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

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

JUNE 30, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2018, 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 changes in other post-employment benefits liability and related ratios, schedule of district's proportionate share of the net pension liability and related ratios – PSRS and PEERS, and schedule of district's contributions – PSRS and PEERS on pages 4 through 10 and 51 through 58 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 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 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 29, 2018 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 & JABOURI, P.C.

St. Louis, Missouri
November 29, 2018

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018. 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.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, for the year ended June 30, 2018, the District adopted GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*. The objective of this statement is to revise and establish new financial reporting requirements for most governments whose employees are provided with postemployment benefits other than pensions. As a result, the net position for the year ended June 30, 2017 has been restated from \$29.6 million to (\$7.9) million.

Financial Highlights

In total, the School District's financial position improved significantly during fiscal year 2018 as reflected by the increase in net position of \$21.6 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, 2018 even though the total unrestricted net position is (\$66.0) million. This negative net position is a result of the adoption of GASB Statement No. 68 in a prior year and the above mentioned new accounting standard.

General revenues totaled \$350.2 million or 77.3% of all revenues. These general revenues are comprised mainly of local property taxes, which totaled \$290.0 million during fiscal year 2018. Program revenues, which include all grants and tuition fees, totaled \$102.8 million or 22.7% of total revenues in fiscal year 2018. Total revenue funded an average salary increase of 3.0%. Total expenses for the year were \$431.4 million, of which \$328.6 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 \$13.7 million at June 30, 2018. Of this amount, (\$66.0) 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 2018 compared to fiscal year 2017.

(In Millions)

	Governmental Activities June 30,	
	2018	2017 (Restated)
Current and Other Assets	\$ 317.1	\$ 284.9
Capital Assets	114.4	110.5
Deferred amounts related to pension	116.5	139.1
Total Assets and Deferred Outflows of Resources	548.0	534.5
Current and Other Liabilities	41.6	35.5
Long-term Liabilities	465.8	476.0
Deferred amounts related to pensions and Other Post-Emp Benefits	26.9	30.9
Total Liabilities and Deferred Inflows of Resources	534.3	542.4
Net Position		
Investment in Capital Assets	77.9	72.7
Restricted	1.8	0.2
Unrestricted	(66.0)	(80.8)
Total Net Position	\$ 13.7	\$ (7.9)

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
	2018	2017	
Revenues:			
Program Revenues:			
Charges for Services	\$ 16.4	\$ 16.7	-1.8%
Operating Grants and Contributions	86.2	82.6	4.4%
Capital Grants	0.2	0.3	-33.3%
General Revenues:			
Property and Sales Taxes	296.5	288.2	2.9%
State Aid	49.7	42.4	17.2%
Other	4.0	2.0	100.0%
Total Revenues	453.0	432.2	4.8%
Functions/Program Expenses:			
Instruction - Special Education	267.9	262.8	1.9%
Instruction - Vocational Education	14.3	14.0	2.1%
Student Services	52.3	50.6	3.4%
Instructional Staff Support	8.0	7.6	5.3%
Building Administration	17.2	17.0	1.2%
Executive Administration	8.9	8.6	3.5%
Business Services	18.5	18.1	2.2%
Operation of Plant	8.1	7.6	6.6%
Transportation	31.4	29.4	6.8%
Food Services	1.0	0.9	11.1%
Adult Education	2.6	2.9	-10.3%
Unallocated Depreciation	0.1	0.1	0.0%
Debt Service:			
Interest and other charges	1.1	1.2	-8.3%
Total Functions/Program Expenses	431.4	420.8	2.5%
Increase in Net Position	21.6	11.4	
Prior Period Adjustment	-	(37.6)	
Increase (Decrease) in Net Position	\$ 21.6	\$ (26.2)	

Governmental Activities

The cost of all governmental activities totaled \$431.4 million in fiscal year 2018. The School District's taxpayers funded \$328.6 million or 76.2% 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 \$16.4 million or 3.8% of the governmental activities' cost and grants funded \$86.4 million or 20.0% of such costs in fiscal year 2018.

The School District's increase in net position is mainly attributable to an increase of \$7.6 million in Property Tax Revenue, \$2.1 million in Investment Income, \$7.3 million in Basic Formula, and \$4.0 million in High Needs

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Management's Discussion and Analysis (continued)

offset by (\$1.8) million in Entitlement funds. Total expense increased by \$10.6 million or 2.5% from fiscal year 2017.

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 76.2% for fiscal year 2018.

	Year Ended June 30, (in millions)			
	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Governmental Activities:				
Instruction - Special Education	\$ 267.9	\$ 176.1	\$ 262.8	\$ 174.0
Instruction - Vocational Education	14.3	12.1	14.0	11.9
Student Services	52.3	52.3	50.6	50.6
Transportation	31.4	26.0	29.4	24.3
Administration	26.1	26.1	25.6	25.6
Other Support Services	38.2	34.8	37.1	33.6
Interest and Other Charges	1.1	1.1	1.2	1.2
Unallocated Depreciation	0.1	0.1	0.1	0.1
Total Governmental Activities	\$ 431.4	\$ 328.6	\$ 420.8	\$ 321.3

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 \$268.0 million at June 30, 2018, which represented an increase of \$25.9 million from the prior year. The fund balance increase primarily reflects the increase of \$35.1 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 2018 was approved by the School Board and the Governing Council in May and June 2017, respectively. A revised budget was presented to the School Board and Governing Council in December 2017.

The final revised budget for general fund revenue totaled \$206.7 million compared to the original budget of \$199.7 million. The increase is mainly attributable to addition of \$3.8 million in High Needs, \$1.5 million in Investment Income and \$1.9 million in Basic Formula.

The final revised budget for general fund expenditures totaled \$194.1 million compared to the original budget of \$193.5 million. This increase is due a number of offsetting factors, including increase in contracted pupil transportation and software upgrade.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Management's Discussion and Analysis (continued)

Capital Assets and Debt Administration

Capital Assets:

At June 30, 2018, the School District had capital assets with a net book value of \$114.4 million which is an increase of \$3.9 million from fiscal year 2017. This reflects net capital additions of \$18.0 million partially offset by net depreciation expense of \$5.6 million and net disposals of \$8.5 million.

NET BOOK VALUE

	Governmental Activities	
	June 30,	
	2018	2017
Land	\$ 2,738,098	\$ 2,738,098
Buildings, land improvements and construction in progress	99,087,253	94,436,790
Vehicles and equipment	12,612,912	13,330,490
Total	\$ 114,438,263	\$ 110,505,378

Debt:

At June 30, 2018, the School District had \$35.3 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.

	June 30,	
	2018	2017
Facilities Authority		
Leasehold Revenue Bonds - by issue date:		
November 2013	\$ 8,950,000	\$ 9,450,000
November 2014	26,355,000	27,225,000
Total Facilities Authority	\$ 35,305,000	\$ 36,675,000
Capital Leases - by issue date:		
August 2012	620,000	1,235,000
November 2013	13,098	68,316
March 2016	31,102	41,798
Total Capital Leases	664,200	1,345,114
Grand Total	\$ 35,969,200	\$ 38,020,114

At June 30, 2018, the District is obligated for future minimum lease payments under capital leases in the amount of \$.7 million.

Other long-term liabilities of the School District also include a net pension liability, other post-employment benefit liability, worker's compensation claims; vacation and sick leave pay, and other liabilities that amount to approximately \$429.8 million. Refer to footnotes 4, 5 and 10 for more information concerning long-term liabilities.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Management's Discussion and Analysis (continued)

Economic Factors and Fiscal Year 2019 Budget

The fiscal year 2019 budget reflects a slight decrease in revenue. Total revenue is projected to decrease by \$1.9 million or 0.4% in fiscal year 2019. This decrease is mainly due to a one-time prior period adjustment in Basic Formula revenue offset by increases in Property Taxes and Investment Income.

The national economy continues to recover from the major recession however, the effect of the Federal tax cuts on State funding is still uncertain. Federal aid is scheduled to remain flat in fiscal year 2019 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, 2018**

	Governmental Activities
-- ASSETS --	
Cash and investments	\$ 284,820,600
Property taxes receivable, net of allowance for uncollectible amount of \$6,512,580	9,251,596
Grants and other receivables	22,363,672
Prepaid items	182,673
Inventory	283,974
Restricted cash and investments	205,097
Capital Assets:	
Land	2,738,098
Construction in progress	7,537,600
Other capital assets, net of accumulated depreciation	104,162,565
TOTAL ASSETS	431,545,875
-- DEFERRED OUTFLOWS OF RESOURCES --	
Deferred amounts related to pensions	116,490,151
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 548,036,026
-- LIABILITIES --	
Accounts payable	\$ 34,248,285
Accrued expenditures:	
Salaries and related benefits	1,457,155
Medical and dental claims	3,606,046
Interest	293,761
Other liabilities	1,923,312
Due to student activity program	100,933
Unearned revenues	5,442
Long-term liabilities:	
Due within one year	9,210,537
Due in more than one year	36,882,405
Net pension liability	341,872,332
Other post-employment benefits liability	77,836,398
Total Liabilities	507,436,606
-- DEFERRED INFLOWS OF RESOURCES --	
Deferred amounts related to pensions	24,470,597
Deferred amounts related to other post-employment benefits	2,464,402
Total Deferred Inflows of Resources	26,934,999
-- NET POSITION --	
Net investment in capital assets	77,942,163
Restricted for:	
Capital projects	1,557,581
Workers' compensation claims	200,101
Unrestricted	(66,035,424)
Total Net Position	13,664,421
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 548,036,026

See accompanying notes to basic financial statements

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

			Program Revenues			Net (Expense)
			Charges	Operating	Capital Grants	Revenue and
	Expenses		for Services	Grants and	and	Changes in
			and Sales	Contributions	Contributions	Net Position
						Total
						Governmental
						Activities
GOVERNMENTAL ACTIVITIES:						
Instruction	\$ 282,184,855	\$ 14,947,026	\$ 78,753,974	\$ 228,042	\$	(188,255,813)
Attendance	9,863,435	-	-	-	-	(9,863,435)
Guidance	3,022,719	-	-	-	-	(3,022,719)
Health services	39,428,108	-	-	-	-	(39,428,108)
Improvement of instruction	7,512,395	-	-	-	-	(7,512,395)
Professional development	452,014	-	-	-	-	(452,014)
Media services	574,770	-	-	-	-	(574,770)
Board of Education services	1,412,839	-	-	-	-	(1,412,839)
Executive administration	6,867,009	-	-	-	-	(6,867,009)
Building level administration	17,178,030	-	-	-	-	(17,178,030)
Business, fiscal and						
internal services	9,100,097	-	-	-	-	(9,100,097)
Operation of plant	7,421,105	14,923	-	-	-	(7,406,182)
Security services	665,744	-	-	-	-	(665,744)
Pupil transportation	31,392,349	11,765	5,420,092	-	-	(25,960,492)
Food services	1,021,485	74,657	571,972	-	-	(374,856)
Central office support services	9,397,489	-	-	-	-	(9,397,489)
Adult continuing education	2,630,619	1,299,212	1,494,193	-	-	162,786
Community services	6,015	-	-	-	-	(6,015)
Unallocated depreciation	113,951	-	-	-	-	(113,951)
Debt service:						
Interest	1,148,308	-	-	-	-	(1,148,308)
Other charges	1,600	-	-	-	-	(1,600)
TOTAL GOVERNMENTAL						
ACTIVITIES	\$ 431,394,936	\$ 16,347,583	\$ 86,240,231	\$ 228,042		(328,579,080)
General Revenues						
Taxes:						
Property						289,911,904
Sales						6,529,894
State aid						49,703,084
Investment earnings						3,630,287
Miscellaneous						382,081
TOTAL GENERAL REVENUES						350,157,250
CHANGE IN NET POSITION						21,578,170
NET POSITION, BEGINNING OF						
YEAR (Restated)						(7,913,749)
NET POSITION, END OF YEAR						\$ 13,664,421

See accompanying notes to basic financial statements

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
-- ASSETS --					
Cash and investments	\$ 284,820,600	\$ -	\$ -	\$ -	\$ 284,820,600
Property taxes - net of allowance for uncollectible amount	4,185,431	4,503,085	-	563,080	9,251,596
Grants and other receivables	17,522,494	4,841,178	-	-	22,363,672
Interfund receivables	3,723,308	-	-	1,215,641	4,938,949
Prepaid items	182,673	-	-	-	182,673
Inventory	283,974	-	-	-	283,974
Restricted cash and investments	200,101	-	562	4,434	205,097
TOTAL ASSETS	\$ 310,918,581	\$ 9,344,263	\$ 562	\$ 1,783,155	\$ 322,046,561
-- LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES --					
LIABILITIES:					
Accounts payable	\$ 34,245,686	\$ -	\$ 1,401	\$ 1,198	\$ 34,248,285
Accrued expenditures:					
Salaries and related benefits	851,226	605,929	-	-	1,457,155
Medical and dental claims	3,606,046	-	-	-	3,606,046
Other liabilities	1,765,653	-	-	157,659	1,923,312
Due to student activity program	100,933	-	-	-	100,933
Unavailable revenues	5,442	-	-	-	5,442
Interfund payables	-	4,933,548	5,401	-	4,938,949
Total Liabilities	40,574,986	5,539,477	6,802	158,857	46,280,122
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	3,536,390	3,804,786	-	475,762	7,816,938
FUND BALANCES:					
Nonspendable:					
Inventory	283,974	-	-	-	283,974
Prepaid items	182,673	-	-	-	182,673
Restricted for:					
Capital projects	-	-	-	1,148,536	1,148,536
Workers' compensation claims	200,101	-	-	-	200,101
Unassigned	266,140,457	-	(6,240)	-	266,134,217
Total Fund Balances	266,807,205	-	(6,240)	1,148,536	267,949,501
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 310,918,581	\$ 9,344,263	\$ 562	\$ 1,783,155	\$ 322,046,561

See accompanying notes to basic financial statements

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, 2018**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS

\$ 267,949,501

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 \$180,329,484 and the accumulated depreciation is \$65,891,221

114,438,263

Unpaid property taxes at June 30, 2018, less July and August receipts are recorded as deferred revenue in the governmental funds.

7,816,938

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

(293,761)

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	(44,200)	
Capital leases - certificates of participation	(620,000)	
Leasehold revenue bonds	(35,305,000)	
Operating leases - Crossings	(90,022)	
Sick leave benefits	(2,599,170)	
Workers' compensation claims	(4,105,228)	
Unemployment benefits	(12,715)	
Vacation pay	(1,976,526)	
Unamortized bond premium	(593,618)	
Liability claims	(746,463)	
Other post-employment benefits	(77,836,398)	
Deferred inflows of resources - other post-employment benefits	(2,464,402)	
Net pension obligation - PSRS	(294,168,830)	
Net pension obligation - PEERS	(47,703,502)	
Deferred outflows of resources - PSRS	98,473,004	
Deferred outflows of resources - PEERS	18,017,147	
Deferred inflows of resources - PSRS	(22,484,263)	
Deferred inflows of resources - PEERS	(1,986,334)	
Total	<u>(376,246,520)</u>	<u>(376,246,520)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 13,664,421

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, 2018**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Property taxes	\$ 127,383,299	\$ 137,051,308	\$ -	\$ 17,137,097	\$ 281,571,704
Sales tax	-	6,529,894	-	-	6,529,894
Adult education	1,299,212	-	-	-	1,299,212
Investment income	3,629,649	-	606	-	3,630,255
Food service	74,657	-	-	-	74,657
Desegregation program	6,730,400	-	-	-	6,730,400
Other local	1,842,316	1,364,910	-	170,704	3,377,930
Total Local	140,959,533	144,946,112	606	17,307,801	303,214,052
County Sources:					
Fines, forfeitures, escheat	-	20,424	-	-	20,424
State assessed	2,452,639	2,638,783	-	329,962	5,421,384
Total County	2,452,639	2,659,207	-	329,962	5,441,808
State Sources:					
Basic formula	12,218,836	37,484,247	-	-	49,703,083
Transportation	5,420,092	-	-	-	5,420,092
High needs fund	14,694,686	-	-	-	14,694,686
Early childhood	11,970,185	11,322,148	-	-	23,292,333
Vocational tech aid	1,533,063	-	-	169,729	1,702,792
State grants and contributions	958,139	-	-	14,633	972,772
Total State	46,795,001	48,806,395	-	184,362	95,785,758
Federal Sources:					
Medicaid	2,824,608	-	-	-	2,824,608
Entitlement	-	30,380,299	-	-	30,380,299
School breakfast/lunch	563,655	-	-	-	563,655
Early childhood	3,602,112	-	-	-	3,602,112
Other federal sources	3,912,201	-	-	43,680	3,955,881
Total Federal	10,902,576	30,380,299	-	43,680	41,326,555
Contracted educational services	7,158,649	-	-	-	7,158,649
Total Revenues	208,268,398	226,792,013	606	17,865,805	452,926,822

See accompanying notes to basic financial statements

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, 2018**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
EXPENDITURES:					
Current:					
Instruction	88,967,409	180,592,475	-	-	269,559,884
Attendance	8,960,849	751,043	-	-	9,711,892
Guidance	493,797	2,431,648	-	-	2,925,445
Health services	20,480,598	18,014,066	-	-	38,494,664
Improvement of instruction	2,771,173	4,451,020	-	-	7,222,193
Professional development	339,149	112,865	-	-	452,014
Media services	309,783	249,089	-	-	558,872
Board of Education services	1,266,736	149,551	-	-	1,416,287
Executive administration	3,276,039	3,345,911	-	-	6,621,950
Building level administration	3,305,731	13,558,620	-	-	16,864,351
Business, fiscal and internal services	7,754,006	816,315	-	-	8,570,321
Operation of plant	7,279,702	-	-	-	7,279,702
Security services	630,547	-	-	-	630,547
Pupil transportation	27,971,761	-	-	-	27,971,761
Food services	842,377	-	-	-	842,377
Central office support services	7,504,474	1,083,674	-	-	8,588,148
Adult continuing education	1,282,626	1,250,970	-	-	2,533,596
Community services	6,015	-	-	-	6,015
Capital outlay	-	-	-	13,517,134	13,517,134
Debt service:					
Principal	-	-	1,985,000	65,915	2,050,915
Interest	-	-	1,221,619	3,667	1,225,286
Other charges	-	-	-	1,600	1,600
Total Expenditures	183,442,772	226,807,247	3,206,619	13,588,316	427,044,954
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	24,825,626	(15,234)	(3,206,013)	4,277,489	25,881,868
OTHER FINANCING SOURCES (USES):					
Transfer (to) from other funds	(15,234)	15,234	3,206,531	(3,206,531)	-
Proceeds from the sale of capital assets	-	-	-	10,860	10,860
Total Other Financing Sources (Uses)	(15,234)	15,234	3,206,531	(3,195,671)	10,860
NET CHANGE IN FUND BALANCES	24,810,392	-	518	1,081,818	25,892,728
FUND BALANCES, BEGINNING OF YEAR	241,996,813	-	(6,758)	66,718	242,056,773
FUND BALANCES, END OF YEAR	\$ 266,807,205	\$ -	\$ (6,240)	\$ 1,148,536	\$ 267,949,501

See accompanying notes to basic financial statements

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, 2018**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL BALANCES **\$ 25,892,728**

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	9,574,198	
Depreciation expense	(5,582,550)	
		3,991,648

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. 94,187

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:

Repayment of bond and lease principal	2,050,915	
Interest expense	8,658	
Operating lease amortization	76,206	
Amortization of bond premium	68,320	
		2,204,099

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	(10,860)	
Gain (loss) on disposal of capital assets	(47,901)	
		(58,761)

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	441,145	
Workers' compensation claims	(381,335)	
Unemployment benefits	23,884	
Liability claims	(303,277)	
Other post-employment benefits	(4,829,598)	
Pension expense - PSRS	(2,837,902)	
Pension expense - PEERS	(2,658,648)	
		(10,545,731)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 21,578,170**

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2018

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:

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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.

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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 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.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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 2017 and 2016 for purposes of local taxation were \$24,641,798,835 and \$22,864,550,044, respectively.

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2017 and 2016 for purposes of local taxation were:

	December 31, 2017	December 31, 2016
General Fund	\$ 0.5389	\$ 0.5614
Special Revenue Fund	0.5798	0.6039
Capital Projects Fund	0.0725	0.0756
Total	<u>\$ 1.1912</u>	<u>\$ 1.2409</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2018, aggregated approximately 98.11% of the current assessment computed on the basis of the levy as shown above.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018 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 and debt service funds of the Facilities Authority and amounts escrowed under an agreement with the Missouri Division of Workers' Compensation for possible payments of claims.

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.

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:

Assets	Years
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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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 twelve (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, 2018 amounted to approximately \$1,977,000 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 years, discounted at current interest rates, is approximately \$2,599,000 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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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*, by GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*, and GASB Statement No. 82, *Pensions Issues*.

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 when the liability is incurred, regardless of when payment is made. Investments are reported at fair value. 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 Liability

The District calculates and records a total other post-employment benefit (OPEB) liability in the government-wide financial statements. The total OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service. The total OPEB liability is determined through an actuarial valuation. Details related to the District's postretirement health care benefits provided, OPEB liability and its calculation are provided at Note 10. The liability is typically liquidated by the General and Special Revenue Funds.

Governmental Fund Balances

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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, 2018 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, 2018 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, 2018.

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, 2018.

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, 2018 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.

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, 2018, 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.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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, 2018, 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, 2018.

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

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, 2018.

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.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Adoption of New Accounting Standard

For the year ended June 30, 2018, the District adopted GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*. The objective of this statement is to revise and establish new financial reporting requirements for most governments whose employees are provided with postemployment benefits other than pensions. As a result, the net position for the year ended June 30, 2017 has been restated as follows:

Government-Wide Financial Statements - Governmental Activities:

Net position, June 30, 2017, as previously reported:	\$	29,642,053
To eliminate the other post-employment benefit liability prior to GASB Statement No. 75		37,915,400
To record the total other post-employment benefit liability at the beginning of the year according to GASB Statement No. 75		(75,471,202)
Net position, June 30, 2017, restated	\$	(7,913,749)

2. CASH AND INVESTMENTS

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

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

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

The 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.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

- 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. A separately issued financial statement can be obtained by contacting 1-877-MY-MOSIP.

The deposits and investments held at June 30, 2018, are as follows:

Type	Carrying Value
Deposits:	
Demand deposits	\$ 2,804,019
Cash on hand	2,306
Total Deposits	2,806,325
Investments:	
U.S. Treasury Bills	200,100
U.S. Treasury Notes	61,136,965
External investment pool	43,563,870
Federal agency bonds	39,805,038
* Money market mutual funds	4,996
Commercial paper	136,528,403
Negotiable certificates of deposit	980,000
Total Investments	282,219,372
Total Deposits and Investments	\$ 285,025,697

* 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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

insurance (Federal Deposit Insurance Corporation or National Credit Union Share Insurance Fund), as applicable. As of June 30, 2018, none of the District's deposits were exposed to custodial credit risk.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the 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, 2018 are provided as follows:

Investment Type	Fair Value	Investment Maturities (In Years)		
		No Maturity	Less than 1	1 - 5
U.S. Treasury Bills	\$ 200,100	\$ -	\$ 200,100	\$ -
U.S. Treasury Notes	61,136,965	-	61,136,965	-
External investment pool	43,563,870	43,563,870	-	-
Federal agency bonds	39,805,038	-	39,805,038	-
* Money market mutual funds	4,996	4,996	-	-
Commercial paper	136,528,403	-	136,528,403	-
Negotiable certificates of deposit	980,000	-	980,000	-
	<u>\$ 282,219,372</u>	<u>\$ 43,568,866</u>	<u>\$ 238,650,506</u>	<u>\$ -</u>

* Represents investments of the Facilities Authority

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, 2018, the District's investments were rated as follows:

Description	Financial Institution	Amount	Rating
U.S. Treasury Bills	Commerce, MOSIP	\$ 200,100	N/A
U.S. Treasury Notes	Commerce, MOSIP	61,136,965	N/A
External Investment Pool - MOSIP Liquid Series	MOSIP	43,563,870	AAAm
Federal agency bonds	UMB Bank, Commerce	39,805,038	P-1
* Money market mutual funds	UMB Bank	4,996	AAAm
Commercial paper	UMB Bank, Commerce, FTN Financial	136,528,403	P-1
Negotiable certificates of deposit	UMB Bank	980,000	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, 2018, the District had the following concentrations of credit risk to be disclosed:

Description	Issuer	Financial Institution	Fair Value	Percentage of Total Investments
Commercial paper	Sumitomo Mitsui Bank Industrial and Commercial Bank of China (New York Branch)	Commerce	\$ 14,867,267	5.27%
Commercial paper		FTN Financial	14,858,217	5.26%

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, 2018, is as follows:

	Balance June 30, 2017	Additions and Transfers	Disposals and Transfers	Balance June 30, 2018
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,738,098	\$ -	\$ -	\$ 2,738,098
Construction in Progress	8,402,357	7,537,600	8,402,357	7,537,600
Total Capital Assets, Not Being Depreciated	11,140,455	7,537,600	8,402,357	10,275,698
Capital Assets, Being Depreciated:				
Land improvements	2,644,912	-	-	2,644,912
Buildings and building improvements	122,011,568	8,575,143	-	130,586,711
Machinery and equipment	20,936,481	982,851	105,289	21,814,043
Vehicles	15,173,745	880,959	1,046,584	15,008,120
Total Capital Assets, Being Depreciated	160,766,706	10,438,953	1,151,873	170,053,786
Less - Accumulated Depreciation For:				
Land improvements	1,725,180	114,993	-	1,840,173
Buildings and building improvements	36,896,867	2,944,931	-	39,841,798
Machinery and equipment	14,568,691	882,774	70,077	15,381,388
Vehicles	8,211,045	1,639,852	1,023,035	8,827,862
Total Accumulated Depreciation	61,401,783	5,582,550	1,093,112	65,891,221
Total Capital Assets, Being Depreciated, Net	99,364,923	4,856,403	58,761	104,162,565
Governmental Activities, Capital Assets, Net	\$ 110,505,378	\$ 12,394,003	\$ 8,461,118	\$ 114,438,263

Depreciation was charged to functions of the District as follows:

Instruction	\$ 2,868,592
Attendance	5,028
Guidance	1,886
Health services	24,513
Improvement of instruction	10,902
Media services	948
Executive administration	11,807
Building level administration	43,560
Business, fiscal and internal services	509,925
Operation of plant	125,192
Pupil transportation	1,730,812
Food services	89,670
Adult continuing education	45,764
Unallocated	113,951
	\$ 5,582,550

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, 2018 is as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Amounts Due Within One Year
Governmental Activities:					
Leasehold revenue bonds	\$ 36,675,000	\$ -	\$ 1,370,000	\$ 35,305,000	\$ 1,420,000
Capital leases	1,345,114	-	680,914	664,200	644,307
Operating leases - Crossings	166,228	-	76,206	90,022	-
Sick leave benefits	2,562,351	13,787,260	13,750,441	2,599,170	305,298
Vacation pay	2,454,490	1,854,959	2,332,923	1,976,526	1,976,526
Workers' compensation claims	3,723,893	3,301,571	2,920,236	4,105,228	4,105,228
Unemployment benefits	36,599	32,956	56,840	12,715	12,715
Liability claims	443,187	485,530	182,254	746,463	746,463
	<u>\$ 47,406,862</u>	<u>\$ 19,462,276</u>	<u>\$ 21,369,814</u>	<u>45,499,324</u>	<u>\$ 9,210,537</u>
Unamortized bond premium				593,618	
				<u>\$ 46,092,942</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, 2018 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, 2018 was \$4,894,260 and is included in capital assets as vehicles and equipment, and accumulated depreciation is \$3,501,342. The cost for the office equipment as of June 30, 2018 was \$228,838 and is included in capital assets as machinery and equipment, and accumulated depreciation is \$190,502.

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, 2018:

Year Ending June 30,	
2019	\$ 655,540
2020	12,432
2021	8,288
Total future minimum lease payments	676,260
Less amount representing interest	(12,060)
Present value of future minimum lease payments	<u>\$ 664,200</u>

Sick Leave, Vacation, and Insurance

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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 the Systems, Missouri State Teachers' Association, Missouri State High School Activities Association, and certain employees of the state of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987 and 1989. The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined not to be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of Section 169.070 (9) RSMo, known as the "2/3's statute." PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The members' benefits are further calculated at two-thirds the normal benefit amount.

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

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

PEERS is a defined benefit plan providing service retirement, disability, and death benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional temporary benefit until reaching minimum Social Security age (currently age 62), which is calculated using a 0.8% benefit factor. Actuarially age-reduced retirement benefits are available with 5 to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

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

Cost-of-Living Adjustments ("COLA"). The Board of Trustees has established a policy of providing COLAs to both PSRS and PEERS members as follows:

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

For and 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 2016, 2017 and 2018. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay.

PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2016, 2017 and 2018. 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.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

The District's contributions to PSRS and PEERS were \$28,499,713 and \$7,145,806, respectively, for the year ended June 30, 2018.

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

At June 30, 2018, the District recorded a liability of \$294,168,830 for its proportionate share of the PSRS net pension liability and \$47,703,502 for its proportionate share of the PEERS net pension liability. In total the District recorded net pension liabilities of \$341,873,332. The net pension liability for the plans in total was measured as of June 30, 2017, 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 \$27,860,211 and \$6,892,741, respectively, for the year ended June 30, 2017, relative to the actual contributions of \$684,085,861 for PSRS and \$110,244,418 for PEERS from all participating employers. At June 30, 2017, the District's proportionate share was 4.0726% for PSRS and 6.2525% for PEERS.

For the year ended June 30, 2018, the District recognized pension expense of \$31,337,615 for PSRS and \$9,804,454 for PEERS, its proportionate share of the total pension expense.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources from the following sources related to PSRS and PEERS pension benefits:

Balance of Deferred Outflows and Inflows Due to:	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
Differences between expected and actual experience	\$ 17,473,138	\$ 18,730,343	\$ 760,626	\$ 1,932,460	\$ 18,233,764	\$ 20,662,803
Changes in assumptions	46,414,834	-	8,212,702	-	54,627,536	-
Net difference between projected and actual earnings on pension plan investments	6,085,319	-	1,026,406	-	7,111,725	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	3,753,920	871,607	53,874	871,607	3,807,794
Employer contributions subsequent to the measurement date	28,499,713	-	7,145,806	-	35,645,519	-
Total	\$ 98,473,004	\$ 22,484,263	\$ 18,017,147	\$ 1,986,334	\$ 116,490,151	\$ 24,470,597

Amounts reported as deferred outflows of resources resulting from contribution subsequent to the measurement date of June 30, 2017, will be recognized as a reduction to the net pension liability in the year ended June 30, 2019. 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
2019	\$	4,893,414	\$	3,020,070	\$ 7,913,484
2020		24,986,428		5,547,986	30,534,414
2021		14,258,906		2,517,794	16,776,700
2022		(5,579,599)		(2,200,843)	(7,780,442)
2023		7,723,645		-	7,723,645
Thereafter		1,206,234		-	1,206,234
Total	\$	47,489,028	\$	8,885,007	\$ 56,374,035

Actuarial Assumptions

Actuarial valuations of the Systems involve assumptions about probability of occurrence of events far into the future in order to estimate the reported amounts. Examples include assumptions about future employment, salary increases, and mortality. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience for the Systems, derived from experience studies conducted every fifth year and from Board policies concerning investments and COLAs. The most recent comprehensive experience studies were completed in June 2016. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the studies and effective with the June 30, 2016 valuation. For the June 30, 2017 valuations, the investment rate of return was reduced from 7.75% to 7.6% and

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

the assumption for the annual cost-of-living adjustments was updated in accordance with the funding policies amended by the Board of Trustees at their November 2017 meeting. Significant actuarial assumption and methods, including changes from the prior year resulting from changes in Board policy, are detailed below. For additional information please refer to the Systems' Comprehensive Annual Financial Report ("CAFR"). The next experience studies are scheduled for 2021.

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

Measurement date	June 30, 2017
Valuation date	June 30, 2017
Expected return on investments	7.60 %, net of investment expenses and including 2.25% inflation
Inflation	2.25%
Total payroll growth	PSRS 2.75% per annum, consisting of 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity. PEERS 3.25% per annum, consisting of 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.
Future salary increases	PSRS 3.00% - 9.50%, depending on service and including 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity. PEERS 4.00% - 11.00%, depending on service and including 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.
Cost-of-living increases	PSRS & PEERS The annual COLA assumed in the evaluation increases from 1.20% to 1.65% over nine years, beginning January 1, 2019. The COLA reflected for January 1, 2018 is 1.63%, in accordance with the actual COLA approved by the Board. This COLA assumption reflects an assumption that general inflation will increase from 1.80% to a normative inflation assumption of 2.25% over nine years. It is also based on the current policy of the Board to grant a COLA on each January 1 as follows:

- If the June to June change in the CPI-U is less than 2% for consecutive on year periods, a cost-of-living increase of 2% will be granted when the cumulative increase is equal to or greater than 2%, at which point the cumulative increase in the CPI-U will be reset to zero. For the following year, the starting CPI-U will be based on the June value immediately preceding the January 1 at which the 2% cost-of-living increase is granted.

- If the June to June change in the CPI-U is greater than or equal to 2% but less than 5%, a cost-of-living increase of 2% will be granted.

- If the June to June change in the CPI-U is greater than or equal to 5%, a cost-of-living increase of 5% will be granted.

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

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:

Mortality assumptions:

Actives	PSRS	RP 2006 White Collar Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
	PEERS	RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
Non-disabled retirees, beneficiaries and survivors	PSRS	RP-2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
	PEERS	RP-2006 Total Dataset Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
Disabled retirees	PSRS & PEERS	RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
Changes in Actuarial Assumptions and Methods	PSRS & PEERS	The investment return and COLA assumptions were updated by the Board as follows based on changes to the Board's funding policy adopted at the November 3, 2017 meeting:
		- The investment return assumption was lowered from 7.75% to 7.60% per year.
		- The Board adopted a new COLA policy on November 3, 2017 resulting in a change to the future COLA assumption from an increasing assumption of 1.05%-1.50% over nine years to an increasing assumption of 1.20%-1.65% over nine years, beginning January 1,
Fiduciary net position	The Systems issue a publicly available financial report (CAFR) that can be obtained at www.psrs-peers.org .	

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:

Expected rate of return The long-term expected rate of return on investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27 *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed rate of return. The long-term expected rate of return on 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, 2017 are summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cash flows.

Asset Class	Target Asset Allocation	Long-Term Expected Real Return Arithmetic Basis	Weighted Long-Term Expected Real Return Arithmetic Basis
U.S. Public Equity	27.0%	5.16%	1.39%
Public Credit	7.0%	2.17%	0.15%
Hedged Assets	6.0%	4.42%	0.27%
Non-U.S. Public Equity	15.0%	6.01%	0.90%
U.S. Treasuries	16.0%	0.96%	0.15%
U.S. TIPS	4.0%	0.80%	0.03%
Private Credit	4.0%	5.60%	0.22%
Private Equity	12.0%	9.86%	1.18%
Private Real Estate	9.0%	3.56%	0.32%
Total	100%		4.61%
		Inflation	2.25%
		Long-term arithmetical nominal return	6.86%
		effect of covariance matrix	0.74%
		Long-term expected geometric return	7.60%

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:

Discount rate The long-term expected rate of return used to measure the total pension liability was 7.60% as of June 30, 2017, and is consistent with the long-term expected geometric return on plan investments. The actuarial assumed rate of return of 8.0% from 1980 through fiscal year 2016. The Board of Trustees adopted a new actuarial assumed rate of return of 7.75% effective with the June 30, 2016 valuation based on the actuarial experience studies and asset-liability study conducted during the 2016 fiscal year. As previously discussed, the Board of Trustees further reduced the assumed rate of return to 7.60% effective with the June 30, 2017 valuation. 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 pension plan's fiduciary net position was projected to be available to make all projected future benefits 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 7.60% is presented as well as the net pension liability using a discount rate that is 1.0% lower (6.60%) or 1.0% higher (8.60%) than the current rate.

		1.0% Decrease		Current Rate		1.0% Increase
	Discount rate	(6.60%)		(7.60%)		(8.60%)
PSRS	Proportionate share of the Net Pension					
	Liability	\$ 522,460,150	\$	294,168,830	\$	104,375,859
PEERS	Proportionate share of the Net Pension					
	Liability	\$ 87,875,788	\$	47,703,502	\$	14,007,354

As of June 30, 2018, the District reported \$79,865 and \$53,700 payable to the PSRS and PEERS, respectively, for legally required contributions.

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, 2018, the estimated liability for payment of medical and dental, and unemployment claims is approximately \$3,606,000 and \$13,000, 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.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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, 2018, the estimated liability for payment of workers' compensation claims under the self-insurance plan was approximately \$4,105,000 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, 2018 and June 30, 2017 are as follows:

	Prescription Drugs, Medical and Dental Benefits	Workers' Compensation	Unemployment Benefits
Balance - June 30, 2016	\$ 3,570,749	\$ 4,038,908	\$ 39,989
Add: claims, fees, and change in estimates	44,957,201	2,549,331	67,645
Less: claim payments	(44,967,791)	(2,864,346)	(71,035)
Balance - June 30, 2017	3,560,159	3,723,893	36,599
Add: claims, fees, and change in estimates	48,675,667	3,301,571	32,956
Less: claim payments	(48,629,780)	(2,920,236)	(56,840)
Balance - June 30, 2018	<u>\$ 3,606,046</u>	<u>\$ 4,105,228</u>	<u>\$ 12,715</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 approximately \$421,000 per person and approximately \$2,804,000 per occurrence.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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.

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.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Rental payments made pursuant to this lease totaled \$1,832,968 during the year ended June 30, 2018. 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.

Bonds payable at June 30, 2018 consist of:

\$9,450,000 leasehold revenue bonds due in varying installments through April 1, 2028, interest at 3.00% to 4.00%	\$ 8,950,000
\$8,705,000 leasehold revenue bonds due in varying installments through April 1, 2024, interest at 1.95%.	7,835,000
\$18,520,000 leasehold revenue bonds due in varying installments through April 1, 2034, interest at 3.375% to 4.00%	18,520,000
	<u>\$ 35,305,000</u>

The following is a summary of bond transactions for the year ended June 30, 2018:

Bonds payable, July 1, 2017	\$ 36,675,000
Bonds issued	-
Bonds retired	<u>(1,370,000)</u>
Total bonds payable, June 30, 2018	<u>\$ 35,305,000</u>

The following are debt service requirements on the outstanding bonds at June 30, 2018:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,420,000	\$ 1,171,139	\$ 2,591,139
2020	2,100,000	1,138,799	3,238,799
2021	2,180,000	1,089,186	3,269,186
2022	2,255,000	1,037,751	3,292,751
2023	2,340,000	984,591	3,324,591
2024-2028	13,565,000	3,777,609	17,342,609
2029-2033	9,245,000	1,192,200	10,437,200
2034	2,200,000	79,750	2,279,750
	<u>\$ 35,305,000</u>	<u>\$ 10,471,025</u>	<u>\$ 45,776,025</u>

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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.

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, 2018 on these and other operating leases was approximately \$1,011,000. Future minimum lease payments as of June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2019	\$ 897,819
2020	139,923
2021	138,655
2022	138,655
2023	<u>138,655</u>
Total	<u><u>\$ 1,453,707</u></u>

As of June 30, 2018, the District has entered into construction commitments totaling approximately \$13,346,000 of which approximately \$3,941,000 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)

Plan Description

The Special School District Other Post-Employment Benefits ("OPEB") plan (the "Plan") provides an OPEB for certain eligible employees who retire from the District. The Plan is a single-employer defined benefit OPEB plan that is administered by the District. The benefits and benefit levels are governed by District policy. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The Plan does not issue a stand-alone financial report.

Benefits Provided

The Plan provides an opportunity for continuation of medical, dental, and vision coverage including prescription drugs to employees that retire from the District who meet the retirement requirements of PSRS or PEERS and their dependents. Retirees can continue coverage past Medicare eligibility age (age 65). Retirees may cover spouses and eligible dependent children. Surviving spouses can continue coverage after retiree's death. 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 retirees pay the premium for each year, the District's share of any premium cost is determined on the basis of a blended rate or implicit rate subsidy calculation.

Retiree medical contributions effected for November 1, 2017 are as follows:

<u>Coverage Tier</u>	<u>Pre-65</u>	<u>Medicare Eligible *</u>
Retiree	\$598.08	\$598.08
Retiree + Spouse	\$1,311.12	\$1,196.16
Retiree + Child	\$949.34	\$949.34
Retiree + 2 Children	\$971.54	-
Retiree + 3 Children	\$1,018.74	-
Retiree + Spouse + Child	\$1,662.38	\$1,547.42
Retiree + Spouse + 2 Children	\$1,684.58	-
Retiree + Spouse + 3 Children	\$1,731.78	-

*Cost of coverage is assumed to be equal to the premium charged.

<u>Coverage Tier</u>	<u>Dental</u>	<u>Vision</u>
Retiree	\$30.90	\$4.26
Retiree + Spouse	\$74.54	\$7.16
Retiree + Child	\$76.80	\$7.30
Retiree + 2 Children	\$81.48	\$7.30
Retiree + 3 Children	\$86.18	\$7.30
Retiree + Spouse + Child	\$120.44	\$10.20
Retiree + Spouse + 2 Children	\$125.12	\$10.20
Retiree + Spouse + 3 Children	\$129.82	\$10.20

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees and surviving spouses* currently receiving benefits	845
Spouses of inactive employees currently receiving benefits	89
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	4,899
Total	<u>5,833</u>

* Includes 496, 833, and 572 with medical, dental, and vision coverage respectively.

Total OPEB Liability

The District's total liability of \$77,836,398 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.00%
Discount rate	3.87%
Healthcare cost trend rates	Medical cost trend rate of 6.0% for 2018, gradually decreasing to an ultimate rate of 4.1% for 2079 and beyond.
Actuarial cost method	Entry age normal based on level percentage of projected salary.
Amortization method	N/A

The discount rate was based on the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on the RP-2014 Mortality for Employees and Healthy Annuitants, with generational projection per Scale MP-2017.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability at June 30, 2017	\$ 75,471,202
Change for the year:	
Service cost	5,145,755
Interest cost	2,835,382
Changes in assumptions or other inputs	(2,758,133)
Benefit payments	(2,857,808)
Net change in total OPEB liability	2,365,196
Total OPEB Liability at June 30, 2018	<u>\$ 77,836,398</u>

Impact of Changes of Benefit Terms

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

Impact of Plan Experience

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

Impact of Changes of Assumptions

The impact of changes in assumptions is valued at a loss of \$2.76 million in respect to the total OPEB liability. This occurred due to many assumptions changing, such as a re-evaluation of the discount rate using the current updated mortality table – reflecting participants living longer and actuarial cost method. The remainder of the changes are due to accrual of benefits and the passage of time.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District, calculated using the discount rate of 3.87%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 87,950,075	\$ 77,836,398	\$ 69,278,261

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the District, calculated using the current healthcare cost trend rates as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend	1% Increase
Total OPEB liability	\$ 67,275,303	\$ 77,836,398	\$ 90,880,371

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$7,687,406. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions/inputs	-	(2,464,402)
Total	\$ -	\$ (2,464,402)

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

Year Ending June 30,	Net Deferred Outflows and Inflows of Resources
2019	\$ (293,731)
2020	(293,731)
2021	(293,731)
2022	(293,731)
2023	(293,731)
Thereafter	(995,747)

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

11. TAX ABATEMENTS

As of June 30, 2018, the District is subject to the following tax abatement programs initiated by other governmental entities:

	Real Estate Tax	Surcharge	Property Tax
Enhanced enterprise zones			
City of Berkley	\$ 3,775	\$ 373	\$ -
City of Hazelwood	43,364	4,288	-
City of Kinloch	158,351	15,499	-
Industrial development bonds/St. Louis County Chapter 100			
City of Bellerive	82,968	8,162	1,519
City of Bridgeton	573	57	-
City of Clayton	191,179	18,904	2,241
City of Eureka	18,514	1,831	1,186
City of Ferguson	31,533	3,118	3,133
City of Hazelwood	-	-	20,053
City of Jennings	1,566	155	1,826
St. Louis County	934,402	92,397	180,608
Land Clearance for Redevelopment Authority			
City of University City	69,123	2	-
Urban redevelopment corporations			
City of Brentwood	73,829	3,700	-
City of Edmundson	82,481	8,156	-
City of Ferguson	5,391	533	-
City of Hazelwood	105,311	10,414	-
City of Kinloch	51,950	4,759	-
City of Maryland Heights	4,375	433	-
City of Normandy	30,622	-	-
City of Overland	42,392	4,019	-
City of Richmond Heights	45,243	4,474	-
City of Rock Hill	24,038	2,202	-
City of Sunset Hills	5,496	100	-
City of University City	1,148	-	-
City of Wellston	4,640	459	-
St. Louis County	134,463	13,220	-
Total	\$ 2,146,727	\$ 197,255	\$ 210,566

12. RECENT ACCOUNTING PRONOUNCEMENTS

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

In January 2017, the GASB approved Statement No. 84, "Fiduciary Activities." This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In June 2017, the GASB approved Statement No. 87, "Leases." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In March 2018, the GASB approved Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements." The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

In June 2018, the GASB approved Statement 89, "Accounting for Interest Cost Incurred before the End of a Construction Period." The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Local	\$ 137,476,175	\$ 139,214,775	\$ 140,959,533	\$ 1,744,758
County	2,361,439	2,361,439	2,452,639	91,200
State	40,208,283	45,819,886	46,795,001	975,115
Federal	12,870,565	12,488,084	10,902,576	(1,585,508)
Contracted educational services	6,772,000	6,772,000	7,158,649	386,649
Total Revenues	199,688,462	206,656,184	208,268,398	1,612,214
EXPENDITURES:				
Current:				
Instruction	95,962,329	93,627,228	88,967,409	4,659,819
Attendance	9,085,810	9,152,427	8,960,849	191,578
Guidance	499,687	556,569	493,797	62,772
Health services	20,901,032	21,502,439	20,480,598	1,021,841
Improvement of instruction	3,466,265	3,413,990	2,771,173	642,817
Professional development	71,450	71,450	339,149	(267,699)
Media services	305,913	327,537	309,783	17,754
Board of Education services	1,227,380	1,300,743	1,266,736	34,007
Executive administration	3,752,615	3,930,239	3,276,039	654,200
Building level administration	3,493,018	3,492,464	3,305,731	186,733
Business, fiscal and internal services	7,994,709	8,007,213	7,754,006	253,207
Operation of plant	7,638,452	7,850,895	7,279,702	571,193
Security services	900,854	827,104	630,547	196,557
Pupil transportation	27,843,196	29,792,046	27,971,761	1,820,285
Food services	955,500	955,500	842,377	113,123
Central office support services	8,085,002	7,955,888	7,504,474	451,414
Adult continuing education	1,260,949	1,260,949	1,282,626	(21,677)
Community services	13,997	26,397	6,015	20,382
Total Expenditures	193,458,158	194,051,078	183,442,772	10,608,306
EXCESS OF REVENUES OVER EXPENDITURES	6,230,304	12,605,106	24,825,626	12,220,520
OTHER FINANCING USES:				
Transfers to other funds	(10,937,224)	(10,937,244)	(15,234)	10,922,010
Total Other Financing Uses	(10,937,224)	(10,937,244)	(15,234)	10,922,010
NET CHANGE IN FUND BALANCE	(4,706,920)	1,667,862	24,810,392	23,142,530
FUND BALANCE, BEGINNING OF YEAR	227,738,000	241,996,813	241,996,813	-
FUND BALANCE, END OF YEAR	\$ 223,031,080	\$ 243,664,675	\$ 266,807,205	\$ 23,142,530

See the accompanying independent auditors' report and notes to budgetary comparison information

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, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES:				
Local	\$ 143,229,450	\$ 143,934,145	\$ 144,946,112	\$ 1,011,967
County	2,563,048	2,563,048	2,659,207	96,159
State	44,006,987	49,642,930	48,806,395	(836,535)
Federal	30,902,000	30,380,299	30,380,299	-
Total Revenues	220,701,485	226,520,422	226,792,013	271,591
EXPENDITURES:				
Current:				
Instruction	183,526,924	183,802,946	180,592,475	3,210,471
Attendance	906,721	906,721	751,043	155,678
Guidance	2,450,365	2,375,142	2,431,648	(56,506)
Health services	18,355,781	18,197,606	18,014,066	183,540
Improvement of instruction	4,935,933	5,153,961	4,451,020	702,941
Professional development	113,167	113,167	112,865	302
Media services	255,291	255,291	249,089	6,202
Board of Education services	150,343	149,658	149,551	107
Executive administration	3,618,194	3,445,918	3,345,911	100,007
Building level administration	13,854,634	13,752,034	13,558,620	193,414
Business, fiscal and internal services	825,000	825,000	816,315	8,685
Central office support services	1,159,896	1,159,896	1,083,674	76,222
Adult continuing education	1,308,446	1,308,446	1,250,970	57,476
Community services	2,087	580	-	580
Total Expenditures	231,462,782	231,446,366	226,807,247	4,639,119
EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(10,761,297)	(4,925,944)	(15,234)	4,910,710
OTHER FINANCING SOURCES:				
Transfers from other funds	10,761,297	10,761,297	15,234	(10,746,063)
Total Other Financing Sources	10,761,297	10,761,297	15,234	(10,746,063)
NET CHANGE IN FUND BALANCE	-	5,835,353	-	(5,835,353)
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ 5,835,353	\$ -	\$ (5,835,353)

See the accompanying independent auditors' report and notes to budgetary comparison information

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**NOTES TO BUDGETARY COMPARISON INFORMATION
JUNE 30, 2018**

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 25, 2017 or as amended by the Board of Education at various times during the fiscal year. The Governing Council approved the original budget on June 15, 2017.

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 CHANGES IN OTHER POST-EMPLOYMENT BENEFITS LIABILITY
AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Year Ended June 30, 2018
Total OPEB liability	
Service cost	\$ 5,145,755
Interest cost	2,835,382
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(2,758,133)
Benefit payments	(2,857,808)
Net change in total OPEB liability	2,365,196
Total OPEB Liability at June 30, 2017	75,471,202
Total OPEB Liability at June 30, 2018	<u>\$ 77,836,398</u>
 Covered employee payroll	 \$ 262,287,000
Total OPEB liability as a percentage of covered employee payroll	29.7%

Notes to Required Supplementary Information:

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

Impact of Changes of Benefit Terms

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

Impact of Plan Experience

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

Impact of Changes of Assumptions

The impact of changes in assumptions is valued at a loss of \$2.76 million in respect to the total OPEB liability. This occurred due to many assumptions changing, such as a re-evaluation of the discount rate using the current updated mortality table – reflecting participants living longer and actuarial cost method. The remainder of the changes are due to accrual of benefits and the passage of time.

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 - PSRS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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%
2017	4.0773%	\$ 303,377,575	\$ 193,253,990	156.98%	82.18%
2018	4.0735%	\$ 294,168,830	\$ 196,622,063	149.61%	83.77%

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, 2018**

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)	Actual 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%
2017	\$ 27,319,781	\$ 27,319,781	\$ -	\$ 193,253,990	14.14%
2018	\$ 27,860,211	\$ 27,860,211	\$ -	\$ 196,622,063	14.17%

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, 2018**

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%
2017	6.1230%	\$ 49,126,989	\$ 94,567,382	51.95%	83.32%
2018	6.2525%	\$ 47,703,502	\$ 100,477,166	47.48%	85.35%

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, 2018**

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%
2017	\$ 6,487,318	\$ 6,487,318	\$ -	\$ 94,567,382	6.86%
2018	\$ 6,892,741	\$ 6,892,741	\$ -	\$ 100,477,166	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, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Local	\$ 17,180,186	\$ 17,204,531	\$ 17,307,770	\$ 103,239
County	318,013	318,013	329,962	11,949
State	169,000	184,848	184,362	(486)
Federal	27,000	39,985	43,680	3,695
Total Revenues	17,694,199	17,747,377	17,865,774	118,397
EXPENDITURES:				
Capital outlay	14,613,322	14,689,610	13,517,134	1,172,476
Debt service:				
Principal	2,046,537	2,050,915	2,050,915	-
Interest	1,225,267	1,225,285	1,225,198	87
Total Expenditures	17,885,126	17,965,810	16,793,247	1,172,563
EXCESS OF REVENUES (UNDER)				
OVER EXPENDITURES	(190,927)	(218,433)	1,072,527	1,290,960
OTHER FINANCING SOURCES:				
Transfers from other funds	175,927	175,927	-	(175,927)
Proceeds from the sale of capital assets	15,000	15,000	10,860	(4,140)
Total Other Financing Sources	190,927	190,927	10,860	(180,067)
NET CHANGE IN FUND BALANCE	-	(27,506)	1,083,387	1,110,893
FUND BALANCE, BEGINNING OF YEAR	-	56,514	56,514	-
FUND BALANCE, END OF YEAR	\$ -	\$ 29,008	\$ 1,139,901	\$ 1,110,893

This schedule does not include the activity of the Special School District Educational Facilities Authority
See the accompanying independent auditors' report

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**COMBINING BALANCE SHEET -
DEBT SERVICE FUND BY COMPONENT UNIT
JUNE 30, 2018**

	Special School District	Special School District Educational Facilities Authority	Eliminations	Total
-- ASSETS --				
Restricted cash and investments	\$ -	\$ 562	\$ -	\$ 562
TOTAL ASSETS	\$ -	\$ 562	\$ -	\$ 562
-- 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	-	(6,240)	-	(6,240)
Total Fund Balances	-	(6,240)	-	(6,240)
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 562	\$ -	\$ 562

See the accompanying independent auditors' report

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**COMBINING BALANCE SHEET -
CAPITAL PROJECTS FUND BY COMPONENT UNIT
JUNE 30, 2018**

	Special School District	Special School District Educational Facilities Authority	Eliminations	Total
-- ASSETS --				
Property taxes receivable - net of allowance for uncollectible amount	\$ 563,080	\$ -	\$ -	\$ 563,080
Interfund receivables	1,210,240	5,401	-	1,215,641
Restricted cash and investments	2	4,432	-	4,434
TOTAL ASSETS	\$ 1,773,322	\$ 9,833	\$ -	\$ 1,783,155
-- LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES --				
LIABILITIES:				
Accounts payable	\$ -	\$ 1,198	\$ -	\$ 1,198
Other liabilities	157,659	-	-	157,659
Total Liabilities	157,659	1,198	-	158,857
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	475,762	-	-	475,762
FUND BALANCES:				
Restricted for:				
Capital projects	1,139,901	8,635	-	1,148,536
Total Fund Balance	1,139,901	8,635	-	1,148,536
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,773,322	\$ 9,833	\$ -	\$ 1,783,155

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, 2018**

	Special School District	Special School District Educational Facilities Authority	Eliminations	Total
REVENUES:				
Local	\$ -	\$ 606	\$ -	\$ 606
Lease/purchase payments from District	-	3,206,531	(3,206,531)	-
Total Revenues	-	3,207,137	(3,206,531)	606
EXPENDITURES:				
Debt service:				
Principal	-	1,985,000	-	1,985,000
Interest	-	1,221,619	-	1,221,619
Total Expenditures	-	3,206,619	-	3,206,619
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	518	(3,206,531)	(3,206,013)
OTHER FINANCING SOURCES :				
Transfers from other funds	-	-	3,206,531	3,206,531
Total Other Financing Sources	-	-	3,206,531	3,206,531
NET CHANGE IN FUND BALANCES	-	518	-	518
FUND BALANCES, BEGINNING OF YEAR	-	(6,758)	-	(6,758)
FUND BALANCES, END OF YEAR	\$ -	\$ (6,240)	\$ -	\$ (6,240)

See the accompanying independent auditors' report

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, 2018**

	Special School District	Special School District Educational Facilities Authority	Eliminations	Total
REVENUES:				
Local	\$ 17,307,770	\$ 31	\$ -	\$ 17,307,801
County	329,962	-	-	329,962
State	184,362	-	-	184,362
Federal	43,680	-	-	43,680
Total Revenues	17,865,774	31	-	17,865,805
EXPENDITURES:				
Capital outlay	13,517,134	-	-	13,517,134
Debt service:				
Principal	2,050,915	-	(1,985,000)	65,915
Interest	1,225,198	-	(1,221,531)	3,667
Other charges	-	1,600	-	1,600
Total Expenditures	16,793,247	1,600	(3,206,531)	13,588,316
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,072,527	(1,569)	3,206,531	4,277,489
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	-	-	(3,206,531)	(3,206,531)
Proceeds from the sale of capital assets	10,860	-	-	10,860
Total Other Financing Sources (Uses)	10,860	-	(3,206,531)	(3,195,671)
NET CHANGES IN FUND BALANCES	1,083,387	(1,569)	-	1,081,818
FUND BALANCES, BEGINNING OF YEAR	56,514	10,204	-	66,718
FUND BALANCES, END OF YEAR	\$ 1,139,901	\$ 8,635	\$ -	\$ 1,148,536

See the accompanying independent auditors' report

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF SELECTED STATISTICS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. Calendar (Sections 160.041 and 171.031, RSMo)

- A. Standard day length (SDL) - 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	6.0833	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	1,075.9108	Hours
Juvenile Detention Center	1,080.3274	Hours
Southview High School	1,075.9941	Hours
Northview	1,075.9941	Hours
North County Technical	1,119.3275	Hours
South County Technical	1,074.2441	Hours
Ackerman	1,076.4108	Hours
Litzinger	1,076.4108	Hours
Southview Elementary	1,076.4108	Hours
External Sites	1,075.9938	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:

Hiram Neuwoehner, Southview High School, Northview, North County Technical, South County Technical, Ackerman, Litzinger, Southview Elementary, and External Sites	177 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	112.3237	1.3114	113.6351
Juvenile Detention Center	30.3305	-	30.3305
Southview High School	78.1338	-	78.1338
Northview	135.8477	-	135.8477
North County Technical	450.5313	-	450.5313
South County Technical	251.3310	32.3294	283.6604
Ackerman	141.6773	0.4860	142.1633
Litzinger	108.2857	0.5121	108.7978
Southview Elementary	68.6981	0.8594	69.5575
External Sites	327.9858	1.6803	329.6661
Subtotal Regular Term	1,705.1449	37.1786	1,742.3235
ESY SCHOOL SUBTOTAL	82.9317	0.2759	83.2076
TOTAL REGULAR TERM PLUS SUMMER SCHOOL ADA	1,788.0766	37.4545	1,825.5311

3. September Membership

	Full-time/ Part-Time	Deseg In	Total
September Membership FTE Count	1,964.22	44.47	2,008.69

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

		Full-time/ Part-Time	Deseg In	Total
State FTE Total	Free	1,298.46	25.79	1,324.25
	Reduced	34.48	3.87	38.35
	Total	1,332.94	29.66	1,362.60

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>\$452,014</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 3,896.0
 - Ineligible ADT -
- 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: 4,790,689
- Of this total, the eligible non-disabled and students with disabilities route miles and ineligible non-route and disapproved miles (combined) was:
- Eligible Miles 4,681,495
 - Ineligible Miles (Non-Route/Disapproved) 109,194
- 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: _____



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, 2018, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 29, 2018.

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, 2018. 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, 2018. 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, 2018.

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.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
November 29, 2018

Federal Compliance Section



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

To the Members of the
Board of Education
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, 2018, 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 29, 2018.

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.

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 & JABOURI, P.C.

St. Louis, Missouri
November 29, 2018



**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, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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

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

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



SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
November 29, 2018

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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		\$ 896,291
Federal Direct Student Loans	84.268	N/A		1,367,405
Total Student Financial Aid Cluster				2,263,696
Passed through Missouri Department of Elementary and Secondary Education:				
Special Education - Grants to States	84.027	096-119		31,980,299
Special Education High Needs Fund	84.027	096-119		305,314
Assistive Technology Reimbursement Program	84.027	096-119		51,964
Subtotal CFDA 84.027				32,337,577
Special Education - Preschool Grants	84.173	096-119		3,700,509
Total Special Education Cluster				36,038,086
Title IA Grants to Local Education Agencies	84.010	096-119		475,043
Title ID Grants to Local Education Agencies (Delinquent)	84.010	096-119		175,676
Subtotal CFOA 84.010				650,719
Title IIA Improving Teacher Quality State Grants	84.367	096-119		108,723
Career and Technical Education	84.048	096-119	11,738	115,243
Total U.S. Department of Education				39,176,467
<u>U.S. Department of Agriculture:</u>				
Passed through Missouri Department of Elementary and Secondary Education:				
School Breakfast Program	10.553	096-119		205,559
National School Lunch Program	10.555	096-119		356,379
Donated Foods	10.555	096-119		49,418
After School Snack	10.555	096-119		2,612
Subtotal CFDA 10.553				205,559
Subtotal CFDA 10.555				408,409
Total Child Nutrition Cluster				613,968
Total U.S. Department of Agriculture				613,968
<u>U.S. Department of Labor:</u>				
Passed Through Workforce Investment Board of Southeast Missouri:				
WIOA Adult Program	17.258	N/A		3,131
Passed through St. Louis Agency on Training and Employment:				
WIOA Adult Program	17.258	N/A		45,654
Passed through Madison County Government:				
WIOA Adult Program	17.258	N/A		81,817
Passed Through Jefferson-Franklin Counties Office of Job Training Programs:				
WIOA Adult Program	17.258	N/A		10,000
Passed through Central Region Workforce Investment Board:				
WIOA Adult Program	17.258	N/A		2,000
Passed through St. Clair County, Illinois:				
WIOA Adult Program	17.258	N/A		70,202
Total WIOA Cluster				212,804
Total U.S. Department of Labor				212,804
TOTAL				\$ 40,003,239

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, 2018. The District's reporting entity is defined in Note 1 to the District's financial statements. 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, 2018.

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. During the fiscal year ended June 30, 2018, the District processed \$1,367,405 under the Federal Loan Program. The balance of loans outstanding at June 30, 2018 is \$203,139.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified:	_____	Yes	<u> X </u>	No
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	Yes	<u> X </u>	None reported
Noncompliance material to financial statements noted?	_____	Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified:	_____	Yes	<u> X </u>	No
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	Yes	<u> X </u>	None reported

Type of auditors' report issued on compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a)	_____	Yes	<u> X </u>	No
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Identification of major programs:

CFDA Number(s)

84.027, 84.173

Name of Federal Program or Cluster

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$1,200,097
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Auditee qualified as low-risk auditee?	<u> X </u>	Yes	_____	No
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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.