
FRANCIS HOWELL R-III SCHOOL DISTRICT

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

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Education
Francis Howell R-III School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the Francis Howell R-III School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Francis Howell R-III School District as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, in March of 2020, the World Health Organization declared COVID-19 to constitute a "public health emergency of international concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Francis Howell R-III School District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Statements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2020, on our consideration of Francis Howell R-III School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Francis Howell R-III School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Francis Howell R-III School District's internal control over financial reporting and compliance.



SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
December 9, 2020

FRANCIS HOWELL R-III SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
YEAR ENDED JUNE 30, 2020**

The discussion and analysis of the Francis Howell R-III School District's (the District) financial performance provides a narrative overview of the District's financial activities for the fiscal year ended June 30, 2020. The management's discussion and analysis should not be taken as a replacement for the financial statements and supplementary information but should be read in conjunction with them to enhance understanding of the District's financial performance.

Guiding Financial Principles

The Board of Education and Administration of the District are committed to proactive management of the financial resources entrusted to it by the Francis Howell community. This trust is strengthened by providing full disclosure to the Board and community regarding the District's financial condition. The Administration utilizes conservative fiscal management practices and a value-driven operating philosophy to maintain the District's financial position.

Using this Annual Report

This annual report consists of three parts: (1) the management's discussion and analysis section; (2) the basic financial statements and notes to the financial statements; and (3) required supplementary information.

The management's discussion and analysis section serves as an introduction to the District's basic financial statements. The basic financial statements include district-wide and fund financial statements, each of which presents the District's financial information from different perspectives.

The district-wide financial statements consist of the Statement of Net Position and the Statement of Activities, found on pages 16 and 17. These statements provide information about the activities of the Francis Howell R-III School District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 18. For governmental activities, the financial statements tell how these services were financed in the short term as well as what resources remain for future spending. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The District maintains its general ledger on the cash basis of accounting, meaning that revenues are recognized when the District receives the money and the expenses are recognized when checks are issued. To meet GASB Statement Number 34, the District's annual report uses both the modified and full accrual methods of accounting. Because of this difference, budget reports will differ from the annual report.

The District separates the food service, student activity and community service funds from the general fund as well as the capital projects and bond funds from the capital projects fund during the budget process. The Annual Secretary of the Board Report (ASBR) combines all of these funds together when reporting them to the Missouri Department of Elementary and Secondary Education.

Financial Highlights

The key government-wide financial highlights for the year ended June 30, 2020 are as follows:

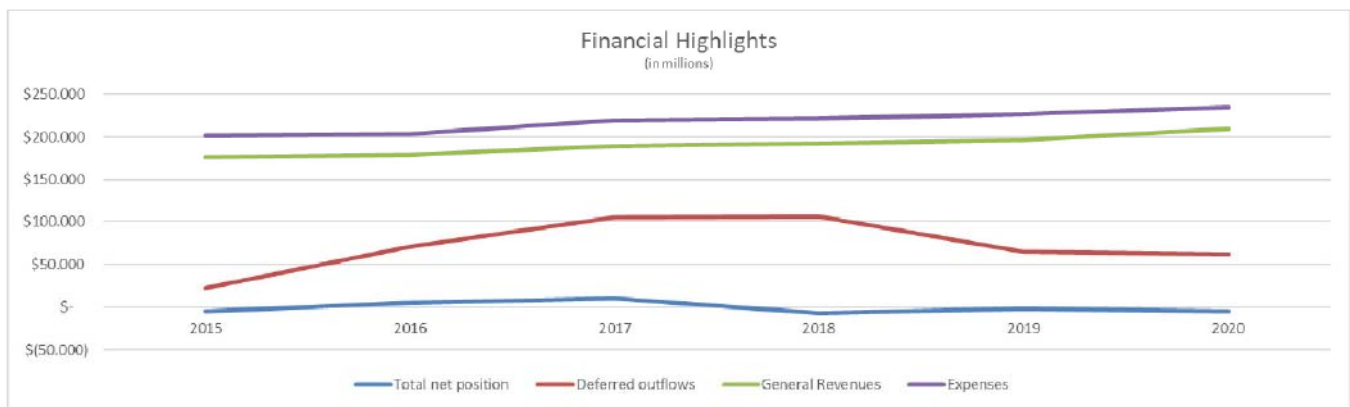
- At the government-wide level, the District's net position was a negative \$8.122 million compared to a negative \$1.729 million at the end of FY19, for an increase of \$6.393 million. Of the District's net position (assets less liabilities), \$112.4 million is restricted for capital asset investment net of related

FRANCIS HOWELL R-III SCHOOL DISTRICT

Management's Discussion and Analysis – Unaudited (continued)

debt, \$15.5 million is restricted for debt service, capital projects and other purposes, and a negative \$143.7 million is unrestricted for the District's GASB 68 and GASB 75 pension liability.

- Total assets and deferred outflows of resources decreased by \$17.3 million in the current year primarily as a result of the decrease in current and other assets of \$7 million due to local receivables related to the bus leases, \$3 million in capital assets due to construction in progress, and \$3 million in deferred inflows due to deferred pension contributions.
- General revenues accounted for \$195.1 million or 84.9% of the District's \$229.9 million in total revenue. Of this general revenue, \$151.6 million, or 65.9%, was from property and sales taxes. Program-specific revenue in the form of charges for services, operating grants, contributions and capital grants accounted for approximately \$34.7 million, or 15.1%, of the District's total revenue.
- At the government-wide level, the District had \$236.3 million in expenses. Of these expenses, approximately \$34.7 million were offset by grants, contributions or program-specific charges for services. General revenues and fund balances were adequate to provide the financial resources necessary for operating the District's programs in FY20.



- Total liabilities and deferred inflows increased by \$10,945,240 due to the following items:

	Increase (Decrease)
Accounts payable, salaries and other payables	\$ (2,799,197)
Claims payable	(1,495,606)
Net pension liability	(272,395)
Other postemployment obligation	9,074,753
Liabilities due within one year	(1,312,539)
Liabilities due in more than one year	(15,505,140)
Other postemployment deferrals	(941,593)
Pension deferrals	2,306,477
Net increase	\$ (10,945,240)

The District's financial statements reflect the impact of net pension liability and other postemployment obligation pension deferrals in accordance with GASB 68 reporting on pension liabilities and GASB 75 reporting of Other Post Employment Benefit liabilities.

FRANCIS HOWELL R-III SCHOOL DISTRICT

Management's Discussion and Analysis – Unaudited (continued)

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

The district-wide financial statements outline functions of the District that are principally supported by property taxes and various governmental activities. In the Statement of Net Position and the Statement of Activities, the District reports governmental activities including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The District does not have any business-type activities.

The district-wide financial statements look at all the financial transactions of the District and allow the reader to assess how well the District performed financially during fiscal year 2020. The Statement of Net Position and the Statement of Activities report all assets and liabilities using the accrual basis of accounting. This focus is similar to the accounting focus used by most private-sector companies. Statements prepared on the accrual basis take into account all of the current year revenues and expenses regardless of when cash is received or paid out.

The relationship between revenues and expenditures can be viewed as the District's operating results. It is important to note, however, that the District's goal is to educate its students, not to generate profits as commercial entities do. Other non-financial factors, such as the quality of the education services provided, must be considered when assessing the overall health of the District.

The Statement of Net Position presents the financial position of the District at the end of the fiscal year and reports the District's net position and changes in those assets and liabilities or claims against those assets. The difference between total assets and total liabilities – net position – is one indicator of whether the overall financial conditions of the District has improved or deteriorated during the year.

The District's financial position is the product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

The District has complied with the Governmental Accounting Standards Board's issuance of Statement No. 68 regarding accounting for and financial reporting on pensions by state and local governments. This statement addresses pensions provided to employees through pension plans that are administered through trusts. The District is classified as a cost-sharing employer whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pensions plans in which the pension obligations are pooled and plan assets can be used to pay the benefits of employees of any employer that provides pensions through the pension plan.

Employers are now required to meet the accounting standards under GASB No. 68. The District's Statement of Net Position reflects the funded status of its pension plan on a Market Value basis. Net Pension Liability (NPL) has been added to the District's Statement of Net Position. Pension expense is not an annual contribution or funding amount, but rather a change in the NPL recognized from one year to the next.

The District has also complied with Governmental Accounting Standards Board's issuance of Statement No. 75 regarding Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement replaces the original Other Post-Employment Benefits (OPEB) requirements under Statements No.

FRANCIS HOWELL R-III SCHOOL DISTRICT

Management's Discussion and Analysis – Unaudited (continued)

45 and 57, and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Statement 75 requires the liability of employers to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

The total OPEB liability generally is required to be determined through an actuarial valuation.

Table I provides a summary of the District's net position for 2020 and 2019.

Table I
Condensed Statements of Net Position
(in millions)
June 30,

	2020	2019
Assets		
Current and other assets	\$ 77.768	\$ 84.451
Capital assets	215.460	218.931
Total assets	293.228	303.382
Deferred outflows of resources	57.043	64.227
Liabilities		
Noncurrent liabilities	330.554	338.570
Other liabilities	11.248	15.543
Total liabilities	341.802	354.113
Deferred inflows of resources	16.591	15.226
Net Position		
Net investment in capital assets	112.411	99.120
Restricted	23.137	18.603
Unrestricted	(143.670)	(119.452)
Total net position	\$ (8.122)	\$ (1.729)

FRANCIS HOWELL R-III SCHOOL DISTRICT

Management's Discussion and Analysis – Unaudited (continued)

A significant portion of the District's net position is invested in capital assets (e.g., land, buildings and improvements, vehicles, and furniture and equipment), less any outstanding related debt used to acquire those assets. The District uses these capital assets to provide services to its students. It is important to note that these assets are not available for future spending. Similarly, the funds to pay the debt related to the acquisition of these assets must be provided from other sources, since the assets themselves cannot be liquidated to satisfy these liabilities.

Total assets of the District's governmental activities amounted to \$293,227,941 with total deferred outflows of resources totaling \$57,042,863. Total liabilities of the District's governmental activities amounted to \$341,802,428 with deferred inflows of resources totaling \$16,590,743. Net position as of June 30, 2020 equaled negative \$8,122,367, an increase of \$6,393,179 over the 2019 negative balance of \$1,729,188.

The results of this year's operations for the District as a whole are reported in the Statement of Activities, found on page 17 of this report. The Statement of Activities explains the sources of resources (revenues, charges for services, grants and contributions) and the uses of resources (instructional and support services expenses) and shows how the District's net position changed during the most recent fiscal year.

All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

FRANCIS HOWELL R-III SCHOOL DISTRICT*Management's Discussion and Analysis – Unaudited (continued)*

Table II shows the changes in net position for fiscal year 2020 and 2019.

	Year ended June 30,	
	2020	2019
Program revenues		
Charges for services	\$ 12.034	\$ 15.411
Operating grants and contributions	20.085	19.576
Capital grants and contributions	2.629	-
General revenue		
Property taxes and other county taxes	135.551	132.847
Sales taxes	16.033	15.997
State aid	40.970	43.412
Investment earnings	1.128	1.652
Other	1.440	2.403
Total revenue	<u>229.870</u>	<u>231.298</u>
Program expenses		
Instruction	136.169	118.990
Pupil services	19.849	18.055
Improvement of instruction	4.077	5.378
Media services	2.467	2.277
Board of Education and	-	-
executive administration services	8.578	7.852
Building level administration	13.268	13.541
Operation of plant	16.304	15.112
Pupil transportation	9.030	13.910
Food services	6.366	7.214
Business and central services	6.598	5.916
Community services	9.952	8.405
Facility acquisition and construction	-	4.791
Interest and other charges	3.605	4.963
Total expenses	<u>236.263</u>	<u>226.404</u>
Change in net position	<u>\$ (6.393)</u>	<u>\$ 4.894</u>
Ending net position	<u>\$ (8.122)</u>	<u>\$ (1.729)</u>

The District's total accrual-based revenues for the fiscal year ended June 30, 2020, were \$229.9 million compared to \$231.3 million at June 30, 2019. The \$1.4 million difference between fiscal years is attributable to a decrease in state aid and investment earnings, offset by an increase in property tax revenue and sales tax.

The total cost of all programs and services was \$236.3 million for the fiscal year ended June 30, 2020 compared to \$226.4 million at June 30, 2019, for an increase of \$9.9 million or 4%. The cost of all programs and services includes salary and benefit increases for employees and increases related to changing from a contracted to a district-operated system for pupil transportation in FY20.

The District's dependence upon tax revenue is significant and community support for this revenue source is extremely important since the community, as a whole, provides the primary support for the Francis Howell R-

FRANCIS HOWELL R-III SCHOOL DISTRICT

Management's Discussion and Analysis – Unaudited (continued)

III School District through local property taxes. General revenue sources, including local property taxes, funded 82.6% of the total cost of program services for fiscal year 2020.

Governmental Activities - Table III below shows the cost of each of the District's functions, as well as each function's net cost (i.e., the total cost of the program less revenue generated by program-related activities).

Table III
Total and Net Costs of Governmental Activities
(in millions)
Year ended June 30,

	2020		2019	
	Total cost of services	Net cost of services	Total cost of services	Net cost of services
Instruction	\$ 136.169	\$ 118.786	\$ 118.990	\$ 101.853
Pupil services	19.849	19.849	18.055	18.055
Improvement of instruction	4.077	3.792	5.378	5.108
Media services	2.467	2.467	2.277	2.277
Board of Education and executive administration	8.578	8.578	7.852	7.852
Building level administration	13.268	13.268	13.541	13.541
Operation of plant	16.304	16.304	15.112	15.112
Pupil transportation	9.030	4.280	13.910	11.513
Food services	6.366	0.981	7.214	0.655
Business and central services	6.598	6.598	5.916	5.916
Community services	9.952	3.007	8.405	(0.220)
Facility acquisition and construction	-	-	4.791	4.791
Interest and other charges	3.605	3.605	4.963	4.963
Total	<u>\$ 236.263</u>	<u>\$ 201.515</u>	<u>\$ 226.404</u>	<u>\$ 191.416</u>

Following are descriptions of the District's major functional expense categories.

Instruction includes activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupil Services includes attendance, guidance, and health, psychological, speech and audio assistance.

Improvement of Instruction includes the activities related to assisting staff with the content for and process of teaching to pupils.

Media Services includes the activities concerned with the use of all teaching and learning resources, including hardware and content materials.

Board of Education and Executive Administration includes the activities of the elected or appointed body as well as the overall general administration of the District.

Building Level Administration includes expenditures related to the administration of the individual school buildings. These expenditures provide for the building instructional leadership from the school principals and

FRANCIS HOWELL R-III SCHOOL DISTRICT

Management's Discussion and Analysis – Unaudited (continued)

assistant principals. In addition, this includes expenditures for site administrative support to run the day-to-day operations of each building.

Business and Central Services includes expenditures associated with administrative and financial supervision of the District. It also includes expenditures related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public. Finally, it includes the support for the Academic department and Human Resources department of the District.

Operation of Plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Food Services includes the preparation, delivery, and serving of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

Community Services includes expenditures related to student activities within the District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement. These services also include our early childhood education program and before and after school care program.

Facility Acquisition and Construction includes any expenditures relating to the construction, renovation or equipping of any District building.

Debt Administration involves the transactions associated with the payment of principal and interest and other charges related to the debt of the District.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. The fund financial statements are prepared on the modified accrual basis of accounting. This basis considers revenue earned if it is both measurable and available (within 60 days of the end of the fiscal year). Expenditures are recorded at the time the liability is incurred.

The analysis of the District's major funds begins on page 18. Fund financial reports provide detailed information about the District's major funds. A fund is a grouping of related accounts used to keep track of specific sources of funding and spending on particular programs. The District uses fund accounting to ensure compliance with reporting requirements of the Missouri Department of Elementary and Secondary Education. The District uses different funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General (Incidental) Fund, Special Revenue (Teachers') Fund, Debt Service Fund, and Capital Projects Fund.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services

FRANCIS HOWELL R-III SCHOOL DISTRICT

Management's Discussion and Analysis – Unaudited (continued)

it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The narrower focus of the fund financial statements makes it useful to compare the information presented therein with that of governmental activities in the district-wide financial statements. This comparison provides readers with a better understanding of the long-term impact of the District's short-term financing decisions. Both the district-wide and fund financial statements include reconciliations to facilitate a comparison between the two statements. These reconciliations are found on pages 19 and 21 of this report, respectively.

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities in that they attempt to recover costs through charges to the user. An example of a proprietary fund would be the Internal Service Fund (Self-Funded Health Insurance and Dental Plans).

Budgeting Highlights

The District's budget is prepared according to Missouri law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The District uses both site-based and modified zero-based budgeting systems which are designed to tightly control total site budgets but provide flexibility for site management. The District uses the cash basis of accounting for revenues and expenditures for budgeting as well as during the fiscal year. Revenues are recognized when funds are received. Expenses are recognized when payments are made.

The District amended its General and Special Revenue fund budgets in November 2019, based on known changes in revenue and expenditures. When comparing the original budget to the final budget, expenditures increased by \$2,088,750 (0.97%). Revenues increased by \$8,579,776 (4.08%), a result of increases in earnings on investments and a prior period adjustment related to the purchase of school buses in the prior fiscal year.

In comparing actual revenues to the ending budget amount in the General and Special Revenue funds, the actual revenue was \$204,762,539. This was a decrease of \$14,145,729 or 6.46% compared to the District's final budget amount. Actual expenditures in General and Special Revenue funds were \$209,951,433, or \$8,061,476 lower than the final budget amount. The District finished the year with a deficit in its General and Special Revenue funds of \$8,872,458 after transferring \$3,683,564 to the Capital Projects fund. This transfer was made to cover the expenditures made from the Capital Projects Fund.

Statements showing the original budget and the final budget amounts compared to the District's actual activity for the General Fund and the Special Revenue Fund are provided on pages 55 and 56 of this report.

The following are key financial highlights of the District on a budgetary (cash) basis of accounting for the fiscal year ended June 30, 2020.

- The General Fund had \$77,509,090 in revenues and \$82,688,859 in expenditures. The General Fund did not make a transfer to the Special Revenue (Teachers') Fund; however, it did transfer \$3,683,564 to the Capital Projects Fund. The General Fund's balance decreased \$8,863,333 from FY19 on a cash basis.

FRANCIS HOWELL R-III SCHOOL DISTRICT

Management's Discussion and Analysis – Unaudited (continued)

- The Special Revenue (Teachers') Fund had \$127,253,449 in revenues and \$127,262,574 in expenditures. The Special Revenue Fund balance decreased \$9,125 from the prior year.
- All operating funds combined (General and Special Revenue Funds) had \$204,762,539 in revenues and other financing sources and \$213,634,997 in expenditures and transfers out. Including transfers, the combined balances in these school purpose funds decreased \$8,872,458 over FY19 on a cash basis.
- The Debt Service Fund had \$23,628,636 in revenues and \$53,522,191 in expenditures and other financing uses. The District had other financing sources of \$32,225,000 resulting from a refunding of general obligation bonds issued in December 2019. The Debt Service Fund balance increased \$2,331,445 over FY19 on a cash basis. The fund continues to have sufficient balances to meet all principal and interest payments, allowing the District to maintain its current debt service levy.
- The Capital Projects Fund had \$5,583,456 in revenues and \$2,240,195 in expenditures. The Capital Projects Fund expenditures primarily related to the purchase of seven additional buses for the district-operated transportation system and the leasing of instructional technology. However, the General Fund transferred \$3,683,564 to the Capital Projects Fund to cover its expenditures. The Capital Projects Fund balance increased \$7,026,825 over FY19 on a cash basis.

Revenue

- Total revenues for the District were \$233,974,631 for the 2019-2020 fiscal year versus \$230,674,917 for the prior fiscal year, or an increase of \$3,299,714 on a cash basis. Local revenues accounted for \$162,391,761, or 69.4% of all revenues and sources for the 2019- 2020 fiscal year versus \$159,566,016 for the prior fiscal year (69.2%). These numbers do not include revenues of the Proprietary Fund.
- The \$3,299,714 increase in revenue is primarily attributable to increases in Current and Delinquent Taxes revenue in FY20.

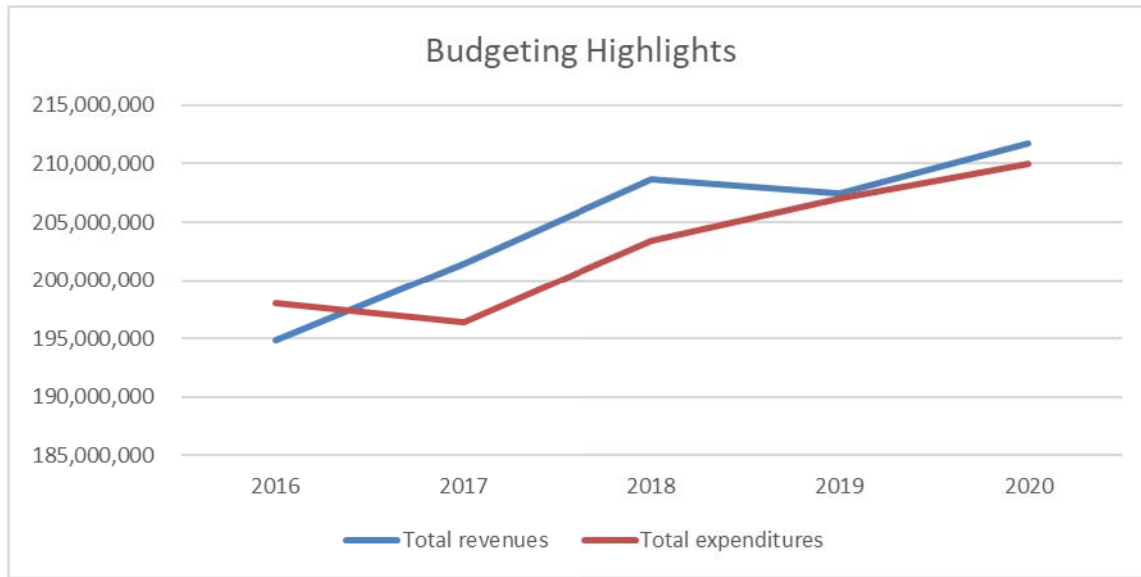
Expenditures

- The District had \$212,191,628 in expenditures for the 2019-2020 fiscal year versus \$223,178,407 for the prior fiscal year, or a decrease of \$10,986,779. These numbers do not include expenditures related to servicing debt or activities of the Proprietary Fund.

The \$11.0 million decrease in expenditures is primarily attributable to the fact that on March 13, 2020 prior to the District embarking on Spring Break, the nation and public education was hit with the Coronavirus pandemic (COVID-19). This resulted in the District not returning to school for the remainder of the school year and a resultant significant halt in spending by the District.

FRANCIS HOWELL R-III SCHOOL DISTRICT

Management's Discussion and Analysis – Unaudited (continued)



Capital Assets and Debt Administration

Capital Assets

At the end of FY20, the District had \$215,460,291 invested in land, buildings, furniture, equipment, and vehicles (net of depreciation) versus \$218,930,986 at the end of 2019. The \$3,470,695 decrease is primarily attributable to a decrease in Construction in Progress and Land Improvements, offset by an increase in Vehicles and Equipment due to the addition of buses for the district-operated transportation system.

Table IV shows fiscal year 2020 and 2019 Capital Asset balances.

Table IV
Capital Assets (net of accumulated depreciation)
June 30,

	2020	2019
Land	\$ 6,544,623	\$ 6,545,623
Construction in progress	-	2,528,679
Land improvements	20,522,777	6,552,462
Buildings	243,647,634	191,308,512
Vehicles and equipment	29,234,936	11,995,710
Totals	<u>\$ 299,949,970</u>	<u>\$ 218,930,986</u>

Debt Administration

At June 30, 2020, the District had \$88,345,000 general obligation bonds outstanding. The general obligation bonds were used to construct, equip, and renovate buildings in the District. Additional information about the District's general obligations bonds is provided in Note 5.

FRANCIS HOWELL R-III SCHOOL DISTRICT

Management's Discussion and Analysis – Unaudited (continued)

Table V shows outstanding General Obligation Bonds at June 30, 2020 and 2019.

Table V Outstanding Debt June 30,		
	2020	2019
General obligation bonds		
Series 2019	\$ 32,225,000	\$ -
Series 2018	2,950,000	-
Series 2016	35,520,000	35,520,000
Series 2012B	4,765,000	4,765,000
Series 2012A	-	1,680,000
Series 2011	-	9,940,000
Series 2010B	-	29,315,000
Series 2010A	-	1,635,000
Series 2009A	9,185,000	9,185,000
Series 2009	-	9,990,000
Series 2005	3,700,000	14,395,000
Series 2001	-	798,000
Total	<u>\$ 88,345,000</u>	<u>\$ 117,223,000</u>

Current Financial Issues and Concerns

The District ended FY20 with a deficit variance of revenue over expenditures primarily due to a transfer to the Capital Projects Fund. The reduction in expenditures in the final quarter of the fiscal year had a positive impact on the District's year-end results. Absent this reduction in expenditures, the year-end deficit would have been larger.

Efforts to increase the operating levy in order to provide funds for the District to continue to provide programs and services necessary to maintain its standing as one of the highest performing school districts in the state have not met with success. This points to the need for the District to continue to focus on budget management in order to minimize the revenue-expenditure gap.

The District adopted a new Strategic Planning that will direct the instructional and financial path for the District until 2023. The District will continue its concerted efforts to carefully manage the financial resources entrusted to us by the patrons of the District. The focus will remain on effectively aligning overall District objectives with our finite resources. This will increase our efficiency as an organization and enable us to devote greater time and attention to the most critical initiatives.

FRANCIS HOWELL R-III SCHOOL DISTRICT

Management's Discussion and Analysis – Unaudited (continued)

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kevin F. Supple, Chief Operating Officer, at the Francis Howell School District Administration Building, 4545 Central School Road, Saint Charles, Missouri 63304.

FRANCIS HOWELL R-III SCHOOL DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2020**

	Governmental Activities
ASSETS :	
Cash and investments	\$ 63,800,330
Property taxes receivable, net of allowance for uncollectibles of \$58,584	2,870,732
Other receivables:	
Local	3,160,027
State	33,490
Federal	171,219
Prepaid items	1,813,038
Restricted cash and investments	5,918,814
Capital assets:	
Land	6,544,623
Other capital assets, net of accumulated depreciation	208,915,668
Total Assets	293,227,941
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amounts on refunding	5,361,461
Deferred outflows of resources - pensions	44,829,840
Deferred outflows of resources - OPEB	6,851,562
Total deferred outflows of resources	57,042,863
LIABILITIES:	
Accounts payable	2,309,651
Salaries and benefits payable	6,151,683
Medical and dental benefits payable	1,697,000
Interest payable	1,089,754
Noncurrent liabilities:	
Due within one year	15,448,692
Due in more than one year:	
Net pension liability	171,099,328
Other postemployment benefit liability	46,477,963
Other	97,528,357
Total liabilities	341,802,428
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows of resources - pensions	16,590,743
Total deferred inflows of resources	16,590,743
NET POSITION:	
Net investment in capital assets	112,410,497
Restricted for:	
Teachers' salaries and benefits	602,632
Debt service	15,454,560
Capital projects	7,079,424
Unrestricted	(143,669,480)
Total net position	\$ (8,122,367)

See notes to financial statements

FRANCIS HOWELL R-III SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
GOVERNMENTAL ACTIVITIES:					
Instruction	\$ 136,167,617	\$ 2,030,159	\$ 15,352,671	\$ -	\$ (118,784,787)
Attendance	2,439,504	-	-	-	(2,439,504)
Guidance	6,143,152	-	-	-	(6,143,152)
Health, psych, speech and audio	11,266,421	-	-	-	(11,266,421)
Improvement of instruction	3,746,701	-	-	-	(3,746,701)
Professional development	330,493	-	284,851	-	(45,642)
Media services (library)	2,467,255	-	-	-	(2,467,255)
Board of Education services	143,560	-	-	-	(143,560)
Executive administration	8,434,950	-	-	-	(8,434,950)
Building level administration	13,267,885	-	-	-	(13,267,885)
Business central services	2,237,646	-	-	-	(2,237,646)
Operation of plant	16,304,446	-	-	-	(16,304,446)
Pupil transportation	9,030,251	156,245	1,965,143	2,628,867	(4,279,996)
Food services	6,365,579	3,588,599	1,796,224	-	(980,756)
Central office support services	4,360,808	-	-	-	(4,360,808)
Community service	9,951,582	6,258,912	685,673	-	(3,006,997)
Interest and other charges	3,604,691	-	-	-	(3,604,691)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 236,262,540	\$ 12,033,915	\$ 20,084,562	\$ 2,628,867	(201,515,196)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					112,679,959
Property taxes, levied for debt services					18,513,251
Other taxes					4,358,030
Sales taxes					16,033,103
State aid					40,970,384
Interest and investment earnings					1,127,899
Grants and contributions not restricted to specific programs					385,854
Miscellaneous					1,053,537
TOTAL GENERAL REVENUES					195,122,017
CHANGE IN NET POSITION					(6,393,179)
NET POSITION, BEGINNING OF YEAR					(1,729,188)
NET POSITION, END OF YEAR					\$ (8,122,367)

See notes to financial statements

FRANCIS HOWELL R-III SCHOOL DISTRICT

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
-- ASSETS --					
ASSETS:					
Cash and investments	\$ 37,041,914	\$ 29,813	9,276,122	\$ 7,052,750	\$ 53,400,599
Property taxes receivable - net of allowance for uncollectibles of \$58,584	1,220,864	1,198,197	414,612	37,059	2,870,732
Other receivables:					
Local	1,609,890	1,471,334	78,657	146	3,160,027
State	-	33,490	-	-	33,490
Federal	-	171,219	-	-	171,219
Prepaid items	1,700,799	2,705	-	109,534	1,813,038
Restricted cash and investments	-	-	5,918,814	-	5,918,814
TOTAL ASSETS	\$ 41,573,467	\$ 2,906,758	\$ 15,688,205	\$ 7,199,489	\$ 67,367,919
-- LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES --					
LIABILITIES:					
Accounts payable	\$ 782,400	\$ 1,368,468	\$ -	99,181	\$ 2,250,049
Salaries and benefits payable	5,891,241	260,442	-	-	6,151,683
Total liabilities	6,673,641	1,628,910	-	99,181	8,401,732
DEFERRED INFLOWS OF RESOURCES:					
Deferred property taxes	687,990	675,216	233,645	20,884	1,617,735
	687,990	675,216	233,645	20,884	1,617,735
FUND BALANCES:					
Nonspendable:					
Prepaid items	1,700,799	2,705	-	109,534	1,813,038
Restricted:					
Debt service	-	-	15,454,560	-	15,454,560
Capital projects	-	-	-	6,969,890	6,969,890
Teachers' salaries and benefits	-	599,927	-	-	599,927
Assigned for next years' budget	5,683,902	-	-	-	5,683,902
Unassigned	26,827,135	-	-	-	26,827,135
Total fund balances	34,211,836	602,632	15,454,560	7,079,424	57,348,452
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 41,573,467	\$ 2,906,758	\$ 15,688,205	\$ 7,199,489	\$ 67,367,919

See notes to financial statements

FRANCIS HOWELL R-III SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET WITH THE STATEMENT OF NET POSITION
JUNE 30, 2020**

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

Total fund balance - governmental funds	\$	57,348,452
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$299,949,970 and the accumulated depreciation is \$84,489,679.		215,460,291
Property tax receivable and federal receivable not available soon enough to pay for current period expenditures are deferred in the funds.		1,617,735
Interest accrued on bonds has not been reported in the governmental funds but is reported in the Statement of Net Position.		(1,089,754)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.		8,643,129
Deferred outflows of resources are not current financial resources and therefore are not reported in the funds:		
Unamortized deferred amounts on refunding	5,361,461	
Deferred outflows of resources - pensions	44,829,840	
Deferred outflows of resources - OPEB	<u>6,851,562</u>	
		57,042,863
Certain liabilities and deferred inflows of resources are not due and not payable in the current period and therefore are not reported as liabilities in the funds:		
General obligation bonds	(88,345,000)	
Capital lease obligations	(11,875,457)	
Bond premium, net of accumulated amortization	(8,190,798)	
Deferred inflows of resources - pensions	(16,590,743)	
Net pension liability	(171,099,328)	
Compensated absences	(4,565,794)	
Other postemployment benefit liability	<u>(46,477,963)</u>	
		<u>(347,145,083)</u>
Total net position - governmental activities	\$	<u>(8,122,367)</u>

See notes to financial statements

FRANCIS HOWELL R-III SCHOOL DISTRICT

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:					
Local	\$ 67,025,802	\$ 71,562,212	\$ 18,754,398	5,188,546	\$ 162,530,958
County	1,138,802	1,268,467	399,704	32,221	2,839,194
State	3,631,461	49,013,920	-	139,573	52,784,954
Federal	3,036,204	5,229,498	385,854	4,290	8,655,846
Interest	814,875	101,401	156,281	55,342	1,127,899
Student activities	1,588,566	5,260	-	155,196	1,749,022
Other	290,478	135,316	-	-	425,794
Total Revenues	77,526,188	127,316,074	19,696,237	5,575,168	230,113,667
EXPENDITURES:					
Current:					
Instruction	16,998,464	100,490,205	-	-	117,488,669
Attendance	2,230,492	-	-	-	2,230,492
Guidance	180,970	5,404,144	-	-	5,585,114
Health, psych, speech and audio	4,870,324	5,522,374	-	-	10,392,698
Improvement of instruction	775,131	2,649,507	-	-	3,424,638
Professional development	86,666	219,135	-	-	305,801
Media services (library)	370,114	1,898,494	-	-	2,268,608
Board of Education services	143,560	-	-	-	143,560
Executive administration	6,037,596	1,614,117	-	-	7,651,713
Building level administration	2,804,982	9,294,261	-	-	12,099,243
Business central service	1,790,226	2,529	-	-	1,792,755
Operation of plant	14,969,817	-	-	-	14,969,817
Pupil transportation	11,408,769	-	-	-	11,408,769
Food services	5,894,638	-	-	-	5,894,638
Central office support services	4,334,066	13,914	-	-	4,347,980
Community service	8,760,240	145,345	-	-	8,905,585
Capital outlay	-	-	-	5,208,564	5,208,564
Debt service:					
Principal	-	-	13,090,000	3,673,276	16,763,276
Interest and other charges	-	-	4,468,597	363,385	4,831,982
Total Expenditures	81,656,055	127,254,025	17,558,597	9,245,225	235,713,902
REVENUES OVER (UNDER) EXPENDITURES	(4,129,867)	62,049	2,137,640	(3,670,057)	(5,600,235)
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	(3,683,564)	-	-	3,683,564	-
Proceeds from sale of other property	13,715	-	-	13,528	27,243
Premium on general obligation refunding bonds	-	-	3,987,457	-	3,987,457
Proceeds from general obligation refunding bonds	-	-	32,225,000	-	32,225,000
Payment to refunding escrow agent	-	-	(35,963,594)	-	(35,963,594)
Proceeds from capital lease	-	-	-	34,625	34,625
Total Other Financing Sources (Uses)	(3,669,849)	-	248,863	3,731,717	310,731
NET CHANGE IN FUND BALANCE	(7,799,716)	62,049	2,386,503	61,660	(5,289,504)
FUND BALANCES, BEGINNING OF YEAR	42,011,552	540,583	13,068,057	7,017,764	62,637,956
FUND BALANCES, END OF YEAR	\$ 34,211,836	\$ 602,632	\$ 15,454,560	\$ 7,079,424	\$ 57,348,452

See notes to financial statements

FRANCIS HOWELL R-III SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Total net change in fund balances - governmental funds		\$ (5,289,504)
<p>Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which depreciation exceeds capital outlay in the period.</p>		
Capital asset purchase	2,647,556	
Depreciation expense	<u>(5,997,136)</u>	(3,349,580)
<p>In the statement of activities, the gain (loss) on the sale of the capital assets is reported. The gain (loss) is not a use of current resources and thus is not reported in the funds.</p>		
Proceeds from the sale of capital assets	(27,243)	
Loss on the sale of capital assets	<u>(93,873)</u>	(121,116)
<p>Because some property taxes and federal revenue will not be collected for several months after the District's fiscal year end, they are not considered as "available" revenues in the governmental funds, and are instead reported as deferred inflows of resources. They are, however, reported as revenues in the statement of activities.</p>		
		(271,549)
<p>The principal payments on the capital leases are reported as expenditures in governmental funds, but the repayment reduces the lease liability in the Statement of Net Position.</p>		
		3,673,276
<p>The governmental funds report the payment of bond principal as an expenditure, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
		13,090,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:</p>		
Increase in compensated absences	(392,294)	
Increase in pension expense	(14,167,237)	
Increase in OPEB expense	(2,736,364)	
Decrease in accrued interest	944,638	
Amortization of bond premium	915,360	
Amortization of deferred amount on refunding	<u>(632,707)</u>	(16,068,604)
<p>The governmental funds report the issuance of long-term debt as an other financing source, the payments to the refunding escrow agent as an other financing use and the payment of debt principal and issuance costs as expenditures. In the Statement of Net Assets, however, the issuance or payments of debt increases or decreases long-term liabilities and does not effect the Statement of Activities.</p>		
Proceeds from general obligation refunding bonds	(32,225,000)	
Bond issuance premium	(3,987,457)	
Payment to refunding escrow agent	35,963,594	
Proceeds from capital lease payable	<u>(34,625)</u>	(283,488)
<p>The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.</p>		
		<u>2,227,386</u>
Change in net position of governmental activities		<u>\$ (6,393,179)</u>

See notes to financial statements

FRANCIS HOWELL R-III SCHOOL DISTRICT

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2020**

	Governmental Activities - Internal Service Fund
ASSETS:	
Cash	\$ 10,399,731
LIABILITIES:	
Accounts payable	59,602
Claims payable	1,697,000
	<hr/>
Total liabilities	1,756,602
	<hr/>
NET POSITION:	
Unrestricted	\$ 8,643,129
	<hr/> <hr/>

See notes to financial statements

FRANCIS HOWELL R-III SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020**

	Governmental Activities - Internal Service Fund
	<hr/>
OPERATING REVENUES:	
Contributions by District, employees and retirees	\$ 26,252,763
OPERATING EXPENSES:	
Claims	22,733,422
Administration	6,860
Other	1,381,007
	<hr/>
Total Operating Expenses	24,121,289
	<hr/>
Operating Income	2,131,474
NON-OPERATING REVENUES:	
Interest income	95,912
	<hr/>
CHANGE IN NET POSITION	2,227,386
NET POSITION, BEGINNING OF YEAR	6,415,743
	<hr/>
NET POSITION, END OF YEAR	\$ 8,643,129
	<hr/> <hr/>

See notes to financial statements

FRANCIS HOWELL R-III SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from District, employees', and retirees' contributions	\$ 26,252,763
Cash payments to suppliers for claims	(24,229,028)
Cash payments for supplies and services	(1,400,556)
	<hr/>
Net cash provided by operating activities	623,179
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	95,912
	<hr/>
NET INCREASE IN CASH	719,091
CASH, BEGINNING OF YEAR	9,680,640
	<hr/>
CASH, END OF YEAR	<u><u>\$ 10,399,731</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 2,131,474
Adjustments to reconcile operating income to net cash provided by operating activities	
Increase in accounts payable	(12,689)
Increase in claims payable	(1,495,606)
	<hr/>
Net cash provided by operating activities	<u><u>\$ 623,179</u></u>

See notes to financial statements

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Francis Howell R-III School District (the District), established under the Statutes of the State of Missouri, is governed by an elected seven-member board as described in Chapter 162, Missouri Revised Statutes. The Board of Education is the basic level of government that has financial accountability and control over all activities related to public school education in the District.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

Reporting Entity

These financial statements present the District (the primary government) and its component unit, the Francis Howell R-III School District Educational Facilities Authority (the Authority). Generally accepted accounting principles require the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on this criteria, the Authority is considered a component unit.

The Authority was incorporated under Missouri statutes as a not-for-profit organization whose purpose is for acquisition, construction, improvement, extension, repair, remodeling, renovation and financing for the District. Although legally separate, the Authority is blended as a governmental fund into the primary government. The Authority is currently inactive. Separate financial statements for the Authority are not issued.

Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all nonfiduciary funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The District has no business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function.

The District does not allocate indirect costs. Program revenues include charges paid by the recipients of goods and services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. The emphasis is placed on major funds. Each major fund is presented in a separate column while nonmajor funds, if applicable, are aggregated and presented in a single column.

The major funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the District and accounts for expenditures for noncertified employees, pupil transportation costs, operation of plant, fringe benefits, student body activities, community services, the food service program and any expenditures not required to be accounted for in another fund.

Special Revenue Fund

The Special Revenue Fund is used to account for specific revenue sources that are legally restricted for the payment of salaries and certain employee benefits for certified personnel performing in certificate-required positions.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for the payment of principal, interest and fiscal charges on general long-term debt.

Capital Projects Fund

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

Proprietary Fund

Internal Service Fund

This fund accounts for the proceeds from contributions for the payment of claims and the liabilities associated with the District's self-insurance activities (primarily employee medical and dental benefits). Expenses include claims paid, direct insurance payments and

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

administrative fees. A liability for estimated claims incurred but not reported is recorded in this fund.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The district-wide financial statements are prepared using the economic resources measurement focus, as are the proprietary fund financial statements. The accounting objectives of this measurement focus are the determination of changes in net position, financial position, and cash flows. All assets and liabilities, whether current or noncurrent, are reported.

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

Basis of Accounting

The district-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic assets used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The governmental fund financial statements are prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Property and sales taxes, interest and certain grants are susceptible to accrual.

Miscellaneous revenue items, which are not susceptible to accrual, are recognized as revenues only as they are received in cash. Expenditures are recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, compensated absences, and pension and other post-employment benefits which are recognized as expenditures to the extent they are due and payable.

Cash and Investments

Cash resources from all funds, except the Debt Service Fund, are combined to form a pool of cash and temporary investments. Interest income earned is allocated to the contributing funds based on each funds' proportionate share of funds invested on a monthly basis. Investments in repurchase

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

agreements and external investment pools are carried at amortized cost, which approximates fair value.

For purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

Receivables

Major receivables for the governmental activities include property and sales taxes, and state and federal grants. Allowances for uncollectible property taxes are estimated to be two percent of delinquent taxes at year-end.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid expenses.

Capital Assets and Depreciation

In the district-wide financial statements, capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost if actual cost is unavailable. Contributed assets are reported at their fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred. Depreciation on assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	15 years
Buildings and improvements	15-60 years
Vehicles and equipment	5-20 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental funds upon acquisition.

Restricted Assets

Restricted assets include cash and investments that are legally restricted as to their use. The restricted assets consist primarily of funds escrowed under the Missouri School District Direct Deposit Program and unspent bond proceeds invested in the Missouri Securities Investment Program.

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

Long-Term Liabilities

All long-term liabilities to be repaid from governmental activities are reported in the district-wide financial statements. Long-term liabilities consist of bonds and capital leases payable, and accrued compensated absences. Long-term liabilities are not due and are not payable in the current period and therefore are not reported as liabilities in the governmental fund financial statements.

Compensated Absences

The District's policies regarding compensated absences permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded in the district-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability from expendable available financial resources.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The District reports unavailable revenues from two sources: property tax and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

In the government-wide financial statements, components of pension and OPEB expense that are recognized over a period of time are classified as either deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability, the net difference between expected and actual experience, the net difference between projected and actual earnings, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are required to be reported as deferred outflows or deferred inflows of resources.

Interfund Activity

Interfund transfers are reported as other financing sources (uses) in governmental funds. Transfers in the amount of \$3,683,564 were made from the General Fund to the Capital Projects Fund to provide funds for the regular maintenance and upkeep of the District's facilities.

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

Net Position

In the district-wide and proprietary fund financial statements, equity is classified as net position and displayed in three components. Net investment in capital assets consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are constraints imposed on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments. The remaining balance of net position that does not meet the definition of restricted or net investment in capital assets is reported as unrestricted. The District first utilizes restricted resources to finance qualifying activities.

Fund Balances – Governmental Funds

In the governmental fund financial statements, equity is classified as fund balance. Governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes determined by a resolution of the Board of Education. Commitments may be modified or rescinded only through resolutions approved by the Board.

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

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, a negative fund balance may be reported. District policy requires a minimum unassigned fund balance of 15% of total prior year General Fund and Special Revenue Fund expenditures in order to cover unexpected expenditures and revenue shortfalls.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund 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. The details of the fund balances are included in the Governmental Funds Balance Sheet.

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

The District's policy is that the unassigned fund balance in the operating funds will be maintained at a level sufficient to provide the resources required to meet operating cost needs, to allow for unforeseen needs of an emergency nature, and to permit orderly adjustment to changes resulting from fluctuations of revenue sources. The District will strive to maintain a minimum unassigned balance in its operating funds equal to a range of fifteen to twenty percent (15%-20%) of its prior year operating expenditures.

As part of the annual budget process, the Chief Operating Officer will estimate the surplus or deficit for the current year and prepare a projection of the year-end unassigned fund balance. Such projection will include an analysis of trends in fund balance levels on an historical and future projection basis. Any anticipated balance in excess of the minimum unassigned General Fund balance may be budgeted at the discretion of the Board of Education. Any such action must also provide for necessary appropriations to restore the unassigned General Fund balance to the minimum balance.

If fund balances decline below the fifteen percent (15%) floor, the Board of Education will approve a plan to replenish the fund balance to the established minimum level within two (2) years.

Revenues

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied annually on November 1 and are due by December 31. The county collects the property tax and remits it to the District. In the district-wide financial statements, property tax revenues are recognized in the fiscal year levied. In the fund financial statements, property taxes are recognized in the fiscal year levied to the extent collected within 60 days of year-end. Revenues not collected within 60 days of year-end are reported as deferred inflows of resources.

Sales tax is collected by the State of Missouri and remitted to districts within the state based on a prior year weighted average daily attendance. The State receives the sales tax approximately one month after collection by vendors. Sales taxes collected by the State in June and July, which represent sales for May and June, and received by the District in July and August have been accrued and reported as other local receivables.

The District also receives sales tax collected by the state and remitted based on a prior year weighted average attendance. 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. On April 4, 1995, the patrons of the District voted to forego this reduction in property taxes, thus earmarking the entire amount for education.

Entitlements and grants are recognized as revenue in the fiscal year in which all eligibility requirements have been satisfied. Grants and entitlements received before eligibility requirements are met are reported as unearned revenue. In the fund financial statements, entitlement and grant revenues must be collected within 60 days of year-end before they can be recognized.

Operating revenues and expenses for proprietary funds are those that result from providing services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, and investing activities.

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could 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.

GASB Statement No. 72, *Fair Value Measurement and Application*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.
Level 2	Inputs to the valuation methodology include: Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value.

- Money market mutual funds: Valued using quoted market prices (Level 1 inputs).
- External investment pool: Valued at the net asset value of shares reported on the active market for which the individual investments are traded (Level 2 inputs).
- Negotiable certificates of deposit, debt securities, and commercial paper: Valued using a matrix pricing model where similar securities are given a price based on the credit rating and maturity (Level 2 inputs).

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

Custodial Credit Risk - Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270. The value of the securities must be at least equal to the total of the District's deposits not insured by FDIC. As of June 30, 2020, none of the District's bank balance was exposed to custodial credit risk.

Investments

The District may purchase any investments allowed by the State Treasurer. These include U.S. Treasury securities, U.S. agency securities, securities issued by the State of Missouri, repurchase agreements, certificates of deposit, bankers' acceptances and commercial paper.

The District participates in the Missouri Direct Deposit Program which is a mechanism for public school bond repayments through the MOHEFA Bond Program. It authorizes the direct deposit of a portion of the 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 ten times per year and the balance is withdrawn every six months to pay the debt service requirement of the related bond issues. At June 30, 2020, the District had \$5,871,970 in this program, which has been classified as restricted investments.

The District also participates in the Missouri Securities Investment Program (MOSIP). MOSIP is an external investment pool in which the District's monies are pooled with other districts' monies to purchase investments that are permitted by state statutes. The District's monies are used to purchase a pro-rata share of the pool. A board of directors, comprised of Missouri school administrators, school board members, and school business officials provides governance and oversight of MOSIP's operations. The board seeks to maintain a stable net position value of \$1 per share. A separately issued financial statement can be obtained by contacting 1-877-MY-MOSIP.

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

Type	Carrying Value
Deposits:	
Demand deposits	\$ 21,448,218
Total Deposits	<u>21,448,218</u>
Investments:	
Federal agency bonds	1,375,290
External investment pool	14,618,753
Money market mutual funds	5,918,814
Commercial paper	24,768,256
Negotiable certificates of deposit	<u>1,589,813</u>
Total Investments	<u>48,270,926</u>
Total Deposits and Investments	<u><u>\$ 69,719,144</u></u>

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

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 District, and are held by the party who sold the security to the District or the seller's agent but not in the District's name. The District has a custodial credit risk policy to minimize credit risk by requiring that all securities purchased be perfected in the name of or for the account of the District and be held by a third-party custodian as evidenced by appropriate safekeeping receipts. The District's investments were not exposed to custodial credit risk at year end.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District minimizes interest rate risk by structuring its investment portfolio so that securities mature to meet anticipated cash flows for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds in primarily shorter-term securities. The District's investment policy also requires funds invested in bankers' acceptances and commercial paper mature not more than one hundred and eighty days from the dates of purchase and all other investments mature not more than two years from the dates of purchase. Additionally, the policy requires the District to adopt a weighted average maturity limitation that should not exceed one year. Maturities of investments held at June 30, 2020 are provided as follows:

Investment Type	Fair Value	Investment Maturities (In Years)		
		No Maturity	Less than 1	1 - 5
Federal agency bonds	\$ 1,375,290	\$ -	\$ 1,375,290	\$ -
External investment pool	14,618,753	-	14,618,753	-
Money market mutual funds	5,918,814	-	5,918,814	-
Commercial paper	24,768,256	-	24,768,256	-
Negotiable certificates of deposit	1,589,813	-	1,344,813	245,000
	<u>\$ 48,270,926</u>	<u>\$ -</u>	<u>\$ 48,025,926</u>	<u>\$ 245,000</u>

Investment Credit Risk

Investment credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. To protect against credit risk, the District restricts investments to those with a rating of AAA by Standards and Poor's or A1+/P1 by Moody's. These ratings are the highest given by the agencies and indicate a low credit risk.

FRANCIS HOWELL R-III SCHOOL DISTRICT*Notes to Financial Statements (continued)*

At June 30, 2020, the District's investments were rated as follows:

Description	Financial Institution	Amount	Rating
External Investment Pool -			
MOSIP Liquid Series	MOSIP	\$ 14,618,753	AAAm
Money market mutual funds	UMB, BOK Financial	5,918,814	AAAm
Commercial paper	UMB, Commerce	24,768,256	A-1
Negotiable certificates of deposit	UMB	1,589,813	Not rated

Concentration of Investment Credit Risk

As a means of limiting its exposure to losses arising from concentration of investments, the District's investment policy mandates that the portfolio not have a concentration of assets in specific maturity, specific issuer or specific class of securities. At a minimum, diversification standards by security type and issuer are established as: (a) U.S. treasuries and securities having principal and/or interest guaranteed by the U.S. Government, 95%; (b) collateralized time and demand deposits, 50%; (c) U.S. Government agencies, and government sponsored enterprises, no more than 70%; (d) collateralized repurchase agreements, 100%; (e) U.S. Government agency callable securities, no more than 15%; (f) commercial paper, no more than 40%; and (g) bankers' acceptances, no more than 40%. Investments in any one issuer representing 5% or more of total investments (excluding investments issued or explicitly guaranteed by the U.S. government, mutual funds, and external investment pools) are as follows:

Description	Issuer	Financial Institution	Fair Value	Percentage
Commercial paper	Commerce	Banco Santander	\$ 4,956,488	20%
Commercial paper	Commerce	Credit Suisse New York	4,959,476	20%
Commercial paper	UMB	Collateralized Commercial Paper Flex Co., LLC	4,956,400	20%
Commercial paper	UMB	Credit Agricole GB NY	4,942,122	20%
Commercial paper	UMB	Santander UK	4,953,770	20%

3. PROPERTY TAXES

The assessed valuation of the tangible taxable property for the calendar year 2019 and for purposes of local taxation was \$2,843,749,454.

FRANCIS HOWELL R-III SCHOOL DISTRICT*Notes to Financial Statements (continued)*

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

General Fund	\$	1.9767
Special Revenue Fund		1.9400
Debt Service Fund		0.6713
Capital Projects Fund		0.0600
Total	\$	<u>4.6480</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2020 aggregated approximately 99% of the 2019 assessment computed on the basis of the levy as shown above.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 6,545,623	\$ -	\$ (1,000)	\$ 6,544,623
Construction in progress	2,528,679	-	(2,528,679)	-
Capital assets that are depreciated:				
Land improvements	21,003,434	427,995	(908,652)	20,522,777
Buildings and improvements	242,310,730	1,550,363	(213,459)	243,647,634
Vehicles and equipment	28,323,916	3,197,877	(2,286,857)	29,234,936
Totals at estimated historical cost	300,712,382	5,176,235	(5,938,647)	299,949,970
Accumulated depreciation:				
Land improvements	14,450,972	861,177	(864,279)	14,447,870
Buildings and improvements	51,002,218	3,235,864	(197,453)	54,040,629
Vehicles and equipment	16,328,206	1,900,095	(2,227,121)	16,001,180
Total accumulated depreciation	81,781,396	5,997,136	(3,288,853)	84,489,679
Governmental activities capital assets, net	\$ 218,930,986	\$ (820,901)	\$ (2,649,794)	\$ 215,460,291

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

Depreciation was charged to functions of the District as follows:

Instruction	\$ 4,141,625
Guidance	30,560
Improvement of instruction	6,014
Executive administration	286,002
Building level administration	12,287
Transportation	1,197,772
Operation of plant	124,360
Food service	146,720
Community services	51,796
	<hr/>
	\$ 5,997,136
	<hr/>

5. LONG-TERM LIABILITIES

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 104,940,000	\$ 32,225,000	\$ (48,820,000)	\$ 88,345,000	\$ 11,715,000
Deferred amounts for issuance premium	5,167,120	3,987,457	(963,779)	8,190,798	-
	<hr/>				
Total bonds payable, net	110,107,120	36,212,457	(49,783,779)	96,535,798	11,715,000
Obligations under capital leases	15,514,108	34,625	(3,673,276)	11,875,457	3,655,425
Compensated absences	4,173,500	4,650,281	(4,257,987)	4,565,794	78,267
	<hr/>				
Total governmental activity long- term liabilities	\$ 129,794,728	\$ 40,897,363	\$ (57,715,042)	\$ 112,977,049	\$ 15,448,692
	<hr/>				

Principal and interest on general obligation bonds are liquidated through the Debt Service Fund. Capital leases are liquidated through the Capital Projects Fund. Compensated absences and early retirement benefits will be liquidated by the fund in which the employee's salary was charged.

Bonds Payable

Repayment of general obligation bond issues is made through the Missouri School District Direct Deposit Program which is a mechanism for public school bond repayments. 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.

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

General obligation bonds outstanding at June 30, 2020 were as follows:

Date Issued	Maturity Date	Interest Rates	Original Issue	Balance
4/7/2005	3/1/2021	3.50% - 5.25%	\$ 23,370,000	\$ 3,700,000
10/19/2009	3/1/2025	1.25%	9,185,000	9,185,000
3/6/2012	3/1/2024	4.00%	4,765,000	4,765,000
2/16/2016	3/1/2029	3.00% - 4.00%	35,520,000	35,520,000
12/4/2018	3/1/2021	4.00%	6,035,000	2,950,000
12/5/2019	3/1/2030	3.00% - 5.00%	32,225,000	32,225,000
				<u>\$ 88,345,000</u>

Current Refunding

On December 5, 2019, the District issued \$32,225,000 in Series 2019 general obligation refunding bonds to refund the principal of the taxable general obligation bonds, Series 2010B; pay the interest on the bonds attributable to the refunding on the Series 2010B refunded bonds; refund the general obligation refunding bonds, Series 2011, maturing on March 1 in the years 2021 and thereafter, and refund the general obligation refunding bonds, Series 2012A, maturing on March 1 in the year 2024; and pay the costs of issuance. The refunding was undertaken to reduce total debt service payments by \$3,198,887 which resulted in an economic gain of \$2,943,761.

The annual requirements to amortize the general obligation bonds as of June 30, 2020, including interest payments, are as follows:

Year ending June 30,	Principal	Interest	Total
2021	\$ 11,715,000	\$ 3,269,263	\$ 14,984,263
2022	11,275,000	2,805,063	14,080,063
2023	11,175,000	2,362,913	13,537,913
2024	11,510,000	1,998,413	13,508,413
2025	9,795,000	1,648,513	11,443,513
2026-2030	32,875,000	3,799,750	36,674,750
	<u>\$ 88,345,000</u>	<u>\$ 15,883,915</u>	<u>\$ 104,228,915</u>

Article VI, Section 26(c), Constitution of Missouri, limits the outstanding amount of authorized General Obligation Bonds of a district to 15% of the assessed valuation of a District. The legal debt margin of the District at June 30, 2020 was:

Constitutional debt limit	\$ 426,562,418
General obligation bonds payable	(88,345,000)
Amount available in Debt Service Fund	<u>15,454,560</u>
Legal debt margin	<u>\$ 353,671,978</u>

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

Capital Lease Payable

The District leases certain equipment under agreements classified as capital leases. As of June 30, 2020, the cost for such equipment, which are included in vehicles and equipment, was \$11,336,777 and accumulated depreciation was \$1,176,218.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2020:

Year ending June 30,	
2021	\$ 3,970,034
2022	3,588,290
2023	2,596,178
2024	2,401,357
2025	5,878
	<hr/>
Total future minimum lease payments	12,561,737
Less amount representing interest	<hr/> (686,280)
Present value of future minimum lease payments	<hr/> <hr/> \$ 11,875,457

Operating Leases

In addition to the capital leases noted above, the District has entered into an operating lease agreement for several buses. Lease payments for the year ended June 30, 2020 were approximately \$377,000. The following is a schedule of future minimum lease payments under the operating leases as of June 30, 2020:

Year ending June 30,	
2021	\$ 297,398
2022	337,308
2023	337,308
2024	609,910
2025	76,000
	<hr/>
	<hr/> \$ 1,657,924

6. RETIREMENT PLAN

Public School and Education Employee Retirement Systems of Missouri

The District contributes to the Public School Retirement System of Missouri (PSRS) and the Public Education Employee Retirement System (PEERS), a cost-sharing multiple-employer defined benefit pension plan.

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

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 "two-thirds statute." PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members' benefits are further calculated at two-thirds the normal benefit amount.

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

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. 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 retirement, disability benefits 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

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

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-s-peers.org.

Cost-of-Living Adjustments ("COLA")

The Board of Trustees has established a policy of providing COLAs to PSRS and PEERS members as follows:

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

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

Contributions

PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2018, 2019 and 2020. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay.

PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2018, 2019 and 2020. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay.

The District's contributions to PSRS and PEERS were \$15,628,568 and \$2,616,049, respectively, for the year ended June 30, 2020.

FRANCIS HOWELL R-III SCHOOL DISTRICT*Notes to Financial Statements (continued)***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions**

At June 30, 2020, the District recorded a liability of \$157,896,606 for its proportionate share of the PSRS net pension liability and \$13,202,722 for its proportionate share of the PEERS net pension liability. In total, the District recorded net pension liabilities of \$171,099,328. The net pension liability for the plans in total was measured as of June 30, 2019 and determined by an actuarial valuation as of that date. The District's proportionate share of the total net pension liability was based on the ratio of its actual contributions paid to PSRS and PEERS of \$15,228,281 and \$1,987,656, respectively, for the year ended June 30, 2019, relative to the total contributions of \$711,760,160 for PSRS and \$119,080,046 for PEERS from all participating employers. At June 30, 2019, the District's proportionate share was 2.1395% for PSRS and 1.6692% for PEERS.

For the year ended June 30, 2020, the District recognized pension expense of \$28,945,647 for PSRS and \$3,445,615 for PEERS, its proportionate share of the total pension expense.

At June 30, 2020, the District reported deferred outflows of resources from the following sources related to PSRS and PEERS pension benefits:

	Deferred Outflows of Resources		
	PSRS	PEERS	District Total
Difference between expected and actual experience	\$ 5,114,406	\$ -	\$ 5,114,406
Changes in assumptions	22,378,633	834,287	23,212,920
Net difference between projected and actual earnings on pension plan investments	(3,025,851)	(296,447)	(3,322,298)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,376,828	203,368	1,580,196
Employer contributions subsequent to the measurement date	15,628,567	2,616,049	18,244,616
Total	<u>\$ 41,472,583</u>	<u>\$ 3,357,257</u>	<u>\$ 44,829,840</u>

At June 30, 2020, the District reported deferred inflows of resources from the following sources related to PSRS and PEERS pension benefits:

	Deferred Inflows of Resources		
	PSRS	PEERS	District Total
Difference between expected and actual experience	\$ 11,427,922	\$ 279,838	\$ 11,707,760
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,779,474	103,511	4,882,985
Total	<u>\$ 16,207,396</u>	<u>\$ 383,349</u>	<u>\$ 16,590,745</u>

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

Deferred outflows of resources to PSRS and PEERS pensions in the amount of \$15,628,567 and \$2,616,049, respectively, resulting from contributions subsequent to the measurement date of June 30, 2019, will be recognized as a reduction to the net pension liability in the year ended June 30, 2021.

Other amounts reported as collective deferred outflows / (inflows) of resources to be recognized annually in pension expense are as follows:

Year ending June 30,	PSRS	PEERS	District Total
2021	\$ 7,952,772	\$ 763,458	\$ 8,716,230
2022	(3,118,796)	(488,916)	(3,607,712)
2023	3,438,405	(35,589)	3,402,816
2024	2,387,021	118,906	2,505,927
2025	(1,022,782)	-	(1,022,782)
Thereafter	-	-	-
	\$ 9,636,620	\$ 357,859	\$ 9,994,479

Actuarial Assumptions

Actuarial valuations of the Systems involve assumptions about probability of occurrence of events far into the future in order to estimate the reported amounts. Examples include assumptions about future employment, salary increases, and mortality. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience for the Systems, derived from experience studies conducted every fifth year and from Board policies concerning investments and COLAs. The most recent comprehensive experience studies were completed in June 2016. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the studies and effective with the June 30, 2016 valuation. For the June 30, 2017 valuations, the investment rate of return was reduced from 7.75% to 7.60% and the assumption for the annual cost-of-living adjustments was updated in accordance with the funding policies amended by the Board of Trustees at their November 2017 meeting. For the June 30, 2018 valuation, the investment rate of return assumption was further reduced from 7.60% to 7.50%. No additional assumption changes have occurred. Significant actuarial assumption and methods, including changes from the prior year resulting from changes in Board policy, are detailed below. For additional information please refer to the Systems' Comprehensive Annual Financial Report (CAFR). The next experience studies are scheduled for 2021.

Significant actuarial assumptions and other inputs used to measure the total pension liability:

Measurement Date – June 30, 2019

Valuation Date – June 30, 2019

Expected Return on Investments – 7.50% net of investment expenses and including 2.25% inflation.

Inflation – 2.25%

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

Total Payroll Growth PSRS – 2.75% per annum consisting of 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.

Total Payroll Growth PEERS – 3.25% per annum consisting of 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.

Future Salary Increases PSRS – 3.00% - 9.50%, depending on service and including 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.

Future Salary Increases PEERS – 4.00% - 11.00%, depending on service and including 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.

Cost-of-Living Increases PSRS and PEERS – The annual COLA assumed in the valuation increases from 1.30% to 1.65% over seven years, beginning January 1, 2021. The COLA reflected for January 1, 2020 is 0.00%, in accordance with the actual COLA approved by the Board. This COLA assumption reflects an assumption that general inflation will increase from 1.90% to a normative inflation assumption of 2.25% over seven years. It is also based on the current policy of the Board to grant a COLA on each January 1 as follows:

- If the June to June change in the 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.

The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over age 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. The total lifetime COLA cannot exceed 80% of the original benefit. PSRS members receive a COLA on the second January after retirement, while PEERS members receive a COLA on the fourth January after retirement.

Mortality Assumption –

- Actives PSRS: RP 2006 White Collar Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
- Actives PEERS: RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

- Nondisabled Retirees, Beneficiaries and Survivors PSRS: RP 2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
- Nondisabled Retirees, Beneficiaries and Survivors PEERS: RP 2006 Total Dataset Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
- Disabled retirees PSRS and PEERS: RP 2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.

Changes in Actuarial Assumptions and Methods –

- PSRS and PEERS – There have been no assumption changes since the June 30, 2018 valuations.

Fiduciary Net Position: The Systems issue a publicly available financial report that can be obtained at www.psrs-peers.org.

Expected Rate of Return

The long-term expected rate of return on investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed rate of return. The long-term expected rate of return on the Systems' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems' target allocation as of June 30, 2019 are summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cash flows.

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

Asset Class	Target Asset Allocation	Long-term Expected Real Return Arithmetic Basis	Weighted Long-Term Expected Real Return Arithmetic Basis
U.S. public equity	27.00 %	5.16 %	1.39 %
Public credit	7.00	2.17	0.15
Hedged assets	6.00	4.42	0.27
Non-U.S. public equity	15.00	6.01	0.90
U.S. treasuries	16.00	0.96	0.15
U.S. TIPS	4.00	0.80	0.03
Private credit	4.00	5.60	0.22
Private equity	12.00	9.86	1.18
Private real estate	9.00	3.56	0.32
Total	<u>100.00 %</u>		<u>4.61</u>
		Inflation	<u>2.25</u>
		Long-term arithmetical nominal return	<u>6.86</u>
		Effect of covariance matrix	<u>0.64</u>
		Long-term expected geometric return	<u>7.50 %</u>

Discount Rate

The long-term expected rate of return used to measure the total pension liability was 7.50% as of June 30, 2019 and is consistent with the long-term expected geometric return on plan investments. The actuarial assumed rate of return was 8.0% from 1980 through fiscal year 2016. The Board of Trustees adopted a new actuarial assumed rate of return of 7.75% effective with the June 30, 2016 valuation based on the actuarial experience studies and asset-liability study conducted during the 2016 fiscal year. As previously discussed, the Board of Trustees further reduced the assumed rate of return to 7.60% effective with the June 30, 2017 valuation and to 7.50% with the June 30, 2018 valuation. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarial accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Discount Rate Sensitivity

The sensitivity of the District's net pension liabilities to changes in the discount rate is presented below. The District's net pension liabilities calculated using the discount rate of 7.50% is presented as well as the net pension liabilities using a discount rate that is 1.0% lower (6.50%) or 1.0% higher (8.50%) than the current rate.

FRANCIS HOWELL R-III SCHOOL DISTRICT*Notes to Financial Statements (continued)*

	Discount Rate		
	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
Proportionate share of the net position liability / (asset)			
PSRS	\$ 287,241,551	\$ 157,896,606	\$ 50,384,558
PEERS	25,071,543	13,202,722	3,247,729
	<u>\$ 312,313,094</u>	<u>\$ 171,099,328</u>	<u>\$ 53,632,287</u>

As of June 30, 2020, the District reported \$15,628,568 and \$2,616,049 payable to the PSRS and PEERS, respectively, for legally required contributions.

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)Plan Description

The Francis Howell School District Other Postemployment Benefit ("OPEB") plan (the "Plan") provides OPEB for all eligible employees of the District. The Plan is a single-employer defined benefit OPEB plan administered by the District. The Plan was established by the Board of Education. The contribution requirements of the District and Plan members are established and may be amended by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The Plan does not issue a stand-alone report. The OPEB liability is generally liquidated by the General Fund.

Benefits Provided

The District provides continuation of medical, dental and vision insurance coverage, including prescription drugs to employees who are eligible for normal or early retirement under PSRS or PEERS. Retirees may also cover spouses and eligible dependent children. Surviving spouses can continue coverage after the retiree's death. Retirees can continue coverage past Medicare eligibility age.

Retirees who elect to participate in the plan pay 100% of the blended premium rates effective 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 cost to the plan on average than those of active employees.

Teachers who retire from the District with at least 15 years of experience are eligible to participate in the District's Teachers Retiree Discount Insurance Program (RDIP). In order to earn a discount toward purchase of District group health insurance, the teacher must substitute teach in the District. The number of days that a teacher must substitute teach to earn this benefit is calculated by dividing the District group health insurance contribution by the daily amount that a retiree is paid for substitute teaching, then multiplying that amount by the "Employee Contribution Percentage." Retirees are eligible for RDIP in the five years immediately following retirement. It is assumed that the percentage of retiree discount from this program will remain constant from year to year.

The District does not pre-fund benefits. The current funding policy is to pay benefits on a pay-as-you-go basis.

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

Employees Covered by Benefit Terms

At June 30, 2019, the date of the latest actuarial valuation, the following employees were covered by the benefit terms:

Retired employees	599
Active employees	2,199
Spouses of retired employees	<u>248</u>
Total	<u><u>3,046</u></u>

Total OPEB Liability

The District's total OPEB liability of \$46,477,963 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019. There have been no significant changes between the valuation date and the District's fiscal year end.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.30%
Salary increase	3.00%
Discount rate	2.21%
	6.40%, decreasing to an ultimate rate of
Healthcare cost trend rates	3.70% for 2073 and beyond

The discount rate was based on the 20-year tax-exempt general obligation bonds (High Grade Rate Index) at the end of the fiscal year. The rate for the prior fiscal year was 3.50%.

Mortality rates were based on the Pub-2010 mortality table with generational projection based on Scale MP-2019. Previously, the RP-2014 tables were used.

The Plan has not had a formal actuarial experience study performed.

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

Changes in the Total OPEB Liability

The components of the total OPEB liability of the District at June 30, 2020 are as follows:

	Total OPEB Liability
Balance at June 30, 2019	\$ 37,403,210
Service cost	2,150,400
Interest	1,355,704
Economic/demographic gains and losses	776,135
Changes in assumptions	6,445,123
Benefit payments	<u>(1,652,609)</u>
Balance at June 30, 2020	<u><u>\$ 46,477,963</u></u>

Impact of Changes of Benefit Terms

There were no changes of benefit terms that significantly impacted the valuation.

Impact of Plan Experience

The Plan has not had a formal actuarial experience study performed.

Impact of Changes of Assumptions

The only change in assumption was the discount rate which is based on the index rate for 20 year tax exempt general obligation bonds. The rate decreased from 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) and 1 percentage point higher (3.21%) than the current discount rate.

	1% Decrease 1.21%	Current Rate 2.21%	1% Increase 3.21%
Total OPEB liability	\$ 52,594,464	\$ 46,477,963	\$ 41,361,447

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trends

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower and 1 percentage point higher than the current healthcare trend rate.

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	\$ 39,725,447	\$ 46,477,963	\$ 55,022,074

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized OPEB expense of \$4,388,973. Deferred outflows and inflows of resources related to OPEB are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Outflows
Difference between expected and actual experience	\$ 686,615	\$ -	\$ 686,615
Changes in assumptions	6,956,126	791,179	6,164,947
Total	<u>\$ 7,642,741</u>	<u>\$ 791,179</u>	<u>\$ 6,851,562</u>

Amounts reports as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30	Net Outflows of Resources
2021	\$ 882,869
2022	882,869
2023	882,869
2024	882,869
2025	882,869
Thereafter	<u>2,437,217</u>
Total	<u>\$ 6,851,562</u>

8. DEFERRED COMPENSATION PLAN

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

9. SELF-INSURANCE PLAN

The District maintains a self-funded health insurance program and dental insurance program with claims processed by a third party administrator on behalf of the District. A separate Insurance Fund (an internal service fund) is used to account for and finance both insurance programs.

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

All funds of the District from which employee salaries are paid participate in the health and dental insurance programs and make payments to the Internal Service Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for incurred but not reported claims. Total contributions and transfers to the programs for the year ended June 30, 2020 were \$26,252,763. The claims liability of \$1,697,000 reported in the Internal Service Fund at June 30, 2020, is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Internal Service Fund's claims liability amount were as follows for the year ended June 30:

	2020	2019
Unpaid claims, beginning of year	\$ 3,192,606	\$ 2,697,358
Incurred claims (including IBNRs)	22,733,422	22,641,963
Claim payments	(24,229,028)	(22,146,715)
Unpaid claims, end of year	<u>\$ 1,697,000</u>	<u>\$ 3,192,606</u>

10. COMMITMENTS AND CONTINGENCIES

Litigation

Various claims and lawsuits are pending against the District. In the opinion of District management, the potential loss on all claims and lawsuits will not be material to the District's financial statements taken as a whole.

Grant Audits

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

Protested Taxes

Each year the County remits certain unresolved protested tax payments to the District. The County notifies the District when a taxpayer is successful in their protests, and the District refunds the tax payments to the County. Normal refunds of protested tax payments are not material in relation to the District's financial position and results of operations.

Risks and Uncertainties

The District invests in various investment securities, including cash equivalents. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk

associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Coronavirus Pandemic

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

11. 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 2020 was \$2,521,688. Settled claims have not exceeded insurance coverage in any of the past three years.

12. TAX ABATEMENTS

A tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which the governments promise to forgo tax revenues to which they are otherwise entitled and the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Under Chapter 100 of Missouri's tax code, the Department of Economic Development can provide a state and local sales tax exemption on tangible personal property leased by a company from a city/county. The tax exemption extends to both state and local sales tax and local property tax.

The District does not negotiate tax abatements with entities; however, the District is impacted by tax abatements granted by other governmental jurisdictions within the District's boundaries. These include Chapter 100 tax abatements for The Fireman's Fund, CitiMortgage, and Centene Corporation. For the fiscal year ending June 30, 2020, these abatements total \$531,881.

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

The District is also subject to one Chapter 353 tax abatement; this is an incentive to help redevelop blighted areas by abating some or all of the property taxes for up to 25 years. This tax abatement is immaterial to the financial statements.

13. 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 generally accepted accounting principles (GAAP) for state and local governments.

This report does not contain GASB Statement No. 83, *"Certain Asset Retirement Obligations,"* GASB Statement No. 84, *"Fiduciary Activities,"* GASB Statement No. 87, *"Leases,"* GASB Statement No. 88, *"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,"* GASB Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period,"* GASB Statement No. 90, *"Majority Equity Interests, an Amendment of GASB Statements No. 14 and No. 61,"* GASB Statement No. 91, *"Conduit Debt Obligations,"* GASB Statement No. 92, *"Omnibus 2020,"* GASB Statement No. 93, *"Replacement of Interbank Offered Rates,"* GASB Statement No. 94, *"Public-Private and Public-Public Partnerships and Availability Payment Arrangements,"* GASB Statement No. 96, *"Subscriptions-Based Information Technology Arrangements"* and GASB Statement No. 97, *"Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans"*.

The District will adopt and implement these statements at the required time. The effects on the District's financial statements as a result of the adoption of these new pronouncements are unknown.

14. SUBSEQUENT EVENTS

Voters in the Francis Howell School District approved Proposition S, a \$244 million bond issue, at the general election held on June 2, 2020. On September 3, 2020, the District closed on the sale of the first tranche of Proposition bonds, totaling \$100 million. The proceeds from this bond sale will be used to address capital improvement projects throughout the District, as identified in the Comprehensive Facilities Master Plan and as further refined by the Facilities Committee in the lead up to the Proposition S campaign. The signature project of Proposition S is the rebuilding of the Francis Howell North High School. Initial construction work on the Francis Howell North High School Project is slated to begin in May 2021 following the end of the 2020-21 school year.

The Board of Education, at its meeting held on October 15, 2020, approved the tax-exempt State and Municipal Lease/ Purchase Agreement (the "Lease") through Clayton Holdings, LLC – an equity subsidiary of Commerce Bank. The lease provides funding for the purchase of seven gasoline-powered buses from Midwest Transit; the purchase was approved by the Board of Education at its April 16, 2020, Board meeting. The buses were delivered on September 23, 2020. The seven-year lease purchase agreement for the buses is for a principal amount of \$508,232. Interest is calculated to be \$32,598, based on an interest rate of 1.68%.

FRANCIS HOWELL R-III SCHOOL DISTRICT

Notes to Financial Statements (continued)

At this same meeting, the Board approved Master Tax-Exempt Lease/Purchase Agreement with American Capital and Property Schedule No. 5. This property schedule includes the lease purchase of 2,200 Acer Chromebooks, 65 AVerCharge mobile storage carts and white glove service, for a total cost of \$534,097, 900 Acer Chromebooks, 25 AVerCharge mobile storage carts and white glove service, for a total cost of \$220,714. The principal amount for Property Schedule No. 5 is \$754,811, with \$22,652 in interest, for a total lease cost of \$777,464.

A majority of the District's operating revenue comes from property tax receipts, which are received beginning in mid-December each year. As District expenditures greatly exceeded its revenue during the first five months of the fiscal year, the Administration determined it necessary to issue Tax Anticipation Notes (TANs) in order to assure sufficient liquidity prior to the receipt of property tax revenue. The Board of Education, at its October 15, 2020, meeting, authorized the issuance of up to \$15 million in Tax Anticipation Notes to be purchased by UMB Bank.

FRANCIS HOWELL R-III SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGETARY BASIS - BUDGET AND ACTUAL -
GENERAL FUND - UNAUDITED
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variances - Positive (Negative)		
	Original	Final		Original to Final	Final to Actual	
REVENUES:						
Local	\$ 69,711,713	\$ 77,628,767	\$ 67,146,706	\$ 7,917,054	\$ (10,482,061)	
County	1,146,490	1,233,311	1,138,802	86,821	(94,509)	
State	6,335,768	5,053,452	3,631,461	(1,282,316)	(1,421,991)	
Federal	2,775,302	2,547,052	2,709,882	(228,250)	162,830	
Interest	530,783	531,600	970,438	817	438,838	
Other	164,259	164,259	324,481	-	160,222	
Student activities	2,465,000	2,465,000	1,587,320	-	(877,680)	
Total revenues	83,129,315	89,623,441	77,509,090	6,494,126	(12,114,351)	
EXPENDITURES:						
Instruction	13,173,272	13,148,976	17,010,508	24,296	(3,861,532)	
Attendance	1,770,346	1,769,195	2,225,327	1,151	(456,132)	
Guidance	175,999	176,075	180,919	(76)	(4,844)	
Health, psych, speech and audio	4,536,506	4,524,133	4,869,075	12,373	(344,942)	
Improvement of instruction	2,189,193	2,411,789	1,142,464	(222,596)	1,269,325	
Professional development	152,731	147,389	86,666	5,342	60,723	
Media services (library)	363,409	368,681	370,867	(5,272)	(2,186)	
Board of Education services	2,600,441	2,447,866	204,058	152,575	2,243,808	
Executive administration	5,839,142	5,913,043	6,050,255	(73,901)	(137,212)	
Building level administration	2,582,384	2,601,932	2,808,748	(19,548)	(206,816)	
Business central service	2,077,517	2,086,061	1,873,104	(8,544)	212,957	
Operation of plant	16,228,106	16,544,228	15,058,486	(316,122)	1,485,742	
Security services	19,703	19,703	-	-	19,703	
Pupil transportation	11,733,927	12,011,538	12,258,769	(277,611)	(247,231)	
Food services	6,612,835	6,757,511	5,460,250	(144,676)	1,297,261	
Central office support services	4,446,268	5,552,426	4,330,365	(1,106,158)	1,222,061	
Community service	11,934,941	12,031,370	8,758,998	(96,429)	3,272,372	
Total expenditures	86,436,720	88,511,916	82,688,859	(2,075,196)	5,823,057	
 Revenues (under) over expenditures	 (3,307,405)	 1,111,525	 (5,179,769)	 4,418,930	 (6,291,294)	
OTHER FINANCING USES:						
Transfers out	(7,288,260)	(5,816,166)	(3,683,564)	1,472,094	2,132,602	
Total other financing uses	(7,288,260)	(5,816,166)	(3,683,564)	1,472,094	2,132,602	
 NET CHANGE IN FUND BALANCE	 \$ (10,595,665)	 \$ (4,704,641)	 (8,863,333)	 \$ 5,891,024	 \$ (4,158,692)	
FUND BALANCE, BEGINNING OF YEAR			 40,621,052			
FUND BALANCE, END OF YEAR			 \$ 31,757,719			

See notes to required supplementary information

FRANCIS HOWELL R-III SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGETARY BASIS - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND - UNAUDITED
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local	\$ 72,064,535	\$ 72,442,410	\$ 71,324,573	\$ 377,875	\$ (1,117,837)
County	1,375,478	1,361,413	1,268,467	(14,065)	(92,946)
State	47,498,070	48,990,985	49,061,960	1,492,915	70,975
Federal	5,331,339	5,559,589	5,343,631	228,250	(215,958)
Interest	521,055	521,730	101,553	675	(420,177)
Other	399,700	399,700	147,675	-	(252,025)
Student activities	9,000	9,000	5,590	-	(3,410)
Total revenues	127,199,177	129,284,827	127,253,449	2,085,650	(2,031,378)
EXPENDITURES:					
Instruction	99,003,063	98,992,646	100,571,888	10,417	(1,579,242)
Guidance	4,941,673	4,941,673	5,404,144	-	(462,471)
Health, psych, speech and audio	5,339,157	5,339,157	5,520,808	-	(181,651)
Improvement of instruction	2,782,088	2,758,515	2,646,581	23,573	111,934
Professional development	247,220	252,563	218,835	(5,343)	33,728
Media services (library)	1,785,422	1,785,422	1,898,494	-	(113,072)
Executive administration	1,396,940	1,418,729	1,564,998	(21,789)	(146,269)
Building level administration	9,005,918	9,008,758	9,277,611	(2,840)	(268,853)
Business central service	2,500	2,500	2,529	-	(29)
Central office support services	4,839,644	4,857,216	13,914	(17,572)	4,843,302
Community service	143,814	143,814	142,772	-	1,042
Total expenditures	129,487,439	129,500,993	127,262,574	(13,554)	2,238,419
Revenues (under) over expenditures	(2,288,262)	(216,166)	(9,125)	2,072,096	207,041
OTHER FINANCING SOURCES:					
Transfers in	2,288,260	216,166	-	(2,072,094)	(216,166)
NET CHANGE IN FUND BALANCE	\$ (2)	\$ -	(9,125)	\$ 2	\$ (9,125)
FUND BALANCE, BEGINNING OF YEAR			38,938		
FUND BALANCE, END OF YEAR			\$ 29,813		

See notes to required supplementary information

FRANCIS HOWELL R-III SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

Note 1 – Budgets and Budgetary Information

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

- In accordance with Chapter 67, RSMo, the District adopts a budget for each fund.
- 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.
- 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.
- Prior to July 1, the budget is legally enacted by a vote of the Board of Education.
- 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.

Note 2 – Adjustments to Convert Budgetary Basis to Modified Accrual Basis

The District creates its budget using the cash basis of accounting. The cash basis is used because it enables the District to better budget revenue and expenditures as the resources are expended or received. As noted in the Summary of Significant Accounting Policies, the District used the modified accrual basis to report fund financial statements.

The following is a summary of the differences between the cash basis ending fund balances and the modified accrual basis ending fund balances:

	General Fund	Special Revenue Fund
Cash basis fund balance June 30, 2020	\$ 31,757,719	\$ 29,813
Add receivables	2,830,754	2,874,240
Add prepaid expenses	1,700,799	2,705
Less liabilities	(1,389,446)	(1,628,910)
Less unearned revenue and deferred inflows	(687,990)	(675,216)
Modified accrual basis fund balance June 30, 2020	<u>\$ 34,211,836</u>	<u>\$ 602,632</u>

FRANCIS HOWELL R-III SCHOOL DISTRICT

**NET PENSION LIABILITY – UNAUDITED
YEAR ENDED JUNE 30, 2020**

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios – PSRS

Year Ended*	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Actual Covered Member Payroll	Net Pension Liability as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2015	2.2109%	\$ 90,703,839	\$ 99,200,076	91.4%	89.3%
6/30/2016	2.2802%	131,632,756	104,318,130	126.2%	85.8%
6/30/2017	2.2719%	169,044,101	106,065,873	159.4%	82.2%
6/30/2018	2.1817%	157,552,016	104,032,363	151.5%	83.8%
6/30/2019	2.1370%	158,799,694	103,731,744	153.1%	84.1%
6/30/2020	2.1395%	157,896,606	106,148,984	148.8%	84.6%

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios – PEERS

Year Ended*	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Actual Covered Member Payroll	Net Pension Liability as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2015	1.7233%	\$ 6,292,905	\$ 25,129,653	25.0%	91.3%
6/30/2016	1.7720%	9,372,217	26,571,281	35.3%	88.3%
6/30/2017	1.7169%	13,775,294	26,513,306	52.0%	83.3%
6/30/2018	1.6362%	12,483,402	26,295,104	47.5%	85.4%
6/30/2019	1.6261%	12,572,029	27,070,711	46.4%	86.1%
6/30/2020	1.6692%	13,202,722	28,796,960	45.9%	86.4%

Schedule of Employer Contributions – PSRS

Year Ended	Contractually Required Contribution	Actual Employer Contributions	Contribution Excess/ (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
6/30/2014	\$ 13,693,593	\$ 13,693,593	\$ -	\$ 95,269,253	14.37%
6/30/2015	14,237,244	14,237,244	-	99,200,076	14.35%
6/30/2016	14,971,166	14,971,166	-	104,318,130	14.35%
6/30/2017	15,218,211	15,218,211	-	106,065,873	14.35%
6/30/2018	14,924,906	14,924,906	-	104,032,363	14.35%
6/30/2019	14,899,417	14,899,417	-	103,731,744	14.34%
6/30/2020	15,228,281	15,228,281	-	106,148,984	14.4%

FRANCIS HOWELL R-III SCHOOL DISTRICT

**NET PENSION LIABILITY - UNAUDITED (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Schedule of Employer Contributions - PEERS

Year Ended	Contractually Required Contribution	Actual Employer Contributions	Contribution Excess/ (Deficiency)	Actual Covered Member Payroll	Contributions as a Percentage of Covered Payroll
6/30/2014	\$ 1,673,142	\$ 1,673,142	\$ -	\$ 24,391,725	6.86%
6/30/2015	1,723,895	1,723,895	-	25,129,653	6.86%
6/30/2016	1,822,790	1,822,790	-	26,571,281	6.86%
6/30/2017	1,818,813	1,818,813	-	26,513,306	6.86%
6/30/2018	1,803,844	1,803,844	-	26,295,104	6.86%
6/30/2019	1,856,064	1,856,064	-	27,070,711	6.86%
6/30/2020	1,987,656	1,987,656	-	28,796,960	6.90%

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

*The data provided is based as of the measurement date of PSRS' and PEERS' net pension liability, which is as of the beginning of the District's fiscal year.

FRANCIS HOWELL R-III SCHOOL DISTRICT

**OTHER POSTEMPLOYMENT BENEFIT OBLIGATION - UNAUDITED
JUNE 30, 2020**

Schedule of Changes in Total OPEB Liability

	2020	2019	2018
Total OPEB liability:			
Service cost	\$ 2,150,400	\$ 1,595,130	\$ 1,644,890
Interest	1,355,704	1,361,170	1,256,725
Economic/demographic gains and losses	776,135	-	-
Changes in assumptions	6,445,123	1,655,147	(1,242,421)
Benefit payments	(1,652,609)	(1,556,148)	(1,527,448)
Net change in total OPEB liability	9,074,753	3,055,299	131,746
Total OPEB liability at beginning of year	37,403,210	34,347,911	34,216,165
Total OPEB liability at end of year	\$ 46,477,963	\$ 37,403,210	\$ 34,347,911
Covered payroll for the year ended June 30,	\$ 119,899,185	\$ 116,913,123	\$ 116,913,000
Total OPEB liability as a percentage of covered payroll	38.76%	31.99%	29.38%

Notes to Required Supplementary Information:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions".

Impact of Changes of Benefit Terms

There were no changes of benefit terms that significantly impacted the valuation.

Impact of Plan Experience

The Plan has not had a formal actuarial experience study performed.

Impact of Changes of Assumptions

The discount rate, which is based on the 20 year Bond GO Index was updated. As of June 30, 2020, the discount rate was 2.21% (formerly 3.50% as of June 30, 2019). Also, the mortality tables were changed to the Pub-2010 mortality table with generational projection based on Scale MP-2019. Previously the RP-2014 tables were used.

Note:

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

FRANCIS HOWELL R-III SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGETARY BASIS - BUDGET AND ACTUAL -
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted amounts		Actual	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local	\$ 19,379,875	\$ 19,447,896	\$ 18,682,815	\$ 68,021	\$ (765,081)
County	392,914	418,840	399,704	25,926	(19,136)
Federal	530,331	530,331	385,854	-	(144,477)
Interest	181,904	4,167,992	4,160,263	3,986,088	(7,729)
Total revenues	20,485,024	24,565,059	23,628,636	4,080,035	(936,423)
EXPENDITURES:					
Business central service	2,500	2,500	-	-	2,500
Debt service:					
Principal	13,090,000	42,088,000	42,088,000	(28,998,000)	-
Interest and other charges	4,293,503	11,507,960	11,434,191	(7,214,457)	73,769
Total expenditures	17,386,003	53,598,460	53,522,191	(36,212,457)	76,269
Revenues over (under) expenditures	3,099,021	(29,033,401)	(29,893,555)	(32,132,422)	(860,154)
OTHER FINANCING SOURCES (USES):					
Proceeds from general obligation refunding bonds	-	32,225,000	32,225,000	32,225,000	-
Total other financing sources (uses)	-	32,225,000	32,225,000	32,225,000	-
NET CHANGE IN FUND BALANCES	\$ 3,099,021	\$ 3,191,599	2,331,445	\$ 92,578	\$ (860,154)
FUND BALANCE, BEGINNING OF YEAR			12,863,491		
FUND BALANCE, END OF YEAR			\$ 15,194,936		
Reconciliation of budgetary basis (cash basis) of accounting to modified accrual basis of accounting					
Cash basis fund balance June 30, 2020			\$ 15,194,936		
Add receivables			493,269		
Less unearned revenue and deferred inflows			(233,645)		
Modified accrual fund balance June 30, 2020			\$ 15,454,560		

FRANCIS HOWELL R-III SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGETARY BASIS - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local	\$ 2,782,149	\$ 4,703,231	\$ 5,237,667	\$ 1,921,082	\$ 534,436
County	35,118	37,435	32,221	2,317	(5,214)
State	40,000	40,000	139,573	-	99,573
Federal	20,000	20,000	4,290	-	(15,710)
Interest	16,258	16,136	56,497	(122)	40,361
Other	-	-	13,528	-	13,528
Student activities	-	-	99,680	-	99,680
Total Revenues	2,893,525	4,816,802	5,583,456	1,923,277	766,654
EXPENDITURES:					
Capital outlay	7,912,054	8,427,994	1,876,810	(515,940)	6,551,184
Interest and other charges	67,469	67,469	363,385	-	(295,916)
	7,979,523	8,495,463	2,240,195	(515,940)	6,255,268
REVENUES (UNDER) OVER EXPENDITURES	(5,085,998)	(3,678,661)	3,343,261	1,407,337	7,021,922
OTHER FINANCING SOURCES:					
Transfers in	5,100,000	5,600,000	3,683,564	500,000	(1,916,436)
NET CHANGE IN FUND BALANCE	\$ 14,002	\$ 1,921,339	7,026,825	\$ 1,907,337	\$ 5,105,486
FUND BALANCE, BEGINNING OF YEAR			25,925		
FUND BALANCE, END OF YEAR			\$ 7,052,750		

Reconciliation of budgetary basis (cash basis) of
accounting to modified accrual basis of accounting

Cash basis fund balance June 30, 2020	\$ 7,052,750
Add receivables	37,205
Add prepaid expenses	109,534
Less accounts payable	(99,181)
Less unearned revenue and deferred inflows	(20,884)
Modified accrual fund balance June 30, 2020	\$ 7,079,424

FRANCIS HOWELL R-III SCHOOL DISTRICT

INFORMATION REQUIRED FOR
STATE AND FEDERAL PROGRAM REPORTING

JUNE 30, 2020

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
SPECIFIED REQUIREMENTS OF MISSOURI LAWS AND REGULATIONS**

To the Members of the Board of Education
Francis Howell R-III School District

We have audited the financial statements of the governmental activities, the business type activities, and each major fund of the Francis Howell R-III School District (the "District") as of and for the year ended June 30, 2020, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 9, 2020.

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) 165.121.3 (7) RSMo with respect to the methods of maintaining pupil attendance records for the year ended June 30, 2020. The management of the District is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance with those requirements based on our audit.

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

In our opinion, the District's budgetary and disbursements procedures were in compliance, in all material respects, with the budgetary statute (Chapter 67 RSMo) for the year ended June 30, 2020. 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 year ended June 30, 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
December 9, 2020

FRANCIS HOWELL R-III SCHOOL DISTRICT

**SCHEDULE OF SELECTED STATISTICS – UNAUDITED
YEAR ENDED JUNE 30, 2020**

County District Number: 092-088

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		6.5833	123	791.1333
1075	9	12		6.5833	123	791.1333
1090	9	12		6.5833	123	791.1333
3000	6	8		6.5833	123	801.2500
3100	6	8		6.5833	123	801.2500
3200	6	8		6.5833	123	801.2500
3300	6	8		6.5833	123	801.2500
3400	6	8		6.5833	123	801.2500
4020	PK	5		6.5833	123	801.2500
4035	PK	5		6.5833	123	801.2500
4040	PK	5		6.5833	123	801.2500
4060	PK	5		6.5833	123	801.2500
4070	PK	5		6.5833	123	801.2500
5000	PK	5		6.5833	123	801.2500
5010	PK	5		6.5833	123	801.2500
5020	PK	5		6.5833	123	801.2500
5030	PK	5		6.5833	123	801.2500
5040	PK	5		6.5833	123	801.2500
	PK	PK		6.5833	123	801.2500
	PK	PK	A	3.0890	123	549.8420
	PK	PK	P	3.0890	123	549.8420

Notes:

FRANCIS HOWELL R-III SCHOOL DISTRICT*Schedule of Selected Statistics (continued)*2. Average Daily Attendance (ADA)

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

School Code	Grade Level	Full-Time Hours	Part-Time Hours	Remedial Hours	Other Hours	Summer School Hours	Total Hours
1050	9-12	1,265,579.0222	54,006.8241	-	-	42,286.3402	1,361,872.1865
1075	9-12	1,158,006.7355	19,198.4550	-	-	135.0000	1,177,340.1905
1090	9-12	1,317,737.2289	7,289.1666	-	-	1,016.8667	1,326,043.2622
3000	6-8	566,794.9904	1,133.1763	-	-	1,341.5167	569,269.6834
3100	6-8	520,053.0529	612.4700	-	-	1,091.5000	521,757.0229
3200	6-8	644,797.5396	2,167.2946	-	-	1,459.8300	648,424.6642
3300	6-8	556,685.8619	1,371.8970	-	-	43,168.3297	601,226.0886
3400	6-8	610,294.5163	1,498.3463	-	-	1,214.5667	613,007.4293
4020	PK-5	606,581.2768	112.1933	-	-	532.5000	607,225.9701
4035	PK-5	619,773.3643	1,401.3767	-	-	499.2500	621,673.9910
4040	PK-5	592,357.2454	2,251.9633	-	-	1,692.0000	596,301.2087
4060	PK-5	324,783.8160	1,234.0667	-	-	377.5000	326,395.3827
4070	PK-5	872,537.5079	1,589.4433	-	-	47,735.7500	921,862.7012
5000	PK-5	522,027.9702	361.4267	-	-	1,290.0000	523,679.3969
5010	PK-5	470,622.7266	1,345.7733	-	-	31,946.2732	503,914.7731
5020	PK-5	536,505.5427	0.0100	-	-	535.0000	537,040.5527
5030	PK-5	543,981.8656	711.4333	-	-	622.5000	545,315.7989
5040	PK-5	641,195.1331	848.8734	-	-	817.8667	642,861.8732
7500	PK-K	-	3,302.7834	84.0000	-	-	3,386.7834
7520	PK-K	1,532.1000	2,229.7166	-	-	-	3,761.8166
7530	PK-K	1,416.1334	-	-	-	-	1,416.1334
		12,373,263.6297	102,666.6899	84.0000	-	177,762.5899	12,653,776.9095

Notes:

FRANCIS HOWELL R-III SCHOOL DISTRICT*Schedule of Selected Statistics (continued)*

3. September Membership

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

School Code	Grade Level	Full-Time	Part-Time	Other	Total
1050	9-12	1,735.00	65.60	-	1,800.60
1075	9-12	1,619.00	18.15	-	1,637.15
1090	9-12	1,811.00	19.93	-	1,830.93
3000	6-8	750.00	1.42	-	751.42
3100	6-8	683.00	0.97	-	683.97
3200	6-8	856.00	3.04	-	859.04
3300	6-8	755.00	2.04	-	757.04
3400	6-8	804.00	3.62	-	807.62
4020	PK-5	790.00	1.87	-	791.87
4035	PK-5	836.00	0.41	-	836.41
4040	PK-5	769.00	2.01	-	771.01
4060	PK-5	429.00	0.20	-	429.20
4070	PK-5	1,138.00	1.26	-	1,139.26
5000	PK-5	674.00	0.08	-	674.08
5010	PK-5	607.00	0.22	-	607.22
5020	PK-5	696.00	0.03	-	696.03
5030	PK-5	706.00	0.23	-	706.23
5040	PK-5	824.00	1.08	-	825.08
7500	PK-K	-	4.00	-	4.00
7520	PK-K	2.00	4.00	-	6.00
7530	PK-K	2.00	-	-	2.00
		16,486.00	130.16	-	16,616.16

Notes:

FRANCIS HOWELL R-III SCHOOL DISTRICT*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	8.00	-	-	-	8.00
1050	128.86	41.22	-	-	170.08
1075	223.95	46.86	-	-	270.81
1090	219.43	42.50	-	-	261.93
3000	144.00	24.00	-	-	168.00
3100	150.01	33.00	-	-	183.01
3200	72.42	17.00	-	-	89.42
3300	104.71	25.00	-	-	129.71
3400	125.00	21.00	-	-	146.00
4020	65.00	20.00	-	-	85.00
4035	102.00	16.00	-	-	118.00
4040	195.30	24.00	-	-	219.30
4060	29.00	11.00	-	-	40.00
4070	164.71	55.00	-	-	219.71
5000	156.00	24.00	-	-	180.00
5010	132.00	17.00	-	-	149.00
5020	51.00	6.00	-	-	57.00
5030	42.53	21.00	-	-	63.53
5040	73.00	12.00	-	-	85.00
7500	-	-	-	-	-
7520	-	-	-	-	-
7530	-	-	-	-	-
	2,186.92	456.58	-	-	2,643.50

Notes:

FRANCIS HOWELL R-III SCHOOL DISTRICT

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
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)	TRUE
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

See accompanying independent auditors' report

FRANCIS HOWELL R-III SCHOOL DISTRICT

Schedule of Selected Statistics (continued)

Section	Question	Answer
5.9	If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the board approve a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken. (Not applicable to charter schools)	N/A
5.10	The district/charter school published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo.	TRUE
5.11	The district has a professional development committee plan adopted by the Board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment. Remaining 25% of 1% if not spent must be restricted and spent on appropriate expenditures in the future. Spending requirement is modified to seventy-five percent (75%) of one half percent (1/2%) of the current year basic formula apportionment if through fiscal year 2024 the amount appropriated and expended to public schools for transportation is less than twenty-five percent (25%) of allowable cost. (Not applicable to charter schools.)	TRUE
5.12	The amount spent for approved professional development committee plan activities was:	\$305,801
5.13	The district/charter school has posted, at least quarterly, a searchable expenditure and revenue document or database detailing actual income, expenditures, and disbursement for the current calendar or fiscal year on the district or school website or other form of social media as required by Section 160.066, RSMo.	TRUE

Notes:

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:	
	• Eligible ADT	9,861.0
	• Ineligible ADT	996.5

See accompanying independent auditors' report

FRANCIS HOWELL R-III SCHOOL DISTRICT

Schedule of Selected Statistics (continued)

Section	Question	Answer
6.4	The District's transportation odometer mileage records are maintained in a manner to accurately disclose in all material respects the eligible and ineligible mileage for the year.	<u>True</u>
6.5	Actual odometer records show the total District-operated <u>and</u> contracted mileage for the year was:	<u>1,981,930</u>
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)	<u>1,803,771</u> <u>178,159</u>
6.7	Number of days the District operated the school transportation system during the regular school year:	<u>126</u>

Notes:

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

Finding:	
Management Letter Comment:	



**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
Francis Howell R-III School District

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, the business type activities, and each major fund, and the aggregate remaining fund information of the Francis Howell R-III School District (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 9, 2020.

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) as a basis for designing 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
December 9, 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
Francis Howell R-III School District

Report on Compliance for Each Major Federal Program

We have audited the Francis Howell R-III School District'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 year ended June 30, 2020. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of governmental activities, each major fund, and the aggregate remaining fund information of Francis Howell R-III School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Francis Howell R-III School District's basic financial statements. We issued our report thereon dated December 9, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information 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. The information has

been subjected to the auditing procedures applied in the audit of the 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 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
December 9, 2020

FRANCIS HOWELL R-III SCHOOL DISTRICT

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

Program Title	Federal CFDA Number	Pass-Through Identification Number	Expenditures
<u>U.S. Department of Education:</u>			
Passed through Missouri Department of Elementary and Secondary Education:			
Title I Grants to Local Education Agencies	84.010	092-088	\$ 987,928
Title III - English Language Acquisition Grants	84.365	092-088	64,124
Student Support and Academic Enrichment	84.424	092-088	44,948
CARES - Elementary and Secondary School Emergency Relief Fund	84.425D	092-088	645,329
Special Education Cluster (IDEA):			
Special Education - Grants to States	84.027	092-088	3,271,031
Special Education High Needs Fund	84.027	092-088	179,106
Assistive Technology Reimbursement Program	84.027	092-088	12,557
Special Education Transition	84.027	092-088	400
Subtotal CFDA 84.027			<u>3,463,094</u>
Special Education - Preschool Grant	84.173	092-088	<u>749,174</u>
Total Special Education Cluster (IDEA)			<u>4,212,268</u>
Title IIA Improving Teacher Quality State Grants	84.367	092-088	284,851
OEQ Title IIA, Sub Reimbursement	84.367	092-088	245
Subtotal CFDA 84.367			<u>285,096</u>
Total U.S. Department of Education			<u>6,239,693</u>
<u>U.S. Department of Agriculture:</u>			
Passed through Missouri Department of Elementary and Secondary Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	092-088	1,020,152
CARES Food & Nutrition Lunch Program	10.555	092-088	73,292
CARES Food & Nutrition Breakfast Program	10.555	092-088	45,603
Donated Foods	10.555	092-088	383,415
Subtotal CFDA 10.555			<u>1,522,462</u>
School Breakfast Program	10.553	092-088	<u>229,704</u>
Total Child Nutrition Cluster			<u>1,752,166</u>
Total U.S. Department of Agriculture			<u>1,752,166</u>
TOTAL			<u>\$ 7,991,859</u>

FRANCIS HOWELL R-III SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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 year ended June 30, 2020. The information reported in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2 - Significant Accounting Policies

The District prepares its Schedule of Expenditures of Federal Awards on the modified accrual basis of accounting which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The District has elected not to use the 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 year ended June 30, 2020.

Note 5 - Insurance

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

Note 6 - Loan/Loan Guarantees

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

Note 7 - Subrecipients

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

FRANCIS HOWELL R-III SCHOOL DISTRICT

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

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? ☐ Yes ☒ No
Significant deficiency(ies) identified
not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements
noted? ☐ Yes ☒ No

Federal Awards

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

Identification of major programs:

CFDA Number(s)
84.027, 84.173
10.553, 10.555, 10.559
84.010

Name of Federal Program or Cluster
Special Education Cluster (IDEA)
Child Nutrition Cluster
Title I Grants to Local Education Agencies

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

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

2. FINANCIAL STATEMENT FINDINGS

There were no financial statement findings which are required to be reported.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings and questioned costs related to Federal Awards.

FRANCIS HOWELL R-III SCHOOL DISTRICT

REPORT ON INTERNAL CONTROL
RELATED MATTERS AND ADVISORY COMMENTS

FOR THE YEAR ENDED JUNE 30, 2020



SCHOWALTER & JABOURI, P.C.

Certified Public Accountants & Advisors

The Members of the Board of Education
and Management
Francis Howell R-III School District

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Francis Howell R-III School District (the "District") as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 District's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Our comments concerning internal control and other matters are presented as follows:

I. Other Current Year Matters

This communication is intended solely for the information and use of management, the Board of Education, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

We will be pleased to further discuss these matters with you and want to express our sincere appreciation to the staff for the cooperation and assistance received during the audit engagement and for the opportunity to serve Francis Howell R-III School District.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
December 9, 2020

I. OTHER CURRENT YEAR MATTERS

A. General Ledger and Year-End Closing Process

The District's historic practice has been to maintain the general ledger (BusinessPLUS) on a cash basis throughout the year. Adjusting journal entries are only made at year-end to convert the cash basis general ledger to the accrual basis in order to prepare accrual basis financial statements in accordance with generally accepted accounting principles (GAAP). These adjusting journal entries are manually entered into CaseWare, which is a separate system from the general ledger.

Further, the District uses a liability fund (known as "Fund L") in the BusinessPLUS general ledger to accumulate certain liabilities for accounts payable and payroll. This liability fund is a separate fund created within the general ledger; however, since neither GAAP nor DESE accounting standards allow for such a type of fund, a series of journal entries are made at year-end to allocate balances in Fund L to the reporting funds in order to prepare accrual-basis GAAP financial statements and the ASBR. Journal entries are made to remove ending balances in Fund L in the cash basis general ledger. A journal entry must then be manually made in CaseWare to re-record these amounts in accordance with GAAP.

This system of accounting appears to cause certain inefficiencies and duplication of efforts and has the potential for misstatement due to errors if journal entries are not posted correctly. A best practice is to utilize the general ledger to post accounts payable, payroll, and fund level modified accrual journal entries directly to the appropriate accounts. This would eliminate the need for a separate system (CaseWare) and has the added benefit of increasing accuracy in financial reporting as journal entries could be made directly to the appropriate funds and functions, not just high level to a single fund.

Since the District is in the process of implementing a new general ledger system, we recommend the District work with the software provider to establish accounting procedures in accordance with best practices that will help eliminate duplicative and manual efforts and thereby increase efficiency and accuracy.

B. Financial Statement Preparation

We noted that currently the financial statement process is somewhat segregated, with multiple individuals responsible for various aspects of a financial statement area. For example, the person who maintains an account throughout the year may not be the same person responsible for preparing a year end closing journal entry. This can lead to gaps in assigned or assumed responsibility, transfer of knowledge or unusual or infrequent current year activity relevant to the closing process, and ownership of the process and ultimate reporting (including accuracy of journal entries and completeness of disclosures.)

We recommend the District re-visit its procedures and assigned responsibilities related to financial statement preparation to ensure that ownership has been fully assigned and communicated. For example, consideration should be given to items such as journal entries being prepared and disclosures being completed by the same individual who maintains the account throughout the year.

I. OTHER CURRENT YEAR MATTERS (CONTINUED)

C. Budget Tracking

Currently, as required, the Board approves an original budget and then subsequent amendments. This information is then entered into the general ledger software by object, but there is no tracking of the changes to the budgets by the required reporting units (fund, function, and object). Further, for reporting purposes, the information is manually imported and summarized into the reporting software. This practice appears sufficient for certain management purposes but does not meet the detailed reporting requirements for GAAP financial statements. Without a clear audit trail of the changes, there can be no certainty that the amounts that the Board is approving are being reflected in (1) the externally reported financial statements and (2) the internal fund level budget information relied upon by management.

We recommend the District review its tracking process and software capabilities in order to be able to provide an audit trail that supports that the final amounts being used for GAAP reporting and internal budget review to ensure such information is complete and accurate and in accordance with was approved by the Board.

D. Capital Asset Tracking

During our audit, we noted that the District maintains an Excel spreadsheet to track capital asset activity. This spreadsheet lists each capitalized asset currently in service, including the original cost, the acquisition date (the date placed in service), useful life, and accumulated depreciation. This spreadsheet is extensive and contains several nested formulas. These formulas are more inherently subject to error, such as miscalculations and validity errors. Currently, the spreadsheet contains approximately 800 lines and over 150 columns. Annual depreciation expense is calculated using formulas in this spreadsheet; therefore, any errors in formulas could lead to financial statement misstatements.

We recommend the District evaluate the costs and benefits of implementing an electronic capital asset management software system. An electronic system would provide the benefits of increased efficiency for personnel and increased accuracy in capital asset and financial reporting.

E. Facilities Acquisition and Construction

The District currently has a function 4000 Facilities Acquisition and Construction which was set up years ago in relation to tracking the building of a new high school. While this function is appropriate for DESE reporting purposes, it is not considered appropriate for GAAP on the government-wide statements. Expenses should be allocated to the appropriate functions.

We recommend the District perform the necessary analysis to correctly allocate amounts still remaining in Facilities Acquisition and Construction.

F. Capital Outlay

As stated previously, the general ledger is maintained on a cash basis and full accrual accounting is performed in a separate software by different individuals. As a result of audit procedures, we identified that there does not appear to be procedures in place to review capital outlay for reasonableness and to ensure identification of all items needed to be capitalized for full accrual accounting.

I. OTHER CURRENT YEAR MATTERS (CONTINUED)

F. Capital Outlay (continued)

We recommend the District establish procedures ensure complete and accurate identification of all costs to be allocated related to capital outlay. This would include a thorough review of expenditures and accruals.

G. Self-Insurance Reserve

As a result of audit procedures, we identified that the self-insurance reserve appeared to be overstated in relation to claim history and information provided by third-party administrators involved in the self-insurance components. As a result, an audit adjustment was recorded by the District.

We recommend that the District develop a process, through consultation with the third-party administrators, to estimate a reserve at year-end for unrecorded claims.

H. Transportation—October and February Headcounts

During our audit, we noted certain errors in the preparation of the October and February Ridership Report. Specifically, there were clerical errors in the reported number of students on certain buses.

We recommend that the District carefully review the information used to prepare the October and February Ridership Report to ensure that the information reported is complete and accurate.

I. Transportation—Field Trip Miles

During our audit, we noted that certain errors made in the preparation of the Field Trip Summary Report which is included in the ineligible miles portion of the Application for State Transportation Aid submitted to the Missouri Department of Elementary and Secondary Education. Specifically, the mileage of a single trip was reported to be a negative 22,001 miles, which caused the total field trip miles to be understated by a significant amount.

We recommend the District carefully review the information used to prepare the Application for State Transportation Aid and to ensure that the information reported is complete and correct. We further recommend that the District inspect the report closely for any mileage amounts that are negative or otherwise clearly incorrect and to properly correct the errors.

J. Transportation—Homeless Miles

Homeless miles were initially reported inaccurately by the District. The District reported students transported by cabs entirely subject to the District at a 50% rate along with students from other districts, but the rate should have been 100% of the miles incurred. Additionally, the District tracked miles billed from other districts, but not miles billed to other districts. Once corrections were made and the miles billed to other districts were recorded, we noted during our testing procedures that several invoices from the provider (EMT) contained errors which caused the District to record more miles than were actually incurred.

I. OTHER CURRENT YEAR MATTERS (CONTINUED)

J. Transportation—Homeless Miles (continued)

We recommend the District separately record miles billed from other districts and billed to other districts, as well as foster miles. We further recommend the District carefully review the information used to prepare the Homeless Miles spreadsheet on a regular basis. Lastly, we recommend the District review the invoices related to miles billed to other districts from third party providers and to challenge any bills that are over the actual amount of miles incurred.

K. Establishment of an Audit Committee

Financial reporting is a core managerial function. Accordingly, management is *primarily responsible* for financial reporting, including the adequacy of internal control over the financial reporting process. Similarly, it is a core responsibility of any governing body to exercise oversight of management. Therefore, the governing body is *ultimately* responsible for ensuring that management is, in fact, meeting its internal control and financial reporting responsibilities.

An audit committee is a practical means for a governing body to provide much needed independent review and oversight of the government's financial reporting processes, internal controls, and independent auditors. An audit committee also provides a forum separate from management in which auditors and other interested parties can candidly discuss concerns. By effectively carrying out its functions and responsibilities, an audit committee helps to ensure that management properly develops and adheres to a sound system of internal controls, that procedures are in place to objectively assess management's practices, and that the independent auditors, through their own review, objectively assess the government's financial reporting practices.

Therefore, we recommend that consideration be given to the establishment of an audit committee. We further recommend that the committee be established using the Government Finance Officer Association "Best Practice" guidance for audit committees.

L. Recently Issued Accounting Pronouncements

As disclosed in the financial statements in Note 14, a number of recently issued accounting pronouncements will be required to be implemented over the next few years. The most involved will likely be Governmental Accounting Standards Board No. 87, *Leases*.

We recommend the District continue to assess the impact all new standards, especially No. 87, will have on the financial statements and be proactive in gathering the necessary information and receiving the necessary training for timely and accurate implementation.

M. Investment Policy

During our audit, we noted that the District's investment policy mandates that the District's investment portfolio may not have a concentration of assets in a specific class of securities. Specifically, commercial paper may comprise no more than 40% of the total investment portfolio. At June 30, 2020, the District's investments in commercial paper represented 51% of total investments.

I. OTHER CURRENT YEAR MATTERS (CONTINUED)

M. Investment Policy (continued)

We recommend the District review its investment policy and implement procedures to ensure compliance with its requirements. Further, we noted that the policy has not been updated for several years, and economic conditions have changed greatly in the years since the policy was last revised. The District may wish to consider if any updates would be appropriate to reflect current practices and economic conditions.

FRANCIS HOWELL R-III SCHOOL DISTRICT

REPORT TO THE BOARD

FOR THE YEAR ENDED JUNE 30, 2020



The Members of the Board of Education
Francis Howell R-III School District

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Francis Howell R-III School District (the "District") for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 20, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note I to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2020. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate for compensated absences is based on the District's vacation and sick pay policy, as described in Note 1 to the financial statements. Earned but unused vacation and sick pay is recorded as an expense in the government-wide financial statements.
- Management's estimates for the District's self-insured medical and dental insurance plans include an amount for claims that have been incurred but not reported. General claim liabilities are calculated based upon recent claim settlement trends with the assistance of the District's third-party administrators.
- Management's estimate of the allowance for uncollectible delinquent property taxes is calculated considering the total amount of taxes receivable confirmed by the County, the amount of protested taxes and historical information regarding the amount of protested taxes subsequently distributed to the District by the County.
- Management records a net pension liability and an OPEB liability in the government-wide financial statements based on amounts actuarially determined in accordance with the parameters of applicable GASB statements.

Significant Audit Findings (continued)

Qualitative Aspects of Accounting Practices (continued)

- Management's estimates for depreciation is based on the District's depreciation policy, as described in Note 1 to the financial statements. Depreciation expense is calculated using the straight-line method and estimated useful lives of assets.

We evaluated the key factors and assumptions used to develop the estimates above in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The adjustments that were detected as a result of audit procedures are listed on the attached schedule "Adjusting Journal Entries" (Attachment A). Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 9, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant Audit Findings (continued)

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

As discussed in Note 10 to the financial statements, in March of 2020, the World Health Organization declared COVID-19 to constitute a "public health emergency of international concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, budget comparison schedules (budgetary basis) for the general fund and special revenue fund, notes to the budgetary comparison information, required defined benefit pension plan schedules and schedule of funding progress for the other post-employment benefits program, which are other required supplementary information (RSI) identified in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the budget comparison schedules (budgetary basis) for the debt service fund and capital projects fund and schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the schedule of selected statistics, except for the budgetary procedures, pupil attendance and pupil transportation records, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the Board of Education and management of the District 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
December 9, 2020

**ATTACHMENT A
ADJUSTING JOURNAL ENTRIES**

Account	Description	Debit	Credit
Francis Howell R-III School District			
Adjusting Journal Entries JE # 1			
To remove FY21 CARES funding from receivable as of year end.			
2-0000-00-000-54240 2	CARES Elem & Sec Schools Emergency support	\$ 222,370	
2-0000-00-000-13040 2	Federal receivables		\$ 222,370
Total		\$ 222,370	\$ 222,370
Adjusting Journal Entries JE # 2			
To adjust the self-insurance reserve.			
9-0000-00-000-21119 9	Medical and dental benefits payable	\$ 1,508,294	
9-0000-00-000-62410 9	Medical insurance expense		\$ 1,508,294
Total		1,508,294	1,508,294
Adjusting Journal Entries JE # 3			
To correct PBC entry related to lease proceeds reimbursement.			
1-0000-00-000-10500 1	Cash and Investments	\$ -	\$ 7,011,912
1-0000-00-000-51950 1	Prior Period Revenue	7,011,912	-
8-0000-00-000-10500 8	Cash and Investments	7,011,912	-
8-0000-00-000-51950 8	Prior Period Revenue	-	672,256
8-4000-00-000-64994 8	General Supplies	-	6,339,656
Total		\$ 14,023,824	\$ 14,023,824