

FRANCIS HOWELL R-III SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2018

FRANCIS HOWELL R-III SCHOOL DISTRICT

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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.

Other Locations

O'Fallon, IL • Marion, IL • Columbia, IL • Carbondale, IL • Harrisburg, IL • Litchfield, IL • Springfield, IL • Cape Girardeau, MO • Milwaukee, WI

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.

Kurber, Eck & Braedel LLP

St. Louis, Missouri
December 10, 2018

FRANCIS HOWELL R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 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.

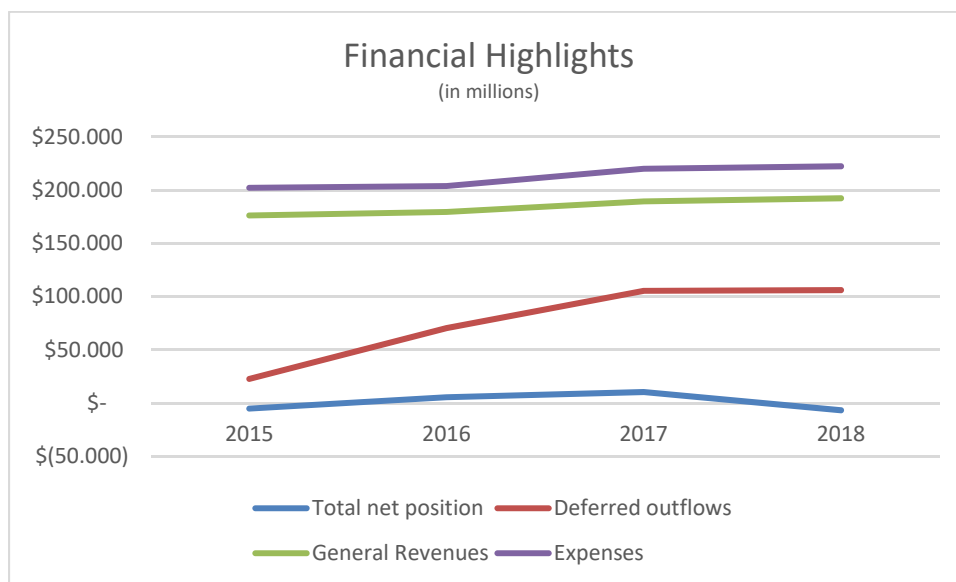
FRANCIS HOWELL R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2018

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.



FRANCIS HOWELL R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2018

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

| | <u>Increase (Decrease)</u> |
|---|--------------------------------|
| 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 | <u>17,046,648</u> |
| Net increase | <u>\$ 12,408,069</u> |

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2018

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2018

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

| | <u>2018</u> | <u>2017</u> |
|----------------------------------|-------------------|------------------|
| Assets | | |
| Current and other assets | \$ 83.091 | \$ 83.880 |
| Capital assets | <u>208.079</u> | <u>212.670</u> |
| Total assets | 291.170 | 296.550 |
| Deferred outflows of resources | 106.138 | 105.387 |
| Liabilities | | |
| Noncurrent liabilities | 332.607 | 337.993 |
| Other liabilities | <u>14.549</u> | <u>14.893</u> |
| 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 | <u>(109.946)</u> | <u>(85.839)</u> |
| Total net position | <u>\$ (6.623)</u> | <u>\$ 10.414</u> |

FRANCIS HOWELL R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2018

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).

FRANCIS HOWELL R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2018

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) |

FRANCIS HOWELL R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2018

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 |

FRANCIS HOWELL R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2018

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2018

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).

FRANCIS HOWELL R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2018

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2018

- 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

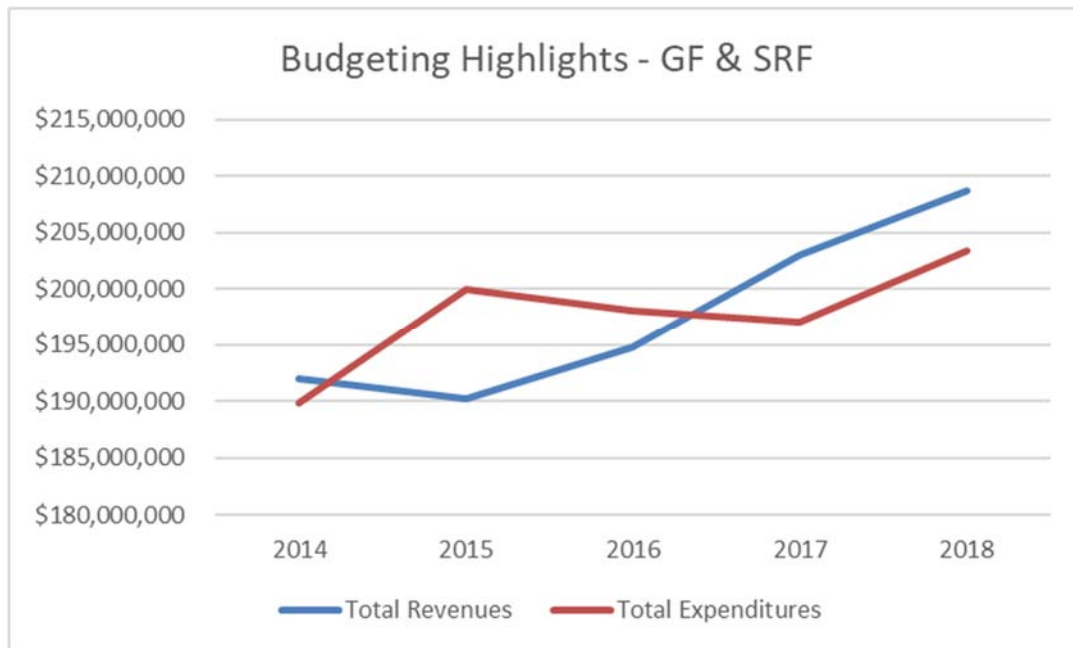
- The District, excluding activity of the Proprietary Fund, had \$207,746,656 in expenditures for the 2017-2018 fiscal year versus \$199,473,700 for the prior fiscal year, or an increase of \$8,272,956. These numbers do not include expenditures related to servicing debt or activities of the Proprietary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

FRANCIS HOWELL R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2018

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.



FRANCIS HOWELL R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2018

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,

| | <u>2018</u> | <u>2017</u> |
|--------------------------|-----------------------|-----------------------|
| 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 | <u>3,019,308</u> | <u>3,510,377</u> |
| Totals | <u>\$ 208,079,305</u> | <u>\$ 212,670,391</u> |

FRANCIS HOWELL R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2018

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.

| | <u>2018</u> | <u>2017</u> |
|--------------------------|-----------------------|-----------------------|
| 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 |
| | <u>798,000</u> | <u>798,000</u> |
| Total | <u>\$ 117,223,000</u> | <u>\$ 131,603,000</u> |

FRANCIS HOWELL R-III SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2018

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 | <u>291,169,998</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred amounts on refunding | 6,330,613 |
| Deferred pension contributions | 99,807,550 |
| Total deferred outflows of resources | <u>106,138,163</u> |
| 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 | <u>347,156,051</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Other postemployment benefit deferrals | 1,092,007 |
| Pension deferrals | 55,683,163 |
| Total deferred inflows of resources | <u>56,775,170</u> |
| 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 | <u>(109,946,051)</u> |
| Total net position | <u>\$ (6,623,060)</u> |

See notes to financial statements.

FRANCIS HOWELL R-III SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2018

| Function/Program | Expenses | Program revenues | | | Net (expense) revenue and change in net position |
|---|-----------------------|----------------------------|--|--|--|
| | | Charges for services | Operating grants and contributions | Capital grants and contributions | 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 | | | | | |
| | | | | | 107,565,076 |
| | | | | | 17,268,804 |
| | | | | | 4,976,924 |
| | | | | | 15,693,794 |
| | | | | | 42,291,138 |
| | | | | | 1,150,920 |
| | | | | | 3,319,267 |
| | | | | | 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 | | \$ | <u>(6,623,060)</u> |

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) |
| <p>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.</p> | | |
| Capital asset purchase | 2,190,732 | |
| Depreciation expense | <u>(5,588,654)</u> | (3,397,922) |
| <p>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.</p> | | |
| | | 346,795 |
| <p>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.</p> | | |
| | | (1,193,167) |
| <p>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.</p> | | |
| Compensated absences | 827,586 | |
| Pension benefits | (2,915,041) | |
| Other post employment benefits | <u>(1,223,754)</u> | (3,311,209) |
| <p>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:</p> | | |
| 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 | <u>(596,101)</u> | 14,235,676 |
| <p>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.</p> | | |
| | | 2,089,803 |
| <p>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.</p> | | |
| | | <u>(215,809)</u> |
| Change in net position of governmental activities | <u>\$</u> | <u>5,888,546</u> |

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 | <u>2,697,358</u> |
| NET POSITION | |
| Unrestricted | <u><u>\$ 3,142,650</u></u> |

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

See notes to financial statements.

FRANCIS HOWELL R-III SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2018

| | <u>Governmental Activities - Internal Service Fund</u> |
|---|--|
| 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 | <u>(334,123)</u> |
| Net cash provided by operating activities | 1,682,140 |
| Cash flows from investing activities | |
| Interest on investments | <u>34,110</u> |
| NET INCREASE IN CASH | 1,716,250 |
| Cash at July 1, 2017 | <u>4,123,758</u> |
| Cash at June 30, 2018 | <u><u>\$ 5,840,008</u></u> |
| 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 | <u>(373,553)</u> |
| Net cash provided by operating activities | <u><u>\$ 1,682,140</u></u> |

See notes to financial statements.

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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:

| Type | Fair value | Investment Maturities | |
|--|----------------------|-----------------------|--------------|
| | | 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 | - |
| | <u>\$ 40,093,808</u> | <u>\$ 40,093,808</u> | <u>\$ -</u> |

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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:

| <u>Issuer</u> | <u>Investment Type</u> | <u>Percentage</u> |
|---------------|------------------------|-------------------|
| 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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 | | <u>40,093,808</u> |
| | \$ | <u><u>74,924,035</u></u> |
| | | |
| Cash and investments - governmental funds | \$ | 60,197,017 |
| Restricted cash and investments - governmental funds | | 8,887,010 |
| Cash - proprietary funds | | <u>5,840,008</u> |
| Total reporting entity | \$ | <u><u>74,924,035</u></u> |

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 | | <u>0.0600</u> |
| Total | \$ | <u><u>4.8527</u></u> |

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 | <u>\$ 212,670,394</u> | <u>\$ (3,359,321)</u> | <u>\$ (1,231,768)</u> | <u>\$ 208,079,305</u> |

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 |
| | <u>\$ 5,588,654</u> |

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 | <u>\$ 143,883,466</u> | <u>\$ 5,103,517</u> | <u>\$ (20,762,880)</u> | <u>\$ 128,224,105</u> | <u>\$ 13,114,401</u> |

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 |
| | | | | <u>\$ 117,223,000</u> |

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:

| Year ending June 30, | Principal | Interest | Subsidy | Total |
|----------------------|-----------------------|----------------------|-----------------------|-----------------------|
| 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 |
| | <u>\$ 117,223,000</u> | <u>\$ 28,606,801</u> | <u>\$ (4,111,158)</u> | <u>\$ 141,718,643</u> |

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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 | | <u>(34,216,165)</u> |
| Net position as restated at June 30, 2017 | \$ | <u><u>(12,511,606)</u></u> |

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 | | Actual | Variances - positive (negative) | |
|---------------------------------------|---------------------|-----------------------|----------------------|------------------------------------|---------------------|
| | Original | Final | | 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 | <u>83,687,777</u> | <u>84,125,736</u> | <u>85,887,375</u> | <u>437,959</u> | <u>1,761,639</u> |
| 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 | <u>80,387,195</u> | <u>83,065,064</u> | <u>80,622,414</u> | <u>(2,677,869)</u> | <u>2,442,650</u> |
| 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) | <u>(3,944,379)</u> | <u>(4,652,838)</u> | <u>(541,203)</u> | <u>(708,459)</u> | <u>4,103,873</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (643,797)</u> | <u>\$ (3,592,166)</u> | <u>4,723,758</u> | <u>\$ (2,948,369)</u> | <u>\$ 8,308,162</u> |
| | | | <u>48,935,900</u> | | |
| Fund balance at July 1, 2017 | | | <u>\$ 53,659,658</u> | | |
| Fund balance at June 30, 2018 | | | | | |

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 | | Actual | Variances - positive (negative) | |
|------------------------------------|------------------|-----------------------|------------------|------------------------------------|---------------------|
| | Original | Final | | 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 | <u>\$ -</u> | <u>\$ (1,043,551)</u> | 34,614 | <u>\$ (1,043,551)</u> | <u>\$ 1,078,165</u> |
| Fund balance at July 1, 2017 | | | 972 | | |
| Fund balance at June 30, 2018 | | | <u>\$ 35,586</u> | | |

See notes to required supplementary information.

FRANCIS HOWELL R-III SCHOOL DISTRICT

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

| | <u>General Fund</u> | <u>Special Revenue Fund</u> |
|--|-------------------------|-------------------------------------|
| 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 | <u>(710,352)</u> | <u>(679,199)</u> |
| Modified accrual basis fund balance June 30, 2018 | <u>\$ 49,755,690</u> | <u>\$ 531,104</u> |

FRANCIS HOWELL R-III SCHOOL DISTRICT

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% |

FRANCIS HOWELL R-III SCHOOL DISTRICT

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

| | <u>2018</u> |
|---|-----------------------------|
| Total OPEB liability | |
| Service cost | \$ 1,644,890 |
| Interest cost | 1,256,725 |
| Changes in assumptions | (1,242,421) |
| Benefit payments | <u>(1,527,448)</u> |
| Net change in total OPEB liability | 131,746 |
| | |
| Total OPEB liability at beginning of year | <u>34,216,165</u> |
| | |
| Total OPEB liability at end of year | <u><u>\$ 34,347,911</u></u> |
| | |
| 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 | | Actual | Variances - positive (negative) | |
|---|-----------------------|-----------------------|----------------------|------------------------------------|--------------------|
| | Original | Final | | 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 | <u>\$ (1,672,214)</u> | <u>\$ (1,598,020)</u> | (1,335,876) | <u>\$ 74,194</u> | <u>\$ 262,144</u> |
| Fund balance at July 1, 2017 | | | 13,697,890 | | |
| Fund balance at June 30, 2018 | | | <u>\$ 12,362,014</u> | | |
| 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 | | | <u>(391,441)</u> | | |
| Modified accrual fund balance June 30, 2018 | | | <u>\$ 12,526,692</u> | | |

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 | | Actual | Variances - positive (negative) | |
|---|-----------------------|-----------------------|---------------------|------------------------------------|---------------------|
| | Original | Final | | 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 | <u>2,699,141</u> | <u>2,725,772</u> | <u>2,906,845</u> | <u>26,631</u> | <u>181,073</u> |
| Expenditures | | | | | |
| Capital outlay | <u>5,865,763</u> | <u>6,949,477</u> | <u>4,561,933</u> | <u>(1,083,714)</u> | <u>2,387,544</u> |
| Revenues under expenditures | (3,166,622) | (4,223,705) | (1,655,088) | (1,057,083) | 2,568,617 |
| Other financing sources | | | | | |
| Transfers in | <u>700,000</u> | <u>700,000</u> | <u>545,084</u> | <u>-</u> | <u>(154,916)</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (2,466,622)</u> | <u>\$ (3,523,705)</u> | <u>(1,110,004)</u> | <u>\$ (1,057,083)</u> | <u>\$ 2,413,701</u> |
| Fund balance at July 1, 2017 | | | <u>5,019,470</u> | | |
| Fund balance at June 30, 2018 | | | <u>\$ 3,909,466</u> | | |
| 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 | | | <u>(20,231)</u> | | |
| Modified accrual fund balance June 30, 2018 | | | <u>\$ 3,779,624</u> | | |

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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CPAs and
Management Consultants

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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

Other Locations

O'Fallon, IL • Marion, IL • Columbia, IL • Carbondale, IL • Harrisburg, IL • Litchfield, IL • Springfield, IL • Cape Girardeau, MO • Milwaukee, WI

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 |

FRANCIS HOWELL R-III SCHOOL DISTRICT

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

2. Average Daily Attendance (ADA)

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

3. September Membership

| | <u>Full-Time & Part-Time</u> | <u>Deseg In</u> | <u>Federal Lands</u> | <u>Total</u> | <u>Deseg Out</u> |
|--------------------------------|--------------------------------------|-----------------|--------------------------|------------------|------------------|
| September Membership FTE Count | <u>16,643.25</u> | <u>-</u> | <u>-</u> | <u>16,643.25</u> | <u>-</u> |

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

| | <u>Full-Time & Part-Time</u> | <u>Deseg In</u> | <u>Total</u> |
|------------------------|--------------------------------------|-----------------|------------------------|
| State FTE Total | | | |
| Free | 2,498.50 | - | 2,498.50 |
| Reduced | <u>465.01</u> | <u>-</u> | <u>465.01</u> |
| | <u><u>2,963.51</u></u> | <u><u>-</u></u> | <u><u>2,963.51</u></u> |

FRANCIS HOWELL R-III SCHOOL DISTRICT

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

5. Finance

| | | |
|----|--|------------------|
| A. | As required by Section 162.401, RSMo, a bond was purchased for the District’s treasurer in the total amount of: | <u>\$50,000</u> |
| B. | The district’s deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo. | <u>True</u> |
| C. | The District maintained a separate bank account for the Debt Service Fund in accordance with Section 165.011, RSMo. | <u>True</u> |
| D. | Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records. | <u>True</u> |
| 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. | <u>N/A</u> |
| 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. | <u>True</u> |
| 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. | <u>True</u> |
| H. | The amount spent for approved professional development committee plan activities was: | <u>\$423,623</u> |
| | All above “false” answers must be supported by a finding or management letter comment. | |
| | Finding #: | <u>N/A</u> |
| | Management Letter Comment #: | <u>N/A</u> |

FRANCIS HOWELL R-III SCHOOL DISTRICT

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

6. Transportation

| | | |
|-------|---|-----------|
| A. | The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid. | True |
| <hr/> | | |
| 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 |
| <hr/> | | |
| 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 |
| <hr/> | | |
| 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 |
| <hr/> | | |
| E. | Actual odometer records show the total district-operated <u>and</u> contracted mileage for the year was: | 2,842,223 |
| <hr/> | | |
| | 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 |
| <hr/> | | |
| F. | Number of days the district operated the school transportation system during the regular school year: | 169 |
| <hr/> | | |
| G. | All above “False” answers must be supported by a finding or management letter comment. | |
| | Finding #: | N/A |
| | Management Letter Comment #: | N/A |

**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



CPAs and
Management Consultants

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www.kebcpa.com

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.

Other Locations

O'Fallon, IL • Marion, IL • Columbia, IL • Carbondale, IL • Harrisburg, IL • Litchfield, IL • Springfield, IL • Cape Girardeau, MO • Milwaukee, WI

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

FRANCIS HOWELL R-III SCHOOL DISTRICT

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 | | | <u>1,945,576</u> |
| Total U.S. Department of Agriculture | | | <u>2,299,332</u> |
| 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 | | | <u>4,345,657</u> |
| Total U.S. Department of Education | | | <u>5,782,208</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$ 8,081,540</u></u> |

See notes to schedule of expenditures of federal awards

FRANCIS HOWELL R-III SCHOOL DISTRICT

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 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:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 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

FRANCIS HOWELL R-III SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2018

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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2018

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

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

FRANCIS HOWELL R-III SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

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

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 financial 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 & Braedel 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 | | | | |
| To reverse PY AJE #7 to correct food service revenue in CY | | | | |
| 53-06 | 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 | | | | |
| To reclass PEERS and PSRS checks held at year end from cash to AP | | | | |
| 50-01 | 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 | | | | |
| To adjust accounts payable based on search for unrecorded liabilities | | | | |
| 71 | 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 | | | | |
| To record change in accounts payable for the proprietary fund | | | | |
| 70-04 | 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 | | | | |
| Entry to reverse part of client provided entry #9918 that should not have been posted | | | | |
| 70-04 | 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 | | | | |
| To reclass capital leases added after YE | | | | |
| 75-01 | 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 | | | | |
| To reclass proprietary fund revenues for consistency with prior year reporting | | | | |
| 70-05a | 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
To reverse PBC AJE #5

70-02

| | | |
|---|--------------------------|--------------------------|
| 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 | <u>726,695.00</u> | <u>726,695.00</u> |

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

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 |

60-01

Other Journal Entries1 JE # 9122

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 |

90

Other Journal Entries1 JE # 9906

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 |

KEB

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 |