

JEFFERSON CITY SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2018

JEFFERSON CITY SCHOOL DISTRICT

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Independent Auditors' Report

Board of Education
Jefferson City School District
Jefferson City, Missouri

We have audited the accompanying modified cash basis financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Jefferson City 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Jefferson City Public Schools Foundation. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for Jefferson City Public Schools Foundation, is based solely on the report of the other auditors. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the aggregate discretely presented component unit, each major fund and aggregate remaining fund information of Jefferson City School District as of June 30, 2018, and the respective changes in modified cash basis financial position, thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson City School District's basic financial statements. The management's discussion and analysis, supplementary information and schedule of selected statistics as listed in the table of contents, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The management's discussion and analysis, supplementary information and schedule of selected statistics have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of Jefferson City School District's internal control over financial reporting and 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 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 Jefferson City School District's internal control over financial reporting and compliance.

Kerber, Ed & Braeckel LLP

St. Louis, Missouri
December 7, 2018

JEFFERSON CITY SCHOOL DISTRICT

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

The discussion and analysis of Jefferson City School Districts' (the "District") financial performance provides an overview of the District's financial activity for the fiscal year ending June 30, 2018. Please read it in conjunction with the District's financial statements, notes to the financial statements, and other supplemental information, which immediately follow this section.

Financial Highlights

- The total fund balances of the District's governmental funds increased by \$138,941,567 to \$165,130,129 during the 2018 fiscal year. This fund balance and the change in total balances of each fund are described below:
 - The Operating fund balance increased by \$2,969,319 to \$23,711,563. The district had budgeted to increase the Operating fund balance because as expenses increase, the fund balance needs to increase to maintain the same ratio. At the conclusion of the 2018 fiscal year, the Operating fund balance was 25.7% of annual expenditures, which is above the District's goal of 20%.
 - The Debt Service fund balance increased by \$4,169,490, to \$6,323,479. The District planned to increase the debt service balance to maintain reasonable reserves to service the new larger principal and interest payments after the passage of the 2017 bond issue. The District plans to show modest surpluses in the coming years to get the fund balance to an adequate level. The FY18 ending fund balance is sufficient to only pay 53.4% of the District's general obligation debt service requirements for 2019.
 - The Capital Projects fund balance increased by \$131,802,758 to \$135,095,087. In April 2017, the District passed a \$130 million bond issue. These bonds were issued in FY18 and only part of the construction has been completed. \$130,176,087, of the Capital Projects fund balance is associated with the 2017 bond issue. The remaining \$4,919,000 is the unrestricted balance for Capital Projects.
- Revenues of the "operating funds" (General and Teachers Funds) were \$94,902,061 which was an increase of 5.15%, or \$4,648,490, compared to prior year total operating revenue.

Most of this increase was in local property taxes where the District's revenue increased by \$2,742,340. The District's assessed valuation grew by 1.3%, which generated an additional \$560,000 in potential revenue. The remaining increase in local property taxes came from the \$0.20 operating levy increase. This increase was the first phase of the \$0.45 increase that was passed by voters in April 2017.

The District saw a 2.4% increase in Prop C revenue. This amounted to an increase of \$198,509. This increase is attributable to higher sales tax collections at the state level.

JEFFERSON CITY SCHOOL DISTRICT

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

The District saw a decrease in Federal Revenues of \$243,812, mostly in the Adult Education and Literacy (AEL) program where federal revenues decreased by \$190,011. This decrease in federal funds is attributable to this program receiving more of their funding from state sources in this fiscal year (\$204,893 more state revenue for this program vs. FY17).

Expenses for the operating funds increased \$3,571,940, or 4.0%, over prior year levels. The overwhelming majority of this was due to increases in salary and benefits. The increase in expenditures associated with salary and benefits accounted for \$2,506,534. While the district awarded raises averaging 1.8% for the year, the District's actual salary costs increased by 4.1% (or \$2,189,752). The higher salary costs resulted from the District fulfilling its promises to utilize the increased operating levy to hire additional staff. Benefit costs increased by \$316,783 (or 2.0%). The increase in benefit costs is relatively low due to the District's continuing efforts to control health insurance costs.

The District's Supplies and Purchased Services, excluding utilities, increased by \$1,065,406 (5.5%). Part of the operating levy increase called for an allocation of \$1 million for student textbooks. This increase accounts for the majority of the increase in this area. The District's utility expenses increased by 7.5% and were \$138,441 more than FY17. Total utility expenses were \$1,981,702 for the year.

- Outlays for new capital assets (excluding bond proceeds) totaled \$1,858,607 during the year, including site improvements and equipment. An additional \$12,365,861 was spent on construction projects associated with the passage of the April 2017 bond issue.

Overview of the Financial Statements

The financial section of the annual report consists of three parts:

- Management's discussion and analysis (this section),
- Financial statements (District-wide and fund financial statements), including notes to the financial statements, and
- Supplemental information.

The financial statements consist of two different types of statements that present different views of the District's financial activities.

- "District-wide financial statements" provide both short-term and long-term information about the District's overall financial status. The District-wide statements include the Statement of Net Position and Statement of Activities.

JEFFERSON CITY SCHOOL DISTRICT

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

- The remaining financial statements are “fund financial statements” that focus on individual funds of the District, and report the District’s operations in more detail than the District-wide financial statements. The fund financial statements present the District’s funds in terms of governmental, proprietary and fiduciary activities.

The financial statements also include notes that explain accounting concepts and methodology and provide more detailed data. The basic financial statements are followed by a section of supplementary information that further explains and supports the basic financial statements.

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The two District-wide statements report the District’s financial position and how it has changed. “Net position” is the difference between the District’s assets and liabilities and is one way to measure the District’s financial health or position. For example, over time, increases or decreases in the District’s net position are an indicator of whether its financial position is improving or deteriorating, respectively. However, to assess the District’s overall health, consideration must also be given to other non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District’s activities are categorized as governmental activities. The governmental activities include all of the District’s basic services, such as regular and special education, transportation, food service, and administration. Property taxes and state aid and grants finance most of these activities. Additionally, the internal service fund activity, accounted for as a separate fund, is included with the governmental fund activity totals to present the account balances and activities of the District as a whole.

Fund Financial Statements

The fund financial statements provide more detailed information about the District’s funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

JEFFERSON CITY SCHOOL DISTRICT

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

The District maintains three types of funds:

- *Governmental funds:* All of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Proprietary Funds:* The District maintains an internal service fund, which is classified as a proprietary fund. This fund is used to collect premiums from the District, employees and retirees, and pay claims and administrative costs of the District's self-insured medical insurance benefits plan.
- *Agency Funds:* The District maintains one agency fund the purpose of which is to account for assets held on a fiduciary basis. The Scholarship Fund is excluded from the district-wide financial statements because the funds' assets are not intended to finance the District's operations.

Financial Analysis of the District as a Whole

The financial position of the District is summarized as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Assets		
Cash and Investments	\$ 49,882,706	\$ 43,011,213
Restricted Investments/Other Assets	<u>134,665,054</u>	<u>1,279,555</u>
Total assets	184,547,760	44,290,768
Current Liabilities	<u>(8,165,109)</u>	<u>(7,786,079)</u>
Net Position	<u>\$ 176,382,651</u>	<u>\$ 36,504,689</u>

The District's total net position was \$176,382,651, as of June 30, 2018. Of this amount, \$39,845,765 is unrestricted.

JEFFERSON CITY SCHOOL DISTRICT

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

Total net position increased by \$139,877,962 for the year ended June 30, 2018. As previously noted, the reason for this large increase is due to the District passing a bond referendum in April 2017. The District issued \$130 million of bonds in FY2018. The unrestricted net position of the District increased by \$5,503,256. The increase in net position differs from the increase in overall fund balances (which totaled \$138,941,567) because of the different measurement focus of the two statements. A complete reconciliation of this difference is included on the basic financial statements.

Governmental Activities

The financial activities of the District for the year ended June 30, 2018 and 2017 are summarized as follows:

	June 30, 2018		
	<u>Expenditures</u>	<u>Program receipts</u>	<u>Net expenditures</u>
Instruction	\$ 54,220,175	\$ 11,311,260	\$ (42,908,915)
Support services	11,016,473	460,440	(10,556,033)
Administration	9,177,115	-	(9,177,115)
Operation of plant	7,649,655	-	(7,649,655)
Pupil transportation	4,122,211	623,520	(3,498,691)
Food service	5,094,467	5,661,239	566,772
Community service	1,945,401	637,955	(1,307,446)
Facility acq. & construction	12,412,469	141,461,859	129,049,390
Principal payments	5,325,000	-	(5,325,000)
Interest/fees	3,768,818	-	(3,768,818)
	<u>\$ 114,731,784</u>	<u>\$ 160,156,273</u>	45,424,489
		General revenues	<u>94,453,473</u>
		Increase in net position	<u>\$ 139,877,962</u>

JEFFERSON CITY SCHOOL DISTRICT

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

	June 30, 2017		
	<u>Expenditures</u>	<u>Program receipts</u>	<u>Net expenditures</u>
Instruction	\$ 50,113,323	\$ 10,075,467	\$ (40,037,856)
Support services	10,906,409	499,723	(10,406,686)
Administration	8,642,159	-	(8,642,159)
Operation of plant	7,610,914	-	(7,610,914)
Pupil transportation	3,787,483	606,019	(3,181,464)
Food service	5,446,465	5,739,757	293,292
Community service	1,730,676	599,046	(1,131,630)
Facility acq. & construction	1,379,700	-	(1,379,700)
Principal payments	32,214,378	5,915,000	(26,299,378)
Interest/fees	2,348,772	243,268	(2,105,504)
	<u>\$ 124,180,279</u>	<u>\$ 23,678,280</u>	(100,501,999)
		General revenues	<u>80,823,825</u>
		Decrease in net position	<u>\$ (19,678,174)</u>

Jefferson City School District primarily relies on local property and sales taxes and state aid and grants for funding its governmental activities. In 2018 and 2017, respectively, 69.9% and 65.6% of general revenues were derived from local sources, 20.0 and 23.0% from general state and federal aid and grants. Sales tax revenues accounted for 9.1% in 2018 and 10.4% in 2017.

The following factors contribute to the District’s change in net position:

- The District’s total revenue in all funds increased by \$13,693,854 or 13.9%. Total revenues from local and county sources combined increased by \$11,699,957 or 18.1%. The net change for all state and federal revenues combined amounted to \$643,610, which was an increase of 2.0%.
- The District saw a decrease in total governmental fund expenditures of \$3,798,729. The District saw a decrease in principal and interest payments due to the repayment of advance refunding bonds using the prior proceeds held in escrow to make the payment on the call date of March 1, 2017.
- The cost of all governmental activities this year was \$114,731,784, compared to \$124,180,279 for the prior year.

JEFFERSON CITY SCHOOL DISTRICT

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

- Excluding the non-current expenditure lines (facility acquisition & construction, principal payments and interest/fees) from the totals in the table shown on the preceding page, the breakdown of the District's expenses is as follows:
 - For fiscal year 2018, instruction represents 58.2% of the total cost of all governmental activities of the District; compared to 56.8% in the prior year.
 - For fiscal year 2018, Pupil Support Services (includes Professional Development, Technology, Guidance, Library, Health/Psychology/Speech Services and Attendance Services) represents 11.8% of the total costs of all governmental activities of the District; compared to 12.4% in the prior year.
 - For fiscal year 2018, Administration (includes Board of Education, District-wide, and Building-level Administrative Services) stayed the same with 9.8% of the total costs of all governmental activities in both fiscal years. This is the third year in a row, administration accounted for 9.8% of total costs of all governmental activities of the District.
 - For fiscal year 2018, the remaining categories (includes Plant Operation, Transportation, Food Service, and Community Services) represents 20.2% of the total costs of all governmental activities; compared to 21.0% in the prior year.

Financial Analysis of the District's Funds

The District's governmental funds reported combined fund balances of \$165,130,129, which is well above last year's ending fund balances of \$26,188,562. The majority of this change is in the capital projects fund due to the issuance of bonds for construction projects voters approved in April 2017. The fund balance in the District's general fund increased by \$2,969,319 to \$23,711,563.

The District made four budget amendments during the fiscal year. These amendments occurred in October, February, March, and June. The District's Business Office has a goal to have the original operating budget fall within 2% of actual revenues and expenditures, while also having the final operating fund balance fall within 2% of the original budgeted balance. The District met this goal on two of the three fronts. On the revenue side, actual revenues came in \$783,688 more than the original budget, which is within the goal at 0.84% above budgeted amounts. Total operating expenditures came in better, as it ended \$1,657,531 less than the original budget, which is only 1.8% lower than the original budget. The actual operations of the District resulted with an operating surplus of \$2,929,701, while the original budget called for a surplus of revenues to expenses in the Operating Funds of \$488,482. This results in a positive difference of \$2,441,219, or 2.7% of annual expenditures, which does not fall in line with the Business Office goal of budgeting.

The balance of the Capital Projects Fund is \$135,095,087. These fund balances are limited to the stated uses of the fund. Of these funds, \$130,176,087 are restricted for use associated with the bond issue referendum passed in April 2017. The remaining \$4,919,000 are available for other capital improvements at the District's discretion.

JEFFERSON CITY SCHOOL DISTRICT

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

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the office of the Chief Financial Officer, 315 East Dunklin, Jefferson City, Missouri, 65101.

JEFFERSON CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2018

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Jefferson City Public Schools Foundation</u>
ASSETS		
Cash and investments	\$ 49,882,706	\$ 1,157,833
Restricted cash and investments	134,658,754	-
Other assets	6,300	7,050
Total assets	184,547,760	1,164,883
LIABILITIES		
Accrued payroll expense	8,165,109	-
Total liabilities	8,165,109	-
NET POSITION		
Restricted - nonexpendable endowment	-	24,810
Restricted - expendable		
Student scholarships	-	483,605
Professional development	37,320	-
Restricted for capital projects	130,176,087	-
Retirement of long-term debt	6,323,479	-
Unrestricted	39,845,765	656,468
Total net position	\$ 176,382,651	\$ 1,164,883

See notes to financial statements.

JEFFERSON CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

Year ended June 30, 2018

Functions/programs	Expenditures	Program revenue			Net (expenditures) revenues and changes in net position	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government	Component unit
					Total governmental activities	Jefferson City Public Schools Foundation
Governmental activities						
Regular instruction	\$ 35,516,022	\$ 78,161	\$ 1,091,704	\$ 1,000,000	\$ (33,346,157)	\$ -
Special instruction	13,385,850	249,956	6,306,164	206,000	(6,623,730)	-
Vocational instruction	2,292,642	165,850	736,333	156,853	(1,233,606)	-
Student activities	2,792,942	1,320,239	-	-	(1,472,703)	-
Tuition paid to other districts	232,719	-	-	-	(232,719)	-
Student support services	4,077,295	-	-	-	(4,077,295)	-
Instructional staff support	6,939,178	-	460,440	-	(6,478,738)	-
Building administration	4,284,145	-	-	-	(4,284,145)	-
General administration and central services	4,892,970	-	-	-	(4,892,970)	-
Operation of plant	7,649,655	-	-	-	(7,649,655)	-
Transportation	4,122,211	-	623,520	-	(3,498,691)	-
Food service	5,094,467	1,655,049	4,006,190	-	566,772	-
Community service	531,042	-	637,955	-	106,913	-
Early childhood	1,414,359	-	-	-	(1,414,359)	-
Facility acquisition and construction	12,412,469	-	-	141,461,859	129,049,390	-
Principal	5,325,000	-	-	-	(5,325,000)	-
Interest and other charges	3,768,818	-	-	-	(3,768,818)	-
Total governmental activities	\$ 114,731,784	\$ 3,469,255	\$ 13,862,306	\$ 142,824,712	45,424,489	-
Component unit						
Jefferson City Public Schools Foundation	\$ 166,797	\$ -	\$ 350,610	\$ -	-	183,813
General revenues						
Property taxes					63,971,404	-
Sales taxes					8,571,633	-
State aid					18,846,417	-
Fines					361,802	-
Investment income					2,063,629	65,160
Miscellaneous					482,120	259
Net insurance recovery					163	-
Proceeds from sale of property					156,305	-
Total general revenues					94,453,473	65,419
CHANGE IN NET POSITION					139,877,962	249,232
Net position at July 1, 2017					36,504,689	915,651
Net position at June 30, 2018					\$ 176,382,651	\$ 1,164,883

JEFFERSON CITY SCHOOL DISTRICT

BALANCE SHEET- MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and investments	\$ 24,763,507	\$ 7,105,320	\$ 1,840,812	\$ 4,919,000	\$ 38,628,639
Restricted cash and investments	-	-	4,482,667	130,176,087	134,658,754
Other assets	-	6,300	-	-	6,300
Total assets	\$ 24,763,507	\$ 7,111,620	\$ 6,323,479	\$ 135,095,087	\$ 173,293,693
LIABILITIES					
Payroll liabilities	\$ 1,051,944	\$ 7,111,620	\$ -	\$ -	\$ 8,163,564
FUND BALANCES					
Fund balances					
Restricted for					
General obligation debt	-	-	6,323,479	-	6,323,479
Professional development	37,320	-	-	-	37,320
Capital projects	-	-	-	130,176,087	130,176,087
Assigned to					
Capital projects	-	-	-	4,919,000	4,919,000
Student activity accounts	706,787	-	-	-	706,787
Unassigned	22,967,456	-	-	-	22,967,456
Total fund balances	23,711,563	-	6,323,479	135,095,087	165,130,129
Total liabilities and fund balances	\$ 24,763,507	\$ 7,111,620	\$ 6,323,479	\$ 135,095,087	\$ 173,293,693

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund balances \$ 165,130,129

Internal service funds are used by the District to charge the costs of providing employee benefits to individual funds. The assets and liabilities of the internal service fund are reported with the governmental activities.

11,252,522

Net position of governmental activities

\$ 176,382,651

JEFFERSON CITY SCHOOL DISTRICT

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues					
Local	\$ 49,504,514	\$ 8,571,633	\$ 11,158,044	\$ 516,466	\$ 69,750,657
County	4,982,647	361,802	1,242,411	-	6,586,860
State	4,849,520	16,320,550	-	2,886,000	24,056,070
Federal	9,139,538	150,654	-	-	9,290,192
Investment income	759,559	17,633	123,536	1,162,901	2,063,629
Other	-	244,011	-	-	244,011
Total revenues	69,235,778	25,666,283	12,523,991	4,565,367	111,991,419
Expenditures					
Regular instruction	3,209,890	31,701,839	-	1,025,670	35,937,399
Special instruction	4,144,533	9,415,237	-	13,359	13,573,129
Vocational instruction	284,446	1,813,769	-	213,155	2,311,370
Student activities	1,754,328	1,013,356	-	25,258	2,792,942
Tuition paid to other districts	-	232,719	-	-	232,719
Student support services	1,299,018	2,825,096	-	-	4,124,114
Instructional staff support	4,012,322	2,471,817	-	492,495	6,976,634
Building administration	1,353,351	2,893,249	-	84,365	4,330,965
General administration and central services	3,853,472	1,067,590	-	-	4,921,062
Operation of plant	7,676,259	-	-	57,672	7,733,931
Transportation	3,934,839	172,372	-	15,000	4,122,211
Food service	5,015,809	-	-	134,842	5,150,651
Community service	265,846	254,330	-	10,866	531,042
Early childhood	283,498	1,140,225	-	-	1,423,723
Facility acquisition and construction	-	-	-	12,412,469	12,412,469
Debt services					
Principal	-	-	5,325,000	-	5,325,000
Interest and other charges	-	-	3,027,951	739,317	3,767,268
Other	-	-	1,550	-	1,550
Total expenditures	37,087,611	55,001,599	8,354,501	15,224,468	115,668,179
Revenues over (under) expenditures	32,148,167	(29,335,316)	4,169,490	(10,659,101)	(3,676,760)
Other financing sources (uses)					
Proceeds from sale of property	156,305	-	-	-	156,305
Net insurance recovery	163	-	-	-	163
Proceeds from general obligation bonds	-	-	-	130,000,000	130,000,000
Premium on general obligation bonds	-	-	-	11,461,859	11,461,859
Capital lease	-	-	-	1,000,000	1,000,000
Transfers in	-	29,335,316	-	-	29,335,316
Transfers out	(29,335,316)	-	-	-	(29,335,316)
Total other financing sources (uses)	(29,178,848)	29,335,316	-	142,461,859	142,618,327
CHANGE IN FUND BALANCES	2,969,319	-	4,169,490	131,802,758	138,941,567
Fund balance at July 1, 2017	20,742,244	-	2,153,989	3,292,329	26,188,562
Fund balance at June 30, 2018	\$ 23,711,563	\$ -	\$ 6,323,479	\$ 135,095,087	\$ 165,130,129

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

Change in fund balances \$ 138,941,567

Internal service funds are used by the District to charge the cost of providing employee benefits to individual funds. The net income of the internal service fund is reported within governmental funds.

936,395

Changes in net position of governmental activities

\$ 139,877,962

JEFFERSON CITY SCHOOL DISTRICT

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND**

June 30, 2018

	<u>Internal Service Fund</u>
ASSETS	
Cash and investments	\$ 11,254,067
LIABILITIES	
Payroll liability	<u>1,545</u>
NET POSITION	
Unrestricted	<u><u>\$ 11,252,522</u></u>

See notes to financial statements.

JEFFERSON CITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS PROPRIETARY FUND

Year ended June 30, 2018

	<u>Internal Service Fund</u>
Operating revenues	
Premiums	\$ 8,180,215
Operating expenses	
Medical claims paid	5,987,920
Reinsurance	537,786
Administrative	683,671
Other	<u>226,366</u>
Total operating expenses	<u>7,435,743</u>
Operating income	744,472
Non-operating revenues	
Interest income	<u>191,923</u>
CHANGE IN NET POSITION	936,395
Net position at July 1, 2017	<u>10,316,127</u>
Net position at June 30, 2018	<u><u>\$ 11,252,522</u></u>

See notes to financial statements.

JEFFERSON CITY SCHOOL DISTRICT

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
MODIFIED CASH BASIS - AGENCY FUND**

June 30, 2018

	<u>Scholarship Fund</u>
ASSETS	
Cash and investments	<u>\$ 1,225,108</u>
Total assets	<u><u>\$ 1,225,108</u></u>
 LIABILITIES	
Payable for scholarships	<u>\$ 1,225,108</u>
Total liabilities	<u><u>\$ 1,225,108</u></u>

See notes to financial statements.

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Jefferson City School District (the "District") is a political subdivision of the State of Missouri and 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 presented on the modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board (GASB).

Principles Determining the Scope of Reporting Entity

Generally accepted accounting principles (GAAP) require that 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 these criteria, Jefferson City Public Schools Foundation (the "Foundation") is presented as a discretely presented component unit of the District. Discretely presented component units are reported in a separate column in the Statement of Net Position and Statement of Activities to emphasize that they are legally separate from the District.

The Foundation provides annual program grants to the District from funds raised through its own fundraising efforts. The Foundation is a nonprofit organization and it follows guidance of the Financial Accounting Standards Board for its financial reporting. As such, certain revenue recognition criteria and presentation features are different from the modified cash basis revenue recognition and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented. Complete financial statements for the Foundation can be obtained from the Foundation's Treasurer, PO Box 2152, Jefferson City, MO 65102.

Basis of Presentation

Government-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.

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. The District does not allocate indirect costs. Amounts reported as program revenues include charges paid by the students for 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 is used to account for expenditures for noncertified employees, pupil transportation, operation of plant, fringe benefits, student body activities, community services, the food service program, and any expenditures not required or permitted to be accounted for in other funds.

Special Revenue Fund

The Special Revenue Fund is used to account for sales taxes and other revenue sources that are legally restricted for the payment of salaries and certain employee benefits for certified personnel.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for the periodic 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.

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Proprietary Funds

Internal Service Fund

Internal Service Funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost-reimbursement basis. The District's Internal Service Fund was established to account for a self-funded employee medical insurance benefits program. The premiums received by the Internal Service Fund are transferred from other funds as an expense related to employment, amounts withheld from employees and premiums received from retirees. Claims paid, direct insurance payments, and administrative costs are expenses of this fund.

Fiduciary Funds

Agency Fund

The Agency Fund is used to account for the financial activities of the scholarship programs. The assets are held in an agency capacity and therefore not available to support the District's programs.

Basis of Accounting

The government-wide financial statements and fund financial statements are prepared using a modified cash basis of accounting. This basis of accounting recognizes assets, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions except that the purchase of investments are recorded as assets and accrued payroll is recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable and general obligation bonds payable) and certain expenses (such as expenses for goods or services received but not yet paid) are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the governmental fund financial statements would use the modified accrual basis of accounting, while the government-wide financial statements and proprietary fund financial statements would be presented on the accrual basis of accounting.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The counties collect the property tax and remit it to the District.

The assessed valuation of the tangible taxable property for the calendar year 2017 for purposes of local taxation was \$1,276,901,629, excluding state assessed railroad and utilities.

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

	<u>Adjusted</u>	<u>Unadjusted</u>
General Fund	\$ 3.6400	\$ 3.9607
Special Revenue Fund	-	-
Debt Service Fund	0.9028	0.9028
Capital Projects Fund	-	-
	<u> </u>	<u> </u>
Total	<u>\$ 4.5428</u>	<u>\$ 4.8635</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2018, aggregated approximately 97% of the current assessment computed on the basis of the levy as shown above.

Cash and Investments

Cash resources from all funds, except the Debt Service Fund, Medical Trust Fund, Scholarship Fund and bond proceeds, are combined to form a pool of cash and temporary investments which is managed by the District's Chief Financial Officer. State law requires that all deposits of the Debt Service Fund be kept separate from all other funds of the District. Interest income earned is allocated to contributing funds based on each funds' proportionate share of funds invested.

The District may invest in United States Treasury-bills, notes, bonds, government agency and instrumentality obligations, repurchase agreements collateralized by government securities, and time certificates of deposit, bankers' acceptances issued by domestic commercial banks and commercial paper issued by domestic corporations. Investments are reported at cost which approximates fair value.

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The restricted assets primarily consist of deposits escrowed under the Missouri Direct Deposit Program and unspent bond proceeds.

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Net Position

In the government-wide statements, equity is classified as net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments. All other net position is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balances

In the fund financial statements, 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 as determined by a resolution of the Board of Education. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

Assigned – Amounts constrained by the District’s intent to be used for specific purposes but that are neither restricted nor committed. Intent can be expressed by the District’s Board of Education or by an official body to which the Board of Education delegates authority.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

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.

Operating Revenues and Expenses

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.

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Interfund Activity

Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Transfers totaling \$29,335,316 were made from the General Fund to the Special Revenue Fund to cover Special Revenue Fund expenditures in excess of revenues.

NOTE 2 – CASH AND INVESTMENTS

The District is governed by the deposit and investment limitations of state law.

The District participates in the Missouri Direct Deposit Program which provides 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 monthly 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 \$4,482,667 in this program, which has been classified as investments.

The cash deposits and temporary investments are reported at cost and are summarized as follows at June 30, 2018:

	<u>Maturities</u>	<u>Credit rating</u>	<u>Cost</u>
Deposits			
Demand deposits	N/A	N/A	\$ 74,653,322
Certificates of deposit	Less than 1 year	N/A	14,248,176
Investments			
External investment pool			
Missouri Direct Deposit Program	Less than 1 year	N/A	4,482,667
U.S. Treasuries	Less than 1 year	AAA	35,411,140
U.S Government agencies	Less than 1 year	A-1	56,971,263
			<u>\$ 185,766,568</u>

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District has a custodial credit risk policy for repurchase agreement investments and for certificates of deposit which requires these funds to be collateralized at least 100% or greater of the balance plus any demand deposit with the depository, less any insurance (FDIC or NCUSIF), as applicable. The District's deposits were fully insured or collateralized at June 30, 2018.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the district or its agent, but not in the government's name. The District does not have a policy for custodial credit risk for investments. The District's investments were not exposed to custodial credit risk at year end.

Interest Rate Risk

The District minimizes the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investments portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities.

Investment Credit Risk

Investment credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. To minimize credit risk, the District prequalifies the institutions, brokers/dealers, intermediaries and advisors with which the District will do business and by diversifying the portfolio so that potential losses on individual securities will be minimized.

Concentration of Investment 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, 100%; (b) collateralized time and demand deposits, 100%; (c) U.S. Government agencies, and government sponsored enterprises, no more than 60%; (d) collateralized repurchase agreements, no more than 50%; (e) U.S. Government agency callable securities, no more than 30%; (f) commercial paper and bankers' acceptances, no more than 75%.

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Concentration of credit risk is required to be disclosed by the District for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). At June 30, 2018, the District had the following concentrations of credit risk required to be disclosed:

	<u>Fair Value</u>	<u>Percentage of Total Investments</u>
Federal Home Loan Bank	\$ 38,537,144	39.8%
Federal Farm Credit Bank	\$ 8,205,174	8.5%
Federal Home Loan Mortgage Corp	\$ 7,536,643	7.8%

NOTE 3 – LONG-TERM DEBT

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

	<u>General obligation bonds</u>	<u>Capital leases</u>
Balance at July 1, 2017	\$ 29,780,000	\$ -
Additions	130,000,000	1,000,000
Reductions	<u>(5,325,000)</u>	<u>-</u>
Balance at June 30, 2018	<u>\$ 154,455,000</u>	<u>\$ 1,000,000</u>
Amount due within one year	<u>\$ 6,140,000</u>	<u>\$ 326,755</u>

Principal and interest on all bonded indebtedness is paid through the Debt Service Fund. Principal and interest on the capital lease is paid through the Capital Projects Fund.

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Bonds Payable

Bonds payable consist of the following at June 30, 2018:

	<u>Maturity date</u>	<u>Rate of interest</u>	<u>Original issue amount</u>	<u>Balance at June 30, 2018</u>
Series 2012	2027	2%	\$ 9,335,000	\$ 9,335,000
Series 2014	2024	2.0% - 3.5%	9,320,000	9,160,000
Series 2015	2020	2.0% - 4.0%	5,235,000	3,610,000
Series 2016	2027	2.0% - 3.0%	5,915,000	5,350,000
Series 2017	2037	2.0% - 5.0%	85,000,000	82,000,000
Series 2018	2038	3.0% - 5.0%	45,000,000	<u>45,000,000</u>
				<u>\$ 154,455,000</u>

In April 2017, voters in the District authorized \$130,000,000 in general obligation bonds for the purpose of providing funds to acquire, construct, renovate, furnish, and equip schoolhouse sites, buildings and related facilities, including additions and renovations to the existing high school and construction of a new high school. On July 6, 2017, the District issued \$85,000,000 in series 2017 general obligation bonds and issued the remaining \$45,000,000 in series 2018 general obligation bonds on March 29, 2018 for completion of the project.

The annual requirements to amortize bonds are as follows at June 30, 2018:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 6,140,000	\$ 5,705,047	\$ 11,845,047
2020	4,390,000	5,654,625	10,044,625
2021	4,670,000	5,517,075	10,187,075
2022	4,950,000	5,378,250	10,328,250
2023	5,250,000	5,225,700	10,475,700
2024-2028	31,355,000	23,496,900	54,851,900
2029-2033	41,925,000	17,218,425	59,143,425
2034-2038	<u>55,775,000</u>	<u>8,123,250</u>	<u>63,898,250</u>
	<u>\$ 154,455,000</u>	<u>\$ 76,319,272</u>	<u>\$ 230,774,272</u>

Repayment of the District's series 2012, 2014, 2015, 2016, 2017 and 2018 bond issues are made through the Missouri School District Direct Deposit Program.

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Legal Debt Margin

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a school district to fifteen percent (15%) of the assessed valuation of the district (including State assessed railroad and utilities). The legal debt margin, computed excluding the assessed valuation of State assessed railroad and utilities, of the District at June 30, 2018 was:

Constitutional debt limit	\$ 191,535,244
General obligation bonds payable	(154,455,000)
Amount available in Debt Service Fund	<u>6,323,479</u>
Legal debt margin	<u>\$ 43,403,723</u>

Capital Lease

On August 1, 2017, the District entered into an equipment lease/purchase with Central Trust Bank for the purchase of 4,105 Dell Chromebook computers in the amount of \$1,000,000. The lease carries an interest rate of 2% and is payable in equal annual installments with the first payment due July 15, 2018. The lease is set to expire on July 15, 2020 and is cancelable by the District at any time. The following is a summary of the future minimum lease payments required under the capital lease and the present value of the net minimum lease payments as of June 30, 2018:

Year ending June 30,	
2019	\$ 346,755
2020	346,755
2021	<u>346,754</u>
Total future minimum lease payments	1,040,264
Less amount representing interest	<u>(40,264)</u>
Present value of future minimum lease payments	<u>\$ 1,000,000</u>

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – RETIREMENT PLANS

Public School Retirement System (PSRS)

Plan Description. PSRS is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. PSRS also includes certificated employees of PSRS, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the state of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989.

The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined not to be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of Section 169.070 (9) RSMo, known as the "2/3's statute." PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate, and their employer is required to match the contribution. The members' benefits are further calculated at two-thirds the normal benefit amount. A Comprehensive Annual Financial Report ('CAFR') can be obtained at www.psr-peers.org.

Benefits Provided. PSRS is a defined benefit plan providing retirement, disability, and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of 5 years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55% benefit factor was used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psr-peers.org.

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

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

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

- If the June to June change in the CPI-U is greater than or equal to 2%, but less than 5%, a cost-of-living increase of 2% will be granted.
- If the June to June change in the CPI-U is greater than or equal to 5%, cost-of-living increase of 5% will be granted.
- If the CPI decreases, no COLA is provided.

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

The District's contributions to PSRS were \$6,557,416 for the year ended June 30, 2018.

Public Education Employee Retirement System (PEERS)

Plan Description. PEERS is a mandatory cost-sharing multiple employer retirement system for all public school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators, and community college employees (except the Community College of St. Louis). Employees of covered districts who work 20 or more hours per week on a regular basis and who are not contributing members of the PSRS must contribute to PEERS. Employees of PSRS who do not hold Missouri educator certificates also contribute to PEERS. PEERS was established as a trust fund by an Act of the Missouri General Assembly effective October 13, 1965. Statutes governing the System are found in Sections 169.600 - 169.715 and Sections 169.560-169.595 RSMo. The statutes place responsibility for the operation of PEERS on the Board of Trustees of the Public School Retirement System of Missouri. A CAFR can be obtained at www.psr-peers.org.

Benefits Provided. PEERS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional temporary benefit until reaching minimum Social Security age (currently age 62), which is calculated using a 0.8% benefit factor. Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time PLSO payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount. A Summary Plan Description detailing the provisions of the plan can be found on PEERS' website at www.psr-peers.org.

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

The District's contributions to PEERS were \$1,021,655 for the year ended June 30, 2018.

NOTE 5 – POST EMPLOYMENT BENEFITS

The District allows employees who retire from the District to participate in the District's health insurance plans. Upon meeting the retirement requirements per Public School Retirement System of Missouri (PSRS) or Public Education Employee Retirement System of Missouri (PEERS), the employees can elect to participate in the District's plans. The retirees must pay for 100% of their coverage for each plan in which they elect to participate. The premiums are based on a single blended rate for both active employees and retirees. The difference between the amount the retiree is required to pay and the actual cost to the District is considered a post-employment benefit. The District has not established an irrevocable trust fund for the accumulation of resources for the future payment of benefits under the plan; benefits are paid on a pay-as-you-go basis. A stand alone financial report is not available for the plan.

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruptions; errors and omissions; natural disasters; employee injuries and illnesses; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health benefits.

The District is covered by an excess loss contract on its medical benefits program. This contract provides specific stop-loss coverage for claims in excess of \$150,000 per individual. However, a special provision has been added to the stop-loss coverage whereby the District retains liability for up to \$100,000 of aggregated claims above the stop-loss threshold. The District retains the obligation to pay claims below these levels.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Grants Audits

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

Litigation

The District may periodically be the defendant in a lawsuit arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly, no provision for losses has been recorded.

Construction Commitments

During the fiscal year ended June 30, 2018, the District entered into construction commitments of \$86,836,817, of which approximately \$10,015,949 were paid.

NOTE 8 – 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.

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Under Chapter 100 of Missouri's tax code, the Department of Economic Development can provide a state and local 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 Modern Litho, Unilever, Alpla, and Continental Commercial Products. For the fiscal year ending June 30, 2018, these abatements total \$1,130,618.

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.

JEFFERSON CITY SCHOOL DISTRICT

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

	Budgeted amounts		Actual	Variances-- positive (negative)	
	Original	Final		Original to final	Final to actual
Revenues					
Local	\$ 48,754,502	\$ 49,504,514	\$ 49,504,514	\$ 750,012	\$ -
County	4,552,654	4,982,647	4,982,647	429,993	-
State	4,105,382	4,849,520	4,849,520	744,138	-
Federal	9,043,674	9,139,538	9,139,538	95,864	-
Investment income	551,137	759,559	759,559	208,422	-
Total revenues	67,007,349	69,235,778	69,235,778	2,228,429	-
Expenditures					
Regular instruction	3,636,467	3,209,890	3,209,890	426,577	-
Special instruction	5,120,982	4,144,533	4,144,533	976,449	-
Vocational instruction	312,630	284,446	284,446	28,184	-
Student activities	605,409	1,754,328	1,754,328	(1,148,919)	-
Student support services	1,286,023	1,299,018	1,299,018	(12,995)	-
Instructional staff support	5,005,148	4,012,322	4,012,322	992,826	-
Building administration	1,378,591	1,353,351	1,353,351	25,240	-
General administration and central services	3,418,472	3,853,472	3,853,472	(435,000)	-
Operation of plant	8,199,147	7,676,259	7,676,259	522,888	-
Transportation	3,693,696	3,934,839	3,934,839	(241,143)	-
Food service	5,324,398	5,015,809	5,015,809	308,589	-
Community service	533,456	265,846	265,846	267,610	-
Early childhood	-	283,498	283,498	(283,498)	-
Total expenditures	38,514,419	37,087,611	37,087,611	1,426,808	-
Revenues over expenditures	28,492,930	32,148,167	32,148,167	3,655,237	-
Other financing sources (uses)					
Proceeds from sale of property	5,911	156,305	156,305	150,394	-
Net insurance recovery	-	163	163	163	-
Transfers out	(28,010,861)	(29,335,316)	(29,335,316)	(1,324,455)	-
Total other financing sources (uses)	(28,004,950)	(29,178,848)	(29,178,848)	(1,173,898)	-
NET CHANGE IN FUND BALANCE	\$ 487,980	\$ 2,969,319	2,969,319	\$ 2,481,339	\$ -
Fund balance at July 1, 2017			20,742,244		
Fund balance at June 30, 2018			\$ 23,711,563		

See notes to supplementary information.

JEFFERSON CITY SCHOOL DISTRICT

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

	Budgeted amounts		Actual	Variances-- positive (negative)	
	Original	Final		Original to final	Final to actual
Revenues					
Local	\$ 8,680,000	\$ 8,571,633	\$ 8,571,633	\$ (108,367)	\$ -
County	340,000	361,802	361,802	21,802	-
State	16,450,000	16,320,550	16,320,550	(129,450)	-
Federal	200,000	150,654	150,654	(49,346)	-
Investment income	6,755	17,633	17,633	10,878	-
Other	243,172	244,011	244,011	839	-
Total revenues	25,919,927	25,666,283	25,666,283	(253,644)	-
Expenditures					
Regular instruction	31,069,158	31,701,839	31,701,839	(632,681)	-
Special instruction	8,433,270	9,415,237	9,415,237	(981,967)	-
Vocational instruction	1,879,334	1,813,769	1,813,769	65,565	-
Student activities	1,020,369	1,013,356	1,013,356	7,013	-
Tuition paid to other districts	202,000	232,719	232,719	(30,719)	-
Student support services	3,073,514	2,825,096	2,825,096	248,418	-
Instructional staff support	2,685,196	2,471,817	2,471,817	213,379	-
Building administration	3,212,509	2,893,249	2,893,249	319,260	-
General administration and central services	882,486	1,067,590	1,067,590	(185,104)	-
Transportation	144,994	172,372	172,372	(27,378)	-
Community service	1,327,958	254,330	254,330	1,073,628	-
Early childhood	-	1,140,225	1,140,225	(1,140,225)	-
Total expenditures	53,930,788	55,001,599	55,001,599	(1,070,811)	-
Revenues under expenditures	(28,010,861)	(29,335,316)	(29,335,316)	(1,324,455)	-
Other financing sources					
Transfers in	28,010,861	29,335,316	29,335,316	1,324,455	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-	\$ -	\$ -
Fund balance at July 1, 2017			-		
Fund balance at June 30, 2018			\$ -		

JEFFERSON CITY SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
BUDGET TO ACTUAL - UNAUDITED
DEBT SERVICE FUND
Year ended June 30, 2018**

	Budgeted amounts		Actual	Variances-- positive (negative)	
	Original	Final		Original to final	Final to actual
Revenues					
Local	\$ 11,480,000	\$ 11,158,044	\$ 11,158,044	\$ (321,956)	\$ -
County	466,300	1,242,411	1,242,411	776,111	-
Investment income	40,000	123,536	123,536	83,536	-
Total revenues	11,986,300	12,523,991	12,523,991	537,691	-
Expenditures					
Debt services	8,957,563	8,352,951	8,352,951	604,612	-
Other	-	1,550	1,550	(1,550)	-
Total expenditures	8,957,563	8,354,501	8,354,501	603,062	-
NET CHANGE IN FUND BALANCE	\$ 3,028,737	\$ 4,169,490	4,169,490	\$ 1,140,753	\$ -
Fund balance at July 1, 2017			2,153,989		
Fund balance at June 30, 2018			\$ 6,323,479		

See notes to supplementary information.

JEFFERSON CITY SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
BUDGET TO ACTUAL - UNAUDITED
CAPITAL PROJECTS FUND
Year ended June 30, 2018**

	Budgeted amounts		Actual	Variances-- positive (negative)	
	Original	Final		Original to final	Final to actual
Revenues					
Local	\$ 522,389	\$ 516,466	\$ 516,466	\$ (5,923)	\$ -
State	2,889,791	2,886,000	2,886,000	(3,791)	-
Federal	24,345	-	-	(24,345)	-
Investment income	25,600	1,162,901	1,162,901	1,137,301	-
Total revenues	3,462,125	4,565,367	4,565,367	1,103,242	-
Expenditures					
Regular instruction	87,908	1,025,670	1,025,670	(937,762)	-
Special instruction	10,000	13,359	13,359	(3,359)	-
Vocational instruction	227,450	213,155	213,155	14,295	-
Student activities	36,904	25,258	25,258	11,646	-
Instructional staff support	607,049	492,495	492,495	114,554	-
Building administration	-	84,365	84,365	(84,365)	-
Operation of plant	96,675	57,672	57,672	39,003	-
Transportation	-	15,000	15,000	(15,000)	-
Food services	100,000	134,842	134,842	(34,842)	-
Community service	25,000	10,866	10,866	14,134	-
Facility acquisition and construction	28,843,238	12,412,469	12,412,469	16,430,769	-
Debt services					
Interest and other charges	-	739,317	739,317	(739,317)	-
Total expenditures	30,034,224	15,224,468	15,224,468	14,809,756	-
Revenues over (under) expenditures	(26,572,099)	(10,659,101)	(10,659,101)	15,912,998	-
Other financing sources					
Proceeds from general obligation bonds	85,031,344	130,000,000	130,000,000	44,968,656	-
Premium on general obligation bonds	-	11,461,859	11,461,859	11,461,859	-
Capital lease	-	1,000,000	1,000,000	1,000,000	-
Total other financing sources	85,031,344	142,461,859	142,461,859	57,430,515	-
NET CHANGE IN FUND BALANCE	\$ 58,459,245	\$ 131,802,758	131,802,758	\$ 73,343,513	\$ -
Fund balance at July 1, 2017			3,292,329		
Fund balance at July 1, 2018			<u>\$ 135,095,087</u>		

See notes to supplementary information.

JEFFERSON CITY SCHOOL DISTRICT

SCHEDULE OF CAPITAL ASSETS - UNAUDITED

Capital assets activity as of the year ended June 30, 2018 was as follows:

	Balance at July 1, 2017	Additions	Disposals	Balance at June 30, 2018
Capital assets, not being depreciated				
Land	\$ 5,382,745	\$ -	\$ -	\$ 5,382,745
Construction in progress	<u>280,523</u>	<u>12,309,763</u>	<u>(65,456)</u>	<u>12,524,830</u>
Total capital assets, not being depreciated	5,663,268	12,309,763	(65,456)	17,907,575
Capital assets being depreciated				
Buildings and improvements	125,487,508	1,028,485	-	126,515,993
Equipment	<u>4,276,130</u>	<u>253,414</u>	<u>(34,108)</u>	<u>4,495,436</u>
Total capital assets being depreciated	129,763,638	1,281,899	(34,108)	131,011,429
Less accumulated depreciation				
Buildings and improvements	45,922,986	3,671,799	-	49,594,785
Equipment	<u>3,352,038</u>	<u>191,552</u>	<u>(32,365)</u>	<u>3,511,225</u>
Total accumulated depreciation	<u>49,275,024</u>	<u>3,863,351</u>	<u>(32,365)</u>	<u>53,106,010</u>
Total capital assets being depreciated, net	<u>80,488,614</u>	<u>(2,581,452)</u>	<u>(1,743)</u>	<u>77,905,419</u>
Governmental activities capital assets, net	<u>\$ 86,151,882</u>	<u>\$ 9,728,311</u>	<u>\$ (67,199)</u>	<u>\$ 95,812,994</u>

See notes to supplementary information.

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 67, RSMo, the District adopts a budget for each fund of the political subdivision.
2. Prior to July, the Chief Financial Officer, 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.
3. 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.
4. Prior to July 1, the budget is legally enacted by a vote of the Board of Education.
5. Subsequent to the 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 of Education. Adjustments made during the year are reflected in the budget information included in the financial statements.
6. Budgeted amounts are as originally adopted or as amended by the Board of Education.
7. Budgets for District funds are prepared and adopted on the modified cash basis (budget basis), recognizing revenues when collected and expenditures when paid. Budgets lapse at year end.

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

NOTE 2 - CAPITAL ASSETS ACCOUNTING POLICIES

Capital assets include land, buildings, furniture and equipment. The District defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. All land purchases are included. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The District does not own any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included. Capital assets being constructed and in progress as of the date of the financial statements are reported with buildings and improvements, but not depreciated until the project is complete. All reported capital assets, except land and construction in progress, are depreciated using the straight-line method over their estimated useful lives. The District primarily utilizes partial year depreciation in the year of acquisition.

Depreciation is calculated using the straight-line method over the estimated useful life of each asset. Original building construction and major improvements are depreciated over 75 years. Equipment useful lives range from 5 to 20 years.



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

Board of Education of
Jefferson City School District
Jefferson City, Missouri

We have examined Jefferson City School District's compliance with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures, and accurate disclosure by Jefferson City School District's records of average daily attendance and average daily pupil transportation 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 Jefferson City School District's compliance with the specified requirements based on our examination.

Our examination was made in accordance with the attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, Jefferson City School District complied, in all material respects, with the aforementioned requirements 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 7, 2018

Other Locations

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

JEFFERSON CITY SCHOOL DISTRICT

SCHEDULE OF SELECTED STATISTICS - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2018

District Number: 026-006

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	6.6500	SDL
Grades 6 through 8	6.4167	SDL
Grades 9 through 12	6.6833	SDL

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

	<u>Hours</u>	<u>Days</u>
Grades K through 5	1,132.1000	174
Grades 6 through 8	1,091.4981	174
Grades 9 through 12	1,137.8909	174

2. Average Daily Attendance (ADA)

Regular term average daily attendance:

	<u>Full-time & part-time</u>
Kindergarten	625.5106
Grades 1 through 5	3,317.8011
Grades 6 through 8	1,872.1609
Grades 9 through 12	<u>2,103.2268</u>
Subtotal regular attendance	<u>7,918.6994</u>
Summer school - average daily attendance	<u>261.2450</u>
ESY	<u>0.0776</u>
Total average daily attendance	<u><u>8,180.0220</u></u>

JEFFERSON CITY SCHOOL DISTRICT

**SCHEDULE OF SELECTED STATISTICS - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2018**

3. September Membership

	<u>Full-time & part-time</u>
September membership FTE count	<u>8,603.51</u>

4. Free and Reduced Priced Lunch FTE Count

	<u>Full-time & part-time</u>
Free	4,289.70
Reduced	<u>713.16</u>
Total	<u>5,002.86</u>

5. Finance

- A. As required by Section 162.401, RSMo, a bond was purchased for the District's treasurer in the total amount of: \$100,000
- B. The District's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo. True
- C. The District maintained a separate bank account for the Debt Service Fund in accordance with Section 165.011, RSMo. True
- D. Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records. True
- E. If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the board approve a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected date for the projects to be undertaken. N/A
- F. The District published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo. False
- G. The District has a professional development committee plan adopted by the Board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment. True

JEFFERSON CITY SCHOOL DISTRICT

SCHEDULE OF SELECTED STATISTICS - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2018

H. The amount spent for approved professional development committee plan activities was:	<u>\$128,736</u>
All above "False answers must be supported by a finding or management letter comment.	
Findings #:	<u>N/A</u>
Management Letter Comment #:	<u>18-1</u>

6. Transportation

A. The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.	<u>True</u>
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.	<u>True</u>
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	<u>4,808.5</u>
▪ Ineligible ADT	<u>0</u>
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.	<u>True</u>
E. Actual odometer records show the total district-operated <u>and</u> contracted mileage for the year was:	<u>908,318</u>

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	<u>758,443</u>
▪ Ineligible Miles (Non-Route/Disapproved)	<u>149,875</u>

JEFFERSON CITY SCHOOL DISTRICT

**SCHEDULE OF SELECTED STATISTICS - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2018**

F. Number of days the schools operated the school transportation system during the regular school year: 174

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

Findings #: N/A

Management Letter Comment #: N/A



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**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Board of Education
Jefferson City School District
Jefferson City, Missouri

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Jefferson City School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Jefferson City School District's basic financial statements, and have issued our report thereon dated December 7, 2018. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the Jefferson City Public Schools Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Jefferson City Public Schools Foundation.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson City 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 Jefferson City School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Jefferson City 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Jefferson City 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*.

Jefferson City School District Response to Findings

The Jefferson City School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Jefferson City School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kerba, Eck & Braechel LLP

St. Louis, Missouri
December 7, 2018



Kerber, Eck & Braeckel LLP

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

Board of Education
Jefferson City School District
Jefferson City, Missouri

Report on Compliance for Each Major Federal Program

We have audited the Jefferson City 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 the Jefferson City School District's major federal programs for the year ended June 30, 2018. The Jefferson City 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 federal statutes, regulations, and the terms and conditions of its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Jefferson City School 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 the Jefferson City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Jefferson City School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Jefferson City 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control over Compliance

Management of the Jefferson City 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 Jefferson City School District's internal control over compliance with 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 Jefferson City 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001 and 2018-002 that we consider to be significant deficiencies.

The Jefferson City School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Jefferson City Public School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 7, 2018

JEFFERSON CITY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor / Pass-Through Grantor / Program Cluster or Title	Federal CFDA Number	Pass- Through Identification Number	Expenditures
U.S. Department of Education			
Passed-through Missouri Department of Elementary and Secondary Education:			
Special Education Cluster:			
Special Education Grants to States	84.027	026-006	\$ 2,352,396
Special Education Preschool Grants	84.173	026-006	<u>62,272</u>
Total Special Education Program Cluster			2,414,668
Adult Education - Basic Grants to States	84.002	026-006	104,405
Career and Technical Education - Basic Grants to States	84.048	026-006	245,758
Title I Grants to Local Educational Agencies	84.010	026-006	2,267,787
Improving Teacher Quality State Grants	84.367	026-006	38,313
English Language Acquisition State Grants	84.365	026-006	29,691
Assistive Technology	84.224	026-006	5,000
Grants for State Assessments and Related Activities	84.369	026-006	<u>2,100</u>
Total U.S. Department of Education			5,107,722
U.S. Department of Agriculture			
Passed-through Missouri Department of Elementary and Secondary Education:			
Fresh Fruit and Vegetable Program	10.582	026-006	63,935
Child Nutrition Cluster:			
School Breakfast Program	10.553	026-006	936,801
National School Lunch Program	10.555	026-006	
Cash assistance			2,644,158
Non-cash assistance (food distribution)			<u>500,953</u>
Total National School Lunch Program			3,145,111
Passed-through Missouri Department of Health and Senior Services			
Summer Food Service Program for Children	10.559	ERS04623735	<u>260,362</u>
Total Child Nutrition Program Cluster			4,342,274
Child and Adult Care Food Program	10.558	ERS46112373	<u>92,955</u>
Total U.S. Department of Agriculture			<u>4,499,164</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 9,606,886</u></u>

See notes to the schedule of expenditures of federal awards.

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Jefferson City School District (the 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 operations of the District and is reported on the modified cash basis of accounting, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the modified cash 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 of Expenditures of Federal Awards at fair market value of the commodities received and disbursed during the fiscal year ended June 30, 2018.

JEFFERSON CITY SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report issued on financial statements: Unmodified opinion

Internal control over financial reporting:

Material weaknesses identified? No

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

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness identified? No

Significant deficiencies identified that are not considered to be material weaknesses? Yes

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

Any audit findings disclosed that are required to be reported under 2 CFR Section 200.516(a) of the Uniform Guidance? Yes

The programs tested as a major program are as follows:

<u>CFDA number(s)</u>	<u>Name of program or cluster</u>
84.048	Career and Technical Education - Basic Grants to States
10.553, 10.555, 10.559	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

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

Auditee qualified as a low-risk auditee? No

JEFFERSON CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS

There were no findings which are required to be reported in accordance with Generally Accepted Government Auditing Standards.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2018-001

Federal Program: Child Nutrition Cluster

CFDA No: 10.553, 10.555

Federal Agency: U.S. Department of Agriculture

Pass-through Agency: Missouri Department of Elementary and Secondary Education

Award No: As listed on the Schedule of Expenditures of Federal Awards

Award Period: July 1, 2017 – June 30, 2018

Compliance: Eligibility

Criteria: 2 CFR section 200.303 requires nonfederal entities to establish and maintain effective internal control over federal awards that provides reasonable assurance that the awards are being managed in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: The Nutrition Services Director is the determining official for certifying household applications for free and reduced priced meals. The applications selected for testing did not always include the determining official's signature evidencing certification.

Cause: The Nutrition Services Director position was unfilled for part of the year.

Effect: Eligibility determinations may be at risk for administrative error if household applications are not reviewed and certified by the determining official. However, no incorrect eligibility determinations were noted in our testing.

Questioned Cost: None

Recommendation: We recommend all household applications for free and reduced meals include the determining official's signature as evidence of review and certification.

Management Response and Corrective Action Plan: *The District concurs with this recommendation. The Nutrition Services staff are aware of the importance of properly reviewing and certifying all free and reduced priced meal applications. If the Nutrition Services Director is not available or the position is vacant for a period of time (as occurred during the 2017-18 fiscal year), the Chief Financial Officer/Chief Operating Officer of the District will complete the certification process.*

JEFFERSON CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

Finding 2018-002

Federal Program: Special Education Cluster

CFDA No: 84.027, 84.173

Federal Agency: U.S. Department of Education

Pass-through Agency: Missouri Department of Elementary and Secondary Education

Award No: As listed on the Schedule of Expenditures of Federal Awards

Award Period: July 1, 2017 – June 30, 2018

Compliance: Reporting

Criteria: 2 CFR section 200.302 requires that expenditures reimbursed with federal funds be tracked separately in the general ledger.

Condition: Early Childhood Special Education expenditures reimbursed with federal funds were not tracked separately from those expenditures reimbursed with State funds.

Cause: The District incurs expenditures for Early Childhood Special Education prior to knowing whether they will be reimbursed with state or federal funds. While the District ensures all expenditures for Early Childhood Special Education are allowable expenses qualifying for Federal reimbursement, the District did not properly reallocate the expenditures to a separate general ledger account upon receipt of the DESE payment transmittal noting the source of funds was Federal.

Effect: The expenditure of federal funds for Early Childhood Special Education were not adequately supported by the District's general ledger.

Questioned Cost: \$279,768

Recommendation: We recommend the District track Early Childhood Special Education expenditures reimbursed with federal funds separately from those reimbursed with State funds within its general ledger.

Management Response and Corrective Action Plan: The District concurs with this recommendation. For 2018-19 and future years, the District's expansion of its general ledger coding structure pursuant to the Every Student Succeeds Act will enable expenditures reimbursed with federal funds to be properly designated and identified in the ledger.

JEFFERSON CITY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

Finding 2017-001

Condition: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Recommendation: We recommend management continue to review its processes to further segregate incompatible duties.

Current Status: The District is very aware of the need for segregation of duties and has continued to monitor its processes and make improvements when possible.

Finding 2017-002

Condition: Thirty-six expenditures were tested and three were found that only had one level of approval when District policy required these expenditures to have two levels of approval.

Recommendation: We recommend all expenditures be approved in accordance with District policy.

Current Status: The District discussed the instances noted with the applicable staff, reviewed the approval levels for the various purchase order routes, and then monitored route selections over the course of the year to ensure proper approvals were obtained.

Finding 2017-003

Condition: Thirty-six expenditures were tested and three were found that only had one level of approval when District policy required these expenditures to have two levels of approval.

Recommendation: We recommend all expenditures be approved in accordance with District policy.

Current Status: The District monitored route selections for purchase orders periodically throughout the year and did not note repeated issues with improper route selections.