

JEFFERSON CITY SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2019

JEFFERSON CITY SCHOOL DISTRICT

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Independent Auditors' Report

Board of Education
Jefferson City School District

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, 2019, 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 relates 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 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, 2019, and the respective changes in modified cash basis financial position, thereof for the year then ended in accordance with the modified cash 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 13, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Jefferson City School District's 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, Eck & Braeckel LLP

St. Louis, Missouri
December 13, 2019



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MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The discussion and analysis of the Jefferson City School District's financial performance provides an overview of the District's financial activity for the fiscal year ending June 30, 2019. 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 decreased by \$68,741,075 to \$96,389,054 during the 2019 fiscal year. This fund balance and the change in total balances of each fund are described below:
 - The Operating fund balance increased by \$2,077,057 to \$25,788,620. The District had budgeted to increase the Operating fund balance as the voted tax rate increase is being phased in over a three-year period. At the conclusion of the 2019 fiscal year, the Operating fund balance was 26.9% of annual expenditures, which is above the District's goal of 20%.
 - The Debt Service fund balance increased by \$939,830, to \$7,263,309. The District planned to increase the debt service balance to ensure reasonable reserves to service the principal and interest payments on the District outstanding debt. The District also plans to show modest surpluses in the coming years to get the fund balance to an adequate level. The FY19 ending fund balance is sufficient to pay 72.2% of the District's general obligation debt service requirements for FY20.
 - The Capital Projects fund balance decreased by \$71,757,962 to \$63,337,125. 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. \$56,157,082, of the Capital Projects fund balance is associated with the 2017 bond issue. The remaining \$7,180,043 is the assigned balance for Capital Projects.
- Revenues of the "operating funds" (General and Teachers Funds) were \$97,950,045 which was an increase of 3.2%, or \$3,047,984, compared to prior year total operating revenue.

JEFFERSON CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2019

Most of this increase was in local property taxes where the District's revenue increased by \$3,237,004. The District's assessed valuation grew by 2.6%, which generated an additional \$1,131,000 in potential revenue. The remaining increase in local property taxes came from the \$0.15 operating levy increase. This increase was the second phase of the \$0.45 increase that was passed by voters in April 2017. The remaining \$0.10 will be implemented during the 2020-2021 school year.

The District saw a 1.1% increase in Prop C revenue. This amounted to an increase of \$95,655. This increase is attributable to higher sales tax collections at the state level.

The District saw a decrease in Federal Revenues of \$764,233, mostly in the ESEA Consolidated programs where federal revenues decreased by \$750,920. This decrease in federal funds is attributable to the final expenditure report being submitted and reimbursed in FY20, rather than an estimated final expenditure claim being submitted and reimbursed in late FY19. As a result, next year's Federal Revenues may reflect a fluctuation in the opposite direction.

Expenses for the operating funds increased \$3,842,258, or 4.2%, 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 \$2,705,027. While the District awarded raises averaging 2.9% for the year, the District's actual salary costs increased by 4.0% (or \$2,216,499). The higher salary costs resulted from the addition of staff and improvements in the compensation of the technology staff. Benefit costs increased by \$488,528 (or 3.1%). 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 \$1,080,449 (5.9%). The District's utility expenses only increased by 4.3% and were \$84,586 more than FY18. Total utility expenses were \$2,066,288 for the year.

- Outlays for new capital assets (excluding bond proceeds) totaled \$1,964,906 during the year, including site improvements and equipment. An additional \$76,053,215 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.

JEFFERSON CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2019

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.
- 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, 2019

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, 2019</u>	<u>June 30, 2018</u>
Assets		
Cash and Investments	\$ 56,270,838	\$ 49,882,706
Restricted Investments/Other Assets	60,174,950	134,665,054
Total assets	<u>116,445,788</u>	<u>184,547,760</u>
Current Liabilities	<u>(8,412,196)</u>	<u>(8,165,109)</u>
Net Position	<u>\$ 108,033,592</u>	<u>\$ 176,382,651</u>

The District's total net position was \$108,033,592, as of June 30, 2019. Of this amount, \$44,535,392 is unrestricted.

Total net position decreased by \$68,349,059 for the year ended June 30, 2019. As previously noted, the reason for this large decrease is due to the District passing a bond referendum in April 2017 and the spending of those bond proceeds in FY19. The unrestricted net position of the District increased by \$4,689,627. The increase in net position differs from the increase in overall fund balances because of the different measurement focus of the two statements. A complete reconciliation of this difference is included on the basic financial statements.

JEFFERSON CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2019

Governmental Activities

The financial activities of the District for the year ended June 30, 2019 and 2018 are summarized as follows:

	<u>June 30, 2019</u>		
	<u>Expenditures</u>	<u>Program receipts</u>	<u>Net expenditures</u>
Instruction	\$ 51,891,942	\$ 9,186,578	\$ (42,705,364)
Support services	13,506,359	241,559	(13,264,800)
Administration	10,894,155	-	(10,894,155)
Operation of plant	8,196,379	-	(8,196,379)
Pupil transportation	4,522,670	816,026	(3,706,644)
Food service	5,104,854	5,771,398	666,544
Community service	2,062,120	734,083	(1,328,037)
Facility acq. & construction	77,033,921	-	(77,033,921)
Principal payments	6,466,755	-	(6,466,755)
Interest/fees	5,727,197	-	(5,727,197)
	<u>\$ 185,406,352</u>	<u>\$ 16,749,644</u>	(168,656,708)
		General revenues	<u>100,307,649</u>
		Change in net position	<u>\$ (68,349,059)</u>
		<u>June 30, 2018</u>	
	<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>
		Change in net position	<u>\$ 139,877,962</u>

JEFFERSON CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2019

Jefferson City School District primarily relies on local property and sales taxes and state aid and grants for funding its governmental activities. In 2019 and 2018, respectively, 70.1% and 69.9% of general revenues were derived from local sources and 20.0% from general state and federal aid and grants. Sales tax revenues accounted for 8.6% in 2019 and 9.1% in 2018.

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

- The District's total revenue in all funds increased by \$5,005,812 or 4.5%. Total revenues from local and county sources combined increased by \$3,017,588 or 5.3%. The net change for all state and federal revenues combined amounted to \$499,244, which was an increase of 1.5%.
- The District saw an increase in total governmental fund expenditures of \$70,130,189. The majority of this increase, \$62,793,653, is reflected in the capital projects fund and is associated with the bond construction project. The District also saw an increase in principal and interest payments due to the updated principal and interest payments upon passage of the bond issue in 2017.
- The cost of all governmental activities this year was \$185,406,352, compared to \$114,731,784 for the prior year. With \$16,749,644 of the total costs financed by revenues generated by the governmental activities, the net cost of all governmental activities was \$168,656,708.
- Utilizing guidance from the Missouri Department of Elementary and Secondary Education, the District made numerous changes to its expenditure coding to comply with the provisions of the Every Student Succeeds Act. This federal law requires the recording of expenditures by building and is designed to ensure that expenditure data for buildings within a district, as well as between districts across the state, are comparable and further allow districts, governing agencies and taxpayers to better evaluate how the local districts spend their resources.

While we believe these are noble goals, the coding changes skew the District's data between FY18 and FY19 and make the current year-to-year comparison of expenditures by function (e.g., instruction, pupil support, administration) difficult. The readers of this report are encouraged to keep this in mind when evaluating the subsequent analysis. Comparisons in future years will be more meaningful.

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 2019, instruction represents 54.0% of the total cost of all governmental activities of the District; compared to 58.2% in the prior year.
- For fiscal year 2019, Pupil Support Services (includes Professional Development, Technology, Guidance, Library, Health/Psychology/Speech Services and Attendance Services) represents 14.0% of the total cost of all governmental activities of the District; compared to 11.8% in the prior year.

JEFFERSON CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED YEAR ENDED JUNE 30, 2019

- For fiscal year 2019, Administration (includes Board of Education, District-wide, and Building-level Administrative Services) represents 11.3% of the total costs of all governmental activities of the District; compared to 9.8% in the prior year.
- For fiscal year 2019, the remaining categories (includes Plant Operation, Transportation, Food Service, and Community Services) represents 20.7% of the total costs of all governmental activities; compared to 20.2% in the prior year.

Financial Analysis of the District's Funds

The District's governmental funds reported combined fund balances of \$96,389,054, which is well below last year's ending fund balances of \$165,130,129. 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 and the spending of those funds in FY19. The fund balance in the District's general fund increased by \$2,077,057 to \$25,788,620.

The District made three budget amendments during the fiscal year. These amendments occurred in November, 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 all three fronts. On the revenue side, actual revenues came in \$190,268 more than the original budget, which is within the goal at 0.10% above budgeted amounts. Total operating expenditures came in as expected also, as it ended \$466,166 less than the original budget, which is only 0.48% lower than the original budget. The actual operations of the District resulted with an operating surplus of \$2,077,057, while the original budget called for a surplus of revenues over expenses and transfers in the Operating Funds of \$1,509,766. This results in a positive difference of \$567,291 or 0.59% of annual expenditures, which also falls in line with the Business Office goal of budgeting.

The balance of the Capital Projects Fund is \$63,337,125. These fund balances are limited to the stated uses of the fund. Of these funds, \$56,157,082 are restricted for use associated with the bond issue referendum passed in April 2017. The remaining \$7,180,043 are available for other capital improvements at the District's discretion.

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, 2019

	Primary Government	Component Unit
	Governmental Activities	Jefferson City Public Schools Foundation
ASSETS		
Cash and investments	\$ 56,270,838	\$ 1,751,278
Restricted cash and investments	60,174,950	-
Other assets	-	3,125
	<hr/>	<hr/>
Total assets	116,445,788	1,754,403
LIABILITIES		
Accrued payroll expense	8,412,196	-
NET POSITION		
Restricted - nonexpendable endowment	-	25,839
Restricted - expendable		
Student scholarships	-	1,071,284
Professional development	77,809	-
Restricted for capital projects	56,157,082	-
Retirement of long-term debt	7,263,309	-
Unrestricted	44,535,392	657,280
	<hr/>	<hr/>
Total net position	<u>\$ 108,033,592</u>	<u>\$ 1,754,403</u>

See notes to financial statements.

JEFFERSON CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

Year ended June 30, 2019

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	\$ 35,381,814	\$ 84,258	\$ 1,071,882	\$ -	\$ (34,225,674)	\$ -
Special instruction	11,316,412	307,496	5,637,452	-	(5,371,464)	-
Vocational instruction	1,943,551	176,183	848,480	-	(918,888)	-
Student activities	3,248,215	1,060,827	-	-	(2,187,388)	-
Tuition paid to other districts	1,950	-	-	-	(1,950)	-
Student support services	7,664,180	-	-	-	(7,664,180)	-
Instructional staff support	5,842,179	-	241,559	-	(5,600,620)	-
Building administration	4,572,483	-	-	-	(4,572,483)	-
General administration and central services	6,321,672	-	-	-	(6,321,672)	-
Operation of plant	8,196,379	-	-	-	(8,196,379)	-
Transportation	4,522,670	22,500	793,526	-	(3,706,644)	-
Food service	5,104,854	1,701,220	4,070,178	-	666,544	-
Community service	651,448	-	734,083	-	82,635	-
Early childhood	1,410,672	-	-	-	(1,410,672)	-
Facility acquisition and construction	77,033,921	-	-	-	(77,033,921)	-
Principal	6,466,755	-	-	-	(6,466,755)	-
Interest and other charges	5,727,197	-	-	-	(5,727,197)	-
Total governmental activities	\$ 185,406,352	\$ 3,352,484	\$ 13,397,160	\$ -	(168,656,708)	-
Component unit						
Jefferson City Public Schools Foundation	\$ 434,654	\$ -	\$ 967,841	\$ -	-	533,187
General revenues						
Property taxes					66,825,490	-
Sales taxes					8,667,288	-
State aid					20,107,599	-
Fines					300,932	-
Investment income					3,513,679	56,333
Miscellaneous					832,599	-
Proceeds from sale of property					60,062	-
Total general revenues					100,307,649	56,333
CHANGE IN NET POSITION					(68,349,059)	589,520
Net position at July 1, 2018					176,382,651	1,164,883
Net position at June 30, 2019					\$ 108,033,592	\$ 1,754,403

See notes to financial statements.

JEFFERSON CITY SCHOOL DISTRICT

BALANCE SHEET- MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

June 30, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and investments	\$ 26,699,015	\$ 7,500,159	\$ 3,245,441	\$ 7,180,043	\$ 44,624,658
Restricted cash and investments	-	-	4,017,868	56,157,082	60,174,950
Total assets	<u>\$ 26,699,015</u>	<u>\$ 7,500,159</u>	<u>\$ 7,263,309</u>	<u>\$ 63,337,125</u>	<u>\$ 104,799,608</u>
LIABILITIES					
Payroll liabilities	\$ 910,395	\$ 7,500,159	\$ -	\$ -	\$ 8,410,554
FUND BALANCES					
Fund balances					
Restricted for					
General obligation debt	-	-	7,263,309	-	7,263,309
Professional development	77,809	-	-	-	77,809
Capital projects	-	-	-	56,157,082	56,157,082
Assigned to					
Capital projects	-	-	-	7,180,043	7,180,043
Student activity accounts	586,813	-	-	-	586,813
Next years budget	1,403,043	-	-	-	1,403,043
Unassigned	23,720,955	-	-	-	23,720,955
Total fund balances	<u>25,788,620</u>	<u>-</u>	<u>7,263,309</u>	<u>63,337,125</u>	<u>96,389,054</u>
Total liabilities and fund balances	<u>\$ 26,699,015</u>	<u>\$ 7,500,159</u>	<u>\$ 7,263,309</u>	<u>\$ 63,337,125</u>	<u>\$ 104,799,608</u>

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

Fund balances	\$ 96,389,054
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.	<u>11,644,538</u>
Net position of governmental activities	<u>\$ 108,033,592</u>

See notes to financial statements.

JEFFERSON CITY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
Year ended June 30, 2019**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues					
Local	\$ 52,025,277	\$ 8,667,288	\$ 11,455,406	\$ 1,315,733	\$ 73,463,704
County	4,463,260	300,932	1,127,209	-	5,891,401
State	4,995,754	17,581,732	-	2,742,061	25,319,547
Federal	8,338,111	187,848	-	-	8,525,959
Investment income	1,078,863	28,039	204,412	2,202,365	3,513,679
Other	22,500	260,441	-	-	282,941
Total revenues	70,923,765	27,026,280	12,787,027	6,260,159	116,997,231
Expenditures					
Regular instruction	2,950,704	32,578,023	-	25,036	35,553,763
Special instruction	3,611,413	7,770,462	-	-	11,381,875
Vocational instruction	253,829	1,485,605	-	211,207	1,950,641
Student activities	2,120,568	1,105,164	-	23,937	3,249,669
Tuition paid to other districts	-	1,950	-	-	1,950
Student support services	2,342,399	5,358,870	-	-	7,701,269
Instructional staff support	3,358,260	2,379,218	-	115,825	5,853,303
Building administration	1,530,080	2,974,238	-	87,181	4,591,499
General administration and central services	4,894,249	1,446,113	-	-	6,340,362
Operation of plant	8,146,998	-	-	76,322	8,223,320
Transportation	4,334,802	187,868	-	-	4,522,670
Food service	5,032,359	-	-	94,982	5,127,341
Community service	340,644	310,015	-	2,955	653,614
Early childhood	293,464	1,125,755	-	-	1,419,219
Facility acquisition and construction	-	-	-	77,033,921	77,033,921
Debt services					
Principal	-	-	6,140,000	326,755	6,466,755
Interest and other charges	-	-	5,707,197	20,000	5,727,197
Total expenditures	39,209,769	56,723,281	11,847,197	78,018,121	185,798,368
Revenues over (under) expenditures	31,713,996	(29,697,001)	939,830	(71,757,962)	(68,801,137)
Other financing sources (uses)					
Proceeds from sale of property	60,062	-	-	-	60,062
Transfers in	-	29,697,001	-	-	29,697,001
Transfers out	(29,697,001)	-	-	-	(29,697,001)
Total other financing sources (uses)	(29,636,939)	29,697,001	-	-	60,062
CHANGE IN FUND BALANCES	2,077,057	-	939,830	(71,757,962)	(68,741,075)
Fund balance at July 1, 2018	23,711,563	-	6,323,479	135,095,087	165,130,129
Fund balance at June 30, 2019	<u>\$ 25,788,620</u>	<u>\$ -</u>	<u>\$ 7,263,309</u>	<u>\$ 63,337,125</u>	<u>\$ 96,389,054</u>

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

Change in fund balances \$ (68,741,075)

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.

392,016

Changes in net position of governmental activities

\$ (68,349,059)

See notes to financial statements.

JEFFERSON CITY SCHOOL DISTRICT

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

June 30, 2019

	<u>Internal Service Fund</u>
ASSETS	
Cash and investments	\$ 11,646,180
LIABILITIES	
Payroll liability	<u>1,642</u>
NET POSITION	
Unrestricted	<u><u>\$ 11,644,538</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, 2019

	Internal Service Fund
Operating revenues	
Premiums	\$ 8,402,705
Operating expenses	
Medical claims paid	6,790,627
Reinsurance	620,925
Administrative	690,292
Other	211,856
	<hr/>
Total operating expenses	8,313,700
Operating income	89,005
Non-operating revenues	
Interest income	303,011
	<hr/>
CHANGE IN NET POSITION	392,016
Net position at July 1, 2018	11,252,522
	<hr/>
Net position at June 30, 2019	\$ 11,644,538
	<hr/> <hr/>

See notes to financial statements.

JEFFERSON CITY SCHOOL DISTRICT

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

June 30, 2019

	<u>Scholarship Fund</u>
ASSETS	
Cash and investments	<u>\$ 900,199</u>
Total assets	<u><u>\$ 900,199</u></u>
LIABILITIES	
Payable for scholarships	<u>\$ 900,199</u>
Total liabilities	<u><u>\$ 900,199</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, 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 2018 for purposes of local taxation was \$1,309,974,190, 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 2018 for purposes of local taxation was:

	<u>Adjusted</u>	<u>Unadjusted</u>
General Fund	\$ 3.7900	\$ 4.1091
Special Revenue Fund	-	-
Debt Service Fund	0.9028	0.9028
Capital Projects Fund	-	-
	<u> </u>	<u> </u>
Total	<u>\$ 4.6928</u>	<u>\$ 5.0119</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2019, 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.

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 \$29,697,001 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, 2019, the District had \$4,017,868 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, 2019:

	<u>Maturities</u>	<u>Credit rating</u>	<u>Cost</u>
Deposits			
Demand deposits	N/A	N/A	\$ 65,434,682
Certificates of deposit	Less than 1 year	N/A	3,379,894
Investments			
External investment pool			
Missouri Direct Deposit Program	Less than 1 year	N/A	4,017,868
U.S. Treasuries	Less than 1 year	AAA	11,772,050
U.S Government agencies	Less than 1 year	A-1	<u>32,741,493</u>
Total deposits and investments			<u><u>\$ 117,345,987</u></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, 2019.

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, 2019, the District had the following concentrations of credit risk required to be disclosed:

	<u>Cost</u>	<u>Percentage of Total Investments</u>
Federal Home Loan Bank	\$ 25,577,799	52.70%
Federal Farm Credit Bank	\$ 7,163,694	14.76%

NOTE 3 – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

	<u>General obligation bonds</u>	<u>Capital leases</u>
Balance at July 1, 2018	\$ 154,455,000	\$ 1,000,000
Reductions	<u>(6,140,000)</u>	<u>(326,755)</u>
Balance at June 30, 2019	<u>\$ 148,315,000</u>	<u>\$ 673,245</u>
Amount due within one year	<u>\$ 4,390,000</u>	<u>\$ 333,290</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, 2019:

	<u>Maturity date</u>	<u>Rate of interest</u>	<u>Original issue amount</u>	<u>Balance at June 30, 2019</u>
Series 2012	2027	2%	\$ 9,335,000	\$ 9,335,000
Series 2014	2024	2.0% - 3.5%	9,320,000	9,000,000
Series 2015	2020	2.0% - 4.0%	5,235,000	1,875,000
Series 2016	2027	2.0% - 3.0%	5,915,000	4,755,000
Series 2017	2037	2.0% - 5.0%	85,000,000	78,350,000
Series 2018	2038	3.0% - 5.0%	45,000,000	<u>45,000,000</u>
				<u><u>\$ 148,315,000</u></u>

The annual requirements to amortize bonds are as follows at June 30, 2019:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	5,560,000	5,080,250	10,640,250
2025-2029	33,245,000	22,461,850	55,706,850
2030-2034	44,325,000	15,687,350	60,012,350
2035-2038	<u>45,925,000</u>	<u>5,609,125</u>	<u>51,534,125</u>
	<u><u>\$ 148,315,000</u></u>	<u><u>\$ 70,614,225</u></u>	<u><u>\$ 218,929,225</u></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, 2019 was:

Constitutional debt limit	\$ 196,496,129
General obligation bonds payable	(148,315,000)
Amount available in Debt Service Fund	<u>7,263,309</u>
Legal debt margin	<u><u>\$ 55,444,438</u></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. 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, 2019:

Year ending June 30,	
2020	\$ 346,755
2021	<u>346,754</u>
Total future minimum lease payments	693,509
Less amount representing interest	<u>(20,264)</u>
Present value of future minimum lease payments	<u><u>\$ 673,245</u></u>

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – RETIREMENT PLANS

Plan Description. Public School Retirement System of Missouri (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 the Systems, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the state of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989. The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined not to be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of Section 169.070 (9) RSMo, known as the "two-thirds statute." PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members' benefits are further calculated at two-thirds the normal benefit amount.

Public Education Employee Retirement System (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 PSRS must contribute to PEERS. Employees of the Systems 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 PSRS.

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 at retirement. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

PEERS is a defined benefit plan providing retirement, disability, and death benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the “Rule of 80” (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for “Rule of 80” or “30-and-out” are entitled to an additional temporary benefit until reaching minimum Social Security age (currently age 62), which is calculated using a 0.8% benefit factor. Actuarially age-reduced retirement benefits are available with five 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 plans can be found on the Systems’ website at www.psrps-peers.org.

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

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

Contributions. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2017, 2018 and 2019. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay.

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2017, 2018 and 2019. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay.

The District's contributions to PSRS and PEERS were \$6,771,525 and \$1,081,554 for the year ended June 30, 2019.

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.

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.

JEFFERSON CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

The District entered into construction commitments of \$133,850,782, of which approximately \$82,481,218 were paid at June 30, 2019.

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.

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 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.

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. For the fiscal year ending June 30, 2019, these abatements total \$973,057.

NOTE 9 – SUBSEQUENT EVENTS

A tornado damaged several of the District's facilities on May 22, 2019. The facility most severely impacted was the Simonsen 9th Grade Center. After evaluating the building and working with insurance adjusters, the District decided that it did not intend to restore or use the building in the future. Therefore, the District's Board of Education declared the 9th Grade Center surplus property at its October 14, 2019 regular meeting.

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, 2019**

	Budgeted amounts		Actual	Variances-- positive (negative)	
	Original	Final		Original to final	Final to actual
	Revenues				
Local	\$ 51,371,230	\$ 52,025,277	\$ 52,025,277	\$ 654,047	\$ -
County	4,679,055	4,463,260	4,463,260	(215,795)	-
State	4,434,892	4,995,754	4,995,754	560,862	-
Federal	9,137,291	8,338,111	8,338,111	(799,180)	-
Investment income	804,382	1,078,863	1,078,863	274,481	-
Other	-	22,500	22,500	22,500	-
Total revenues	70,426,850	70,923,765	70,923,765	496,915	-
Expenditures					
Regular instruction	3,238,163	2,950,704	2,950,704	287,459	-
Special instruction	5,223,838	3,611,413	3,611,413	1,612,425	-
Vocational instruction	297,218	253,829	253,829	43,389	-
Student activities	1,729,559	2,120,568	2,120,568	(391,009)	-
Student support services	1,363,285	2,342,399	2,342,399	(979,114)	-
Instructional staff support	4,445,356	3,358,260	3,358,260	1,087,096	-
Building administration	1,428,947	1,530,080	1,530,080	(101,133)	-
General administration and central services	4,091,307	4,894,249	4,894,249	(802,942)	-
Operation of plant	8,281,781	8,146,998	8,146,998	134,783	-
Transportation	3,864,040	4,334,802	4,334,802	(470,762)	-
Food service	5,262,475	5,032,359	5,032,359	230,116	-
Community service	555,269	340,644	340,644	214,625	-
Early childhood	-	293,464	293,464	(293,464)	-
Total expenditures	39,781,238	39,209,769	39,209,769	571,469	-
Revenues over expenditures	30,645,612	31,713,996	31,713,996	1,068,384	-
Other financing sources (uses)					
Proceeds from sale of property	149,206	60,062	60,062	(89,144)	-
Transfers out	(29,285,052)	(29,697,001)	(29,697,001)	(411,949)	-
Total other financing sources (uses)	(29,135,846)	(29,636,939)	(29,636,939)	(501,093)	-
NET CHANGE IN FUND BALANCE	\$ 1,509,766	\$ 2,077,057	2,077,057	\$ 567,291	\$ -
Fund balance at July 1, 2018			23,711,563		
Fund balance at June 30, 2019			\$ 25,788,620		

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, 2019**

	Budgeted amounts		Actual	Variances-- positive (negative)	
	Original	Final		Original to final	Final to actual
Revenues					
Local	\$ 8,610,000	\$ 8,667,288	\$ 8,667,288	\$ 57,288	\$ -
County	340,000	300,932	300,932	(39,068)	-
State	17,900,000	17,581,732	17,581,732	(318,268)	-
Federal	233,000	187,848	187,848	(45,152)	-
Investment income	6,755	28,039	28,039	21,284	-
Other	243,172	260,441	260,441	17,269	-
Total revenues	27,332,927	27,026,280	27,026,280	(306,647)	-
Expenditures					
Regular instruction	32,708,850	32,578,023	32,578,023	130,827	-
Special instruction	9,509,569	7,770,462	7,770,462	1,739,107	-
Vocational instruction	1,853,395	1,485,605	1,485,605	367,790	-
Student activities	1,048,820	1,105,164	1,105,164	(56,344)	-
Tuition paid to other districts	227,000	1,950	1,950	225,050	-
Student support services	2,957,215	5,358,870	5,358,870	(2,401,655)	-
Instructional staff support	2,600,838	2,379,218	2,379,218	221,620	-
Building administration	3,037,733	2,974,238	2,974,238	63,495	-
General administration and central services	1,094,975	1,446,113	1,446,113	(351,138)	-
Transportation	150,291	187,868	187,868	(37,577)	-
Community service	1,429,293	310,015	310,015	1,119,278	-
Early childhood	-	1,125,755	1,125,755	(1,125,755)	-
Total expenditures	56,617,979	56,723,281	56,723,281	(105,302)	-
Revenues under expenditures	(29,285,052)	(29,697,001)	(29,697,001)	(411,949)	-
Other financing sources					
Transfers in	29,285,052	29,697,001	29,697,001	411,949	-
NET CHANGE IN FUND BALANCE	\$ -	\$ -	-	\$ -	\$ -
Fund balance at July 1, 2018			-		
Fund balance at June 30, 2019			<u>\$ -</u>		

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
DEBT SERVICE FUND
Year ended June 30, 2019**

	Budgeted amounts		Actual	Variances-- positive (negative)	
	Original	Final		Original to final	Final to actual
Revenues					
Local	\$ 11,130,000	\$ 11,455,406	\$ 11,455,406	\$ 325,406	\$ -
County	1,240,668	1,127,209	1,127,209	(113,459)	-
Investment income	40,000	204,412	204,412	164,412	-
Total revenues	12,410,668	12,787,027	12,787,027	376,359	-
Expenditures					
Debt services					
Principal	6,140,000	6,140,000	6,140,000	-	-
Interest and other charges	5,710,048	5,707,197	5,707,197	2,851	-
Total expenditures	11,850,048	11,847,197	11,847,197	2,851	-
NET CHANGE IN FUND BALANCE	\$ 560,620	\$ 939,830	939,830	\$ 379,210	\$ -
Fund balance at July 1, 2018			6,323,479		
Fund balance at June 30, 2019			<u>\$ 7,263,309</u>		

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, 2019**

	Budgeted amounts		Actual	Variances-- positive (negative)	
	Original	Final		Original to final	Final to actual
Revenues					
Local	\$ 507,309	\$ 1,315,733	\$ 1,315,733	\$ 808,424	\$ -
State	2,889,791	2,742,061	2,742,061	(147,730)	-
Federal	31,344	-	-	(31,344)	-
Investment income	925,600	2,202,365	2,202,365	1,276,765	-
Total revenues	4,354,044	6,260,159	6,260,159	1,906,115	-
Expenditures					
Regular instruction	33,950	25,036	25,036	8,914	-
Special instruction	10,000	-	-	10,000	-
Vocational instruction	167,315	211,207	211,207	(43,892)	-
Student activities	38,904	23,937	23,937	14,967	-
Instructional staff support	527,049	115,825	115,825	411,224	-
Building administration	-	87,181	87,181	(87,181)	-
Operation of plant	76,675	76,322	76,322	353	-
Food services	115,000	94,982	94,982	20,018	-
Community service	23,000	2,955	2,955	20,045	-
Facility acquisition and construction	91,500,000	77,033,921	77,033,921	14,466,079	-
Debt services					
Principal	326,755	326,755	326,755	-	-
Interest and other charges	20,000	20,000	20,000	-	-
Total expenditures	92,838,648	78,018,121	78,018,121	14,820,527	-
NET CHANGE IN FUND BALANCE	\$ (88,484,604)	\$ (71,757,962)	(71,757,962)	\$ 16,726,642	\$ -
Fund balance at July 1, 2018			135,095,087		
Fund balance at July 1, 2019			<u>\$ 63,337,125</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, 2019 was as follows:

	Balance at July 1, 2018	Additions	Disposals	Balance at June 30, 2019
Capital assets, not being depreciated				
Land	\$ 5,382,745	\$ -	\$ -	\$ 5,382,745
Construction in progress	<u>12,524,830</u>	<u>73,818,964</u>	<u>(28,267)</u>	<u>86,315,527</u>
Total capital assets, not being depreciated	17,907,575	73,818,964	(28,267)	91,698,272
Capital assets being depreciated				
Buildings and improvements	126,515,993	1,010,772	-	127,526,765
Equipment	<u>4,495,436</u>	<u>482,526</u>	<u>(169,477)</u>	<u>4,808,485</u>
Total capital assets being depreciated	131,011,429	1,493,298	(169,477)	132,335,250
Less accumulated depreciation				
Buildings and improvements	49,594,785	3,642,722	-	53,237,507
Equipment	<u>3,511,225</u>	<u>249,437</u>	<u>(48,901)</u>	<u>3,711,761</u>
Total accumulated depreciation	<u>53,106,010</u>	<u>3,892,159</u>	<u>(48,901)</u>	<u>56,949,268</u>
Total capital assets being depreciated, net	<u>77,905,419</u>	<u>(2,398,861)</u>	<u>(120,576)</u>	<u>75,385,982</u>
Governmental activities capital assets, net	<u>\$ 95,812,994</u>	<u>\$ 71,420,103</u>	<u>\$ (148,843)</u>	<u>\$ 167,084,254</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

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, 2019. 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, 2019.

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 13, 2019

JEFFERSON CITY SCHOOL DISTRICT

SCHEDULE OF SELECTED STATISTICS - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2019

District Number: 026-006

1. Calendar (Sections 160.041, 171.029, 171.031, and 171.033 RSMO)

School Code	Begin Grade	End Grade	Half Day Indicator	Standard Day	Days	Hours in Session
	K	5	-	6.6500	174	1,122.1000
	6	8	-	6.5000	174	1,096.0000
	9	12	-	6.6833	174	1,126.4776
	PK	PK	-	6.4000	174	1,079.7332

2. Average Daily Attendance (ADA)

School Code	Grade Level	Full-Time	Part-Time	Remedial Hours	Other	Summer School	Total
1050	9-12	1,894.6731	196.1101	-	0.0153	58.8791	2,149.6776
3000	6-8	883.0822	7.4307	-	-	19.4904	910.0033
3020	6-8	1,001.2512	13.1286	-	-	26.7415	1,041.1213
4020	K-5	397.3094	0.9034	-	-	19.6745	417.8873
4025	K-5	225.3543	0.1027	-	-	12.2780	237.7350
4030	K-5	363.0315	6.5266	-	-	20.5691	390.1272
4040	K-5	282.7866	0.1117	-	-	12.9313	295.8296
4050	K-5	454.2229	1.1169	-	-	24.4291	479.7689
4060	K-5	323.2449	2.6133	-	-	20.6534	346.5116
4070	K-5	420.9376	2.1885	-	-	23.4903	446.6164
4080	K-5	295.4904	0.6453	-	-	13.7028	309.8385
5010	K-5	470.8058	1.1150	-	-	27.2312	499.1520
5020	K-5	308.1818	0.7893	-	-	17.1495	326.1206
5040	K-5	303.8096	0.7613	-	-	17.3950	321.9659
7500	PK	92.3286	5.1183	-	-	-	97.4469
Total		<u>7,716.5099</u>	<u>238.6617</u>	<u>-</u>	<u>0.0153</u>	<u>314.6152</u>	<u>8,269.8021</u>

JEFFERSON CITY SCHOOL DISTRICT

SCHEDULE OF SELECTED STATISTICS - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2019

3. September Membership

School Code	Grade Level	Full-Time	Part-Time	Other	Total
1050	9-12	2,393.00	54.41	-	2,447.41
3000	6-8	965.00	2.44	-	967.44
3020	6-8	1,075.00	6.19	-	1,081.19
4020	K-5	416.00	0.76	-	416.76
4025	K-5	247.00	0.15	-	247.15
4030	K-5	386.00	3.51	-	389.51
4040	K-5	296.00	0.83	-	296.83
4050	K-5	480.00	1.06	-	481.06
4060	K-5	348.00	2.28	-	350.28
4070	K-5	442.00	0.89	-	442.89
4080	K-5	314.00	0.56	-	314.56
5010	K-5	489.00	1.83	-	490.83
5020	K-5	333.00	0.82	-	333.82
5040	K-5	315.00	1.37	-	316.37
7500	PK	104.00	4.38	-	108.38
Total		8,603.00	81.48	-	8,684.48

JEFFERSON CITY SCHOOL DISTRICT

SCHEDULE OF SELECTED STATISTICS - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2019

4. Free and Reduced Priced Lunch FTE Count

<u>School Code</u>	<u>Free Lunch</u>	<u>Reduced Lunch</u>	<u>Deseg In Free</u>	<u>Deseg In Reduced</u>	<u>Total</u>
1050	815.57	256.88	N/A	N/A	1,072.45
3000	446.98	120.00	N/A	N/A	566.98
3020	487.46	95.18	N/A	N/A	582.64
4020	169.60	35.00	N/A	N/A	204.60
4025	241.15	-	N/A	N/A	241.15
4030	124.51	47.36	N/A	N/A	171.87
4040	304.82	-	N/A	N/A	304.82
4050	220.67	55.00	N/A	N/A	275.67
4060	198.60	42.50	N/A	N/A	241.10
4070	153.33	40.00	N/A	N/A	193.33
4080	317.42	-	N/A	N/A	317.42
5010	223.00	48.00	N/A	N/A	271.00
5020	328.80	-	N/A	N/A	328.80
5040	168.20	41.00	N/A	N/A	209.20
7500	-	-	N/A	N/A	-
Total	<u>4,200.11</u>	<u>780.92</u>	<u>-</u>	<u>-</u>	<u>4,981.03</u>

JEFFERSON CITY SCHOOL DISTRICT

SCHEDULE OF SELECTED STATISTICS - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2019

5. Finance

5.1	The District maintained a calendar in accordance with 160.041, 171.029, 171.031, and 171.033, RSMo and all attendance hours were reported.	<u>True</u>
5.2	The District maintained complete and accurate attendance records allowing for the accurate calculation of Average Daily Attendance for all students in accordance with all applicable state rules and regulations. Sampling of records included those students receiving instruction in the following categories:	
	Academic Programs Off-Campus	<u>N/A</u>
	Career Exploration Program – Off Campus	<u>N/A</u>
	Cooperative Occupational Education (COE) or Supervised Occupational Experience Program	<u>True</u>
	Dual enrollment	<u>True</u>
	Homebound instruction	<u>True</u>
	Missouri Options	<u>True</u>
	Prekindergarten eligible to be claimed for state aid	<u>True</u>
	Remediation	<u>N/A</u>
	Sheltered Workshop participation	<u>N/A</u>
	Students participating in the school flex program	<u>True</u>
	Traditional instruction (full and part-time students)	<u>True</u>
	Virtual instruction (MOCAP or other option)	<u>True</u>
	Work Experience for Students with Disabilities	<u>True</u>
5.3	The District maintained complete and accurate attendance records allowing for the accurate calculation of September Membership for all students in accordance with all applicable state rules and regulations.	<u>True</u>
5.4	The District maintained complete and accurate attendance and other applicable records allowing for the accurate reporting of the state FTE count for Free and Reduced Lunch for all students in accordance with all applicable state rules and regulations.	<u>True</u>
5.5	As required by Section 162.401, RSMo, a bond was purchased for the District’s treasurer in the total amount of:	<u>\$100,000</u>
5.6	The District’s deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo.	<u>True</u>
5.7	The District maintained a separate bank account for the Debt Service Fund monies in accordance with Section 108.180 and 165.011, RSMo.	<u>True</u>
5.8	Salaries reported for educators in the October MOSIS Educator Core and Educator School files are supported by payroll and contract records.	<u>True</u>

JEFFERSON CITY SCHOOL DISTRICT

SCHEDULE OF SELECTED STATISTICS - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2019

5.9	If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the board approved 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.	<u>N/A</u>
5.10	The District published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo.	<u>True</u>
5.11	The District has a professional development committee plan adopted by the Board with professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment. Remaining 25% of 1% if not spent must be restricted and spent on appropriate expenditures in the future. Spending requirement is modified to seventy-five percent (75%) of one-half percent (1/2%) of the current year basic formula apportionment if through fiscal year 2024 the amount appropriated and expended to public schools for transportation is less than twenty-five percent (25%) of allowable cost.	<u>True</u>
5.12	The amount spent for approved professional development committee plan activities was:	<u>\$130,362</u>
	All above "False answers must be supported by a finding or management letter comment.	
	Findings #:	<u>N/A</u>
	Management Letter Comment #:	<u>N/A</u>

6. Transportation

6.1	The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.	<u>True</u>
6.2	The District's pupil transportation ridership records are maintained in a manner to accurately disclose in all material respects the average number of regular riders transported.	<u>True</u>
6.3	Based on the ridership records, the average number of students (non-disabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was:	
	▪ Eligible ADT	<u>4,682.0</u>
	▪ Ineligible ADT	<u>0</u>

JEFFERSON CITY SCHOOL DISTRICT

SCHEDULE OF SELECTED STATISTICS - UNAUDITED FOR THE YEAR ENDED JUNE 30, 2019

6.4	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>
6.5	Actual odometer records show the total district-operated <u>and</u> contracted mileage for the year was:	<u>1,048,300</u>
6.6	Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route and disapproved miles (combined) was:	
	▪ Eligible Miles	<u>902,316</u>
	▪ Ineligible Miles (Non-Route/Disapproved)	<u>145,984</u>
6.7	Number of days the schools operated the school transportation system during the regular school year:	<u>174</u>
	All above "False" answers <u>must</u> be supported by a finding or management letter comment.	
	Findings #:	<u>N/A</u>
	Management Letter Comment #:	<u>N/A</u>



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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

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, 2019, 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 13, 2019. Our report on the basic financial statements disclosed that, as described in Note 1 to the financial statements, the District prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 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 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*.

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.

Kerber, Eck & Braedel LLP

St. Louis, Missouri
December 13, 2019



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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

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 Jefferson City School District's major federal programs for the year ended June 30, 2019. 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 awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of 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 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, 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, 2019.

Report on Internal Control over Compliance

Management of 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 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 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

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.

Kerbin, Eck & Braedel, LLP

St. Louis, Missouri
December 13, 2019

JEFFERSON CITY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

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	\$ 2,275,930
Special Education Preschool Grants	84.173	026-006	<u>44,776</u>
Total Special Education Program Cluster			2,320,706
Adult Education - Basic Grants to States	84.002	026-006	41,545
Career and Technical Education - Basic Grants to States	84.048	026-006	251,492
Title I Grants to Local Educational Agencies	84.010	026-006	2,078,841
Supporting Effective Instruction State Grants	84.367	026-006	310,220
English Language Acquisition State Grants	84.365	026-006	32,705
Student Support and Academic Enrichment Program	84.424	026-006	<u>90,150</u>
Total U.S. Department of Education			5,125,659
U.S. Department of Agriculture			
Passed-through Missouri Department of Elementary and Secondary Education:			
Fresh Fruit and Vegetable Program	10.582	026-006	49,682
Child Nutrition Cluster:			
School Breakfast Program	10.553	026-006	974,451
National School Lunch Program	10.555	026-006	2,655,125
Cash assistance			381,129
Non-cash assistance (food distribution)			<u>3,036,254</u>
Total National School Lunch Program			3,036,254
Passed-through Missouri Department of Health and Senior Services			
Summer Food Service Program for Children	10.559	ERS04623735	<u>254,681</u>
Total Child Nutrition Program Cluster			4,265,386
Child and Adult Care Food Program	10.558	ERS46112373	<u>89,846</u>
Total U.S. Department of Agriculture			4,404,914
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 9,530,573</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, 2019

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, 2019. 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.

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 – SUBRECIPIENTS

There have been no awards passed through to subrecipients.

NOTE 5 – 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, 2019.

JEFFERSON CITY SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

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>
84.010	Title I Grants to Local Educational Agencies
84.367	Supporting Effective Instruction State Grants
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, 2019

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 2019-001

Federal Program: Title I Grants to Local Education Agencies

CFDA No: 84.010

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, 2018 – June 30, 2019

Compliance: Allowable Cost

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. To maintain effective internal control over allowable costs, District administrative procedure DJFA-AP(1) requires written confirmation from the Superintendent or designee for purchases using federal funds.

Condition: Seven of the forty Title I expenditures selected for testing lacked evidence of approval by the Superintendent's designee for the Title I program.

Cause: Title I duties were being realigned at the beginning of the year. Also, elementary schools were served by Title I that had not been served the previous year. As a result of these changes, the correct purchase order routing was not always selected to obtain the approval of the Superintendent's designee.

Effect: Internal controls over allowable cost may not be effective. However, all four expenditures that lacked appropriate approval were determined to be allowable costs.

Questioned Costs: None

Recommendation: We recommend the District strengthen internal controls over the routing of purchase orders for approval.

JEFFERSON CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

Management Response and Corrective Action Plan:

The District concurs with this recommendation. As noted in the finding, the procedures for purchases made at the beginning of the 2018-19 fiscal year were in flux due to changes in the staff responsible for the Title I program. The Title I staff made changes to their procedures as the year went along and worked to learn the requirements and to educate the building staff on the proper procedures for expending federal funds. The Title I staff were diligent in monitoring the budget and comparing actual expenditures to budgeted approvals. They have also already implemented some enhancements to their procedures for the current year. These include better procedures for documenting approval of credit card purchases (as well as obtaining documentation of the actual items being purchased), and continued training of building level staff regarding Title I allowable expenditures and ensuring that proper PO routes are selected for approval of the expenditures.

JEFFERSON CITY SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

Finding 2018-001

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.

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

Current Status: Household applications for free and reduced meals are being reviewed and include the determining official's signature to document the review.

Finding 2018-002

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

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.

Current Status: Early Childhood Special Education federal and state expenditures are tracked separately.