

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

HAZELWOOD SCHOOL DISTRICT

June 30, 2020

HAZELWOOD SCHOOL DISTRICT

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Independent Auditors' Report

Board of Education
Hazelwood School District

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of Hazelwood School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Hazelwood School 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the modified cash basis financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of Hazelwood School District as of June 30, 2020, and the respective changes in modified cash basis financial position, thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hazelwood School District's basic financial statements. The budgetary comparison information on pages 25 through 29, which are the responsibility of management, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2020, on our consideration of Hazelwood School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hazelwood 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 Hazelwood School District's internal control over financial reporting and compliance.

Kerber, Eck & Braeckel LLP

St. Louis, Missouri
November 23, 2020

HAZELWOOD SCHOOL DISTRICT

STATEMENT OF NET POSITION - MODIFIED CASH BASIS

JUNE 30, 2020

ASSETS	<u>Governmental Activities</u>
Cash and investments.....	\$ 61,654,317
Restricted cash and investments.....	<u>7,448,249</u>
TOTAL ASSETS.....	\$ 69,102,566
LIABILITIES	
Liabilities related to payroll.....	<u>7,593,638</u>
NET POSITION	
Restricted for:	
Debt service.....	\$ 16,796,349
Child Nutrition Program.....	229,229
Unrestricted.....	<u>44,483,350</u>
TOTAL NET POSITION.....	<u><u>\$ 61,508,928</u></u>

The accompanying notes are an integral part of this statement.

HAZELWOOD SCHOOL DISTRICT

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2020

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total Governmental Activities
GOVERNMENTAL ACTIVITIES:					
Instruction.....	\$ 111,590,063	\$ 1,797,337	\$ 14,615,090	\$ -	\$ (95,177,636)
Attendance.....	266,090	-	-	-	(266,090)
Guidance.....	7,607,065	-	-	-	(7,607,065)
Health services.....	2,823,645	-	-	-	(2,823,645)
Improvement of instruction.....	6,910,805	-	45,132	-	(6,865,673)
Professional development.....	460,476	-	490,135	-	29,659
Media services.....	3,256,384	-	-	-	(3,256,384)
Board of Education services.....	1,215,676	-	-	-	(1,215,676)
Executive administration.....	2,488,806	-	-	-	(2,488,806)
Building level administration.....	12,355,171	-	-	-	(12,355,171)
Business, fiscal and internal services.....	1,173,617	-	-	-	(1,173,617)
Operation of plant.....	20,951,468	-	-	511	(20,950,957)
Security services.....	4,532,676	-	-	-	(4,532,676)
Pupil transportation.....	7,921,032	14,518	1,537,289	-	(6,369,225)
Food service.....	7,066,444	714,532	6,003,081	21,936	(326,895)
Central office support services.....	8,777,750	-	-	-	(8,777,750)
Adult continuing education.....	1,410	-	-	-	(1,410)
Community services.....	3,731,812	-	307,890	-	(3,423,922)
Facilities, acquisition, and construction.....	564,522	-	-	-	(564,522)
Debt service:					
Principal retirements.....	69,150,163	-	-	-	(69,150,163)
Interest.....	12,041,387	-	1,132,978	-	(10,908,409)
Other expenses.....	5,306	-	-	-	(5,306)
TOTAL GOVERNMENTAL ACTIVITIES.....	\$ 284,891,768	\$ 2,526,387	\$ 24,131,595	\$ 22,447	(258,211,339)
General revenues					
Taxes					
Property taxes.....					114,227,269
Sales taxes.....					17,022,471
M&M surtax.....					7,620,534
Other taxes.....					3,199,578
State aid.....					48,523,385
Grants and contributions not restricted to specific programs.....					256,877
Sale of property.....					310,378
Investment earnings.....					1,635,907
TOTAL GENERAL REVENUES.....					192,796,399
CHANGE IN NET POSITION.....					(65,414,940)
NET POSITION - BEGINNING OF YEAR.....					126,923,868
NET POSITION - END OF YEAR.....					\$ 61,508,928

The accompanying notes are an integral part of this statement.

HAZELWOOD SCHOOL DISTRICT

BALANCE SHEET - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and investments.....	\$ 48,171,053	\$ -	\$ 9,348,100	\$ 4,135,164	\$ 61,654,317
Restricted cash and investments.....	-	-	7,448,249	-	7,448,249
TOTAL ASSETS.....	<u>\$ 48,171,053</u>	<u>\$ -</u>	<u>\$ 16,796,349</u>	<u>\$ 4,135,164</u>	<u>\$ 69,102,566</u>
LIABILITIES					
Payroll liabilities	\$ 7,593,638	\$ -	\$ -	\$ -	\$ 7,593,638
FUND BALANCES					
Restricted for:					
Child Nutrition Program.....	229,229	-	-	-	229,229
Retirement of long-term debt.....	-	-	16,796,349	-	16,796,349
Assigned for:					
Student activities.....	530,055	-	-	-	530,055
Capital projects.....	-	-	-	4,135,164	4,135,164
Unassigned.....	39,818,131	-	-	-	39,818,131
TOTAL FUND BALANCES.....	<u>40,577,415</u>	<u>-</u>	<u>16,796,349</u>	<u>4,135,164</u>	<u>61,508,928</u>
TOTAL LIABILITIES AND FUND BALANCE.....	<u>\$ 48,171,053</u>	<u>\$ -</u>	<u>16,796,349</u>	<u>\$ 4,135,164</u>	<u>\$ 69,102,566</u>

The accompanying notes are an integral part of this statement.

HAZELWOOD SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:					
Local sources:					
Property taxes.....	\$ 92,226,885	\$ -	\$ 22,320,466	\$ -	\$ 114,547,351
Sales taxes.....	-	17,022,471	-	-	17,022,471
Investment income.....	546,741	-	1,089,166	-	1,635,907
Student activities.....	1,196,658	-	-	-	1,196,658
Food service.....	714,532	-	-	-	714,532
M&M surtax.....	5,247,394	-	-	2,373,140	7,620,534
Other local.....	273,485	-	-	-	273,485
Total local.....	100,205,695	17,022,471	23,409,632	2,373,140	143,010,938
County sources:					
State assessed utilities.....	2,359,698	-	519,798	-	2,879,496
Other county.....	-	258,047	-	-	258,047
Total county.....	2,359,698	258,047	519,798	-	3,137,543
State sources:					
Basic formula.....	12,253,380	36,760,140	-	-	49,013,520
State grants and contributions.....	4,784,130	8,631,962	-	253,977	13,670,069
Total state.....	17,037,510	45,392,102	-	253,977	62,683,589
Federal sources:					
Other.....	7,244,071	1,292,567	1,132,978	66,175	9,735,791
Other.....	598,589	-	-	-	598,589
Total Revenues.....	127,445,563	63,965,187	25,062,408	2,693,292	219,166,450
EXPENDITURES:					
Current:					
Instruction.....	10,505,932	100,953,799	-	-	111,459,731
Attendance.....	266,090	-	-	-	266,090
Guidance.....	2,437,896	5,169,169	-	-	7,607,065
Health services.....	2,823,645	-	-	-	2,823,645
Improvement of instruction.....	3,428,212	3,482,593	-	-	6,910,805
Professional development.....	373,311	87,165	-	-	460,476
Media services.....	392,149	2,790,166	-	-	3,182,315
Board of Education services.....	1,215,676	-	-	-	1,215,676
Executive administration.....	690,324	1,619,781	-	-	2,310,105
Building level administration.....	3,531,740	8,808,434	-	-	12,340,174
Business, fiscal and internal services.....	1,135,367	-	-	-	1,135,367
Operation of plant.....	20,574,420	-	-	-	20,574,420
Security services.....	4,523,176	-	-	-	4,523,176
Pupil transportation.....	7,655,541	-	-	-	7,655,541
Food services.....	6,977,706	-	-	-	6,977,706
Central office support services.....	5,788,890	607,205	-	-	6,396,095
Adult continuing education.....	1,410	-	-	-	1,410
Community services.....	1,437,016	2,294,796	-	-	3,731,812
Capital outlay.....	-	-	-	4,123,303	4,123,303
Debt service:					
Principal retirements.....	-	-	69,150,163	-	69,150,163
Interest.....	-	-	12,041,387	-	12,041,387
Other charges.....	-	-	4,882	424	5,306
Total Expenditures.....	73,758,501	125,813,108	81,196,432	4,123,727	284,891,768
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	53,687,062	(61,847,921)	(56,134,024)	(1,430,435)	(65,725,318)
OTHER FINANCING SOURCES (USES):					
Transfers (to) from other funds.....	(61,847,921)	61,847,921	-	-	-
Sale of other property.....	-	-	-	310,378	310,378
Total Other Financing Sources (Uses).....	(61,847,921)	61,847,921	-	310,378	310,378
NET CHANGES IN FUND BALANCES.....	(8,160,859)	-	(56,134,024)	(1,120,057)	(65,414,940)
FUND BALANCES, BEGINNING OF YEAR.....	48,738,274	-	72,930,373	5,255,221	126,923,868
FUND BALANCES, END OF YEAR.....	\$ 40,577,415	\$ -	\$ 16,796,349	\$ 4,135,164	\$ 61,508,928

The accompanying notes are an integral part of this statement.

HAZELWOOD SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Hazelwood School District (the "District") operates under the regulations pursuant to Section 162.092 RSMo of the Public School Laws of Missouri, which designates a Board of Education to act as the governing authority. The District provides educational services.

As discussed further in Note 1, these financial statements are presented on the modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board (GASB).

Principles Determining the Scope of Reporting Entity

The financial statements of the District consist only of the funds of the District. The District has no financial accountability for any other governmental entity, since no other entities are considered to be controlled or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective Board. In addition, the District is not aware of any entity which would exercise such oversight which would result in the District being considered a component unit of the entity.

In addition, the District is associated with other organizations which may include various Parent Teacher Associations (PTA's), booster clubs, etc. Under governmental standards for defining the financial reporting entity, these organizations may be considered to be part of the reporting entity of the District. However, the balances and activities of such organizations have not been included in these financial statements due to the overall immateriality to the District.

Fund Accounting

The accounts of the District are organized on the basis of legally established funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. District resources are allocated to, and accounted for in, individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The District's policy is to close all encumbrances at the end of each fiscal year. The following fund types are used by the District:

HAZELWOOD SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

Governmental Funds are those through which most functions of the District are financed. The District's expendable financial resources are accounted for through Governmental Funds. The measurement focus is upon determination of changes in the financial position rather than upon net income determination. The following are the District's governmental funds, each of which the District considers to be a major fund:

General Fund

This fund is the general operating fund of the District and accounts for expenditures for noncertified employees, pupil transportation costs, operation of plant, fringe benefits, student body activities, community services, the food service program, and any expenditures not required or permitted to be accounted for in other funds.

Special Revenue Fund

A special revenue fund accounts for restricted sales tax and revenue sources assigned for the payment of salaries and certain benefits of certified teachers involved in administration and instruction.

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, principal, interest and fiscal charges on long-term debt.

Capital Projects Fund

This fund is used to account for the proceeds of long-term debt, taxes and other revenues assigned for acquisition or construction of major capital assets.

HAZELWOOD SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

Government-wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct 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. Amounts reported as *program revenues* include (a) charges paid by the students for tuition, fees, or goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as *program revenues* are presented as general revenues and include all property taxes. 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:

The fund financial statements provide information about the District's funds. A balance sheet and statement of revenues, expenditures, and changes in fund balances are presented. The emphasis of fund financial statements is on *major* governmental funds, each displayed in a separate column. The District considers each of its funds to be major.

HAZELWOOD SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

Measurement Focus:

The government-wide financial statements are prepared using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. The accounting objectives under this measurement focus are the determination of changes in net position, financial position and cash flows. All assets and liabilities, whether current or noncurrent, are reported.

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

Basis of Accounting:

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using a modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position/fund balances, revenues, and expenditures/expenses when they result from cash transactions except that the purchases of investments are recorded as assets and payroll withholdings are reported 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, general and leasehold revenue bonds and obligations under capital leases) 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 fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

HAZELWOOD SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes

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

The assessed valuation of the tangible taxable property for the calendar years 2019 and 2018 for purposes of local taxation was \$1,851,667,080 and \$1,669,337,000 respectively.

The blended tax levy per \$100 of the assessed valuations of tangible taxable property for the calendar year 2019 for purposes of local taxation was:

General Fund	\$ 5.0288
Debt Service Fund	<u>1.2400</u>
Total.....	<u>\$ 6.2688</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2020, aggregated approximately 98% of the current assessment computed on the basis of the levy as shown above.

Pooled Cash and Temporary Investments

Cash resources are combined to form a pool of cash and temporary investments which is managed by the District Treasurer, except resources from the Debt Service Fund, as state law requires these deposits to be separately maintained.

The District may invest in United States Treasury bills, United States Treasury notes, bonds, government agency and instrumentality obligations, repurchase agreements collateralized by government securities, time certificates of deposit, bankers' acceptances issued by domestic commercial banks, and commercial paper issued by domestic corporations.

Interest income earned is allocated to contributing funds based on each funds' proportionate share of funds invested.

HAZELWOOD SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Cash and Investments

Restricted cash and investments represent amounts whose use is limited by legal requirements and consist of unexpended bond proceeds, unexpended proceeds from certificates of participation, and amounts escrowed for future general obligation bond principal and interest payments in conjunction with the Missouri School District Direct Deposit Program as discussed in Note 2 and Note 3.

Fund Balance

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

Unassigned – includes all amounts not included in other spendable classifications. The District's policy requires a minimum unassigned fund balance of 15% of the prior year General Fund and Special Revenue Fund expenditures in order to cover unexpected expenditures and revenue shortfalls.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are 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.

HAZELWOOD SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance (continued)

The details of the fund balances are included in the Governmental Funds Balance Sheet.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. 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.

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 on the financial statements. A transfer of \$61,847,921 was made from the General Fund to the Special Revenue Fund to cover the Special Revenue Fund expenditures in excess of revenues.

Payroll Liabilities

During the year ended June 30, 2020, the District incurred certain payroll liabilities prior to the year-end related to payroll obligations for the 2019-20 fiscal year. During this year, these obligations were paid after the end of the fiscal year, creating payroll liabilities totaling \$7,593,638.

HAZELWOOD SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

2. CASH AND INVESTMENTS

The District is governed by the deposit and investment limitations of state law. The depository bank is to pledge securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance at least equal to the amount on deposit at all times in accordance with sections 110.010 and 110.020 of the Missouri Revised Statutes.

The District may invest the funds in bonds or any instrument permitted by law for the investment of state money's in accordance with section 165.051 of the Missouri Revised Statutes. The District participates in the Missouri School District Direct Deposit Program which is a mechanism for public school bond repayments through the MOHEFA Bond Program. It authorizes the direct deposit of a portion of the school 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 \$7,448,249 in this program, which has been included in investments.

The District also participates in the Missouri Securities Investment Program (MOSIP). MOSIP is an external investment pool in which a District's monies are pooled with other Districts' monies to purchase investments that are permitted by state statutes. The District's monies purchase a pro-rata share of the pool. A board of directors comprised of Missouri school administrators, school board members, and school business officials provides governance and oversight of MOSIP's operations. The board seeks to maintain a stable net asset value of \$1 per share.

HAZELWOOD SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

2. CASH AND INVESTMENTS (continued)

The deposits and investments held at June 30, 2020 and reported at cost, are as follows:

<u>Type</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:		
Demand deposits	N/A	\$ 30,801,779
Investments:		
External investment pool		
MOHEFA	N/A	7,448,249
MOSIP - Liquid Series	N/A	<u>30,852,538</u>
Total Deposits and Investments		<u>\$ 69,102,566</u>
<u>Type</u>		<u>Carrying Value</u>
Reconciliation to financial statements:		
Cash and investments		\$ 61,654,317
Cash and investments - restricted		<u>7,448,249</u>
		<u>\$ 69,102,566</u>

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District requires that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. As of June 30, 2020, none of the District's deposits were exposed to custodial credit risk.

Custodial Credit Risk - Investments - 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. All investments, evidenced by individual securities, are registered in the name of the District or of a type that are not exposed to custodial credit risk.

HAZELWOOD SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

2. CASH AND INVESTMENTS (continued)

Investment 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. Investments in banker’s acceptances and commercial paper shall mature in no more than 180 days from purchase date and all other investments shall mature and become payable in no more than five (5) years from purchase date. Maturities of investments held at June 30, 2020, are provided in the schedule above.

Investment Credit Risk – The District has policies in place to minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by pre-qualifying the institution with which the District will do business and by diversifying the portfolio so that potential losses on individual securities will be minimized. At June 30, 2020, the District’s investments were rated as follows:

Rating	Amount
AAAm (S&P)	\$ 30,852,538
N/A	7,448,249

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, instrumentalities, and government sponsored enterprises, no more than 70%; (d) collateralized repurchase agreements, no more than 75%; (e) U.S. Government agency callable securities, no more than 50%; (f) commercial paper and bankers’ acceptances, no more than 75% combined.

HAZELWOOD SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

3. LONG-TERM DEBT

The following is a summary of changes occurring in long-term debt for the year ended June 30, 2020.

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 264,212,704	\$ -	\$ (69,150,163)	\$ 195,062,541	\$ 10,544,089

Payments on the general obligation bonds are made by the debt service fund.

Bonds Payable

Bonds payable at June 30, 2020, consist of:

\$61,450,000 2012 general obligation bonds, due in varying installments through 2032, average interest rate of 4.08%.....	\$52,680,000
\$39,999,121 2013A general obligation bonds, due in varying installments through 2033, average interest rate of 4.85%.....	39,888,958
\$41,740,000 2014 general obligation refunding bonds, due in varying installments through 2026, average interest rate of 4.74%.....	32,725,000
\$29,638,583 2017 general obligation refunding bonds, due in varying installments through 2033, average interest rate of 2.33%.....	13,823,583
\$55,945,000 2017A general obligation refunding bonds, due in varying installments through 2030, average interest rate of 3.90%.....	<u>55,945,000</u>
	<u>\$195,062,541</u>

HAZELWOOD SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

3. LONG-TERM DEBT (continued)

The annual requirements to amortize bonded debt outstanding as of June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 10,544,089	\$ 8,076,348	\$ 18,620,437
2022	11,746,623	7,691,064	19,437,687
2023	12,268,982	7,220,856	19,489,838
2024	13,174,896	6,710,442	19,885,338
2025	13,336,888	6,093,700	19,430,588
2026-2030	78,033,487	23,083,750	101,117,237
2031-2033	55,957,576	9,662,900	65,620,476
Total	<u>\$ 195,062,541</u>	<u>\$ 68,539,060</u>	<u>\$ 263,601,601</u>

Repayment of the bond issues are made through the Missouri School District Direct Deposit Program which is a mechanism for public school bond payments. It authorizes the direct deposit of a portion of the school 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 District has \$7,448,249 on deposit with BOK Financial in conjunction with this program, as discussed in Note 2.

Legal Debt Margin

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a District to fifteen (15%) percent of the assessed valuation of the District (including State assessed railroad and utility). The legal debt margin, computed excluding the assessed valuation of State assessed railroad and utilities, of the District at June 30, 2020, was:

Constitutional debt limit	\$ 277,750,062
General obligation bonds payable	(195,062,541)
Amount available in Debt Service Fund	<u>16,796,349</u>
Legal debt margin	<u>\$ 99,483,870</u>

HAZELWOOD SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

4. RETIREMENT PLAN

The District contributes to the Public School Retirement System of Missouri (PSRS), a cost-sharing multiple-employer defined benefit pension plan. PSRS provides retirement and disability benefits to full-time (and certain part-time) certified employees and death benefits to members and beneficiaries. Positions covered by PSRS are not covered by Social Security. PSRS benefit provisions are set forth in Chapter 169.010-.141 of the Missouri Revised Statutes. The statutes assign responsibility for the administration of the system to a seven member Board of Trustees. PSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: The Public School Retirement System of Missouri, P.O. Box 268, Jefferson City, Missouri, 65102, or by calling 1-800-392-6848.

PSRS members are required to contribute 14.50% of their annual covered salary and certain benefits and the District is required to contribute a matching amount. The contribution requirements of members and the District are established and may be amended by the PSRS Board of Trustees. The District's contributions to PSRS for the years ended June 30, 2018 through June 30, 2020 were equal to the required contributions as listed in the table below.

The District also contributes to The Public Education Employee Retirement System of Missouri (PEERS), a cost-sharing multiple-employer defined benefit pension plan. PEERS provides retirement and disability benefits to employees of the district who work 20 or more hours per week and who do not contribute to PSRS. Positions covered by PEERS are also covered by Social Security. Benefit provisions are set forth in Chapter 169.600-.715 of the Missouri Revised Statutes. The statutes assign responsibility for the administration of the system to the Board of Trustees of PSRS. PEERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: The Public Education Employee Retirement System of Missouri, P. O. Box 268, Jefferson City, Missouri, 65102 or by calling 1-800-392-6848.

PEERS members are required to contribute 6.86% of their annual covered salary and certain benefits and the District is required to contribute a matching amount. The contribution requirements of members and the District are established and may be amended by the Board of Trustees. The District's contributions to PEERS for the years ended June 30, 2018 through June 30, 2020 were equal to the required contributions as listed in the table below.

<u>Year Ended June 30,</u>	<u>PSRS</u>	<u>PEERS</u>
2020.....	\$15,058,848	\$2,603,608
2019.....	\$14,402,475	\$2,433,633
2018.....	\$14,113,482	\$2,249,451

HAZELWOOD SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

5. EMPLOYEE BENEFIT PLANS

The District offers its employees tax-sheltered annuity programs created in accordance with Internal Revenue Code Section 403(b). The plans, available to all District employees, permit them to defer a portion of their salary for investment purposes. The District offers a Section 125 cafeteria plan to all employees. Under this plan, the deferred portion can be used to purchase health insurance benefits.

6. DEFERRED COMPENSATION PLAN

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

7. INSURANCE PROGRAM

The District, along with various other local school districts, participates in the Missouri United School Insurance Council (MUSIC), an insurance association for workers' compensation, general liability and property and casualty insurance. The District, along with various other local school districts, also participates in the CSD Insurance Trust, an insurance association for employee medical, dental, life, vision, long term care, and short and long term disability insurance. The purpose of these associations is to distribute the cost of self-insurance over similar entities. These associations require an annual premium payment to cover estimated claims payable and reserves for claims from each entity. The members of these associations have no legal interest in the assets, liabilities or fund balances of the insurance association. However, the District retains a contingent liability to fund its pro rata share of any deficit incurred by these associations should it cease operations at some future date.

8. COMMITMENTS AND CONTINGENCIES

The District is involved in various lawsuits at June 30, 2020. In the District's opinion these items will be resolved with no material adverse effect on the District.

HAZELWOOD SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

8. COMMITMENTS AND CONTINGENCIES (continued)

The District has entered into leases for office equipment, print shop services network upgrades, chromebooks, buses, and other equipment. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2021	\$ 1,819,924
2022	1,819,924
2023	1,737,137
2024	692,372
2025	241,090
2026-2028.....	<u>532,999</u>
Total.....	<u>\$ 6,843,446</u>

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 request for reimbursement or to withholding of future funding for disallowed expenditures or other noncompliance with the terms of 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.

Each year, the County remits certain unresolved tax payments to the District. When County refunds tax payments to those who are successful in their protests, it withholds the refunded amount from future distributions to taxing districts. Normal withholdings by the County are not material in relation to the District's financial position and results of operations.

9. COVID-19

Due to the COVID-19 pandemic, the Hazelwood School District faces financial uncertainties. The District continues to monitor the State budget and has made adjustments in the 2020-2021 budget to account for possible revenue shortfalls. The District has received over \$5,000,000 in additional federal grants to pay for COVID-19 related expenditures. The extent of the impact of COVID-19 on the District will depend on the duration of the pandemic, funding decisions by State and Federal governments, and the local economic impact.

HAZELWOOD SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

10. POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 4, the District allows employees who retire from the District to participate in the District's health, dental and life insurance plans. Upon meeting the retirement requirements per PSRS or 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 used 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 to be 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. During the current year, 920 retirees participated in the District's insurance plans and paid premiums totaling \$2,629,628.

11. TAX ABATEMENT DISCLOSURES

The District is subject to tax abatement agreements granted by St. Louis County and municipalities within the District. District property tax revenues were reduced by \$5,542,344 as a result of these abatements for year ended June 30, 2020.

12. SUBSEQUENT EVENTS

On September 17, 2020, the District entered into a lease purchase agreement with Dell Financial Services for the purchase of 3,500 HP Chromebooks. The total principal and interest of this lease is due in 5 annual payments of \$236,495.

On October 1, 2020, the District issued Certificates of Participation Series 2020 for the purpose of providing funds to pay a portion of the costs of acquiring and installing energy conservation improvements. The debt has an original principal of \$4,555,000 payable in varying annual installments ranging from \$120,000 to \$505,000 with the final payoff being completed in the year ended June 30, 2035.

HAZELWOOD SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - GENERAL FUND - UNAUDITED
YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES :				
Local.....	\$ 99,565,968	\$ 101,657,324	\$ 100,205,695	\$ (1,451,629)
County.....	2,510,000	2,510,000	2,359,698	(150,302)
State.....	17,685,063	16,655,836	17,037,510	381,674
Federal.....	9,847,557	10,588,466	7,244,071	(3,344,395)
Other.....	815,000	580,000	598,589	18,589
Total Revenues	130,423,588	131,991,626	127,445,563	(4,546,063)
EXPENDITURES:				
Instruction.....	12,909,489	12,909,489	10,505,932	2,403,557
Attendance.....	281,352	281,352	266,090	15,262
Guidance.....	2,175,541	2,175,541	2,437,896	(262,355)
Health services.....	3,148,049	3,148,049	2,823,645	324,404
Improvement of instruction.....	3,461,465	3,461,465	3,428,212	33,253
Professional development.....	326,054	326,054	373,311	(47,257)
Media services.....	466,326	466,326	392,149	74,177
Board of Education services.....	1,406,960	1,406,960	1,215,676	191,284
Executive administration.....	831,210	831,210	690,324	140,886
Building level administration.....	3,677,819	3,677,819	3,531,740	146,079
Business, fiscal and internal services	2,127,959	2,127,959	1,135,367	992,592
Operation of plant.....	20,386,318	20,386,318	20,574,420	(188,102)
Security services.....	4,407,365	4,407,365	4,523,176	(115,811)
Pupil transportation.....	8,010,575	8,010,575	7,655,541	355,034
Food services.....	6,630,927	6,630,927	6,977,706	(346,779)
Central office support services.....	4,707,561	4,707,561	5,788,890	(1,081,329)
Adult continuing education.....	-	-	1,410	(1,410)
Community services.....	1,170,933	1,170,933	1,437,016	(266,083)
Total Expenditures.....	76,125,903	76,125,903	73,758,501	2,367,402
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	54,297,685	55,865,723	53,687,062	(2,178,661)
OTHER FINANCING USES:				
Transfers out.....	(53,825,437)	(58,173,359)	(61,847,921)	(3,674,562)
NET CHANGE IN FUND BALANCE.....	472,248	(2,307,636)	(8,160,859)	(5,853,223)
FUND BALANCE, BEGINNING OF YEAR.....	48,738,274	48,738,274	48,738,274	-
FUND BALANCE, END OF YEAR.....	\$ 49,210,522	\$ 46,430,638	\$ 40,577,415	\$ (5,853,223)

The accompanying note is an integral part of this schedule.

HAZELWOOD SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 MODIFIED CASH BASIS - BUDGET AND ACTUAL - SPECIAL REVENUE FUND - UNAUDITED
 YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES :				
Local.....	\$ 17,403,950	\$ 17,118,950	\$ 17,022,471	\$ (96,479)
County.....	180,000	264,125	258,047	(6,078)
State.....	51,159,410	47,144,133	45,392,102	(1,752,031)
Federal.....	3,253,646	3,121,881	1,292,567	(1,829,314)
Total Revenues	71,997,006	67,649,089	63,965,187	(3,683,902)
EXPENDITURES:				
Instruction.....	101,665,762	101,665,762	100,953,799	711,963
Guidance.....	5,226,309	5,226,309	5,169,169	57,140
Improvement of instruction.....	3,426,300	3,426,300	3,482,593	(56,293)
Professional development.....	130,000	130,000	87,165	42,835
Media services.....	2,768,260	2,768,260	2,790,166	(21,906)
Executive administration.....	1,526,697	1,526,697	1,619,781	(93,084)
Building level administration.....	8,996,233	8,996,233	8,808,434	187,799
Security services.....	5,000	5,000	-	5,000
Central office support services.....	517,587	517,587	607,205	(89,618)
Community services.....	1,560,295	1,560,295	2,294,796	(734,501)
Total Expenditures.....	125,822,443	125,822,443	125,813,108	9,335
EXCESS OF REVENUES UNDER EXPENDITURES.....	(53,825,437)	(58,173,354)	(61,847,921)	(3,674,567)
OTHER FINANCING SOURCES:				
Transfers in.....	53,825,437	58,173,354	61,847,921	3,674,567
NET CHANGE IN FUND BALANCE.....	-	-	-	-
FUND BALANCE, BEGINNING OF YEAR.....	-	-	-	-
FUND BALANCE, END OF YEAR.....	\$ -	\$ -	\$ -	\$ -

The accompanying note is an integral part of this schedule.

HAZELWOOD SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 MODIFIED CASH BASIS - BUDGET AND ACTUAL - DEBT SERVICE FUND - UNAUDITED
 YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES :				
Local.....	\$ 22,137,272	\$ 22,691,597	\$ 23,409,632	\$ 718,035
County.....	450,000	450,000	519,798	69,798
Federal.....	1,173,368	1,722,000	1,132,978	(589,022)
Total Revenues	<u>23,760,640</u>	<u>24,863,597</u>	<u>25,062,408</u>	<u>198,811</u>
EXPENDITURES:				
Debt service:				
Principal retirements.....	69,150,163	69,150,163	69,150,163	-
Interest.....	14,203,800	14,203,800	12,041,387	2,162,413
Other charges.....	5,000	5,000	4,882	118
Total Expenditures.....	<u>83,358,963</u>	<u>83,358,963</u>	<u>81,196,432</u>	<u>2,162,531</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(59,598,323)	(58,495,366)	(56,134,024)	2,361,342
FUND BALANCE, BEGINNING OF YEAR.....	<u>72,930,373</u>	<u>72,930,373</u>	<u>72,930,373</u>	<u>-</u>
FUND BALANCE, END OF YEAR.....	<u>\$ 13,332,050</u>	<u>\$ 14,435,007</u>	<u>\$ 16,796,349</u>	<u>\$ 2,361,342</u>

The accompanying note is an integral part of this schedule.

HAZELWOOD SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 MODIFIED CASH BASIS - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND - UNAUDITED
 YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES :				
Local.....	\$ 1,754,950	\$ 2,372,080	\$ 2,373,140	\$ 1,060
State.....	-	-	253,977	253,977
Federal.....	51,824	51,824	66,175	14,351
Total Revenues	1,806,774	2,423,904	2,693,292	269,388
EXPENDITURES:				
Capital outlay.....	4,283,108	4,283,108	4,123,303	159,805
Debt service:				
Principal retirements.....	-	-	-	-
Interest.....	-	-	-	-
Other charges.....	7,500	7,500	424	7,076
Total Expenditures.....	4,290,608	4,290,608	4,123,727	166,881
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(2,483,834)	(1,866,704)	(1,430,435)	436,269
OTHER FINANCING SOURCES:				
Sale of other property.....	329,000	329,000	310,378	(18,622)
NET CHANGE IN FUND BALANCE.....	(2,154,834)	(1,537,704)	(1,120,057)	417,647
FUND BALANCE, BEGINNING OF YEAR.....	5,255,221	5,255,221	5,255,221	-
FUND BALANCE, END OF YEAR.....	\$ 3,100,387	\$ 3,717,517	\$ 4,135,164	\$ 417,647

The accompanying note is an integral part of this schedule.

HAZELWOOD SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2020

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.
2. Prior to July, the Superintendent, who serves as the budget officer, submits to the Board of Education a proposed budget for the fiscal year beginning on the following July 1. The proposed budget includes estimated revenues and proposed expenditures for all District funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
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 its formal approval of the budget, the Board of Education has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the final budgeted amounts.

Budgeted amounts are as originally adopted on June 25, 2019, or as amended by the Board of Education on June 23, 2020.

6. Budgets are adopted on the modified cash basis of accounting.
7. Lapsing of appropriations at the close of each year, all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriation.