
FERGUSON REORGANIZED SCHOOL DISTRICT R-2

***FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORTS
AND SUPPLEMENTARY INFORMATION***

JUNE 30, 2020

Contents

	Page
INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position - Modified Cash Basis	4
Statement of Activities - Modified Cash Basis	5
<i>Fund Financial Statements:</i>	
Balance Sheet - Modified Cash Basis - Governmental Funds.....	6
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis - Governmental Funds	7
Statement of Fund Net Position - Modified Cash Basis - Proprietary Fund	9
Statement of Revenues, Expenses and Changes in Net Position - Modified Cash Basis - Proprietary Fund	10
<i>Notes to Basic Financial Statements</i>	11
SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Change in Fund Balance - Modified Cash Basis - Budget and Actual:	
General Fund	28
Special Revenue Fund	29
Debt Service Fund	30
Capital Projects Fund.....	31
Note to Budgetary Comparison Information	32
Schedule of Selected Statistics	33
Report on Compliance - State Requirements.....	40

FEDERAL COMPLIANCE SECTION:

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 <i>Government Auditing Standards</i>	41
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance	43
Schedule of Expenditures of Federal Awards.....	45
Notes to the Schedule of Expenditures of Federal Awards.....	46
Schedule of Findings and Questioned Costs.....	47



INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Education
Ferguson Reorganized School District R-2

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ferguson Reorganized School District R-2 (the "District") as of and for the fiscal year ended June 30, 2020, 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 described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for 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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2020, and the changes in financial position - modified cash basis for the year then ended in conformity 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.

Emphasis of Matter

As discussed in Note 7 to the financial statements, in March of 2020, the World Health Organization declared COVID-19 to constitute a "public health emergency of international concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinions are not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedules and related note and the schedule of selected statistics 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 purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* 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 expenditure 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 budgetary comparison schedule and related note and the schedule of selected statistics, except for the budgetary procedures, pupil attendance and pupil transportation records 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 Under *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021 on our consideration of the 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 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 the District's internal control over financial reporting and compliance.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
January 29, 2021

Basic Financial Statements

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2020**

	<u>Governmental Activities</u>
-- ASSETS --	
Cash and investments	\$ 40,667,081
Restricted cash and investments	<u>558,443</u>
TOTAL ASSETS	<u>\$ 41,225,524</u>
-- NET POSITION --	
Restricted for:	
Bond proceeds and capital projects	\$ 4,365,251
Debt service	3,424,024
Teachers' salaries and benefits	7,714,125
Food service	1,883,776
Self-insurance plan	8,656,481
Unrestricted	<u>15,181,867</u>
Total Net Position	<u>41,225,524</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 41,225,524</u>

See accompanying notes to basic financial statements.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants, Contributions and Bond Proceeds	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES:					
Instruction	\$ 65,995,064	\$ 1,254,720	\$ 7,865,018	\$ -	\$ (56,875,326)
Attendance and social work services	847,988	-	-	-	(847,988)
Guidance services	4,793,005	-	-	-	(4,793,005)
Health services	1,203,458	-	-	-	(1,203,458)
Improvement of instruction	3,416,041	-	-	-	(3,416,041)
Professional development	405,577	-	-	-	(405,577)
Educational media services	4,069,761	-	-	-	(4,069,761)
Board of Education services	302,034	-	-	-	(302,034)
Executive administration	3,807,943	-	-	-	(3,807,943)
Building level administration	9,305,821	-	-	-	(9,305,821)
Operation and maintenance of plant	13,900,490	10,470	-	-	(13,890,020)
Pupil transportation	5,760,240	341,260	566,059	-	(4,852,921)
Food services	6,220,671	91,791	5,080,718	-	(1,048,162)
Business and central services	2,888,433	-	-	-	(2,888,433)
Security services	3,133,274	-	-	-	(3,133,274)
Community services	3,637,200	-	123,763	-	(3,513,437)
Facilities acquisition and construction	1,966,815	-	-	-	(1,966,815)
Debt service:					
Principal	11,741,148	-	10,000,000	-	(1,741,148)
Interest	2,083,852	-	-	-	(2,083,852)
Other	116,585	-	-	-	(116,585)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 145,595,400	\$ 1,698,241	\$ 23,635,558	\$ -	(120,261,601)
General Revenues					
Taxes:					
					66,259,742
					9,943,313
					1,639,089
					35,055,865
					1,433,378
					148,829
					163,344
					1,398,500
					516,270
					<u>116,558,330</u>
CHANGE IN NET POSITION					
					(3,703,271)
NET POSITION, BEGINNING OF YEAR					
					<u>44,928,795</u>
NET POSITION, END OF YEAR					
					<u>\$ 41,225,524</u>

See accompanying notes to basic financial statements.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
-- ASSETS --					
Cash and investments	\$ 16,950,550	\$ 7,368,847	\$ 3,325,952	\$ 4,365,251	\$ 32,010,600
Restricted cash and investments	-	-	558,443	-	558,443
Due from other funds	115,093	345,278	-	-	460,371
TOTAL ASSETS	\$ 17,065,643	\$ 7,714,125	\$ 3,884,395	\$ 4,365,251	\$ 33,029,414
-- LIABILITIES AND FUND BALANCES --					
LIABILITIES:					
Due to other funds	\$ -	\$ -	\$ 460,371	\$ -	\$ 460,371
Total Liabilities	-	-	460,371	-	460,371
FUND BALANCES:					
Restricted for:					
Bond proceeds and capital projects	-	-	-	4,365,251	4,365,251
Debt service	-	-	3,424,024	-	3,424,024
Teachers' salaries and benefits	-	7,714,125	-	-	7,714,125
Food service	1,883,776	-	-	-	1,883,776
Assigned for:					
Subsequent year's budget deficit	789,040	-	-	-	789,040
Unassigned	14,392,827	-	-	-	14,392,827
Total Fund Balances	17,065,643	7,714,125	3,424,024	4,365,251	32,569,043
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,065,643	\$ 7,714,125	\$ 3,884,395	\$ 4,365,251	\$ 33,029,414

Reconciliation to Statement of Net Position

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

Fund balances of governmental funds	\$ 32,569,043
Internal service funds are used by the District to charge the cost of insurance activities to individual funds. The net position of the internal service fund is included in governmental activities in the statement of net position.	8,656,481
Net position of governmental activities	<u>\$ 41,225,524</u>

See accompanying notes to basic financial statements.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

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

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
REVENUES:					
Local sources:					
Property taxes	\$ 23,204,545	\$ 27,963,877	\$ 3,163,665	\$ -	\$ 54,332,087
Sales taxes	-	9,943,313	-	-	9,943,313
Investment income	400,183	41,064	45,078	29,945	516,270
Student activities	93,369	-	-	-	93,369
Food service	91,625	-	-	-	91,625
Other local	2,101,044	12,827,222	80,139	425	15,008,830
Total local	<u>25,890,766</u>	<u>50,775,476</u>	<u>3,288,882</u>	<u>30,370</u>	<u>79,985,494</u>
County sources:					
State assessed utilities	618,329	742,056	72,993	-	1,433,378
Fines and escheats	-	148,829	-	-	148,829
Other county	30,639	36,770	4,177	-	71,586
Total county	<u>648,968</u>	<u>927,655</u>	<u>77,170</u>	<u>-</u>	<u>1,653,793</u>
State sources:					
State aid	8,763,966	26,291,899	-	-	35,055,865
State grants and contributions	4,271,249	178,795	-	-	4,450,044
Total state	<u>13,035,215</u>	<u>26,470,694</u>	<u>-</u>	<u>-</u>	<u>39,505,909</u>
Federal sources	<u>6,973,518</u>	<u>2,074,221</u>	<u>163,344</u>	<u>137,350</u>	<u>9,348,433</u>
Total Revenues	<u>46,548,467</u>	<u>80,248,046</u>	<u>3,529,396</u>	<u>167,720</u>	<u>130,493,629</u>
EXPENDITURES:					
Current:					
Instruction	7,903,465	58,003,338	-	-	65,906,803
Attendance and social work services	834,718	15,943	-	-	850,661
Guidance services	834,472	3,974,064	-	-	4,808,536
Health services	1,206,343	-	-	-	1,206,343
Improvement of instruction	931,525	2,493,160	-	-	3,424,685
Professional development	304,329	101,629	-	-	405,958
Educational media services	2,177,277	1,905,391	-	-	4,082,668
Board of Education services	302,034	-	-	-	302,034
Executive administration	2,282,983	1,534,751	-	-	3,817,734
Building level administration	2,438,039	6,731,456	-	-	9,169,495
Operation and maintenance of plant	13,744,369	-	-	-	13,744,369
Pupil transportation	5,175,954	-	-	-	5,175,954
Food services	6,126,309	-	-	-	6,126,309
Business and central services	2,705,644	188,578	-	-	2,894,222
Security services	3,138,322	1,206	-	-	3,139,528
Community services	3,017,761	619,439	-	-	3,637,200
Capital outlay	-	-	-	3,299,783	3,299,783
Debt service:					
Principal	-	-	11,255,000	486,148	11,741,148
Interest	-	-	1,828,223	255,629	2,083,852
Other	-	-	116,585	-	116,585
Total Expenditures	<u>53,123,544</u>	<u>75,568,955</u>	<u>13,199,808</u>	<u>4,041,560</u>	<u>145,933,867</u>

See accompanying notes to basic financial statements.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(6,575,077)	4,679,091	(9,670,412)	(3,873,840)	(15,440,238)
OTHER FINANCING SOURCES (USES):					
Proceeds from the issuance of debt	-	-	10,000,000	-	10,000,000
Sale of Property	-	-	-	1,398,500	1,398,500
Transfers (to) from other funds	(101,610)	-	-	101,610	-
Total Other Financing Sources (Uses)	(101,610)	-	10,000,000	1,500,110	11,398,500
NET CHANGES IN FUND BALANCES	(6,676,687)	4,679,091	329,588	(2,373,730)	(4,041,738)
FUND BALANCES, BEGINNING OF YEAR	23,742,330	3,035,034	3,094,436	6,738,981	36,610,781
FUND BALANCES, END OF YEAR	\$ 17,065,643	\$ 7,714,125	\$ 3,424,024	\$ 4,365,251	\$ 32,569,043

Reconciliation to Statement of Activities

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

Net change in fund balances for governmental funds	\$ (4,041,738)
Internal service funds are used by the District to charge the cost of insurance activities to individual funds. The change in net position of the internal service fund is included in governmental activities in the statement of activities.	338,467
Change in net position of governmental activities	\$ (3,703,271)

See accompanying notes to basic financial statements.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**STATEMENT OF FUND NET POSITION - MODIFIED CASH BASIS -
PROPRIETARY FUND
JUNE 30, 2020**

	Governmental Activities - Internal Service Fund
	<hr/>
CURRENT ASSETS	
Cash	\$ 8,656,481
	<hr/>
NET POSITION	
Unrestricted	\$ 8,656,481
	<hr/>

See accompanying notes to basic financial statements.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Ferguson Reorganized School District R-2 (the "District"), established under the Statutes of the State of Missouri, is governed by an elected seven-member board as described in Section 162.092 RSMo of the public school laws of Missouri. 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.

As discussed further in Note 1 under "Basis of Accounting," these 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 (GAAP).

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 by 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 that would result in the District being considered a component unit of the entity.

Additionally, while the parent-teacher organizations of the District's schools may be considered to be part of the financial reporting entity of the District under governmental standards, the balances and activities of such organizations have not been included in these financial statements due to their 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 equity, 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 following fund types are used by the District:

Governmental Funds

Governmental Funds are those through which all 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 fund types, each of which the District considers to be a major fund:

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 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.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

Special Revenue Fund

A Special Revenue Fund accounts for revenues derived from specific taxes or other earmarked revenue sources. The Special Revenue Fund accounts for expenditures for certified employees involved in administration and instruction, and includes revenues restricted by the state and local tax levy allocations for the payment of teacher salaries and certain benefits.

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 long-term debt.

Capital Projects Fund

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

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is on the determination of net income, changes in net position (or cost recovery), financial position and cash flows. The District's proprietary fund type is as follows:

Internal Service Fund

The Internal Service Fund accounts for premiums collected for the payment of claims associated with the District's self-insurance activities (primarily medical and dental benefits). Expenses include claims paid and administrative fees.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities present information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities are generally 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 charges paid by the students for (a) 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.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

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.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

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 payroll withholdings are 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 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 governmental fund financial statements would use the modified accrual basis of accounting, while the government-wide and proprietary fund financial statements would be presented on the accrual basis of accounting.

Property Taxes

Property taxes are levied annually in November based on the assessed valuation of all real and personal property located in the District as of the previous January 1 and are due and collectible on December 31. Property taxes become delinquent and attach as an enforceable lien on property as of January 1 of the following year. St. Louis 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 \$1,063,189,580 and \$972,815,340.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2020 and 2019 for purposes of local taxation was:

	December 31, 2020	December 31, 2019
	Adjusted	Adjusted
General Fund	\$ 2.2004	\$ 2.2004
Special Revenue Fund	2.6407	2.6407
Debt Service Fund	0.3000	0.3000
Total	\$ 5.1411	\$ 5.1411

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2020, aggregated approximately 99.4 percent of the current assessment computed on the basis of the levy as shown above.

Sales Taxes

The District receives sales taxes collected by the state from a one cent state sales tax. The District is required to reduce its property tax levy by one-half the amount of sales tax estimated to be received in the subsequent calendar year. The District's taxpayers have voted to permanently waive this property tax rollback.

Pooled Cash and Temporary Investments

Cash resources from all funds, except the Debt Service Fund, are combined to form a pool of cash and temporary investments which is managed by the District Treasurer. 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.

Under state law, the District may invest in bonds of the State of Missouri, United States Treasury-bills, 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.

See Note 2, Cash and Investments, for further information.

Restricted Cash and Investments

Restricted cash and investments represent amounts whose use is limited by legal requirements. In the Debt Service Fund, restricted cash and investments consist of 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.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

Payroll Withholdings and Other Liabilities

Payroll withholdings and other liabilities include amounts due related to employees' current contract year but will be paid in July of the next fiscal year, including, as applicable, amounts withheld from employees' paychecks for taxes, insurance, dues, and other related items.

Governmental Fund Balances

In the governmental fund financial statements, the following classifications are used to define the governmental fund balances:

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. The District has no nonspendable fund balances as of June 30, 2020.

Restricted - includes amounts legally restricted by outside parties or by law through constitutional provision or enabling legislation. As of June 30, 2020, the District's restricted fund balances includes amounts restricted for retirement of debt, the food service program, the payment of teachers' salaries and benefits and bond proceeds and capital projects.

Committed - includes amounts that can only be used for specific purposes as determined by formal action (resolution) of the Board of Education. Commitments may be modified or rescinded only through resolutions approved by the District's highest level of decision-making authority, the Board of Education. The District has no committed fund balances as of June 30, 2020.

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 Superintendent. As of June 30, 2020, the District has assigned fund balance for the subsequent year budget deficit.

Unassigned - includes amounts that do not meet the definition of "nonspendable," "restricted," "committed," or "assigned."

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.

Net Position

Net position represents the difference between assets and liabilities. 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

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

At June 30, 2020, net position was restricted for debt service, the food service program, the payment of teachers' salaries and benefits, bond proceeds and capital projects, and self-insurance balance.

Interfund Activity

Interfund transfers are reported as other financing sources (uses) in governmental funds. Interfund receivables and payables are eliminated in the statement of net position to reduce the "grossing up" effect on assets and liabilities within the governmental activities column.

During the fiscal year ended June 30, 2020, the District transferred \$101,610 from the General Fund to the Capital Projects Fund to pay for food service equipment.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended June 30, 2020.

Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. CASH AND INVESTMENTS

The District is governed by the deposit and investment limitations of State law, as described in Note 1.

The District participates in the Missouri Direct Deposit Program which is a mechanism for public school bond repayments through the Missouri Health and Educational Facilities Authority ("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, 2020, the District had \$558,443 in this program, which has been classified as investments.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

The cash deposits and temporary investments are reported at cost and are summarized as follows at June 30, 2020:

Type	Maturities	Credit Rating	Cost
Deposits:			
Demand deposits	N/A	N/A	\$ 40,661,546
Cash on hand	N/A	N/A	5,535
Investments:			
Money market mutual funds	<1 year	AAAm	<u>558,443</u>
Total deposits and investments			<u><u>\$ 41,225,524</u></u>

Custodial Credit Risk - Deposits

For a deposit, 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 has a custodial credit risk policy which requires funds to be collateralized at least one hundred percent (100 percent) or greater of the balance plus any demand deposit with the depository, less any insurance (FDIC or NCUSIF), as applicable. As of June 30, 2020, none of the District's bank balance of \$41,707,715 was exposed to custodial credit risk.

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.

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 investment 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. In accordance with state statute, investments in banker's acceptances and commercial paper shall mature in no more than 180 days from the 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 summarized in the schedule above.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

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. The credit ratings of the District's investments at June 30, 2020 are summarized in the schedule above.

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the District for any single investment that represents five percent (5 percent) 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). The District does not have a policy limiting the amount it may invest in any one issuer. At June 30, 2020, the District did not have any investments subject to this disclosure.

3. LONG-TERM DEBT

For the fiscal year ended June 30, 2020, the following changes occurred in long-term debt:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 42,640,000	\$ 10,000,000	\$ 11,255,000	\$ 41,385,000	\$ 1,335,000
Certificates of participation	4,610,000	-	200,000	4,410,000	210,000
Subtotal	47,250,000	10,000,000	11,455,000	45,795,000	1,545,000
Capital leases payable	2,152,783	-	286,148	1,866,635	297,076
Totals	\$ 49,402,783	\$ 10,000,000	\$ 11,741,148	\$ 47,661,635	\$ 1,842,076

Payments of bonds payable are made from the Debt Service Fund. Payments of certificates of participation and capital leases payable are made from the Capital Projects Fund.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

Bonds Payable and Certificates of Participation

Long-term debt at June 30, 2020 consists of the following:

\$15,000,000 General Obligation Bonds Series 2012, due in varying installments through May 2024 interest at 2.0% to 5.0%	\$ 3,255,000
\$8,770,000 General Obligation Bonds Series 2015, due in varying installments through May 2035 interest at 2.0% to 4.0%	7,065,000
\$4,790,000 General Obligation Bonds Series 2016, due in varying installments through May 2036 interest at 1.0% to 3.0%	3,950,000
\$4,995,000 Certificates of Participation Series 2016, due in varying installments through May 2036 interest at 3.0% to 4.0%	4,410,000
\$9,380,000 General Obligation Bonds Series 2017, due in varying installments through May 2037 interest at 2.0% to 4.0%	9,155,000
\$8,060,000 General Obligation Bonds Series 2018, due in varying installments through November 2038, interest at 3.0% to 5.0%	7,960,000
\$10,000,000 General Obligation Refunding Bonds Series 2020, due in varying installments through May 2029, interest at 2.01%	<u>10,000,000</u>
	<u>\$ 45,795,000</u>

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

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

Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,545,000	\$ 1,595,744	\$ 3,140,744
2022	1,610,000	1,571,065	3,181,065
2023	1,680,000	1,515,112	3,195,112
2024	1,795,000	1,455,708	3,250,708
2025	2,110,000	1,383,454	3,493,454
2026-2030	11,460,000	6,199,069	17,659,069
2031-2035	14,730,000	4,171,976	18,901,976
2036-2039	10,865,000	954,200	11,819,200
Total	\$ 45,795,000	\$ 18,846,328	\$ 64,641,328

Repayment of all general obligation bond issues is made through the Missouri Direct Deposit Program, as discussed in Note 2.

The 2010 bonds were issued as "Build America Bonds" and as "qualified bonds under the Internal Revenue Code." Accordingly, the District will receive a subsidy payment from the federal government equal to 35 percent of the amount of each interest payment on these taxable bonds. These bonds were refunded during the fiscal year ended June 30, 2020 with the proceeds from the Series 2020 General Obligation Refunding Bonds.

During the fiscal year ended June 30, 2020, the District issued \$10,000,000 in Series 2020 General Obligation Refunding Bonds for the purpose of refunding the Series 2010 "Build America Bonds". The Series 2020 bonds call for annual payments in varying amounts through May 2029 with interest at a rate of 2.01 percent.

Legal Debt Margin

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

Constitutional debt limit	\$ 159,478,437
General obligation bonds payable	(41,385,000)
Amount available in Debt Service Fund	<u>3,424,024</u>
Legal Debt Margin	<u>\$ 121,517,461</u>

Defeased General Obligation Debt

During the fiscal year ended June 30, 2015, the District used excess debt service funds of \$1,617,301 to advance refund \$1,555,000 of the Series 2012 Bonded Debt. The funds were used to purchase U.S. government securities and to pay related expenses. The purchased securities were deposited into an

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

irrevocable trust to provide for future debt service on the refunded portion of the Series 2012 Bonds. As a result, that portion of the Series 2012 Bonds is considered defeased, and the District has removed the liability from its accounts. At June 30, 2020, the amount of the defeased debt outstanding and removed from the District's books and records related to this transaction is \$425,000.

During the fiscal year ended June 30, 2014, the District used excess debt service funds to advance refund certain outstanding bonds of the Series 2012 Bonded Debt. The bonds are considered defeased, and the District has removed the liability from its accounts. At June 30, 2020, the amount of the defeased debt outstanding and removed from the District's books and records related to this transaction is \$1,345,000.

Capital Lease Agreements

At June 30, 2020, the District is obligated under five leases that are classified as capital leases.

During the fiscal year ended June 30, 2013, the District entered into a lease purchase agreement with a company for various energy savings equipment and related installation. The lease was for a total amount of \$2,620,373 and calls for quarterly payments of approximately \$43,673 at an interest rate of 4.00 percent. The final payment under this lease is due in November 2027.

During the fiscal year ended June 30, 2016, the District entered into a lease purchase agreement with a company for copier equipment. The lease is for a total amount of \$8,700 and calls for monthly payments of \$145. The final payment under this lease is due in December 2020.

During the fiscal year ended June 30, 2017, the District entered into a lease purchase agreement with a company for copier equipment. The lease is for a total amount of \$9,600 and calls for monthly payments of \$160. The final payment under this lease is due in August 2021.

During the fiscal year ended June 30, 2018, the District entered into a lease purchase agreement with a company for 11 buses. The lease was for a total amount of \$611,688 and calls for annual payments in varying amounts at an interest rate of 3.95 percent. The final payment under this lease is due August 2023.

During the fiscal year ended June 30, 2019, the District entered into a lease purchase agreement with a company for copier equipment. The lease was for a total of \$401,000 and calls for monthly payments of \$7,481 at an interest rate of 4.53 percent. The final payment under this lease is due in March 2024.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

Future minimum lease payments under the capital leases described above are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 369,493
2022	407,919
2023	407,599
2024	322,718
2025	174,691
2026-2028	<u>436,730</u>
Total future minimum lease payments	2,119,150
Less amount representing interest	<u>(252,515)</u>
Present value of future minimum lease payments	<u>\$ 1,866,635</u>

4. RETIREMENT PLANS

**Public School and Education Employee Retirement Systems of Missouri
(PSRS and PEERS also referred to as the Systems)**

General Information about the Pension Plans

Plan Description. PSRS is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. PSRS also includes certificated employees of 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 "2/3's statute." PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members' benefits are further calculated at two-thirds the normal benefit amount.

PEERS is a mandatory cost-sharing multiple employer retirement system for all non-certified 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 PSRS who do not hold Missouri educator certificates also contribute to PEERS. PEERS was established as a trust fund by an Act of the Missouri General Assembly effective October 13, 1965. Statutes governing the System are found in Sections 169.600-169.715 and Sections 169.560-169.595 RSMo. The statutes place responsibility for the operation of PEERS on the Board of Trustees of PSRS.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

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.

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

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

Cost-of-Living Adjustments ("COLA"). The Board of Trustees has established a policy of providing COLAS to both 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% cost-of-living increase is granted.
- If the June to June change in the CPI-U is greater than or equal to 2%, but less than 5%, a cost-of-living increase of 2% will be granted.
- If the June to June change in the CPI-U is greater than or equal to 5%, a cost-of-living increase of 5% will be granted.
- If the CPI decreases, no COLA is provided.

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 2018, 2019 and 2020. Employers were required to match the contributions made by

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay.

PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2018, 2019 and 2020. 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 \$9,076,141 and \$1,743,495 respectively, for the year ended June 30, 2020.

5. EMPLOYEE BENEFITS PLANS

The District offers its employees various 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 also offers a Section 125 Cafeteria Plan to all employees. Under this plan, the deferred portion can be used to purchase health insurance benefits and provider for reimbursement of qualified dependent care costs and medical expenses.

6. 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 purpose of MUSIC is to distribute the cost of self-insurance over similar entities. MUSIC requires an annual premium payment to cover estimated claims payable and reserves for claims from each entity. The members of MUSIC 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 MUSIC should it cease operations at some future date. The District's premium assessment from MUSIC for the year ended December 31, 2020 was \$2,156,502 Settled claims have not exceeded insurance coverage in any of the past three years.

7. COMMITMENTS AND CONTINGENCIES

Grants

The District receives revenues under various federal and state grant programs which are required to be expended in accordance with regulatory restrictions. These grants are subject to audit by the granting agencies. Such audits could result in request for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. However, in the District's opinion, any adjustments or settlements that may arise from these audits would not have a material adverse effect on the overall financial position the District. In addition, while the District may have grant expenditures that have yet to be reimbursed or grant receipts that have yet to be expended at June 30, 2020, any related grant receivables or deferrals are not reflected in the accompanying financial statements.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

Protested Taxes

Each year St. Louis County remits certain unresolved protested tax payments to the District. When the 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.

Litigation

The District is involved in various lawsuits and any other legal matters at June 30, 2020. While in the District's opinion, based on consultation with legal counsel, these items will be resolved with no material adverse effect on the District, the results of the proceedings have yet to be finalized.

Coronavirus Pandemic

In March of 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "public health emergency of international concern", which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of the situation precludes any prediction as to the ultimate material adverse impact, if any, on the District's future financial operating performance and financial condition.

8. 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 percent 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 blended rates provide an implicit rate subsidy for retirees because, on an actuarial basis, the current and future claims are expected to result in higher costs to the plan on average than those of active employees. 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, retirees participating in the District's insurance plans paid premiums totaling approximately \$1,526,000.

9. SELF-INSURANCE PLANS

The District has self-insurance plans which cover participating employees' and retirees' medical and dental coverage. Both the members and the District contribute to a reserve maintained by an insurance administrator, which is used to pay claims. The District utilizes an internal service fund to account for the activity of the plans. A premium is charged to each fund that accounts for employees' salaries based on past trends and experience. Provisions are also made for unexpected and unusual claims. The District purchases stop loss insurance coverage to limit its exposure to catastrophic claims in excess of \$250,000 per individual.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

10. TAX ABATEMENTS

As of June 30, 2020, the District is subject to the following tax abatement programs initiated by other governmental entities:

	Real Estate Tax	Surcharge	Property Tax
Enhanced enterprise zones			
City of Hazelwood	\$ -	\$ 10,938	\$ -
City of Berkeley	-	899	-
Industrial development bonds/St. Louis			
County Chapter 100			
City of Bellerive	-	4,283	-
City of Bridgeton	-	1,051	-
City of Clayton	-	47,752	-
City of Eureka	-	4,312	-
City of Ferguson	-	8,092	-
City of Hazelwood	-	51,226	-
City of Jennings	-	225	-
City of Maryland Heights	-	917	-
St. Louis County	1,279,900	315,198	263,765
St. Louis County Port Authority	-	13,324	-
Land Clearance for Redevelopment Authority			
City of University City	-	254	-
Urban redevelopment corporations			
City of Brentwood	-	13,893	-
City of Bridgeton	-	27,034	-
City of Edmundson	-	1,009	-
City of Edmundson	-	21,938	-
City of Ferguson	24,592	1,384	-
City of Hazelwood	1,743,474	162,598	-
City of Kinloch	1,077,860	59,911	-
City of Maplewood	-	6,269	-
City of Maryland Heights	-	16,854	-
City of Overland	-	11,302	-
City of Richmond Heights	-	12,075	-
City of Rock Hill	-	6,902	-
City of Sunset Hills	-	212	-
City of Wellston	-	1,243	-
St. Louis County	-	7,972	-
Total	\$ 4,125,826	\$ 809,067	\$ 263,765

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

11. SUBSEQUENT EVENTS

Subsequent to year-end, the Board approved an Early Separation Incentive Plan (ESIP). Under the ESIP, eligible employees that submit a signed letter of resignation effective at the end of the 2020-2021 school year will receive an early incentive separation payment that varies from \$10,000 to \$30,000 depending on years of service with the District. Part time employees receive a prorated amount based on the percentage of time worked in comparison to a full time employee. The ESIP will provide an annual cost savings to the District ranging from \$500,000 to \$1,500,000 depending on participation.

12. RECENT ACCOUNTING PRONOUNCEMENTS

The accounting principles governing the reported amounts, presentation and related disclosures are subject to change from time to time based on new pronouncements and/or rules issued by various governing bodies. The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

In January 2017, the GASB approved Statement No. 84, "Fiduciary Activities," This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. As a result of GASB Statement No. 95, "Postponement of the Effective Date of Certain Authoritative Guidance", the requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2017, the GASB approved Statement No. 87, "Leases." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As a result of GASB Statement No. 95, "Postponement of the Effective Date of Certain Authoritative Guidance", the requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

The effects on the District's financial statements as a result of the adoption of these new pronouncements are unknown.

Supplementary Information

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Local	\$ 28,894,996	\$ 28,894,996	\$ 25,890,766	\$ (3,004,230)
County	550,000	550,000	648,968	98,968
State	13,436,815	13,436,815	13,035,215	(401,600)
Federal	8,705,968	8,705,968	6,973,518	(1,732,450)
Other	175,000	175,000	-	(175,000)
Total Revenues	51,762,779	51,762,779	46,548,467	(5,214,312)
EXPENDITURES:				
Current:				
Instruction	8,821,966	8,821,966	7,903,465	918,501
Attendance and social work services	932,562	932,562	834,718	97,844
Guidance services	1,270,976	1,270,976	834,472	436,504
Health services	1,561,103	1,561,103	1,206,343	354,760
Improvement of instruction	528,842	528,842	931,525	(402,683)
Professional development	238,034	238,034	304,329	(66,295)
Educational media services	2,004,011	2,004,011	2,177,277	(173,266)
Board of Education services	217,500	217,500	302,034	(84,534)
Executive administration	1,752,241	1,752,241	2,282,983	(530,742)
Building level administration	2,163,044	2,163,044	2,438,039	(274,995)
Operation and maintenance of plant	15,521,595	15,521,595	13,744,369	1,777,226
Pupil transportation	4,332,402	4,332,402	5,175,954	(843,552)
Food services	6,585,570	6,585,570	6,126,309	459,261
Business and central services	2,520,415	2,520,415	2,705,644	(185,229)
Security services	664,458	664,458	3,138,322	(2,473,864)
Community services	3,058,641	3,058,641	3,017,761	40,880
Total Expenditures	52,173,360	52,173,360	53,123,544	(950,184)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(410,581)	(410,581)	(6,575,077)	(6,164,496)
OTHER FINANCING USES:				
Transfers to other funds	-	-	(101,610)	(101,610)
Total Other Financing Uses	-	-	(101,610)	(101,610)
NET CHANGE IN FUND BALANCE	\$ (410,581)	\$ (410,581)	(6,676,687)	\$ (6,266,106)
FUND BALANCE, BEGINNING OF YEAR			23,742,330	
FUND BALANCE, END OF YEAR			\$ 17,065,643	

See accompanying independent auditors' report and note to budgetary comparison information.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Local	\$ 45,444,521	\$ 45,444,521	\$ 50,775,476	\$ 5,330,955
County	925,000	925,000	927,655	2,655
State	30,575,445	30,575,445	26,470,694	(4,104,751)
Federal	2,988,098	2,988,098	2,074,221	(913,877)
Total Revenues	79,933,064	79,933,064	80,248,046	314,982
EXPENDITURES:				
Current:				
Instruction	59,971,934	59,971,934	58,003,338	1,968,596
Attendance and social work services	-	-	15,943	(15,943)
Guidance services	4,090,857	4,090,857	3,974,064	116,793
Improvement of instruction	3,264,874	3,264,874	2,493,160	771,714
Professional development	222,500	222,500	101,629	120,871
Educational media services	2,125,173	2,125,173	1,905,391	219,782
Executive administration	1,589,555	1,589,555	1,534,751	54,804
Building level administration	6,504,374	6,504,374	6,731,456	(227,082)
Security Services	-	-	1,206	(1,206)
Business and central services	-	-	188,578	(188,578)
Community services	2,192,619	2,192,619	619,439	1,573,180
Total Expenditures	79,961,886	79,961,886	75,568,955	4,392,931
NET CHANGE IN FUND BALANCE	\$ (28,822)	\$ (28,822)	4,679,091	\$ 4,707,913
FUND BALANCE, BEGINNING OF YEAR			3,035,034	
FUND BALANCE, END OF YEAR			\$ 7,714,125	

See accompanying independent auditors' report and note to budgetary comparison information.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Local	\$ 2,943,938	\$ 2,943,938	\$ 3,288,882	\$ 344,944
County	75,000	75,000	77,170	2,170
Federal	160,000	160,000	163,344	3,344
Total Revenues	3,178,938	3,178,938	3,529,396	350,458
EXPENDITURES:				
Debt service:				
Principal	1,255,000	1,255,000	11,255,000	(10,000,000)
Interest	1,770,268	1,770,268	1,828,223	(57,955)
Other	25,000	225,000	116,585	108,415
Total Expenditures	3,050,268	3,250,268	13,199,808	(9,949,540)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	128,670	(71,330)	(9,670,412)	(9,599,082)
OTHER FINANCING SOURCES (USES):				
Proceeds from the issuance of debt	-	-	10,000,000	10,000,000
Total Other Financing Sources	-	-	10,000,000	10,000,000
NET CHANGE IN FUND BALANCE	\$ 128,670	\$ (71,330)	329,588	\$ 400,918
FUND BALANCE, BEGINNING OF YEAR			3,094,436	
FUND BALANCE, END OF YEAR			\$ 3,424,024	

See accompanying independent auditors' report and note to budgetary comparison information.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Local	\$ 10,000	\$ 10,000	\$ 30,370	\$ 20,370
State	102,234	102,234	-	(102,234)
Federal	55,000	55,000	137,350	82,350
Other	2,400,000	2,400,000	-	(2,400,000)
Total Revenues	2,567,234	2,567,234	167,720	(2,399,514)
EXPENDITURES:				
Capital outlay	7,568,523	7,568,523	3,299,783	4,268,740
Debt service:				
Principal	370,000	370,000	486,148	(116,148)
Interest	178,075	178,075	255,629	(77,554)
Other	-	-	-	-
Total Expenditures	8,116,598	8,116,598	4,041,560	4,075,038
EXCESS OF REVENUES UNDER EXPENDITURES	(5,549,364)	(5,549,364)	(3,873,840)	1,675,524
OTHER FINANCING SOURCES:				
Sale of property	-	-	1,398,500	1,398,500
Transfers from other funds	-	-	101,610	101,610
Total Other Financing Sources	-	-	1,500,110	1,500,110
NET CHANGE IN FUND BALANCE	\$ (5,549,364)	\$ (5,549,364)	(2,373,730)	\$ 3,175,634
FUND BALANCE, BEGINNING OF YEAR			6,738,981	
FUND BALANCE, END OF YEAR			\$ 4,365,251	

See accompanying independent auditors' report and note to budgetary comparison information.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**NOTE TO BUDGETARY COMPARISON INFORMATION
JUNE 30, 2020**

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.
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. The budget for the year ended June 30, 2020 was adopted on June 12, 2019.
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 budget information included in the financial statements. The final amended budget was adopted on June 10, 2020.
6. Budgets are adopted on the modified cash basis of accounting for all governmental funds.
7. Actual expenditures exceeded those budgeted in the General and the Debt Service Fund.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**SCHEDULE OF SELECTED STATISTICS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

County District Number: 096-089

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

Report each unique calendar the district/charter school has as defined by Sections 160.041, 171.029, 171.031, and 171.033, RSMo.

School Code	Begin Grade	End Grade	Half Day Indicator	Standard Day Length	Days	Hours in Session
1050	9	12	-	6.5000	126	798.5831
1060	9	12	-	6.5000	126	798.5831
1070	9	12	-	6.5000	126	798.5831
1080	9	9	-	6.5000	126	798.5831
3010	6	8	-	6.5000	126	798.5831
3030	7	8	-	6.5000	126	798.5831
3050	7	8	-	6.5000	126	798.5831
4020	PK	2	-	6.3333	126	777.9960
4030	3	5	-	6.3333	126	777.9960
4040	PK	2	-	6.3333	126	777.9960
4060	3	5	-	6.3333	126	777.9960
4080	PK	2	-	6.3333	126	777.9960
4140	PK	2	-	6.3333	126	777.9960
4160	3	5	-	6.3333	126	777.9960
4180	3	5	-	6.3333	126	777.9960
4190	PK	2	-	6.3333	126	777.9960
4200	3	5	-	6.3333	126	777.9960
4210	6	6	-	6.5000	126	798.5831
4240	PK	2	-	6.3333	126	777.9960
4260	3	5	-	6.3333	126	777.9960
4320	PK	2	-	6.3333	126	777.9960
4340	6	6	-	6.5000	126	798.5831
7500	PK	PK	-	6.3333	126	777.9960

Notes: _____

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Schedule of Selected Statistics (continued)

2. Average Daily Attendance (ADA)

Report the total number of PK-12 students allowed to be claimed for the calculation of Average Daily Attendance.

School Code	Grade Level	Full-Time	Part-Time	Remedial Hours	Other	Summer School	Total
1050	9-12	667,388.1969	74,374.9502	-	-	-	741,763.1471
1060	9-11	168,361.8430	2,102.6334	-	-	-	170,464.4764
1070	9-12	762,115.0871	79,815.5693	-	-	30,693.5469	872,624.2033
1080	9	32,402.8281	-	-	-	-	32,402.8281
3010	6-8	169,275.2627	-	-	-	-	169,275.2627
3030	7-8	469,076.8546	11,116.8838	-	-	6,057.5809	486,251.3193
3050	7-8	453,710.5118	29,997.4668	-	-	-	483,707.9786
4020	PK-2	127,749.9502	1,430.5334	-	-	-	129,180.4836
4030	3-5	377,148.9634	2,613.5333	366.0000	-	-	380,128.4967
4040	PK-2	141,275.2507	612.8834	-	-	-	141,888.1341
4060	3-5	222,147.7333	698.4667	-	-	-	222,846.2000
4080	PK-2	257,370.7869	-	-	-	-	257,370.7869
4140	PK-2	220,760.3336	104.5000	-	-	-	220,864.8336
4160	3-5	263,009.1218	561.5000	327.0000	-	-	263,897.6218
4180	3-5	296,026.2325	937.5500	159.0000	-	-	297,122.7825
4190	PK-2	159,287.4167	-	-	-	-	159,287.4167
4200	3-5	160,875.3506	841.0000	112.0000	-	10,522.9840	172,351.3346
4210	6	239,208.4469	12,009.5000	-	-	86.5669	251,304.5138
4240	PK-2	230,285.2037	799.9167	-	-	-	231,085.1204
4260	3-5	268,103.6168	1,047.9166	612.0000	-	-	269,763.5334
4320	PK-2	341,893.2341	241.5000	-	-	345.3846	342,480.1187
4340	6	266,795.4095	3,294.2500	-	-	-	270,089.6595
7500	PK	1.0000	-	-	-	-	1.0000
		<u>6,294,268.6349</u>	<u>222,600.5536</u>	<u>1,576.0000</u>	<u>-</u>	<u>47,706.0633</u>	<u>6,566,151.2518</u>

Notes: _____

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Schedule of Selected Statistics (continued)

3. September Membership

Report the FTE count of resident students in grades PK-12 taken the last Wednesday in September who are enrolled on the count day and in attendance at least 1 of the 10 previous school days, by grade at each attendance center. This count should only include PK students marked as being eligible to be claimed for state aid in the October MOSIS Student Core File.

School Code	Grade Level	Full-Time	Part-Time	Other	Total
1050	9-12	1,104.00	67.15	-	1,171.15
1060	9-12	241.00	0.50	-	241.50
1070	9-12	1,157.00	81.58	-	1,238.58
1080	9	59.00	-	-	59.00
3010	6-8	222.00	0.13	-	222.13
3030	7-8	666.00	1.00	-	667.00
3050	7-8	716.00	6.50	-	722.50
4020	PK-2	182.00	1.00	-	183.00
4030	3-5	527.00	0.50	-	527.50
4040	PK-2	211.00	0.76	-	211.76
4060	3-5	304.00	0.39	-	304.39
4080	PK-2	361.00	-	-	361.00
4140	PK-2	311.00	0.01	-	311.01
4160	3-5	385.00	0.51	-	385.51
4180	3-5	399.00	0.39	-	399.39
4190	PK-2	226.00	-	-	226.00
4200	3-5	222.00	0.52	-	222.52
4210	6	377.00	1.00	-	378.00
4240	PK-2	360.00	1.00	-	361.00
4260	3-5	364.00	0.17	-	364.17
4320	PK-2	484.00	-	-	484.00
4340	6	365.00	-	-	365.00
7500	PK-2	18.00	13.50	-	31.50
		<u>9,261.00</u>	<u>176.61</u>	-	<u>9,437.61</u>

Notes: _____

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Schedule of Selected Statistics (continued)

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

Report the FTE count taken the last Wednesday in January of resident students enrolled in grades K-12 and in attendance at least 1 of the 10 previous school days whose eligibility for free or reduced lunch is documented through the application process using federal eligibility guidelines or through the direct certification process. Desegregation students are considered residents of the district in which the students are educated.

School Code	Free Lunch	Reduced Lunch	Deseg In Free	Deseg In Reduced	Total
N/A	4.00	-	-	-	4.00
1050	1,066.37	-	-	-	1,066.37
1060	217.00	-	-	-	217.00
1070	1,153.95	-	-	-	1,153.95
1080	56.00	-	-	-	56.00
3010	225.00	-	-	-	225.00
3030	669.50	-	-	-	669.50
3050	699.00	-	-	-	699.00
4020	181.50	-	-	-	181.50
4030	523.13	-	-	-	523.13
4040	195.39	-	-	-	195.39
4060	305.52	-	-	-	305.52
4080	355.00	-	-	-	355.00
4140	295.13	-	-	-	295.13
4160	390.13	-	-	-	390.13
4180	412.89	-	-	-	412.89
4190	221.00	-	-	-	221.00
4200	213.91	-	-	-	213.91
4210	365.50	-	-	-	365.50
4240	350.63	-	-	-	350.63
4260	372.02	-	-	-	372.02
4320	478.26	-	-	-	478.26
4340	371.50	-	-	-	371.50
	<u>9,122.33</u>	-	-	-	<u>9,122.33</u>

Notes: _____

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Schedule of Selected Statistics (continued)

5. Finance

Answer the following questions with an appropriate response of true, false, or N/A unless otherwise noted.

Section	Question	Answer
5.1	The district/charter school maintained a calendar in accordance with 160.041, 171.029, 171.031, and 171.033, RSMo and all attendance hours were reported.	TRUE
5.2	The district/charter school 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:	TRUE
	Academic Programs Off-Campus	TRUE
	Career Exploration Program – Off Campus	TRUE
	Cooperative Occupational Education (COE) or Supervised	
	Occupational Experience Program	TRUE
	Dual enrollment	TRUE
	Homebound instruction	TRUE
	Missouri Options	TRUE
	Prekindergarten eligible to be claimed for state aid	TRUE
	Remediation	TRUE
	Sheltered Workshop participation	TRUE
	Students participating in the school flex program	TRUE
	Traditional instruction (full and part-time students)	TRUE
	Virtual instruction (MOCAP or other option)	TRUE
	Work Experience for Students with Disabilities	TRUE
5.3	The district/charter school 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.	TRUE
5.4	The district/charter school 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.	TRUE

See accompanying independent auditors' report.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Schedule of Selected Statistics (continued)

<u>Section</u>	<u>Question</u>	<u>Answer</u>
5.7	The district maintained a separate bank account for all Debt Service Fund monies in accordance with Section 108.180 and 165.011, RSMo. (Not applicable to charter schools)	FALSE
5.8	Salaries reported for educators in the October MOSIS Educator Core and Educator School files are supported by complete and accurate payroll and contract records.	TRUE
5.9	If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the board approve a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken. (Not applicable to charter schools)	N/A
5.10	The district/charter school published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo.	TRUE
5.11	The district has a professional development committee plan adopted by the Board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment. 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. (Not applicable to charter schools.)	TRUE
5.12	The amount spent for approved professional development committee plan activities was:	\$405,958
5.13	The district/charter school has posted, at least quarterly, a searchable expenditure and revenue document or database detailing actual income, expenditures, and disbursement for the current calendar or fiscal year on the district or school website or other form of social media as required by Section 160.066, RSMo.	TRUE

Notes: #5.7 – Reported on page 40 in the “Report on Compliance – State requirements”.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Schedule of Selected Statistics (continued)

6. Transportation (Section 163.161, RSMO)

Answer the following questions with an appropriate response of true, false, or N/A unless otherwise noted.

Section	Question	Answer		
6.1	The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.	TRUE		
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.	TRUE		
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: <ul style="list-style-type: none"> • Eligible ADT • Ineligible ADT 	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;">#5,598.50</td> </tr> <tr> <td style="text-align: right;">#23.0</td> </tr> </table>	#5,598.50	#23.0
#5,598.50				
#23.0				
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.	FALSE		
6.5	Actual odometer records show the total District-operated <u>and</u> contracted mileage for the year was:	#548,492		
6.6	Of this total, the eligible non-disabled and students with disabilities route miles and ineligible non-route <u>and</u> disapproved miles (combined) was: <ul style="list-style-type: none"> • Eligible Miles • Ineligible Miles (Non-Route/Disapproved) 	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;">#436,526</td> </tr> <tr> <td style="text-align: right;">#111,966</td> </tr> </table>	#436,526	#111,966
#436,526				
#111,966				
6.7	Number of days the District operated the school transportation system during the regular school year:	126		

Notes: _____

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

Finding:	#6.4 – Auditable documentation to support the eligible mileage incurred to transport homeless students does not exist. This matter is reported on page 40 in the "Report on Compliance – State Requirements". Because we could not audit that information, the mileage reported above does not include any homeless mileage.
Management Letter Comment:	

See accompanying independent auditors' report.



REPORT ON COMPLIANCE - STATE REQUIREMENTS

To the Members of the Board of Education
Ferguson Reorganized School District R-2

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ferguson Reorganized School District R-2 (the "District") as of and for the fiscal year ended June 30, 2020 and have issued our report thereon dated January 29, 2021. Our report on the 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.

As required by the Revised Statutes of the State of Missouri, we have performed auditing procedures to test compliance with the budgetary statute (Chapter 67 RSMo) and the methods of maintaining pupil attendance and pupil transportation records for the fiscal year ended June 30, 2020. The management of the District is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the District's budgetary and disbursements procedures were in compliance, in all material respects, with the budgetary statute (Chapter 67 RSMo) for the fiscal year ended June 30, 2020 with the exception of actual expenditures exceeding those budgeted in the General and Debt Service Fund. It is further our opinion that the pupil attendance and pupil transportation records are so maintained as to accurately disclose, in all material respects, the average daily attendance; resident membership on the last Wednesday of September; average number of pupils transported on a regular basis; mileage; and allowable costs for pupil transportation in compliance with state law and administrative rules for the fiscal year ended June 30, 2020, with the exception that auditable documentation to support the eligible mileage incurred to transport homeless students does not exist.

We noted that the District's separate debt service bank account balance was less than the Debt Service fund balance. We also noted certain other matters that we reported to management of the District in a separate letter dated January 29, 2021.

This report is intended 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.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
January 29, 2021

11878 Gravois Road
St. Louis, Missouri 63127

11777 Gravois Road
St. Louis, Missouri 63127

(314) 849-4999
FAX (314) 849-3486

sjcpa.com



Federal Compliance Section



**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**

To the Members of the Board of Education
Ferguson Reorganized School District R-2

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Ferguson Reorganized School District R-2 (the "District"), as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 29, 2021. 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 a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weaknesses (2020-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the District in a separate letter dated January 29, 2021.

The District's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion 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.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
January 29, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Members of the Board of Education
Ferguson Reorganized School District R-2

Report on Compliance for Each Major Federal Program

We have audited the Ferguson Reorganized School District R-2's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the fiscal year ended June 30, 2020. The 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 the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 fiscal year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
January 29, 2021

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Program Title	Federal CFDA Number	Pass-Through Identification Number	Expenditures
<u>U.S. Department of Education:</u>			
Passed through Missouri Department of Elementary and Secondary Education:			
Title I Grants to Local Education Agencies Special Education Cluster (IDEA): Early Childhood Special Education	84.010	096-089	\$ 2,943,522
	84.027	096-089	95,014
Title IIA Improving Teacher Quality State Grants	84.367	096-089	231,700
Title III English Language Acquisition Grants	84.365	096-089	2,854
COVID-19: CARES ESE Emergency Relief Fund	84.425D	096-089	203,294
Education for Homeless Children and Youth	84.196	096-089	106,946
Career and Technical Education	84.048	096-089	<u>58,566</u>
Total U.S. Department of Education			<u>3,641,896</u>
<u>U.S. Department of Agriculture:</u>			
Passed through Missouri Department of Elementary and Secondary Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	096-089	2,855,712
COVID-19 : CARES Food & Nutrition Lunch Program	10.555	096-089	389,036
COVID-19 : CARES Food & Nutrition Breakfast Program	10.555	096-089	189,074
COVID-19 : CARES Food & Nutrition Snack Program	10.555	096-089	1,198
Donated Foods	10.555	096-089	259,142
After School Snack Program	10.555	096-089	9,262
Subtotal CFDA 10.555			<u>3,703,424</u>
School Breakfast Program	10.553	096-089	<u>1,388,592</u>
Total Child Nutrition Cluster			5,092,016
Fresh Fruits and Vegetable Program	10.579	096-089	<u>349,355</u>
Total U.S. Department of Agriculture			<u>5,441,371</u>
<u>U.S. Department of Health and Human Services:</u>			
Passed through YWCA of Metro St. Louis:			
Head Start	93.600	n/a	<u>200,459</u>
Total U.S. Department of Health and Human Services			<u>200,459</u>
<u>U.S. Department of Defense, Department of the Army:</u>			
Direct Program:			
Junior Reserve Officer Training Corps	12.U00	MO101187	<u>69,061</u>
Total U.S. Department of Defense, Department of the Army			<u>69,061</u>
TOTAL			<u>\$ 9,352,787</u>

See accompanying independent auditors' report.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the fiscal year ended June 30, 2020. The information reported 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, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2 - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is a summary of the cash activity of the District's federal award programs and does not present transactions that would be included in financial statements of the District presented on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Note 3 - Indirect Cost Rate

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

Note 4 - Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed by the District during the fiscal year ended June 30, 2020.

Note 5 - Insurance

The District did not have any federal insurance in effect during the fiscal year ended June 30, 2020.

Note 6 - Loan/Loan Guarantees

The District did not have any loans or loan guarantees outstanding as of June 30, 2020.

Note 7 - Subrecipients

The District did not provide federal awards to any subrecipients during the fiscal year ended June 30, 2020.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified on the modified cash basis of accounting
Internal control over financial reporting:	
Material weakness(es) identified?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
--	---

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.010	Title 1

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

Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
--	---

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Schedule of Findings and Questioned Costs (continued)

2. FINANCIAL STATEMENT FINDINGS

Reference

2020-001 Finding Type: Material weakness

Condition: During our audit, we noted that the District has continued to improve its procedures over the monthly bank reconciliations. The pooled cash accounts are reconciled monthly, (although not always timely) and a detailed listing of outstanding deposits and checks is prepared and included with the reconciliation. However, our prior audit noted that while the preparers and the Assistant Superintendent of Business Services work collaboratively, there was no formal documented approval of the monthly reconciliations. In addition, we noted that there were some months where an unidentified difference is noted. This may indicate that the bank reconciliation process should be further refined to require that all general ledger cash transactions be reconciled with the monthly bank reconciliations for all accounts. Subsequent to the prior year audit findings, the District has made improvements in each area. We also noted that the monthly reconciliation process for the self-funded insurance bank account does not include a step to reconcile the cash balance to the general ledger cash balance.

Criteria: Proper internal controls should be in place over the District's general ledger and accounting records. Bank reconciliations should be performed timely for all cash accounts and be reviewed and approved by someone other than the preparer. The current reconciliation process should be enhanced to require that every transaction that affects cash in the general ledger be reconciled. Requiring a complete bank reconciliation process will help ensure that there are no unidentified differences.

Cause: Although current procedures require that complete bank reconciliations be performed timely and be reviewed and approved; complete bank reconciliation and review were either not performed or was not documented for the entire year.

Effect: Because of the lack of proper internal controls over the District's general ledger and accounting records, error or irregularities in bank reconciliations could occur and go undetected. Opportunities could exist for the concealment of fraudulent financial activity.

Recommendation: We recommend that the current bank reconciliation process be enhanced to require that all general ledger cash transactions be reconciled with the monthly bank reconciliations for all bank accounts. We further recommend that the reviewer continue to document that the review has occurred, that the review was performed timely, and to indicate final approval.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Schedule of Findings and Questioned Costs (continued)

Views of Responsible Officials and Planned Corrective Action: *The Director of Finance is responsible for ensuring that all bank accounts are reconciled and balanced to cash each month. Each month, the Director reviews the bank reconciliation and notes his review on the reconciliation spreadsheet. During the reconciliation process, the Accounts Payable staff member identifies and lists all items that have not been entered into our financial system on the bank reconciliation sheet. We strive to ensure that the items are entered by the next month's reconciliation. Due to the COVID-19 pandemic, this process did not happen in a timely manner each month, but since we have returned to regular operations, this process has improved. The finance office adopted this procedure after our audit in 2019 and the deadline is to perform this review on the 15th of each month after the bank statements have been received.*

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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