

FORT ZUMWALT SCHOOL DISTRICT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

**FORT ZUMWALT SCHOOL DISTRICT
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YEAR ENDED JUNE 30, 2019**

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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, each major fund, and aggregate remaining fund information of Fort Zumwalt School District (the District), as of and for the year ended June 30, 2019, 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, 2019, 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 December 12, 2019, 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
December 12, 2019

**FORT ZUMWALT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

Overall, the School District's financial position declined during fiscal year 2019 as reflected by a decrease in net position of \$10.3 million. This decline is partially attributed to the spenddown of balances funded by \$44.8 million in proceeds from general obligations bonds sold in the prior year and partially due to deficit spending related to operations. Although revenue growth outpaced expense growth slightly during the 2018-2019 school year, expenses not funded by bond reserves continued to remain higher than total revenues by \$2.2 million.

Revenue growth for the year included increases in local revenues of \$3.7 million combined with increases in state and federal revenues of \$3.0 million. From local sources, property tax collections increased by \$1.0 million, interest earnings increased by \$1.3 million, and in lieu of taxes increased by \$1.7 million. From state and federal sources, formula revenue increased by \$1.7 million and early childhood special education revenue increased by a net \$1.5 million. Excluding one-time non-recurring receipts, overall revenues grew by \$6.7 million when compared to the prior year.

Expense growth for the year included increases in salaries and benefits of \$4.3 million, increases in purchased services of \$1.0 million, increases in supplies of \$0.6 million and increases in capital expenses of \$6.4 million all partially offset by a reduction in debt related expenses of \$4.7 million. Excluding one-time nonrecurring expenses, expenses grew by \$6.3 million when compared to the prior year.

General receipts for the year totaled \$215.7 million or 88.4% of all receipts. These general receipts are comprised mainly of local property taxes and state aid, which totaled a combined \$211.5 million or 98.1% of all general receipts. Program receipts and charges for services make up \$28.4 million or 1.3% of total receipts and include grants, tuition and fees. Total disbursements for the year were \$254.4 million of which \$226.0 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.

Reporting the School District as a Whole

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.

**FORT ZUMWALT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

Reporting the School District as a Whole (Continued)

Statement of Net Position and the Statement of Activities (Continued)

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.

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 another 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.

**FORT ZUMWALT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(UNAUDITED)**

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, 2019 was \$85.1 million. This represents a decrease of \$10.3 million from the prior year. Of the total net position, \$38.4 million was unrestricted and represents the accumulated results of all past years' operations.

Table 1 below provides a summary of net position for fiscal year 2019 compared to fiscal year 2018.

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

| | Governmental Activities | |
|-------------------------------|-------------------------|---------|
| | June 30, | |
| | 2019 | 2018 |
| ASSETS | | |
| Current and Other Assets | \$ 85.1 | \$ 95.3 |
| Total Assets | 85.1 | 95.3 |
| LIABILITIES | | |
| Current and Other Liabilities | - | - |
| Total Liabilities | - | - |
| NET POSITION | | |
| Restricted | \$ 46.7 | \$ 54.0 |
| Unrestricted | 38.4 | 41.3 |
| Total Net Position | \$ 85.1 | \$ 95.3 |

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 \$46.7 million at June 30, 2019. Of this amount, \$16.1 million was restricted for debt service purposes, \$0.3 million was for scholarship purposes, and \$30.2 million for capital project purposes.

**FORT ZUMWALT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(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, | | |
| | 2019 | 2018 | |
| RECEIPTS | | | |
| Charges for Services | \$ 10.0 | \$ 9.9 | 1 |
| Operating Grants and Contributions | 18.4 | 17.2 | 7 |
| General Receipts: | | | |
| Property Taxes | 148.9 | 146.6 | 2 |
| Federal and State Aid | 62.6 | 60.6 | 3 |
| Interest and Investment Earnings | 2.4 | 1.1 | 118 |
| Bond Premium | - | 3.9 | (100) |
| Sale of Bonds | - | 35.0 | (100) |
| Refunding Bond Proceeds | - | 5.9 | (100) |
| Other | 1.8 | 2.0 | (10) |
| Total Receipts | <u>244.1</u> | <u>282.2</u> | (14) |
| PROGRAM DISBURSEMENTS | | | |
| Instruction | 134.0 | 141.7 | (5) |
| Student Services | 19.6 | 8.9 | 120 |
| Instructional Staff Support | 10.1 | 8.7 | 16 |
| Building Administration | 16.6 | 15.7 | 6 |
| General Administration and Central Services | 7.8 | 6.2 | 26 |
| Operation of Plant | 18.1 | 17.5 | 3 |
| Transportation | 12.6 | 11.8 | 7 |
| Food Service | 7.2 | 6.4 | 12 |
| Community Services | 1.9 | 1.7 | 13 |
| Facility Acquisition and Construction | 9.5 | 3.5 | 171 |
| Debt Service and Fiscal Charges | 17.0 | 21.7 | (22) |
| Total Disbursements | <u>254.4</u> | <u>243.8</u> | 4 |
| CHANGE IN NET POSITION | <u>\$ (10.3)</u> | <u>\$ 38.4</u> | |

Governmental Activities

The cost of all governmental activities totaled \$254.4 million in fiscal year 2019. The School District's taxpayers funded \$226.0 million or 88.8% of these costs. In addition to taxpayer funding, charges for services funded \$10.0 million or 3.9% of the cost of governmental activities' and operating grants funded \$18.4 million or 7.2% of such costs in fiscal year 2019. In total, net position decreased by \$10.3 million during the fiscal year.

**FORT ZUMWALT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(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 numerous areas including charges for services, grants, property taxes, state aid, and interest earnings when compared to the prior year. Excluding one-time nonrecurring bond and debt refunding related revenues, receipts from all other sources increased by \$6.7 million. As for expenses, increases were partially due to additional capital spending combined with increases related to salary and staffing changes in various programs offset by reductions in debt related activity. Facility acquisition and construction spending increased by \$6.4 million, salary and benefit costs increased by \$4.3 million, purchased services and supplies increased \$1.7 million all partially offset by reduced debt service spending related to refunding bonds of \$4.7 million which occurred at the end of the previous fiscal year.

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,

| | 2019 | | 2018 | |
|---|---------------------------|-------------------------|---------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| Instruction | \$ 134.0 | \$ 116.0 | \$ 141.7 | \$ 124.3 |
| Student Services | 19.6 | 19.6 | 8.9 | 8.8 |
| Instructional Staff Support | 10.1 | 9.8 | 8.7 | 8.3 |
| Building Administration | 16.6 | 16.6 | 15.7 | 15.7 |
| General Administration and Central Services | 7.8 | 7.8 | 6.2 | 6.2 |
| Operation of Plant | 18.1 | 18.1 | 17.5 | 17.5 |
| Transportation | 12.6 | 10.4 | 11.8 | 9.8 |
| Food Service | 7.2 | (0.1) | 6.4 | (0.5) |
| Community Services | 1.9 | 1.3 | 1.7 | 1.3 |
| Facility Acquisition and Construction | 9.5 | 9.5 | 3.5 | 3.5 |
| Debt Service and Fiscal Charges | 17.0 | 17.0 | 21.7 | 21.7 |
| Total Disbursements | <u>\$ 254.4</u> | <u>\$ 226.0</u> | <u>\$ 243.8</u> | <u>\$ 216.6</u> |

As shown in Table 3, the District's five largest functions are Instruction, Student Services, Operation of Plant, Debt Service and Building Administration. Direct Instruction to students is by far the District's largest expenditure at \$134.0 million. The next largest expense is related to providing supports to students which includes guidance counseling, nursing, and special education related services in total costing \$19.6 million. Two of the next largest functions are directly related to maintaining over 2.8 million square feet of building space, related equipment and contents valued for insurance purposes at over \$596.9 million. Debt Service disbursements totaled \$17.0 million and Operation of Plant totaled \$18.1 million during the 2019 school year. Lastly, building administration is the fifth largest expense totaling \$16.6 million. In total, the five largest functions represent \$205.3 million or 80.7% of all disbursements.

**FORT ZUMWALT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019
(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 \$244.1 million and disbursements totaled \$255.8 million for the fiscal year. Governmental funds had a total fund balance of \$73.6 million at June 30, 2019, which represents an overall decrease in total fund balance of \$11.7 million when compared to the prior year. The decrease is partially related to the planned spenddown of capital balances funded by proceeds from general obligation bonds sold in prior years and partially due to increased operating expenses only partially offset by growth in revenues.

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 2018-2019 was approved by the Board on June 25, 2018. 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 20 of this report.

The final revised budget for general fund receipts totaled \$73.7 million compared to the original budget of \$73.4 million. The \$0.3 million increase in budgeted general fund receipts was related to two main local sources. First, food service sales increased by \$211,000 over the year due to the addition of coffee bars at the high schools and some changes to menu items. Second, pre-school tuition increased by almost \$241,000 after getting a better estimate of enrollment.

The final revised budget for general fund expenses totaled \$74.1 million. When compared to the original budget of \$74.2 million, a net decrease of \$0.1 million was made during the year. This was the result of changes in various categories. The largest decrease was related to salaries and benefits totaling \$678,000. The majority of this reduction was in health insurance costs being paid for retirees under the early retirement incentive program whose benefit expired during the year. There were also numerous budget cuts made to numerous supply and purchased services accounts further reducing costs by another \$548,000. These reductions were offset by increases in two major areas which included contract special education transportation and electricity, which added \$1.1 million to the final revised budget. The net effect of these changes was a decrease in the general fund budget of \$0.1 million.

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 \$596.9 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, 2019
(UNAUDITED)**

Debt Administration

At June 30, 2019, the School District had \$151.3 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, 2038. 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>2019</u> | <u>2018</u> |
|----------------------------|-----------------------|-----------------------|
| General Obligation Bonds | \$ 151,055,000 | \$ 161,960,000 |
| Capital Appreciation Bonds | 204,954 | 204,954 |
| Capital Leases | 3,494,701 | 1,852,046 |
| Total | <u>\$ 154,754,655</u> | <u>\$ 164,017,000</u> |

Current Financial Issues and Concerns

While overall net position declined by \$10.3 million during the year, the majority of this decline was due to the planned spend down of capital balances with \$4.3 million attributed to a shortfall in revenue growth large enough to cover previous deficits and increases in current year operating costs. The main driver to expenses is staffing costs. The goal is to keep compensation competitive, which has forced the district to spend available balances in the short term. Even with current raises, there are still concerns the District lags too far behind other local districts as we struggle to fill some vacancies. In addition, unemployment in the area remains much lower than the national average, which also makes it difficult to fill support staff vacancies. Then last item of note is the ever negative attitude toward taxes and government, which makes it challenging for law makers to provide much needed funding for education.

Construction Activities

At the beginning of the 2018-2019 school year, the District had \$41.9 million in bond funds available for construction and improvement projects. During the year, the District spent \$9.5 million of that balance on various projects including \$0.5 million on land for a professional development center, \$0.6 million on profession fees, \$1.0 million on miscellaneous equipment and furniture, \$0.8 on concrete overlays, \$0.9 on HVAC, \$0.9 on network infrastructure, \$0.7 on athletic facility repair/renovations, \$0.9 on roofing and \$3.2 million for a building addition at Flint Hill Elementary.

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 E. Terra Ln, O'Fallon, MO 63366

**FORT ZUMWALT SCHOOL DISTRICT
STATEMENT OF NET POSITION – CASH BASIS
JUNE 30, 2019**

| | Governmental Activities |
|----------------------|----------------------------|
| ASSETS | |
| Cash and Investments | \$ 38,365,838 |
| Restricted Assets: | |
| Cash and Investments | 46,653,064 |
| Total Assets | \$ 85,018,902 |
| NET POSITION | |
| Restricted for: | |
| Student Scholarships | \$ 336,589 |
| Debt Service | 16,086,775 |
| Capital Projects | 30,229,700 |
| Unrestricted | 38,365,838 |
| Total Net Position | \$ 85,018,902 |

See accompanying Notes to Basic Financial Statements.

**FORT ZUMWALT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES – CASH BASIS
YEAR ENDED JUNE 30, 2019**

| Functions/Programs | Disbursements | Program Receipts | | Net (Disbursements) Receipts and Changes in Net Position |
|--|-----------------------|--------------------------------------|--|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | Government Activities |
| GOVERNMENTAL ACTIVITIES: | | | | |
| Instruction | \$ 134,037,128 | \$ 4,346,364 | \$ 13,720,144 | \$ (115,970,620) |
| Student Services | 19,574,721 | - | - | (19,574,721) |
| Instructional Staff Support | 10,113,762 | - | 269,383 | (9,844,379) |
| Building Administration | 16,585,736 | - | - | (16,585,736) |
| General Administration and Central Services | 7,823,512 | - | - | (7,823,512) |
| Operation of Plant | 18,080,172 | - | - | (18,080,172) |
| Transportation | 12,576,546 | - | 2,171,480 | (10,405,066) |
| Food Service | 7,153,346 | 5,082,076 | 2,198,726 | 127,456 |
| Community Services | 1,924,422 | 579,980 | - | (1,344,442) |
| Facility Acquisition and Construction | 9,487,973 | - | - | (9,487,973) |
| Debt Service and Fiscal Charges | 16,998,752 | - | - | (16,998,752) |
| | \$ 254,356,070 | \$ 10,008,420 | \$ 18,359,733 | (225,987,917) |
| GENERAL RECEIPTS: | | | | |
| Taxes: | | | | |
| Property Taxes, Levied for General Purposes | | | | 50,723,729 |
| Property Taxes, Levied for Instruction | | | | 78,757,883 |
| Property Taxes, Levied for Debt Services | | | | 17,517,922 |
| Property Taxes, Levied for Capital Projects | | | | 1,921,682 |
| Federal and State Aid Not Restricted to Specific Purposes: | | | | |
| General | | | | 62,627,365 |
| Interest and Investment Earnings | | | | 2,359,434 |
| Other | | | | 1,793,081 |
| Subtotal, General Receipts | | | | 215,701,096 |
| Change in Net Position | | | | (10,286,821) |
| Net Position - Beginning of Year | | | | 95,305,723 |
| NET POSITION - END OF YEAR | | | | \$ 85,018,902 |

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, 2019**

| | Governmental Funds | | | | Total |
|----------------------|---------------------------------|--|-------------------------|-----------------------------|----------------------|
| | General (Incidental) Fund | Special Revenue (Teachers) Fund | Debt Service Fund | Capital Projects Fund | |
| ASSETS | | | | | |
| ASSETS | | | | | |
| Cash and Investments | \$ 26,919,513 | \$ - | \$ - | \$ - | \$ 26,919,513 |
| Restricted Assets: | | | | | |
| Cash and Investments | 336,589 | - | 16,086,775 | 30,229,700 | 46,653,064 |
| Total Assets | <u>\$ 27,256,102</u> | <u>\$ -</u> | <u>\$ 16,086,775</u> | <u>\$ 30,229,700</u> | <u>\$ 73,572,577</u> |
| FUND BALANCE | | | | | |
| FUND BALANCE | | | | | |
| Restricted: | | | | | |
| Student Scholarships | \$ 336,589 | \$ - | \$ - | \$ - | \$ 336,589 |
| Debt Service | - | - | 16,086,775 | - | 16,086,775 |
| Capital Projects | - | - | - | 30,229,700 | 30,229,700 |
| Unassigned | 26,919,513 | - | - | - | 26,919,513 |
| Total Fund Balance | <u>\$ 27,256,102</u> | <u>\$ -</u> | <u>\$ 16,086,775</u> | <u>\$ 30,229,700</u> | <u>\$ 73,572,577</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, 2019**

| | |
|--|-----------------------------|
| Total Fund Balance - Cash Basis - Governmental Funds | \$ 73,572,577 |
| 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. | |
| | <u>11,446,325</u> |
| Total in Net Position - Governmental Activities | <u><u>\$ 85,018,902</u></u> |

See accompanying Notes to Basic Financial Statements.

**FORT ZUMWALT SCHOOL DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
BALANCE – CASH BASIS – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019**

| | General (Incidental) Fund | Special Revenue (Teachers) Fund | Debt Service Fund | Capital Projects Fund | Total |
|--|---------------------------------|--|-------------------------|-----------------------------|----------------------|
| RECEIPTS | | | | | |
| Local | \$ 61,579,691 | \$ 77,471,321 | \$ 17,504,219 | \$ 2,785,293 | \$ 159,340,524 |
| County | 1,034,879 | 1,545,672 | 366,937 | 33,365 | 2,980,853 |
| State | 7,066,013 | 65,385,098 | - | - | 72,451,111 |
| Federal | 3,988,260 | 4,547,727 | 527,437 | - | 9,063,424 |
| Other | 233,337 | - | - | - | 233,337 |
| Total Receipts | <u>73,902,180</u> | <u>148,949,818</u> | <u>18,398,593</u> | <u>2,818,658</u> | <u>244,069,249</u> |
| DISBURSEMENTS | | | | | |
| Instruction | 11,857,876 | 122,970,224 | - | 97,028 | 134,925,128 |
| Student Services | 7,238,286 | 12,468,740 | - | 1,195 | 19,708,221 |
| Instructional Staff Support | 3,057,779 | 5,505,703 | - | 1,592,891 | 10,156,373 |
| Building Administration | 6,956,844 | 9,734,661 | - | 10,000 | 16,701,505 |
| General Administration and Central Services | 5,622,705 | 1,950,218 | - | 275,161 | 7,848,084 |
| Operation of Plant | 17,976,327 | - | - | 201,806 | 18,178,133 |
| Transportation | 12,652,721 | - | - | 9,750 | 12,662,471 |
| Food Service | 7,008,044 | - | - | 192,125 | 7,200,169 |
| Community Services | 1,522,728 | 403,595 | - | 10,045 | 1,936,368 |
| Facility Acquisition and Construction | - | - | - | 9,487,973 | 9,487,973 |
| Debt Service and Fiscal Charges | - | - | 16,997,639 | 1,113 | 16,998,752 |
| Total Disbursements | <u>73,893,310</u> | <u>153,033,141</u> | <u>16,997,639</u> | <u>11,879,087</u> | <u>255,803,177</u> |
| RECEIPTS OVER DISBURSEMENTS | 8,870 | (4,083,323) | 1,400,954 | (9,060,429) | (11,733,928) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfer In | - | 4,083,323 | - | 245,668 | 4,328,991 |
| Transfer Out | (4,328,991) | - | - | - | (4,328,991) |
| Total Financing Sources (Uses) | <u>(4,328,991)</u> | <u>4,083,323</u> | <u>-</u> | <u>245,668</u> | <u>-</u> |
| NET CHANGES IN FUND BALANCE | (4,320,121) | - | 1,400,954 | (8,814,761) | (11,733,928) |
| FUND BALANCE - CASH BASIS - JULY 1, 2018 | <u>31,576,223</u> | <u>-</u> | <u>14,685,821</u> | <u>39,044,461</u> | <u>85,306,505</u> |
| FUND BALANCE - CASH BASIS - JUNE 30, 2019 | <u>\$ 27,256,102</u> | <u>\$ -</u> | <u>\$ 16,086,775</u> | <u>\$ 30,229,700</u> | <u>\$ 73,572,577</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, 2019**

| | |
|--|-------------------------------|
| Net Change in Fund Balance - Governmental Funds | \$ (11,733,928) |
| 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>1,447,107</u> |
| Net Change in Net Position - Governmental Activities | <u><u>\$ (10,286,821)</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, 2019**

| | <u>Governmental Activities - Internal Service Fund</u> |
|---------------------------------------|--|
| CHARGES FOR SERVICES | |
| Contributions by Employee | \$ 4,002,139 |
| Contributions by Employer | <u>23,798,775</u> |
| Total Operating Revenue | 27,800,914 |
| OPERATING DISBURSEMENTS | |
| Claims | 24,009,494 |
| Administration Fees | <u>2,344,313</u> |
| Total Operating Disbursements | <u>26,353,807</u> |
| CHANGE IN NET POSITION | 1,447,107 |
| Net Position - Beginning of Year | <u>9,999,218</u> |
| NET POSITION - END OF YEAR | <u><u>\$ 11,446,325</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, 2019**

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|-----------------------------|-----------------------------|-----------------------------|----------------------------------|
| RECEIPTS | | | | |
| Local | \$ 60,767,877 | \$ 61,072,007 | \$ 61,579,691 | \$ 507,684 |
| County | 1,117,989 | 1,079,153 | 1,034,879 | (44,274) |
| State | 6,933,319 | 7,147,145 | 7,066,013 | (81,132) |
| Federal | 4,366,476 | 4,155,286 | 3,988,260 | (167,026) |
| Other | 216,000 | 213,415 | 233,337 | 19,922 |
| Total Receipts | <u>73,401,661</u> | <u>73,667,006</u> | <u>73,902,180</u> | <u>235,174</u> |
| DISBURSEMENTS | | | | |
| Instruction | 14,749,426 | 11,771,005 | 11,857,876 | 86,871 |
| Student Services | 4,832,922 | 7,384,932 | 7,238,286 | (146,646) |
| Instructional Staff Support | 3,160,067 | 3,049,504 | 3,057,779 | 8,275 |
| Building Administration | 7,093,900 | 7,057,167 | 6,956,844 | (100,323) |
| General Administration and Central Services | 5,807,921 | 5,968,682 | 5,622,705 | (345,977) |
| Operation of Plant | 18,278,801 | 18,213,975 | 17,976,327 | (237,648) |
| Transportation | 12,448,450 | 12,623,492 | 12,652,721 | 29,229 |
| Food Service | 6,693,148 | 6,920,819 | 7,008,044 | 87,225 |
| Community Services | 1,155,116 | 1,115,800 | 1,522,728 | 406,928 |
| Total Disbursements | <u>74,219,751</u> | <u>74,105,376</u> | <u>73,893,310</u> | <u>(212,066)</u> |
| RECEIPTS OVER DISBURSEMENTS | (818,090) | (438,370) | 8,870 | 447,240 |
| OTHER FINANCING USE | | | | |
| Transfer Out | <u>(5,014,143)</u> | <u>(4,504,800)</u> | <u>(4,328,991)</u> | <u>175,809</u> |
| NET CHANGE IN FUND BALANCE | (5,832,233) | (4,943,170) | (4,320,121) | 623,049 |
| Cash Basis Fund Balance - July 1, 2018 | <u>36,744,920</u> | <u>30,717,461</u> | <u>31,576,223</u> | <u>858,762</u> |
| CASH BASIS FUND BALANCE - JUNE 30, 2019 | <u><u>\$ 30,912,687</u></u> | <u><u>\$ 25,774,291</u></u> | <u><u>\$ 27,256,102</u></u> | <u><u>\$ 1,481,811</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, 2019**

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|--------------------|--------------------|--------------------|----------------------------------|
| RECEIPTS | | | | |
| Local | \$ 77,438,631 | \$ 77,047,182 | \$ 77,471,321 | \$ 424,139 |
| County | 1,841,388 | 1,693,663 | 1,545,672 | (147,991) |
| State | 64,013,301 | 65,416,877 | 65,385,098 | (31,779) |
| Federal | 5,459,072 | 4,650,890 | 4,547,727 | (103,163) |
| Total Receipts | <u>148,752,392</u> | <u>148,808,612</u> | <u>148,949,818</u> | <u>141,206</u> |
| DISBURSEMENTS | | | | |
| Instruction | 133,192,332 | 123,773,304 | 122,970,224 | (803,080) |
| Student Services | 4,493,765 | 12,036,469 | 12,468,740 | 432,271 |
| Instructional Staff Support | 4,987,394 | 5,396,139 | 5,505,703 | 109,564 |
| Building Administration | 9,657,542 | 9,757,945 | 9,734,661 | (23,284) |
| General Administration and Central Services | 941,137 | 1,623,479 | 1,950,218 | 326,739 |
| Community Services | 494,365 | 429,729 | 403,595 | (26,134) |
| Total Disbursements | <u>153,766,535</u> | <u>153,017,065</u> | <u>153,033,141</u> | <u>16,076</u> |
| RECEIPTS UNDER DISBURSEMENTS | (5,014,143) | (4,208,453) | (4,083,323) | 125,130 |
| OTHER FINANCING SOURCE | | | | |
| Transfer In | <u>5,014,143</u> | <u>4,208,453</u> | <u>4,083,323</u> | <u>(125,130)</u> |
| NET CHANGE IN FUND BALANCE | - | - | - | - |
| Cash Basis Fund Balance - July 1, 2018 | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| CASH BASIS FUND BALANCE - JUNE 30, 2019 | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <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, 2019**

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 1,639 certificated teachers, librarians and counselors with 113 administrators and 1,471 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 18,062 students and other community members. The District currently operates 1 early childhood center, 1 behavior center, 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, 2019, all of the District's activities are classified as governmental type.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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 all transactions having to do with the operations of the school district's regular programs, except those required to be accounted for in another fund.

Special Revenue (Teachers) Fund: Accounts for revenue sources legally restricted for expenditures for salaries and benefits for teachers and tuition payments to other districts/charter schools, private schools, etc.

Debt Service Fund: Accounts for all transactions affecting the value of the unpaid principal of bond issues, value of cash on deposit in the fund, the value of any temporary investments, the amount of current interest and principal requirements of long-term debt and paying agent fees.

Capital Projects Fund: Accounts for all facility acquisition, construction, lease purchase principal and interest payments and all other capital outlay expenditures.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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 25, 2018. 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, 2019**

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. During the year ended, June 30, 2019, the Special Revenue Fund had actual disbursements of \$153,033,141 which exceeded budgeted disbursements of \$153,017,065 by \$16,076. However, this was offset as actual receipts exceeded budgeted receipts by \$141,206 in this fund.

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 \$336,589 for scholarship purposes, and \$30,229,700 for purposes of constructing new buildings and making improvements to existing structures, and \$16,086,775 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 2019, for July and August 2019 payrolls from 2018–2019 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, 2019**

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 and 2017-2018 school years. The District provided 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 health care 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, 2019**

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 \$336,589 segregated for scholarships.

Restricted for Capital Projects: The District has \$30,229,700 set aside for purposes of future capital projects through the Capital Projects Fund.

Restricted for Debt Services: The District has \$16,086,775 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, 2019**

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, 2019, 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 5% or more of the District's investment balance as of June 30, 2019.

Deposits

The District's deposits in banks at June 30, 2019, 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, 2019**

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, certificates of deposit, credit risk, and weighted average maturities as of June 30, 2019 is as follows:

| <u>Type of Investments</u> | <u>S&P Credit Rating</u> | <u>Weighted Maturity</u> | <u>Carrying Amount</u> |
|---------------------------------|----------------------------------|------------------------------|----------------------------|
| External Investment Pool: | | | |
| MOSIP Liquid Series | AAAm | Not Applicable | \$ 72,142,704 |
| Missouri Direct Deposit Program | AA+ | Not Applicable | 6,925,274 |
| Certificate of Deposit | N/A | 1 Month | <u>9,865,000</u> |
| Total | | | <u>\$ 88,932,978</u> |

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investment Credit Risk (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 | \$ 6,925,274 |
| Total | | | \$ 6,925,274 |

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, 2019 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 2018 for purposes of local taxation was \$2,455,390,247.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 TAXES (CONTINUED)

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2018 for purposes of local taxation was:

| | Unadjusted | Adjusted |
|---------------------------------|------------|-----------|
| General (Incidental) Fund | \$ 1.8917 | \$ 1.8917 |
| Special Revenue (Teachers) Fund | 2.4000 | 2.4000 |
| Debt Service Fund | 0.6900 | 0.6900 |
| Capital Projects Fund | 0.0700 | 0.0700 |
| Total | \$ 5.0517 | \$ 5.0517 |

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2019 aggregated approximately 99.6% 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, 2019 were as follows:

| | Balance June 30, 2018 | Additions | Reductions | Balance June 30, 2019 | Amounts Due Within One Year |
|--------------------------------|--------------------------|--------------|-----------------|--------------------------|--------------------------------|
| General Obligation Bonds | \$ 161,960,000 | \$ - | \$ (10,905,000) | \$ 151,055,000 | \$ 11,260,000 |
| Capital Appreciation Bonds | 204,954 | - | - | 204,954 | - |
| Capital Leases | 1,852,046 | 3,321,261 | (1,678,606) | 3,494,701 | 1,461,647 |
| Total Long-Term Liabilities | \$ 164,017,000 | \$ 3,321,261 | \$ (12,583,606) | \$ 154,754,655 | \$ 12,721,647 |

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

General Obligation Bonds

General obligation bonds payable at June 30, 2019, 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%. | \$ 250,000 |
| \$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%. | 10,775,000 |
| \$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%. | 2,615,000 |
| \$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%. | 22,769,954 |
| \$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%. | 895,000 |
| \$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%. | 18,185,000 |
| \$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%. | 7,980,000 |
| \$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%. | 5,450,000 |
| \$40,885,000 general obligation refunding and improvement bonds, series 2018 dated May 8, 2018, due in varying installments through March 1, 2038, interest at 2.5% to 5.0% | 39,800,000 |
| Total | <u><u>\$ 151,259,954</u></u> |

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

General Obligation Bonds (Continued)

General obligation bond debt service requirements to maturity are:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|-----------------------|----------------------|-----------------------|
| 2020 | \$ 11,260,000 | \$ 6,053,008 | \$ 17,313,008 |
| 2021 | 11,615,000 | 5,662,958 | 17,277,958 |
| 2022 | 9,859,954 | 6,354,366 | 16,214,320 |
| 2023 | 11,640,000 | 4,934,533 | 16,574,533 |
| 2024 | 10,335,000 | 4,459,728 | 14,794,728 |
| 2024-2028 | 34,650,000 | 17,244,518 | 51,894,518 |
| 2029-2033 | 31,355,000 | 10,877,550 | 42,232,550 |
| 2034-2038 | 30,545,000 | 3,570,503 | 34,115,503 |
| Total | <u>\$ 151,259,954</u> | <u>\$ 59,157,164</u> | <u>\$ 210,417,118</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, 2019.

Capital Appreciation Bonds

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.

Capital appreciation bond debt service requirements to maturity are:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|-------------------|---------------------|---------------------|
| 2022 Total | <u>\$ 204,954</u> | <u>\$ 1,050,046</u> | <u>\$ 1,255,000</u> |

Capital Leases

The District has capital leases for digital mailing systems and personal computers. During the year ended June 30, 2019, 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.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 were as follows:

| <u>Year Ending June 30,</u> | <u>Total</u> |
|--|--------------|
| 2020 | \$ 1,461,647 |
| 2021 | 1,340,530 |
| 2022 | 865,517 |
| Total Minimum Lease Payments | 3,667,694 |
| Less: Amount Representing Interest | (172,993) |
| Present Value of Future Minimum Lease Payments | \$ 3,494,701 |

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, 2019, are as follows:

| <u>Year Ending June 30,</u> | <u>Various Operating Leases</u> |
|-----------------------------|---|
| 2020 | \$ 2,164,133 |
| 2021 | 412,841 |
| 2022 | 97,525 |
| 2023 | 5,652 |
| 2024 | 3,159 |
| Total | \$ 2,683,310 |

Rent payments for fiscal year ended June 30, 2019 were \$3,227,247 for the District.

NOTE 7 INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2019 consisted of \$4,083,323 transferred to the Special Revenue Fund and \$245,668 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.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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.

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.psr-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.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 RETIREMENT PLAN (CONTINUED)

PEERS (Continued)

Contributions. PEERS members were required to contribute 6.86% of their annual covered salary during fiscal year 2019. 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, 2019, 2018, and 2017 were \$2,950,471, \$2,899,173, and \$2,576,727, respectively, equal to the required contributions for each year.

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.

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 RETIREMENT PLAN (CONTINUED)

PSRS (Continued)

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.

Contributions. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal year 2019. 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, 2019, 2018, and 2017 were \$16,883,478, \$16,545,174, and \$15,224,305, 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 was 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, 2019**

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 the Years Ended June 30, 2019 and 2018

| St. Charles County | Industrial Development Bonds | Urban Redevelopment Corporations | Total Tax Abatements |
|---------------------------|---|---|---------------------------------|
| St. Charles County | <u>\$ 489,590</u> | <u>\$ 265,657</u> | <u>\$ 755,247</u> |

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, 2019:

| | TIF Incremental Value/Assessments | Reduced Tax Revenues |
|--|--|---------------------------------|
| Various Redevelopment Project Areas Within the District's Geographic Area | <u>\$ 25,156,549</u> | <u>\$ 1,542,014</u> |

**FORT ZUMWALT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 TAX ABATEMENTS (CONTINUED)

In summary, the District's total tax revenues reduced during fiscal 2019 as a result of the programs of other governments are as follows:

| St. Charles County | Reduced Tax Revenues |
|-------------------------------------|---------------------------------|
| St. Charles County - Tax Abatements | \$ 755,247 |
| St. Charles County - TIF's | <u>1,542,014</u> |
| Total Reduced Tax Revenues | <u><u>\$ 2,297,261</u></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, 2019**

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, 2019**

| 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 | H027A180040 | 092-087 | \$ 3,451,552 |
| IDEA, Part B High Needs Fund | 84.027A | H027A170040 | 092-087 | 89,807 |
| IDEA, Early Childhood Special Education | 84.027A | H027A180040 | 092-087 | 400,950 |
| IDEA, Early Childhood Special Education | 84.173A | H173A180103 | 092-087 | 100,109 |
| IDEA, Spec Ed MO Model Districts | 84.027A | H027A160040 | 092-087 | 260,073 |
| State Grants for Assistive Technology | 84.027 | H027A180040 | 092-087 | 21,981 |
| Total IDEA Cluster | | | | <u>4,324,472</u> |
| | | | | |
| Title I Grants to Local Educational Agencies | 84.010A | S010A180025 | 092-087 | 1,320,796 |
| Title II, Part A of ESEA | 84.367A | S367A180024 | 092-087 | 326,036 |
| Title III, Part A of ESEA | 84.365A | S365A170025 | 092-087 | 74,329 |
| Title III, Part A of ESEA | 84.365A | S365A170025 | 092-087 | 8,410 |
| Title IV.A | 84.424A | S424A180026 | 092-087 | 86,819 |
| Vocational Education-Carl Perkins | 84.048A | V048A180025 | 092-087 | 182,129 |
| Total | | | | <u>1,998,519</u> |
| | | | | |
| Total U.S. Department of Education | | | | 6,322,991 |
| | | | | |
| 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 | 2018CN109943 | 092-087 | 650,909 |
| <i>Non Cash Assistance Subtotal</i> | | | | <u>650,909</u> |
| <i>Cash Assistance:</i> | | | | |
| National School Lunch Program | 10.555 | 20188N109943 | 092-087 | 321,387 |
| National School Lunch Program | 10.555 | 20199N109943 | 092-087 | 1,405,340 |
| School Breakfast Program | 10.553 | 20188N109943 | 092-087 | 75,999 |
| School Breakfast Program | 10.553 | 20199N109943 | 092-087 | 352,862 |
| <i>Cash Assistance Subtotal</i> | | | | <u>2,155,588</u> |
| Total Child Nutrition Lunch Cluster | | | | <u>2,806,497</u> |
| | | | | |
| Total U.S. Department of Agriculture | | | | <u>2,806,497</u> |
| | | | | |
| Total Federal Financial Assistance | | | | <u>\$ 9,129,488</u> |

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

FORT ZUMWALT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

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.

Commodities

Commodities are included in schedule of expenditures of federal awards as appropriate but are not included within the financial statements due to the financial statement being presented on the cash basis method of accounting.

**FORT ZUMWALT SCHOOL DISTRICT
 SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE –
 BUDGET TO ACTUAL – DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2019**

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|-----------------------------|-----------------------------|-----------------------------|----------------------------------|
| RECEIPTS | | | | |
| Local | \$ 17,176,679 | \$ 17,237,305 | \$ 17,504,219 | \$ 266,914 |
| County | 365,533 | 349,662 | 366,937 | 17,275 |
| Federal | 524,836 | 527,437 | 527,437 | - |
| Total Receipts | <u>18,067,048</u> | <u>18,114,404</u> | <u>18,398,593</u> | <u>284,189</u> |
| DISBURSEMENTS | | | | |
| Debt Service | 17,002,002 | 17,002,002 | 16,997,639 | (4,363) |
| Total Disbursements | <u>17,002,002</u> | <u>17,002,002</u> | <u>16,997,639</u> | <u>(4,363)</u> |
| RECEIPTS UNDER DISBURSEMENTS | 1,065,046 | 1,112,402 | 1,400,954 | 288,552 |
| NET CHANGE IN FUND BALANCE | 1,065,046 | 1,112,402 | 1,400,954 | 288,552 |
| Cash Basis Fund Balance - July 1, 2018 | <u>29,834,068</u> | <u>14,731,303</u> | <u>14,685,821</u> | <u>(45,482)</u> |
| CASH BASIS FUND BALANCE - JUNE 30, 2019 | <u><u>\$ 30,899,114</u></u> | <u><u>\$ 15,843,705</u></u> | <u><u>\$ 16,086,775</u></u> | <u><u>\$ 243,070</u></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, 2019**

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|--|------------------------|------------------------|----------------------|----------------------------------|
| RECEIPTS | | | | |
| Local | \$ 2,028,539 | \$ 2,670,265 | \$ 2,785,293 | \$ 115,028 |
| County | 53,188 | 50,151 | 33,365 | (16,786) |
| Total Receipts | <u>2,081,727</u> | <u>2,720,416</u> | <u>2,818,658</u> | <u>98,242</u> |
| DISBURSEMENTS | | | | |
| Instruction | 96,779 | 101,624 | 97,028 | (4,596) |
| Student Services | 20,585 | 85 | 1,195 | 1,110 |
| Instructional Staff Support | 1,588,745 | 1,592,892 | 1,592,891 | (1) |
| Building Administration | 14,500 | 12,000 | 10,000 | (2,000) |
| General Administration and Central Services | 326,927 | 326,227 | 275,161 | (51,066) |
| Operation of Plant | 190,873 | 206,102 | 201,806 | (4,296) |
| Transportation | 10,000 | 10,000 | 9,750 | (250) |
| Food Service | 303,300 | 218,400 | 192,125 | (26,275) |
| Facility Acquisition and Construction | 38,878,555 | 39,589,582 | 9,487,973 | (30,101,609) |
| Debt Service | 3,519 | 4,313 | 1,113 | (3,200) |
| Total Disbursements | <u>41,433,783</u> | <u>42,061,225</u> | <u>11,879,087</u> | <u>(30,182,138)</u> |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (39,352,056) | (39,340,809) | (9,060,429) | 30,280,380 |
| OTHER FINANCING SOURCES | | | | |
| Transfer In | - | 296,348 | 245,668 | (50,680) |
| Total Other Financing Sources | <u>-</u> | <u>296,348</u> | <u>245,668</u> | <u>(50,680)</u> |
| NET CHANGE IN FUND BALANCE | (39,352,056) | (39,044,461) | (8,814,761) | 30,229,700 |
| Cash Basis Fund Balance - July 1, 2018 | <u>(4,430,860)</u> | <u>(3,672,102)</u> | <u>39,044,461</u> | <u>42,716,563</u> |
| CASH BASIS FUND BALANCE - JUNE 30, 2019 | <u>\$ (43,782,916)</u> | <u>\$ (42,716,563)</u> | <u>\$ 30,229,700</u> | <u>\$ 72,946,263</u> |

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE – ALL GOVERNMENTAL FUNDS – CASH BASIS
YEAR ENDED JUNE 30, 2019**

| | Government Funds | | | | Total |
|-------------------------------------|------------------|---------------|---------------|--------------|----------------|
| | General | Special | Debt | Capital | |
| | (Incidental) | Revenue | Service | Projects | |
| Fund | Fund | Fund | Fund | | |
| LOCAL | | | | | |
| Current Taxes | \$ 44,495,740 | \$ 56,452,158 | \$ 16,229,331 | \$ 1,646,660 | \$ 118,823,889 |
| Delinquent Taxes | 1,748,221 | 2,213,256 | 629,631 | 63,875 | 4,654,983 |
| School District Trust Fund | - | 17,531,375 | - | - | 17,531,375 |
| Financial Institution Taxes | - | - | - | 148,136 | 148,136 |
| M & M Surcharge Tax | 2,644,737 | - | - | - | 2,644,737 |
| In Lieu of Tax | 800,151 | 1,015,424 | 292,022 | 29,646 | 2,137,243 |
| Transportation Fees from Patrons | 122,992 | - | - | - | 122,992 |
| Earnings from Temporary Deposits | 862,317 | 246,906 | 353,235 | 896,976 | 2,359,434 |
| Food Service Program | 2,336,228 | - | - | - | 2,336,228 |
| Food Service Non-Program | 2,745,848 | - | - | - | 2,745,848 |
| Student Activities | 4,208,544 | - | - | - | 4,208,544 |
| Community Services | 579,980 | - | - | - | 579,980 |
| Other Local | 1,034,933 | 12,202 | - | - | 1,047,135 |
| Total Local | 61,579,691 | 77,471,321 | 17,504,219 | 2,785,293 | 159,340,524 |
| COUNTY | | | | | |
| Fines, Etc. | - | 203,794 | - | - | 203,794 |
| State Assessed Utilities | 1,034,880 | 1,341,877 | 366,937 | 33,365 | 2,777,059 |
| Total County | 1,034,880 | 1,545,671 | 366,937 | 33,365 | 2,980,853 |
| STATE | | | | | |
| Basic Formula | - | 51,759,801 | - | - | 51,759,801 |
| Transportation | 2,171,480 | - | - | - | 2,171,480 |
| Early Childhood Special Education | 1,177,249 | 6,671,079 | - | - | 7,848,328 |
| Basic Formula: Classroom Trust Fund | - | 6,946,927 | - | - | 6,946,927 |
| Educational Screening Prog/PAT | 344,401 | 7,028 | - | - | 351,429 |
| Career Education | 153,142 | - | - | - | 153,142 |
| Food Service | 43,137 | - | - | - | 43,137 |
| Residential Placement/Excess Cost | 13,150 | - | - | - | 13,150 |
| High Need Fund - Special Education | 3,163,454 | - | - | - | 3,163,454 |
| Other State | - | 263 | - | - | 263 |
| Total State | 7,066,013 | 65,385,098 | - | - | 72,451,111 |

**SCHEDULE 3
(CONTINUED)**

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF RECEIPTS BY SOURCE – ALL GOVERNMENTAL FUNDS – CASH BASIS
YEAR ENDED JUNE 30, 2019**

| | Government Funds | | | | Total |
|---|---------------------------------|--|-------------------------|-----------------------------|-----------------------|
| | General (Incidental) Fund | Special Revenue (Teachers) Fund | Debt Service Fund | Capital Projects Fund | |
| | | | | | |
| FEDERAL | | | | | |
| Medicaid | \$ 489,676 | \$ - | \$ - | \$ - | \$ 489,676 |
| Perkins Basic Grant, Career Education | - | 182,129 | - | - | 182,129 |
| IDEA Entitlement Funds, Part B IDEA | 57,262 | 3,394,290 | - | - | 3,451,552 |
| Early Childhood Special Education - Federal | 75,159 | 425,900 | - | - | 501,059 |
| School Lunch Program | 1,726,727 | - | - | - | 1,726,727 |
| Food Service | 428,862 | - | - | - | 428,862 |
| Title I - ESEA | 604,685 | 475,109 | - | - | 1,079,794 |
| Title II - Part A, ESEA | 202,037 | 67,346 | - | - | 269,383 |
| Title IV.A Student Support And Academic Enrichment | 57,718 | 2,953 | - | - | 60,671 |
| Title III, ESEA | 78,626 | - | - | - | 78,626 |
| IDEA Grants | 267,508 | - | - | - | 267,508 |
| Other - Federal | - | - | 527,437 | - | 527,437 |
| Total Federal | <u>3,988,260</u> | <u>4,547,727</u> | <u>527,437</u> | - | <u>9,063,424</u> |
| OTHER | | | | | |
| Transportation From Other LEAs | 13,558 | - | - | - | 13,558 |
| Sale of Other Property | 204,951 | - | - | - | 204,951 |
| Contracted Educational Services | 14,828 | - | - | - | 14,828 |
| Total Other | <u>233,337</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>233,337</u> |
| Total - All Sources | <u>\$ 73,902,181</u> | <u>\$ 148,949,817</u> | <u>\$ 18,398,593</u> | <u>\$ 2,818,658</u> | <u>\$ 244,069,249</u> |

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF DISBURSEMENTS BY OBJECT
YEAR ENDED JUNE 30, 2019**

| | General (Incidental) Fund | Special Revenue (Teachers) Fund | Debt Service Fund | Capital Projects Fund | Total |
|------------------------------------|---------------------------------|--|-------------------------|-----------------------------|-----------------------|
| Salaries | \$ 28,764,604 | \$ 111,896,591 | \$ - | \$ - | \$ 140,661,195 |
| Employee Benefits | 13,341,565 | 38,978,438 | - | - | 52,320,003 |
| Purchased Services | 14,610,645 | 2,158,112 | - | - | 16,768,757 |
| Supplies | 17,176,496 | - | - | - | 17,176,496 |
| Capital Outlay | - | - | - | 11,877,974 | 11,877,974 |
| Debt Service and Fiscal Charges | - | - | 16,997,639 | 1,113 | 16,998,752 |
| Total | \$ 73,893,310 | \$ 153,033,141 | \$ 16,997,639 | \$ 11,879,087 | \$ 255,803,177 |

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF PRINCIPAL TAXPAYERS
YEAR ENDED JUNE 30, 2019
(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, 2018:

| Rank | Property Owner | Business | Assessed Valuation | Percentage of Total Assessed Valuation |
|--|--|--------------------|--------------------------------|---|
| 1 | Three T's/ True Manufacturing | True Manufacturing | \$ 30,485,150 | 1.24% |
| 2 | Airwick Industries Inc | Reckitt Benckiser | 23,670,031 | 0.96% |
| 3 | Mid Rivers Mall LLC | Mid Rivers Mall | 14,650,717 | 0.60% |
| 4 | Sunedison Semiconductor LLC | Manufacturing | 13,457,145 | 0.55% |
| 5 | Mid Rivers Investment Partners LLC | Retail | 10,698,735 | 0.44% |
| 6 | Garden Villas of O'Fallon/Delmar Gardens | Delmar Gardens | 10,072,234 | 0.42% |
| 7 | Aldi Inc | Warehouse | 6,969,997 | 0.28% |
| 8 | TR Turnberry Corporation | Apartments | 6,915,139 | 0.28% |
| 9 | Spire Missouri Inc | Utility | 6,277,842 | 0.26% |
| 10 | Darlington Enclave At Winghaven UI LLC | Apartments | 6,123,962 | 0.26% |
| Total | | | <u>\$ 129,320,952</u> | 5.29% |
| Total Assessed Valuation - December 31, 2018 | | | <u><u>\$ 2,454,610,160</u></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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2019.

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 results 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
December 12, 2019



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, 2019. 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, 2019.

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 a 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
December 12, 2019

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? _____ yes X none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? _____ yes X no

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> | <u>Amount</u> |
|------------------------------|--|----------------------------|
| 10.553, 10.555 | Child Nutrition Cluster | <u><u>\$ 2,806,497</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, 2019**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a)



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, 2019, 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 December 12, 2019, 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

CliftonLarsonAllen LLP

St. Louis, Missouri
December 12, 2019

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF TRANSPORTATION DISBURSEMENTS – CASH BASIS
YEAR ENDED JUNE 30, 2019**

| | <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> |
|-----------------------|-----------------------------|-------------------------------------|-----------------------------------|---|---------------------------|--------------------------|---|----------------------|
| Noncertified Salaries | \$ - | \$ 3,150,139 | \$ - | \$ 1,182,192 | \$ - | \$ - | \$ 483,873 | \$ 4,816,204 |
| Fringe Benefits | - | 1,653,179 | - | 606,413 | - | - | 299,543 | 2,559,135 |
| Purchased Services | 416,931 | 2,094,473 | 1,118,822 | 233,719 | 115 | - | 462,989 | 4,327,049 |
| Supplies | - | 638,888 | - | 221,843 | 3,949 | - | 85,654 | 950,334 |
| Capital Outlay | - | - | - | - | 9,750 | - | - | 9,750 |
| Total | <u>\$ 416,931</u> | <u>\$ 7,536,679</u> | <u>\$ 1,118,822</u> | <u>\$ 2,244,167</u> | <u>\$ 13,814</u> | <u>\$ -</u> | <u>\$ 1,332,059</u> | <u>\$ 12,662,472</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 assertion 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, 2019. The District's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, 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, 2019 are fairly stated, in all material respects.

The purpose of this report is to provide information to the administration, Board, management, and the MO DESE concerning the District's compliance with the aforementioned requirements. The report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
December 12, 2019

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF SELECTED STATISTICS
YEAR ENDED JUNE 30, 2019**

Single Audit Year Ended June 30, 2019
County District Number 092-087

1) Calendar (Sections 160.041, 171.029, 171.031, and 171.033 RSMo)

| School Code | Begin Grade | End Grade | Half Day Indicator | Standard Day Length | Days | Hours in Session |
|-------------|-------------|-----------|--------------------|---------------------|------|------------------|
| N/A | K | 5 | | 6.5000 | 170 | 1,078.00 |
| N/A | 6 | 8 | | 6.5000 | 170 | 1,078.00 |
| N/A | 9 | 12 | | 6.5000 | 176 | 1,087.00 |

2) Average Daily Attendance (ADA)

| School Code | Grade Level | Full-Time | Part-Time | Remedial Hours | Other | Summer School | Total |
|--------------------|-------------|------------------|---------------|----------------|----------|---------------|------------------|
| N/A | PK | - | - | - | - | - | 0.00 |
| N/A | K | 1,190.00 | - | - | - | 0.09 | 1190.09 |
| N/A | 1 | 1,102.69 | 0.41 | - | - | 3.99 | 1107.09 |
| N/A | 2 | 1,158.51 | - | - | - | 5.68 | 1164.19 |
| N/A | 3 | 1,179.94 | 1.22 | - | - | 4.37 | 1185.53 |
| N/A | 4 | 1,256.34 | 0.22 | - | - | 7.70 | 1264.26 |
| N/A | 5 | 1,268.33 | 1.04 | - | - | 7.37 | 1276.74 |
| N/A | 6 | 1,278.85 | - | - | - | 2.48 | 1281.33 |
| N/A | 7 | 1,338.11 | 1.12 | - | - | 3.42 | 1342.65 |
| N/A | 8 | 1,371.83 | 3.18 | - | - | 8.94 | 1383.95 |
| N/A | 9 | 1,438.04 | 9.22 | - | - | 6.53 | 1453.79 |
| N/A | 10 | 1,463.70 | 17.46 | - | - | 19.62 | 1500.78 |
| N/A | 11 | 1,348.28 | 40.30 | - | - | 17.29 | 1405.87 |
| N/A | 12 | 1,174.45 | 103.83 | - | - | 21.60 | 1299.88 |
| Grand Total | | 16,569.07 | 178.00 | - | - | 109.08 | 16,856.15 |

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF SELECTED STATISTICS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

3) September Membership

| School Code | Grade Level | Full-Time | Part-Time | Other | Total |
|-------------|-------------|-----------|-----------|-------|-----------|
| N/A | K | 1,247.00 | - | - | 1,247.00 |
| N/A | 1 | 1,158.00 | - | - | 1,158.00 |
| N/A | 2 | 1,198.00 | - | - | 1,198.00 |
| N/A | 3 | 1,228.00 | 1.03 | - | 1,229.03 |
| N/A | 4 | 1,309.00 | 0.32 | - | 1,309.32 |
| N/A | 5 | 1,326.00 | 1.11 | - | 1,327.11 |
| N/A | 6 | 1,336.00 | - | - | 1,336.00 |
| N/A | 7 | 1,405.00 | 1.67 | - | 1,406.67 |
| N/A | 8 | 1,440.00 | 4.28 | - | 1,444.28 |
| N/A | 9 | 1,504.00 | 8.48 | - | 1,512.48 |
| N/A | 10 | 1,555.00 | 9.98 | - | 1,564.98 |
| N/A | 11 | 1,462.00 | 18.96 | - | 1,480.96 |
| N/A | 12 | 1,360.00 | 108.56 | - | 1,468.56 |
| Grand Total | | 17,528.00 | 154.39 | - | 17,682.39 |

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

| School Code | Free Lunch | Reduced Lunch | Desg In Free | Deseg In Reduced | Total |
|-------------|------------|---------------|--------------|------------------|----------|
| N/A | 2,883.18 | 743.74 | - | - | 3,626.92 |

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF SELECTED STATISTICS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

5) Finance

| | | |
|------|--|-----------|
| 5.1 | The district maintained a calendar in accordance with 160.041, 171.029, 171.031 and 171.033, RSMO and all attendance hours were reported | TRUE |
| 5.2 | The district maintained complete and accurate attendance records allowing for the accurate calculation of Average Daily Attendance for all students in accordance with all applicable state rules and regulations. Sampling of records included those students receiving instruction in the following categories: | TRUE |
| | Academic Programs Off-Campus | TRUE |
| | Career Exploration Program – Off Campus | TRUE |
| | Cooperative Occupational Education (COE) or Supervised Occupational Experience Program | TRUE |
| | Dual enrollment | TRUE |
| | Homebound instruction | TRUE |
| | Missouri Options | TRUE |
| | Prekindergarten eligible to be claimed for state aid | N/A |
| | Remediation | TRUE |
| | Sheltered Workshop participation | N/A |
| | Students participating in the school flex program | N/A |
| | Traditional instruction (full and part-time students) | TRUE |
| | Virtual instruction (MOCAP or other option) | TRUE |
| | Work Experience for Students with Disabilities | TRUE |
| 5.3 | The district maintained complete and accurate attendance records allowing for the accurate calculation of September Membership for all students in accordance with all applicable state rules and regulations. | TRUE |
| 5.4 | The district maintained complete and accurate attendance and other applicable records allowing for the accurate reporting of the State FTE count for Free and Reduced Lunch for all students in accordance with all applicable state rules and regulations. | TRUE |
| 5.5 | As required by Section 162.401, RSMo, a bond was purchased for the district's treasurer in the total amount of: | \$ 50,000 |
| 5.6 | The district's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo. | TRUE |
| 5.7 | The district maintained a separate bank account for all Debt Service Fund monies in accordance with Section 108.180 and 165.011, RSMo. | TRUE |
| 5.8 | Salaries reported for educators in the October MOSIS Educator Core and Educator School files are supported by complete and accurate payroll and contract records. | TRUE |
| 5.9 | 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 |
| 5.10 | The district published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo. | TRUE |
| 5.11 | The district has a professional development committee plan adopted by the board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment. Remaining 25% of 1% if not spent must be restricted and spent on appropriate expenditures in the future. Spending requirement is modified to seventy-five percent (75%) of one half percent (1/2%) of the current year basic formula apportionment if through fiscal year 2024 the amount appropriated and expended to public schools for transportation is less than twenty-five percent (25%) of allowable cost. | TRUE |
| 5.12 | The amount spent for approved professional development committee plan activities was: | \$521,269 |

**FORT ZUMWALT SCHOOL DISTRICT
SCHEDULE OF SELECTED STATISTICS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

6) Transportation (Section 163.161, RSMo)

| | | |
|-----|--|-----------|
| 6.1 | The School Transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid. | TRUE |
| 6.2 | The district's pupil transportation ridership records are maintained in a manner to accurately disclose in all material respects the average number of regular riders transported. | TRUE |
| 6.3 | Based on the ridership records, the average number of students (non-disabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was: | |
| | Eligible ADT | 11,500 |
| | Ineligible ADT | 417 |
| 6.4 | The district's/charter school's transportation odometer mileage records are maintained in a manner to accurately disclose in all material respects the eligible and ineligible mileage for the year. | TRUE |
| 6.5 | Actual odometer records show the total district/charter-operated and contracted mileage for the year was: | 2,541,352 |
| 6.6 | Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route and disapproved miles (combined) was: | |
| | Eligible Miles | 2,365,236 |
| | Ineligible Miles (Non-Route/Disapproved) | 176,116 |
| 6.7 | Number of days the district/charter school operated the school transportation system during the regular school year: | 177 |