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

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

JUNE 30, 2015

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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, 2015, 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, 2015, 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.

Changes in Accounting Principles

As discussed in Note 1 to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and related notes and schedule of funding progress, schedule of district's proportionate share of the net pension liability and related notes – PSRS and PEERS, and schedule of district's contributions – PSRS and PEERS on pages 4 through 10 and 50 through 57 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining financial statements, capital projects fund comparison information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 October 19, 2015 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
October 19, 2015

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015. 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, 2015, the District adopted GASB Statement No. 68, "Accounting and Reporting for Pensions", as amended by GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". The objective of these statements is to revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits. At transition, a government must recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. As a result, the net position for the year ended June 30, 2014 has been restated from \$203.7 million to (\$70.7) million.

Financial Highlights

In total, the School District's financial position improved significantly during fiscal year 2015 as reflected by the increase in net position of \$54.7 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, 2015 even though the total unrestricted net position is (\$82.9) million. This negative net position is a result of the adoption of the above mentioned new accounting standard.

General revenues totaled \$322.2 million or 76.6% of all revenues. These general revenues are comprised mainly of local property taxes, which totaled \$278.4 million during fiscal year 2015. Program revenues, which include all grants and tuition fees, totaled \$98.4 million or 23.4% of total revenues in fiscal year 2015. Total revenue funded an average salary increase of 3.0%. Total expenses for the year were \$365.9 million of which \$267.5 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 (\$16.1) million at June 30, 2015. Of this amount, (\$82.9) 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 2015 compared to fiscal year 2014.

	(In Millions)	
	Governmental	
	Activities	
	June 30,	
	2015	2014
		(Restated)
Current and Other Assets	\$ 238.6	\$ 217.2
Capital Assets	102.4	70.5
Deferred Amounts Related to Pensions and Deferred Outflows of Resources	41.2	32.6
Total Assets	382.2	320.3
Current and Other Liabilities	28.6	35.3
Long-term Liabilities	79.4	48.7
Deferred Amounts Related to Pensions and Deferred Inflows of Resources	191.2	307.0
Total Liabilities	299.2	391.0
Net Position		
Investment in Capital Assets	65.8	57.5
Restricted	1.0	0.7
Unrestricted	(82.9)	(128.9)
Total Net Position	\$ (16.1)	\$ (70.7)

The total net position of (\$16.1) million is solely the result of the adoption of the above mentioned new accounting standard.

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
	2015	2014	
Revenues:			
Program Revenues:			
Charges for Services	\$ 18.3	\$ 19.4	-5.7%
Operating Grants and Contributions	79.8	76.3	4.6%
Capital Grants	0.3	0.2	50.0%
General Revenues:			
Property Taxes	278.4	269.4	3.3%
State Aid	39.1	36.7	6.5%
Other	4.6	5.5	-16.4%
Total Revenues	420.5	407.5	3.2%
Functions/Program Expenses:			
Instruction - Special Education	220.4	237.0	-7.0%
Instruction - Vocational Education	13.8	13.5	2.2%
Student Services	44.4	43.4	2.3%
Instructional Staff Support	7.1	6.5	9.2%
Building Administration	14.7	13.9	5.8%
Executive Administration	7.5	7.2	4.2%
Business Services	15.4	13.3	15.8%
Operation of Plant	7.5	7.8	-3.8%
Transportation	30.8	28.5	8.1%
Food Services	0.8	0.9	-11.1%
Adult Education	2.3	2.7	-14.8%
Unallocated Depreciation	0.1	0.1	0.0%
Debt Service:			
Interest and other charges	1.0	0.4	150.0%
Total Functions/Program Expenses	365.8	375.2	-2.5%
Increase (Decrease) in Net Position	54.7	32.3	
Prior Period Adjustment	-	274.4	
Increase (Decrease) in Net Position	\$ 54.7	\$ (242.1)	

Governmental Activities

The cost of all governmental activities totaled \$365.8 million in fiscal year 2015. The School District's taxpayers funded \$267.5 million or 73.1% 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 position cuts, attrition and vacancies.

In addition to taxpayer funding, charges for services funded \$18.3 million or 5.0% of the governmental activities' cost and grants funded \$80.0 million or 21.9% of such costs in fiscal year 2015.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Management's Discussion and Analysis (continued)

The School District's increase in net position is mainly attributable to an increase of \$9.0 million in Property Taxes. Total expense decreased by \$9.4 million or 2.5% from fiscal year 2014.

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 73.1 % for fiscal year 2015.

	Year Ended June 30, (in millions)			
	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Governmental Activities:				
Instruction - Special Education	\$ 220.4	\$ 134.4	\$ 237.0	\$ 153.5
Instruction - Vocational Education	13.8	11.7	13.5	10.9
Student Services	44.4	44.4	43.4	43.4
Transportation	30.8	23.7	28.5	22.3
Administration	22.2	22.2	21.1	21.1
Other Support Services	33.1	30.1	31.2	27.6
Interest and Other Charges	1.0	1.0	0.4	0.4
Unallocated Depreciation	0.1	0.1	0.1	0.1
Total Governmental Activities	\$ 365.8	\$ 267.6	\$ 375.2	\$ 279.3

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 \$202.1 million at June 30, 2015, which represented an increase of \$28.4 million from the prior year. The fund balance increase primarily reflects the increase of \$9.0 million in Property Taxes and includes issuance of leasehold revenue bonds of \$27.2 million in November, 2015.

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 2015 was approved by the School Board and the Governing Council in May and June 2013, respectively. A revised budget was presented to the School Board and Governing Council in December, 2015.

The final revised budget for general fund revenue totaled \$189.7 million compared to the original budget of \$183.6 million. The increase is mainly attributable to a higher level of property taxes and state aid.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Management's Discussion and Analysis (continued)

The final revised budget for general fund expenditures totaled \$169.5 million compared to the original budget of \$169.1 million. This nominal increase is due a number of offsetting factors, including higher operation of plant expense.

Capital Assets and Debt Administration

Capital Assets:

At June 30, 2015, the School District had capital assets with a net book value of \$102.5 million which is an increase of \$31.9 million from fiscal year 2014. This reflects net capital additions of \$53.6 million partially offset by net depreciation expense of \$4.7 million and net disposals of \$17.0 million.

	Governmental Activities	
	June 30,	
	2015	2014
Land	\$ 2,738,098	\$ 2,738,098
Buildings, land improvements and construction in progress	85,259,468	52,717,793
Vehicles and equipment	14,491,884	15,142,575
Total	\$ 102,489,450	\$ 70,598,466

Debt:

At June 30, 2015, the School District had \$36.7 million in leasehold revenue bonds outstanding. These bonds are the legal obligation of the Facilities Authority payable solely from rental payments received from the School District. Additional information about the bonds is provided in footnote number 8.

	June 30,	
	2015	2014
Facilities Authority		
Leasehold Revenue Bonds - by issue date:		
June 2003	\$ -	\$ -
November 2013	9,450,000	9,450,000
November 2014	27,225,000	-
Total Facilities Authority	\$ 36,675,000	\$ 9,450,000
Capital Leases - by issue date:		
November 2008	-	-
August 2009	-	516
November 2009	-	63,681
October 2010	-	-
January 2012	25,494	41,548
August 2012	2,440,000	3,035,000
November 2013	163,984	208,933
Total Capital Leases	2,629,478	3,349,678
Grand Total	\$ 39,304,478	\$ 12,799,678

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Management's Discussion and Analysis (continued)

At June 30, 2015, the District is obligated for future minimum lease payments under capital leases in the amount of \$2.6 million.

In 2008, the School District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions. This statement required the School District to compute and record a net other post-employment benefit obligation (OPEB). As of June 30, 2015, the net OPEB is \$30.9 million.

Other long-term liabilities of the School District also include worker's compensation claims; vacation and sick leave pay, and other liabilities that amount to \$8.1 million. Refer to footnote 4 for more information concerning long-term liabilities.

Economic Factors and Fiscal Year 2016 Budget

The fiscal year 2016 budget reflects a slight increase in revenue. Total revenue is projected to increase by \$2.3 million or .5% in fiscal year 2016. This increase is mainly due to an increase in property taxes and federal IDEA funds.

The national economy continues to experience a slow recovery from the major recession. While the local economy hasn't been as adversely impacted as in other parts of the country, a 12.0% reduction in assessed valuations has occurred since 2008. In addition, state aid has not recovered from pre-recession levels in fiscal year 2008, and while federal aid is scheduled to rise next year, cuts are still scheduled to resume in fiscal year 2017 as a result of the sequestration legislation.

Contacting the School District's Financial Management

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

Basic Financial Statements

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**STATEMENT OF NET POSITION
JUNE 30, 2015**

	Governmental Activities
-- ASSETS --	
Cash and investments	\$ 206,456,927
Property taxes receivable, net of allowance for uncollectible amount of \$4,576,177	9,411,647
Grants and other receivables	20,646,457
Prepaid items	543,705
Inventory	238,280
Restricted cash and investments	1,280,731
Capital Assets:	
Land	2,738,098
Construction in progress	49,183,586
Other capital assets, net of accumulated depreciation	50,567,766
TOTAL ASSETS	341,067,197
-- DEFERRED OUTFLOWS OF RESOURCES --	
Deferred amounts related to pensions	41,211,435
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 382,278,632
-- LIABILITIES --	
Accounts payable	\$ 22,380,948
Accrued expenditures:	
Salaries and related benefits	1,736,004
Medical and dental claims	3,359,567
Interest	303,399
Other liabilities	735,854
Due to student activity program	72,565
Unearned revenues	13,721
Long-term liabilities:	
Due within one year	8,752,858
Due in more than one year	39,717,313
Net pension liability	191,221,903
Other post-employment benefits liability	30,926,000
Total Liabilities	299,220,132
-- DEFERRED INFLOWS OF RESOURCES --	
Deferred amounts related to pensions	99,097,551
-- NET POSITION --	
Net investment in capital assets	65,840,093
Restricted for:	
Capital projects	774,790
Workers' compensation claims	199,939
Unrestricted	(82,853,873)
Total Net Position	(16,039,051)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 382,278,632

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

			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	\$ 234,217,713	\$ 17,411,014	\$ 70,506,110	\$ 250,755	\$	(146,049,834)
Attendance	8,166,332	-	-	-	-	(8,166,332)
Guidance	2,253,803	-	-	-	-	(2,253,803)
Health services	33,964,259	-	-	-	-	(33,964,259)
Improvement of instruction	6,223,430	-	-	-	-	(6,223,430)
Professional development	401,877	-	-	-	-	(401,877)
Media services	479,174	-	-	-	-	(479,174)
Board of Education services	1,178,879	-	-	-	-	(1,178,879)
Executive administration	6,357,101	-	-	-	-	(6,357,101)
Building level administration	14,664,420	-	-	-	-	(14,664,420)
Business, fiscal and						
internal services	7,926,487	-	-	-	-	(7,926,487)
Operation of plant	7,044,631	4,782	-	-	-	(7,039,849)
Security services	419,169	-	-	-	-	(419,169)
Pupil transportation	30,788,317	37,884	7,099,142	-	-	(23,651,291)
Food services	811,611	106,319	567,720	-	-	(137,572)
Central office support services	7,483,219	-	-	-	-	(7,483,219)
Adult continuing education	2,291,521	770,505	1,597,120	-	-	76,104
Community services	7,172	-	-	-	-	(7,172)
Unallocated depreciation	99,641	-	-	-	-	(99,641)
Debt service:						
Interest	801,887	-	-	-	-	(801,887)
Other charges	269,951	-	-	-	-	(269,951)
TOTAL GOVERNMENTAL	\$ 365,850,594	\$ 18,330,504	\$ 79,770,092	\$ 250,755		(267,499,243)
ACTIVITIES						

General Revenues

Taxes:

Property taxes	278,421,797
Sales taxes	5,315,856
State aid	39,125,673
Investment earnings	460,622
Miscellaneous	(1,155,918)

TOTAL GENERAL REVENUES 322,168,030

CHANGE IN NET POSITION 54,668,787

**NET POSITION, BEGINNING OF
YEAR (RESTATED)** (70,707,838)

NET POSITION, END OF YEAR \$ (16,039,051)

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
-- ASSETS --					
Cash and investments	\$ 206,456,927	\$ -	\$ -	\$ -	\$ 206,456,927
Property taxes - net of allowance for uncollectible amount	4,225,329	4,627,785	-	558,533	9,411,647
Grants and other receivables	20,141,751	22,157	-	482,549	20,646,457
Interfund receivables	-	215,474	-	5,401	220,875
Prepaid items	537,841	-	-	5,864	543,705
Inventory	238,280	-	-	-	238,280
Restricted cash and investments	789,254	-	5	491,472	1,280,731
TOTAL ASSETS	\$ 232,389,382	\$ 4,865,416	\$ 5	\$ 1,543,819	\$ 238,798,622
-- LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES --					
LIABILITIES:					
Accounts payable	\$ 18,872,323	\$ 4,215	\$ 1,401	\$ 3,503,009	\$ 22,380,948
Accrued expenditures:					
Salaries and related benefits	923,905	812,099	-	-	1,736,004
Medical and dental claims	3,359,567	-	-	-	3,359,567
Other liabilities	735,854	-	-	-	735,854
Due to student activity program	72,565	-	-	-	72,565
Unavailable revenues	13,721	-	-	-	13,721
Interfund payables	3,607,628	-	5,401	(3,392,154)	220,875
Total Liabilities	27,585,563	816,314	6,802	110,855	28,519,534
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	3,680,888	4,049,102	-	488,926	8,218,916
FUND BALANCES:					
Nonspendable:					
Inventory	238,280	-	-	-	238,280
Prepaid items	537,841	-	-	5,864	543,705
Restricted for:					
Capital projects	589,315	-	-	938,174	1,527,489
Workers' compensation claims	199,939	-	-	-	199,939
Unassigned	199,557,556	-	(6,797)	-	199,550,759
Total Fund Balances	201,122,931	-	(6,797)	944,038	202,060,172
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 232,389,382	\$ 4,865,416	\$ 5	\$ 1,543,819	\$ 238,798,622

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, 2015**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 202,060,172
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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 \$156,238,590 and the accumulated depreciation is \$53,749,140	102,489,450
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Unpaid property taxes at June 30, 2015, less July and August receipts are recorded as deferred revenue in the governmental funds.	8,218,916
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Interest on long-term debt is not accrued in governmental funds but rather is recognized as an expenditure when due.	(303,399)
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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	(189,479)	
Capital leases - certificates of participation	(2,440,000)	
Leasehold revenue bonds	(36,675,000)	
Operating leases - payable	(277,194)	
Sick leave benefits	(2,539,567)	
Workers' compensation claims	(3,289,052)	
Unemployment benefits	(39,483)	
Vacation pay	(2,141,872)	
Unamortized bond premiums	(799,287)	
Liability claims	(79,237)	
Other post-employment benefits	(30,926,000)	
Net pension obligation – PSRS	(169,493,799)	
Net pension obligation – PEERS	(21,728,104)	
Deferred outflows of resources – PSRS	34,757,163	
Deferred outflows of resources – PEERS	6,454,272	
Deferred inflows of resources – PSRS	(85,509,303)	
Deferred inflows of resources - PEERS	(13,588,248)	
Total		<u>(328,504,190)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (16,039,051)</u></u>
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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, 2015**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Property taxes	\$ 121,651,071	\$ 133,822,733	\$ -	\$ 16,156,825	\$ 271,630,629
Sales tax	-	5,315,856	-	-	5,315,856
Adult education	770,505	-	-	-	770,505
Investment income	205,965	226,572	2	27,355	459,894
Food service	106,319	-	-	-	106,319
Desegregation program	7,792,455	-	-	-	7,792,455
Other local	1,608,762	748,916	-	91,146	2,448,824
Total Local	132,135,077	140,114,077	2	16,275,326	288,524,482
County Sources:					
Fines, forfeitures, escheat	-	25,488	-	-	25,488
State assessed	2,352,676	2,588,016	-	336,955	5,277,647
Total County	2,352,676	2,613,504	-	336,955	5,303,135
State Sources:					
Basic formula	9,559,624	29,566,049	-	-	39,125,673
Transportation	7,099,142	-	-	-	7,099,142
High needs fund	10,000,000	-	-	-	10,000,000
Early childhood	10,253,425	9,861,776	-	-	20,115,201
Vocational tech aid	1,616,890	-	-	194,562	1,811,452
State grants and contributions	2,737,923	-	-	-	2,737,923
Total State	41,267,004	39,427,825	-	194,562	80,889,391
Federal Sources:					
Medicaid	2,347,333	-	-	-	2,347,333
Entitlement	1,619,047	29,595,466	-	-	31,214,513
School breakfast/lunch	559,912	-	-	-	559,912
Early childhood	4,456,348	-	-	-	4,456,348
Other federal sources	2,333,831	-	-	56,192	2,390,023
Total Federal	11,316,471	29,595,466	-	56,192	40,968,129
Contracted educational services	6,813,925	-	-	-	6,813,925
Total Revenues	193,885,153	211,750,872	2	16,863,035	422,499,062
EXPENDITURES:					
Current:					
Instruction	80,407,510	170,348,681	-	-	250,756,191
Attendance	7,556,810	781,553	-	-	8,338,363
Guidance	174,767	2,063,855	-	-	2,238,622
Health services	17,652,317	16,511,975	-	-	34,164,292
Improvement of instruction	2,011,331	4,027,972	-	-	6,039,303
Professional development	288,773	113,105	-	-	401,878
Media services	218,835	258,470	-	-	477,305
Board of Education services	1,066,612	130,208	-	-	1,196,820
Executive administration	3,105,871	3,195,938	-	-	6,301,809
Building level administration	3,033,988	11,465,787	-	-	14,499,775
Business, fiscal and internal services	6,888,581	587,923	-	-	7,476,504

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, 2015**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
EXPENDITURES:					
Operation of plant	6,776,024	-	-	-	6,776,024
Security services	427,699	-	-	-	427,699
Pupil transportation	25,368,151	-	-	-	25,368,151
Food services	754,885	-	-	-	754,885
Central office support services	6,019,818	1,326,510	-	-	7,346,328
Adult continuing education	1,143,768	1,042,742	-	-	2,186,510
Community services	7,172	-	-	-	7,172
Capital outlay	-	-	-	45,558,095	45,558,095
Debt service:					
Principal	-	-	-	720,200	720,200
Interest	-	-	590,634	43,985	634,619
Other charges	-	-	-	269,951	269,951
Total Expenditures	162,902,912	211,854,719	590,634	46,592,231	421,940,496
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	30,982,241	(103,847)	(590,632)	(29,729,196)	558,566
OTHER FINANCING SOURCES (USES):					
Transfer (to) from other funds	(103,847)	103,847	590,634	(590,634)	-
Inception of capital lease	-	-	-	27,225,000	27,225,000
Bond premium	-	-	-	562,606	562,606
Proceeds from the sale of capital assets	-	-	-	21,854	21,854
Total Other Financing Sources (Uses)	(103,847)	103,847	590,634	27,218,826	27,809,460
NET CHANGE IN FUND BALANCES	30,878,394	-	2	(2,510,370)	28,368,026
FUND BALANCES, BEGINNING OF YEAR	170,244,537	-	(6,799)	3,454,408	173,692,146
FUND BALANCES, END OF YEAR	\$ 201,122,931	\$ -	\$ (6,797)	\$ 944,038	\$ 202,060,172

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, 2015**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL BALANCES	\$ 28,368,026
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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	38,513,093	
Depreciation expense	<u>(4,652,686)</u>	
		33,860,407

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. (32,116)

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

Inception of capital lease	(27,225,000)	
Repayment of bond and lease principal	720,200	
Interest expense	(221,140)	
Bond premium	(562,606)	
Operating lease proceeds	20,944	
Amortization of bond premium	<u>53,872</u>	
		(27,213,730)

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	(21,854)	
Gain (loss) on disposal of capital assets	<u>(1,947,568)</u>	
		(1,969,422)

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	104,625	
Workers' compensation claims	(483,200)	
Unemployment benefits claims	(8,801)	
Liability claims	122,307	
Other post-employment benefits	(3,414,000)	
Pension expense - PSRS	21,585,779	
Pension expense - PEERS	<u>3,748,912</u>	
		<u>21,655,622</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 54,668,787</u>
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SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

1. DESCRIPTION OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Principles Determining the Scope of Reporting Entity

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

Fund Accounting

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Governmental Funds

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

General Fund

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

Special Revenue Fund

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

Debt Service Fund

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

Capital Projects Fund

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

Basis of Presentation

Government-wide Financial Statements:

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

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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

Fund Financial Statements:

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

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

Basis of Accounting

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

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

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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

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

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

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

Property Taxes

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 2014 and 2013 for purposes of local taxation were \$22,117,760,329 and \$21,957,238,489, respectively.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2014 and 2013 for purposes of local taxation were:

	December 31, 2014	December 31, 2013
General Fund	\$ 0.5647	\$ 0.5455
Special Revenue Fund	0.6212	0.6587
Capital Projects Fund	0.0750	0.0358
Total	<u>\$ 1.2609</u>	<u>\$ 1.2400</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2015, aggregated approximately 98.74% of the current assessment computed on the basis of the levy as shown above.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Restricted Cash and Investments

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

Inventory

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

Capital Assets

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

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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

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

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

Interfund Balances

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

Payroll Disbursements

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

Compensated Absences

Vacation pay is accrued as a liability of the District in the government-wide financial statements when earned. Vacation benefits are available to all regular full-time employees who work 12 months. The amount of vacation earned is determined based on job classification and the number of months of continuous service. Accumulated unused earned vacation pay at June 30, 2015 amounted to approximately \$2,141,872 and is recorded as an expense in the government-wide financial statements.

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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

Accrued Liabilities and Long-Term Liabilities

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

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

Pensions

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

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

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

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the district's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense.

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

Governmental Fund Balances

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

Nonspendable - This consists of the governmental fund balances that are not in spendable form or legally or contractually required to be maintained intact. The District's nonspendable fund balance at June 30, 2015 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, 2015 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, 2015.

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, 2015.

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, 2015 as expenditures incurred for specific purposes exceeded the amounts that are restricted, committed, or assigned to those purposes.

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Net Position

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

Interfund Activity

Interfund transfers are reported as other financing sources/uses in governmental funds. During the year ended June 30, 2015, transfers were made from the General Fund to the Special Revenue Fund to eliminate the deficit. In addition, the Facilities Authority made transfers between the Debt Service Fund and Capital Projects Fund to eliminate payments from the District to the Facilities Authority's Debt Service Fund.

Pooled Cash and Temporary Investments

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

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

At June 30, 2015, investments of the District consist of a United States Treasury bill, government agency obligations, commercial paper, negotiable certificates of deposit and an external investment pool. These investments are stated at fair value, which is based on quoted market prices as of June 30, 2015.

Cash and investments of the Facilities Authority are separately maintained from those of the District. At June 30, 2015, 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 carried at fair value, which is based on quoted market prices as of June 30, 2015.

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year ended June 30, 2015.

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.

Adoption of New Accounting Standard

For the year ended June 30, 2015, the District adopted GASB Statement No. 68, "Accounting and Reporting for Pensions," as amended by GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." The objective of these statements is to revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits. At transition, a government must recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. As a result, the net position for the year ended June 30, 2014 has been restated as follows:

Government-Wide Financial Statements - Governmental Activities:

Net position, June 30, 2014, as previously reported:	\$	203,734,872
To record the net pension obligation at the beginning of the year in accordance with GASB Statement No. 68:		
PSRS		(268,432,889)
PEERS		(38,563,703)
To record deferred outflows at the beginning of the year in accordance with GASB Statement No. 71:		
PSRS		26,601,171
PEERS		5,952,711
Net position, June 30, 2014, restated	\$	<u>(70,707,838)</u>

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

2. CASH AND INVESTMENTS

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

The District participates in the Missouri Securities Investment Program (MOSIP). MOSIP is an external investment pool in which the District's monies are pooled with other districts' monies to purchase investments that are permitted by state statutes. The District's monies are used to purchase a pro-rata share of the pool. A board of directors, comprised of Missouri school administrators, school board members, and school business officials provides governance and oversight of MOSIP's operations. The board seeks to maintain a stable net position value of \$1 per share. At June 30, 2015, the District also has certificates of deposit and government agency securities invested with MOSIP which represent individual investments of the District and are not included in the external investment pool.

The deposits and investments held at June 30, 2015, are as follows:

Type	Carrying Value
Deposits:	
Demand deposits	\$ 96,085,953
Escrow account	589,308
Certificates of deposit	20,532,567
Cash on hand	1,900
Total Deposits	<u>117,209,728</u>
Investments:	
U.S. Treasury Bill	45,698,476
External Investment Pool	10,075,322
Federal Home Loan Bank	13,189,906
Federal National Mortgage Association	3,640,278
* Money Market Mutual Funds	491,470
Commercial Paper	4,948,974
Negotiable Certificates of Deposit	12,483,504
Total Investments	<u>90,527,930</u>
Total Deposits and Investments	<u>\$ 207,737,658</u>

* Represents investments of the Facilities Authority

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Custodial Credit Risk - Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District has a custodial credit risk policy for repurchase agreement investments and for certificate of deposits which requires these funds to be collateralized at least 100% or greater of the balance plus any demand deposit with the depository, less any insurance (FDIC or NCUSIF), as applicable. As of June 30, 2015, \$21,600 of the District's deposits was exposed to custodial credit risk as these funds were held in an account that was in excess of depository insurance and was uncollateralized.

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. 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, 2015 are provided as follows:

Investment Type	Fair Value	Investment Maturities (In Years)	
		Less than 1	1 - 5
U.S. Treasury Bill	\$ 45,698,476	\$ 199,946	\$ 45,498,530
External Investment Pool	10,075,322	10,075,322	-
Federal Home Loan Bank	13,189,906	-	13,189,906
Federal National Mortgage Association	3,640,278	-	3,640,278
* Money Market Mutual Funds	491,470	491,470	-
Commercial Paper	4,948,974	4,948,974	-
Negotiable Certificates of Deposit	12,483,504	12,483,504	-
	<u>\$ 90,527,930</u>	<u>\$ 28,199,216</u>	<u>\$ 62,328,714</u>

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

*Represents investments of the Facilities Authority

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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.

At June 30, 2015, the District's investments were rated as follows:

Description	Financial Institution	Amount	Rating
U.S. Treasury Bill	-	\$ 45,698,476	N/A
External Investment Pool -			
MOSIP External Investment Pool	MOSIP	75,322	AAAm
MOSIP Term Investment Pool	MOSIP	10,000,000	AAAf
Federal Home Loan Bank	MOSIP	13,189,906	AA+
Federal National Mortgage Association	MOSIP	3,640,278	Aaa
Money Market Mutual Funds	UMB Bank	491,470	AAAm
Commercial Paper: Bank of Tokyo Mitsubishi	MOSIP	1,649,766	A-1
Commercial Paper: Toyota Motor Credit	MOSIP	1,649,708	A-1+
Commercial Paper: JP Morgan Securities	MOSIP	1,649,500	A-1
Negotiable Certificates of Deposit	FTN Financial	2,438,490	Unrated
Negotiable Certificates of Deposit	UMB Bank	2,695,003	Unrated

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, 2015, the District had the following concentrations of credit risk to be disclosed:

Description	Financial Institution	Fair Value	Percentage of Total Investments
Negotiable Certificates of Deposit	Commerce Bank	\$ 7,350,011	21.45%
Negotiable Certificates of Deposit	UMB Bank	2,695,003	7.87%
Negotiable Certificates of Deposit	FTN	2,438,490	7.12%
Federal Home Loan Bank	MOSIP	13,189,906	38.50%
Federal National Mortgage Association	MOSIP	3,640,278	10.62%

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, 2015, is as follows:

	Balance June 30, 2014	Additions and Transfers	Disposals and Transfers	Balance June 30, 2015
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,738,098	\$ -	\$ -	\$ 2,738,098
Construction in Progress	15,071,307	49,183,586	15,071,307	49,183,586
Total Capital Assets, Not Being Depreciated	17,809,405	49,183,586	15,071,307	51,921,684
Capital Assets, Being Depreciated:				
Land improvements	2,650,630	-	5,718	2,644,912
Buildings and building improvements	69,060,129	2,554,172	4,007,577	67,606,724
Machinery and equipment	19,433,092	369,199	6,910	19,795,381
Vehicles	13,872,421	1,477,443	1,079,975	14,269,889
Total Capital Assets, Being Depreciated	105,016,272	4,400,814	5,100,180	104,316,906
Less - Accumulated Depreciation For:				
Land improvements	1,381,642	115,267	1,715	1,495,194
Buildings and building improvements	32,682,632	2,060,344	2,062,416	32,680,560
Machinery and equipment	11,889,595	949,077	6,910	12,831,762
Vehicles	6,273,343	1,527,998	1,059,717	6,741,624
Total Accumulated Depreciation	52,227,212	4,652,686	3,130,758	53,749,140
Total Capital Assets, Being Depreciated, Net	52,789,060	(251,872)	1,969,422	50,567,766
Governmental Activity, Capital Assets, Net	\$ 70,598,465	\$ 48,931,714	\$ 17,040,729	\$ 102,489,450

Depreciation was charged to functions of the District as follows:

Instruction	\$ 2,142,466
Attendance	3,487
Guidance	1,306
Health services	16,997
Improvement of instruction	21,401
Media services	1,861
Executive administration	13,123
Building level administration	26,851
Business, fiscal and internal services	565,156
Operation of plant	116,521
Pupil transportation	1,544,825
Food services	57,302
Adult continuing education	41,749
Unallocated	99,641
	\$ 4,652,686

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, 2015 is as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Amounts Due Within One Year
Governmental Activities:					
Leasehold revenue bonds	\$ 9,450,000	\$ 27,225,000	\$ -	\$ 36,675,000	\$ -
Capital leases	3,349,678	-	720,199	2,629,479	663,647
Operating leases - Crossings	298,138	-	20,944	277,194	-
Sick leave benefits	2,598,105	861,523	920,061	2,539,567	2,539,567
Vacation pay	2,187,959	347,590	393,677	2,141,872	2,141,872
Workers' compensation claims	2,805,852	2,629,957	2,146,757	3,289,052	3,289,052
Unemployment benefits	30,683	123,470	114,670	39,483	39,483
Liability insurance	201,544	138,543	260,850	79,237	79,237
	<u>\$ 20,921,959</u>	<u>\$ 31,326,083</u>	<u>\$ 4,577,158</u>	<u>47,670,884</u>	<u>\$ 8,752,858</u>
Unamortized bond premium				<u>799,287</u>	
				<u>\$ 48,470,171</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, 2015, 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, 2015 was \$4,894,260 and is included in capital assets as vehicles and equipment, and accumulated depreciation is \$1,665,994. The cost for the office equipment as of June 30, 2015 was \$263,712 and is included in capital assets as machinery and equipment, and accumulated depreciation is \$91,473.

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, 2015:

Year Ending June 30,	
2016	\$ 700,036
2017	690,829
2018	694,460
2019	638,712
Total future minimum lease payments	2,724,037
Less amount representing interest	(94,558)
Present value of future minimum lease payments	<u>\$ 2,629,479</u>

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Sick Leave, Vacation, and Insurance

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

Other Post Employment Benefit Obligation

In fiscal year 2008, the District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This pronouncement required the District to calculate and record a net other post-employment (OPEB) benefit obligation. The net OPEB obligation is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since July 1, 2007. At June 30, 2015, the net OPEB obligation is \$30,926,000 and is reported as a liability in the government-wide financial statements. The OPEB obligation will be paid from the General and Special Revenue Funds. Refer to Note 10 for more information on the District's other post-employment benefits.

5. RETIREMENT PLANS

Public School Retirement System of Missouri

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

Cost-of-Living Adjustments ("COLA"). The PSRS Board has established a policy of providing a 2.00% COLA for years in which the CPI increases between 0.00% and 5.00%. If the CPI increase is greater than 5.00%, the Board will provide a COLA of 5.00%. If the CPI decreases, no COLA is provided. For any member retiring on or after July 1, 2001, such adjustments commence on the second 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.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Contributions. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal year 2015. 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. Contributions for employees of the State of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

The district's contributions to PSRS were \$26,860,759 for the year ended June 30, 2015.

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

At June 30, 2015, the district recorded a liability of \$169,493,799 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2014 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 of \$26,601,171 paid to PSRS for the year ended June 30, 2014 relative to the actual contributions of \$643,964,894 from all participating employers. At June 30, 2014, the district's proportionate share was 4.1314%.

For the year ended June 30, 2015, the district recognized a government-wide pension expense of \$5,274,980, its proportionate share of the total pension expense.

At June 30, 2015, the district reported deferred outflows of resources and deferred inflows of resources on the government-wide financial statements from the following sources related to PSRS pension benefits:

Balance of Deferred Outflows and Inflows due to:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,896,404	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	81,514,451
Changes in proportion and differences between District contributions and proportionate share of contributions	-	3,994,852
Employer contributions subsequent to the measurement date	26,860,759	-
Total	\$ 34,757,163	\$ 85,509,303

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

\$26,860,759 reported as deferred outflows of resources to pensions resulting from contribution subsequent to the measurement date of June 30, 2014 will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as collective deferred (inflows) / outflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Net Deferred (Inflows) / Outflows of Resources</u>
2016	\$ (19,654,761)
2017	(19,654,761)
2018	(19,654,761)
2019	(19,654,761)
2020	723,852
Thereafter	<u>282,293</u>
Total	<u>\$ (77,612,899)</u>

Actuarial Assumptions

Actuarial valuations of PSRS involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was conducted in 2011 and the next experience study is scheduled for 2016.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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

Measurement date	June 30, 2014
Valuation date	June 30, 2014
Expected return on investments	8.00 %, net of investment expenses and including 2.5% inflation.
Inflation	2.50%
Total payroll growth	3.50% per annum, consisting of 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.
Future salary increases	4.00% - 10.00%, depending on service and including 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.00% to 7.00%.
Cost-of-living increases	2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increase.
Mortality assumptions:	
Actives	RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
Non-disabled retirees, beneficiaries and survivors	RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.
Disabled retirees	RP 2000 Disabled Mortality Table
Changes in actuarial assumptions and methods	There were no changes in actuarial assumptions or methods for the June 30, 2014 valuation.
Fiduciary Net Position	PSRS issues a publicly available financial report that can be obtained at www.psrs-peers.org .
Expected rate of return	The long-term expected rate of return on PSRS' 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 weighing 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 PSRS' target allocation as of June 30, 2014 is summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cashflows.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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

Discount rate

The discount rate used to measure the total pension liability was 8.00% as of June, 30, 2014, and is consistent with the long-term expected geometric return on plan investments. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Discount rate sensitivity

The sensitivity of the District's net pension liability to changes in the discount rate is presented below. The District's net pension liability calculated using the discount rate of 8.0% is presented below as well as the net pension liability using a discount rate that is 1.0% lower (7.0%) or 1.0% higher (9.0%) than the current rate.

Discount rate	1.0% Decrease (7.00%)	Current Rate (8.00%)	1.0% Increase (9.00%)
Proportionate share of the Net Pension Liability / (Asset)	\$ 358,904,822	\$ 169,493,799	\$ 10,620,599

As of June 30, 2015, the District reported \$94,828 payable to the PSRS for legally required contributions.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Public Education Employee Retirement System of Missouri

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

Benefits Provided. PEERS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of five years of service, (b) have 30 years of service, or (c) qualify for benefits under the "Rule of 80" (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 1.61% benefit factor. Members qualifying for "Rule of 80" or "30-and-out" are entitled to an additional temporary .8% benefit multiplier until reaching minimum Social Security age (currently age 62). Actuarially age-reduced retirement benefits are available with five years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psr-peers.org.

Cost-of-Living Adjustments (COLA). The PEERS Board has established a policy of providing a 2.00% COLA for years in which the CPI increases between 0.00% and 5.00%. If the CPI increase is greater than 5.00%, the Board will provide a COLA of 5.00%. If the CPI decreases, no COLA is provided. For any member, 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. PEERS members were required to contribute 6.86% of their annual covered salary during fiscal year 2015. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay.

The district's contributions to PEERS were \$6,318,857 for the year ended June 30, 2015.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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

At June 30, 2015, the district recorded a liability of \$21,728,104 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2014 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 of \$5,752,711 paid to PEERS for the year ended June 30, 2014 relative to the actual contributions of \$100,035,580 from all participating employers. At June 30, 2014, the district's proportionate share was 5.9502%.

For the year ended June 30, 2015, the district recognized a government-wide pension expense of \$2,569,945, its proportionate share of the total pension expense.

At June 30, 2015, the district reported deferred outflows of resources and deferred inflows of resources from the following sources related to PEERS pension benefits:

Balance of Deferred Outflows and Inflows due to:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 646,249
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	12,941,999
Changes in proportion and differences between District contributions and proportionate share of contributions	135,415	-
Employer contributions subsequent to the measurement date	6,318,857	-
Total	\$ 6,454,272	\$ 13,588,248

\$6,318,857 reported as deferred outflows of resources to pensions resulting from contribution subsequent to the measurement date of June 30, 2014 will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as collective deferred (inflows) / outflows of resources to be recognized in pension expense as follows:

Year Ending June 30,	Net Deferred (Inflows) / Outflows of
2016	\$ (3,397,669)
2017	(3,397,669)
2018	(3,397,669)
2019	(3,259,826)
Total	\$ (13,452,833)

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Actuarial Assumptions

Actuarial valuations of PEERS involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The last experience study was conducted in 2011 and the next experience study is scheduled for 2016.

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

Measurement date	June 30, 2014
Valuation date	June 30, 2014
Expected return on investments	8.00 %, net of investment expenses and including 2.5% inflation.
Inflation	2.50%
Total payroll growth	3.75% per annum, consisting of 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.
Future salary increases	5.00% - 12.00%, depending on service and including 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.75% to 8.75%.
Cost-of-living increases	2.0% compounded annually, beginning on the fourth January after retirement and capped at 80% lifetime increase.
Mortality assumptions:	
Actives	RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
Non-disabled retirees, beneficiaries and survivors	RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.
Disabled retirees	RP 2000 Disabled Mortality Table
Changes in actuarial assumptions and methods	There were no changes in actuarial assumptions or methods for the June 30, 2014 valuation.
Expected rate of return	The long-term expected rate of return on PEERS' 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 weighing 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 PEERS' target allocation as of June 30, 2014 is summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cashflows.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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

Discount rate

The discount rate used to measure the total pension liability was 8.00% as of June, 30, 2014, and is consistent with the long-term expected geometric return on plan investments. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Discount rate sensitivity

The sensitivity of the District's net pension liability to changes in the discount rate is presented below. The District's net pension liability calculated using the discount rate of 8.0% is presented below as well as the net pension liability using a discount rate that is 1.0% lower (7.0%) or 1.0% higher (9.0%) than the current rate.

	1.0% Decrease (7.00%)	Current Rate (8.00%)	1.0% Increase (9.00%)
Discount rate			
Proportionate share of the Net Pension Liability / (Asset)	\$ 52,139,061	\$ 21,728,104	\$ (3,962,832)

As of June 30, 2015, the District reported \$36,401 payable to the PEERS for legally required contributions.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

6. RISK MANAGEMENT

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

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

Self-Insured Employee Benefits

The District generally retains the risks related to its obligations to provide medical and dental and unemployment benefits to its employees. However, the District's maximum liability for each one-year period related to health benefits is limited by insurance coverage. As of June 30, 2015, the estimated liability for payment of medical and dental, and unemployment claims is approximately \$3,360,000 and \$39,000 respectively. The liability for medical and dental claims are recorded in the governmental fund financial statements in the General Fund and the liability for unemployment claims is recorded in the government-wide financial statements.

Workers' Compensation Insurance

From July 31, 1996 through June 30, 2001, the District had purchased insurance for workers' compensation claims. Beginning July 1, 2001, the District became substantially self-insured. The District maintains excess workers' compensation insurance coverage for losses in excess of specified amounts. As of June 30, 2015, the estimated liability for payment of workers' compensation claims under the self-insurance plan was approximately \$3,290,000 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, 2015 and June 30, 2014 are as follows:

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

	Prescription Drugs, Medical and Dental Benefits	Workers' Compensation	Unemployment Benefits
Balance - June 30, 2013	\$ 3,001,796	\$ 3,413,219	\$ 71,618
Add: claims, fees, and change in estimates	41,002,946	1,320,619	64,276
Less: claim payments	(40,764,195)	(1,927,986)	(105,211)
Balance - June 30, 2014	3,240,547	2,805,852	30,683
Add: claims, fees, and change in estimates	40,437,691	2,629,957	123,470
Less: claim payments	(40,318,671)	(2,146,757)	(114,670)
Balance - June 30, 2015	<u>\$ 3,359,567</u>	<u>\$ 3,289,052</u>	<u>\$ 39,483</u>

7. PENDING LITIGATION

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

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

8. SPECIAL SCHOOL DISTRICT EDUCATIONAL FACILITIES AUTHORITY

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

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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

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

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

Rental payments made pursuant to this lease totaled \$105,518 during the year ended June 30, 2015. Rental payments will be determined annually based on the amount of monies necessary for the future payment of bond principal and interest on the bonds when due, less amounts held by the Authority in the Certificate Fund. The District is also obligated to make additional payments for costs specified in the Lease. The Authority has agreed to convey to the District, all rights, interest and title to the project site at the expiration of the lease term following full payment of the bonds.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Bonds payable at June 30, 2015 consist of:

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

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

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

The following is a summary of bond transactions for the year ended June 30, 2015:

Bonds payable, July 1, 2014	\$ 9,450,000
Bonds issued	27,225,000
Bonds retired	<u>-</u>
Total bonds payable, June 30, 2015	<u>\$ 36,675,000</u>

The following are debt service requirements on the outstanding bonds at June 30, 2015:

Year Ending June 30,	Principal	Interest	Total
2016	\$ -	\$ 1,203,704	\$ 1,203,704
2017	-	1,203,704	1,203,704
2018	1,370,000	1,203,704	2,573,704
2019	1,420,000	1,171,739	2,591,739
2020	2,100,000	1,138,799	3,238,799
2021-2025	11,830,000	4,908,744	16,738,744
2026-2030	14,755,000	2,724,594	17,479,594
2031-2034	5,200,000	527,748	5,727,748
	<u>\$ 36,675,000</u>	<u>\$ 14,082,736</u>	<u>\$ 50,757,736</u>

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

See Note 2 for the Authority's investments.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

9. COMMITMENTS AND CONTINGENCIES

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

The District has entered into operating leases for various office equipment and buildings. Rental expense recorded during the year ended June 30, 2015 on these and other operating leases was approximately \$1,224,000. Future minimum lease payments as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2016	\$ 787,125
2017	758,941
2018	771,556
2019	<u>732,252</u>
Total	<u><u>\$ 3,049,874</u></u>

As of June 30, 2015, the District has entered into construction commitments totaling approximately \$56,860,000 of which approximately \$39,550,000 has been paid.

10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

Funding Policy

The District currently pays for the implicit rate subsidy associated with these post-employment health care benefits on a pay-as-you-go basis. As of June 30, 2015, no trust fund has been established for the funding of the plan's post-employment benefit obligation, resulting in the classification of all of the liability as unfunded. Additional information is presented as required supplementary information in the schedule of funding progress.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Annual OPEB Cost and Net OPEB Obligation

The District's OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation, as of June 30, 2015:

Annual required contribution	\$ 6,524,000
Interest on net OPEB obligation	1,032,000
Adjustment to annual required contribution	<u>(1,048,000)</u>
Annual OPEB cost	6,508,000
Contributions made *	<u>(3,094,000)</u>
Increase in net OPEB obligation	3,414,000
Net OPEB obligation - beginning of year	<u>27,512,000</u>
Net OPEB obligation - end of year	<u><u>\$ 30,926,000</u></u>

* Contribution related to implicit rates subsidy.

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

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

Plan Year Ended June 30,	Annual Required OPEB Cost	Employer Contributions	Percentage of ARC Contributed	Net OPEB Obligation
2013	\$7,551,000	\$3,159,000	41.80%	\$23,691,000
2014	\$6,458,000	\$2,637,000	40.80%	\$27,512,000
2015	\$6,508,000	\$3,094,000	47.50%	\$30,926,000

Funded Status and Funding Progress

As of July 1, 2013 the most recent actuarial valuation date, the plan was not prefunded. The actuarial accrued liability for benefits was \$68,173,600, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$68,173,600. The covered payroll (annual payroll of active employees covered by the plan) was \$241.8 million, and the rate of the UAAL to the covered payroll was 28.2 percent.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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

Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return assuming the benefits are not pre-funded. The discount rate is based on the expected earnings of the District's general fund. Payroll is assumed to increase at a rate of 3.0 percent per annum. The healthcare trends used in the valuation are based on long term healthcare trends generated by health actuaries that reflect how the cost of medical benefits varies by age and gender. The health mortality is based on the RP 2000 Mortality Table (employee and healthy annuitant tables). The amortization period of the unfunded Actuarial Accrued Liability AAL is 30 years. The remaining amortization period at June 30, 2015, was 24 years.

11. RECENT ACCOUNTING PRONOUNCEMENTS

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

In February 2015, the GASB approved Statement No. 72 "Fair Value Measurement and Application." This statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for determining fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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

In June 2015, the GASB approved Statement No. 76 "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015.

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, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Local	\$ 125,350,780	\$ 130,657,235	\$ 132,135,077	\$ 1,477,842
County	2,237,331	2,241,065	2,352,676	111,611
State	38,424,479	41,160,753	41,267,004	106,251
Federal	10,780,579	9,085,989	11,316,471	2,230,482
Contracted educational services	6,787,000	6,600,000	6,813,925	213,925
Total Revenues	183,580,169	189,745,042	193,885,153	4,140,111
EXPENDITURES:				
Current:				
Instruction	84,437,077	83,448,285	80,407,510	3,040,775
Attendance	7,598,722	7,632,114	7,556,810	75,304
Guidance	223,060	212,653	174,767	37,886
Health services	17,710,954	18,121,658	17,652,317	469,341
Improvement of instruction	2,187,647	2,275,633	2,011,331	264,302
Professional development	85,095	88,795	288,773	(199,978)
Media services	217,954	244,083	218,835	25,248
Board of Education services	1,227,768	1,246,168	1,066,612	179,556
Executive administration	3,252,982	3,438,964	3,105,871	333,093
Building level administration	2,868,725	3,062,379	3,033,988	28,391
Business, fiscal and internal services	6,213,565	6,328,328	6,888,581	(560,253)
Operation of plant	6,970,943	7,217,889	6,776,024	441,865
Security services	460,853	462,143	427,699	34,444
Pupil transportation	27,935,368	27,184,227	25,368,151	1,816,076
Food services	991,424	861,424	754,885	106,539
Central office support services	5,220,203	6,365,004	6,019,818	345,186
Adult continuing education	1,502,868	1,302,043	1,143,768	158,275
Community services	18,402	8,311	7,172	1,139
Total Expenditures	169,123,610	169,500,101	162,902,912	6,597,189
EXCESS OF REVENUES OVER EXPENDITURES	14,456,559	20,244,941	30,982,241	10,737,300
OTHER FINANCING USES:				
Transfers to other funds	(13,198,133)	14,198,134	(103,847)	(14,301,981)
Total Other Financing Uses	(13,198,133)	14,198,134	(103,847)	(14,301,981)
NET CHANGE IN FUND BALANCE	1,258,426	34,443,075	30,878,394	(3,564,681)
FUND BALANCE, BEGINNING OF YEAR	161,004,000	170,244,537	170,244,537	-
FUND BALANCE, END OF YEAR	\$ 162,262,426	\$ 204,687,612	\$ 201,122,931	\$ (3,564,681)

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, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Local	\$ 141,811,360	\$ 137,768,071	\$ 140,114,077	\$ 2,346,006
County	2,689,703	2,490,790	2,613,504	122,714
State	38,741,973	41,327,275	39,427,825	(1,899,450)
Federal	29,595,000	29,614,000	29,595,466	(18,534)
Total Revenues	212,838,036	211,200,136	211,750,872	550,736
EXPENDITURES:				
Current:				
Instruction	173,563,584	172,611,999	170,348,681	2,263,318
Attendance	907,255	906,930	781,553	125,377
Guidance	2,103,299	2,118,049	2,063,855	54,194
Health services	17,222,175	17,064,308	16,511,975	552,333
Improvement of instruction	4,613,573	4,300,355	4,027,972	272,383
Professional development	131,023	123,023	113,105	9,918
Media services	264,778	264,778	258,470	6,308
Board of Education services	126,834	126,834	130,208	(3,374)
Executive administration	3,337,318	3,301,595	3,195,938	105,657
Building level administration	11,680,324	11,556,682	11,465,787	90,895
Business, fiscal and internal services	1,237,960	1,237,960	587,923	650,037
Central office support services	1,612,159	1,270,405	1,326,510	(56,105)
Adult continuing education	1,146,333	1,146,333	1,042,742	103,591
Community services	1,298	-	-	-
Total Expenditures	217,947,913	216,029,251	211,854,719	4,174,532
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,109,877)	(4,829,115)	(103,847)	4,725,268
OTHER FINANCING SOURCES:				
Transfers from other funds	5,109,877	6,109,877	103,847	(6,006,030)
Total Other Financing Sources	5,109,877	6,109,877	103,847	(6,006,030)
NET CHANGE IN FUND BALANCE	-	1,280,762	-	(1,280,762)
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ 1,280,762	\$ -	\$ (1,280,762)

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

NOTES TO BUDGETARY COMPARISON INFORMATION JUNE 30, 2015

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 27, 2014 or as amended by the Board of Education at various times during the fiscal year. The Governing Council approved the original budget on June 10, 2014.

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

Actual expenditures exceeded budgeted expenditures in the Capital Projects Fund.

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF FUNDING PROGRESS -
OTHER POST-EMPLOYMENT BENEFITS PLAN
JUNE 30, 2015**

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAL as a Percentage of Covered Payroll
07/01/09	\$ -	\$ 61,861,000	\$ 61,861,000	0%	\$ 252,668,000	24.5%
07/01/11	\$ -	\$ 77,199,700	\$ 77,199,700	0%	\$ 250,100,000	30.9%
07/01/13	\$ -	\$ 68,173,600	\$ 68,173,600	0%	\$ 241,830,000	28.2%

Note: The results shown above are based on the baseline assumptions with respect to the medical inflation rate and the discount rate, as discussed in the Sensitivity Analysis section of the actuary report. Please note that the 3.75% baseline discount rate assumes that the District will not prefund its retiree medical program. The discount rate is based on the long-term expected earnings of the District's General Fund.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS - PSRS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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%	89.30%

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, 2015**

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
2013	\$ 26,425,261	\$ 26,425,261	\$ -	\$ 187,116,249	14.12%
2014	\$ 26,601,171	\$ 26,601,171	\$ -	\$ 188,504,965	14.11%
2015	\$ 26,860,759	\$ 26,860,759	\$ -	\$ 190,047,817	14.13%

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS - PEERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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%	91.30%

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, 2015**

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
2013	\$ 5,709,941	\$ 5,709,941	\$ -	\$ 83,235,752	6.86%
2014	\$ 5,952,711	\$ 5,952,711	\$ -	\$ 86,774,147	6.86%
2015	\$ 6,318,857	\$ 6,318,857	\$ -	\$ 92,136,308	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, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Local	\$ 10,606,960	\$ 15,810,802	\$ 16,274,598	\$ 463,796
County	204,966	297,645	336,955	39,310
State	197,784	194,631	194,562	(69)
Federal	-	60,616	56,192	(4,424)
Total Revenues	11,009,710	16,363,694	16,862,307	498,613
EXPENDITURES:				
Capital outlay	18,021,610	17,053,651	18,522,292	(1,468,641)
Debt service:				
Principal	720,199	720,200	720,200	-
Interest	361,657	679,657	634,619	45,038
Total Expenditures	19,103,466	18,453,508	19,877,111	(1,423,603)
EXCESS OF REVENUES				
(UNDER) EXPENDITURES	(8,093,756)	(2,089,814)	(3,014,804)	(924,990)
OTHER FINANCING SOURCES:				
Transfers from other funds	8,088,256	8,088,256	-	(8,088,256)
Proceeds from the sale of capital assets	5,500	5,500	21,854	16,354
Total Other Financing Sources	8,093,756	8,093,756	21,854	(8,071,902)
NET CHANGE IN FUND BALANCE	-	6,003,942	(2,992,950)	(8,996,892)
FUND BALANCE, BEGINNING OF YEAR	-	-	3,441,318	3,441,318
FUND BALANCE, END OF YEAR	\$ -	\$ 6,003,942	\$ 448,368	\$ (5,555,574)

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**COMBINING BALANCE SHEET -
DEBT SERVICE FUND BY COMPONENT UNIT
JUNE 30, 2015**

	Special School District	Special School District Educational Facilities Authority	Eliminations	Total
-- ASSETS --				
Restricted cash and investments	\$ -	\$ 5	\$ -	\$ 5
TOTAL ASSETS	\$ -	\$ 5	\$ -	\$ 5
-- 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	-	(6,797)	-	(6,797)
Total Fund Balances	-	(6,797)	-	(6,797)
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 5	\$ -	\$ 5

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**COMBINING BALANCE SHEET -
CAPITAL PROJECTS FUND BY COMPONENT UNIT
JUNE 30, 2015**

	Special School District	Special School District Educational Facilities Authority	Eliminations	Total
-- ASSETS --				
Property taxes receivable - net of allowance for uncollectible amount	\$ 558,533	\$ -	\$ -	\$ 558,533
Grants and other receivables	482,549	-	-	482,549
Interfund receivables	3,392,154	5,401	(3,392,154)	5,401
Prepaid items	5,864	-	-	5,864
Restricted cash and investments	2	491,470	-	491,472
TOTAL ASSETS	\$ 4,439,102	\$ 496,871	\$ (3,392,154)	\$ 1,543,819
-- LIABILITIES AND FUND BALANCES --				
LIABILITIES:				
Accounts payable	\$ 3,501,808	\$ 1,201	\$ -	\$ 3,503,009
Interfund payables	-	-	(3,392,154)	(3,392,154)
Total Liabilities	3,501,808	1,201	(3,392,154)	110,855
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	488,926	-	-	488,926
FUND BALANCES:				
Nonspendable:				
Prepaid items	5,864	-	-	5,864
Restricted for:				
Capital projects	442,504	495,670	-	938,174
Total Fund Balance	448,368	495,670	-	944,038
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,439,102	\$ 496,871	\$ (3,392,154)	\$ 1,543,819

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, 2015**

	Special School District	Special School District Educational Facilities Authority	Eliminations	Total
REVENUES:				
Local	\$ -	\$ 2	\$ -	\$ 2
Lease/purchase payments from District	-	590,634	(590,634)	-
Total Revenues	-	590,636	(590,634)	2
EXPENDITURES:				
Debt service:				
Interest	-	590,634	-	590,634
Total Expenditures	-	590,634	-	590,634
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	2	(590,634)	(590,632)
OTHER FINANCING SOURCES :				
Transfers from other funds	-	-	590,634	590,634
Total Other Financing Sources	-	-	590,634	590,634
NET CHANGE IN FUND BALANCES	-	2	-	2
FUND BALANCES, BEGINNING OF YEAR	-	(6,799)	-	(6,799)
FUND BALANCES, END OF YEAR	\$ -	\$ (6,797)	\$ -	\$ (6,797)

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, 2015**

	Special School District	Special School District Educational Facilities Authority	Eliminations	Total
REVENUES:				
Local	\$ 16,274,598	\$ 728	\$ -	\$ 16,275,326
County	336,955	-	-	336,955
State	194,562	-	-	194,562
Federal	56,192	-	-	56,192
Total Revenues	16,862,307	728	-	16,863,035
EXPENDITURES:				
Capital outlay	18,522,292	27,035,803	-	45,558,095
Debt service:				
Principal	720,200	-	-	720,200
Interest	634,619	-	(590,634)	43,985
Other charges	-	269,951	-	269,951
Total Expenditures	19,877,111	27,305,754	(590,634)	46,592,231
EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(3,014,804)	(27,305,026)	590,634	(29,729,196)
OTHER FINANCING SOURCES (USES):				
Transfers (to) from other funds	-	-	(590,634)	(590,634)
Inception of capital lease	-	27,225,000	-	27,225,000
Bond premium	-	562,606	-	562,606
Proceeds from the sale of capital assets	21,854	-	-	21,854
Total Other Financing Sources (Uses)	21,854	27,787,606	(590,634)	27,218,826
NET CHANGES IN FUND BALANCES	(2,992,950)	482,580	-	(2,510,370)
FUND BALANCES, BEGINNING OF YEAR	3,441,318	13,090	-	3,454,408
FUND BALANCES, END OF YEAR	\$ 448,368	\$ 495,670	\$ -	\$ 944,038

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF SELECTED STATISTICS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. Calendar (Sections 160.041 and 171.031, RSMo)

- A. 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	1,064.5775	Hours
Juvenile Detention Center	1,064.5775	Hours
Southview High School	1,068.0775	Hours
Northview	1,052.4109	Hours
North County Technical	1,098.5500	Hours
South County Technical	1,061.4942	Hours
Ackerman	1,052.4109	Hours
Litzinger	1,070.6608	Hours
Southview Elementary	1,068.0775	Hours
External Sites	1,068.0775	Hours

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

Northview, North County Technical, and Ackerman	173 Days
Juvenile Detention Center, Hiram Neuwoehner, and South County Technical	175 Days
Southview High School, Litzinger, Southview Elementary, and External Sites	176 Days

2. Average Daily Attendance (ADA)

	Full-time/ Part-Time	Deseg In	Total
Regular Term:			
Hiram Neuwoehner	128.0457	-	128.0457
Juvenile Detention Center	58.7863	-	58.7863
Southview High School	98.5323	0.9332	99.4655
Northview	139.0810	0.8726	139.9536
North County Technical	616.4491		616.4491
South County Technical	258.7121	29.2154	287.9275
Ackerman	118.8559	-	118.8559
Litzinger	86.9015	1.8623	88.7638
Southview Elementary	86.3975	2.5768	88.9743
External Sites	363.5808	3.4690	367.0498
Subtotal Regular Term	1,955.3422	38.9293	1,994.2715

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Schedule of Selected Statistics (continued)

2. Average Daily Attendance (ADA) (continued)

	Resident	Deseg In	Total
SUMMER SCHOOL SUBTOTAL	88.0701	-	88.0701
TOTAL REGULAR TERM PLUS SUMMER SCHOOL ADA	2,043.4123	38.9293	2,082.3416

3. September Membership

	Full-time/ Part-Time	Deseg In	Total
September Membership FTE Count	2,193.43	44.4	2,237.83

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

		Full-time/ Part-Time	Deseg In	Total
State FTE Total	Free	1,056.37	31.06	1,087.43
	Reduced	122.39	4.58	126.97
	Total	1,178.76	35.64	1,214.40

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>False</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>\$401,877</u> |

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

Finding #: _____

Management Letter Comment #: _____

Notes: Reported on page 67 in the "Report on Compliance – State Requirements."

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 3,927
 - Ineligible ADT 0
- D. The District's transportation odometer mileage records are maintained in a manner to accurately disclose in all material respects the eligible and ineligible mileage for the year. True
- E. Actual odometer records show the total District-operated and contracted mileage for the year was: 4,742,326
- Of this total, the eligible non-disabled and students with disabilities route miles and ineligible non-route and disapproved miles (combined) was:
- Eligible Miles 4,640,197
 - Ineligible Miles (Non-Route/Disapproved) 102,129
- F. Number of days the District operated the school transportation system during the regular school year: 177

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

Finding #: _____

Management Letter Comment #: _____

Notes: _____



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REPORT ON COMPLIANCE - STATE REQUIREMENTS

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Special School District of St. Louis County, Missouri (the "District") as of and for the year ended June 30, 2015, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 19, 2015.

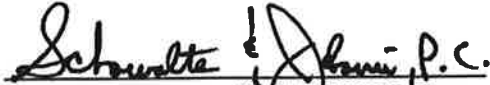
As required by the Revised Statutes of the State of Missouri, we have performed auditing procedures to test compliance with the budgetary statute (Chapter 67 RSMo) and the methods of maintaining pupil attendance and pupil transportation records for the year ended June 30, 2015. The management of the 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, 2015. 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, 2015. However, we did note an immaterial instance of non-compliance because approximately \$22,000 of the District's deposits was held in an account that was in excess of depository insurance and was uncollateralized.

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

St. Louis, Missouri
October 19, 2015


SCHOWALTER & JABOURI, P.C.

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Federal Compliance Section



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Special School District of St. Louis County, Missouri (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 19, 2015.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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


SCHOWALTER & ABOURI, P.C.

St. Louis, Missouri
October 19, 2015



SCHOWALTER & JABOURI, P.C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 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, 2015. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

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 a 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
October 19, 2015

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Program Title	Federal CFDA Number	Pass-Through Identification Number	Expenditures
<u>U.S. Department of Education:</u>			
Direct Program - Student Financial Aid Cluster:			
Federal Pell Grant Program	84.063	N/A	\$ 801,274
Federal Direct Student Loans:			
Subsidized Stafford Loans	84.268	N/A	563,879
Unsubsidized Stafford Loans	84.268	N/A	878,210
Federal Plus Loans	84.268	N/A	17,228
Subtotal CFDA 84.268			1,459,317
Total Student Financial Aid Cluster			2,260,591
Passed through Missouri Department of Elementary and Secondary Education:			
Special Education - Grants to States	84.027	096-119	31,214,513
Assistive Technology Reimbursement Program	84.027	096-119	60,617
Subtotal CFDA 84.027			31,275,130
Special Education - Preschool Grants	84.173	096-119	4,812,566
Total Special Education Cluster			36,087,696
Title IA Grants to Local Education Agencies	84.010	096-119	446,116
Title ID Grants to Local Education Agencies (Delinquent)	84.010	096-119	224,320
Total Title I, Part A Cluster			670,436
Title IIA Improving Teacher Quality State Grants	84.367	096-119	123,249
Career and Technical Education	84.048	096-119	318,549
Subtotal Passed Through Missouri Department of Elementary and Secondary Education			37,199,930
Total U.S. Department of Education			39,460,521
<u>U.S. Department of Agriculture:</u>			
Passed through Missouri Department of Elementary and Secondary Education:			
School Breakfast Program	10.553	096-119	173,960
National School Lunch Program	10.555	096-119	340,192
Donated Foods	10.555	096-119	18,451
After School Snack	10.555	096-119	1,940
Subtotal CFDA 10.553			173,960
Subtotal CFDA 10.555			360,583
Total Child Nutrition Cluster			534,543
Total U.S. Department of Agriculture			534,543

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Program Title	Federal CFDA Number	Pass-Through Identification Number	Expenditures
<u>U.S. Department of Labor:</u>			
Passed through City of St. Louis			
WIA Adult Program	17.258	N/A	18,420
WIA Dislocated Workers	17.278	N/A	4,700
Passed through St. Louis Agency on Training and Employment			
WIA Adult Program	17.258	N/A	3,334
WIA Dislocated Worker	17.278	N/A	5,468
Passed through Madison County Government			
WIA Adult Program	17.258	N/A	33,575
Passed through Workforce Investment Board, Southeast Missouri			
WIA Dislocated Worker	17.278	N/A	7,500
Passed through Office of Job Training			
WIA Adult Program	17.258	N/A	3,624
WIA Dislocated Workers	17.278	N/A	6,000
Passed through St. Louis County, Missouri			
WIA Adult Program	17.258	N/A	235,000
WIA Dislocated Workers	17.278	N/A	40,000
Passed through St. Clair County, Illinois			
WIA Adult Program	17.258	N/A	53,098
Passed through the Urban League of Metropolitan St. Louis, Inc.			
WIA Youth Activities	17.259	5107	2,954
Subtotal CFDA 17.258			347,051
Subtotal CFDA 17.259			2,954
Subtotal CFDA 17.278			63,668
Total Workforce Investment Act (WIA) Cluster			413,673
Total U.S. Department of Labor			413,673
TOTAL			\$ 40,408,737

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Significant Accounting Policies

The District prepares its Schedule of Expenditures of Federal Awards on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liabilities are incurred.

Note 2 - Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and distributed by the District during the year ended June 30, 2015.

Note 3 - Insurance

The District did not have any federal insurance in effect during the fiscal year ended June 30, 2015.

Note 4 - Loans (Loan Guarantees)

Federal Direct Loan Program:

The District is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program. It is not practical to determine the balance of loans outstanding to students under this program as of June 30, 2015. During the fiscal year ended June 30, 2015, the District processed \$1,459,317 under the Federal Loan Program.

Note 5 - Subrecipients

Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, the District provided federal awards to subrecipients as follows:

Program Title	Subrecipient	Federal CFDA Number	Amount Provided to Subrecipient
Career and Technical Education:			
	Ladue School District	84.048	\$ 7,657
	Maplewood-Richmond Heights School District	84.048	3,290
	Valley Park School District	84.048	3,247
	Riverview Gardens School District	84.048	33,384
	Clayton School District	84.048	1,933
	Subtotal Provided to Subrecipients - Career and Technical Education		49,511
TOTAL PROVIDED TO SUBRECIPIENTS			\$ 49,511

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified:

_____ Yes X No

Significant deficiency(ies) identified

not considered to be material weaknesses?

_____ Yes X None reported

Noncompliance material to financial statements
noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified:

_____ Yes X No

Significant deficiency(ies) identified

not considered to be material weaknesses?

_____ Yes X None reported

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

Unmodified

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510(a)?

_____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027, 84.173

Special Education Cluster

Dollar threshold used to distinguish between Type A
and Type B programs: \$1,212,262

Auditee qualified as low-risk auditee?

 X Yes _____ No

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Schedule of Findings and Questioned Costs (continued)

2. FINANCIAL STATEMENT FINDINGS

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

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

4. SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings and questioned costs.