FRANCIS HOWELL R-III SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2018

FRANCIS HOWELL R-III SCHOOL DISTRICT

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Kerber, Eck & Braeckel LLP

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Independent Auditors' Report

Board of Education
Francis Howell R-III School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Francis Howell R-III School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 of the governmental activities, each major fund, and the aggregate remaining fund information of Francis Howell R-III School District as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 13 to the financial statements, in 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans" and GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Francis Howell R-III School District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. 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.

Other Reporting Required by Government Auditing Statements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018, on our consideration of Francis Howell R-III 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Francis Howell R-III School District's internal control over financial reporting and compliance.

Kerber, Eck & Braeckel LLP

St. Louis, Missouri
December 10, 2018

The discussion and analysis of the Francis Howell R-III School District's (the District) financial performance provides a narrative overview of the District's financial activities for the fiscal year ended June 30, 2018. The management's discussion and analysis should not be taken as a replacement for the financial statements and supplementary information but should be read in conjunction with them to enhance understanding of the District's financial performance.

Guiding Financial Principles

The Board of Education and Administration of the District are committed to proactive management of the financial resources entrusted to it by the Francis Howell community. This trust is strengthened by providing full disclosure to the Board and community regarding the District's financial condition. The Administration utilizes conservative fiscal management practices and a value-driven operating philosophy to maintain the District's financial position.

Using this Annual Report

This annual report consists of three parts: (1) the management's discussion and analysis section; (2) the basic financial statements and notes to the financial statements; and (3) required supplementary information.

The management's discussion and analysis section serves as an introduction to the District's basic financial statements. The basic financial statements include district-wide and fund financial statements, each of which presents the District's financial information from different perspectives.

The district-wide financial statements consist of the Statement of Net Position and the Statement of Activities, found on pages 23 and 24. These statements provide information about the activities of the Francis Howell R-III School District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 25. For governmental activities, the financial statements tell how these services were financed in the short term as well as what resources remain for future spending. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The District maintains its general ledger and budget on the cash basis of accounting, meaning that revenues are recognized when the District receives the money and the expenses are recognized when checks are issued. To meet GASB Statement Number 34, the District's annual report uses both the modified and full accrual methods of accounting. Because of this difference, budget reports will differ from the annual report.

The District separates the food service, student activity and community service funds from the general fund as well as the capital projects and bond funds from the capital projects fund during the budget process. The Annual Secretary of the Board Report (ASBR) combines all of these funds together when reporting them to the Missouri Department of Elementary and Secondary Education.

Financial Highlights

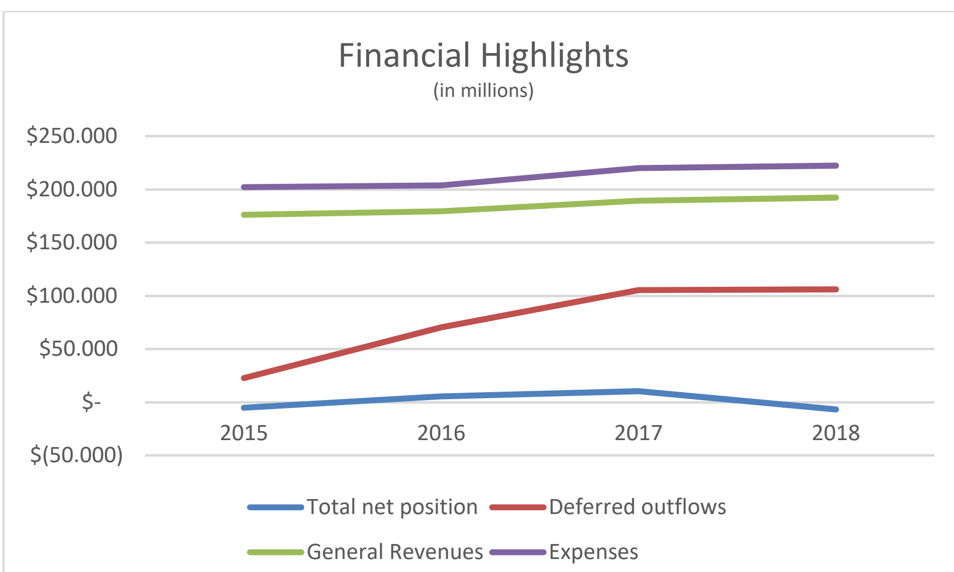
The key government-wide financial highlights for the year ended June 30, 2018 are as follows:

- At the government-wide level, the District's net position was a negative $6.6 million compared to $10.4 million, as originally stated at the end of FY17, for a decrease of $17.0 million. The difference is primarily attributable to an increase in the District's GASB 68 and GASB 75 pension and other postemployment benefits liabilities. Of the District's net position (assets less liabilities), $91.4 million is restricted for capital asset investment net of related debt, $11.9 million is restricted for debt service, capital projects and other purposes, and a negative $110 million is unrestricted for the District's pension and other postemployment benefit liabilities due to GASB 68 and GASB 75.

- Total assets and deferred outflows of resources decreased by $4.6 million in the current year primarily due to a decrease in other capital assets, net of accumulated depreciation.

- General revenues accounted for $192.3 million or 84.3% of the District's $228.1 million in total revenue. Of this general revenue, $145.5 million, or 75.7%, was from property and sales taxes. Program-specific revenue in the form of charges for services, operating grants, contributions and capital grants accounted for approximately $35.8 million, or 15.7%, of the District's total revenue.

- At the government-wide level, the District had $222.2 million in expenses. Of these expenses, approximately $35.8 million were offset by grants, contributions or program-specific charges for services. General revenues and fund balances were adequate to provide the financial resources necessary for operating the District's programs in FY18.



- Total liabilities and deferred inflows increased by $12,408,069 due to the following items:

	Increase (Decrease)
Accounts payable, salaries and other payables	$ 28,890
Claims payable	(373,553)
Net pension liability	(12,783,974)
Other postemployment obligation	23,057,412
Liabilities due within one year	(2,344,546)
Liabilities due in more than one year	(13,314,815)
Other postemployment deferrals	1,092,007
Pension deferrals	17,046,648
Net increase	$ 12,408,069

The District's financial statements reflect the impact of net pension liability and other postemployment liability pension deferrals in accordance with GASB 75 reporting of Other Post Employment Benefit liabilities.

During FY18, the District implemented a Facility Usage Fund. This activity is reported within the General Fund and government-wide statements.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

The district-wide financial statements outline functions of the District that are principally supported by property taxes and various governmental activities. In the Statement of Net Position and the Statement of Activities, the District reports governmental activities including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The District does not have any business-type activities.

The district-wide financial statements look at all the financial transactions of the District and allow the reader to assess how well the District performed financially during fiscal year 2018. The Statement of Net Position and the Statement of Activities report all assets and liabilities using the accrual basis of accounting. This focus is similar to the accounting focus used by most private-sector companies. Statements prepared on the accrual basis take into account all of the current year revenues and expenses regardless of when cash is received or paid out.

The relationship between revenues and expenditures can be viewed as the District's operating results. It is important to note, however, that the District's goal is to educate its students, not to generate profits as commercial entities do. Other non-financial factors, such as the quality of the education services provided, must be considered when assessing the overall health of the District.

The Statement of Net Position presents the financial position of the District at the end of the fiscal year and reports the District's net position and changes in those assets and liabilities or claims against those assets. The difference between total assets and total liabilities – net position – is one indicator of whether the overall financial conditions of the District has improved or deteriorated during the year.

The District's financial position is the product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

The District has complied with the Governmental Accounting Standards Board's issuance of Statement No. 68 regarding accounting for and financial reporting on pensions by state and local governments. This statement addresses pensions provided to employees through pension plans that are administered through trusts. The District is classified as a cost-sharing employer whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pensions plans in which the pension obligations are pooled and plan assets can be used to pay the benefits of employees of any employer that provides pensions through the pension plan.

Employers are now required to meet the accounting standards under GASB No. 68. The District's balance sheet reflects the funded status of its pension plan on a Market Value basis. Net Pension Liability (NPL) has been added to the District's balance sheet. Pension expense is not an annual contribution or funding amount, but rather a change in the NPL recognized from one year to the next.

The District has also complied with Governmental Accounting Standards Board's issuance of Statement No. 75 regarding Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement replaces the original OPEB requirements under Statements No. 45 and 57. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

This Statement requires the liability of employers to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

The total OPEB liability generally is required to be determined through an actuarial valuation.

Table I provides a summary of the District's net position for 2018 and 2017:

Table I
Condensed Statements of Net Position
(in millions)
June 30,

	2018	2017
Assets		
Current and other assets	$ 83.091	$ 83.880
Capital assets	208.079	212.670
Total assets	291.170	296.550
Deferred outflows of resources	106.138	105.387
Liabilities		
Noncurrent liabilities	332.607	337.993
Other liabilities	14.549	14.893
Total liabilities	347.156	352.886
Deferred inflows of resources	56.775	38.637
Net Position		
Net investment in capital assets	91.374	81.705
Restricted	11.949	14.548
Unrestricted	(109.946)	(85.839)
Total net position	$ (6.623)	$ 10.414

A significant portion of the District's net position is invested in capital assets (e.g., land, buildings and improvements, vehicles, and furniture and equipment), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to its students. It is important to note that these assets are not available for future spending. Similarly, the funds to pay the debt related to the acquisition of these assets must be provided from other sources, since the assets themselves cannot be liquidated to satisfy these liabilities.

Total assets of the District's governmental activities amounted to $291,169,998 with total deferred outflows of resources totaling $106,138,163. Total liabilities of the District's governmental activities amounted to $347,156,051 with deferred inflows of resources totaling $56,775,170. Net position as of June 30, 2018 equaled negative $6,623,060, a decrease of $17,037,119 over the 2017 balance of $10,414,059. The decrease was primarily attributable to the effect on deferred inflows of resources due to GASB 75 OPEB obligations.

The results of this year's operations for the District as a whole are reported in the Statement of Activities, found on page 24 of this report. The Statement of Activities explains the sources of resources (revenues, charges for services, grants and contributions) and the uses of resources (instructional and support services expenses) and shows how the District's net position changed during the most recent fiscal year.

All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Table II shows the changes in net position for fiscal year 2018 and 2017.

Table II
Changes in Net Position for District-Wide Activities
(in millions)
Year ended June 30,

	2018	2017
Program revenues		
Charges for services	$ 16.423	$ 16.061
Operating grants and contributions	19.422	19.598
General revenue		
Property taxes and other county taxes	129.811	123.256
Sales taxes	15.694	15.661
State aid	42.291	41.518
Investment earnings	1.151	0.685
Other	3.319	8.140
Total revenue	228.111	224.919
Program expenses		
Instruction	127.726	133.460
Pupil services	8.014	7.718
Improvement of instruction	4.364	4.349
Media services	2.152	2.114
Board of Education and executive administration services	5.768	6.161
Building level administration	9.961	10.220
Operation of plant	20.166	14.911
Pupil transportation	12.558	12.500
Food services	6.684	6.212
Business and central services	7.585	6.841
Community services	8.054	8.031
Facility acquisition and construction	3.605	1.691
Interest and other charges	5.586	5.824
Total expenses	222.223	220.032
Change in net position	5.888	4.887
Adjustment to net position - GASB 75	-	(22.925)
Ending net position	$ (6.623)	$ (12.511)

The District's total accrual-based revenues for the fiscal year ended June 30, 2018 were $228.1 million compared to $224.9 million at June 30, 2017. The $3.2 million difference between fiscal years is attributable to increases in property taxes based on rising assessed values and new construction, an increase in State aid, as well as $0.5 million in investment earnings due to the increased federal funds interest rates.

The total cost of all programs and services was $222.2 million for the fiscal year ended June 30, 2018 compared to $220.0 million at June 30, 2017, or an increase of $2.2 million. Most of this increase is for operation of plant and facility construction.

The District's dependence upon tax revenue is significant and community support for this revenue source is extremely important since the community, as a whole, provides the primary support for the Francis Howell R-III School District through local property taxes. General revenue sources, including local property taxes, funded 86.5% of the total cost of program services for fiscal year 2018.

Governmental Activities - Table III below shows the cost of each of the District's functions, as well as each function's net cost (i.e., the total cost of the program less revenue generated by program-related activities).

Table III
Total and Net Costs of Governmental Activities
(in millions)
Year ended June 30,

	2018		2017	
	Total cost of services	Net cost of services	Total cost of services	Net cost of services
Instruction	$ 127.726	$ 109.503	$ 133.460	$ 114.315
Pupil services	8.014	8.014	7.718	7.718
Improvement of instruction	4.364	4.059	4.349	3.943
Media services	2.152	2.152	2.114	2.114
Board of Education and executive administration	5.768	5.768	6.161	6.161
Building level administration	9.961	9.961	10.220	10.220
Operation of plant	20.166	20.166	14.911	14.911
Pupil transportation	12.558	10.326	12.500	10.366
Food services	6.684	0.282	6.212	0.308
Business and central services	7.585	7.585	6.841	6.841
Community services	8.054	(0.630)	8.031	(0.040)
Facility acquisition and construction	3.605	3.605	1.691	1.691
Interest and other charges	5.586	5.586	5.824	5.825
Total	$ 222.223	$ 186.377	$ 220.032	$ 184.373

Following are descriptions of the District's major functional expense categories.

Instruction includes activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupil Services includes attendance, guidance, and health, psychological, speech and audio assistance.

Improvement of Instruction includes the activities related to assisting staff with the content for and process of teaching to pupils.

Media Services includes the activities concerned with the use of all teaching and learning resources, including hardware and content materials.

Board of Education and Executive Administration includes the activities of the elected or appointed body as well as the overall general administration of the District.

Building Level Administration includes expenditures related to the administration of the individual school buildings. These expenditures provide for the building instructional leadership from the school principals and assistant principals. In addition, this includes expenditures for site administrative support to run the day-to-day operations of each building.

Business and Central Services includes expenditures associated with administrative and financial supervision of the District. It also includes expenditures related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public. Finally, it includes the support for the Academic department and Human Resources department of the District.

Operation of Plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Food Services includes the preparation, delivery, and serving of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

Community Services includes expenditures related to student activities within the District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement. These services also include our early childhood education program and before and after school care program.

Facility Acquisition and Construction includes any expenditures relating to the construction, renovation or equipping of any District building.

Debt Administration involves the transactions associated with the payment of principal and interest and other charges related to the debt of the District.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. The fund financial statements are prepared on the modified accrual basis of accounting. This basis considers revenue earned if it is both measurable and available (within 60 days of the end of the fiscal year). Expenditures are recorded at the time the liability is incurred.

The analysis of the District's major funds begins on page 25. Fund financial reports provide detailed information about the District's major funds. A fund is a grouping of related accounts used to keep track of specific sources of funding and spending on particular programs. The District uses fund accounting to ensure compliance with reporting requirements of the Missouri Department of Elementary and Secondary Education. The District uses different funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General (Incidental) Fund, Special Revenue (Teachers') Fund, Debt Service Fund, and Capital Projects Fund.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps the reader 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.

The narrower focus of the fund financial statements makes it useful to compare the information presented therein with that of governmental activities in the district-wide financial statements. This comparison provides readers with a better understanding of the long-term impact of the District's short-term financing decisions. Both the district-wide and fund financial statements include reconciliations to facilitate a comparison between the two statements. These reconciliations are found on pages 26 and 28 of this report, respectively.

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities in that they attempt to recover costs through charges to the user. An example of a proprietary fund would be the Internal Service Fund (Self-Funded Health Insurance and Dental Plans).

Budgeting Highlights

The District's budget is prepared according to Missouri law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The District uses both site-based and zero-based budgeting systems which are designed to tightly control total site budgets but provide flexibility for site management. The District uses the cash basis of accounting for revenues and expenditures for budgeting as well as during the fiscal year. Revenues are recognized when funds are received. Expenses are recognized when payments are made.

The District amended its General and Special Revenue fund budgets in November 2017, based on known changes in revenue and expenditures. When comparing the original budget to the final budget, expenditures increased by $4,151,542 (1.99%). This increase was primarily due to increased expenditures for medical insurance, HVAC repair at Francis Howell North high school and materials for Lucy Calkins reading kits and the CAPS and PLTW Biomedical programs. Revenues increased by $159,622 (.08%), a result of growth in basic state aid offset by lower revenues from the High Needs Fund.

In comparing actual revenues to the ending budget amount in the General and Special Revenue funds, the actual revenue was $206,771,931. This was an increase of $2,252,520 or 1.10% compared to the District's final budget amount. Actual expenditures in General and Special Revenue funds were $203,729,807, or $2,045,143 lower than the final budget amount. The District finished the year with a surplus in its General and Special Revenue funds of $3,042,124 after transferring $545,084 to the Capital Projects fund.

Statements showing the original budget and the final budget amounts compared to the District's actual activity for the General Fund and the Special Revenue Fund are provided on pages 55 and 56 of this report.

The following are key financial highlights of the District on a budgetary (cash) basis of accounting for the fiscal year ended June 30, 2018.

- The General Fund had $85,891,256 in revenues and other financing sources and $81,167,498 in expenditures and transfers out. The General Fund did not make a transfer to the Special Revenue (Teachers') Fund; however, it did transfer $545,084 to the Capital Projects Fund. The General Fund's balance increased $4,723,758 from FY17 on a cash basis. The General Fund activity includes the activity of the Proprietary Fund.

- The Special Revenue (Teachers') Fund had $122,834,265 in revenues and $122,799,651 in expenditures. The Special Revenue Fund balance increased $34,614 from the prior year.

- All operating funds combined (General and Special Revenue Funds) had $208,725,521 in revenues and other financing sources and $203,967,145 in expenditures and transfers out. Including transfers, the combined balances in these school purpose funds increased $4,758,372 over FY17 on a cash basis.

- The Debt Service Fund had $18,570,199 in revenues and $19,906,075 in expenditures. The Debt Service Fund balance decreased $1,335,876 over FY17 on a cash basis. The fund continues to have sufficient balances to meet all principal and interest payments, allowing the District to maintain its current debt service levy.

- The Capital Projects Fund had $2,906,845 in revenues and $4,561,933 in expenditures. The Capital Projects Fund balance decreased $1,110,004 after a transfer in from the general fund of $545,084 over FY17 on a cash basis. The fund continues to maintain a balance sufficient to meet urgent needs, should they arise.

Revenue

- Total revenues for the District were $228,248,975 for the 2017-2018 fiscal year versus $221,175,315 for the prior fiscal year, or an increase of $7,073,660 on a cash basis. Local revenues accounted for $158,132,780, or 69.28% of all revenues and sources for the 2017-2018 fiscal year versus $149,042,047 for the prior fiscal year (67.39%). These numbers do not include revenues of the Proprietary Fund.

The $7,073,660 increase in revenue is primarily attributable to the following items.

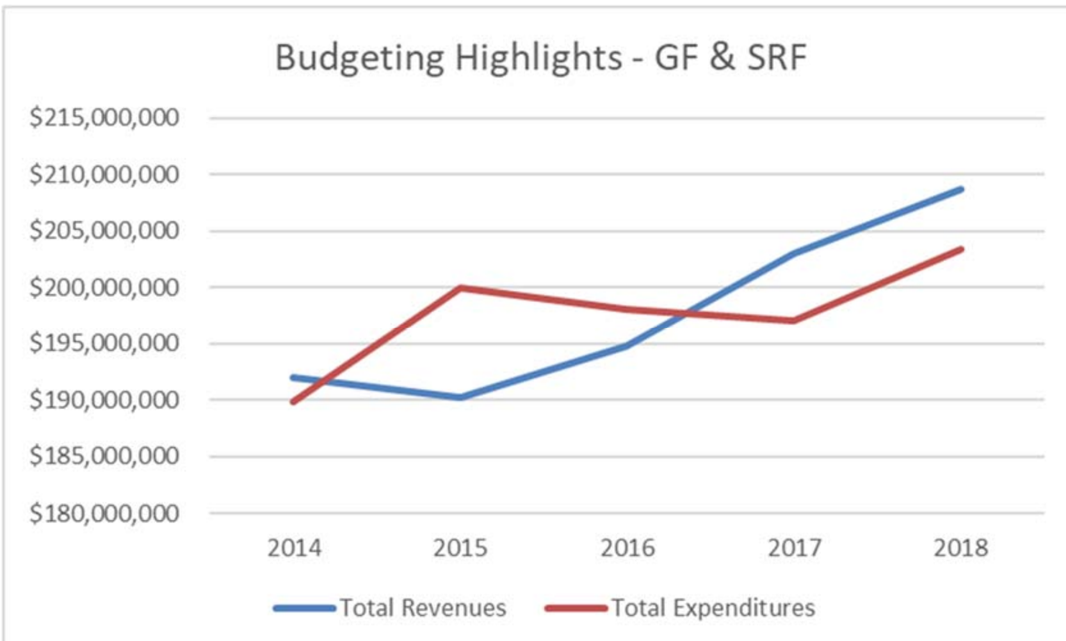
1. Local revenue increased due to increased tax revenues, increased investment of earnings, and the receipt of a large Financial Institution Tax amount which is not expected to continue.
2. Increases in State revenue is primarily due to increased State Foundation Program Basic Formula and Gaming revenue and increases from the Early Childhood Special Education grant.

Expenditures

- The District, excluding activity of the Proprietary Fund, had $207,746,656 in expenditures for the 2017-2018 fiscal year versus $199,473,700 for the prior fiscal year, or an increase of $8,272,956. These numbers do not include expenditures related to servicing debt or activities of the Proprietary Fund.

The $8.3 million increase in expenditures is primarily attributable to the following:

1. The District experienced increases in Special Education as well as Early Childhood Special Education Services and Transportation
2. Increases in Central Office Services due to restarting the technology refresh cycle for the District.
3. Operation of Plant increased $3.1 million due to the District-wide roofing projects. The District typically budgets about $2 million for planned capital expenditures related to repair and maintenance of its facilities.



Capital Assets and Debt Administration

Capital Assets

At the end of FY18, the District had $208,079,305 invested in land, buildings, furniture, equipment, and vehicles (net of depreciation) versus $212,670,391 at the end of 2017. The $4,591,086 decrease is primarily attributable depreciation expense as illustrated in the table on page 43.

Table IV shows fiscal year 2018 and 2017 Capital Asset balances.

Table IV
Capital Assets (net of accumulated depreciation)
June 30,

	2018	2017
Land	$ 6,545,623	$ 6,545,623
Construction in progress	-	38,600
Land improvements	7,025,812	7,490,379
Buildings	191,488,562	195,085,412
Vehicles and equipment	3,019,308	3,510,377
Totals	$ 208,079,305	$ 212,670,391

Debt Administration

At June 30, 2018, the District had $117,223,000 general obligation bonds outstanding. The general obligation bonds were used to construct, equip, and renovate buildings in the District. Additional information about the District's general obligations bonds is provided in Note 5.

Table V shows outstanding General Obligation Bonds at June 30, 2018 and 2017.

Table V
Outstanding Debt
June 30,

	2018	2017
General obligation bonds		
Series 2016	$ 35,520,000	$ 35,520,000
Series 2012B	4,765,000	4,765,000
Series 2012A	1,680,000	1,680,000
Series 2011	9,940,000	9,940,000
Series 2010B	29,315,000	29,315,000
Series 2010A	1,635,000	1,635,000
Series 2009A	9,185,000	9,185,000
Series 2009	9,990,000	9,990,000
Series 2008	-	5,715,000
Series 2005	14,395,000	16,490,000
Series 2004	-	6,570,000
Series 2001	798,000	798,000
Total	$ 117,223,000	$ 131,603,000

Current Financial Issues and Concerns

The District ended FY18 with a positive variance of revenue over expenditures on a budgetary (cash) basis. This is possible due to continuous budget management focused on closing the revenue-expenditure gap. The expenditure reductions made in prior years were necessary in the short term but are not sustainable in the long term if the District is to remain one of the top performing school districts in the state.

District voters have rejected proposals to increase the operating levy. The levy increases would have provided funds necessary to restore some, but not all, of the personnel and non-personnel expenditure reductions made over the past several years.

The District has completed a Strategic Planning process that will direct the instructional and financial path for the District until 2023. The District will continue its concerted efforts to carefully manage the financial resources entrusted to us by the patrons of the District. The focus will remain on effectively aligning overall District objectives with our finite resources. This will increase our efficiency as an organization and enable us to devote greater time and attention to the most critical initiatives.

The Board of Education recently voted to self-operate student transportation services, beginning with the 2019-20 school year. The District has contracted its student transportation services for the past 20 years. After careful analysis of proposals for continued outsourcing, and following discussions with other school districts that recently moved to self-operated transportation services, the District determined that it was possible to provide a higher level of transportation services and improve the average age of the bus fleet by not contracting out transportation services. In addition to potential cost savings, districts that have brought transportation in house have also generally enjoyed higher levels of customer service, because all of the transportation staff are employees of the district and not a third-party contractor.

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 District's finances and to show the District's accountability for the money it receives. If you have questions about his report or need additional financial information, contact Kevin F. Supple, Chief Operating Officer, at the Francis Howell School District Administration Building, 4545 Central School Road, Saint Charles, Missouri 63304.

FRANCIS HOWELL R-III SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities
ASSETS	
Cash and investments	$ 66,037,025
Property taxes receivable, net of allowance for uncollectibles of $48,426	2,372,808
Other receivables	
Local	3,659,358
Federal	561,433
Prepaid items	1,573,059
Restricted cash and investments	8,887,010
Capital assets	
Land	6,545,623
Other capital assets, net of accumulated depreciation	201,533,682
Total assets	291,169,998
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	6,330,613
Deferred pension contributions	99,807,550
Total deferred outflows of resources	106,138,163
LIABILITIES	
Accounts payable	2,879,448
Salaries and benefits payable	5,976,904
Medical and dental benefits payable	2,697,358
Interest payable	2,994,907
Noncurrent liabilities	
Due within one year	13,114,401
Due in more than one year	
Net pension liability	170,035,418
Other postemployment benefit liability	34,347,911
Other	115,109,704
Total liabilities	347,156,051
DEFERRED INFLOWS OF RESOURCES	
Other postemployment benefit deferrals	1,092,007
Pension deferrals	55,683,163
Total deferred inflows of resources	56,775,170
NET POSITION	
Net investment in capital assets	91,373,922
Restricted for:	
Debt service	9,923,226
Capital projects	1,880,750
Professional development	145,093
Unrestricted	(109,946,051)
Total net position	$ (6,623,060)

See notes to financial statements.

FRANCIS HOWELL R-III SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year ended June 30, 2018

Function/Program	Expenses	Program revenues: Charges for services	Program revenues: Operating grants and contributions	Program revenues: Capital grants and contributions	Net (expense) revenue and change in net position: Total governmental activities
Governmental activities					
Instruction	$ 127,725,098	$ 4,017,138	$ 14,204,282	$ -	$ (109,503,678)
Attendance	1,329,930	-	-	-	(1,329,930)
Guidance	5,201,324	-	-	-	(5,201,324)
Health, psych, speech and audio	1,482,494	-	-	-	(1,482,494)
Improvement of instruction	3,899,967	-	-	-	(3,899,967)
Professional development	464,367	-	305,211	-	(159,156)
Media services (library)	2,152,130	-	-	-	(2,152,130)
Board of Education services	221,866	-	-	-	(221,866)
Executive administration	5,546,238	-	-	-	(5,546,238)
Building level administration	9,961,224	-	-	-	(9,961,224)
Business central services	1,842,934	-	-	-	(1,842,934)
Operation of plant	20,165,690	-	-	-	(20,165,690)
Security services	20,566	-	-	-	(20,566)
Pupil transportation	12,557,502	250,386	1,981,269	-	(10,325,847)
Food services	6,684,486	4,060,812	2,341,669	-	(282,005)
Central office support services	5,721,070	-	-	-	(5,721,070)
Community service	8,054,193	8,094,553	589,896	-	630,256
Facilities acquisition and construction	3,605,417	-	-	-	(3,605,417)
Interest and other charges	5,586,097	-	-	-	(5,586,097)
Total governmental activities	$ 222,222,593	$ 16,422,889	$ 19,422,327	$ -	(186,377,377)

General revenues	
Taxes	
Property taxes, levied for general purposes	107,565,076
Property taxes, levied for debt services	17,268,804
Other taxes	4,976,924
Sales taxes	15,693,794
State aid	42,291,138
Interest and investment earnings	1,150,920
Miscellaneous	3,319,267
Total general revenues	192,265,923
CHANGE IN NET POSITION	5,888,546
Net position at July 1, 2017, as restated	(12,511,606)
Net position at June 30, 2018	$ (6,623,060)

See notes to financial statements.

FRANCIS HOWELL R-III SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and investments	$ 52,776,960	$ 35,586	$ 5,394,109	$ 1,990,362	$ 60,197,017
Property taxes receivable - net of allowance for uncollectibles of $48,426	1,030,204	985,023	328,242	29,339	2,372,808
Other receivables					
Local	2,196,153	1,378,768	62,767	21,670	3,659,358
Federal	30,455	365,868	165,110	-	561,433
Prepaid items	1,545,700	27,359	-	-	1,573,059
Restricted cash and investments	-	-	6,967,905	1,919,105	8,887,010
Total assets	$ 57,579,472	$ 2,792,604	$ 12,918,133	$ 3,960,476	$ 77,250,685
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 1,501,903	$ 1,216,924	$ -	$ 160,621	$ 2,879,448
Salaries and benefits payable	5,611,527	365,377	-	-	5,976,904
Total liabilities	7,113,430	1,582,301	-	160,621	8,856,352
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	710,352	679,199	226,331	20,231	1,636,113
Deferred grants	-	-	165,110	-	165,110
	710,352	679,199	391,441	20,231	1,801,223
FUND BALANCES					
Nonspendable					
Prepaid items	1,545,700	27,359	-	-	1,573,059
Restricted					
Debt service	-	-	12,526,692	-	12,526,692
Capital projects	-	-	-	3,779,624	3,779,624
Teachers' salaries and benefits	-	503,745	-	-	503,745
Professional development	145,093	-	-	-	145,093
Unassigned	48,064,897	-	-	-	48,064,897
Total fund balances	49,755,690	531,104	12,526,692	3,779,624	66,593,110
Total liabilities, deferred inflows of resources, and fund balances	$ 57,579,472	$ 2,792,604	$ 12,918,133	$ 3,960,476	$ 77,250,685

See notes to financial statements.

FRANCIS HOWELL R-III SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET WITH THE STATEMENT OF NET POSITION

June 30, 2018

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

Total fund balance - governmental funds		$ 66,593,110
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $287,034,473 and the accumulated depreciation is $78,955,168.		208,079,305
Property tax receivable and federal receivable not available soon enough to pay for current period expenditures are deferred in the funds.		1,801,223
Interest accrued on bonds has not been reported in the governmental funds but is reported in the statement of net position. Accrued interest includes accreted interest on "capital appreciation" bonds totaling $1,161,868.		(2,994,907)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statements of net position.		3,142,650
Deferred outflows of resources are not current financial resources and therefore are not reported in the funds:		
Deferred amounts on refunding	6,330,613	
Deferred pension contributions	99,807,550	
		106,138,163
Certain liabilities and deferred inflows of resources are not due and not payable in the current period and therefore are not reported as liabilities in the funds:		
General obligation bonds	(117,223,000)	
Capital lease obligations	(2,066,013)	
Bond premium, net of accumulated amortization	(5,666,088)	
Pension deferrals	(55,683,163)	
Other postemployment benefit deferrals	(1,092,007)	
Net pension liability	(170,035,418)	
Compensated absences	(3,269,004)	
Post employment benefits other than pensions	(34,347,911)	
		(389,382,604)
Total net position - governmental activities		$ (6,623,060)

See notes to financial statements.

FRANCIS HOWELL R-III SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year ended June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues					
Local	$ 68,840,369	$ 68,427,981	$ 17,513,240	$ 2,593,094	$ 157,374,684
County	1,218,128	1,530,062	405,867	32,441	3,186,498
State	6,648,805	46,661,785	-	89,332	53,399,922
Federal	3,418,974	4,880,029	494,533	15,838	8,809,374
Interest	801,701	125,870	148,321	75,028	1,150,920
Student activities	2,377,517	-	-	109,172	2,486,689
Other	295,443	1,056,933	-	-	1,352,376
Total revenues	83,600,937	122,682,660	18,561,961	2,914,905	227,760,463
Expenditures					
Current					
Instruction	19,131,320	103,292,719	-	-	122,424,039
Attendance	1,311,630	-	-	-	1,311,630
Guidance	158,819	4,899,097	-	-	5,057,916
Health, psych, speech and audio	1,451,220	9,633	-	-	1,460,853
Improvement of instruction	1,494,618	2,356,338	-	-	3,850,956
Professional development	77,566	341,381	-	-	418,947
Media services (library)	353,801	1,778,667	-	-	2,132,468
Board of Education services	221,866	-	-	-	221,866
Executive administration	4,690,043	378,370	-	-	5,068,413
Building level administration	1,290,471	8,360,549	-	-	9,651,020
Business central service	1,821,140	17,903	-	-	1,839,043
Operation of plant	19,819,348	-	-	-	19,819,348
Security services	20,566	-	-	-	20,566
Pupil transportation	12,549,557	-	-	-	12,549,557
Food services	6,626,630	-	-	-	6,626,630
Central office support services	4,049,435	1,639,054	-	-	5,688,489
Community service	7,837,501	75,940	-	-	7,913,441
Capital outlay	-	-	-	6,264,888	6,264,888
Debt service					
Principal	-	-	14,380,000	-	14,380,000
Interest and other charges	-	-	5,526,074	38,334	5,564,408
Total expenditures	82,905,531	123,149,651	19,906,074	6,303,222	232,264,478
Revenues over (under) expenditures	695,406	(466,991)	(1,344,113)	(3,388,317)	(4,504,015)
Other financing sources (uses)					
Transfers in (out)	(545,084)	-	-	545,084	-
Proceeds from sale of other property	3,881	-	-	-	3,881
Proceeds from capital lease	-	-	-	1,834,513	1,834,513
Total other financing sources (uses)	(541,203)	-	-	2,379,597	1,838,394
NET CHANGE IN FUND BALANCE	154,203	(466,991)	(1,344,113)	(1,008,720)	(2,665,621)
Fund balances at July 1, 2017	49,601,487	998,095	13,870,805	4,788,344	69,258,731
Fund balances at June 30, 2018	$ 49,755,690	$ 531,104	$ 12,526,692	$ 3,779,624	$ 66,593,110

See notes to financial statements.

FRANCIS HOWELL R-III SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES

Year ended June 30, 2018

Total net change in fund balances - governmental funds		$ (2,665,621)
Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeds capital outlay in the period.		
Capital asset purchase	2,190,732	
Depreciation expense	(5,588,654)	(3,397,922)
Because some property taxes and federal revenue will not be collected for several months after the District's fiscal year end, they are not considered as "available" revenues in the governmental funds, and are instead reported as deferred inflows of resources. They are, however, reported as revenues in the statement of activities.		346,795
The proceeds from the sale of equipment increase financial resources in the governmental funds, whereas in the statement of activities, the gain or loss on disposal of equipment is reported.		(1,193,167)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Compensated absences	827,586	
Pension benefits	(2,915,041)	
Other post employment benefits	(1,223,754)	
		(3,311,209)
The governmental funds report debt (e.g. bond) proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Also governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of debt and related items are as follows:		
Proceeds from capital lease payable	(1,834,513)	
Repayment of bond principal	14,380,000	
Repayment of capital lease payable	1,496,069	
Amortization of bond premium	790,221	
Amortization of deferred amount on refunding	(596,101)	14,235,676
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		2,089,803
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of two factors. First, accrued interest on bonds decreased by $273,626. Second, interest accreted on the District's "capital appreciation" bonds increased by $57,817.		(215,809)
Change in net position of governmental activities		$ 5,888,546

See notes to financial statements.

FRANCIS HOWELL R-III SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2018

		Governmental Activities - Internal Service Fund
ASSETS		
Cash	$	5,840,008
LIABILITIES		
Claims payable		2,697,358
NET POSITION		
Unrestricted	$	3,142,650

See notes to financial statements.

FRANCIS HOWELL R-III SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
Year ended June 30, 2018

	Governmental Activities - Internal Service Fund
Operating revenues	
Contributions by District, employees and retirees	$ 22,135,753
Other income	1,919,480
Total operating revenues	24,055,233
Operating expenses	
Claims	21,665,417
Administration	5,152
Other	328,971
Total operating expenses	21,999,540
Operating income	2,055,693
Non-operating revenues	
Interest income	34,110
CHANGE IN NET POSITION	2,089,803
Net position at July 1, 2017	1,052,847
Net position at June 30, 2018	$ 3,142,650

See notes to financial statements.

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year ended June 30, 2018

	Governmental Activities - Internal Service Fund
Cash flows from operating activities	
Cash received from District, employees', and retirees' contributions	$ 24,055,233
Cash payments to suppliers for claims	(22,038,970)
Cash payments for supplies and services	(334,123)
Net cash provided by operating activities	1,682,140
Cash flows from investing activities	
Interest on investments	34,110
NET INCREASE IN CASH	1,716,250
Cash at July 1, 2017	4,123,758
Cash at June 30, 2018	$ 5,840,008
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 2,055,693
Adjustments to reconcile operating income to net cash provided by operating activities	
Decrease in claims payable	(373,553)
Net cash provided by operating activities	$ 1,682,140

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Francis Howell R-III School District (the District), established under the Statutes of the State of Missouri, is governed by an elected seven-member board as described in Chapter 162, Missouri Revised Statutes. The Board of Education is the basic level of government that has financial accountability and control over all activities related to public school education in the District.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

Reporting Entity

These financial statements present the District (the primary government) and its component unit, the Francis Howell R-III School District Educational Facilities Authority (the Authority). Generally accepted accounting principles require the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on this criteria, the Authority is considered a component unit.

The Authority was incorporated under Missouri statutes as a not-for-profit organization whose purpose is for acquisition, construction, improvement, extension, repair, remodeling, renovation and financing for the District. Although legally separate, the Authority is blended as a governmental fund into the primary government. The Authority is currently inactive. Separate financial statements for the Authority are not issued.

Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all nonfiduciary funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function.

The District does not allocate indirect costs. Program revenues include charges paid by the recipients of goods and services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. The emphasis is placed on major funds. Each major fund is presented in a separate column while nonmajor funds, if applicable, are aggregated and presented in a single column.

The major funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the District and accounts for expenditures for noncertified employees, pupil transportation costs, operation of plant, fringe benefits, student body activities, community services, the food service program and any expenditures not required to be accounted for in another fund.

Special Revenue Fund

The Special Revenue Fund is used to account for specific revenue sources that are legally restricted for the payment of salaries and certain employee benefits for certified personnel performing in certificate-required positions.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for the payment of principal, interest and fiscal charges on general long-term debt.

Capital Projects Fund

The Capital Projects Fund is used to account for resources to be used for the acquisition or construction of major capital assets.

Proprietary Fund

Internal Service Fund

This fund accounts for the proceeds from contributions for the payment of claims and the liabilities associated with the District's self-insurance activities (primarily employee medical and dental benefits). Expenses include claims paid, direct insurance payments and administrative fees. A liability for estimated claims incurred but not reported is recorded in this fund.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The district-wide financial statements are prepared using the economic resources measurement focus, as are the proprietary fund financial statements. The accounting objectives of this measurement focus are the determination of changes in net position, financial position, and cash flows. All assets and liabilities, whether current or noncurrent, are reported.

The governmental fund financial statements are prepared using the current financial resources measurement focus. Only current financial assets and liabilities are generally included in the balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

The district-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The governmental fund financial statements are prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Property and sales taxes, interest and certain grants are susceptible to accrual.

Miscellaneous revenue items, which are not susceptible to accrual, are recognized as revenues only as they are received in cash. Expenditures are recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, compensated absences, and pension and other post employment benefits which are recognized as expenditures to the extent they are due and payable.

Cash and Investments

Cash resources from all funds, except the Debt Service Fund, are combined to form a pool of cash and temporary investments. Interest income earned is allocated to the contributing funds based on each funds' proportionate share of funds invested on a monthly basis. Investments in repurchase agreements and external investment pools are carried at amortized cost, which approximates fair value.

For purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Receivables

Major receivables for the governmental activities include property and sales taxes, and state and federal grants. Allowances for uncollectible property taxes are estimated to be two percent of delinquent taxes at year-end.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid expenses.

Capital Assets and Depreciation

In the district-wide financial statements, capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost if actual cost is unavailable. Contributed assets are reported at their fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred. Depreciation on assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	15	years
Buildings and improvements	15-60	years
Vehicles and equipment	5-20	years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The restricted assets consist primarily of funds escrowed under the Missouri School District Direct Deposit Program and unspent bond proceeds invested in the Missouri Securities Investment Program.

Long-Term Liabilities

All long-term liabilities to be repaid from governmental activities are reported in the district-wide financial statements. Long-term liabilities consist of bonds and capital leases payable, and accrued compensated absences. Long-term liabilities are not due and are not payable in the current period and therefore are not reported as liabilities in the governmental fund financial statements.

Compensated Absences

The District's policies regarding compensated absences permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded in the district-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability from expendable available financial resources.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The District reports unavailable revenues from two sources: property tax and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

In the government-wide financial statements, components of pension and OPEB expense that are recognized over a period of time are classified as either deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability, the net difference between expected and actual experience, the net difference between projected and actual earnings, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are required to be reported as deferred outflows or deferred inflows of resources.

Interfund Activity

Interfund transfers are reported as other financing sources (uses) in governmental funds. Transfers in the amount of $545,084 were made from the General Fund to the Capital Projects Fund to cover food service capital items and provide spending for the next fiscal year.

Net Position

In the district-wide and proprietary fund financial statements, equity is classified as net position and displayed in three components. Net investment in capital assets consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are constraints imposed on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments. The remaining balance of net position that does not meet the definition of restricted or net investment in capital assets is reported as unrestricted. The District first utilizes restricted resources to finance qualifying activities.

Fund Balances – Governmental Funds

In the governmental fund financial statements, equity is classified as fund balance. Governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes determined by a resolution of the Board of Education. Commitments may be modified or rescinded only through resolutions approved by the Board.

Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's adopted policy, amounts may be assigned by the Chief Operating Officer.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, a negative fund balance may be reported. District policy requires a minimum unassigned fund balance of 15% of total prior year General Fund and Special Revenue Fund expenditures in order to cover unexpected expenditures and revenue shortfalls.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions. The details of the fund balances are included in the Governmental Funds Balance Sheet.

Revenues

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and are due by December 31. The county collects the property tax and remits it to the District. In the district-wide financial statements, property tax revenues are recognized in the fiscal year levied. In the fund financial statements, property taxes are recognized in the fiscal year levied to the extent collected within 60 days of year-end. Revenues not collected within 60 days of year-end are reported as deferred inflows of resources.

Sales tax is collected by the State of Missouri and remitted to districts within the state based on a prior year weighted average daily attendance. The State receives the sales tax approximately one month after collection by vendors. Sales taxes collected by the State in June and July, which represent sales for May and June, and received by the District in July and August have been accrued and reported as other local receivables.

The District also receives sales tax collected by the state and remitted based on a prior year weighted average attendance. 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 4, 1995, the patrons of the District voted to forego this reduction in property taxes, thus earmarking the entire amount for education.

Entitlements and grants are recognized as revenue in the fiscal year in which all eligibility requirements have been satisfied. Grants and entitlements received before eligibility requirements are met are reported as unearned revenue. In the fund financial statements, entitlement and grant revenues must be collected within 60 days of year-end before they can be recognized.

Operating revenues and expenses for proprietary funds are those that result from providing services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, and investing activities.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH AND INVESTMENTS

The District maintains a cash and temporary cash investment pool that is available for use by all funds except the Debt Service Fund (State law requires that all deposits of the Debt Service Fund be kept separate and apart from all other funds of the District). Each fund's portion of this pool is displayed on the balance sheet as “cash and investments” under each fund’s caption.

Deposits

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At June 30, 2018, the District’s bank balance was fully secured by federal depository insurance or fully collateralized with securities held by the District’s safe keeping agent pledged in the name of the District.

Investments

The District may purchase any investments allowed by the State Treasurer. These include U.S. Treasury securities, U.S. agency securities, securities issued by the State of Missouri, repurchase agreements, certificates of deposit, bankers' acceptances and commercial paper.

The District participates in the Missouri Direct Deposit Program which is a mechanism for public school bond repayments through the 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. The direct deposits occur ten times per year and the balance is withdrawn every six months to pay the debt service requirement of the related bond issues. At June 30, 2018, the District had $6,967,905 in this program, which has been classified as restricted investments.

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 prorata share of each investment or deposit which is held in the name of the Fund. The District had $6,581,903 invested through MoSIP at June 30, 2018.

As of June 30, 2018, the District had the following investments and maturities:

	Fair	Investment Maturities	
Type	value	0 to 1 year	1 to 3 years
Repurchase agreements	$ 26,544,000	$ 26,544,000	$ -
External investment pools			
Missouri Securities Investment Program	6,581,903	6,581,903	-
Missouri Direct Deposit Program	6,967,905	6,967,905	-
	$ 40,093,808	$ 40,093,808	$ -

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District minimizes interest rate risk by structuring its investment portfolio so that securities mature to meet anticipated cash flows for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds in primarily shorter-term securities. The District's investment policy also requires funds invested in bankers' acceptances and commercial paper mature not more than one hundred and eighty days from the dates of purchase and all other investments mature not more than two years from the dates of purchase. Additionally, the policy requires the District to adopt a weighted average maturity limitation that should not exceed one year.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. To protect against credit risk, the District restricts investments to those with a rating of AAA by Standards and Poor's or A1+/P1 by Moody's. These ratings are the highest given by the agencies and indicate a low credit risk.

Concentration of Credit Risk

As a means of limiting its exposure to losses arising from concentration of investments, the District's investment policy mandates that the portfolio not have a concentration of assets in specific maturity, specific issuer or specific class of securities. At a minimum, diversification standards by security type and issuer are established as: (a) U.S. treasuries and securities having principal and/or interest guaranteed by the U.S. Government, 95%; (b) collateralized time and demand deposits, 50%; (c) U.S. Government agencies, and government sponsored enterprises, no more than 70%; (d) collateralized repurchase agreements, 100%; (e) U.S. Government agency callable securities, no more than 15%; (f) commercial paper, no more than 40%; and (g) bankers' acceptances, no more than 40%. Investments in any one issuer representing 5% or more of total investments (excluding investments issued or explicitly guaranteed by the U.S. government and external investment pools) are as follows:

Issuer	Investment Type	Percentage
UMB Bank	Repurchase agreement	66%

Custodial Credit Risk

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 investments or collateral securities that are in the possession of an outside party. To minimize custodial credit risk, it is the District's policy that all securities purchased be perfected in the name of or for the account of the District and be held by a third-party custodian as evidenced by appropriate safekeeping receipts.

Summary

The cash deposits and investments are summarized and presented in the fund financial statements as follows as of June 30, 2018:

Carrying amount of deposits	$	34,830,227
Investments		40,093,808
	$	74,924,035
Cash and investments - governmental funds	$	60,197,017
Restricted cash and investments - governmental funds		8,887,010
Cash - proprietary funds		5,840,008
Total reporting entity	$	74,924,035

NOTE 3 – PROPERTY TAXES

The assessed valuation of the tangible taxable property for the calendar year 2017 and for purposes of local taxation was $2,560,119,212.

The tax levy per $100 of the assessed valuation of tangible taxable property for the calendar year 2017 for purposes of local taxation was as follows:

General Fund	$	2.1069
Special Revenue Fund		2.0145
Debt Service Fund		0.6713
Capital Projects Fund		0.0600
Total	$	4.8527

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2018 aggregated approximately 100% of the 2017 assessment computed on the basis of the levy as shown above.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Governmental activities				
Capital assets that are not depreciated				
Land	$ 6,545,623	$ -	$ -	$ 6,545,623
Construction in progress	38,600	-	(38,600)	-
Capital assets that are depreciated				
Land improvements	20,180,950	442,325	(18,771)	20,604,504
Buildings and improvements	240,506,070	698,807	(1,934,863)	239,270,014
Vehicles and equipment	22,185,225	1,088,201	(2,659,094)	20,614,332
Totals at estimated historical cost	289,456,468	2,229,333	(4,651,328)	287,034,473
Accumulated depreciation				
Land improvements	12,690,568	906,023	(17,899)	13,578,692
Buildings and improvements	45,420,658	3,314,509	(953,715)	47,781,452
Vehicles and equipment	18,674,848	1,368,122	(2,447,946)	17,595,024
Total accumulated depreciation	76,786,074	5,588,654	(3,419,560)	78,955,168
Governmental activities capital assets, net	$ 212,670,394	$ (3,359,321)	$ (1,231,768)	$ 208,079,305

Depreciation was charged to functions of the District as follows:

Instruction	$ 3,917,617
Guidance	40,332
Improvement of instruction	6,608
Executive administration	361,818
Building level administration	17,095
Transportation	2,315
Operation of plant	131,330
Food service	57,105
Community services	46,335
Facility acquisition and construction	1,008,099
	$ 5,588,654

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Amounts due within one year
Governmental activities					
Bonds payable					
General obligation bonds	$ 131,603,000	$ -	$ (14,380,000)	$ 117,223,000	$ 12,193,000
Deferred amounts for issuance premium	6,456,309	-	(790,221)	5,666,088	-
Total bonds payable, net	138,059,309	-	(15,170,221)	122,889,088	12,193,000
Obligations under capital leases	1,727,567	1,834,513	(1,496,069)	2,066,013	921,401
Compensated absences	4,096,590	3,269,004	(4,096,590)	3,269,004	-
Total governmental activity long-term liabilities	$ 143,883,466	$ 5,103,517	$ (20,762,880)	$ 128,224,105	$ 13,114,401

Principal and interest on general obligation bonds are liquidated through the Debt Service Fund. Capital leases are liquidated through the Capital Projects Fund. Compensated absences and early retirement benefits will be liquidated by the fund in which the employee's salary was charged.

Bonds Payable

Repayment of general obligation bond issues is made through the Missouri School District Direct Deposit Program which is a mechanism for public school bond repayments. 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.

General obligation bonds outstanding at June 30, 2018 were as follows:

Date Issued	Maturity Date	Interest Rates	Original Issue	Balance
3/1/2001	3/1/3021	4.15% - 5.17%	$ 9,998,236	$ 798,000
4/7/2005	3/1/2021	3.50% - 5.25%	23,370,000	14,395,000
3/17/2009	3/1/2029	3.625% - 5.00%	40,000,000	9,990,000
10/19/2009	3/1/2025	1.25%	9,185,000	9,185,000
12/7/2010	3/1/2020	3.15%	1,635,000	1,635,000
12/7/2010	3/1/2030	4.20% - 5.50%	29,315,000	29,315,000
5/26/2011	3/1/2022	3.00% - 5.50%	9,940,000	9,940,000
3/6/2012	3/1/2024	2.50%	1,680,000	1,680,000
3/6/2012	3/1/2024	4.00%	4,765,000	4,765,000
2/16/2016	3/1/2029	3.00% - 4.00%	35,520,000	35,520,000
				$ 117,223,000

The District made the irrevocable election to have Section 54AA of the Code apply to the bonds issued on December 7, 2010 so they may be “build America bonds” as defined in Code Section 54AA(d). The District also made the irrevocable election to have Section 54AA(g) of the Code apply to the bonds issued on December 7, 2010 so that they may be “qualified bonds” under Code Section 54AA(g) in order to receive the U.S. Treasury Interest Subsidy payments. Under current law, the U.S. Treasury Interest Subsidy payments are to be paid by the United States directly to any issuer of bonds that qualify as “build America bonds” and as “qualified bonds” in an amount equal to 35% of the interest payable by the District on such bonds on each interest payment date, provided that certain requirements, as described in the Code and related Internal Revenue Service pronouncements, as to the uses and investment of the bond proceeds and other matters, are continuously satisfied by the District.

The annual requirements to amortize the general obligation bonds as of June 30, 2018, including interest payments, are as follows:

	Principal	Interest	Subsidy	Total
Year ending June 30,				
2019	$ 12,193,000	$ 5,984,009	$ (530,331)	$ 17,646,678
2020	13,130,000	4,232,828	(530,331)	16,832,497
2021	12,200,000	3,670,288	(499,975)	15,370,313
2022	11,705,000	3,160,238	(466,095)	14,399,143
2023	11,530,000	2,716,563	(428,663)	13,817,900
2024-2028	44,710,000	8,076,675	(1,459,763)	51,326,912
2029-2030	11,755,000	766,200	(196,000)	12,325,200
	$ 117,223,000	$ 28,606,801	$ (4,111,158)	$ 141,718,643

Article VI, Section 26(c), Constitution of Missouri, limits the outstanding amount of authorized General Obligation Bonds of a district to 15% of the assessed valuation of a District. The legal debt margin of the District at June 30, 2018 was:

Constitutional debt limit	$ 384,017,882
General obligation bonds payable	(117,223,000)
Amount available in Debt Service Fund	12,526,692
Legal debt margin	$ 279,321,574

Capital Lease Payable

The District leases certain equipment under agreements classified as capital leases. As of June 30, 2018, the cost for such equipment, which are included in vehicles and equipment, was $7,045,905 and accumulated depreciation was $3,281,088.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2018:

Year ending June 30,	
2019	$ 962,928
2020	560,491
2021	489,459
2022	107,059
2023	26,765
Total future minimum lease payments	2,146,702
Less amount representing interest	(80,689)
Present value of future minimum lease payments	$ 2,066,013

NOTE 6 – RETIREMENT PLAN

Public School and Education Employee Retirement Systems of Missouri

The District contributes to the Public School Retirement System of Missouri (PSRS), a cost-sharing multiple-employer defined benefit pension plan.

Plan Description

PSRS is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. PSRS also includes certificated employees of 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 “two-thirds statute.” PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members’ benefits are further calculated at two-thirds the normal benefit amount.

The Public Education Employee Retirement System of Missouri (PEERS) is a mandatory cost-sharing multiple employer retirement system for all non-certificated public school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators, and community college employees (except the Community College of St. Louis). Employees of covered districts who work 20 or more hours per week on a regular basis and who are not contributing members of the 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 PSRS.

Benefits Provided

PSRS is a defined benefit plan providing retirement, disability, and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of 5 years of service, (b) have 30 years of service, or (c) qualify for benefits under the “Rule of 80” (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55% benefit factor was used to calculate benefits for members who have 31 or more years of services at retirement. 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.

PEERS is a defined benefit plan providing service retirement, disability benefits and death benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of 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 benefit until reaching minimum Social Security age (currently age 62), which is calculated using a 0.8% benefit factor. Actuarially age-reduced retirement benefits are available with 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.

Summary Plan Descriptions detailing the provisions of the plans can be found on the Systems' website at www.psrs-peers.org.

Cost-of-Living Adjustments ("COLA")

Cost-of-Living Adjustments (“COLA”). The Board of Trustees has established a policy of providing COLAs to PSRS members as follows:

- If the June to June change in the Consumer Price Index for All Urban Consumers (CPI-U) is less than 2% for consecutive one-year periods, a cost-of-living increase of 2% will be granted when the cumulative increase is equal to or greater than 2%, at which point the cumulative increase in the CPI-U will be reset to zero. For the following year, the starting CPI-U will be based on the June value immediately preceding the January 1 at which the 2% of cost-of-living increase is granted.

- If the June to June change in the CPI-U is greater than or equal to 2%, but less than 5%, a cost-of-living increase of 2% will be granted.

- If the June to June change in the CPI-U is greater than or equal to 5%, cost-of-living increase of 5% will be granted.

- If the CPI decreases, no COLA is provided.

For any PSRS member retiring on or after July 1, 2001, such adjustments commence on the second January after commencement of benefits and occur annually thereafter. For PEERS members, such adjustments commence on the fourth January after commencement of benefits and occurs annually thereafter. The total of such increases may not exceed 80% of the original benefit for any member.

Contributions

PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2016, 2017 and 2018. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay.

PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2016, 2017 and 2018. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay.

The District's contributions to PSRS and PEERS were $14,899,417 and $1,856,064, respectively, for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District recorded a liability of $157,552,016 for its proportionate share of PSRS' net pension liability and $12,483,402 for its proportionate share of PEERS' net pension liability. In total, the District recorded net pension liabilities of $170,035,418. The net pension liability for the plans in total was measured as of June 30, 2017 and determined by an actuarial valuation as of that date. The District's proportionate share of the total net pension liability was based on the ratio of its actual contributions paid to PSRS and PEERS of $14,924,906 and $1,803,844, respectively, for the year ended June 30, 2017, relative to the actual contributions of $684,085,861 for PSRS and $110,244,418 for PEERS from all participating employers. At June 30, 2017, the District's proportionate share was 2.1817% for PSRS and 1.6362% for PEERS.

For the year ended June 30, 2018, the District recognized pension expense of $17,453,594 for PSRS and $2,268,149 for PEERS, its proportionate share of the total pension expense.

At June 30, 2018, the District reported deferred outflows of resources from the following sources related to PSRS and PEERS pension benefits:

	Deferred Outflows of Resources		
	PSRS	PEERS	District Total
Difference between expected and actual experience	$ 9,358,327	$ 199,046	$ 9,557,373
Changes in assumptions	24,859,026	2,149,160	27,008,186
Net difference between projected and actual earnings on pension plan investments	39,992,604	3,461,862	43,454,466
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,954,484	77,560	3,032,044
Employer contributions subsequent to the measurement date	14,899,417	1,856,064	16,755,481
Total	$ 92,063,858	$ 7,743,692	$ 99,807,550

At June 30, 2018, the District reported deferred inflows of resources from the following sources related to PSRS and PEERS pension benefits:

	Deferred Inflows of Resources		
	PSRS	PEERS	District Total
Difference between expected and actual experience	$ 10,031,666	$ 505,700	$ 10,537,366
Net difference between projected and actual earnings on pension plan investments	36,733,407	3,193,264	39,926,671
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,730,065	489,061	5,219,126
Total	$ 51,495,138	$ 4,188,025	$ 55,683,163

Deferred outflows of resources to PSRS and PEERS pensions in the amount of $14,899,417 and $1,856,064, respectively, resulting from contributions subsequent to the measurement date of June 30, 2017, will be recognized as a reduction to the net pension liability in the year ended June 30, 2019.

Other amounts reported as collective deferred (inflows) / outflows of resources to be recognized annually in pension expense are as follows:

Year ending June 30,	PSRS	PEERS	District Total
2019	$ 3,300,304	$ 518,473	$ 3,818,777
2020	14,061,794	1,208,703	15,270,497
2021	7,883,454	548,317	8,431,771
2022	(3,398,429)	(575,890)	(3,974,319)
2023	3,293,619	-	3,293,619
Thereafter	528,561	-	528,561
	$ 25,669,303	$ 1,699,603	$ 27,368,906

Actuarial Assumptions

Actuarial valuations of the Systems involve assumptions about probability of occurrence of events far into the future in order to estimate the reported amounts. Examples include assumptions about future employment, salary increases, and mortality. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience for the Systems, derived from experience studies conducted every fifth year and from Board policies concerning investments and COLAs. The most recent comprehensive experience studies were completed in June 2016. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the studies and effective with the June 30, 2016 valuation. For the June 30, 2017 valuations, the investment rate of return was reduced from 7.75% to 7.6% and the assumption for the annual cost-of-living adjustments was updated in accordance with the funding policies amended by the Board of Trustees at their November 2017 meeting. Significant actuarial assumption and methods, including changes from the prior year resulting from changes in Board policy, are detailed below. For additional information please refer to the Systems' Comprehensive Annual Financial Report (CAFR). The next experience studies are scheduled for 2021.

Significant actuarial assumptions and other inputs used to measure the total pension liability:

Measurement Date – June 30, 2017

Valuation Date – June 30, 2017

Expected Return on Investments – 7.60% net of investment expenses and including 2.25% inflation.

Inflation – 2.25%

Total Payroll Growth PSRS – 2.75% per annum consisting of 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.

Total Payroll Growth PEERS – 3.25% per annum consisting of 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.

Future Salary Increases PSRS – 3.00% - 9.50%, depending on service and including 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.

Future Salary Increases PEERS – 4.00% - 11.00%, depending on service and including 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.

Cost-of-Living Increases PSRS and PEERS – The annual COLA assumed in the valuation increases from 1.20% to 1.65% over nine years, beginning January 1, 2019. The COLA reflected for January 1, 2018 is 1.63%, in accordance with the actual COLA approved by the Board. This COLA assumption reflects an assumption that general inflation will increase from 1.80% to a normative inflation assumption of 2.25% over nine years. It is also based on the current policy of the Board to grant a COLA on each January 1 as follows:

- If the June to June change in the CPI-U is less than 2% for consecutive one year periods, a cost-of-living increase of 2% will be granted when the cumulative increase is equal to or greater than 2%, at which point the cumulative increase in the CPI-U will be reset to zero. For the following year, the starting CPI-U will be based on the June value immediately preceding the January 1 at which the 2% cost- of-living increase is granted.
- If the June to June change in the CPI-U is greater than or equal to 2%, but less than 5%, a cost-of-living increase of 2% will be granted.
- If the June to June change in the CPI-U is greater than or equal to 5%, a cost-of-living increase of 5% will be granted.
- If the CPI decreases, no COLA is provided.

The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over age 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. The total lifetime COLA cannot exceed 80% of the original benefit. PSRS members receive a COLA on the second January after retirement, while PEERS members receive a COLA on the fourth January after retirement.

Mortality Assumption –

- Actives PSRS: RP 2006 White Collar Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
- Actives PEERS: RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
- Nondisabled Retirees, Beneficiaries and Survivors PSRS: RP 2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
- Nondisabled Retirees, Beneficiaries and Survivors PEERS: RP 2006 Total Dataset Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
- Disabled retirees: RP 2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.

Changes in Actuarial Assumptions and Methods –

- PSRS and PEERS – The investment return and COLA assumptions were updated by the Board as follows based on changes to the Board’s funding policy adopted at the November 3, 2017 meeting:
    - The investment return assumption was lowered from 7.75% to 7.60% per year.
    - The Board adopted a new COLA policy on November 3, 2017 resulting in a change to the future COLA assumption from an increasing assumption of 1.05% - 1.50% over nine years to an increasing assumption of 1.20% - 1.65% over nine years beginning January 1, 2019.

Fiduciary Net Position: The Systems issue a publicly available financial report that can be obtained at www.psrs-peers.org.

Expected Rate of Return

The long-term expected rate of return on investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed rate of return. The long-term expected rate of return on the Systems’ investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems’ target allocation as of June 30, 2017 are summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cashflows.

Asset Class	Target Asset Allocation	Long-term Expected Real Return Arithmetic Basis	Weighted Long-Term Expected Real Return Arithmetic Basis
U.S. public equity	27.00 %	5.16 %	1.39 %
Public credit	7.00	2.17	0.15
Hedged assets	6.00	4.42	0.27
Non-U.S. public equity	15.00	6.01	0.90
U.S. treasuries	16.00	0.96	0.15
U.S. TIPS	4.00	0.80	0.03
Private credit	4.00	5.60	0.22
Private equity	12.00	9.86	1.18
Private real estate	9.00	3.56	0.32
Total	100.00 %		4.61
		Inflation	2.25
		Long-term arithmetical nominal return	6.86
		Effect of covariance matrix	0.74
		Long-term expected geometric return	7.60 %

Discount Rate

The long-term expected rate of return used to measure the total pension liability was 7.6% as of June 30, 2017 and is consistent with the long-term expected geometric return on plan investments. The actuarial assumed rate of return was 8.0% from 1980 through fiscal year 2016. The Board of Trustees adopted a new actuarial assumed rate of return of 7.75% effective with the June 30, 2016 valuation based on the actuarial experience studies and asset-liability study conducted during the 2016 fiscal year. As previously discussed, the Board of Trustees further reduced the assumed rate of return to 7.6% effective with the June 30, 2017 valuation. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarial accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Discount Rate Sensitivity

The sensitivity of the District's net pension liabilities to changes in the discount rate is presented below. The District's net pension liabilities calculated using the discount rate of 7.60% is presented as well as the net pension liabilities using a discount rate that is 1.0% lower (6.60%) or 1.0% higher (8.60%) than the current rate.

	Discount Rate		
	1% Decrease 6.60%	Current Rate 7.60%	1% Increase 8.60%
Proportionate share of the net position liability / (asset)			
PSRS	$ 279,821,114	$ 157,552,016	$ 55,902,004
PEERS	$ 22,995,980	$ 12,483,402	$ 3,665,547

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Benefits Provided

The District provides continuation of medical, dental and vision insurance coverage, including prescription drugs to employees who are eligible for normal or early retirement under PSRS or PEERS. Retirees may also cover spouses and eligible dependent children. Surviving spouses can continue coverage after the retiree's death. Retirees can continue coverage past Medicare eligibility age.

Retirees who elect to participate in the plan pay 100% of the blended premium rates effective for both active employees and retirees. The blended rates provide an implicit rate subsidy for retirees because, on an actuarial basis, the current and future claims are expected to result in higher cost to the plan on average than those of active employees A stand-alone financial report is not available for the plan.

Teachers who retire from the District with at least 15 years of experience are eligible to participate in the District's Teachers Retiree Discount Insurance Program (RDIP). In order to earn a discount toward purchase of District group health insurance, the teacher must substitute teach in the District. The number of days that a teacher must substitute teach to earn this benefit is calculated by dividing the District group health insurance contribution by the daily amount that a retiree is paid for substitute teaching, then multiplying that amount by the "Employee Contribution Percentage." Retirees are eligible for RDIP in the five years immediately following retirement. It is assumed that the percentage of retiree discount from this program will remain constant from year to year.

Employees covered by benefit terms at June 30, 2017:

	Number	Average Age
Actives	1,869	43.3
Retirees and surviving spouses	758	66.1
Spouses of current retirees	289	
Total	2,916	

Contributions

The District does not pre-fund benefits. The current funding policy is to pay benefits on a pay-as-you-go basis and there is not a trust for accumulating plan assets. Plan members receiving benefits contributed $1,527,448 to the plan for the year ended June 30, 2018.

Total OPEB Liability

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, and was then projected forward to the measurement date of June 30, 2018.

Actuarial Assumptions

The following actuarial methods and assumptions were used in the June 30, 2017 actuarial valuation.

Inflation – 2.30% long-term inflation

Discount Rate - 3.87% for determining June 30, 2018 disclosure and estimated fiscal 2019 expense; 3.58% for determining June 30, 2017 liability and fiscal 2018 expense. The discount rate is based on the index rate for 20-year, tax-exempt general obligation municipal bonds.

Salary Increase Rate – 3.0%, based on actual and anticipated experience.

Healthcare cost trend rates – 6.30% for medical in 2017 decreasing to an ultimate rate of 4.10% for 2081 and beyond. 5.00% for dental and vision in 2017 decreasing to an ultimate rate of 4.10% for 2023 and beyond.

Mortality rates – RP-2014 Mortality Table (employee and healthy annuitant tables) and projected generationally using Scale MP-2017.

Participation – Based on statistics provided by the District, it is assumed that 55% of employees who retire prior to age 65 will elect medical, dental and vision coverage, upon retirement.

Actuarial cost method – Entry age normal.

Changes in Total OPEB Liability

The components of the total OPEB liability of the District at June 30, 2018 are as follows:

	Total OPEB Liability
Balance at July 1, 2017,	$ 34,216,165
Service cost	1,644,890
Interest	1,256,725
Changes in assumptions	(1,242,421)
Benefit payments	(1,527,448)
Balances at June 30, 2018	$ 34,347,911

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower and 1 percentage point higher than the current discount rate.

	1% Decrease 2.87%	Current Rate 3.87%	1% Increase 4.87%
Total OPEB liability	$ 38,941,707	$ 34,347,911	$ 30,146,831

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trends

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be it were calculated using a healthcare trend rate that is 1 percentage point lower and 1 percentage point higher than the current healthcare trend rate.

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	$ 29,508,319	$ 34,347,911	$ 40,426,072

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $2,751,201. At June 30, 2018, the City reported deferred inflows of resources related to OPEB of $1,092,007 related to changes in assumptions.

Amounts reports as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30	Net Inflows of Resources
2019	$ 150,414
2020	150,414
2021	150,414
2022	150,414
2023	150,414
Thereafter	339,937
Total	$ 1,092,007

NOTE 8 – DEFERRED COMPENSATION PLAN

Employees of the District may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code (IRC) Section 457. The deferred compensation plan is available to all employees of the District. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The deferred compensation plan is administered by an unrelated financial institution.

NOTE 9 – SELF-INSURANCE PLAN

The District maintains a self-funded health insurance program and dental insurance program with claims processed by a third party administrator on behalf of the District. A separate Insurance Fund (an internal service fund) is used to account for and finance both insurance programs.

All funds of the District from which employee salaries are paid participate in the health and dental insurance programs and make payments to the Internal Service Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for incurred but not reported claims. Total contributions and transfers to the programs for the year ended June 30, 2018 were $22,135,753. The claims liability of $2,697,358 reported in the Internal Service Fund at June 30, 2018, is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Internal Service Fund's claims liability amount were as follows for the year ended June 30,:

	2018	2017
Unpaid claims, beginning of year	$ 3,070,911	$ 3,264,455
Incurred claims (including IBNRs)	21,665,417	19,063,583
Claim payments	(22,038,970)	(19,257,127)
Unpaid claims, end of year	$ 2,697,358	$ 3,070,911

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Litigation

Various claims and lawsuits are pending against the District. In the opinion of District management, the potential loss on all claims and lawsuits will not be material to the District’s financial statements taken as a whole.

Grant Audits

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

Protested Taxes

Each year the County remits certain unresolved protested tax payments to the District. The County notifies the District when a taxpayer is successful in their protests, and the District refunds the tax payments to the County. Normal refunds of protested tax payments are not material in relation to the District's financial position and results of operations.

NOTE 11 – RISK MANAGEMENT

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. To mitigate these risks, the District is a participant in the Missouri United School Insurance Council (MUSIC) which is a Protected Self-Insurance Program of Missouri Public School Districts with approximately 467 members. The District pays an assessment to MUSIC. Part of the assessment then goes to purchase excess insurance contracts for the group as a whole. Should the contributions received by MUSIC not be sufficient, special assessments can be made to the member districts.

NOTE 12 – TAX ABATEMENTS

A tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which the governments promise to forgo tax revenues to which they are otherwise entitled and the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Under Chapter 100 of Missouri's tax code, the Department of Economic Development can provide a state and local sales tax exemption on tangible personal property leased by a company from a city/county. The tax exemption extends to both state and local sales tax and local property tax.

The District does not negotiate tax abatements with entities; however, the District is impacted by tax abatements granted by other governmental jurisdictions within the District's boundaries. These include Chapter 100 tax abatements for The Fireman's Fund, CitiMortgage, and Centene Corporation. For the fiscal year ending June 30, 2018, these abatements total $1,139.557.

The District is also subject to one Chapter 353 tax abatement; this is an incentive to help redevelop blighted areas by abating some or all of the property taxes for up to 25 years. This tax abatement is immaterial to the financial statements.

NOTE 13 – CHANGE IN ACCOUNTING PRINCIPLE

Net position as of July 1, 2017 has been restated as follows based on the measurement date at June 30, 2017, for the implementation of GASB Statement No. 74, *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"* and GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*.

Net position as previously reported at June 30, 2017	$	10,414,059
To eliminate the other postemployment benefit obligation prior to GASB Statement No. 75		11,290,500
To record the total liability for other postemployment benefits at the beginning of the year according to GASB No. 75		(34,216,165)
Net position as restated at June 30, 2017	$	(12,511,606)

NOTE 14 – SUBSEQUENT EVENTS

In November 2018, the District refinanced approximately $6,000,000 of its eligible 2009 general obligation bonds at a lower interest rate which will result in a savings of more than $100,000 in interest payments over the next two years.

FRANCIS HOWELL R-III SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND - UNAUDITED
Year ended June 30, 2018

	Budgeted amounts			Variances - positive (negative)	
	Original	Final	Actual	Original to final	Final to actual
Revenues					
Local	$ 75,791,844	$ 76,050,073	$ 71,253,498	$ 258,229	$ (4,796,575)
County	1,270,087	1,270,087	1,218,128	-	(51,959)
State	1,885,517	2,024,764	6,648,804	139,247	4,624,040
Federal	2,041,368	2,081,851	2,951,422	40,483	869,571
Interest	188,961	188,961	668,989	-	480,028
Other	160,000	160,000	765,895	-	605,895
Student activities	2,350,000	2,350,000	2,380,639	-	30,639
Total revenues	83,687,777	84,125,736	85,887,375	437,959	1,761,639
Expenditures					
Instruction	19,743,128	19,754,774	19,029,531	(11,646)	725,243
Attendance	1,942,242	1,771,927	1,310,476	170,315	461,451
Guidance	161,145	160,692	158,614	453	2,078
Health, psych, speech and audio	1,422,887	1,316,135	1,442,744	106,752	(126,609)
Improvement of instruction	1,343,940	1,668,543	1,440,879	(324,603)	227,664
Professional development	91,323	95,386	77,171	(4,063)	18,215
Media services (library)	358,820	358,977	357,502	(157)	1,475
Board of Education services	273,000	273,000	242,512	-	30,488
Executive administration	4,735,476	4,735,476	4,752,662	-	(17,186)
Building level administration	1,146,799	1,133,929	1,241,778	12,870	(107,849)
Business central service	1,958,968	1,944,531	1,854,078	14,437	90,453
Operation of plant	14,545,667	16,454,717	16,652,664	(1,909,050)	(197,947)
Security services	19,703	20,464	20,566	(761)	(102)
Pupil transportation	12,523,525	12,545,800	12,701,881	(22,275)	(156,081)
Food services	5,863,375	6,863,375	6,047,548	(1,000,000)	815,827
Central office support services	6,304,737	6,038,119	5,390,161	266,618	647,958
Community service	7,952,460	7,929,220	7,901,647	23,240	27,573
Total expenditures	80,387,195	83,065,064	80,622,414	(2,677,869)	2,442,650
Revenues over (under) expenditures	3,300,582	1,060,672	5,264,961	(2,239,910)	4,204,289
Other financing sources (uses)					
Proceeds from sale of other property	-	-	3,881	-	(3,881)
Transfers out	(3,944,379)	(4,652,838)	(545,084)	(708,459)	4,107,754
Total other financing sources (uses)	(3,944,379)	(4,652,838)	(541,203)	(708,459)	4,103,873
NET CHANGE IN FUND BALANCE	$ (643,797)	$ (3,592,166)	4,723,758	$ (2,948,369)	$ 8,308,162
Fund balance at July 1, 2017			48,935,900		
Fund balance at June 30, 2018			$ 53,659,658		

See notes to required supplementary information.

FRANCIS HOWELL R-III SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGETARY BASIS - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND - UNAUDITED
Year ended June 30, 2018

	Budgeted amounts			Variances - positive (negative)	
	Original	Final	Actual	Original to final	Final to actual
Revenues					
Local	$ 59,081,433	$ 59,267,967	$ 68,678,000	$ 186,534	$ 9,410,033
County	1,547,334	1,547,334	1,530,062	-	(17,272)
State	52,020,559	51,834,322	46,717,676	(186,237)	(5,116,646)
Federal	5,797,823	5,850,189	4,725,292	52,366	(1,124,897)
Interest	165,366	165,366	125,704	-	(39,662)
Other	2,120,000	1,789,000	1,057,531	(331,000)	(731,469)
Total revenues	120,732,515	120,454,178	122,834,265	(278,337)	2,380,087
Expenditures					
Instruction	103,854,537	105,807,823	102,891,116	(1,953,286)	2,916,707
Guidance	4,832,143	4,827,746	4,899,097	4,397	(71,351)
Health, psych, speech and audio	984,169	-	-	984,169	-
Improvement of instruction	2,530,005	2,427,439	2,351,669	102,566	75,770
Professional development	431,182	427,127	346,452	4,055	80,675
Media services (library)	1,660,833	1,661,937	1,778,667	(1,104)	(116,730)
Executive administration	360,099	360,231	378,371	(132)	(18,140)
Building level administration	8,106,737	8,400,212	8,359,647	(293,475)	40,565
Business central service	2,500	2,500	17,903	-	(15,403)
Central office support services	1,133,410	1,455,425	1,639,054	(322,015)	(183,629)
Community service	81,279	80,127	137,675	1,152	(57,548)
Total expenditures	123,976,894	125,450,567	122,799,651	(1,473,673)	2,650,916
Revenues over (under) expenditures	(3,244,379)	(4,996,389)	34,614	(1,752,010)	5,031,003
Other financing sources					
Transfers in	3,244,379	3,952,838	-	708,459	(3,952,838)
NET CHANGE IN FUND BALANCE	$ -	$ (1,043,551)	34,614	$ (1,043,551)	$ 1,078,165
Fund balance at July 1, 2017			972		
Fund balance at June 30, 2018			$ 35,586		

See notes to required supplementary information.

NOTE 1 – BUDGETS AND BUDGETARY INFORMATION

The District follows these 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 revenues and proposed expenditures for all District funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
- A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Education, the budget document is available for public inspection.
- Prior to July 1, the budget is legally enacted by a vote of the Board of Education.
- Subsequent to its formal approval of the budget, the Board of Education has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.

NOTE 2 – ADJUSTMENTS TO CONVERT BUDGETARY BASIS TO MODIFIED ACCRUAL BASIS

The District creates its budget using the cash basis of accounting. The cash basis is used because it enables the District to better budget revenue and expenditures as the resources are expended or received. As noted in the Summary of Significant Accounting Policies, the District used the modified accrual basis to report fund financial statements.

The following is a summary of the differences between the cash basis ending fund balances and the modified accrual basis ending fund balances:

	General Fund	Special Revenue Fund
Cash basis fund balance June 30, 2018	$ 53,659,658	$ 35,586
Less cash balance restricted for proprietary fund	(5,840,008)	-
Add receivables	3,256,812	2,729,659
Add prepaid expenses	1,545,700	27,359
Less accounts payable	(2,156,120)	(1,582,301)
Less unearned revenue and deferred inflows	(710,352)	(679,199)
Modified accrual basis fund balance June 30, 2018	$ 49,755,690	$ 531,104

NET PENSION LIABILITY – UNAUDITED
Year ended June 30, 2018

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios – PSRS

Year Ended*	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Actual Covered Member Payroll	Net Pension Liability as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2015	2.2109%	$ 90,703,839	$ 99,200,076	91.4%	89.3%
6/30/2016	2.2802%	131,632,756	104,318,130	126.2%	85.8%
6/30/2017	2.2719%	169,044,101	106,065,873	159.4%	82.2%
6/30/2018	2.1817%	157,552,016	104,032,363	151.5%	83.8%

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios - PEERS

Year Ended*	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Actual Covered Member Payroll	Net Pension Liability as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2015	1.7233%	$ 6,292,905	$ 25,129,653	25.0%	91.3%
6/30/2016	1.7720%	9,372,217	26,571,281	35.3%	88.3%
6/30/2017	1.7169%	13,775,294	26,513,306	52.0%	83.3%
6/30/2018	1.6362%	12,483,402	26,295,104	47.5%	85.4%

Schedule of Employer Contributions - PSRS

Year Ended	Contractually Required Contribution	Actual Employer Contributions	Contribution Excess/ (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
6/30/2014	$ 13,693,593	$ 13,693,593	$ -	$ 95,269,253	14.37%
6/30/2015	14,237,244	14,237,244	-	99,200,076	14.35%
6/30/2016	14,971,166	14,971,166	-	104,318,130	14.35%
6/30/2017	15,218,211	15,218,211	-	106,065,873	14.35%
6/30/2018	14,924,906	14,924,906	-	104,032,363	14.35%

NET PENSION LIABILITY – UNAUDITED
Year ended June 30, 2018

Schedule of Employer Contributions – PEERS

Year Ended	Contractually Required Contribution	Actual Employer Contributions	Contribution Excess/ (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
6/30/2014	$ 1,673,142	$ 1,673,142	$ -	$ 24,391,725	6.86%
6/30/2015	1,723,895	1,723,895	-	25,129,653	6.86%
6/30/2016	1,822,790	1,822,790	-	26,571,281	6.86%
6/30/2017	1,818,813	1,818,813	-	26,513,306	6.86%
6/30/2018	1,803,844	1,803,844	-	26,295,104	6.86%

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

*The data provided is based as of the measurement date of PSRS' and PEERS' net pension liability, which is as of the beginning of the District's fiscal year.

FRANCIS HOWELL R-III SCHOOL DISTRICT

OTHER POSTEMPLOYMENT BENEFIT OBLIGATION - UNAUDITED
June 30, 2018

Schedule of Changes in Total OPEB Liability

	2018
Total OPEB liability	
Service cost	$ 1,644,890
Interest cost	1,256,725
Changes in assumptions	(1,242,421)
Benefit payments	(1,527,448)
Net change in total OPEB liability	131,746
Total OPEB liability at beginning of year	34,216,165
Total OPEB liability at end of year	$ 34,347,911
Covered payroll for the year ended June 30, 2018	$ 116,913,000
Total OPEB liability as a percentage of covered payroll	29.38%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Plan Assets: No assets are accumulated in a trust that meets all of the following criteria of GASB No. 75, paragraph 4, to pay benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan Assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

FRANCIS HOWELL R-III SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGETARY BASIS - BUDGET AND ACTUAL -
DEBT SERVICE FUND
Year ended June 30, 2018

	Budgeted amounts			Variances - positive (negative)	
	Original	Final	Actual	Original to final	Final to actual
Revenues					
Local	$ 17,261,582	$ 17,335,776	$ 17,557,795	$ 74,194	$ 222,019
County	406,624	406,624	405,867	-	(757)
Federal	530,331	530,331	494,533	-	(35,798)
Interest	55,695	55,695	112,004	-	56,309
Total revenues	18,254,232	18,328,426	18,570,199	74,194	241,773
Expenditures					
Debt service					
Principal	14,380,000	14,380,000	14,380,000	-	-
Interest and other charges	5,546,446	5,546,446	5,526,075	-	20,371
Total expenditures	19,926,446	19,926,446	19,906,075	-	20,371
NET CHANGE IN FUND BALANCES	$ (1,672,214)	$ (1,598,020)	(1,335,876)	$ 74,194	$ 262,144
Fund balance at July 1, 2017			13,697,890		
Fund balance at June 30, 2018			$ 12,362,014		

Reconciliation of budgetary basis (cash basis) of accounting to modified accrual basis of accounting

Cash basis fund balance June 30, 2018	$ 12,362,014
Add receivables	556,119
Less unearned revenue and deferred inflows	(391,441)
Modified accrual fund balance June 30, 2018	$ 12,526,692

FRANCIS HOWELL R-III SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY BASIS - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
Year ended June 30, 2018

	Budgeted amounts			Variances - positive (negative)	
	Original	Final	Actual	Original to final	Final to actual
Revenues					
Local	$ 2,592,819	$ 2,599,450	$ 2,597,077	$ 6,631	$ (2,373)
County	36,344	36,344	32,441	-	(3,903)
State	40,000	40,000	89,332	-	49,332
Federal	20,000	20,000	15,838	-	(4,162)
Interest	9,978	29,978	62,985	20,000	33,007
Student activities	-	-	109,172	-	109,172
Total revenues	2,699,141	2,725,772	2,906,845	26,631	181,073
Expenditures					
Capital outlay	5,865,763	6,949,477	4,561,933	(1,083,714)	2,387,544
Revenues under expenditures	(3,166,622)	(4,223,705)	(1,655,088)	(1,057,083)	2,568,617
Other financing sources					
Transfers in	700,000	700,000	545,084	-	(154,916)
NET CHANGE IN FUND BALANCE	$ (2,466,622)	$ (3,523,705)	(1,110,004)	$ (1,057,083)	$ 2,413,701
Fund balance at July 1, 2017			5,019,470		
Fund balance at June 30, 2018			$ 3,909,466		

Reconciliation of budgetary basis (cash basis) of accounting to modified accrual basis of accounting

Cash basis fund balance June 30, 2018	$ 3,909,466
Add receivables	51,010
Less accounts payable	(160,621)
Less unearned revenue and deferred inflows	(20,231)
Modified accrual fund balance June 30, 2018	$ 3,779,624

FRANCIS HOWELL R-III SCHOOL DISTRICT

INFORMATION REQUIRED FOR
STATE AND FEDERAL PROGRAM REPORTING

June 30, 2018

FRANCIS HOWELL R-III SCHOOL DISTRICT

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STATE COMPLIANCE

FEDERAL COMPLIANCE

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Independent Accountants' Report on
Compliance with Specified Requirements of
Missouri Laws and Regulations

Board of Education
Francis Howell R-III School District

We have examined Francis Howell R-III School District's compliance with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures, and accurate disclosure by the District's records of average daily attendance and average daily transportation of pupils for the year ended June 30, 2018. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements 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 Francis Howell R-III School District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Francis Howell R-III School 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 Francis Howell R-III School District's compliance with specified requirements.

In our opinion, the Francis Howell R-III School District complied, in all material respects, with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures, and accurate disclosure by the District's records of average daily attendance and average daily transportation of pupils for the year ended June 30, 2018.

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

Kerber, Eck & Braeckel LLP

St. Louis, Missouri
December 10, 2018

FRANCIS HOWELL R-III SCHOOL DISTRICT

SCHEDULE OF SELECTED STATISTICS – UNAUDITED
Year ended June 30, 2018

District Number: 092-088

1. **Calendar** (Sections 160.041 and 171.031, RSMo)

A. Standard day length (SDL) - The total number of hours between the starting time of the first class and the dismissal time of the last class, minus the time allowed for lunch and one passing time, and minus Channel One time. Reported with 4 decimal places.

Grades K through 5	6.5833	SDL
Grades 6 through 8	6.5833	SDL
Grades 9 through 12	6.5833	SDL

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

Grades K through 5	1,102.5777	Hours
Grades 6 through 8	1,083.2295	Hours
Grades 9 through 12	1,083.2295	Hours

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

Grades K through 5	169	Days
Grades 6 through 8	169	Days
Grades 9 through 12	169	Days

SCHEDULE OF SELECTED STATISTICS – UNAUDITED
Year ended June 30, 2018

2. Average Daily Attendance (ADA)

Regular Term	Full-Time & Part-Time	Remedial	Total
Grades K through 5	7,119.97	-	7,119.97
Grades 6 through 8	3,645.87	-	3,645.87
Grades 9 through 12	4,873.98	-	4,873.98
Subtotal - Regular attendance	15,639.82	-	15,639.82
Summer School - Average daily attendance			130.28
ESY - Average daily attendance			2.96
Total average daily attendance			**15,773.06**

3. September Membership

	Full-Time & Part-Time	Deseg In	Federal Lands	Total	Deseg Out
September Membership FTE Count	16,643.25	-	-	16,643.25	-

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

		Full-Time & Part-Time	Deseg In	Total
State FTE Total	**Free**	2,498.50	-	2,498.50
	Reduced	465.01	-	465.01
		2,963.51	-	2,963.51

5. Finance

A.	As required by Section 162.401, RSMo, a bond was purchased for the District's treasurer in the total amount of:	$50,000
B.	The district's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo.	True
C.	The District maintained a separate bank account for the Debt Service Fund in accordance with Section 165.011, RSMo.	True
D.	Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records.	True
E.	If a $162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the board approve a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken.	N/A
F.	The district published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo.	True
G.	The District has a professional development committee plan adopted by the Board with professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment.	True
H.	The amount spent for approved professional development committee plan activities was:	$423,623

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

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

6. Transportation

A.	The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.	True
B.	The district's school transportation ridership records are maintained in a manner to accurately disclose in all material respects the average number of regular riders transported.	True
C.	Based on the ridership records, the average number of students (non-disabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was:	
	▪ **Eligible ADT**	10,068
	▪ **Ineligible ADT**	1,321
D.	The district'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
E.	Actual odometer records show the total district-operated <u>and</u> contracted mileage for the year was:	2,842,223
	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**	2,685,581
	▪ **Ineligible Miles (Non-Route/Disapproved)**	156,642
F.	Number of days the district operated the school transportation system during the regular school year:	169
G.	All above "False" answers must be supported by a finding or management letter comment.	
	Finding #:	N/A
	Management Letter Comment #:	N/A

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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
Francis Howell R-III School District

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 the Francis Howell R-III School District, as of and for the year ended June 30, 2018, 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 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Francis Howell R-III School 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 Francis Howell R-III School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Francis Howell R-III School 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Francis Howell R-III School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Francis Howell R-III School District's Response to Findings

The Francis Howell R-III School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Francis Howell R-III School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 of 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.

Kerber, Eck & Braeckel LLP

St. Louis, Missouri
December 10, 2018

Kerber, Eck & Braeckel LLP

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Education
Francis Howell R-III School District

Report on Compliance for Each Major Federal Program

We have audited Francis Howell R-III School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Francis Howell R-III School District's major federal programs for the year ended June 30, 2018. Francis Howell R-III School 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 the 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 the District's 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 Francis Howell R-III School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Francis Howell R-III School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Francis Howell R-III School 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, 2018.

Report on Internal Control Over Compliance

Management of Francis Howell R-III School 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 Francis Howell R-III School 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 Francis Howell R-III School District's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of governmental activities, each major fund, and the aggregate remaining fund information of Francis Howell R-III School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Francis Howell R-III School District's basic financial statements. We issued our report thereon dated December 10, 2018, 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 basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kerber, Eck & Braeckel LLP

St. Louis, Missouri
December 10, 2018

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2018

Federal Grantor Pass-through Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture			
Passed-through Missouri Department of Elementary and Secondary Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	092-088	$ 353,756
National School Lunch Program	10.555	092-088	
Cash assistance			1,492,199
Non-cash assistance (food distribution)			453,377
Total National School Lunch Program			1,945,576
Total U.S. Department of Agriculture			2,299,332
U.S. Department of Education			
Passed-through Missouri Department of Elementary and Secondary Education:			
Title I, Grants to Local Education Agencies	84.010	092-088	1,078,470
Title IIA, Improving Teacher Quality State Grants	84.367	092-088	305,211
English Language Acquisition Grants	84.365	092-088	51,572
Grants for State Assessments and Related Activities	84.369	092-088	1,298
Special Education Cluster			
Special Education - Grants to States	84.027	092-088	4,177,972
Special Education - Preschool Grant	84.173	092-088	167,685
Total Special Education Cluster			4,345,657
Total U.S. Department of Education			5,782,208
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 8,081,540**

See notes to schedule of expenditures of federal awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Francis Howell R-III School District under programs of the federal government for the year ended June 30, 2018. 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the District's operations, it is not intended to and does not present the financial position and changes in financial position of Francis Howell R-III School District.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Francis Howell R-III School District prepares its Schedule of Expenditures of Federal Awards on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain expenditures are not allowable or are limited as to reimbursement.

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

NOTE 3 – SUBRECIPIENTS

There have been no awards passed through to subrecipients.

NOTE 4 – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at fair market value of the commodities received and disbursed during the fiscal year ended June 30, 2018.

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on financial statements: Unmodified opinion

Internal control over financial reporting:

- Material weaknesses identified? Yes
- Significant deficiencies identified that are not considered material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified opinion

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the Uniform Guidance? No

The programs tested as major programs include:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 and 84.173	Special Education Cluster (IDEA)

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

Francis Howell R-III School District qualified as low risk auditee? No

II. FINDINGS – FINANCIAL STATEMENT AUDIT

Finding 2018-001

Condition:

During our audit, we proposed adjustments to certain accrued balances to assist the District in the conversion from cash basis to accrual basis financial statements in accordance with generally accepted accounting principles (GAAP).

Criteria:

In accordance with Statement on Auditing Standards AU-C Section 325, the auditor's identification of a material adjustment to the financial statements that would not have been detected by the entity's internal control is an indication of a material weakness in internal control.

Cause:

The District prepares its budget, interim financial statements, and Annual Secretary of the Board Report on the cash basis of accounting in conformity with requirements of the Department of Elementary and Secondary Education. Once a year, for external financial reporting purposes, the District converts its financial statements from the cash basis to the more extensive modified accrual and accrual basis of accounting in accordance with generally accepted accounting principles. Since these conversions are only performed once a year for the sole purpose of the year-end audit, the year-end cash to accrual conversion procedures are not as well-defined and closely monitored as other more routine accounting and reporting functions.

Effect:

Adjustments to certain accrued balances reported in the financial statements were necessary for fair presentation in accordance with generally accepted accounting principles.

Recommendation:

We recommend the District continue to strengthen its year-end cash to accrual basis conversion procedures to ensure GAAP compliant financial statements are prepared in advance of the annual audit.

Views of Responsible Official and Planned Corrective Action:

Francis Howell is one of only eight Missouri school districts using the accrual basis of accounting for financial reporting purposes so that its financial statements are prepared in accordance with generally accepted accounting principles. The District accepts the auditor's recommendation to continue to improve its year-end cash to accrual basis conversion procedures to ensure GAAP compliant financial statements are prepared in advance of the annual audit.

III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings and questioned costs related to Federal awards.

Finding 2017-001

Condition:

Adjustments to certain accrued balances were proposed by the auditors to assist the District in the conversion from cash basis to accrual basis financial statements in accordance with GAAP.

Recommendation:

The auditor recommended the District continue to strengthen its year-end cash to accrual basis conversion procedures to ensure GAAP compliant financial statements are prepared in advance of the annual audit.

Current Status:

This finding was repeated as finding 2018-001.

FRANCIS HOWELL R-III SCHOOL DISTRICT

REPORT TO THE BOARD OF EDUCATION

Year Ended June 30, 2018

Kerber, Eck & Braeckel LLP

CPAs and
Management Consultants

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Board of Education
Francis Howell R-III School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Francis Howell R-III School District for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 16, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. During the year, the District adopted GASB Statement No. 74 "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans" and GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions". This statement establishes new accounting financial reporting requirements for governments whose employees are provided with other postemployment benefits. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

a. Depreciation expense (estimated useful life)
b. Allowance for uncollectible property taxes
c. Medical and dental claims payable
d. Net pension obligation
e. Other postemployment benefit obligation
f. Compensated absences

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financials statement users. The most sensitive disclosure affecting the financial statements was the disclosure of the change in accounting principle that resulted in a restatement of net position as of June 30, 2017, which is included in Note 13 to the financial statements.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes our proposed adjustments detected as a result of audit procedures. All such adjustments were accepted and posted by management.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 10, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Kerber, Eck & Braeckel LLP

St. Louis, Missouri
December 10, 2018

Client:	*Francis Howell School District*	
Engagement:	*#NAME?*	
Period Ending:	*6/30/2018*	
Trial Balance:	*#NAME?*	
Workpaper:	*#NAME?*	

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries				
Adjusting Journal Entries JE # 7		53-06		
To reverse PY AJE #7 to correct food service revenue in CY				
5-0000-00-000-13040	Federal Receivables		165,215.00	
5-0000-00-000-54450	SCHOOL LUNCH PROGRAM			137,251.00
5-0000-00-000-54460	SCHOOL BREAKFAST PROGRAM			27,964.00
Total			**165,215.00**	**165,215.00**
Adjusting Journal Entries JE # 8		50-01		
To reclass PEERS and PSRS checks held at year end from cash to AP				
1-0000-00-000-10500	Cash and Investments		4,957,308.00	
1-0000-00-000-20010	Payroll Accrual			4,957,308.00
Total			**4,957,308.00**	**4,957,308.00**
Adjusting Journal Entries JE # 11		71		
To adjust accounts payable based on search for unrecorded liabilities				
1-2540-00-000-64XXX	General Supplies		18,554.00	
1-2551-00-000-64XXX	General Supplies		301,547.00	
2-1910-00-000-64XXX	General Supplies		14,076.00	
4-4000-00-000-64XXX	General Supplies		146,225.00	
5-2561-00-000-64XXX	Food Services		9,073.00	
B-2540-00-000-64XXX	Operation of Plant		48,973.00	
1-0000-00-000-21110	AP - General			320,101.00
2-0000-00-000-21110	AP - General			14,076.00
4-0000-00-000-21110	AP - General			146,225.00
5-0000-00-000-21110	AP - General			9,073.00
B-0000-00-000-21110	AP - General			48,973.00
Total			**538,448.00**	**538,448.00**
Adjusting Journal Entries JE # 12		70-04		
To record change in accounts payable for the proprietary fund				
9-0000-00-000-21119	Medical and dental benefits payable		373,553.00	
9-0000-00-000-62410	MEDICAL INSURANCE			373,553.00
Total			**373,553.00**	**373,553.00**
Adjusting Journal Entries JE # 13		70-04		
Entry to reverse part of client provided entry #9918 that should not have been posted				
9-0000-00-000-62410	MEDICAL INSURANCE		436,475.00	
9-0000-00-000-21119	Medical and dental benefits payable			436,475.00
Total			**436,475.00**	**436,475.00**
Adjusting Journal Entries JE # 15				
To reclass payments made for roof repairs using insurance proceeds				
B-2540-81-000-63320	REPAIR AND MAINTENANCE		3,603,763.00	
B-0000-00-000-56310	NET INSURANCE RECOVERY			3,603,763.00
Total			**3,603,763.00**	**3,603,763.00**
Adjusting Journal Entries JE # 116		75-01		
To reclass capital leases added after YE				
4-0000-00-000-56710	Capital Lease Proceeds		1,969,655.00	
4-4000-00-000-64XXX	General Supplies			1,969,655.00
Total			**1,969,655.00**	**1,969,655.00**
Adjusting Journal Entries JE # 117		70-05a		
To reclass proprietary fund revenues for consistency with prior year reporting				
9-0000-00-000-51920	GIFTS		21,054,092.00	
9-2690-00-000-51980	MISC LOCAL REVENUE		3,001,141.00	
9-0000-00-000-51920	GIFTS			1,919,480.00
9-0000-00-000-51980	Misc. Local Revenue			21,054,092.00
E-0000-00-000-51980	Dental Fund Contributions			1,081,661.00
Total			**24,055,233.00**	**24,055,233.00**
Adjusting Journal Entries JE # 122				
To reverse PBC entry AJE #4				
1-1151-00-000-64XXX	General Supplies		85,471.00	
2-1151-00-000-62XXX	Benefit Expenses		949,360.00	
1-0000-00-000-21110	AP - General			85,471.00
2-0000-00-000-21110	AP - General			949,360.00
Total			**1,034,831.00**	**1,034,831.00**

Adjusting Journal Entries JE # 9995		70-02		
To reverse PBC AJE #5				
1-0000-00-000-21110	AP - General		26,221.00	
1-1151-80-110-63330	RENTAL FACILITY		31,745.00	
1-2690-00-000-64XXX	General Supplies		46,067.00	
2-0000-00-000-21110	AP - General		46,077.00	
B-0000-00-000-21110	AP - General		576,585.00	
1-2322-80-250-63160	DATA PROCESSING SERVICES			2,156.00
1-2546-95-151-63930	SECURITY			19,703.00
1-2551-80-025-63420	TRANSPORTATION - FIELD TRIPS			21,362.00
1-2551-80-125-63420	TRANSPORTATION - FIELD TRIPS			59,017.00
1-2553-80-150-63410	CONTRACTED PUPIL TRANSPORTATION			1,805.00
2-1933-80-325-63110	INSTRUCTION SERVICES			46,067.00
B-2540-00-000-64XXX	Operation of Plant			576,585.00
Total			**726,695.00**	**726,695.00**

Client:	*Francis Howell School District*			
Engagement:				
Period Ending:	*6/30/2018*			
Trial Balance:				
Workpaper:				
Account	**Description**	**W/P Ref**	**Debit**	**Credit**
Other Journal Entries1				
Other Journal Entries1 JE # 125		**80**		
To reverse portions of PBC OJE-101 that were improperly recorded				
9-0000-00-000-21110	Accounts Payable		3,070,911.00	
9-0000-00-000-31000	Fund Balance - Unassigned		777,088.00	
E-0000-00-000-31003	Fund Balance - Assigned		275,759.00	
9-0000-00-000-10500	Cash and Investments			3,847,999.00
E-0000-00-000-10500	Cash and Investments			275,759.00
Total			**4,123,758.00**	**4,123,758.00**
Other Journal Entries1 JE # 127		**75-01**		
To reclass capital proceeds for lease that wasn't signed until after 6/30/18				
4-0000-00-000-28130	Capital Lease		1,969,655.00	
4-0000-00-000-56710	Capital Lease Proceeds			1,969,655.00
Total			**1,969,655.00**	**1,969,655.00**
Other Journal Entries1 JE # 128		**60-01**		
To reallocate depreciation expense out of capital outlay for Stmt of Activities				
4-1111-00-000-65999	Depreciation - Instruction		3,917,617.00	
4-2122-00-000-65999	Depreciation - Guidance		40,332.00	
4-2211-00-000-65999	Depreciation - Improvement		6,608.00	
4-2321-00-000-65999	Depreciation - Executive		361,818.00	
4-2411-00-000-65999	Depreciation - Building Level		17,095.00	
4-2511-00-000-65999	Depreciation - Transportation		2,315.00	
4-2540-00-000-65999	Depreciation - Operation		131,330.00	
4-2561-00-000-65999	Depreciation - Food Service		57,105.00	
4-3511-00-000-65999	Depreciation - Community Service		46,335.00	
4-4000-00-000-65999	DEPRECIATION - FACILITIES AND ACQUISITION		1,008,099.00	
4-1111-00-000-65XXX	Capital Outlay			3,917,617.00
4-2120-00-000-65XXX	Capital Outlay			40,332.00
4-2211-00-000-65XXX	Capital Outlay			6,608.00
4-2321-00-000-65XXX	Capital Outlay			361,818.00
4-2411-00-000-65XXX	Capital Outlay			17,095.00
4-2540-00-000-65XXX	Capital Outlay			2,315.00
4-2540-00-000-65XXX	Capital Outlay			131,330.00
4-2561-00-000-65XXX	Capital Outlay			57,107.00
4-3511-00-000-65999	Depreciation - Community Service			46,333.00
4-4000-00-000-65XXX	Capital Outlay			1,008,099.00
Total			**5,588,654.00**	**5,588,654.00**
Other Journal Entries1 JE # 129		**60-01**		
To record loss on disposal of assets				
4-1111-00-000-65999	Depreciation - Instruction		1,143,560.00	
4-2122-00-000-65999	Depreciation - Guidance		4,147.00	
4-2211-00-000-65999	Depreciation - Improvement		661.00	
4-2321-00-000-65999	Depreciation - Executive		41,217.00	
4-2411-00-000-65999	Depreciation - Building Level		125.00	
4-2561-00-000-65999	Depreciation - Food Service		150.00	
4-3511-00-000-65999	Depreciation - Community Service		706.00	
4-4000-00-000-65999	DEPRECIATION - FACILITIES AND ACQUISITION		2,601.00	
4-1111-00-000-65XXX	Capital Outlay			1,143,560.00
4-2120-00-000-65XXX	Capital Outlay			4,147.00
4-2211-00-000-65XXX	Capital Outlay			661.00
4-2321-00-000-65XXX	Capital Outlay			41,217.00
4-2511-00-000-65XXX	Capital Outlay			125.00
4-2540-00-000-65XXX	Capital Outlay			150.00
4-3511-00-000-65XXX	Capital Outlay			706.00
4-4000-00-000-65XXX	Capital Outlay			2,601.00
Total			**1,193,167.00**	**1,193,167.00**

Other Journal Entries1 JE # 201		KEB		
KEB made entry to reverse and correct PBC OJE 101				
1-0000-00-000-19000	Deferred Pension Contributions - Outflows		54,393,138.00	
1-0000-00-000-21000	Deferred Property Taxes		1,128,520.00	
1-0000-00-000-31000	Fund Balance - Unassigned		211,983,390.00	
2-0000-00-000-19000	Deferred Pension Contributions - Outflows		142,514,994.00	
2-0000-00-000-21000	Deferred Property Taxes		1,075,264.00	
2-0000-00-000-31000	Fund Balance		60,092,872.00	
3-0000-00-000-21000	Deferred Property Taxes		345,072.00	
3-0000-00-000-22000	Deferred Revenue - Other		329,158.00	
3-0000-00-000-28150	Deferred amounts on refunding		13,853,428.00	
3-0000-00-000-31002	Fund Balance - Restricted		267,149,156.00	
4-0000-00-000-18040	Capital Assets- land		13,091,246.00	
4-0000-00-000-18050	Capital Assets-CIP		77,200.00	
4-0000-00-000-18060	Capital Assets- Depreciable		409,950,026.00	
4-0000-00-000-21000	Deferred Property Taxes		30,842.00	
5-0000-00-000-31000	Fund Balance - Unassigned		137,310.00	
6-0000-00-000-19000	Deferred Pension Contributions - Outflows		11,704.00	
7-0000-00-000-31000	Fund Balance - Unassigned		2,353,548.00	
8-0000-00-000-18060	Capital Assets- Depreciable		2,222,312.00	
8-0000-00-000-28131	Capital Lease - Current		170,594.00	
9-0000-00-000-10500	Cash and Investments		7,695,998.00	
E-0000-00-000-10500	Cash and Investments		551,518.00	
1-0000-00-000-28080	Compensated Absences			3,676,776.00
1-0000-00-000-28090	OPEB Liability			6,180,032.00
1-0000-00-000-28160	Net Pension Liability			196,092,388.00
1-0000-00-000-29000	Pension Deferrals - Inflows			61,555,852.00
2-0000-00-000-28080	Compensated Absences			4,044,456.00
2-0000-00-000-28090	OPEB Liability			14,655,516.00
2-0000-00-000-28160	Net Pension Liability			169,265,980.00
2-0000-00-000-29000	Pension Deferrals - Inflows			15,717,178.00
3-0000-00-000-28110	Accrued Interest Payable			5,558,196.00
3-0000-00-000-28120	Bond Premium			12,912,618.00
3-0000-00-000-28140	Bond Payable			248,448,472.00
3-0000-00-000-28141	Bond Payable - Current			14,757,528.00
4-0000-00-000-28130	Capital Lease			3,625,570.00
4-0000-00-000-31002	Fund Balance - Restricted			419,523,744.00
5-0000-00-000-28090	OPEB Liability			137,310.00
6-0000-00-000-28160	Net Pension Liability			6,966.00
6-0000-00-000-31000	Fund Balance - Unassigned			4,738.00
7-0000-00-000-28080	Compensated Absences			471,952.00
7-0000-00-000-28090	OPEB Liability			1,608,142.00
7-0000-00-000-28160	Net Pension Liability			273,454.00
8-0000-00-000-31002	Fund Balance - Restricted			2,392,906.00
9-0000-00-000-21110	Accounts Payable			6,141,822.00
9-0000-00-000-31000	Fund Balance - Unassigned			1,554,176.00
E-0000-00-000-31003	Fund Balance - Assigned			551,518.00
Total			**1,189,157,290.00**	**1,189,157,290.00**

Other Journal Entries1 JE # 213		60-01		
To reverse OJE 113 that was posted to wrong accounts due to error in spreadsheet - KEB made correcting entry at OJE 9113				
4-0000-00-000-18060	Capital Assets- Depreciable		2,392,294.00	
4-2511-00-000-65XXX	Capital Outlay		26,004.00	
4-2540-00-000-65XXX	Capital Outlay		470,015.00	
4-2561-00-000-65XXX	Capital Outlay		109,356.00	
4-1111-00-000-65XXX	Capital Outlay			2,919,519.00
4-2211-00-000-65XXX	Capital Outlay			3,323.00
4-2321-00-000-65XXX	Capital Outlay			64,922.00
4-2411-00-000-65XXX	Capital Outlay			4,824.00
4-3511-00-000-65XXX	Capital Outlay			5,081.00
Total			**2,997,669.00**	**2,997,669.00**

Other Journal Entries1 JE # 9113		60-01		
To record correct OJE for CY capital asset additions and transfers (PBC entry at 113 and reversing entry at 213)				
4-1111-00-000-65XXX	Capital Outlay		2,919,519.00	
4-2111-80-000-64XXX	Gifted		29,701.00	
4-2321-00-000-65XXX	Capital Outlay		646,327.00	
4-3511-00-000-65XXX	Capital Outlay		15,109.00	
4-4000-00-000-65XXX	Capital Outlay		5,082.00	
4-0000-00-000-18060	Capital Assets- Depreciable			2,421,995.00
4-2211-00-000-65XXX	Capital Outlay			578,083.00
4-2511-00-000-65XXX	Capital Outlay			63,400.00
4-2540-00-000-65XXX	Capital Outlay			467,878.00
4-2561-00-000-65XXX	Capital Outlay			84,382.00
Total			**3,615,738.00**	**3,615,738.00**

Other Journal Entries1 JE # 9122		90		
To correct PBC OJE 99121 that was posted incorrectly				
3-0000-00-000-22000	Deferred Revenue - Other		164,756.00	
3-0000-00-000-22000	Deferred Revenue - Other		165,110.00	
3-0000-00-000-54970	OTHER FEDERAL REVENUE		164,579.00	
3-0000-00-000-22000	Deferred Revenue - Other			164,579.00
3-0000-00-000-54970	OTHER FEDERAL REVENUE			164,756.00
3-0000-00-000-54970	OTHER FEDERAL REVENUE			165,110.00
Total			**494,445.00**	**494,445.00**

Other Journal Entries1 JE # 9906		KEB		
To reverse PBC OJE#99106 that should not have been posted				
1-1207-00-000-62XXX	Benefit Expenses		27,331.00	
1-1281-00-000-62XXX	Benefit Expenses		130,586.00	
1-1295-00-000-62XXX	Benefit Expenses		1,006,756.00	
1-2134-00-000-62XXX	Benefit Expenses		103,201.00	
1-2211-00-000-62XXX	Benefit Expenses		38,263.00	
1-2222-00-000-62XXX	Benefit Expenses		26,238.00	
1-2321-00-000-62XXX	Benefit Expenses		5,466.00	
1-2411-00-000-62XXX	Benefit Expenses		539,837.00	
1-2511-00-000-62XXX	Benefit Expenses		98,391.00	
1-2540-00-000-62XXX	Benefit Expenses		1,042,887.00	
1-2690-00-000-62XXX	Benefit Expenses		71,060.00	
2-1111-00-000-62XXX	Benefit Expenses		3,128,279.00	
2-1131-00-000-62XXX	Benefit Expenses		1,463,617.00	
2-1151-00-000-62XXX	Benefit Expenses		1,853,791.00	
2-1281-00-000-62XXX	Benefit Expenses		185,794.00	
2-1295-00-000-62XXX	Benefit Expenses		106,590.00	
2-2122-00-000-62XXX	Benefit Expenses		48,539.00	
2-2211-00-000-62XXX	Benefit Expenses		73,793.00	
2-2321-00-000-62XXX	Benefit Expenses		5,466.00	
2-2411-00-000-62XXX	Benefit Expenses		355,300.00	
2-3511-00-000-62XXX	Benefit Expenses		106,590.00	
5-2561-00-000-62XXX	Benefit Expenses		68,654.00	
7-3000-00-000-62XXX	Benefit Expenses		804,071.00	
1-0000-00-000-28090	OPEB Liability			3,090,015.00
2-0000-00-000-28090	OPEB Liability			7,327,759.00
5-0000-00-000-28090	OPEB Liability			68,655.00
7-0000-00-000-28090	OPEB Liability			804,071.00
Total			**11,290,500.00**	**11,290,500.00**

Other Journal Entries1 JE # 9919				
KEB made entry to adjust PBC OJE 102 for amounts posted to wrong account				
4-0000-00-000-56710	Capital Lease Proceeds		3,804,168.00	
4-0000-00-000-56710	Capital Lease Proceeds		3,804,168.00	
4-0000-00-000-28130	Capital Lease			3,804,168.00
4-0000-00-000-28130	Capital Lease			3,804,168.00
Total			**7,608,336.00**	**7,608,336.00**

Other Journal Entries1 JE # 9996				
To adjust deferred pension contributions				
2-0000-00-000-19000	Deferred Pension Contributions - Outflows		51,320.00	
2-1111-00-000-62XXX	Benefit Expenses			51,320.00
Total			**51,320.00**	**51,320.00**