
***SPECIAL SCHOOL DISTRICT
OF ST. LOUIS COUNTY, MISSOURI***

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

JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of the
Board of Education
Special School District of
St. Louis County, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Special School District of St. Louis County, Missouri (the "District") as of and for the year ended June 30, 2016, 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.

MEMBERS

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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 and each major fund of the District as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and related notes and schedule of funding progress, schedule of district's proportionate share of the net pension liability and related notes – PSRS and PEERS, and schedule of district's contributions – PSRS and PEERS on pages 4 through 10 and 48 through 55 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

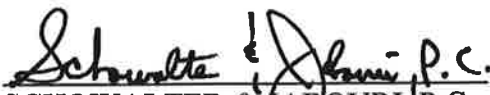
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining financial statements, capital projects fund budgetary comparison information and schedule of selected statistics are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining financial statements, capital projects fund comparison information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 combining financial statements, capital projects fund comparison information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

The schedule of selected statistics, except for the budgetary procedures, pupil attendance and pupil transportation records, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.


SCHOWALTER & ABOURI, P.C.

St. Louis, Missouri
November 2, 2016

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The discussion and analysis of the Special School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2016. This discussion should be read in conjunction with the financial statements.

Governance

The School District is governed by a seven member School Board, which is elected by the Governing Council, which is comprised of one school board member from each of the 22 component districts. The Governing Council is also the final approval authority for the School District's budget and strategic plan.

Financial Highlights

In total, the School District's financial position improved significantly during fiscal year 2016 as reflected by the increase in net position of \$34.4 million. The increase in net position is mainly represented by an increase in cash and investments and capital assets, partially offset by an increase in long-term liabilities. Overall the District's financial position is strong at June 30, 2016 even though the total unrestricted net position is (\$44.6) million. This negative net position is a result of the adoption of GASB Statement No. 68 in the prior year.

General revenues totaled \$325.9 million or 76.6% of all revenues. These general revenues are comprised mainly of local property taxes, which totaled \$274.0 million during fiscal year 2016. Program revenues, which include all grants and tuition fees, totaled \$99.6 million or 23.4% of total revenues in fiscal year 2016. Total revenue funded an average salary increase of 3.0%. Total expenses for the year were \$391.3 million of which \$291.6 million were funded by general revenues.

Using This Annual Report

This annual report has been prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement Number 34. As such, the report includes financial statements that show information about the School District as a whole and its significant funds. The Statement of Net Position and the Statement of Activities (pages 11 and 12) provide information about activities of the School District as a whole and present a longer-term view of the District's finances. The fund financial statements begin on page 13. These statements present how the School District financed our services in the short term as well as the amounts that remain for future spending. The fund financial statements also provide more detail about the most significant funds.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Management's Discussion and Analysis (continued)

Reporting the School District as a Whole

The Statement of Net Position and the Statement of Activities:

The analysis of the School District as a whole begins on page 11. This analysis provides answers as to whether the School District is financially stronger or weaker as a result of the year's activities. The Statement of Net Position and the Statement of Activities report information on the School District as a whole and its activities, which help to provide this answer. These statements include all assets and liabilities using the accrual basis of accounting. As such, all revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net position and changes in those assets. The change in net position is the difference between assets and liabilities and represents one way to measure the School District's financial position and whether it is improving or declining. The relationship between revenue and expense indicates the School District's operating results. However, the School District's mission is to provide services to our students, not to generate profits as commercial entities strive to do each year. Non-financial factors, such as the quality of special education and technical education services provided to our students, must also be considered to assess the overall health of the School District.

The Statement of Net Position and the Statement of Activities report the activity for all of the District's programs and services which are classified as governmental activities, including the Missouri Educational Facilities Authority. The Facilities Authority was formed for the purpose of financing major renovation projects. The District adopted a resolution approving the formation of the Facilities Authority on August 8, 2000. For a description of the Facilities Authority refer to footnote number 8.

Reporting the School District's Most Significant Funds

Fund Financial Statements:

The School District's fund financial statements begin on page 13 and provide information about the major funds, not the School District as a whole. The School District utilizes several funds to account for a wide range of financial transactions. However, these fund financial statements focus on the School District's most significant funds, which are the general fund, special revenue fund, debt service fund and capital projects fund.

Governmental Funds – All of the School District's services are reported in governmental funds, which focus on money flows into and out of the funds and balances remaining at year end available for spending in future years. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources available in the near future to finance the School District's 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.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Management's Discussion and Analysis (continued)

The School District as a Whole

The School District's net position was \$18.3 million at June 30, 2016. Of this amount, (\$44.6) million was unrestricted. Restricted net position is reported separately to reflect legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those funds for day-to-day operations. Table 1 below provides a summary of net position for fiscal year 2016 compared to fiscal year 2015.

	(In Millions)	
	Governmental Activities	
	June 30,	
	2016	2015
Current and Other Assets	\$ 266.6	\$ 238.6
Capital Assets	100.0	102.4
Deferred amounts related to pensions and		
Deferred Outflows of Resources	63.6	41.2
Total Assets and Deferred Outflows of Resources	430.2	382.2
Current and Other Liabilities	32.8	28.6
Long-term Liabilities	351.8	270.6
Deferred amounts related to pensions and		
Deferred Inflows of Resources	27.3	99.1
Total Liabilities and Deferred Inflows of Resources	411.9	398.3
Net Position		
Investment in Capital Assets	61.5	65.8
Restricted	1.4	1.0
Unrestricted	(44.6)	(82.9)
Total Net Position	\$ 18.3	\$ (16.1)

The total net position of \$18.3 million is the result of increased Current and Other Assets.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities on page 12. This information is summarized below.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Management's Discussion and Analysis (continued)

CHANGE IN NET POSITION

(In Millions)

	Governmental Activities June 30,		Total Percentage Change
	2016	2015	
Revenues:			
Program Revenues:			
Charges for Services	\$ 18.7	\$ 18.3	2.2%
Operating Grants and Contributions	80.7	79.8	1.1%
Capital Grants	0.2	0.3	-33.3%
General Revenues:			
Property Taxes	279.7	278.4	0.5%
State Aid	44.2	39.1	13.0%
Other	2.0	4.6	-56.5%
Total Revenues	425.5	420.5	1.2%
Functions/Program Expenses:			
Instruction - Special Education	238.0	220.4	8.0%
Instruction - Vocational Education	14.4	13.8	4.3%
Student Services	44.5	44.4	0.2%
Instructional Staff Support	7.2	7.1	1.4%
Building Administration	14.6	14.7	-0.7%
Executive Administration	7.5	7.5	0.0%
Business Services	17.4	15.4	13.0%
Operation of Plant	7.7	7.5	2.7%
Transportation	35.1	30.8	14.0%
Food Services	0.8	0.8	0.0%
Adult Education	2.7	2.3	17.4%
Unallocated Depreciation	0.1	0.1	0.0%
Debt Service:			
Interest and other charges	1.2	1.0	20.0%
Total Functions/Program Expenses	391.2	365.8	6.9%
(Decrease) Increase in Net Position	\$ 34.3	\$ 54.7	

Governmental Activities

The cost of all governmental activities totaled \$391.2 million in fiscal year 2016. The School District's taxpayers funded \$291.6 million or 74.5% of these costs. Staff and salary increases are primarily reflected in instruction and student services in Table 2 above and include an average salary increase of 3.0%, offset by savings from attrition and vacancies.

In addition to taxpayer funding, charges for services funded \$18.7 million or 4.8% of the governmental activities' cost and grants funded \$80.9 million or 20.7% of such costs in fiscal year 2016.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Management's Discussion and Analysis (continued)

The School District's increase in net position is mainly attributable to an increase of \$5.2 million in Basic Formula state funding and \$1.2 million in Investment Earnings. Total expense increased by \$25.4 million or 6.9% from fiscal year 2015.

In the table below, the cost of each of the School District's five largest functions, as well as each function's net cost (total cost less revenue generated by the activities), is presented. This clearly shows the School District's reliance on local taxpayers. Due to Special School District's unique structure, the School District has a higher proportion of grant and restricted state funding than typical school districts. As a result, the net cost of the functions funded by the School District's taxpayers was 74.5 % for fiscal year 2016.

	Year Ended June 30,			
	(in millions)			
	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Governmental Activities:				
Instruction - Special Education	\$ 238.0	\$ 150.4	\$ 220.4	\$ 134.4
Instruction - Vocational Education	14.4	12.0	13.8	11.7
Student Services	44.5	44.5	44.4	44.4
Transportation	35.1	29.0	30.8	23.7
Administration	21.6	21.6	22.2	22.2
Other Support Services	36.3	32.8	33.1	30.1
Interest and Other Charges	1.2	1.2	1.0	1.0
Unallocated Depreciation	0.1	0.1	0.1	0.1
Total Governmental Activities	\$ 391.2	\$ 291.6	\$ 365.8	\$ 267.6

The School District's Funds

As discussed above, the School District uses funds to account for a wide range of financial transactions. A review of the funds provides some insight into the School District's financial condition. In total, governmental funds had a fund balance of \$225.4 million at June 30, 2016, which represented an increase of \$23.3 million from the prior year. The fund balance increase primarily reflects the increase of \$33.6 million in cash, investments and receivables.

General Fund Budget Highlights

The School District prepares an annual budget in accordance with Missouri law, which requires that the Governing Council give final budget approval. The original budget for fiscal year 2016 was approved by the School Board and the Governing Council in May and June 2015, respectively. A revised budget was presented to the School Board and Governing Council in December, 2015.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Management's Discussion and Analysis (continued)

The final revised budget for general fund revenue totaled \$190.5 million compared to the original budget of \$195.2 million. The decrease is mainly attributable to the transfer of \$7.0 million in desegregation revenue to the capital fund offset by higher investment earnings.

The final revised budget for general fund expenditures totaled \$179.2 million compared to the original budget of \$175.7 million. This increase is due a number of offsetting factors, including higher workers compensation expense and new software implementation.

Capital Assets and Debt Administration

Capital Assets:

At June 30, 2016, the School District had capital assets with a net book value of \$100.0 million which is a decrease of \$2.5 million from fiscal year 2015. This reflects net capital additions of \$51.5 million partially offset by net depreciation expense of \$4.8 million and net disposals of \$49.2 million.

	Governmental Activities	
	June 30,	
	2016	2015
Land	\$ 2,738,098	\$ 2,738,098
Buildings, land improvements and construction in progress	83,225,085	85,259,468
Vehicles and equipment	14,011,403	14,491,884
Total	\$ 99,974,586	\$ 102,489,450

Debt:

At June 30, 2016, the School District had \$36.7 million in leasehold revenue bonds outstanding. These bonds are the legal obligation of the Facilities Authority payable solely from rental payments received from the School District. Additional information about the bonds is provided in footnote number 8.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Management's Discussion and Analysis (continued)

Facilities Authority	June 30,	
	2016	2015
Leasehold Revenue Bonds - by issue date:		
November 2013	\$ 9,450,000	\$ 9,450,000
November 2014	27,225,000	27,225,000
Total Facilities Authority	\$ 36,675,000	\$ 36,675,000
Capital Leases - by issue date:		
January 2012	-	25,494
August 2012	1,840,000	2,440,000
November 2013	117,139	163,984
March 2016	52,004	-
Total Capital Leases	2,009,143	2,629,478
Grand Total	\$ 38,684,143	\$ 39,304,478

At June 30, 2016, the District is obligated for future minimum lease payments under capital leases in the amount of \$2.0 million.

In 2008, the School District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions. This statement required the School District to compute and record a net other post-employment benefit obligation (OPEB). As of June 30, 2016, the net OPEB is \$34.6 million.

Other long-term liabilities of the School District also include worker's compensation claims; vacation and sick leave pay, and other liabilities that amount to \$8.9 million. Refer to footnote 4 for more information concerning long-term liabilities.

Economic Factors and Fiscal Year 2017 Budget

The fiscal year 2017 budget reflects a slight increase in revenue. Total revenue is projected to increase by \$1.1 million or .3% in fiscal year 2017. This increase is mainly due to an increase in Early Childhood funds.

The national economy continues to experience a slow recovery from the major recession. While the local economy hasn't been as adversely impacted as in other parts of the country, a 9.4% reduction in assessed valuations has occurred since 2008. While federal aid is scheduled to rise next year, cuts are still scheduled to resume in fiscal year 2017 as a result of the sequestration legislation.

Contacting the School District's Financial Management

This discussion and analysis is intended to provide St. Louis County taxpayers and other constituents with an overview of the financial condition of the School District. If you wish to request additional financial information, please contact Kelly Alexander, Chief Financial Officer, at Special School District, 12110 Clayton Road, Town & Country, Missouri 63131.

Basic Financial Statements

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities
-- ASSETS --	
Cash and investments	\$ 234,616,391
Property taxes receivable, net of allowance for uncollectible amount of \$5,935,269	9,025,087
Grants and other receivables	21,360,802
Prepaid items	572,637
Inventory	209,178
Restricted cash and investments	797,285
Capital Assets:	
Land	2,738,098
Construction in progress	45,332,510
Other capital assets, net of accumulated depreciation	51,903,979
TOTAL ASSETS	366,555,967
-- DEFERRED OUTFLOWS OF RESOURCES --	
Deferred amounts related to pensions	63,645,951
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 430,201,918
-- LIABILITIES --	
Accounts payable	\$ 25,984,088
Accrued expenditures:	
Salaries and related benefits	1,674,030
Medical and dental claims	3,570,749
Interest	302,948
Other liabilities	1,233,519
Due to student activity program	83,084
Unearned revenues	8,864
Long-term liabilities:	
Due within one year	9,569,133
Due in more than one year	38,979,572
Net pension liability	268,573,438
Other post-employment benefits liability	34,629,000
Total Liabilities	384,608,425
-- DEFERRED INFLOWS OF RESOURCES --	
Deferred amounts related to pensions	27,316,107
-- NET POSITION --	
Net investment in capital assets	61,503,871
Restricted for:	
Capital projects	1,177,896
Workers' compensation claims	199,669
Unrestricted	(44,604,050)
Total Net Position	18,277,386
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 430,201,918

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

		Program Revenues			Net (Expense)
		Charges	Operating	Capital Grants	Revenue and
		for Services	Grants and	and	Changes in
		and Sales	Contributions	Contributions	Net Position
	Expenses				Total
					Governmental
					Activities
GOVERNMENTAL ACTIVITIES:					
Instruction	\$ 252,402,146	\$ 17,435,402	\$ 72,253,637	\$ 243,836	\$ (162,469,271)
Attendance	8,452,957	-	-	-	(8,452,957)
Guidance	2,229,511	-	-	-	(2,229,511)
Health services	33,843,734	-	-	-	(33,843,734)
Improvement of instruction	6,775,924	-	-	-	(6,775,924)
Professional development	422,860	-	-	-	(422,860)
Media services	528,844	-	-	-	(528,844)
Board of Education services	1,094,644	-	-	-	(1,094,644)
Executive administration	5,895,723	-	-	-	(5,895,723)
Building level administration	14,568,062	-	-	-	(14,568,062)
Business, fiscal and					
internal services	9,089,161	-	-	-	(9,089,161)
Operation of plant	7,159,198	13,236	-	-	(7,145,962)
Security services	508,599	-	-	-	(508,599)
Pupil transportation	35,131,543	25,027	6,108,673	-	(28,997,843)
Food services	781,558	107,361	550,133	-	(124,064)
Central office support services	8,405,156	-	-	-	(8,405,156)
Adult continuing education	2,690,222	1,135,107	1,791,400	-	236,285
Community services	7,352	-	-	-	(7,352)
Unallocated depreciation	98,026	-	-	-	(98,026)
Debt service:					
Interest	1,171,732	-	-	-	(1,171,732)
Other charges	700	-	-	-	(700)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 391,257,652	\$ 18,716,133	\$ 80,703,843	\$ 243,836	(291,593,840)

General Revenues

Taxes:

Property	273,952,364
Sales	5,783,310
State aid	44,228,189
Investment earnings	1,609,623
Miscellaneous	336,791

TOTAL GENERAL REVENUES 325,910,277

CHANGE IN NET POSITION 34,316,437

NET POSITION, BEGINNING OF YEAR (16,039,051)

NET POSITION, END OF YEAR \$ 18,277,386

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
-- ASSETS --					
Cash and investments	\$ 234,616,391	\$ -	\$ -	\$ -	\$ 234,616,391
Property taxes - net of allowance for uncollectible amount	4,192,412	4,500,849	-	331,826	9,025,087
Grants and other receivables	13,599,572	2,511,676	-	5,249,554	21,360,802
Interfund receivables	5,666,286	-	-	5,401	5,671,687
Prepaid items	568,241	-	-	4,396	572,637
Inventory	209,178	-	-	-	209,178
Restricted cash and investments	788,977	-	6	8,302	797,285
TOTAL ASSETS	\$ 259,641,057	\$ 7,012,525	\$ 6	\$ 5,599,479	\$ 272,253,067
-- LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES --					
LIABILITIES:					
Accounts payable	\$ 25,359,012	\$ 200,579	\$ 1,401	\$ 423,096	\$ 25,984,088
Accrued expenditures:					
Salaries and related benefits	889,792	784,238	-	-	1,674,030
Medical and dental claims	3,570,749	-	-	-	3,570,749
Other liabilities	1,233,519	-	-	-	1,233,519
Due to student activity program	83,084	-	-	-	83,084
Unavailable revenues	8,864	-	-	-	8,864
Interfund payables	-	1,704,560	5,401	3,961,726	5,671,687
Total Liabilities	31,145,020	2,689,377	6,802	4,384,822	38,226,021
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	4,026,887	4,323,148	-	318,725	8,668,760
FUND BALANCES:					
Nonspendable:					
Inventory	209,178	-	-	-	209,178
Prepaid items	568,241	-	-	4,396	572,637
Restricted for:					
Capital projects	589,308	-	-	891,536	1,480,844
Workers' compensation claims	199,669	-	-	-	199,669
Unassigned	222,902,754	-	(6,796)	-	222,895,958
Total Fund Balances	224,469,150	-	(6,796)	895,932	225,358,286
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 259,641,057	\$ 7,012,525	\$ 6	\$ 5,599,479	\$ 272,253,067

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 225,358,286**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$157,450,884 and the accumulated depreciation is \$57,476,297 99,974,587

Unpaid property taxes at June 30, 2016, less July and August receipts are recorded as deferred revenue in the governmental funds. 8,668,760

Interest on long-term debt is not accrued in governmental funds but rather is recognized as an expenditure when due. (302,948)

Long-term liabilities, including bonds and capital leases payable, are not due and payable in the current period and therefore are not reported in the governmental funds:

Capital leases - lease purchase agreements	(169,142)	
Capital leases - certificates of participation	(1,840,000)	
Leasehold revenue bonds	(36,675,000)	
Operating leases - payable	(228,619)	
Sick leave benefits	(2,544,329)	
Workers' compensation claims	(4,038,908)	
Unemployment benefits	(39,989)	
Vacation pay	(2,135,897)	
Unamortized bond premiums	(730,613)	
Liability claims	(146,208)	
Other post-employment benefits	(34,629,000)	
Net pension obligation – PSRS	(236,075,328)	
Net pension obligation – PEERS	(32,498,110)	
Deferred outflows of resources – PSRS	54,433,539	
Deferred outflows of resources – PEERS	9,212,412	
Deferred inflows of resources – PSRS	(23,873,706)	
Deferred inflows of resources - PEERS	(3,442,401)	
Total		<u>(315,421,299)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 18,277,386**

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Property taxes	\$ 123,630,802	\$ 132,726,381	\$ -	\$ 9,785,347	\$ 266,142,530
Sales tax	-	5,783,310	-	-	5,783,310
Adult education	1,135,107	-	-	-	1,135,107
Investment income	747,676	802,683	4	59,178	1,609,541
Food service	107,361	-	-	-	107,361
Desegregation program	-	-	-	-	-
Other local	1,400,639	977,518	-	7,421,429	9,799,586
Total Local	127,021,585	140,289,892	4	17,265,954	284,577,435
County Sources:					
Fines, forfeitures, escheat	-	22,487	-	-	22,487
State assessed	2,497,950	2,681,725	-	197,711	5,377,386
Total County	2,497,950	2,704,212	-	197,711	5,399,873
State Sources:					
Basic formula	10,839,848	33,388,341	-	-	44,228,189
Transportation	6,108,673	-	-	-	6,108,673
High needs fund	10,139,260	-	-	-	10,139,260
Early childhood	8,637,478	9,272,941	-	-	17,910,419
Vocational tech aid	1,970,461	-	-	210,787	2,181,248
State grants and contributions	2,809,345	-	-	-	2,809,345
Total State	40,505,065	42,661,282	-	210,787	83,377,134
Federal Sources:					
Medicaid	2,378,506	-	-	-	2,378,506
Entitlement	-	28,914,200	-	-	28,914,200
School breakfast/lunch	542,452	-	-	-	542,452
Early childhood	6,875,447	-	-	-	6,875,447
Other federal sources	5,820,081	-	-	33,049	5,853,130
Total Federal	15,616,486	28,914,200	-	33,049	44,563,735
Contracted educational services	7,205,580	-	-	-	7,205,580
Total Revenues	192,846,666	214,569,586	4	17,707,501	425,123,757

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
EXPENDITURES:					
Current:					
Instruction	83,789,288	171,693,667	-	-	255,482,955
Attendance	7,906,903	713,819	-	-	8,620,722
Guidance	266,564	2,077,719	-	-	2,344,283
Health services	18,086,799	16,992,133	-	-	35,078,932
Improvement of instruction	2,269,338	4,505,164	-	-	6,774,502
Professional development	293,019	129,841	-	-	422,860
Media services	277,400	268,620	-	-	546,020
Board of Education services	954,445	139,664	-	-	1,094,109
Executive administration	2,891,154	3,131,599	-	-	6,022,753
Building level administration	3,004,056	11,908,024	-	-	14,912,080
Business, fiscal and internal services	7,723,675	775,072	-	-	8,498,747
Operation of plant	6,694,920	-	-	-	6,694,920
Security services	512,639	-	-	-	512,639
Pupil transportation	25,776,074	-	-	-	25,776,074
Food services	725,296	-	-	-	725,296
Central office support services	6,794,811	1,133,733	-	-	7,928,544
Adult continuing education	1,485,958	1,141,287	-	-	2,627,245
Community services	7,352	-	-	-	7,352
Capital outlay	-	-	-	15,909,357	15,909,357
Debt service:					
Principal	-	-	600,000	64,091	664,091
Interest	-	-	1,233,371	7,486	1,240,857
Other charges	-	-	-	700	700
Total Expenditures	169,459,691	214,610,342	1,833,371	15,981,634	401,885,038
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	23,386,975	(40,756)	(1,833,367)	1,725,867	23,238,719
OTHER FINANCING SOURCES (USES):					
Transfer (to) from other funds	(40,756)	40,756	1,833,368	(1,833,368)	-
Inception of capital lease	-	-	-	43,755	43,755
Proceeds from the sale of capital assets	-	-	-	15,640	15,640
Total Other Financing Sources (Uses)	(40,756)	40,756	1,833,368	(1,773,973)	59,395
NET CHANGE IN FUND BALANCES	23,346,219	-	1	(48,106)	23,298,114
FUND BALANCES, BEGINNING OF YEAR	201,122,931	-	(6,797)	944,038	202,060,172
FUND BALANCES, END OF YEAR	\$ 224,469,150	\$ -	\$ (6,796)	\$ 895,932	\$ 225,358,286

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL BALANCES **\$ 23,298,114**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period:

Capital asset additions	2,345,766	
Depreciation expense	<u>(4,845,475)</u>	
		(2,499,709)

Property tax revenue received or expected to be received after sixty days of year end are deferred in the governmental funds. They are, however, recorded as revenue in the statement of activities. 449,844

The governmental funds report bond proceeds and capital lease inception as other financing sources while repayment of bond and lease principal is reported as an expenditure. Also, governmental funds report the effect of premiums when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. In addition, interest on long-term debt is recognized as an expenditure in the governmental funds when it is due while in the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of leasehold revenue bonds and related items is as follows:

Inception of capital lease	(43,755)	
Repayment of bond and lease principal	664,091	
Interest expense	450	
Bond premium	-	
Operating lease amortization	48,575	
Amortization of bond premium	<u>68,675</u>	
		738,036

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported. The current year activity is as follows:

Proceeds from sale of capital assets	(15,640)	
Gain (loss) on disposal of capital assets	<u>486</u>	
		(15,154)

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 governmental funds.

Compensated absences	1,214	
Workers' compensation claims	(749,856)	
Unemployment benefits claims	(506)	
Liability claims	(66,971)	
Other post-employment benefits	(3,703,000)	
Pension expense - PSRS	14,730,444	
Pension expense - PEERS	<u>2,133,981</u>	
		<u>12,345,306</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 34,316,437**

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

1. DESCRIPTION OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Special School District of St. Louis County, Missouri (the "District") was established in 1957 under the statutes of the State of Missouri. The Board of Education contains seven members as described in RSMo Chapter 162. Effective May 31, 1996, in accordance with Chapter 162 RSMo, a Governing Council (the "Council") for the District was formed. The Council has various powers and duties. The primary duties include review and approval of the annual budget, approval of a rolling five-year plan for the operation and management of the District and appointment of board members to the seven member Board of Education.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

Principles Determining the Scope of Reporting Entity

The basic financial statements of the reporting entity include those of the Special School District of St. Louis County, Missouri (the primary government) and the Special School District of St. Louis County, Missouri Educational Facilities Authority (the "Facilities Authority"). The District defines its reporting entity in accordance with GASB Statement No. 61. The criteria for including a potential component unit within the financial reporting entity includes fiscal dependency and the presence of a financial benefit or burden relationship. Based upon the application of these criteria, the Facilities Authority has been determined to be a component unit of the District. Its purpose is to act on behalf of the District in its acquisition, construction, improvement, extension, repair, remodeling, renovation, and financing of capital improvement projects. The financial information of the Facilities Authority has been incorporated into the District's financial statements using the blending method. Under the blending method, transactions of a component unit are presented as if they were executed directly by the primary government. Complete financial statements of the Facilities Authority are as shown in the additional supplementary information section of this report.

Fund Accounting

The accounts of the District are organized on the basis of legally established funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. District resources are allocated to, and accounted for in, individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types are used by the District:

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Governmental Funds

Governmental Funds are those through which most functions of the District are financed. The District's expendable financial resources are accounted for through governmental funds. The measurement focus is upon determination of changes in the financial position rather than upon net income determination. Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's governmental fund types, each of which the District considers to be a major fund:

General Fund

The General Fund is used to account for transactions relating to the general operation of the District which are not provided for in other funds.

Special Revenue Fund

The Special Revenue Fund is used to account for financial resources and expenditures for certificated employees involved in administration and instruction, and tuition paid to other agencies for the education of students.

Debt Service Fund

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

Capital Projects Fund

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

Basis of Presentation

Government-wide Financial Statements:

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

The government-wide statements are prepared using the economic resources measurement focus. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

The statement of net position presents the financial condition of the governmental activities of the District at year end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* include (a) charges paid by the recipient of the goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as *program revenues* are presented as general revenues and include all property taxes. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

The fund financial statements provide detail information about the District's funds. The emphasis of fund financial statements is on *major* governmental funds, each displayed in a separate column. The District considers each of its funds to be major.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are the balance sheet, which generally include only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting at the fund level.

Revenues - Exchange and Non-Exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

Nonexchange transactions, in which the District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized. For the District, available generally means expected to be received within sixty (60) days of year end.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes, interest, tuition, grants, student fees, and rentals.

Deferred Inflows of Resources - In addition to liabilities, the statement of net position and balance sheet 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 so will not be recognized as an inflow of resources (revenue) until that time. The government has one type which arises only under a modified accrual basis of accounting, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes earned but not yet available. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds at the fund reporting level.

Property Taxes

Property taxes are levied annually in November based on the assessed valuation of all real and personal property located in the District as of the previous January 1 and are due and collectible on December 31. Property taxes become delinquent and attach as an enforceable lien on property as of January 1 of the following year. The County collects the property tax and remits it to the District. An allowance for uncollectible taxes has been provided for delinquent taxes.

At the fund reporting level, property tax revenues are recognized when they become measurable and available. Available includes those property tax receivables expected to be collected within sixty (60) days after year end. Revenue recognition of delinquent property taxes not collected within sixty (60) days of fiscal year end is deferred.

The assessed valuations of the tangible taxable property for the calendar years 2016 and 2015 for purposes of local taxation were \$22,733,238,984 and \$22,117,760,329, respectively.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2015 and 2014 for purposes of local taxation were:

	December 31, 2015	December 31, 2014
General Fund	\$ 0.5736	\$ 0.5647
Special Revenue Fund	0.6158	0.6212
Capital Projects Fund	0.0454	0.0750
Total	<u>\$ 1.2348</u>	<u>\$ 1.2609</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2016, aggregated approximately 97.18% of the current assessment computed on the basis of the levy as shown above.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Restricted Cash and Investments

Restricted cash and investments represent amounts whose use is limited by legal requirements and consist of unexpended bond proceeds of the Facilities Authority, amounts escrowed under an agreement with the Missouri Division of Workers' Compensation for possible payments of claims, and amounts required to be escrowed by a local community related to ongoing capital projects.

Inventory

Inventories are stated at cost, which approximates market at average cost, and are expensed when used.

Capital Assets

Capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of one thousand dollars (\$1,000) and a useful life of two (2) years for each individual asset for inventory control purposes and a threshold of five thousand dollars (\$5,000) for financial reporting purposes.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

The cost of normal maintenance and repairs that do not add value to the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed and placed in service. Improvements are depreciated over the remaining useful lives of the related capital assets. Except for land and construction in progress, all reported capital assets are depreciated. Depreciation is calculated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Site Improvements	20
Furniture	20
Maintenance and Kitchen Equipment	15
Machinery and Tools	15
Office Equipment	10
Audio Visual Equipment	10
Licensed Vehicles	8
Computers and Related Equipment	5 - 10

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans that arise in the normal course of operations are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net position.

Payroll Disbursements

Teachers' employment contracts provide for the payment of compensation over a period of 12 months. The District's policy is to accrue the unpaid salary and withholdings related to the school year as of June 30.

Compensated Absences

Vacation pay is accrued as a liability of the District in the government-wide financial statements when earned. Vacation benefits are available to all regular full-time employees who work 12 months. The amount of vacation earned is determined based on job classification and the number of months of continuous service. Accumulated unused earned vacation pay at June 30, 2016 amounted to approximately \$2,136,000 and is recorded as an expense in the government-wide financial statements.

Sick leave benefits are accrued as a liability of the District in the government-wide financial statements when earned. All District employees are entitled to receive a specified benefit at retirement for accumulated and unused sick days. The estimated liability to be incurred in future

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

years, discounted at current interest rates, is approximately \$2,540,000 and has been recorded as an expense in the government-wide financial statements.

Accrued Liabilities and Long-Term Liabilities

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements when due. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Pensions

The District records a net pension obligation in the government-wide financial statements for defined benefit plans. The liability is calculated as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. Actuarial valuations of the total pension liability are required to be performed as least every two years.

In the government-wide financial statements, components of pension expense that are recognized over a period of time are classified as either deferred outflows of resources (using plan assets that are applicable to a future reporting period) or deferred inflows of resources (acquiring plan assets that are applicable to a future reporting period). Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources.

Financial reporting information pertaining to the District's participation in the Public School Retirement System of Missouri ("PSRS") and Public Education Employee Retirement System of Missouri ("PEERS") is prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of PSRS and PEERS have been determined on the same basis as they are reported by PSRS and PEERS. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing PSRS and PEERS. Expenses are recognized

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the district's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense. A Comprehensive Annual Financial Report ("CAFR") can be obtained at www.psrs-peers.org.

Details of the District's defined benefit plans are provided in Note 5.

Other Post Employment Benefit Obligation

The District calculates and records a net other post employment benefit obligation (OPEB) in the government-wide financial statements. The net OPEB is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since July 1, 2008, the effective date of implementation. Details relating to the District's post-retirement health care benefits provided, OPEB liability, and its calculations are provided in Note 10.

Governmental Fund Balances

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

Nonspendable - This consists of the governmental fund balances that are not in spendable form or legally or contractually required to be maintained intact. The District's nonspendable fund balance at June 30, 2016 consists of prepaid items and inventory.

Restricted - This consists of the governmental fund balances that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The District's restricted fund balance at June 30, 2016 consists of capital projects bond proceeds and escrowed cash accounts for possible workers' compensation claims and ongoing capital projects.

Committed - This consists of the governmental fund balances that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the Board of Education, the District's highest level of decision-making authority. The District has no committed fund balance at June 30, 2016.

Assigned - This consists of the governmental fund balances that are intended to be used for specific purposes by a) Board of Education or b) Chief Financial Officer. The District has no assigned fund balance at June 30, 2016.

Unassigned - This consists of the governmental funds that do not meet the definition of "nonspendable," "restricted," "committed," or "assigned." The fund balance of the Debt Service Fund is negative at June 30, 2016 as expenditures incurred for specific purposes exceeded the amounts that are restricted, committed, or assigned to those purposes.

Unless specifically identified, expenditures act to reduce restricted balances first, then committed balances, next assigned balances, and finally unassigned balances. Expenditures for a specifically identified purpose will act to reduce the specific classification of fund balance that is identified.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Interfund Activity

Interfund transfers are reported as other financing sources/uses in governmental funds. During the year ended June 30, 2016, transfers were made from the General Fund to the Special Revenue Fund to eliminate the deficit. In addition, the Facilities Authority made transfers between the Debt Service Fund and Capital Projects Fund to eliminate payments from the District to the Facilities Authority's Debt Service Fund.

Pooled Cash and Temporary Investments

Cash resources are combined to form a pool of cash and temporary investments which is managed by the District Treasurer.

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

Investments are reported at fair market value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Cash and investments of the Facilities Authority are separately maintained from those of the District. At June 30, 2016, investments of the Facilities Authority consist of money market mutual funds managed on behalf of the Facilities Authority by an independent trustee. Investments of the Facilities Authority are reported at fair market value as of June 30, 2016.

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year ended June 30, 2016.

Use of Restricted Resources

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted resources (net position) are available. For governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. CASH AND INVESTMENTS

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

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.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

The assets 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, federal agency collateralized mortgage obligations, 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).

The District 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. At June 30, 2016, the District also has other investments with MOSIP which represent individual investments of the District and are not included in the external investment pool.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

The deposits and investments held at June 30, 2016, are as follows:

Type	Carrying Value
Deposits:	
Demand deposits	\$ 13,775,992
Escrow account	589,308
Certificates of deposit	2,514,812
Cash on hand	2,255
Total Deposits	16,882,367
Investments:	
U.S. Treasury Bills	28,683,998
External investment pool	43,298,558
Federal agency bonds	104,541,511
Federal agency collateralized mortgage obligations	5,204,242
* Money market mutual funds	8,308
Commercial paper	32,826,702
Negotiable certificates of deposit	3,967,990
Total Investments	218,531,309
Total Deposits and Investments	\$ 235,413,676

* Represents investments of the Facilities Authority

Custodial Credit Risk - Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District has a custodial credit risk policy for repurchase agreement investments and for certificate of deposits which requires these funds to be collateralized at least 100% or greater of the balance plus any demand deposit with the depository, less any insurance (FDIC or NCUSIF), as applicable. As of June 30, 2016, none of the District's deposits were exposed to custodial credit risk.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic 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 (1) pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the District will do business and (2) diversifying the portfolio so that potential losses on individual securities will be minimized. The District's investments were not exposed to custodial credit risk at year end.

Investment Interest Rate Risk

Individual interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The District has policies to minimize this risk by structuring the investments portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities. Investments in commercial paper shall mature in no more than 180 days from the purchase date, and all other investments shall mature and become payable in no more than five (5) years from the purchase date. Maturities of investments held at June 30, 2016 are provided as follows:

Investment Type	Fair Value	Investment Maturities (In Years)	
		Less than 1	1 - 5
U.S. Treasury Bills	\$ 28,683,998	\$ 199,669	\$ 28,484,329
External investment pool	43,298,558	43,298,558	-
Federal agency bonds	104,541,511	76,521,538	28,019,973
Federal agency collateralized mortgage obligations	5,204,242	-	5,204,242
* Money market mutual funds	8,308	8,308	-
Commercial paper	32,826,702	32,826,702	-
Negotiable certificates of deposit	3,967,990	3,967,990	-
	<u>\$ 218,531,309</u>	<u>\$ 156,822,765</u>	<u>\$ 61,708,544</u>

* Represents investments of the Facilities Authority

All securities with maturities over one year are callable within one year.

Investment Credit Risk

The District has policies in place to minimize credit risk, the risk of loss due to the failure of the security issuer or backer by pre-qualifying the institutions with which the District will do business and by diversifying the portfolio so that potential losses on individual securities will be minimized.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

At June 30, 2016, the District's investments were rated as follows:

Description	Financial Institution	Amount	Rating
U.S. Treasury Bill	UMB Bank, MOSIP	\$ 28,683,998	N/A
External Investment Pool -			
MOSIP Term Investment Pool	MOSIP	20,000,000	AAAf
MOSIP Money Market	MOSIP	23,298,558	AAAm
Federal agency bonds -			
Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation	Commerce, UMB Bank	69,226,024	A-1+
Federal Farm Credit Bank	Commerce, UMB Bank	5,994,913.00	AA+
Federal agency bonds	MOSIP	29,320,574	AA+
Federal agency collateralized mortgage obligations	MOSIP	5,204,242	AA+
* Money market mutual funds	UMB Bank	8,308	AAAm
Commercial paper	UMB Bank, MOSIP	32,826,702	A-1
Negotiable certificates of deposit	FTN Financial, Commerce Bank, UMB Bank	3,967,990	Unrated

* Represents investments of the Facilities Authority

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the District for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). At June 30, 2016, the District had the following concentrations of credit risk to be disclosed:

Description	Financial Institution	Fair Value	Percentage of Total Investments
Federal Home Loan Bank bonds	Commerce Bank	\$ 32,763,585	22.36%
Commercial Paper	Commerce Bank	27,892,425	19.03%
Federal Home Loan Mortgage Corporation bonds	Commerce Bank	18,733,790	12.78%
Federal National Mortgage Corporation bonds	MOSIP	11,844,671	8.08%
Federal Home Loan Bank bonds	MOSIP	11,186,796	7.63%

The District does not have a policy limiting the amount it may invest in any specific maturity, specific issuer or specific class of securities.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, is as follows:

	Balance June 30, 2015	Additions and Transfers	Disposals and Transfers	Balance June 30, 2016
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,738,098	\$ -	\$ -	\$ 2,738,098
Construction in Progress	49,183,586	45,332,510	49,183,586	45,332,510
Total Capital Assets, Not Being Depreciated	51,921,684	45,332,510	49,183,586	48,070,608
Capital Assets, Being Depreciated:				
Land improvements	2,644,912	-	-	2,644,912
Buildings and building improvements	67,606,724	4,006,269	-	71,612,993
Machinery and equipment	19,795,381	541,035	142,360	20,194,056
Vehicles	14,269,889	1,649,538	991,112	14,928,315
Total Capital Assets, Being Depreciated	104,316,906	6,196,842	1,133,472	109,380,276
Less - Accumulated Depreciation For:				
Land improvements	1,495,194	114,993	-	1,610,187
Buildings and building improvements	32,680,560	2,074,582	-	34,755,142
Machinery and equipment	12,831,762	949,662	142,360	13,639,064
Vehicles	6,741,624	1,706,238	975,958	7,471,904
Total Accumulated Depreciation	53,749,140	4,845,475	1,118,318	57,476,297
Total Capital Assets, Being Depreciated, Net	50,567,766	1,351,367	15,154	51,903,979
Governmental Activities, Capital Assets, Net	\$ 102,489,450	\$ 46,683,877	\$ 49,198,740	\$ 99,974,587

Depreciation was charged to functions of the District as follows:

Instruction	\$ 2,173,680
Attendance	3,679
Guidance	1,380
Health services	17,934
Improvement of instruction	19,614
Media services	1,706
Executive administration	11,906
Building level administration	28,478
Business, fiscal and internal services	545,859
Operation of plant	114,527
Pupil transportation	1,730,354
Food services	56,262
Adult continuing education	42,070
Unallocated	98,026
	<u>\$ 4,845,475</u>

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

4. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Amounts Due Within One Year
Governmental Activities:					
Leasehold revenue bonds	\$ 36,675,000	\$ -	\$ -	\$ 36,675,000	\$ -
Capital leases	2,629,479	43,754	664,091	2,009,142	664,028
Operating leases - Crossings	277,194	-	48,575	228,619	-
Sick leave benefits	2,539,567	939,520	934,758	2,544,329	2,544,000
Vacation pay	2,141,872	197,146	203,121	2,135,897	2,136,000
Workers' compensation claims	3,289,052	3,580,288	2,830,432	4,038,908	4,038,908
Unemployment benefits	39,483	85,937	85,431	39,989	39,989
Liability insurance	79,237	224,046	157,075	146,208	146,208
	<u>\$ 47,670,884</u>	<u>\$ 5,070,691</u>	<u>\$ 4,923,483</u>	47,818,092	<u>\$ 9,569,133</u>
Unamortized bond premium				730,613	
				<u>\$ 48,548,705</u>	

Leasehold Revenue Bonds

Refer to Note 8 for a description of bond transactions affecting the Facilities Authority.

Capital Leases Payable

The District is obligated under one lease agreement at June 30, 2016 for transportation equipment (buses) and two lease agreements for office equipment. These lease agreements are classified as capital leases. The cost for the transportation equipment as of June 30, 2016 was \$4,894,260 and is included in capital assets as vehicles and equipment, and accumulated depreciation is \$2,277,777. The cost for the office equipment as of June 30, 2016 was \$228,837 and is included in capital assets as machinery and equipment, and accumulated depreciation is \$99,331.

The leases will be paid from the Capital Projects Fund. 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, 2016:

<u>Year Ending June 30,</u>	
2017	\$ 694,452
2018	698,100
2019	659,936
2020	12,432
2021	8,288
Total future minimum lease payments	2,073,208
Less amount representing interest	(64,066)
Present value of future minimum lease payments	<u>\$ 2,009,142</u>

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Sick Leave, Vacation, and Insurance

Compensated absences and insurance claims will be paid from the General and Special Revenue Funds.

Other Post Employment Benefit Obligation

In fiscal year 2008, the District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This pronouncement required the District to calculate and record a net other post-employment (OPEB) benefit obligation. The net OPEB obligation is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since July 1, 2007. At June 30, 2016, the net OPEB obligation is \$34,629,000 and is reported as a liability in the government-wide financial statements. The OPEB obligation will be paid from the General and Special Revenue Funds. Refer to Note 10 for more information on the District's other post-employment benefits.

5. RETIREMENT PLANS

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

General Information about the Pension Plans

Plan Description. PSRS is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. PSRS also includes certificated employees of PSRS, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the state of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989. The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined not to be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of Section 169.070 (9) RSMo, known as the "2/3's statute." PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members' benefits are further calculated at two-thirds the normal benefit amount.

PEERS is a mandatory cost-sharing multiple employer retirement system for all 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 Public School Retirement System of Missouri (PSRS) must contribute to PEERS. Employees of PSRS who do not hold Missouri educator certificates also contribute to PEERS. PEERS was established as a trust fund by an Act of the Missouri General Assembly effective October 13, 1965. Statutes governing the

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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 Public School Retirement System of Missouri.

Benefits Provided. PSRS is a defined benefit plan providing retirement, disability, and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of 5 years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55% benefit factor was used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

PEERS is a defined benefit plan providing service retirement and disability 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 .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time 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.psrs-peers.org.

Cost-of-Living Adjustments ("COLA"). The Board of Trustees has established a policy of providing a 2.00% COLA for years in which the CPI increases between 0.00% and 5.00%. If the CPI increase is greater than 5.00%, the Board will provide a COLA of 5.00%. If the CPI decreases, no COLA is provided. For any PSRS member retiring on or after July 1, 2001, such adjustments commence on the second January after commencement of benefits and occur annually thereafter. For PEERS members, such adjustments commence on the fourth January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80% of the original benefit for any member.

Contributions. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2015 and 2016. Employers were required to match the contributions made by

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay. Contributions for employees of the State of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2015 and 2016. 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 \$26,849,095 and \$6,320,594, respectively, for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District recorded a liability of \$236,075,328 for its proportionate share of PSRS' net pension liability and \$32,498,110 for its proportionate share of PEERS' net pension liability. In total the district recorded net pension liabilities of \$268,573,438. The net pension liability for the plans in total was measured as of June 30, 2015, 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 \$26,849,095 and \$6,320,594, respectively, for the year ended June 30, 2015, relative to the actual contributions of \$656,578,122 for PSRS and \$102,864,099 for PEERS from all participating employers. At June 30, 2015, the district's proportionate share was 4.0894% for PSRS and 6.1444% for PEERS.

For the year ended June 30, 2016, the District recognized government-wide pension expense of \$12,620,942 for PSRS and \$4,343,133 for PEERS, its proportionate share of the total pension expense. The District also recognized expense of \$3,355 for contributions to PSRS related to employee reciprocity and other service transfers.

At June 30, 2016, the district reported deferred outflows of resources and deferred inflows of resources from the following sources related to PSRS and PEERS pension benefits:

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

	PSRS		PEERS		District Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of Deferred Outflows and Inflows Due to:						
Differences between expected and actual experience	\$ 27,082,151	\$ -	\$ 2,106,523	\$ 455,486	\$ 29,188,674	\$ 455,486
Changes in assumptions	-	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	19,159,553	-	2,986,915	-	22,146,468
Changes in proportion and differences between District contributions and proportionate share of contributions	-	4,714,153	628,775	-	628,775	4,714,153
Employer contributions subsequent to the measurement date	27,351,388	-	6,477,114	-	33,828,502	-
Total	\$ 54,433,539	\$ 23,873,706	\$ 9,212,412	\$ 3,442,401	\$ 63,645,951	\$ 27,316,107

Amounts reported as deferred outflows of resources resulting from contribution subsequent to the measurement date of June 30, 2015, will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as collective deferred (inflows) / outflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	PSRS	PEERS	District Total
2017	\$ (5,648,037)	\$ (898,329)	\$ (6,546,366)
2018	(5,648,038)	(898,329)	(6,546,367)
2019	(5,648,038)	(754,794)	(6,402,832)
2020	14,523,406	1,844,348	16,367,754
2021	3,752,247	-	3,752,247
Thereafter	1,876,906	-	1,876,906
Total	\$ 3,208,446	\$ (707,104)	\$ 2,501,342

Actuarial Assumptions

Actuarial valuations of the Systems involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. 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 last experience study was conducted in 2011 and the next experience study is scheduled for 2016.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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

Measurement date	June 30, 2015
Valuation date	June 30, 2015
Expected return on investments	8.00 %, net of investment expenses and including 2.5% inflation
Inflation	2.50%
Total payroll growth	PSRS 3.50% per annum, consisting of 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth. PEERS 3.75% per annum, consisting of 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.
Future salary increases	PSRS 4.00% - 10.00%, depending on service and including 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.00% to 7.00%. PEERS 5.00% - 12.00%, depending on service and including 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.75% to 8.75%.
Cost-of-living increases	PSRS 2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increase. PEERS 2.0% compounded annually, beginning on the fourth January after retirement and capped at 80% lifetime increase.
Mortality assumptions:	
Actives	PSRS RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA. PEERS RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
Non-disabled retirees, beneficiaries and survivors	PSRS RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA. PEERS RP 2000 Mortality Table set back one year for both males and no set back / forward for females, then projected to 2016 using Scale AA.
Disabled retirees	RP 2000 Disabled Mortality Table
Changes in Actuarial Assumptions and Methods	There were no changes in actuarial assumptions or methods for the June 30, 2015 valuation.
Fiduciary net position	The Systems issue a publicly available financial report that can be obtained at www.psr-peers.org .
Expected rate of return	The long-term expected rate of return on 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, 2015 is 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.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Asset Class	Target Asset Allocation	Long-Term Expected	Weighted Long-
		Real Return Arithmetic Basis	Term Expected Real Return Arithmetic Basis
U.S. Public Equity	27.0%	5.85%	1.58%
Public Credit	12.0%	2.44%	0.29%
Hedged Assets	6.0%	5.22%	0.31%
Non-U.S. Public Equity	15.0%	6.64%	1.00%
U.S. Treasuries	16.0%	1.01%	0.16%
U.S. TIPS	4.0%	1.12%	0.04%
Private Credit	2.0%	7.61%	0.15%
Private Equity	10.5%	8.61%	0.90%
Private Real Estate	7.5%	4.60%	0.35%
Total	100%		4.78%
		Inflation	2.50%
		Long-term arithmetical nominal return	7.28%
		effect of covariance matrix	0.81%
		Long-term expected geometric return	8.09%

Discount rate The discount rate used to measure the total pension liability was 8.00% as of June, 30, 2015, and is consistent with the long-term expected geometric return on the Systems' investments. 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 actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the Systems' 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 liability to changes in the discount rate is presented below. The District's net pension liability calculated using the discount rate of 8.0% is presented below as well as the net pension liability using a discount rate that is 1.0% lower (7.0%) or 1.0% higher (9.0%) than the current rate.

		1.0% Decrease (7.00%)	Current Rate (8.00%)	1.0% Increase (9.00%)
PSRS	Discount rate			
	Proportionate share of the Net Pension Liability	\$ 434,185,496	\$ 236,075,328	\$ 69,684,891
PEERS	Discount rate			
	Proportionate share of the Net Pension Liability	\$ 65,608,331	\$ 32,498,110	\$ 4,506

As of June 30, 2016, the District reported \$92,040 and \$53,771 payable to the PSRS and PEERS, respectively, for legally required contributions.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims have not exceeded insurance coverage in any of the past three years.

Claims liabilities are established based upon estimates of the ultimate cost of claims (including future expenses) that have been reported but not settled and of claims incurred and not reported.

Self-Insured Employee Benefits

The District generally retains the risks related to its obligations to provide medical and dental and unemployment benefits to its employees. However, the District's maximum liability for each one-year period related to health benefits is limited by insurance coverage. As of June 30, 2016, the estimated liability for payment of medical and dental, and unemployment claims is approximately \$3,571,000 and \$40,000 respectively. The liability for medical and dental claims are recorded in the governmental fund financial statements in the General Fund and the liability for unemployment claims is recorded in the government-wide financial statements.

Workers' Compensation Insurance

From July 31, 1996 through June 30, 2001, the District had purchased insurance for workers' compensation claims. Beginning July 1, 2001, the District became substantially self-insured. The District maintains excess workers' compensation insurance coverage for losses in excess of specified amounts. As of June 30, 2016, the estimated liability for payment of workers' compensation claims under the self-insurance plan was approximately \$4,040,000 and is recorded in the government-wide financial statements.

Included in restricted cash and investments is an investment in a U.S. Treasury bill of approximately \$200,000 held in escrow under an agreement with the Missouri Division of Workers' Compensation (the "Division").

Changes in the claim liabilities for the years ended June 30, 2016 and June 30, 2015 are as follows:

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

	Prescription Drugs, Medical and Dental Benefits	Workers' Compensation	Unemployment Benefits
Balance - June 30, 2014	\$ 3,240,547	\$ 2,805,852	\$ 30,683
Add: claims, fees, and change in estimates	40,437,691	2,629,957	123,470
Less: claim payments	(40,318,671)	(2,146,757)	(114,670)
Balance - June 30, 2015	3,359,567	3,289,052	39,483
Add: claims, fees, and change in estimates	42,121,598	3,580,288	85,937
Less: claim payments	(41,910,416)	(2,830,432)	(85,431)
Balance - June 30, 2016	<u>\$ 3,570,749</u>	<u>\$ 4,038,908</u>	<u>\$ 39,989</u>

7. PENDING LITIGATION

The District is involved in various lawsuits and other legal matters, each of which are being vigorously contested by the District. The District is either insured or self-insured with respect to the major portion of liabilities which may be incurred as a result of this litigation. Management believes their current reserves included in the accompanying financial statements are adequate to cover any liabilities from claims against the District.

The District has sovereign tort immunity from liability and suit for compensation damages for negligent acts or omissions, except in the case of injuries arising out of the operation of District motor vehicles or caused by the condition of District property. The District has purchased insurance to cover claims related to the operation of motor vehicles and the condition of District property. The maximum claim settlement established by state statute for such claims is \$300,000 per person and \$2,550,000 per occurrence.

8. SPECIAL SCHOOL DISTRICT EDUCATIONAL FACILITIES AUTHORITY

The District adopted a resolution approving the formation of the Special School District of St. Louis County, Missouri Educational Facilities Authority (the "Authority") on August 8, 2000. The Authority is organized under the not for profit provisions of Chapter 355 of the Revised Statutes of Missouri (1986) as amended, for the purpose of acting on behalf of the District in its acquisition, construction, improvement, extension, repair, remodeling, renovation, and financing of capital improvement projects, and other purposes as specified in the Authority's Articles of Incorporation.

In November 2013, the District approved a resolution authorizing the District to convey to the Authority, a leasehold interest in certain public school facilities of the District and approved the delivery of Lease Participation Certificates, Series 2013 ("Series 2013 Certificates"), in the principal interest amount of \$9,450,000 for the purpose of providing funds to pay the costs of facilities projects for the District.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

In connection with the delivery of the Series 2013 Certificates, the Board of Education authorized the execution of (a) a Base Lease dated as of November 1, 2013 (the "Base Lease"), between the District and the Authority, pursuant to which the District will lease to the Authority certain real property owned by the District and any existing improvements thereon including Northview High School and Hiram Neuwoehner High School (the "Project Site") for a maximum term of approximately 35 years ending on April 1, 2048; and (b) a Lease Agreement dated as of November 1, 2013 (the "Lease"), pursuant to which (i) proceeds of the Series 2013 Certificates will be used to complete the Project (the Project Site and all additions, modifications, improvements, replacements and substitutions made thereon and thereto, the personal property financed by the Series 2013 Certificates at the Project Site, and any additional facilities financed with Additional Certificates on the Project Site being collectively referred to as the "Facilities"), (ii) the Authority will lease the Facilities to the District on an annually renewable basis, and (iii) the District will make rental payments to the Authority that will be sufficient, during any term of the Lease, to pay the principal component, premium, if any, and interest component of the rental payments represented by the Series 2013 Certificates as the same become due.

In September 2014, the District has adopted a resolution (a) authorizing the District to enter into a First Supplemental Base Lease of even date herewith (the "First Supplemental Base Lease" and, together with the Original Base Lease, the "Base Lease"), pursuant to which the District will amend the Original Base Lease in order to extend the term thereof, and (b) approving the delivery and sale of Lease Participation Certificates, Series 2014A, in the aggregate principal amount of \$8,705,000 (the "Series 2014A Certificates") and Lease Participation Certificates, Series 2014B, in the aggregate principal amount of \$18,520,000 (the "Series 2014B Certificates" and, together with the Series 2014A Certificates, the "Series 2014 Certificates"), each evidencing proportionate interests of the Owners thereof in Rental Payments to be made by the District, as Lessee, under the Original Lease as amended by the First Supplemental Lease Agreement dated as of November 1, 2014 (the "First Supplemental Lease" and, together with the Original Lease, the "Lease"), issued and delivered pursuant to the Indenture, to provide funds to finance costs of the Project.

The Series 2013 and 2014 Certificates and the interest with respect thereto shall be limited obligations, payable solely out of the rents, revenues and receipts received by the Trustee from the District pursuant to the Lease. The Series 2013 and 2014 Certificates and the interest with respect thereto shall not constitute a debt or liability of the District, the State of Missouri or any political subdivision thereof, and the Series 2013 and 2014 Certificates shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Rental payments made pursuant to this lease totaled \$1,833,366 during the year ended June 30, 2016. Rental payments will be determined annually based on the amount of monies necessary for the future payment of bond principal and interest on the bonds when due, less amounts held by the Authority in the Certificate Fund. The District is also obligated to make additional payments for costs specified in the Lease. The Authority has agreed to convey to the District, all rights, interest and title to the project site at the expiration of the lease term following full payment of the bonds.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Bonds payable at June 30, 2016 consist of:

\$9,450,000 leasehold revenue bonds due
in varying installments through April 1, 2028,
interest at 3.00% to 4.00% \$ 9,450,000

\$8,705,000 leasehold revenue bonds due
in varying installments through April 1, 2024,
interest at 1.95%. 8,705,000

\$18,520,000 leasehold revenue bonds due
in varying installments through April 1, 2034,
interest at 3.375% to 4.00% 18,520,000
\$ 36,675,000

The following is a summary of bond transactions for the year ended June 30, 2016:

Bonds payable, July 1, 2015	\$ 36,675,000
Bonds issued	-
Bonds retired	-
	<u>-</u>
Total bonds payable, June 30, 2016	<u>\$ 36,675,000</u>

The following are debt service requirements on the outstanding bonds at June 30, 2016:

Year Ending June 30,	Principal	Interest	Total
2017	\$ -	\$ 1,203,704	\$ 1,203,704
2018	1,370,000	1,203,704	2,573,704
2019	1,420,000	1,171,739	2,591,739
2020	2,100,000	1,138,799	3,238,799
2021	2,180,000	1,089,186	3,269,186
2022-2026	12,380,000	4,586,939	16,966,939
2027-2031	13,025,000	2,140,712	15,165,712
2032	4,200,000	344,250	4,544,250
	<u>\$ 36,675,000</u>	<u>\$ 12,879,033</u>	<u>\$ 49,554,033</u>

As discussed in Note 1, the Authority has been determined to be a component unit of the District under criteria established by current governmental accounting standards. In accordance therewith, the Authority's debt and assets have been reported as a form of the District's debt and assets in the accompanying financial statements.

See Note 2 for the Authority's investments.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

9. COMMITMENTS AND CONTINGENCIES

Revenues received from the Federal and State Governments in the current and prior years are subject to audits by the granting agencies. The District believes that adjustments which may arise from these audits, if any, would not be material.

The District has entered into operating leases for various office equipment and buildings. Rental expense recorded during the year ended June 30, 2016 on these and other operating leases was approximately \$1,198,000. Future minimum lease payments as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2017	\$ 779,846
2018	753,556
2019	<u>726,252</u>
Total	<u>\$ 2,259,654</u>

As of June 30, 2016, the District has entered into construction commitments totaling approximately \$28,780,000 of which approximately \$14,730,000 has been paid.

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.

10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to providing the pension benefits described in Note 5, the District provides an opportunity for continuation of medical and prescription drug insurance to employees that retire from the District who meet the retirement requirements of PSRS and PEERS. Retirees who elect to participate must pay 100% of the premiums in effect for the current plan year or any subsequent year at the premium rates in effect at that time. Since the retirees pay the premium for each year, the District share of any premium cost is determined on the basis of a blended rate or implicit rate subsidy calculation. The plan is a single-employer defined benefit OPEB plan. The benefits and benefit levels are governed by District policy. The plan is not accounted for as a trust fund since an irrevocable trust has not been established. A stand-alone financial report is not available for the plan.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Funding Policy

The District currently pays for the implicit rate subsidy associated with these post-employment health care benefits on a pay-as-you-go basis. As of June 30, 2016, no trust fund has been established for the funding of the plan's post-employment benefit obligation, resulting in the classification of all of the liability as unfunded. Additional information is presented as required supplementary information in the schedule of funding progress.

Annual OPEB Cost and Net OPEB Obligation

The District's OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation, as of June 30, 2016:

Annual required contribution	\$ 6,050,000
Interest on net OPEB obligation	1,082,000
Adjustment to annual required contribution	(1,105,000)
Annual OPEB cost	6,027,000
Contributions made *	(2,324,000)
Increase in net OPEB obligation	3,703,000
Net OPEB obligation - beginning of year	30,926,000
Net OPEB obligation - end of year	<u>\$ 34,629,000</u>

* Contribution related to implicit rates subsidy.

The net OPEB obligation is reflected as a long-term liability in the government-wide financial statements.

Historical trend information about the District's participation in the plan is as follows:

Plan Year Ended June 30,	Annual Required OPEB Cost	Employer Contributions	Percentage of ARC Contributed	Net OPEB Obligation
2014	\$6,458,000	\$2,637,000	40.80%	\$27,512,000
2015	\$6,508,000	\$3,094,000	47.50%	\$30,926,000
2016	\$6,027,000	\$2,324,000	38.56%	\$34,629,000

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Funded Status and Funding Progress

As of June 30, 2016 the most recent actuarial valuation date, the plan was not prefunded. The actuarial accrued liability for benefits was \$62,422,500, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$62,422,500. The covered payroll (annual payroll of active employees covered by the plan) was \$246,574,000 million, and the rate of the UAAL to the covered payroll was 25.3% percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.5 percent investment rate of return assuming the benefits are not pre-funded. The discount rate is based on the expected earnings of the District's general fund. Payroll is assumed to increase at a rate of 3.0 percent per annum. The healthcare trends used in the valuation are based on long term healthcare trends generated by health actuaries that reflect how the cost of medical benefits varies by age and gender. The health mortality is based on the RP 2000 Mortality Table (employee and healthy annuitant tables). The amortization period of the unfunded Actuarial Accrued Liability AAL is 30 years. The remaining amortization period at June 30, 2016, was 23 years.

11. RECENT ACCOUNTING PRONOUNCEMENTS

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

In June 2015, the GASB approved Statement No. 74 "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The objective of these Statements is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) and establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. The requirements of Statement No. 74 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of Statement No. 75 are effective for fiscal years beginning after June 15, 2017.

In August 2015, the GASB approved Statement No. 77 "Tax Abatement Disclosures." Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This statement requires disclosures of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of the Statement are effective for reporting periods beginning after December 15, 2015.

In December 2015, the GASB approved Statement No. 79, "Certain External Investment Pools and Pool Participants." This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

In April 2016, the GASB approved Statement No. 82, "Pension Issues (an amendment of GASB Statement No. 67, No. 68, and No. 73)". This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements regarding the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that case, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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

Required Supplementary Information

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Local	\$ 135,338,895	\$ 129,252,994	\$ 127,021,585	\$ (2,231,409)
County	2,378,194	2,378,194	2,497,950	119,756
State	40,848,692	41,678,251	40,505,065	(1,173,186)
Federal	9,988,361	10,511,855	15,616,486	5,104,631
Contracted educational services	6,600,000	6,650,000	7,205,580	555,580
Total Revenues	195,154,142	190,471,294	192,846,666	2,375,372
EXPENDITURES:				
Current:				
Instruction	87,444,838	87,925,679	83,789,288	4,136,391
Attendance	8,130,437	8,209,728	7,906,903	302,825
Guidance	208,482	380,800	266,564	114,236
Health services	18,657,393	18,644,695	18,086,799	557,896
Improvement of instruction	2,607,554	2,599,524	2,269,338	330,186
Professional development	93,095	93,095	293,019	(199,924)
Media services	289,712	293,392	277,400	15,992
Board of Education services	1,251,521	1,124,209	954,445	169,764
Executive administration	3,359,282	3,239,018	2,891,154	347,864
Building level administration	2,955,119	3,268,797	3,004,056	264,741
Business, fiscal and internal services	6,736,530	8,352,797	7,723,675	629,122
Operation of plant	7,066,902	7,502,551	6,694,920	807,631
Security services	645,680	584,458	512,639	71,819
Pupil transportation	27,804,463	27,498,644	25,776,074	1,722,570
Food services	861,424	861,424	725,296	136,128
Central office support services	6,286,942	7,154,699	6,794,811	359,888
Adult continuing education	1,299,847	1,427,561	1,485,958	(58,397)
Community services	9,687	9,116	7,352	1,764
Total Expenditures	175,708,908	179,170,187	169,459,691	9,710,496
EXCESS OF REVENUES				
OVER EXPENDITURES	19,445,234	11,301,107	23,386,975	12,085,868
OTHER FINANCING USES:				
Transfers to other funds	(18,037,368)	(18,037,368)	(40,756)	17,996,612
Total Other Financing Uses	(18,037,368)	(18,037,368)	(40,756)	17,996,612
NET CHANGE IN FUND BALANCE	1,407,866	(6,736,261)	23,346,219	30,082,480
FUND BALANCE, BEGINNING OF YEAR	187,070,000	201,122,931	201,122,931	-
FUND BALANCE, END OF YEAR	\$ 188,477,866	\$ 194,386,670	\$ 224,469,150	\$ 30,082,480

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND -
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Local	\$ 143,351,289	\$ 140,143,497	\$ 140,289,892	\$ 146,395
County	2,641,344	2,641,344	2,704,212	62,868
State	41,711,703	44,506,488	42,661,282	(1,845,206)
Federal	29,800,000	29,814,200	28,914,200	(900,000)
Total Revenues	217,504,336	217,105,529	214,569,586	(2,535,943)
EXPENDITURES:				
Current:				
Instruction	178,432,478	177,307,823	171,693,667	5,614,156
Attendance	816,386	700,733	713,819	(13,086)
Guidance	2,178,734	2,003,767	2,077,719	(73,952)
Health services	17,320,324	17,508,047	16,992,133	515,914
Improvement of instruction	4,556,194	4,711,613	4,505,164	206,449
Professional development	121,747	121,747	129,841	(8,094)
Media services	272,427	272,427	268,620	3,807
Board of Education services	125,669	125,669	139,664	(13,995)
Executive administration	3,167,924	3,093,128	3,131,599	(38,471)
Building level administration	12,322,464	12,103,715	11,908,024	195,691
Business, fiscal and internal services	1,237,960	578,074	775,072	(196,998)
Central office support services	1,154,428	1,365,629	1,133,733	231,896
Adult continuing education	1,122,546	1,236,709	1,141,287	95,422
Community services	-	-	-	-
Total Expenditures	222,829,281	221,129,081	214,610,342	6,518,739
EXCESS OF REVENUES OVER				
(UNDER) EXPENDITURES	(5,324,945)	(4,023,552)	(40,756)	3,982,796
OTHER FINANCING SOURCES:				
Transfers from other funds	5,324,945	5,324,945	40,756	(5,284,189)
Total Other Financing Sources	5,324,945	5,324,945	40,756	(5,284,189)
NET CHANGE IN FUND BALANCE	-	1,301,393	-	(1,301,393)
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ 1,301,393	\$ -	\$ (1,301,393)

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

NOTES TO BUDGETARY COMPARISON INFORMATION

JUNE 30, 2016

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

1. In accordance with Chapter 67 RSMo, the District is required to adopt a budget for the general fund, special revenue fund, and capital projects fund.
2. Prior to June 30, the Superintendent, who serves as the budget officer, submits to the Board of Education a proposed budget for the fiscal year beginning on the following July 1. The proposed budget includes estimated revenues and proposed expenditures for all District funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Education, the budget document is available for public inspection.
4. Prior to June 30, the budget is adopted by the Board of Education and submitted to the Governing Council for final approval.
5. Subsequent to its formal approval of the budget, the Board of Education has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.

Budgeted amounts are as originally adopted on May 26, 2015 or as amended by the Board of Education at various times during the fiscal year. The Governing Council approved the original budget on June 8, 2015.

For each fund, total fund expenditures may not legally exceed final amended budgeted expenditures. Expenditure appropriations lapse at the end of the fiscal year.

6. Budgets are presented on the modified accrual basis of accounting for all governmental funds in accordance with GAAP.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF FUNDING PROGRESS -
OTHER POST-EMPLOYMENT BENEFITS PLAN
JUNE 30, 2016**

The following required supplementary information relates to the District's other post-employment benefits program.

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAL as a Percentage of Covered Payroll
07/01/11	\$ -	\$ 77,199,700	\$ 77,199,700	0%	\$ 250,100,000	30.9%
07/01/13	\$ -	\$ 68,173,600	\$ 68,173,600	0%	\$ 241,830,000	28.2%
06/30/16	\$ -	\$ 62,422,500	\$ 62,422,500	0%	\$ 246,574,000	25.3%

Note: The results shown above are based on the baseline assumptions with respect to the medical inflation rate and the discount rate, as discussed in the Sensitivity Analysis section of the actuary report. Please note that the 3.5% baseline discount rate assumes that the District will not prefund its retiree medical program. The discount rate is based on the long-term expected earnings of the District's General Fund.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS - PSRS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The District's proportionate share of the PSRS net pension liability and related ratios are as follows:

Year Ended * June 30,	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
2015	4.1314%	\$ 169,493,799	\$ 188,504,965	89.91%	89.34%
2016	4.0894%	\$ 236,075,341	\$ 190,042,904	124.22%	85.78%

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

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF DISTRICT CONTRIBUTIONS - PSRS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The following required supplementary information relates to the District's contributions to the PSRS.

Year Ended June 30,	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess / (Deficiency)	Covered Member Payroll	Contribution as a Percentage of Covered Payroll
2014	\$ 26,425,261	\$ 26,425,261	\$ -	\$ 187,116,249	14.12%
2015	\$ 26,601,171	\$ 26,601,171	\$ -	\$ 188,504,965	14.11%
2016	\$ 26,849,095	\$ 26,849,095	\$ -	\$ 190,042,904	14.13%

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS - PEERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The District's proportionate share of the PEERS net pension liability and related ratios are as follows:

Year Ended * June 30,	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
2015	5.9502%	\$ 21,728,104	\$ 86,774,147	25.04%	91.33%
2016	6.1444%	\$ 32,498,110	\$ 92,136,896	35.27%	88.28%

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

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF DISTRICT CONTRIBUTIONS - PEERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The following required supplementary information relates to the District's contributions to the PEERS.

Year Ended June 30,	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess / (Deficiency)	Actual Covered Member Payroll	Contribution as a Percentage of Covered Payroll
2014	\$ 5,709,941	\$ 5,709,941	\$ -	\$ 83,235,752	6.86%
2015	\$ 5,952,711	\$ 5,952,711	\$ -	\$ 86,774,147	6.86%
2016	\$ 6,320,594	\$ 6,320,594	\$ -	\$ 92,136,896	6.86%

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

Additional Supplementary Information

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Local	\$ 6,647,952	\$ 17,101,729	\$ 17,265,872	\$ 164,143
County	125,962	125,962	197,711	71,749
State	169,000	176,914	210,787	33,873
Federal	-	-	33,049	33,049
Total Revenues	6,942,914	17,404,605	17,707,419	302,814
EXPENDITURES:				
Capital outlay	17,757,097	16,822,309	15,426,808	1,395,501
Debt service:				
Principal	663,775	663,775	664,091	(316)
Interest	1,239,965	1,239,965	1,240,852	(887)
Total Expenditures	19,660,837	18,726,049	17,331,751	1,394,298
EXCESS OF REVENUES				
(UNDER) EXPENDITURES	(12,717,923)	(1,321,444)	375,668	1,697,112
OTHER FINANCING SOURCES:				
Transfers from other funds	12,712,423	12,712,423	-	(12,712,423)
Inception of capital lease	-	-	43,755	43,755
Proceeds from the sale of capital assets	5,500	5,500	15,640	10,140
Total Other Financing Sources	12,717,923	12,717,923	59,395	(12,658,528)
NET CHANGE IN FUND BALANCE	-	11,396,479	435,063	(10,961,416)
FUND BALANCE, BEGINNING OF YEAR	-	-	448,368	448,368
FUND BALANCE, END OF YEAR	\$ -	\$ 11,396,479	\$ 883,431	\$ (10,513,048)

This schedule does not include the activity of the
Special School District Educational Facilities Authority

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**COMBINING BALANCE SHEET -
DEBT SERVICE FUND BY COMPONENT UNIT
JUNE 30, 2016**

	Special School District	Special School District Educational Facilities Authority	Eliminations	Total
-- ASSETS --				
Restricted cash and investments	\$ -	\$ 6	\$ -	\$ 6
TOTAL ASSETS	\$ -	\$ 6	\$ -	\$ 6
-- LIABILITIES AND FUND BALANCES --				
LIABILITIES:				
Accounts payable	\$ -	\$ 1,401	\$ -	\$ 1,401
Interfund payables	-	5,401	-	5,401
Total Liabilities	-	6,802	-	6,802
FUND BALANCES:				
Unassigned	-	(6,796)	-	(6,796)
Total Fund Balances	-	(6,796)	-	(6,796)
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 6	\$ -	\$ 6

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**COMBINING BALANCE SHEET -
CAPITAL PROJECTS FUND BY COMPONENT UNIT
JUNE 30, 2016**

	Special School District	Special School District Educational Facilities Authority	Eliminations	Total
-- ASSETS --				
Property taxes receivable - net of allowance for uncollectible amount	\$ 331,826	\$ -	\$ -	\$ 331,826
Grants and other receivables	5,249,554	-	-	5,249,554
Interfund receivables	-	5,401	-	5,401
Prepaid items	4,396	-	-	4,396
Restricted cash and investments	2	8,300	-	8,302
TOTAL ASSETS	\$ 5,585,778	\$ 13,701	\$ -	\$ 5,599,479
-- LIABILITIES AND FUND BALANCES --				
LIABILITIES:				
Accounts payable	\$ 421,896	\$ 1,200	\$ -	\$ 423,096
Interfund payables	3,961,726	-	-	3,961,726
Total Liabilities	4,383,622	1,200	-	4,384,822
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	318,725	-	-	318,725
FUND BALANCES:				
Nonspendable:				
Prepaid items	4,396	-	-	4,396
Restricted for:				
Capital projects	879,035	12,501	-	891,536
Total Fund Balance	883,431	12,501	-	895,932
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 5,585,778	\$ 13,701	\$ -	\$ 5,599,479

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - DEBT SERVICE FUND BY COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Special School District	Special School District Educational Facilities Authority	Eliminations	Total
REVENUES:				
Local	\$ -	\$ 4	\$ -	\$ 4
Lease/purchase payments from District	-	1,833,366	(1,833,366)	-
Total Revenues	-	1,833,370	(1,833,366)	4
EXPENDITURES:				
Debt service:				
Principal	-	600,000	-	600,000
Interest	-	1,233,371	-	1,233,371
Total Expenditures	-	1,833,371	-	1,833,371
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(1)	(1,833,366)	(1,833,367)
OTHER FINANCING SOURCES :				
Transfers from other funds	-	2	1,833,366	1,833,368
Total Other Financing Sources	-	2	1,833,366	1,833,368
NET CHANGE IN FUND BALANCES	-	1	-	1
FUND BALANCES, BEGINNING OF YEAR	-	(6,797)	-	(6,797)
FUND BALANCES, END OF YEAR	\$ -	\$ (6,796)	\$ -	\$ (6,796)

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUND BY COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Special School District	Special School District Educational Facilities Authority	Eliminations	Total
REVENUES:				
Local	\$ 17,265,872	\$ 82	\$ -	\$ 17,265,954
County	197,711	-	-	197,711
State	210,787	-	-	210,787
Federal	33,049	-	-	33,049
Total Revenues	17,707,419	82	-	17,707,501
EXPENDITURES:				
Capital outlay	15,426,808	482,549	-	15,909,357
Debt service:				
Principal	664,091	-	(600,000)	64,091
Interest	1,240,852	-	(1,233,366)	7,486
Other charges	-	700	-	700
Total Expenditures	17,331,751	483,249	(1,833,366)	15,981,634
EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	375,668	(483,167)	1,833,366	1,725,867
OTHER FINANCING SOURCES (USES):				
Transfers (to) from other funds	-	(2)	(1,833,366)	(1,833,368)
Inception of capital lease	43,755	-	-	43,755
Proceeds from the sale of capital assets	15,640	-	-	15,640
Total Other Financing Sources (Uses)	59,395	(2)	(1,833,366)	(1,773,973)
NET CHANGES IN FUND BALANCES	435,063	(483,169)	-	(48,106)
FUND BALANCES, BEGINNING OF YEAR	448,368	495,670	-	944,038
FUND BALANCES, END OF YEAR	\$ 883,431	\$ 12,501	\$ -	\$ 895,932

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF SELECTED STATISTICS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

1. Calendar (Sections 160.041 and 171.031, RSMo)

- A. Standard day length (SOL) - The total number of hours between the starting time of the first class and the dismissal time of the last class, minus the time allowed for lunch and one passing time, and minus Channel One time. Reported with 4 decimal places.

North County Technical	6.3333	SDL
South County Technical	6.0000	SDL
Hiram Neuwoehner, Juvenile Detention Center, Southview High School, Northview, Ackerman, Litzinger, Southview Elementary, and External Sites	6.0833	SDL

- B. The number of actual calendar hours classes were in session and pupils were under the direction of teachers during this school year was as follows:

Hiram Neuwoehner	1,070.6608	Hours
Juvenile Detention Center	1,082.8274	Hours
Southview High School	1,070.6608	Hours
Northview	1,058.4942	Hours
North County Technical	1,114.6608	Hours
South County Technical	1,056.0000	Hours
Ackerman	1,058.4942	Hours
Litzinger	1,070.6608	Hours
Southview Elementary	1,070.6608	Hours
External Sites	1,070.6608	Hours

- C. The number of days classes were in session and pupils were under the direction of teachers during this school year was as follows:

Northview and Ackerman	174 Days
Hiram Neuwoehner, Southview High School, North County Technical, South County Technical, Litzinger, Southview Elementary, and External Sites	176 Days
Juvenile Detention Center	178 Days

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Schedule of Selected Statistics (continued)

2. Average Daily Attendance (ADA)

	Full-time/ Part-Time	Deseg In	Total
Regular Term:			
Hiram Neuwoehner	108.1965	-	108.1965
Juvenile Detention Center	55.5006	-	55.5006
Southview High School	71.7042	0.1333	71.8375
Northview	140.7067	-	140.7067
North County Technical	509.3496	0.0112	509.3608
South County Technical	258.6101	38.5497	297.1598
Ackerman	130.7821	-	130.7821
Litzinger	94.5000	2.1355	96.6355
Southview Elementary	79.6663	1.3531	81.0194
External Sites	365.5751	3.4203	368.9954
Subtotal Regular Term	1,814.5912	45.6031	1,860.1943
SUMMER SCHOOL SUBTOTAL	83.9957	-	83.9957
TOTAL REGULAR TERM PLUS SUMMER SCHOOL ADA	1,898.5869	45.6031	1,944.1900

3. September Membership

	Full-time/ Part-Time	Deseg In	Total
September Membership FTE Count	2,130.48	55.99	2,186.47

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

		Full-time/ Part-Time	Deseg In	Total
State FTE Total	Free	1,082.68	41.60	1,124.28
	Reduced	113.31	4.01	117.32
	Total	1,195.99	45.61	1,241.60

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Schedule of Selected Statistics (continued)

5. Finance

Fill in the blank with the appropriate response of true, false, or N/A unless otherwise noted.

- | | | |
|----|---|------------------|
| A. | As required by Section 162.401, RSMo, a bond was purchased for the District's treasurer in the total amount of: | <u>\$50,000</u> |
| B. | The District's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo. | <u>True</u> |
| C. | The District maintained a separate bank account for the Debt Service Fund in accordance with Section 165.011, RSMo. | <u>N/A</u> |
| D. | Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records. | <u>True</u> |
| E. | If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the Board approved a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken. | <u>N/A</u> |
| F. | The District published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo. | <u>True</u> |
| G. | The District has a professional development committee plan adopted by the board with the professional development committee plan identifying the expenditures of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment. | <u>True</u> |
| H. | The amount spent for approved professional development committee plan activities was: | <u>\$420,860</u> |

All above "false" answers must be supported by a finding or Management letter comment.

Finding #: _____

Management Letter Comment #: _____

Notes: _____

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Schedule of Selected Statistics (continued)

6. Transportation (Section 163.161, RSMo)

Fill in the blank with the appropriate response of true, false, or N/A unless otherwise noted.

- A. The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid. True
- B. The District's school transportation ridership records are maintained in a manner to accurately disclose in all material respects the average number of regular riders transported. True
- C. 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 3,914
 - Ineligible ADT 0
- D. 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. True
- E. Actual odometer records show the total District-operated and contracted mileage for the year was: 4,773,276
- Of this total, the eligible non-disabled and students with disabilities route miles and ineligible non-route and disapproved miles (combined) was:
- Eligible Miles 4,678,794
 - Ineligible Miles (Non-Route/Disapproved) 94,482
- F. Number of days the District operated the school transportation system during the regular school year: 178

All above "false" answers must be supported by a finding or Management letter comment.

Finding #: _____

Management Letter Comment #: _____

Notes: _____



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REPORT ON COMPLIANCE - STATE REQUIREMENTS

To the Members of the
Board of Education
Special School District of
St. Louis County, Missouri

We have audited the accompanying financial statements of the governmental activities and each major fund of the Special School District of St. Louis County, Missouri (the "District") as of and for the year ended June 30, 2016, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 2, 2016.

As required by the Revised Statutes of the State of Missouri, we have performed auditing procedures to test compliance with the budgetary statute (Chapter 67 RSMo) and the methods of maintaining pupil attendance and pupil transportation records for the year ended June 30, 2016. The management of the District is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on 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, 2016. 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, 2016.

This report is intended solely for the information and use of the Board of Education, District management, the Missouri Department of Elementary and Secondary Education and other audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

St. Louis, Missouri
November 2, 2016


SCHOWALTER & JABOURI, P.C.

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Federal Compliance Section



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the
Board of Education
Special School District of
St. Louis County, Missouri

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 and each major fund of the Special School District of St. Louis County, Missouri (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 2, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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


SCHOWALTER & LABOURI, P.C.

St. Louis, Missouri
November 2, 2016



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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
Special School District of
St. Louis County, Missouri

Report on Compliance for Each Major Federal Program

We have audited the Special School District of St. Louis County, Missouri'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, 2016. 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 the requirements of 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.

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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, 2016.

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 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
November 2, 2016

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Program Title	Federal CFDA Number	Pass-Through Identification Number	Passed through to Subrecipients	Expenditures
<u>U.S. Department of Education:</u>				
Direct Program - Student Financial Assistance Cluster:				
Federal Pell Grant Program	84.063	N/A		\$ 785,819
Federal Direct Student Loans:				
Subsidized Stafford Loans	84.268	N/A		515,378
Unsubsidized Stafford Loans	84.268	N/A		811,311
Federal Plus Loans	84.268	N/A		91,427
Subtotal CFDA 84.268				1,418,116
Total Student Financial Aid Cluster				2,203,935
Passed through Missouri Department of Elementary and Secondary Education:				
Special Education - Grants to States	84.027	096-119		31,414,200
Special Education High Needs Fund	84.027	096-119		1,046,740
Assistive Technology Reimbursement Program	84.027	096-119		36,446
Subtotal CFDA 84.027				32,497,386
Special Education - Preschool Grants	84.173	096-119		6,920,924
Total Special Education Cluster				39,418,310
Title IA Grants to Local Education Agencies	84.010	096-119		509,572
Title ID Grants to Local Education Agencies (Delinquent)	84.010	096-119		230,004
Subtotal CFOA 84.010				739,576
Title IIA Improving Teacher Quality State Grants	84.367	096-119		124,639
Career and Technical Education	84.048	096-119	47,404	308,887
Total U.S. Department of Education				42,795,347
<u>U.S. Department of Agriculture:</u>				
Passed through Missouri Department of Elementary and Secondary Education:				
School Breakfast Program	10.553	096-119		179,431
National School Lunch Program	10.555	096-119		379,930
Donated Foods	10.555	096-119		19,892
After School Snack	10.555	096-119		2,583
Subtotal CFDA 10.553				179,431
Subtotal CFDA 10.555				402,405
Total Child Nutrition Cluster				581,836
Total U.S. Department of Agriculture				581,836

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Program Title	Federal CFDA Number	Pass-Through Identification Number	Passed through to Subrecipients	Expenditures
<u>U.S. Department of Labor:</u>				
Passed Through Workforce Investment Board of Southeast Missouri WIA Adult Program	17.258	N/A		7,500
Passed through St. Louis Agency on Training and Employment WIA Adult Program	17.258	N/A		43,166
WIA Dislocated Worker	17.278	N/A		1,666
Passed through Madison County Government WIA Adult Program	17.258	N/A		32,665
Passed Through Jefferson-Franklin Counties Office of Job Training Programs WIA Adult Program	17.258	N/A		11,000
WIA Dislocated Worker	17.278	N/A		5,000
Passed through St. Louis County Government WIA Adult Program	17.258	N/A		102,177
WIA Dislocated Workers	17.278	N/A		10,000
Passed through St. Charles County Government WIA Adult Program	17.258	N/A		8,500
Passed through St. Clair County, Illinois WIA Adult Program	17.258	N/A		83,323
Passed through Missouri Department of Social Services, Missouri Employment and Training Program WIA Adult Program	17.258	N/A		3,529
Subtotal CFDA 17.258				291,860
Subtotal CFDA 17.278				16,666
Total Workforce Investment Act (WIA) Cluster				308,526
Total U.S. Department of Labor				308,526
TOTAL				\$ 43,685,709

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

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 fiscal year ended June 30, 2016. 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.

Note 5 - Insurance

The District did not have any federal insurance in effect during the fiscal year ended June 30, 2016.

Note 6 - Loans (Loan Guarantees)

Federal Direct Loan Program:

The District is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program. It is not practical to determine the balance of loans outstanding to students under this program as of June 30, 2016. During the fiscal year ended June 30, 2016, the District processed \$1,418,116 under the Federal Loan Program.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified:

_____ Yes X No

Significant deficiency(ies) identified

not considered to be material weaknesses?

_____ Yes X None reported

Noncompliance material to financial statements
noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified:

_____ Yes X No

Significant deficiency(ies) identified

not considered to be material weaknesses?

_____ Yes X None reported

Type of auditors' report issued on compliance
for major programs:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with 2 CFR
Section 200.516 (a)

_____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027, 84.173

Special Education Cluster

Dollar threshold used to distinguish between
Type A and Type B programs:

\$1,310,571

Auditee qualified as low-risk auditee?

 X Yes _____ No

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Schedule of Findings and Questioned Costs (continued)

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.