
FERGUSON REORGANIZED SCHOOL DISTRICT R-2

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

JUNE 30, 2019

Contents

	Page
INDEPENDENT AUDITORS' REPORT	1
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position - Modified Cash Basis	3
Statement of Activities - Modified Cash Basis	4
<i>Fund Financial Statements:</i>	
Balance Sheet - Modified Cash Basis - Governmental Funds.....	5
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis - Governmental Funds	6
Statement of Fund Net Position - Modified Cash Basis - Proprietary Fund	8
Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis - Proprietary Fund	9
<i>Notes to Basic Financial Statements</i>	10
SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Change in Fund Balance - Modified Cash Basis - Budget and Actual:	
General Fund	27
Special Revenue Fund	28
Debt Service Fund	29
Capital Projects Fund.....	30
Note to Budgetary Comparison Information	31
Schedule of Selected Statistics	32
Report on Compliance - State Requirements	39

Contents

	Page
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>	40
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance	42
Schedule of Expenditures of Federal Awards.....	44
Notes to the Schedule of Expenditures of Federal Awards.....	45
Schedule of Findings and Questioned Costs	46



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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting 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, 2019, 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.

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 February 7, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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
February 7, 2020

Basic Financial Statements

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2019**

	<u>Governmental Activities</u>
-- ASSETS --	
Cash and investments	\$ 44,421,253
Restricted cash and investments	<u>605,092</u>
TOTAL ASSETS	<u><u>\$ 45,026,345</u></u>
-- LIABILITIES --	
Payroll withholdings	<u>\$ 97,550</u>
-- NET POSITION --	
Restricted for:	
Bond proceeds and capital projects	6,738,981
Debt service	3,094,436
Teachers' salaries and benefits	3,035,034
Food service	3,019,815
Unrestricted	<u>29,040,529</u>
Total Net Position	<u><u>44,928,795</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 45,026,345</u></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, 2019**

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	\$ 66,964,265	\$ 1,303,988	\$ 7,837,374	\$ 9,774	\$ (57,813,129)
Attendance and social work services	733,837	-	-	-	(733,837)
Guidance services	5,225,656	-	-	-	(5,225,656)
Health services	1,467,841	-	-	-	(1,467,841)
Improvement of instruction	3,520,277	-	257,133	-	(3,263,144)
Professional development	799,072	-	-	-	(799,072)
Educational media services	3,383,858	-	-	-	(3,383,858)
Board of Education services	148,452	-	-	-	(148,452)
Executive administration	4,179,432	-	-	-	(4,179,432)
Building level administration	9,877,571	-	-	-	(9,877,571)
Operation and maintenance of plant	13,144,581	38,782	-	-	(13,105,799)
Pupil transportation	4,110,212	260,626	469,848	-	(3,379,738)
Food services	6,270,501	139,526	7,467,680	-	1,336,705
Business and central services	2,350,778	-	-	-	(2,350,778)
Security services	1,326,698	-	-	-	(1,326,698)
Community services	4,544,890	300,998	112,601	-	(4,131,291)
Facilities acquisition and construction	2,187,221	-	8,555,416	-	6,368,195
Debt service:					
Principal	1,697,042	-	-	-	(1,697,042)
Interest	1,868,361	-	-	-	(1,868,361)
Other	118,349	-	-	-	(118,349)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 133,918,894	\$ 2,043,920	\$ 24,700,052	\$ 9,774	(107,165,148)
General Revenues					
Taxes:					
Property					
Sales					
Other					
State aid					
State assessed utilities					
Grants and contributions not restricted					
to specific programs					
Fines and escheats					
Investment income					
TOTAL GENERAL REVENUES					
CHANGE IN NET POSITION					
NET POSITION, BEGINNING OF YEAR					
NET POSITION, END OF YEAR					

See accompanying notes to basic financial statements

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
-- ASSETS --					
Cash and investments	\$ 24,056,074	\$ 4,073,817	\$ 1,234,367	\$ 6,738,981	\$ 36,103,239
Restricted cash and investments	-	-	605,092	-	605,092
Due from other funds	-	-	1,254,977	-	1,254,977
TOTAL ASSETS	\$ 24,056,074	\$ 4,073,817	\$ 3,094,436	\$ 6,738,981	\$ 37,963,308
-- LIABILITIES AND FUND BALANCES --					
LIABILITIES:					
Payroll withholdings	\$ -	\$ 97,550	\$ -	\$ -	\$ 97,550
Due to other funds	313,744	941,233	-	-	1,254,977
Total Liabilities	313,744	1,038,783	-	-	1,352,527
FUND BALANCES:					
Restricted for:					
Bond proceeds and capital projects	-	-	-	6,738,981	6,738,981
Debt service	-	-	3,094,436	-	3,094,436
Teachers' salaries and benefits	-	3,035,034	-	-	3,035,034
Food service	3,019,815	-	-	-	3,019,815
Assigned for:					
Subsequent year's budget deficit	410,581	-	-	-	410,581
Unassigned	20,311,934	-	-	-	20,311,934
Total Fund Balances	23,742,330	3,035,034	3,094,436	6,738,981	36,610,781
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,056,074	\$ 4,073,817	\$ 3,094,436	\$ 6,738,981	\$ 37,963,308

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	\$ 36,610,781
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.	<u>8,318,014</u>
Net position of governmental activities	<u>\$ 44,928,795</u>

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, 2019**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
REVENUES:					
Local sources:					
Property taxes	\$ 22,951,731	\$ 31,256,986	\$ 3,129,198	\$ -	\$ 57,337,915
Sales taxes	-	10,133,844	-	-	10,133,844
Investment income	702,570	51,598	58,976	19,248	832,392
Food service	139,078	-	-	-	139,078
Other local	6,060,487	5,760,563	-	7,594	11,828,644
Total local	<u>29,853,866</u>	<u>47,202,991</u>	<u>3,188,174</u>	<u>26,842</u>	<u>80,271,873</u>
County sources:					
State assessed utilities	594,714	810,079	69,494	-	1,474,287
Fines and escheats	-	79,553	-	-	79,553
Other county	19,373	26,392	2,641	-	48,406
Total county	<u>614,087</u>	<u>916,024</u>	<u>72,135</u>	<u>-</u>	<u>1,602,246</u>
State sources:					
State aid	9,234,622	27,703,866	-	-	36,938,488
State grants and contributions	2,253,685	2,049,576	-	-	4,303,261
Total state	<u>11,488,307</u>	<u>29,753,442</u>	<u>-</u>	<u>-</u>	<u>41,241,749</u>
Federal sources	<u>9,226,130</u>	<u>2,596,308</u>	<u>162,735</u>	<u>24,537</u>	<u>12,009,710</u>
Total Revenues	<u>51,182,390</u>	<u>80,468,765</u>	<u>3,423,044</u>	<u>51,379</u>	<u>135,125,578</u>
EXPENDITURES:					
Current:					
Instruction	7,367,539	59,401,960	-	-	66,769,499
Attendance and social work services	732,108	-	-	-	732,108
Guidance services	1,192,948	4,020,098	-	-	5,213,046
Health services	1,464,787	-	-	-	1,464,787
Improvement of instruction	871,482	2,642,011	-	-	3,513,493
Professional development	338,614	459,058	-	-	797,672
Educational media services	2,106,949	1,269,022	-	-	3,375,971
Board of Education services	148,452	-	-	-	148,452
Executive administration	2,436,694	1,734,919	-	-	4,171,613
Building level administration	3,200,327	6,647,500	-	-	9,847,827
Operation and maintenance of plant	13,026,869	-	-	-	13,026,869
Pupil transportation	3,722,539	-	-	-	3,722,539
Food services	6,090,312	-	-	-	6,090,312
Business and central services	2,156,829	179,338	-	-	2,336,167
Security services	1,323,542	-	-	-	1,323,542
Community services	3,060,753	1,484,137	-	-	4,544,890
Capital outlay	-	-	-	2,904,442	2,904,442
Debt service:					
Principal	-	-	1,140,000	557,042	1,697,042
Interest	-	-	1,626,610	241,751	1,868,361
Other	-	-	68,309	50,040	118,349
Total Expenditures	<u>49,240,744</u>	<u>77,838,043</u>	<u>2,834,919</u>	<u>3,753,275</u>	<u>133,666,981</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, 2019**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Governmental Funds</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,941,646	2,630,722	588,125	(3,701,896)	1,458,597
OTHER FINANCING SOURCES (USES):					
Proceeds from the issuance of debt	-	-	-	8,060,000	8,060,000
Premium on issuance of debt	-	-	-	495,416	495,416
Transfers (to) from other funds	(158,105)	-	-	158,105	-
 Total Other Financing Sources (Uses)	(158,105)	-	-	8,713,521	8,555,416
NET CHANGES IN FUND BALANCES	1,783,541	2,630,722	588,125	5,011,625	10,014,013
FUND BALANCES, BEGINNING OF YEAR	21,958,789	404,312	2,506,311	1,727,356	26,596,768
FUND BALANCES, END OF YEAR	\$ 23,742,330	\$ 3,035,034	\$ 3,094,436	\$ 6,738,981	\$ 36,610,781

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	\$ 10,014,013
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.	<u>(251,913)</u>
Change in net position of governmental activities	<u><u>\$ 9,762,100</u></u>

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**STATEMENT OF FUND NET POSITION - MODIFIED CASH BASIS -
PROPRIETARY FUND
JUNE 30, 2019**

	Governmental Activities - Internal Service Fund
CURRENT ASSETS	
Cash	\$ 8,318,014
NET POSITION	
Unrestricted	\$ 8,318,014

See accompanying notes to basic financial statements

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - MODIFIED CASH BASIS - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Governmental Activities - Internal Service Fund
Charges for Services:	
Contributions	\$ 13,612,252
Other charges	1,970,208
	<hr/>
Total Operating Revenues	15,582,460
	<hr/>
Operating Expenses:	
Claims	15,049,751
Administrative	784,622
	<hr/>
Total Operating Expenses	15,834,373
	<hr/>
CHANGE IN NET POSITION	(251,913)
Net Position, Beginning of Year	8,569,927
	<hr/>
Net Position, End of Year	\$ 8,318,014
	<hr/> <hr/>

See accompanying notes to basic financial statements

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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:

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

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.

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.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

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.

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 2018 and 2017 for purposes of local taxation was \$972,815,340 and \$964,693,880.

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 2018 and 2017 for purposes of local taxation was:

	December 31, 2018	December 31, 2017
	Adjusted	Adjusted
General Fund	\$ 2.2004	\$ 2.2004
Special Revenue Fund	2.9976	2.9577
Debt Service Fund	0.3000	0.3000
Capital Projects Fund	-	-
Total	\$ 5.4980	\$ 5.4581

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2019, aggregated approximately 107.2 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

Payroll withholdings include amounts withheld from employees' paychecks for insurance and professional dues that will be paid in July of the next fiscal year.

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, 2019.

Restricted - includes amounts legally restricted by outside parties or by law through constitutional provision or enabling legislation. As of June 30, 2019, the District's restricted fund balances includes amounts restricted for retirement of debt, the food service program, the payment of teachers' salaries and benefits, 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, 2019.

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. The District has no assigned fund balances as of June 30, 2019.

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

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

At June 30, 2019, net position was restricted for debt service, the food service program, the payment of teachers' salaries and benefits, bond proceeds, and capital projects.

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, 2019, the District transferred \$158,105 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, 2019.

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, 2019, the District had \$605,092 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, 2019:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Cost</u>
Deposits:			
Demand deposits	N/A	N/A	\$ 44,415,567
Cash on hand	N/A	N/A	5,686
Investments:			
Money market mutual funds	<1 year	AAAm	<u>605,092</u>
Total deposits and investments			<u><u>\$ 45,026,345</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, 2019, none of the District's bank balance of \$45,711,971 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, 2019 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, 2019 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, 2019, the District did not have any investments subject to this disclosure.

3. LONG-TERM DEBT

For the fiscal year ended June 30, 2019, the following changes occurred in long-term debt:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Amounts Due Within One Year
Bonds payable	\$ 35,720,000	\$ 8,060,000	\$ 1,140,000	\$ 42,640,000	\$ 1,155,000
Certificates of participation	4,805,000	-	195,000	4,610,000	200,000
Subtotal	40,525,000	8,060,000	1,335,000	47,250,000	1,355,000
Capital leases payable	2,261,058	401,000	509,275	2,152,783	65,694
Totals	\$ 42,786,058	\$ 8,461,000	\$ 1,844,275	\$ 49,402,783	\$ 1,420,694

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, 2019 consists of the following:

\$10,000,000 General Obligation Bonds Series 2010, due in varying installments through May 2029, interest at 4.7% to 5.1%	\$ 10,000,000
\$15,000,000 General Obligation Bonds Series 2012, due in varying installments through May 2024 interest at 2.0% to 5.0%	3,985,000
\$8,770,000 General Obligation Bonds Series 2015, due in varying installments through May 2035 interest at 2.0% to 4.0%	7,265,000
\$4,790,000 General Obligation Bonds Series 2016, due in varying installments through May 2036 interest at 1.0% to 3.0%	4,175,000
\$4,995,000 Certificates of Participation Series 2016, due in varying installments through May 2036 interest at 3.0% to 4.0%	4,610,000
\$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%	<u>8,060,000</u>
	<u><u>\$ 47,250,000</u></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, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,355,000	\$ 1,949,310	\$ 3,304,310
2021	1,510,000	1,908,069	3,418,069
2022	1,565,000	1,869,019	3,434,019
2023	1,630,000	1,813,919	3,443,919
2024	1,735,000	1,755,444	3,490,444
2025-2029	11,425,000	7,390,744	18,815,744
2030-2034	13,110,000	4,769,619	17,879,619
2035-2039	14,920,000	1,661,000	16,581,000
Total	\$ 47,250,000	\$ 23,117,124	\$ 70,367,124

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.

During the fiscal year ended June 30, 2019, the District issued \$8,060,000 in Series 2018 General Obligation Bonds for the purpose of acquiring, constructing, renovating, repairing, improving, furnishing, and equipping school sites, buildings, and related facilities in the District. The Series 2018 bonds call for annual payments in varying amounts through 2038 with interest at rates ranging from 3 percent to 5 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, 2019, was:

Constitutional debt limit	\$ 145,922,301
General obligation bonds payable	(42,640,000)
Amount available in Debt Service Fund	3,094,436
Legal Debt Margin	<u>\$ 106,376,737</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 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

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

removed the liability from its accounts. At June 30, 2019, the amount of the defeased debt outstanding and removed from the District's books and records related to this transaction is \$820,000.

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, 2019, 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, 2019, 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>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 370,363
2021	369,493
2022	407,919
2023	407,599
2024	322,718
2025-2028	<u>611,420</u>
Total future minimum lease payments	2,489,512
Less amount representing interest	<u>(336,729)</u>
Present value of future minimum lease payments	<u><u>\$ 2,152,783</u></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.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

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

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

The District's contributions to PSRS and PEERS were \$9,333,401 and \$1,726,208, respectively, for the year ended June 30, 2019.

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 fiscal year ended June 30, 2019 was \$2,164,734. 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

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

June 30, 2019, any related grant receivables or deferrals are not reflected in the accompanying financial statements.

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, 2019. 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.

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 \$1,305,000.

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, 2019, 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	\$ -	\$ 2,988	\$ -
City of Kinloch	719,445	22,532	-
Industrial development bonds/St. Louis			
County Chapter 100			
City of Bellerive	-	9,165	-
City of Bridgeton	-	623	-
City of Clayton	-	27,482	-
City of Eureka	-	2,661	-
City of Ferguson	-	4,533	-
City of Hazelwood	-	1,501	-
City of Jennings	-	225	-
St. Louis County	710,809	143,829	253,500
Urban redevelopment corporations			
City of Brentwood	-	5,379	-
City of Bridgeton	-	5,195	-
City of Edmundson	-	12,871	-
City of Ferguson	24,823	775	-
City of Hazelwood	1,008,099	53,452	-
City of Kinloch	1,087,198	11,911	-
City of Maplewood	-	4,880	-
City of Maryland Heights	-	7,884	-
City of Overland	-	5,911	-
City of Richmond Heights	-	6,504	-
City of Rock Hill	-	3,201	-
City of Sunset Hills	-	146	-
City of Wellston	-	667	-
St. Louis County	-	4,161	-
Total	\$ 3,550,374	\$ 338,476	\$ 253,500

11. 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

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Notes to Basic Financial Statements (continued)

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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Local	\$ 28,111,944	\$ 28,111,944	\$ 29,853,866	\$ 1,741,922
County	610,000	610,000	614,087	4,087
State	11,230,018	11,230,018	11,488,307	258,289
Federal	8,385,075	8,385,075	9,226,130	841,055
Total Revenues	48,337,037	48,337,037	51,182,390	2,845,353
EXPENDITURES:				
Current:				
Instruction	6,115,295	7,885,729	7,367,539	518,190
Attendance and social work services	820,473	820,473	732,108	88,365
Guidance services	1,302,128	1,307,873	1,192,948	114,925
Health services	1,643,667	1,643,667	1,464,787	178,880
Improvement of instruction	953,831	1,173,763	871,482	302,281
Professional development	217,000	217,000	338,614	(121,614)
Educational media services	934,665	934,665	2,106,949	(1,172,284)
Board of Education services	266,500	266,500	148,452	118,048
Executive administration	2,289,134	2,393,022	2,436,694	(43,672)
Building level administration	3,182,351	3,182,351	3,200,327	(17,976)
Operation and maintenance of plant	12,949,249	12,949,249	13,026,869	(77,620)
Pupil transportation	3,730,975	3,730,975	3,722,539	8,436
Food services	6,049,850	6,049,850	6,090,312	(40,462)
Business and central services	2,779,098	2,779,098	2,156,829	622,269
Security services	1,405,277	1,405,277	1,323,542	81,735
Community services	2,699,393	2,699,393	3,060,753	(361,360)
Total Expenditures	47,338,886	49,438,885	49,240,744	198,141
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	998,151	(1,101,848)	1,941,646	3,043,494
OTHER FINANCING USES:				
Transfers to other funds	-	-	(158,105)	(158,105)
Total Other Financing Uses	-	-	(158,105)	(158,105)
NET CHANGE IN FUND BALANCE	\$ 998,151	\$ (1,101,848)	1,783,541	\$ 2,885,389
FUND BALANCE, BEGINNING OF YEAR			21,958,789	
FUND BALANCE, END OF YEAR			\$ 23,742,330	

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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Local	\$ 44,053,817	\$ 44,053,817	\$ 47,202,991	\$ 3,149,174
County	955,000	955,000	916,024	(38,976)
State	29,860,553	29,860,553	29,753,442	(107,111)
Federal	2,996,974	2,996,974	2,596,308	(400,666)
Total Revenues	77,866,344	77,866,344	80,468,765	2,602,421
EXPENDITURES:				
Current:				
Instruction	59,326,527	59,326,527	59,401,960	(75,433)
Attendance and social work services	20,000	20,000	-	20,000
Guidance services	4,146,907	4,146,907	4,020,098	126,809
Improvement of instruction	2,722,666	2,722,666	2,642,011	80,655
Professional development	250,000	250,000	459,058	(209,058)
Educational media services	1,869,098	1,869,098	1,269,022	600,076
Executive administration	1,707,022	1,707,022	1,734,919	(27,897)
Building level administration	6,764,323	6,764,323	6,647,500	116,823
Business and central services	170,958	170,958	179,338	(8,380)
Community services	1,673,175	1,673,175	1,484,137	189,038
Total Expenditures	78,650,676	78,650,676	77,838,043	812,633
NET CHANGE IN FUND BALANCE	\$ (784,332)	\$ (784,332)	2,630,722	\$ 3,415,054
FUND BALANCE, BEGINNING OF YEAR			404,312	
FUND BALANCE, END OF YEAR			\$ 3,035,034	

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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local	\$ 2,593,409	\$ 2,593,409	\$ 3,188,174	\$ 594,765
County	95,000	95,000	72,135	(22,865)
Federal	160,000	160,000	162,735	2,735
Total Revenues	2,848,409	2,848,409	3,423,044	574,635
EXPENDITURES:				
Debt service:				
Principal	1,140,000	1,140,000	1,140,000	-
Interest	1,084,575	1,084,575	1,626,610	(542,035)
Other	25,000	25,000	68,309	(43,309)
Total Expenditures	2,249,575	2,249,575	2,834,919	(585,344)
NET CHANGE IN FUND BALANCE	\$ 598,834	\$ 598,834	588,125	\$ (10,709)
FUND BALANCE, BEGINNING OF YEAR			<u>2,506,311</u>	
FUND BALANCE, END OF YEAR			<u>\$ 3,094,436</u>	

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, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Local	\$ 15,000	\$ 15,000	\$ 26,842	\$ 11,842
Federal	-	-	24,537	24,537
Total Revenues	15,000	15,000	51,379	36,379
EXPENDITURES:				
Capital outlay	7,090,000	7,090,000	2,904,442	4,185,558
Debt service:				
Principal	353,075	353,075	557,042	(203,967)
Interest	195,000	195,000	241,751	(46,751)
Other	-	-	50,040	(50,040)
Total Expenditures	7,638,075	7,638,075	3,753,275	3,884,800
EXCESS OF REVENUES UNDER EXPENDITURES	(7,623,075)	(7,623,075)	(3,701,896)	(3,848,421)
OTHER FINANCING SOURCES:				
Proceeds from the issuance of debt	9,455,000	9,455,000	8,060,000	(1,395,000)
Premium on issuance of debt	-	-	495,416	495,416
Transfers from other funds	-	-	158,105	(158,105)
Total Other Financing Sources	9,455,000	9,455,000	8,713,521	(158,105)
NET CHANGE IN FUND BALANCE	\$ 1,831,925	\$ 1,831,925	5,011,625	\$ 3,921,179
FUND BALANCE, BEGINNING OF YEAR			1,727,356	
FUND BALANCE, END OF YEAR			\$ 6,738,981	

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

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**NOTE TO BUDGETARY COMPARISON INFORMATION
JUNE 30, 2019**

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, 2019 was adopted on June 13, 2018.
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 12, 2019.
6. Budgets are adopted on the modified cash basis of accounting for all governmental funds.
7. Actual expenditures exceeded those budgeted in the Debt Service Fund.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

**SCHEDULE OF SELECTED STATISTICS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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	-	6.2500	174	1,106.8000
1060	9	12	-	6.6000	174	1,106.8000
1070	9	12	-	6.6000	174	1,106.8000
3000	6	8	-	6.6000	174	1,106.8000
3030	7	8	-	6.6000	174	1,106.8000
3050	7	8	-	6.6000	174	1,106.8000
4010	K	5	-	6.2500	174	1,061.5000
4020	K	5	-	6.2500	174	1,061.5000
4040	K	6	-	6.2500	174	1,061.5000
4060	K	6	-	6.2500	174	1,061.5000
4080	K	6	-	6.2500	174	1,061.5000
4100	K	5	-	6.2500	174	1,061.5000
4140	K	5	-	6.2500	174	1,061.5000
4160	K	6	-	6.2500	174	1,061.5000
4180	K	6	-	6.2500	174	1,061.5000
4190	K	6	-	6.2500	174	1,061.5000
4200	K	6	-	6.2500	174	1,061.5000
4210	K	6	-	6.2500	174	1,061.5000
4240	K	6	-	6.2500	174	1,061.5000
4260	K	6	-	6.2500	174	1,061.5000
4280	K	6	-	6.2500	174	1,061.5000
4320	K	6	-	6.2500	174	1,061.5000
4340	K	6	-	6.2500	174	1,061.5000

Notes: _____

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Schedule of Selected Statistics (continued)

2. Average Daily Attendance (ADA)

Report the total number of PK-12 student attendance hours allowed to be claimed for the calculation of Average Daily Attendance. Include only PK students allowed to be claimed for state aid in the calculation.

School Code	Grade Level	Full-Time	Part-Time	Remedial Hours	Other	Summer School	Total
1050	9-12	714.3624	57.3091	-	-	29.8478	801.5193
1060	9-12	291.3848	48.8726	-	-	-	340.2574
1070	9-12	1,073.5815	104.8809	-	-	-	1,178.4624
3000	6-8	286.1420	9.8361	0.0300	-	-	296.0081
3030	7-8	658.2366	14.0566	0.0600	-	5.3838	677.7370
3050	7-8	488.2979	21.2962	-	-	-	509.5941
4010	K-5	165.1649	-	0.4100	-	-	165.5749
4020	K-5	209.9706	2.4441	0.0900	-	-	212.5047
4040	K-6	201.5114	0.1507	-	-	-	201.6621
4060	K-6	266.4583	0.5652	-	-	-	267.0235
4080	K-6	375.5517	1.4906	0.0200	-	-	377.0623
4100	K-5	177.7252	-	-	-	-	177.7252
4140	K-5	245.5091	1.1115	0.1600	-	-	246.7806
4160	K-6	304.6110	0.9879	0.1400	-	-	305.7389
4180	K-6	348.2249	0.9784	-	-	-	349.2033
4190	K-6	195.3421	0.1225	0.1500	-	-	195.6146
4200	K-6	289.1254	0.6203	0.2000	-	-	289.9457
4210	K-6	339.1737	1.6654	-	-	-	340.8391
4240	K-6	402.2121	0.2967	-	-	-	402.5088
4260	K-6	367.3841	1.6104	0.0100	-	-	369.0045
4280	K-6	223.0646	1.1995	-	-	-	224.2641
4320	K-6	421.4202	1.5167	0.1100	-	-	423.0469
4340	K-6	438.3937	1.6908	0.3400	-	15.1231	455.5476
		<u>8,482.8482</u>	<u>272.7022</u>	<u>1.7200</u>	<u>-</u>	<u>50.3547</u>	<u>8,807.6251</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	927.00	61.95	-	988.95
1060	9-12	389.00	34.26	-	423.26
1070	9-12	1,293.00	101.44	-	1,394.44
3000	6-8	334.00	2.00	-	336.00
3030	7-8	717.00	4.50	-	721.50
3050	7-8	576.00	2.50	-	578.50
4010	K-5	185.00	-	-	185.00
4020	K-5	225.00	1.00	-	226.00
4040	K-6	215.00	0.13	-	215.13
4060	K-6	281.00	0.52	-	281.52
4080	K-6	376.00	0.65	-	376.65
4100	K-5	191.00	-	-	191.00
4140	K-5	259.00	0.26	-	259.26
4160	K-6	335.00	0.13	-	335.13
4180	K-6	361.00	0.13	-	361.13
4190	K-6	190.00	0.13	-	190.13
4200	K-6	294.00	0.65	-	294.65
4210	K-6	358.00	0.63	-	358.63
4240	K-6	422.00	0.26	-	422.26
4260	K-6	390.00	2.02	-	392.02
4280	K-6	242.00	0.63	-	242.63
4320	K-6	461.00	0.77	-	461.77
4340	K-6	480.00	-	-	480.00
		<u>9,501.00</u>	<u>214.56</u>	<u>-</u>	<u>9,715.56</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	2.00	-	-	-	2.00
1050	889.65	-	-	-	889.65
1060	393.42	-	-	-	393.42
1070	1,337.97	-	-	-	1,337.97
3000	332.00	-	-	-	332.00
3030	733.00	-	-	-	733.00
3050	554.00	-	-	-	554.00
4010	187.00	-	-	-	187.00
4020	234.50	-	-	-	234.50
4040	223.13	-	-	-	223.13
4060	288.52	-	-	-	288.52
4080	403.65	-	-	-	403.65
4100	189.00	-	-	-	189.00
4140	266.26	-	-	-	266.26
4160	336.13	-	-	-	336.13
4180	363.26	-	-	-	363.26
4190	194.13	-	-	-	194.13
4200	311.65	-	-	-	311.65
4210	368.63	-	-	-	368.63
4240	428.26	-	-	-	428.26
4260	391.89	-	-	-	391.89
4280	239.77	-	-	-	239.77
4320	459.51	-	-	-	459.51
4340	472.00	-	-	-	472.00
	<u>9,599.33</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,599.33</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>
5.5	As required by Section 162.401, RSMo, a bond was purchased for the district's/charter school's treasurer in the total amount of:	\$50,000
5.6	The district's\charter school's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo.	TRUE
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
5.1	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:	\$797,673

Notes: #5.7 – Reported on page 39 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="width: 100px;"></td> <td style="text-align: center;">#3,881.0</td> </tr> <tr> <td style="width: 100px;"></td> <td style="text-align: center;">#21.5</td> </tr> </table>		#3,881.0		#21.5
	#3,881.0					
	#21.5					
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:	#828,943				
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="width: 100px;"></td> <td style="text-align: center;">#654,391</td> </tr> <tr> <td style="width: 100px;"></td> <td style="text-align: center;">#174,552</td> </tr> </table>		#654,391		#174,552
	#654,391					
	#174,552					
6.7	Number of days the District operated the school transportation system during the regular school year:	174				

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 39 in the "Report on Compliance – State Requirements".
Management Letter Comment:	



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, 2019 and have issued our report thereon dated February 7, 2020. 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, 2019. 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, 2019 with the exception of actual expenditures exceeding those budgeted in the 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, 2019, 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 February 7, 2020.

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
February 7, 2020

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 7, 2020. 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses (2019-001, 2019-002, 2019-003, 2019-004 and 2019-005).

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 February 7, 2020.

The District's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
February 7, 2020



**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, 2019. 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, 2019.

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
February 7, 2020

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

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

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	84.010	096-089	\$ 3,137,751
Title I School Improvement 1003(a)	84.010	096-089	63,771
Subtotal CFDA 84.010			<u>3,201,522</u>
Title IIA Improving Teacher Quality State Grants	84.367	096-089	325,160
Title III English Language Acquisition Grants	84.365	096-089	180
Education for Homeless Children and Youth	84.196	096-089	177,964
Career and Technical Education	84.048	096-089	179,013
Perkins - Pathways for Teachers Grant	84.048	096-089	21,581
Subtotal CFDA 84.048			<u>200,594</u>
Total U.S. Department of Education			<u>3,905,420</u>
<u>U.S. Department of Agriculture:</u>			
Direct Award:			
Farm to School Grant Program	10.575	2945962	47,752
Passed through Missouri Department of Elementary and Secondary Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	096-089	4,904,438
Donated Foods	10.555	096-089	357,928
After School Snack Program	10.555	096-089	24,129
Subtotal CFDA 10.555			<u>5,286,495</u>
School Breakfast Program	10.553	096-089	2,216,135
Subtotal Child Nutrition Cluster			<u>7,502,630</u>
Fresh Fruits and Vegetable Program	10.579	096-089	356,214
Total U.S. Department of Agriculture			<u>7,906,596</u>
<u>U.S. Department of Health and Human Services:</u>			
Passed through Missouri Department of Elementary and Secondary Education:			
Youth Risk Behavior Survey	93.079	096-089	2,000
Passed through YWCA of Metro St. Louis:			
Head Start	93.600	n/a	207,381
Total U.S. Department of Health and Human Services			<u>209,381</u>
<u>U.S. Department of Defense, Department of the Army:</u>			
Direct Program:			
Junior Reserve Officer Training Corps	12.U00	MO101187	66,956
Total U.S. Department of Defense, Department of the Army			<u>66,956</u>
TOTAL			<u>\$ 12,088,353</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, 2019**

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, 2019. 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, 2019.

Note 5 - Insurance

The District did not have any federal insurance in effect during the fiscal year ended June 30, 2019.

Note 6 - Loan/Loan Guarantees

The District did not have any loans or loan guarantees outstanding as of June 30, 2019.

Note 7 - Subrecipients

The District did not provide federal awards to any subrecipients during the fiscal year ended June 30, 2019.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

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

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? X Yes No
Significant deficiency(ies) identified
not considered to be material weaknesses? Yes X None reported
Noncompliance material to financial statements
noted? Yes X No

Federal Awards

Internal control over major programs:
Material weakness(es) identified: Yes X No
Significant deficiency(ies) identified
not considered to be material weaknesses? Yes X 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)? Yes X 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

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

Auditee qualified as low-risk auditee? Yes X No

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Schedule of Findings and Questioned Costs (continued)

2. FINANCIAL STATEMENT FINDINGS

Reference

2019-001 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, and a detailed listing of outstanding deposits and checks is prepared and included with the reconciliation. However, we noted that while the preparers and the Assistant Superintendent of Business Services work collaboratively, there is no formal documented approval of the monthly reconciliations. In addition, we noted that there are 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. 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. Finally, we noted that the District has followed the Missouri Department of Elementary and Secondary Education's guidance regarding the accounting treatment for the Series 2016 Certificates of Participation, which states that the activity should not be recorded on the District's books. However, this activity has been recorded for purposes of financial statement reporting in conformity with the modified cash basis of accounting. As of June 30, 2019, all remaining proceeds have been spent and the account has been closed.

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 were not documented.

Context: Overarching.

Effect: Because of the lack of proper internal controls over the District's general ledger and accounting records, errors 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 also recommend that the District develop and implement procedures that require all bank reconciliations to be reviewed for completeness and accuracy and approved by someone other than the preparer. The reviewer should 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 the demand and payroll bank accounts are reconciled and balanced to cash. He works with the staff member who prepares the reconciliations and reviews them, although he does not formally document the review. The Director of Finance will work with the staff member to find the variances to cash each month and will then formally sign off on the review of bank reconciliations in order to provide documentation of this process.*

In addition to the monthly reconciliation of the two main bank accounts, the Director of Finance will include review of the self-insurance and debt service accounts to ensure that all cash accounts are reviewed and signed off on.

2019-002 Finding Type: Material weakness

Condition: During our audit, we noted that the District has continued to improve its procedures over the reconciliation of the District's liability accounts. However, these reconciliations were not performed in a timely manner. As a result, management was required to investigate and post adjusting journal entries during the audit process subsequent to year-end closing procedures.

Criteria: To establish proper internal controls over the District's general ledger and accounting records, reconciliation of liability accounts should be performed timely (monthly). Requiring reconciliations of all liability accounts will help ensure that reconciling items are reasonable and that there are no unidentified differences.

Cause: Although current procedures require that liability accounts be reconciled timely, this reconciliation was not performed until after year-end.

Context: Overarching.

Effect: Errors or other issues might not be recognized and resolved on a timely basis and could result in a material misstatement of the District's financial statements. Opportunities could exist for the concealment of fraudulent financial activity.

Recommendation: We recommend that the District make improvements to its monthly procedures to ensure that reconciliations of all liability accounts are properly and timely performed. This includes ensuring that the entries posted by the District's general ledger system are accurate and appropriate and can be supported by subsidiary ledgers and subsequent disbursements. Any unreconciled accounts or other issues should be investigated and corrected timely.

Views of Responsible Officials and Planned Corrective Action: *The Director of Finance will develop a process to ensure that liability accounts are reconciled to payments each month. All variances shall be reconciled to supporting documentation and/or corrected at year end.*

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Schedule of Findings and Questioned Costs (continued)

2019-003 Finding Type: Material weakness

Condition: During our audit, we noted that the amounts reported for certain employee benefit expenditures, such as retirement, were not correctly posted to the general ledger. This appears to be the result of systemic errors occurring in the MUNIS payroll module.

Criteria: To establish proper internal controls over the District's general ledger and accounting records, payroll transactions should be reconciled on a regular basis.

Cause: Current procedures do not require that retirement payments be reconciled timely.

Context: Employee payroll and benefits represents approximately 80% of the District's total expenditures.

Effect: Errors or other issues might not be recognized and resolved on a timely basis and could result in a material misstatement of the District's financial statements. Opportunities could exist for the concealment of fraudulent financial activity.

Recommendation: We recommend that the District review its payroll monitoring procedures to identify the control deficiencies that caused this issue and implement additional controls to ensure that payroll and benefit expenditures are properly coded.

Views of Responsible Officials and Planned Corrective Action: *The District will implement procedures to ensure that payroll transactions are properly reconciled.*

2019-004 Finding Type: Material weakness

Condition: The District is not following its established policies and procedures for use of p-cards.

Criteria: During our audit, we noted that the District has approximately 50 purchase cards ("p-cards") which are active and have been issued to various schools and departments. To establish proper internal controls over the District's general ledger and accounting records, all disbursements should be properly supported by appropriate documentation and reviewed by the Finance Department prior to payment of the p-card statements.

Context: We selected a sample of one month of p-card invoices and noted that supporting documentation was either not present or was not adequate to support the purchase amount for 43 charges. In addition, we noted that sales tax was paid with District funds on 15 charges.

Cause: Current policies and procedures require cardholders to obtain approval for each purchase made with p-cards and submit supporting documentation for each purchase to the Finance Department to review, approve, and process for payment. Despite these policies and procedures, the District's current practice is to not delay payment of the purchase card statements in order to avoid incurring additional expenses for interest and late fees.

FERGUSON REORGANIZED SCHOOL DISTRICT R-2

Schedule of Findings and Questioned Costs (continued)

Effect: Current practices eliminate the ability to review purchases for appropriateness and proper recording of the transactions. Opportunities could exist for the concealment of fraudulent financial activity.

Recommendation: We recommend management evaluate and strengthen current policies and procedures for the use of purchase cards. If significant difficulties are encountered in obtaining the required supporting documentation, consideration should be given to requiring the user to reimburse the District for all unsupported or inappropriate charges (such as sales taxes) and revoking the user's future card privileges.

Views of Responsible Officials and Planned Corrective Action: *Purchase card users who do not submit proper paperwork will be required to reimburse the district for any unsupported charges. Continued failure to follow procedures and/or untimely submission of documentation will result in revocation of the card.*

2019-005

Finding Type: Material weakness

Condition: During our audit, we noted that the District sometimes purchases bus passes from Metro, a public transportation service, and provides these passes to students so they can attend school.

Criteria: State statutes prohibit the transportation of students on a publicly operated bus which is servicing fare-paying passengers.

Context: The District spent approximately \$700 on bus passes for students during the fiscal year ended June 30, 2019.

Cause: District personnel were unaware of the state statutes which prohibit the purchase of bus passes.

Effect: The District is not following state statutes with regards to transportation of students with bus passes.

Recommendation: We recommend the District evaluate the transportation needs of students who are provided bus passes and provide alternate means of transportation. The purchase of bus passes should be discontinued immediately.

Views of Responsible Officials and Planned Corrective Action: *The District has purchased bus passes to give to our homeless student parents to allow the parent to ride the bus with elementary students to and from school. They were also given to parents of high school students so that they could get to school. These passes are only issued in the severe case of transient homeless students when it is impossible to set up contracted transportation through a cab company. The District will work with the DESE Homeless Coordinator to determine how to address this issue in the future.*

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

See accompanying independent auditors' report