or 3.8% of the cost of governmental activities' and operating grants funded \$15.9 million or 6.6% of such costs in fiscal year 2017. In total, net position decrease by \$6.3 million during the fiscal year.

**FORT ZUMWALT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Governmental Activities (Continued)

As shown in Table 2 above, the decrease in net position is due to a combination of changes in both revenues and expenses. Additional revenues were received from increases in state aid and local property taxes, which were entirely offset by a reduction in proceeds from fewer bond sales resulting in a \$2.9 million decrease in revenues. When compared to the prior year, expenses grew by \$6.8 million, as shown in table 2. Facility acquisition and construction spending funded by bond proceeds decreased by \$12.2 million, while debt service costs, funded by the sale of general obligation refunding bonds, and increased by \$7.7 million. The remaining increase is directly related to salary and benefit costs across multiple categories including \$7.1 million in Instruction, \$0.8 in Student Services, and \$0.9 in Building Administration. This was all related to staff additions and raises awarded in 2016-2017. The net effect was a decrease in net position of \$6.3 million.

In the table below, the cost of each of the School District's five functions, as well as, each function's net cost (total cost less receipts generated by the activities) is presented. This clearly shows the School District's reliance on local taxpayers.

TABLE 3

(In Millions)
Year Ended June 30,

	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 127.1	\$ 111.0	\$ 120.0	\$ 104.5
Student Services	16.5	16.5	15.7	15.7
Instructional Staff Support	7.4	7.1	7.0	6.6
Building Administration	15.5	15.5	14.6	14.6
General Administration and Central Services	6.4	6.4	5.9	5.9
Operation of Plant	17.5	17.5	17.0	17.0
Transportation	11.2	9.5	10.6	8.7
Food Service	6.4	(0.3)	5.9	(0.7)
Community Services	1.0	1.0	1.0	1.0
Facility Acquisition and Construction	8.9	8.9	21.1	21.1
Debt Service and Fiscal Charges	28.1	28.1	20.4	20.5
Total Disbursements	<u>\$ 246.0</u>	<u>\$ 221.2</u>	<u>\$ 239.2</u>	<u>\$ 214.9</u>

As shown in Table 3, the District's five largest functions are Instruction, Debt Service, Operation of Plant, Student Services and Building Administration. Direct Instruction to students is by far the District's largest disbursement at \$127.1 million. The next two largest functions are directly related to maintaining over 2.8 million square feet of building space, related equipment and contents valued at over \$545.8 million throughout the District. Debt Service disbursements totaled \$28.1 million and Operation of Plant totaled \$17.5 million during the 2017 school year. In total, the five largest functions represent \$204.7 million or 83.2% of all disbursements.

**FORT ZUMWALT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

The School District's Funds

As discussed above, the School District uses different funds to account for a wide range of financial transactions. A review of the funds provides some insight into the School District's financial condition. Information about the School District's major funds starts on page 13. These funds are accounted for using the cash basis of accounting. Receipts and other financing sources for all governmental funds totaled \$239.8 million and disbursements totaled \$244.9 million for the fiscal year. Governmental funds had a total fund balance of \$51.4 million at June 30, 2017, which represents an overall decrease in total fund balance of \$5.2 million when compared to the prior year. The entire decrease is related to a \$9.1 million deficit related to capital projects offset by surpluses in debt service of \$1.2 million and general funds of \$2.8 million.

General Fund Budgeting Highlights

The School District prepares an annual budget in accordance with Missouri law, which requires Board of Education approval no later than June 30 each year. The original budget for fiscal year 2016-2017 was approved by the Board on June 27, 2016. During the year, the District revises the budget as it attempts to deal with unforeseeable changes in receipts and disbursements as additional information becomes available. A schedule showing the District's original and final budget amounts compared with year-end actual amounts for the general fund is provided on page 19 of this report.

The final revised budget for general fund receipts totaled \$68.6 million compared to the original budget of \$68.1 million. The \$.5 million increase in budgeted general fund receipts was the combination of several variances in state and local receipts. There were increases in local property tax collections, investment earnings, and an insurance rebate all totaling \$1.2 million. The largest increase was \$.7 million in local property tax receipts due to unforeseeable fluctuations in assessed values between the time tax rates are set in September and bills are sent out in December. These increases were partially offset by reductions in rental income, state transportation aid, and state high needs revenue all totaling \$.7 million.

The final revised budget for general fund expenses totaled \$64.5 million. When compared to the original budget of \$65.9 million, reductions of \$1.4 million were made during the year. Of this amount, \$.6 million was related to salary and benefit expenses with \$.8 million related to supply expenses. The reductions to staff related costs was possible due to unfilled vacancies and attrition. The reductions in supply related costs for food, fuel, and milk, were possible due to prices remaining lower than expected for the year. In addition, the cost to purchase textbooks was about half as much as originally estimated for the curriculum adoption allowing further cuts to supplies.

Capital Assets

The District uses the cash basis of accounting and does not recognize amounts invested in land, buildings, furniture, equipment, and vehicles in the financial statements. However, the District does own and maintain over 2.8 million square feet of space. It is worth noting, the District's statement of values for insurance purposes lists replacement costs of buildings and grounds at \$462.9 million and contents at \$82.9 million for a total of \$545.8 million of assets not shown on the statement of assets, liabilities and fund balance.

**FORT ZUMWALT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Debt Administration

At June 30, 2017, the School District had \$137.3 million in general obligation and capital appreciation bonds due in varying amounts with various rates of interest and maturing in various years through March 1, 2036. The purpose of all debt was to construct, equip, and renovate District facilities. The table below represents a summary of this outstanding debt.

Additional information concerning debt is available in the notes to basic financial statements, Note 5.

	<u>2017</u>	<u>2016</u>
General Obligation Bonds	\$ 137,110,000	\$ 146,770,000
Capital Appreciation Bonds	246,242	294,907
Capital Leases	1,195,960	1,883,708
Total	<u>\$ 138,552,202</u>	<u>\$ 148,948,615</u>

Current Financial Issues and Concerns

During the year, voters approved a \$.48 tax levy for the purpose of adding technology teachers, adding instructional coaches, and improving salaries. While negotiations were successful and a three-year agreement was reached to improve salaries, there is still some concern the district will continue to lag behind other districts in the area as they too are expected to increase wages. Moreover, as we strive to improve pay, benefit costs continue to increase putting pressure on the budget. The last item to note is the ever negative attitude toward taxes and government, which makes it challenging for law makers to provide much needed funding for education.

On a related note, basic formula funding also continues to be of concern. Since 2009, the state has not been able to fully fund the basic formula. This lack of additional funding is largely to blame for the District's current financial condition.

Construction Activities

At the beginning of the 2016-2017 school year, the District had \$7.7 million in bond funds available for construction and improvement projects. During the year, the district sold another \$12.3 million in general obligation bonds to use for bond refinancing. Bond financed spending for the year totaled \$8.9 million which included the purchase of a new early childhood facility for \$7.0 million, the installation of new energy efficient lighting throughout the district for around \$5.6 million, and the construction of the district's 16th elementary school in Flint Hill costing roughly \$5.8 million. In addition, numerous other roofing, HVAC, painting, flooring, and WIFI/network upgrades were completed during the year making up the remaining \$3.0 million in spending.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's financial condition. If you have questions about this report or need additional financial information, contact Jeffrey Orr, Chief Financial Officer, Fort Zumwalt School District, 555 East Terra Lane, O'Fallon, MO 63366, or by phone at 636-474-8513.

**FORT ZUMWALT SCHOOL DISTRICT
STATEMENT OF NET POSITION – CASH BASIS
JUNE 30, 2017**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 40,742,236
Restricted Assets:	
Cash and Investments	16,163,656
Total Assets	\$ 56,905,892
NET POSITION	
Restricted for:	
Student Scholarships	\$ 215,931
Debt Service	11,918,202
Capital Projects	4,029,523
Unrestricted	40,742,236
Total Net Position	\$ 56,905,892

See accompanying Notes to Basic Financial Statements.

**FORT ZUMWALT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES – CASH BASIS
YEAR ENDED JUNE 30, 2017**

Functions/Programs	Disbursements	Program Receipts		Net
		Charges for Services and Sales	Operating Grants and Contributions	(Disbursements) Receipts and Changes in Net Position
				Government Activities
GOVERNMENTAL ACTIVITIES:				
Instruction	\$ 127,153,736	\$ 4,492,283	\$ 11,667,984	\$ (110,993,469)
Student Services	16,511,500	-	-	(16,511,500)
Instructional Staff Support	7,366,716	-	298,280	(7,068,436)
Building Administration	15,530,942	-	-	(15,530,942)
General Administration and Central Services	6,401,177	-	-	(6,401,177)
Operation of Plant	17,476,930	-	-	(17,476,930)
Transportation	11,180,626	-	1,693,043	(9,487,583)
Food Service	6,374,616	4,515,909	2,217,106	358,399
Community Services	1,046,948	13,519	-	(1,033,429)
Facility Acquisition and Construction	8,904,384	-	-	(8,904,384)
Debt Service and Fiscal Charges	28,116,498	-	-	(28,116,498)
	<u>\$ 246,064,073</u>	<u>\$ 9,021,711</u>	<u>\$ 15,876,413</u>	<u>(221,165,949)</u>

GENERAL RECEIPTS:

Taxes:

Property Taxes, Levied for General Purposes	47,835,168
Property Taxes, Levied for Instruction	74,631,973
Property Taxes, Levied for Debt Services	15,686,732
Property Taxes, Levied for Capital Projects	1,668,493

Federal and State Aid Not Restricted to Specific Purposes:

General	59,502,822
Interest and Investment Earnings	606,770
Bond Premium	326,390
Sale of General Obligation and Refunding Bonds	12,365,000
Other	2,232,015

Subtotal, General Receipts 214,855,363

Change in Net Position (6,310,586)

Net Position - Beginning 63,216,478

NET POSITION - ENDING \$ 56,905,892

See accompanying Notes to Basic Financial Statements.

**FORT ZUMWALT SCHOOL DISTRICT
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE ARISING FROM CASH
TRANSACTIONS – GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Governmental Funds				Total
	General (Incidental) Fund	Special Revenue (Teachers) Fund	Debt Service Fund	Capital Projects Fund	
ASSETS					
ASSETS					
Cash and Investments	\$ 35,206,634	\$ -	\$ -	\$ -	\$ 35,206,634
Restricted Assets:					
Cash and Investments	215,931	-	11,918,202	4,029,523	16,163,656
Total Assets	<u>\$ 35,422,565</u>	<u>\$ -</u>	<u>\$ 11,918,202</u>	<u>\$ 4,029,523</u>	<u>\$ 51,370,290</u>
FUND BALANCE					
FUND BALANCE					
Restricted:					
Student Scholarships	\$ 215,931	\$ -	\$ -	\$ -	\$ 215,931
Debt Service	-	-	11,918,202	-	11,918,202
Capital Projects	-	-	-	4,029,523	4,029,523
Unassigned	35,206,634	-	-	-	35,206,634
Total Fund Balance	<u>\$ 35,422,565</u>	<u>\$ -</u>	<u>\$ 11,918,202</u>	<u>\$ 4,029,523</u>	<u>\$ 51,370,290</u>

See accompanying Notes to Basic Financial Statements.

**FORT ZUMWALT SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE (CASH BASIS)
TO NET POSITION (CASH BASIS) OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017**

Total Fund Balance - Cash Basis - Governmental Funds \$ 51,370,290

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

Fund Balances of Governmental Funds:

Internal service funds are used by the District to charge the cost of insurance activities to individual funds.

The net position of the internal service fund is included in governmental activities in the statement of net position.

5,535,602

Total in Net Position - Governmental Activities

\$ 56,905,892

**FORT ZUMWALT SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
BALANCE – CASH BASIS – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	General (Incidental) Fund	Special Revenue (Teachers) Fund	Debt Service Fund	Capital Projects Fund	Total
RECEIPTS					
Local	\$ 57,401,079	\$ 72,906,720	\$ 15,355,897	\$ 1,662,496	\$ 147,326,192
County	1,159,374	1,866,036	389,847	41,696	3,456,953
State	5,744,350	60,632,890	-	-	66,377,240
Federal	4,174,871	4,829,126	849,582	-	9,853,579
Other	48,133	-	-	-	48,133
Total Receipts	<u>68,527,807</u>	<u>140,234,772</u>	<u>16,595,326</u>	<u>1,704,192</u>	<u>227,062,097</u>
DISBURSEMENTS					
Instruction	9,413,049	116,621,593	-	428,361	126,463,003
Student Services	5,854,040	10,556,584	-	3,327	16,413,951
Instructional Staff Support	2,077,174	4,227,467	-	1,032,649	7,337,290
Building Administration	6,524,264	8,909,815	-	3,144	15,437,223
General Administration and					
Central Services	5,079,846	1,025,416	-	280,231	6,385,493
Operation of Plant	17,189,530	-	-	205,824	17,395,354
Transportation	11,100,797	-	-	5,089	11,105,886
Food Service	6,056,548	-	-	283,739	6,340,287
Community Services	955,818	83,369	-	-	1,039,187
Facility Acquisition and Construction	-	-	-	8,904,384	8,904,384
Debt Service and Fiscal Charges	-	-	15,751,486	12	15,751,498
Total Disbursements	<u>64,251,066</u>	<u>141,424,244</u>	<u>15,751,486</u>	<u>11,146,760</u>	<u>232,573,556</u>
RECEIPTS OVER DISBURSEMENTS	4,276,741	(1,189,472)	843,840	(9,442,568)	(5,511,459)
OTHER FINANCING SOURCES (USES)					
Transfer In		1,189,472	-	330,723	1,520,195
Transfer Out	(1,520,195)		-	-	(1,520,195)
Bond Premium	-	-	326,390	-	326,390
Sale of General Obligation and					
Refunding Bonds	-	-	12,365,000	-	12,365,000
Refunding of Bonds	-	-	(12,365,000)	-	(12,365,000)
Total Financing Sources (Uses)	<u>(1,520,195)</u>	<u>1,189,472</u>	<u>326,390</u>	<u>330,723</u>	<u>326,390</u>
NET CHANGES IN FUND BALANCE	2,756,546	-	1,170,230	(9,111,845)	(5,185,069)
FUND BALANCE - CASH BASIS - JULY 1, 2016	<u>32,666,019</u>	<u>-</u>	<u>10,747,972</u>	<u>13,141,368</u>	<u>56,555,359</u>
FUND BALANCE - CASH BASIS - JUNE 30, 2017	<u>\$ 35,422,565</u>	<u>\$ -</u>	<u>\$ 11,918,202</u>	<u>\$ 4,029,523</u>	<u>\$ 51,370,290</u>

See accompanying Notes to Basic Financial Statements.

**FORT ZUMWALT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS (CASH BASIS)
TO THE STATEMENT OF ACTIVITIES (CASH BASIS)
YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balance - Governmental Funds	\$ (5,185,069)
Reconciliation of Statement of Activities	
Amounts reported for governmental activities in the statement of activities are different because:	
Net Change in Fund Balances for Governmental Funds:	
Internal Service funds are used by the District to charge the cost of insurance activities to individual funds. The change in net position of the internal service fund is included in governmental activities in the statement of activities.	<u>(1,125,517)</u>
Net Change in Net Position - Governmental Activities	<u>\$ (6,310,586)</u>

See accompanying Notes to Basic Financial Statements.

**FORT ZUMWALT SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION – CASH BASIS – PROPRIETARY FUND
JUNE 30, 2017**

	<u>Governmental Activities - Internal Service Fund</u>
Current Assets	
Cash	<u>\$ 5,535,602</u>
Net Position	
Unrestricted	<u><u>\$ 5,535,602</u></u>

See accompanying Notes to Basic Financial Statements.

**FORT ZUMWALT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND NET
POSITION – CASH BASIS – PROPRIETARY FUND
JUNE 30, 2017**

	<u>Governmental Activities - Internal Service Fund</u>
CHARGES FOR SERVICES	
Contributions by Employee	3,637,648
Contributions by Employer	<u>20,537,857</u>
Total Operating Revenue	24,175,505
 OPERATING DISBURSEMENTS	
Claims	23,570,247
Admin Fees	<u>1,730,775</u>
Total Operating Disbursements	<u>25,301,022</u>
 CHANGE IN NET POSITION	 (1,125,517)
Net Position - Beginning of Year	 <u>6,661,119</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 5,535,602</u></u>

See accompanying Notes to Basic Financial Statements.

**FORT ZUMWALT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
BALANCE – BUDGET TO ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget
RECEIPTS				
Local	\$ 56,549,611	\$ 57,620,318	\$ 57,401,080	\$ (219,238)
County	1,195,636	1,158,367	1,159,374	1,007
State	6,480,549	5,742,025	5,744,350	2,325
Federal	3,780,843	4,027,636	4,174,871	147,235
Other	62,340	62,340	48,132	(14,208)
Total Receipts	<u>68,068,979</u>	<u>68,610,686</u>	<u>68,527,807</u>	<u>(82,879)</u>
DISBURSEMENTS				
Instruction	9,404,720	8,948,221	9,413,049	464,828
Student Services	5,799,955	5,880,469	5,854,040	(26,429)
Instructional Staff Support	2,222,481	2,183,441	2,077,174	(106,267)
Building Administration	6,575,456	6,613,996	6,524,264	(89,732)
General Administration and Central Services	5,255,042	5,328,033	5,079,846	(248,187)
Operation of Plant	17,991,631	17,383,246	17,189,530	(193,716)
Transportation	11,278,703	11,010,629	11,100,797	90,168
Food Service	6,363,328	6,164,347	6,056,548	(107,799)
Community Services	999,688	957,047	955,818	(1,229)
Total Disbursements	<u>65,891,004</u>	<u>64,469,429</u>	<u>64,251,066</u>	<u>(218,363)</u>
RECEIPTS OVER DISBURSEMENTS	2,177,975	4,141,257	4,276,741	135,484
OTHER FINANCING USE				
Transfer Out	<u>(1,839,366)</u>	<u>(1,285,865)</u>	<u>(1,520,195)</u>	<u>(234,330)</u>
NET CHANGE IN FUND BALANCE	338,609	2,855,392	2,756,546	(98,846)
Cash Basis Fund Balance - July 1, 2016	<u>37,867,551</u>	<u>32,666,019</u>	<u>32,666,019</u>	<u>-</u>
CASH BASIS FUND BALANCE - JUNE 30, 2017	<u><u>\$ 38,206,160</u></u>	<u><u>\$ 35,521,411</u></u>	<u><u>\$ 35,422,565</u></u>	<u><u>\$ (98,846)</u></u>

See accompanying Notes to Basic Financial Statements.

**FORT ZUMWALT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE – BUDGET
TO ACTUAL – SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget
RECEIPTS				
Local	\$ 73,003,451	\$ 73,558,341	\$ 72,906,720	\$ (651,621)
County	1,911,040	1,865,538	1,866,036	498
State	59,814,823	59,737,735	60,632,890	895,155
Federal	5,102,481	5,305,742	4,829,126	(476,616)
Total Receipts	<u>139,831,795</u>	<u>140,467,356</u>	<u>140,234,772</u>	<u>(232,584)</u>
DISBURSEMENTS				
Instruction	116,743,554	116,561,614	116,621,593	59,979
Student Services	10,544,156	10,518,076	10,556,584	38,508
Instructional Staff Support	4,058,712	4,377,397	4,227,467	(149,930)
Building Administration	8,994,103	8,907,715	8,909,815	2,100
General Administration and Central Services	1,087,337	1,027,669	1,025,416	(2,253)
Community Services	80,339	93,189	83,369	(9,820)
Total Disbursements	<u>141,508,201</u>	<u>141,485,660</u>	<u>141,424,244</u>	<u>(61,416)</u>
RECEIPTS UNDER DISBURSEMENTS	(1,676,406)	(1,018,304)	(1,189,472)	(171,168)
OTHER FINANCING SOURCE				
Transfer In	<u>1,676,406</u>	<u>1,018,304</u>	<u>1,189,472</u>	<u>171,168</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
Cash Basis Fund Balance - July 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH BASIS FUND BALANCE - JUNE 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Fort Zumwalt School District (the District) was established in 1959 under the statutes of the state of Missouri. The District operates as an urban “seven director” district as described in RSMo Chapter 162.461.1.

The District, located in St. Charles County, serves an area of approximately 125 square miles and is located 12 miles west of the Missouri River along Interstate Highway 70. The Cities of St. Peters and O’Fallon have most of their boundaries located within the District.

Some 1,527 certificated teachers, librarians and counselors with 111 administrators and 1,617 support staff (including secretaries, registered nurses, crisis counselors, therapists, custodians, maintenance staff, cooks, clerks, and bus drivers) make the District one of the area’s largest employers, providing services to approximately 18,318 students and other community members. The District currently operates 16 elementary schools (K-5), 4 middle schools (6-8), 4 high schools (9-12), and 1 alternative high school.

For financial reporting purposes, the District has included all funds, organizations, agencies, board, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set fourth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits or to impose specific financial burdens on the District.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The District’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. For the year ended June 30, 2017, all of the District’s activities are classified as governmental type.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Government-Wide Financial Statements

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct disbursements and program receipts for each program or function of the District's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program receipts 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 be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the District.

Fund Financial Statements

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District uses only the governmental category of funds. All the funds of the District are considered major due in part to an administrative directive from the Missouri Department of Elementary and Secondary Education.

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 disbursements for certified employees involved in administration and instruction. It includes receipts restricted by the state and local tax levy for the payment of teacher salaries and certain employee benefits.

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

Capital Projects Fund: Accounts for the proceeds of long-term debt, taxes, and other receipts restricted for acquisition or construction of major capital assets, payment of capital leases, and certain equipment and disbursements designated by Missouri statute.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Proprietary Fund

Internal Service Fund: The Internal Service Fund accounts for premiums collected for the payment of claims associated with the District's self insurance activities (primarily medical benefits). Disbursements consist primarily of claims paid for medical treatment and prescription drugs along with miscellaneous government fees, claims administration, and reinsurance fees.

Government-Wide Financial Statements

The District's policy is to prepare its government-wide financial statements on the cash basis of accounting, consequently, receipts are recognized when received rather than when earned, and disbursements and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Accordingly, the government-wide financial statements present the net position and activities of the District on a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Fund Financial Statements

The District's policy is to prepare its fund financial statements on the cash basis of accounting; consequently, receipts are recognized when received rather than when earned, and disbursements and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Accordingly, the fund financial statements present the financial position and results of operations of the funds on a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Budgetary Data

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

In accordance with Chapter 67, RSMo, the District adopts a budget for each fund.

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 receipts and proposed disbursements for all District funds. Budgeted disbursements cannot exceed beginning available monies plus estimated receipts for the year.

Prior to approval of the annual budget by the Board of Education, a public hearing is conducted to obtain taxpayer comments. The budget document is available for public inspection prior to the public hearing.

The budget was legally enacted by the vote of the Board of Education on June 27, 2016. 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 monthly financial statements. Budgeted amounts are as originally adopted, or as amended by the Board of Education.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Data (Continued)

Budgets for District funds are prepared and adopted on the cash basis (budget basis), recognizing receipts when collected and disbursements when paid.

Restricted Assets

Restricted cash and investments represent amounts whose use is limited by legal requirements imposed by creditors, contributors, grantors, state or federal laws, or imposed by enabling legislation. Restricted assets consist of \$215,931 for scholarship purposes, and \$4,029,523 for purposes of constructing new building and making improvements to existing structures, and \$11,918,202 for debt service.

Cash and Investments

The District maintains an investment pool that is available for use for all funds. Debt Service Funds are required by Section 165.011 RSMo to maintain separate cash and investment accounts. The pool consists of interest bearing money market funds, the Missouri Securities Investment Program, an unregulated external investment pool, and the Missouri Direct Deposit Program, also an unregulated external investment pool. Participation in the Missouri Securities Investment Program and the Missouri Direct Deposit Program are voluntary. In addition, other cash and investments are separately held by the District's funds.

Investments are carried at cost. Investment earnings include interest income received. Investment income earned in the pooled accounts is allocated to the participating funds in proportion to the average balances in each fund. Other investment income is assigned to the funds with which the related investment asset is associated.

Compensated Absences

Vacation time, personal business days, and sick leave are recorded as disbursements in the year paid.

Teachers' Salaries

Payroll checks written and dated in June 2017, for July and August 2017 payrolls from 2016–2017 contracts, are included in the financial statements as a disbursement paid in the month of June. This practice has been consistently followed in the previous years.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Postemployment Benefits

In addition to the pension benefits described in Note 8, the District provided postemployment payments to select groups of employees who completed their letter of employment and retired from the District at the end of the 2015-2016 school year. The District provides an annual \$6,000 stipend for three years to certified retirees who met the 12-year service criteria and were eligible to retire under PSRS and complete a separation agreement. Moreover, support staff who met the 10-year service criteria and are eligible to retire under PEERS or PSRS are also eligible to receive the \$6,000 stipend for three years after completing a separation agreement. Retired employees may also purchase health coverage for themselves and on members of their family and that cost is paid to the District according to the current group rates and terms. The District has reserved the right to modify future terms with regard to benefits for retirees. The unfunded portion of postemployment health care coverage is unknown.

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. The premium is paid by the insured either monthly or quarterly at the insured's discretion for the next period's coverage. There is no associated cost to the District under this program.

Net Position

Net Position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

In the fund financial statements, restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). The Board of Education (the Board) has the authority to set aside funds for a specific purpose. Commitments are authorized by the Board based on fund placement in the original adopted and later revised budget, as well as by Board resolution. Upon adoption of a budget where fund balance is used as a source to balance the budget, the Chief Financial Officer shall record the amount as Assigned Fund Balance. The Board delegates the authority to assign amounts for specific purposes to the Chief Financial Officer. Unassigned fund balances are considered the remaining amounts. When both restricted and unrestricted funds are available for disbursement, restricted funds should be spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for disbursement, committed funds should be spent first, assigned funds second, and unassigned funds last.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

The nature and purposes of the restricted balances are:

Restricted for Student Scholarships: The District has \$215,931 segregated for scholarships.

Restricted for Capital Projects: The District has \$4,029,523 set aside for purposes of future capital projects through the Capital Projects Fund.

Restricted for Debt Services: The District has \$11,918,202 set aside for purposes of future debt service related items.

The Board recognizes that the maintenance of fund balances are essential to provide for unforeseen expenses or emergencies and to provide working capital in the first several months of the fiscal year until sufficient receipts are available to fund operations. By maintaining appropriate fund balances, the District can avoid excessive short-term borrowing and interest expense.

The District strives to maintain a minimum fund balance in its operating funds no less than a range of 12% - 15% of its prior year operating disbursements. This minimum level is estimated to be sufficient to provide adequate resources to meet operational needs, to allow for emergencies, and to permit necessary adjustments resulting from fluctuations in revenue sources. If fund balances are ever projected to decline below the 12% floor, administration will develop a plan to replenish the fund balance above the minimum level. The classifications of committed, assigned and unassigned will be combined when calculating the minimum operating fund balance.

Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 CASH AND INVESTMENTS

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 maintains a cash and investment pool that is available for use by all funds (state law requires that all deposits of the Debt Service Fund be kept separate and apart from all other funds of the District). Each fund type's portion of this pool is displayed on the combined statement of assets, and fund balances arising from cash transactions under each fund's caption. In accordance with applicable Missouri statute, the District maintains deposits at depository banks authorized by the District's board.

Custodial Credit Risk – Repurchase Agreements and Certificates of Deposit

The District has a custodial credit risk policy for repurchase agreement investments and for certificates of deposit which requires these funds to be collateralized at least 102% or greater of the balance plus any demand deposit with the depository, less any insurance (FDIC or NCUSIF), as applicable. As of June 30, 2017, the District was not exposed to custodial credit risk. Missouri Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of the collateral pledged must equal 100% of the deposits not covered by insurance or corporate surety bonds.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District has a custodial credit risk policy to minimize credit risk by (1) pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the District will do business and (2) diversifying the portfolio so that potential losses on individual securities will be minimized. There are no securities from issuers totaling five percent or more of the District's investment balance as of June 30, 2017.

Deposits

The District's deposits in banks at June 30, 2017, were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Missouri Statutes.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments

The District may purchase any investments allowed by the State Treasurer and Repurchase Agreements. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than five years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within 180 days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law and/or board policy.

The District also participates in the Missouri Securities Investment Program (MOSIP). All funds of MOSIP are invested in accordance with Section 165.051 of the Missouri Revised Statutes. Each school district owns a proportionate share of each investment or deposit which is held in the name of the fund.

The District participates in the Missouri Direct Deposit Program which is a mechanism for public school bond repayments through the Missouri Health and Educational Facilities Authority (MOHEFA) Bond Program. It authorizes the direct deposit of a portion of the District's state aid payment by the state of Missouri to a trustee bank that accumulates these payments and then makes the principal and interest payments to the paying agent on the bonds. Investments in this program are classified as restricted investments.

Investment Credit Risk

The District has policies in place to minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- pre-qualifying the institution with which the District will do business.
- diversifying the portfolio so that potential losses on individual securities will be minimized.

A summary of the District's investments, credit risk, and weighted average maturities as of June 30, 2017 is as follows:

<u>Type of Investments</u>	<u>S&P Credit Rating</u>	<u>Weighted Maturity</u>	<u>Carrying Amount</u>
Certificate of Deposit	Not Applicable	6 Months	75,000
U.S. Treasury Notes	AA+	2.9 Months	1,786,559
External Investment Pools:			
Missouri Securities Investment Program	AAAm	Not Applicable	23,200,000
Missouri Direct Deposit Program	AA+	Not Applicable	5,805,474
Total			<u>\$ 30,867,033</u>

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments in the Missouri Direct Deposit Program external investment pool are redeemable every six months based on the general obligation bonds principal and interest debt service requirements. The underlying securities in this program are comprised as follows:

	Interest Rates	Maturity Date	Carrying Amount
Wells Fargo Government Money Market Fund	N/A	N/A	\$ 5,805,474
Total			\$ 5,805,474

Investment Interest Rate Risk

The District has policies in place to minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investments portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities. Investments in banker's acceptances and commercial paper shall mature in no more than 180 days from purchase date and all other investments, with the exception of investments in the Missouri Direct Deposit Program, shall mature and become payable in no more than five (5) years from the purchase date. Weighted average maturities of investments held at June 30, 2017 are provided in the schedule above.

NOTE 4 TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The county collects the property tax and remits it to the District. The District also receives sales tax collected by the state, remitted based on Weighted Average Daily Attendance (WADA). The District is required to reduce its property tax levy by one-half the amount of sales tax estimated to be received in the subsequent calendar year. On April 3, 2001, the patrons of the District voted to forego this reduction in property taxes, thus earmarking the entire amount for education.

The assessed valuation of the tangible taxable property for the calendar year 2016 for purposes of local taxation was \$2,230,759,592.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 TAXES (CONTINUED)

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2016 for purposes of local taxation was:

	Unadjusted	Adjusted
General (Incidental) Fund	\$ 1.9865	\$ 1.9865
Special Revenue (Teachers) Fund	2.5000	2.5000
Debt Service Fund	0.6900	0.6900
Capital Projects Fund	0.0700	0.0700
Total	\$ 5.2465	\$ 5.2465

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2017 aggregated approximately 98.9% of the current assessment computed on the basis of the levy as shown above.

NOTE 5 LONG-TERM LIABILITIES

Long-term liability balances and activity of the District's Governmental Activities for the year ended June 30, 2017 were as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
General Obligation Bonds	\$ 146,770,000	\$ 12,365,000	\$ (22,025,000)	\$ 137,110,000	\$ 9,906,288
Capital Appreciation Bonds	294,907	-	(48,665)	246,242	-
Capital Leases	1,883,708	464,931	(1,152,679)	1,195,960	708,789
Total Long-Term Liabilities	\$ 148,948,615	\$ 12,829,931	\$ (23,226,344)	\$ 138,552,202	\$ 10,615,077

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

General Obligation Bonds

General obligation bonds payable at June 30, 2017, consist of:

\$1,485,000 refunding bonds, series 2010A, dated March 15, 2010 due in varying annual installments through March 1, 2021, interest at 4.25% to 5.00%.	\$ 350,000
\$7,000,000 school bonds, series 2010B, dated March 15, 2010, due in varying annual installments through March 1, 2030, interest at 3.80% to 5.625%.	6,590,000
\$11,840,000 school bonds, series 2010C, dated November 30, 2010, due in varying annual installments through March 1, 2026, interest at 3.7% to 5.05%.	11,840,000
\$6,660,000 school bonds, series 2010D, dated November 30, 2010, due in varying annual installments through March 1, 2029, interest at 5.3%	6,660,000
\$2,695,000 refunding bonds, series 2012A, dated January 17, 2012, due in varying annual installments through March 1, 2026, interest at 3.00%.	2,695,000
\$2,715,000 refunding bonds, series 2012B, dated January 17, 2012, due in one installment on March 1, 2024, interest at 3.20%.	2,715,000
\$5,715,000 refunding bonds, series 2012C, dated February 28, 2012, due in varying annual installments through March 1, 2023, interest at 2.00% to 3.00%.	3,805,000
\$32,445,000 refunding bonds, series 2013A, dated January 30, 2013, due in varying installments through March 1, 2023, interest at 1.5% to 4.0%.	28,700,000
\$5,715,000 refunding bonds, series 2013B, dated January 30, 2013, due in varying annual installments through March 1, 2020, interest at 1.0% to 4.0%.	2,735,000
\$15,000,000 refunding bonds, series 2013C, dated May 20, 2013, due in varying annual installments through March 1, 2033, interest at 2.40% to 4.00%.	15,000,000
\$10,970,000 refunding bonds, series 2014A, dated February 4, 2014, due in varying annual installments through March 1, 2026, interest at 4.00%.	10,970,000
\$4,500,000 school bonds, series 2014B, dated December 30, 2014, due in varying annual installments through March 1, 2029, interest at 4.0%.	4,500,000
\$19,980,000 school bonds, series 2015, dated July 1, 2015, due in varying annual installments through March 1, 2035, interest at 2.0% to 5.0%	19,955,000
\$8,230,000 school bonds, series 2016, dated April 27, 2016, due in varying annual installments through March 1, 2036, interest at 3.0% to 4.0%.	8,230,000
\$12,365,000 school bonds, series 2017, dated March 7, 2017, due in varying annual installments through March 1, 2022, interest at 2.0% to 3.0%.	<u>12,365,000</u>
Total	<u><u>\$ 137,110,000</u></u>

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

General Obligation Bonds (Continued)

General obligation bond debt service requirements to maturity are:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 9,865,000	\$ 5,246,687	\$ 15,111,687
2019	10,250,000	4,988,290	15,238,290
2020	10,335,000	4,712,210	15,047,210
2021	10,705,000	4,273,088	14,978,088
2022	9,680,000	3,939,327	13,619,327
2023-2026	39,070,000	11,666,048	50,736,048
2027-2031	29,235,000	7,378,762	36,613,762
2032-2036	17,970,000	1,608,500	19,578,500
Total	<u>\$ 137,110,000</u>	<u>\$ 43,812,912</u>	<u>\$ 180,922,912</u>

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a district to 15% of the assessed valuation of a District (including state-assessed railroad and utilities). The District did not exceed its legal debt margin at June 30, 2017.

During the fiscal year ended June 30, 2017, the District issued \$12,365,000 of general obligation bonds. The District used the net proceeds to refund all maturities of series 2006B bonds in the years ending June 30, 2018 to June 30, 2022.

Capital Appreciation Bonds

On March 15, 2010, the District issued Capital Appreciation Bonds with an accretion rate of 12.1% and maturity \$105,000 on March 1, 2018.

On January 30, 2013, the District issued Capital Appreciation Bonds with an accretion rate of 21.21% and maturity of \$1,255,000 on March 1, 2022.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

Capital appreciation bond debt service requirements to maturity are:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	41,288	63,712	105,000
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	204,954	1,050,046	1,255,000
Total	<u>\$ 246,242</u>	<u>\$ 1,113,758</u>	<u>\$ 1,360,000</u>

Capital Leases

The District has capital leases for digital mailing systems and personal computers. During the year ended June 30, 2017, the District entered into lease obligations, classified as capital leases, for certain computer equipment. Under the cash basis of accounting, the District does not reflect the lease obligations in the statement of cash receipts and disbursements. The District records the payments under the lease agreements as disbursements when funds are expended.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

<u>Year Ended June 30,</u>	<u>Total</u>
2018	\$ 727,859
2019	375,204
2020	121,297
1905	1,190
Total minimum lease payments	<u>1,225,550</u>
Less: Amount representing interest	<u>(29,590)</u>
Present value of future minimum lease payments	<u>\$ 1,195,960</u>

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 OPERATING LEASES

The District's future minimum rental commitments for various office equipment and school bus leases, accounted for as operating leases at June 30, 2017, are as follows:

<u>Year Ended June 30,</u>	<u>Various Operating Leases</u>
2018	\$ 2,684,490
2019	374,882
2020	374,882
2021	352,306
2022	54,892
Total	<u>\$ 3,841,452</u>

Rent payments for fiscal year ending June 30, 2017 were \$2,316,953 for the District.

NOTE 7 INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2017 consisted of \$1,189,472 transferred to the Special Revenue Fund and \$330,723 to the Capital Projects Fund from the General Fund. The General Fund transfers were used to move tax, grant, and other revenues allowed by statute to be collected by the General Fund to the required fund for disbursement.

NOTE 8 RETIREMENT PLAN

PEERS

Plan Description. PEERS is a mandatory cost-sharing multiple employer retirement system for all 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 the Public School Retirement System of Missouri (PSRS) must contribute to PEERS. Employees of PSRS 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 the Public School Retirement System of Missouri. A Comprehensive Annual Financial Report ("CAFR") can be obtained at www.psr-peers.org.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 RETIREMENT PLAN (CONTINUED)

Benefits Provided. PEERS is a defined benefit plan providing service retirement and disability 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 five 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 temporary .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five 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. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psrps-peers.org.

Cost-of-Living Adjustments (COLA). The PEERS board has established a policy of providing a 2.00% COLA for years in which the CPI increases between 0.00% and 5.00%. If the CPI increase is greater than 5.00%, the Board will provide a COLA of 5.00%. If the CPI decreases, no COLA is provided. For any member, 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. PEERS members were required to contribute 6.86% of their annual covered salary during fiscal year 2017. 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 PEERS for the years ending June 30, 2017, 2016, and 2015 were \$2,576,727, \$2,443,876, and \$2,406,253, respectively, equal to the required contributions for each year.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 RETIREMENT PLAN (CONTINUED)

PSRS

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 PSRS, 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 "2/3's 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. A Comprehensive Annual Financial Report ("CAFR") can be obtained at www.psr-peers.org.

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. Beginning July 1, 2001, and ending July 1, 2014, a 2.55% benefit factor is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five 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. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psr-peers.org. Since the prior valuation date, the benefit provisions were amended to make permanent an early retirement benefit allowing members to retire at any age after 25 years of service.

Cost-of-Living Adjustments ("COLA"). The PSRS board has established a policy of providing a 2.00% COLA for years in which the CPI increases between 0.00% and 5.00%. If the CPI increase is greater than 5.00%, the board will provide a COLA of 5.00%. If the CPI decreases, no COLA is provided. For any member retiring on or after July 1, 2001, such adjustments commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80% of the original benefit for any member.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 RETIREMENT PLAN (CONTINUED)

PSRS (Continued)

Contributions. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal year 2017. 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. Contributions for employees of the state of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo. The District's contributions to PSRS for the years ending June 30, 2017, 2016, and 2015 were \$15,224,305, \$14,319,525, and \$13,899,460, respectively, equal to the required contributions for each year.

NOTE 9 TAX ABATEMENTS

Tax abatements, as defined by Governmental Accounting Standards Board ("GASB") Statement No. 77, Tax Abatement Disclosures ("GASB 77"), are agreements between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues.

Since the District does not and has not entered into tax abatement agreements directly with any individuals or entities, the following estimates are from tax abatements entered into by other governments, specifically the county and municipalities within the District's boundary, that have reduced the District's tax revenues.

Tax Abatements Entered Into By The City of St. Peters

The District's property tax revenue were reduced through two programs that are utilized by a municipality within the district. Summaries of these two programs are as follows:

Industrial Development Bonds: Finances industrial development projects for private corporations, partnerships and individuals.

Urban Redevelopment Corporations: Provides real property tax abatements to encourage the redevelopment of blighted areas by and eligible city or county.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 TAX ABATEMENTS (CONTINUED)

The amounts of the District’s tax revenue that were abated by the county and cities initiating the programs are reported in the following table. For disclosure purposes, since the data is not available from St. Charles County for the District’s fiscal year 2017, the amount for fiscal year 2017 is estimated to also be the amount for fiscal year 2016.

For the Years Ended June 30, 2017 and 2016			
St. Charles County	Industrial Development Bonds	Urban Redevelopment Corporations	Total Tax Abatements
St. Charles County	\$ 468,083	\$ 163,982	\$ 632,065

Tax Increment Financing affecting Fort Zumwalt School District

Missouri’s Real Property Tax Increment Allocation Redevelopment Act enables cities to finance certain redevelopment costs with the revenue generated from (i) payments in lieu of real estate taxes, as measured by the net increase in assessed valuation resulting from redevelopment and (ii) a portion of the increase in other local tax revenue associated with new economic activity. When a tax increment financing (“TIF”) plan is adopted, real estate taxes in the redevelopment are affected. By applying the real estate tax rate of all taxing districts having taxing power within the redevelopment area to the increased assessed valuation resulting from redevelopment, a tax “increment” is produced.

The estimated TIF incremental values and the District’s net reduced tax revenue resulting from the TIFs adopted are as follows for the year ended June 30, 2017:

	TIF Incremental Value/Assessments	Reduced Tax Revenues
Various Redevelopment Project Areas within the District's Geographic Area	\$ 16,452,447	\$ 863,178

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 TAX ABATEMENTS (CONTINUED)

In summary, the District's total tax revenues reduced during fiscal 2017 as a result of the programs of other governments are as follows:

St. Charles County	Reduced Tax Revenues
St. Charles County - Tax Abatements	\$ 632,065
St. Charles County - TIF's	\$ 863,178
Total Reduced Tax Revenues	<u>\$ 1,495,243</u>

NOTE 10 PARTICIPATION IN PUBLIC ENTITY RISK POOL – (MUSIC)

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in an insurance trust with approximately 467 other Missouri Public School Districts that form the Missouri United School Insurance Council (MUSIC). MUSIC is a public entity risk pool currently operating as a common risk management and insurance program.

The District does not pay premiums to purchase insurance policies but pays an assessment to be a member of the self-sustaining risk sharing group. Part of the assessment is used to purchase excess insurance for the group as a whole. By participating in this pool, the District can obtain coverage more economically than if purchased separately.

The pooling agreement requires the pool to be self-sustaining. The District believes that it is not possible to estimate the range of contingent losses to be borne by the District.

The District has not had any significant decreases in coverage over the prior year and settled claims have not exceeded coverage in any of the preceding three years.

NOTE 11 SELF INSURANCE

The District has a self-insurance plan which covers participating employees' and retirees' medical coverage. Both the members and the District contribute to a reserve maintained by an insurance administrator, which is used to pay claims. The District utilizes an Internal Service Fund to account for the activity of the plan. A premium is charged to each fund that accounts for employees' salaries based on past trends and experience. Provisions are also made for unexpected or unusual claims. The District purchases stop loss insurance coverage to limit its exposure to catastrophic claims in excess of \$300,000 per individual.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12 COMMITMENTS AND CONTINGENCIES

Litigation

The District is subject to asserted and unasserted claims encountered in the normal course of business. The District's management and legal counsel assess such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the District or unasserted claims that may result in such proceedings, the District's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. In the opinion of management, disposition of these matters will not have a material effect on the District's financial condition or results of operations.

Federal and State Revenue

Amounts received from federal or state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-through Grantor/ Cluster or Program Title	Federal CFDA Number	FAIN	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION:				
<i>Pass-through Missouri Department of Elementary and Secondary Education:</i>				
IDEA Cluster:				
IDEA Entitlement, Part B	84.027A	H027A140040	092-087	\$ 209,879
IDEA Entitlement, Part B	84.027A	H027A150040	092-087	1,603,292
IDEA Entitlement, Part B	84.027A	H027A160040	092-087	1,526,580
IDEA, Part B High Needs Fund	84.027A	H027A140040	092-087	37,308
IDEA, Part B High Needs Fund	84.027A	H027A150040	092-087	160,517
IDEA, Early Childhood Special Education	84.027A	H027A160040	092-087	599,372
IDEA, Early Childhood Special Education	84.173A	H173A160103	092-087	177,095
IDEA, State-Wide Collaborative Work	84.027A	H027A140040	092-087	13,966
IDEA, State-Wide Collaborative Work	84.027A	H027A150040	092-087	45,446
IDEA, State-Wide Collaborative Work	84.323A	H323A120018	098-087	54,227
IDEA, State-Wide Assistive Tech	84.323A	H323A120018	098-087	27,016
Total IDEA Cluster				<u>4,454,698</u>
Title I Grants to Local Educational Agencies	84.010A	S010A140025	092-087	6,805
Title I Grants to Local Educational Agencies	84.010A	S010A150025	092-087	254,710
Title I Grants to Local Educational Agencies	84.010A	S010A160025	092-087	1,101,251
Title II, Part A of ESEA	84.367A	S367A150024	092-087	145,379
Title II, Part A of ESEA	84.367A	S367A160024	092-087	185,015
Title III, Part A of ESEA	84.365A	S365A150025	092-087	52,886
Title III, Part A of ESEA	84.365A	S365A160025	092-087	24,342
Title III, Immigrant Education Program	84.365A	S365A150025	092-087	32,034
Vocational Education-Carl Perkins	84.048A	V048A150025	092-087	180,147
Total				<u>1,982,569</u>
Total U.S. Department of Education				6,437,267
U.S. DEPARTMENT OF AGRICULTURE:				
<i>Pass-through Missouri Department of Elementary and Secondary Education:</i>				
Child Nutrition Cluster:				
<i>Non Cash Assistance (Commodities):</i>				
National School Lunch Program	10.555	2014CN109943	092-087	620,741
<i>Non Cash Assistance Subtotal</i>				<u>620,741</u>
<i>Cash Assistance:</i>				
National School Lunch Program	10.555	2016N109943	092-087	332,636
National School Lunch Program	10.555	20177N109943	098-087	1,390,397
School Breakfast Program	10.553	2016N109943	092-087	109,758
School Breakfast Program	10.553	20177N109943	092-087	339,278
<i>Cash Assistance Subtotal</i>				<u>2,172,069</u>
Total Child Nutrition Lunch Cluster				<u>2,792,810</u>
Total U.S. Department of Agriculture				<u>2,792,810</u>
Total Federal Financial Assistance				<u>\$ 9,230,077</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

FORT ZUMWALT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the cash basis of accounting with the exception of commodities, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards are reported on the cash basis of accounting and, accordingly, represent the total cash expended for the program. The schedule of expenditures of federal awards does not include transactions that might be included using the accrual basis of accounting as contemplated by generally accepted accounting principles.

Indirect Cost Rate

The School District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**FORT ZUMWALT SCHOOL DISTRICT
 SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE –
 BUDGET TO ACTUAL – DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget
RECEIPTS				
Local	\$ 15,341,629	\$ 15,471,699	\$ 15,355,897	\$ (115,802)
County	390,920	378,735	389,847	11,112
Federal	613,278	919,917	849,582	(70,335)
Total Receipts	<u>16,345,827</u>	<u>16,770,351</u>	<u>16,595,326</u>	<u>(175,025)</u>
DISBURSEMENTS				
Debt Service	15,434,071	15,760,461	15,751,486	(8,975)
Total Disbursements	<u>15,434,071</u>	<u>15,760,461</u>	<u>15,751,486</u>	<u>(8,975)</u>
RECEIPTS UNDER DISBURSEMENTS	911,756	1,009,890	843,840	(166,050)
OTHER FINANCING SOURCES				
Bond Premium	-	326,390	326,390	-
Sale of Refunding Bonds	12,365,000	12,365,000	12,365,000	-
Refunding of Bonds	-	(12,365,000)	(12,365,000)	-
Total Other Financing Sources	<u>12,365,000</u>	<u>326,390</u>	<u>326,390</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	13,276,756	1,336,280	1,170,230	(166,050)
Cash Basis Fund Balance - July 1, 2016	<u>13,849,019</u>	<u>10,747,972</u>	<u>10,747,972</u>	<u>-</u>
CASH BASIS FUND BALANCE - JUNE 30, 2017	<u>\$ 27,125,775</u>	<u>\$ 12,084,252</u>	<u>\$ 11,918,202</u>	<u>\$ (166,050)</u>

**SCHEDULE 2
(CONTINUED)**

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL – CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget
RECEIPTS				
Local	\$ 1,675,584	\$ 1,683,952	\$ 1,662,496	\$ (21,456)
County	56,882	55,109	41,696	(13,413)
Total Receipts	<u>1,732,466</u>	<u>1,739,061</u>	<u>1,704,192</u>	<u>(34,869)</u>
DISBURSEMENTS				
Instruction	99,200	144,304	428,361	284,057
Student Services	17,000	4,647	3,327	(1,320)
Instructional Staff Support	1,036,650	1,032,650	1,032,649	(1)
Building Administration	9,100	10,977	3,144	(7,833)
General Administration and Central Services	397,772	283,580	280,231	(3,349)
Operation of Plant	217,938	199,306	205,824	6,518
Transportation	10,000	5,000	5,089	89
Food Service	104,810	299,810	283,739	(16,071)
Facility Acquisition and Construction	12,854,215	13,165,325	8,904,384	(4,260,941)
Debt Service	6,696	2,392	12	(2,380)
Total Disbursements	<u>14,753,381</u>	<u>15,147,991</u>	<u>11,146,760</u>	<u>(4,001,231)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	(13,020,915)	(13,408,930)	(9,442,568)	3,966,362
OTHER FINANCING SOURCES				
Transfer In	162,960	267,562	330,723	63,161
Total Other Financing Sources	<u>162,960</u>	<u>267,562</u>	<u>330,723</u>	<u>63,161</u>
NET CHANGE IN FUND BALANCE	(12,857,955)	(13,141,368)	(9,111,845)	4,029,523
Cash Basis Fund Balance - July 1, 2016	<u>12,857,955</u>	<u>13,141,368</u>	<u>13,141,368</u>	<u>-</u>
CASH BASIS FUND BALANCE - JUNE 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,029,523</u>	<u>\$ 4,029,523</u>

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE – ALL GOVERNMENTAL FUNDS – CASH BASIS
YEAR ENDED JUNE 30, 2017**

	Government Funds				Total
	General	Special	Debt	Capital	
	(Incidental) Fund	Revenue (Teachers) Fund	Service Fund	Projects Fund	
LOCAL					
Current Taxes	\$ 42,146,588	\$ 53,041,159	\$ 14,639,337	\$ 1,485,127	\$ 111,312,211
Delinquent Taxes	1,689,639	2,126,398	586,885	59,538	4,462,460
School District Trust Fund	-	17,342,354	-	-	17,342,354
Financial Institution Taxes	175,000	-	-	74,962	249,962
M & M Surcharge Tax	2,461,128	-	-	-	2,461,128
In Lieu of Tax	203,439	256,027	70,663	7,169	537,298
Transportation Fees from Patrons	107,749	-	-	-	107,749
Earnings on Investment	382,099	129,958	385,403	35,700	933,160
Food Service Program	2,089,148	-	-	-	2,089,148
Food Service Non-Program	2,426,761	-	-	-	2,426,761
Student Activities	4,356,223	-	-	-	4,356,223
Community Services	10,138	3,380	-	-	13,518
Other Local	1,353,168	7,444	-	-	1,360,612
Total Local	57,401,080	72,906,720	15,682,288	1,662,496	147,652,584
COUNTY					
Fines, Etc.	-	362,745	-	-	362,745
State Assessed Utilities	1,159,374	1,503,291	389,847	41,696	3,094,208
Total County	1,159,374	1,866,036	389,847	41,696	3,456,953
STATE					
Basic Formula	-	49,147,050	-	-	49,147,050
Transportation	1,693,043	-	-	-	1,693,043
Early Childhood Special Education	795,202	4,506,146	-	-	5,301,348
Basic Formula: Classroom Trust Fund	-	6,972,845	-	-	6,972,845
Parents as Teachers	335,610	6,849	-	-	342,459
Foreign Insurance	-	-	-	-	-
Vocational/Technical Aid	52,671	-	-	-	52,671
Food Service	45,037	-	-	-	45,037
Career Education	89,947	-	-	-	89,947
Residential Placement	43,520	-	-	-	43,520
High Need Fund	2,689,320	-	-	-	2,689,320
Total State	5,744,350	60,632,890	-	-	66,377,240

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE – ALL GOVERNMENTAL FUNDS – CASH BASIS
YEAR ENDED JUNE 30, 2017**

	Government Funds				Total
	General (Incidental) Fund	Special Revenue (Teachers) Fund	Debt Service Fund	Capital Projects Fund	
FEDERAL					
Medicaid	\$ 409,354	\$ -	\$ -	\$ -	\$ 409,354
Vocational Education - Title I, Basic Grant	-	193,553	-	-	193,553
Individuals with Disabilities Ed. Act, Part B	55,305	3,284,445	-	-	3,339,750
Early Childhood Special Education	116,471	659,997	-	-	776,468
School Lunch Program	1,723,033	-	-	-	1,723,033
Food Service	449,036	-	-	-	449,036
Title I - ESEA	748,290	616,491	-	-	1,364,781
Title II - Part A, ESEA	223,640	74,640	-	-	298,280
Title III - English Language Acquisition	109,262	-	-	-	109,262
IDEA Grants	284,253	-	-	-	284,253
Non-IDEA Special Education Grants	54,227	-	-	-	54,227
Other - Federal	2,000	-	849,582	-	851,582
Total Federal	<u>4,174,871</u>	<u>4,829,126</u>	<u>849,582</u>	-	<u>9,853,579</u>
OTHER					
Sale of Property	19,821	-	-	-	19,821
Contracted Educational Services	28,312	-	-	-	28,312
Refunding Bonds	-	-	12,365,000	-	12,365,000
Total Other	<u>48,133</u>	<u>-</u>	<u>12,365,000</u>	<u>-</u>	<u>12,413,133</u>
Total - All Sources	<u>\$ 68,527,808</u>	<u>\$ 140,234,772</u>	<u>\$ 29,286,717</u>	<u>\$ 1,704,192</u>	<u>\$ 239,753,489</u>

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF DISBURSEMENTS BY OBJECT
YEAR ENDED JUNE 30, 2017**

	General (Incidental) Fund	Special Revenue (Teachers) Fund	Debt Service Fund	Capital Projects Fund	Total
Salaries	\$ 26,374,764	\$ 101,779,074	\$ -	\$ -	\$ 128,153,838
Employee Benefits	11,579,176	33,806,358	-	-	45,385,534
Purchased Services	12,231,856	5,838,812	-	81,011	18,151,679
Supplies	14,065,270	-	-	-	14,065,270
Capital Outlay	-	-	-	11,065,737	11,065,737
Debt Service and Fiscal Charges	-	-	28,116,486	12	28,116,498
Total	<u>\$ 64,251,066</u>	<u>\$ 141,424,244</u>	<u>\$ 28,116,486</u>	<u>\$ 11,146,760</u>	<u>\$ 244,938,556</u>

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF PRINCIPAL TAXPAYERS
YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

The following schedule summarizes the top 10 taxpayers located within the tax jurisdiction of the District based on assessed valuation as of December 31, 2016:

Rank	Property Owner	Business	Assessed Valuation	Percentage of Total Assessed Valuation
1	True and True Inc / Three T's / Six T's	Manufacturing	\$ 21,707,524	0.98%
2	Mid Rivers Mall LLC	Mid Rivers Mall (Retail)	19,158,219	0.86%
3	SunEdison Semiconductor LLC	Mfg. of Silicone Wafers	16,689,361	0.75%
4	Airwick Industries Inc.	Pharmaceutical wholesaler	14,502,008	0.65%
5	Garden Villas of O'Fallon/Delmar Gardens	Adult Living	9,730,011	0.44%
6	Laclede Gas Co.	Utility Company	6,129,219	0.28%
7	TR Turnberry Corporation	Apartments	5,801,920	0.26%
8	Aldi, Inc.	Grocery Retail	5,725,202	0.26%
9	DP II LLC/ Caplaco Five Inc. / Caplaco Sixteen	Grocery Retail	5,363,710	0.24%
10	Darlington Enclave at Winghaven UI LLC	Apartments	5,221,086	0.24%
	Total		<u>\$ 110,028,260</u>	4.96%
	Total Assessed Valuation, December 31, 2016		<u>\$ 2,230,759,592</u>	



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

Board of Education
Fort Zumwalt School District
O'Fallon, Missouri

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Zumwalt School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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.

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. 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 consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

St. Louis, Missouri
November 20, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education
Fort Zumwalt School District
O'Fallon, Missouri

Report on Compliance for Each Major Federal Program

We have audited Fort Zumwalt School District's (the District) compliance with the types of compliance requirements described in the *OMB 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, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of School District's Resources' major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 School District's Resources' 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

St. Louis, Missouri
November 20, 2017

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I - Summary of Auditor's Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting
- Material Weakness(es) identified? _____ Yes X No
 - Significant deficiency(ies) identified? _____ Yes X None Reported
3. Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

1. Internal control major federal programs:
- Material Weakness(es) identified? _____ Yes X No
 - Significant deficiency(ies) identified? _____ Yes X None Reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of Major Federal Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Amount</u>
84.010	Title I, Part A Cluster	\$ 1,362,766
10.555 10.553	Child Nutrition Cluster	<u>\$ 2,792,810</u>
	Total	<u><u>\$ 4,155,576</u></u>

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings

The audit did not disclose any noncompliance which is material to the financial statements of the District.

Section III – Federal Awards Findings and Questioned Costs

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, 2017.

**INDEPENDENT AUDITORS' REPORT ON TRANSPORTATION COSTS
PAID ELIGIBLE FOR STATE AID**

Board of Education
Fort Zumwalt School District
O'Fallon, Missouri

Report on Transportation Costs

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fort Zumwalt School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents. We have issued our report thereon dated November 20, 2017, which contained unmodified opinions on those financial statements.

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 Report on Schedule of Transportation Disbursements is presented for purposes of additional analysis as required by the Missouri Department of Elementary and Secondary Education (DESE) and is 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 Report on Schedule of Transportation Disbursements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

CliftonLarsonAllen LLP

St. Louis, Missouri
November 20, 2017

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF TRANSPORTATION DISBURSEMENTS – CASH BASIS
YEAR ENDED JUNE 30, 2017**

	<u>Pupil Contracted</u>	<u>Pupil District Owned</u>	<u>Handicapped Contracted</u>	<u>Handicapped District Owned</u>	<u>Non- Allowable</u>	<u>School Choice</u>	<u>Early Childhood Special Edu.</u>	<u>Total</u>
Non-Certified Salaries	\$ -	\$ 3,038,284	\$ -	\$ 1,239,593	\$ -	\$ -	\$ 520,413	\$ 4,798,290
Fringe Benefits	-	1,537,394	-	619,870	-	-	270,787	2,428,051
Purchased Services	201,991	1,716,973	591,023	248,379	-	-	345,638	3,104,004
Supplies	-	525,694	-	176,966	2,832	-	64,960	770,452
Capital Outlay	-	5,089	-	-	-	-	-	5,089
Total	<u>\$ 201,991</u>	<u>\$ 6,823,434</u>	<u>\$ 591,023</u>	<u>\$ 2,284,808</u>	<u>\$ 2,832</u>	<u>\$ -</u>	<u>\$ 1,201,798</u>	<u>\$ 11,105,886</u>

**INDEPENDENT ACCOUNTANTS' REPORT ON
COMPLIANCE WITH STATE REQUIREMENTS**

Board of Education
Fort Zumwalt School District
O'Fallon, Missouri

We have examined management of Fort Zumwalt School District's assertions that Fort Zumwalt School District (the District) complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures, attendance and pupil transportation records and other statutory requirements as listed in the Schedule of Selected Statistics during the year ended June 30, 2017. The District's management is responsible for its assertions. Our responsibility is to express an opinion on management's assertions about the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Government Auditing Standards. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertions about compliance are fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion is fairly stated, in all material respects. The nature, timing, and extent of procedures selected depend on our judgement, including an assessment of the risk of material misstatement of management's assertions, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, management's assertions that Fort Zumwalt School District complied with the aforementioned requirements for the year ended June 30, 2017 are fairly stated, in all material respects.

CliftonLarsonAllen LLP

St. Louis, Missouri
November 20, 2017

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF SELECTED STATISTICS
YEAR ENDED JUNE 30, 2017**

Single Audit Year Ended June 30, 2017
County District Number 092-087

1) Calendar (Sections 160.041 and 171.031, RSMo)

A. Standard Day Length (SDL) – The total number of hours between the starting time of the first class and the dismissal time of the last class, minus the time allowed for lunch and one passing time, minus Channel One time. Reported with four decimal places.

<u>Grades</u>	<u>SDL</u>
K-05	6.5000
6-8	6.5000
9-11	6.5000
12	6.5000

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

<u>Grades</u>	<u>Hours</u>
K-05	1,089.0
6-8	1,089.0
9-11	1,083.5
12	1,083.5

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

<u>Grades</u>	<u>Days</u>
K-05	171
6-8	171
9-11	176
12	169

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF SELECTED STATISTICS
YEAR ENDED JUNE 30, 2017**

2) Average Daily Attendance (ADA)

2) Average Daily Attendance (ADA)

	Full-Time and Part-Time	Deseg In	Total
Regular Term	17,046.54	-	17,046.54
Subtotal Regular Term	17,046.54	-	17,046.54
	Resident	Deseg In	
Summer School	114.63	-	114.63
Total Regular Term Plus Summer School ADA			17,161.17

3) September Membership

	Full-Time and Part-Time	Deseg In	Total	Deseg Out
September Membership FTE Count	17,957.05	-	17,957.05	-

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

	Full-Time and Part-Time	Deseg In	Total
Free FTE	2,891.97	-	2,891.97
Reduced FTE	784.74	-	784.74
Total	3,676.71	-	3,676.71

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF SELECTED STATISTICS
YEAR ENDED JUNE 30, 2017**

5) 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 approve a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken. | N/A |
| F. | The district published a summary of the prior year's audit report within 30 days of the receipt of the audit pursuant to Section 165.121, RSMo. | True |
| G. | The district has a professional development committee plan adopted by the board with the professional committee plan identifying expenditure of 75% of 1% of the current year basic formula apportionment. | True |
| H. | The amount spent for approved professional development committee plan activities was: | \$ 497,497 |

All above "false" answers must be supported by a finding or management letter comment.

Finding #: **N/A**

Management Letter Comment #: **N/A**

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF SELECTED STATISTICS
YEAR ENDED JUNE 30, 2017**

6) Transportation (Section 163.161, RSMo)

A.	The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.	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 (nondisabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was:	
	Eligible ADT	11,741.50
	Ineligible ADT	491.50
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.	True
E.	Actual odometer records show the total district-operated <u>and</u> contracted mileage for the year was:	2,444,068
	Of this total, the eligible nondisabled and students with disabilities route miles and the ineligible nonroute <u>and</u> disapproved miles (combined) was:	
	Eligible Miles	2,237,869
	Ineligible Miles (Nonroute/Disapproved)	206,199
F.	Number of days the district operated the school transportation system during the regular school year:	177

All above "False" answers must be supported by a finding or management letter comment.

Finding #: **N/A**

Management Letter Comment #: **N/A**