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

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

JUNE 30, 2017

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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, 2017, 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, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

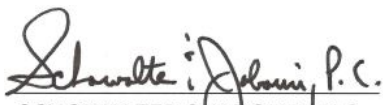
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining financial statements, capital projects fund budgetary comparison information and schedule of selected statistics are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

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

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

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
November 6, 2017

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2017. This discussion should be read in conjunction with the financial statements.

Governance

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

Financial Highlights

In total, the School District's financial position improved significantly during fiscal year 2017 as reflected by the increase in net position of \$11.4 million. The increase in net position is mainly represented by an increase in cash and investments and capital assets, partially offset by an increase in long-term liabilities. Overall the District's financial position is strong at June 30, 2017 even though the total unrestricted net position is (\$43.3) million. This negative net position is a result of the adoption of GASB Statement No. 68 in a prior year.

General revenues totaled \$332.6 million or 77% of all revenues. These general revenues are comprised mainly of local property taxes, which totaled \$282.3 million during fiscal year 2017. Program revenues, which include all grants and tuition fees, totaled \$99.5 million or 23.0% of total revenues in fiscal year 2017. Total revenue funded an average salary increase of 3.0%. Total expenses for the year were \$420.8 million, of which \$321.3 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.

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.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Management's Discussion and Analysis (continued)

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.

The School District as a Whole

The School District's net position was \$29.6 million at June 30, 2017. Of this amount, (\$43.3) 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 2017 compared to fiscal year 2016.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Management's Discussion and Analysis (continued)

	(In Millions)	
	Governmental Activities June 30,	
	2017	2016
Current and Other Assets	\$ 284.9	\$ 266.6
Capital Assets	110.5	100.0
Deferred amounts related to pension	139.1	63.6
Total Assets and Deferred Outflows of Resources	534.5	430.2
Current and Other Liabilities	35.5	32.8
Long-term Liabilities	438.5	351.8
Deferred amounts related to pensions	30.9	27.3
Total Liabilities and Deferred Inflows of Resources	504.9	411.9
Net Position		
Investment in Capital Assets	72.7	61.5
Restricted	0.2	1.4
Unrestricted	(43.3)	(44.6)
Total Net Position	\$ 29.6	\$ 18.3

The total net position of \$29.6 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		Total
	June 30,		Percentage
	2017	2016	Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 16.7	\$ 18.7	-10.7%
Operating Grants and Contributions	82.6	80.7	2.4%
Capital Grants	0.3	0.2	50.0%
General Revenues:			
Property and Sales Taxes	288.2	279.7	3.0%
State Aid	42.4	44.2	-4.1%
Other	2.0	2.0	0.0%
Total Revenues	432.2	425.5	1.6%
Functions/Program Expenses:			
Instruction - Special Education	262.8	238.0	10.4%
Instruction - Vocational Education	14.0	14.4	-2.8%
Student Services	50.6	44.5	13.7%
Instructional Staff Support	7.6	7.2	5.6%
Building Administration	17.0	14.6	16.4%
Executive Administration	8.6	7.5	14.7%
Business Services	18.1	17.4	4.0%
Operation of Plant	7.6	7.7	-1.3%
Transportation	29.4	35.1	-16.2%
Food Services	0.9	0.8	12.5%
Adult Education	2.9	2.7	7.4%
Unallocated Depreciation	0.1	0.1	0.0%
Debt Service:			
Interest and other charges	1.2	1.2	0.0%
Total Functions/Program Expenses	420.8	391.2	7.6%
(Decrease) Increase in Net Position	\$ 11.4	\$ 34.3	

Governmental Activities

The cost of all governmental activities totaled \$420.8 million in fiscal year 2017. The School District's taxpayers funded \$321.3 million or 76.5% of these costs. Staff and salary increases are primarily reflected in instruction and student services in Table 2 above and include an average salary increase of 3.0%, offset by savings from attrition and vacancies.

In addition to taxpayer funding, charges for services funded \$16.7 million or 4.0% of the governmental activities' cost and grants funded \$82.8 million or 19.7% of such costs in fiscal year 2017.

The School District's increase in net position is mainly attributable to an increase of \$8.3 million in Property Tax Revenue and \$1.4 million in Early Childhood Revenue. Total expense increased by \$29.6 million or 7.6% from fiscal year 2016.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Management's Discussion and Analysis (continued)

In the table below, the cost of each of the School District's five largest functions, as well as each function's net cost (total cost less revenue generated by the activities), is presented. This clearly shows the School District's reliance on local taxpayers. Due to Special School District's unique structure, the School District has a higher proportion of grant and restricted state funding than typical school districts. As a result, the net cost of the functions funded by the School District's taxpayers was 76.4% for fiscal year 2017.

	Year Ended June 30, (in millions)			
	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Governmental Activities:				
Instruction - Special Education	262.8	174.0	\$ 238.0	\$ 150.4
Instruction - Vocational Education	14.0	11.9	14.4	12.0
Student Services	50.6	50.6	44.5	44.5
Transportation	29.4	24.3	35.1	29.0
Administration	25.6	25.6	21.6	21.6
Other Support Services	37.1	33.6	36.3	32.8
Interest and Other Charges	1.2	1.2	1.2	1.2
Unallocated Depreciation	0.1	0.1	0.1	0.1
Total Governmental Activities	\$ 420.8	\$ 321.3	\$ 391.2	\$ 291.6

The School District's Funds

As discussed above, the School District uses funds to account for a wide range of financial transactions. A review of the funds provides some insight into the School District's financial condition. In total, governmental funds had a fund balance of \$242.1 million at June 30, 2017, which represented an increase of \$16.7 million from the prior year. The fund balance increase primarily reflects the increase of \$14.7 million in cash, investments and receivables.

General Fund Budget Highlights

The School District prepares an annual budget in accordance with Missouri law, which requires that the Governing Council give final budget approval. The original budget for fiscal year 2017 was approved by the School Board and the Governing Council in May and June 2016, respectively. A revised budget was presented to the School Board and Governing Council in December, 2016.

The final revised budget for general fund revenue totaled \$199.0 million compared to the original budget of \$197.4 million. The increase is mainly attributable to addition of \$3.2 million in early childhood revenue offset by a decrease in property tax revenue.

The final revised budget for general fund expenditures totaled \$188.2 million compared to the original budget of \$183.6 million. This increase is due a number of offsetting factors, including increase in substitute teachers and new software implementation.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Management's Discussion and Analysis (continued)

Capital Assets and Debt Administration

Capital Assets:

At June 30, 2017, the School District had capital assets with a net book value of \$110.1 million which is an increase of \$10.1 million from fiscal year 2016. This reflects net capital additions of \$60.8 million partially offset by net depreciation expense of \$4.9 million and net disposals of \$45.4 million.

	Governmental Activities	
	June 30,	
	2017	2016
Land	\$ 2,738,098	\$ 2,738,098
Buildings, land improvements and construction in progress	94,436,790	83,225,085
Vehicles and equipment	13,330,490	14,011,403
Total	\$ 110,505,378	\$ 99,974,586

Debt:

At June 30, 2017, 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,	
	2017	2016
Facilities Authority		
Leasehold Revenue Bonds - by issue date:		
November 2013	\$ 9,450,000	\$ 9,450,000
November 2014	27,225,000	27,225,000
Total Facilities Authority	\$ 36,675,000	\$ 36,675,000
Capital Leases - by issue date:		
August 2012	1,235,000	1,840,000
November 2013	68,316	117,139
March 2016	41,798	52,004
Total Capital Leases	1,345,114	2,009,143
Grand Total	\$ 38,020,114	\$ 38,684,143

At June 30, 2017, the District is obligated for future minimum lease payments under capital leases in the amount of \$1.3 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, 2017, the net OPEB liability is \$37.9 million.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Management's Discussion and Analysis (continued)

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 \$9.2 million. Refer to footnote 4 for more information concerning long-term liabilities.

Economic Factors and Fiscal Year 2018 Budget

The fiscal year 2018 budget reflects a slight increase in revenue. Total revenue is projected to increase by \$4.9 million or 1.1% in fiscal year 2018. This increase is mainly due to an increase in Property Taxes and Early Childhood funds.

The national economy continues to experience a slow recovery from the major recession. Federal aid is scheduled to remain flat in fiscal year 2018 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, 2017**

	Governmental Activities
-- ASSETS --	
Cash and investments	\$ 253,572,519
Property taxes receivable, net of allowance for uncollectible amount of \$6,512,580	8,976,981
Grants and other receivables	21,485,645
Prepaid items	532,537
Inventory	147,814
Restricted cash and investments	206,134
Capital Assets:	
Land	2,738,098
Construction in progress	8,402,357
Other capital assets, net of accumulated depreciation	99,364,923
TOTAL ASSETS	395,427,008
-- DEFERRED OUTFLOWS OF RESOURCES --	
Deferred amounts related to pensions	139,082,108
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 534,509,116
-- LIABILITIES --	
Accounts payable	\$ 28,312,835
Accrued expenditures:	
Salaries and related benefits	1,584,994
Medical and dental claims	3,560,159
Interest	302,419
Other liabilities	1,586,918
Due to student activity program	89,408
Unearned revenues	7,793
Long-term liabilities:	
Due within one year	9,005,721
Due in more than one year	39,063,079
Net pension liability	352,504,564
Other post-employment benefits liability	37,915,400
Total Liabilities	473,933,290
-- DEFERRED INFLOWS OF RESOURCES --	
Deferred amounts related to pensions	30,933,773
-- NET POSITION --	
Net investment in capital assets	72,719,259
Restricted for:	
Workers' compensation claims	200,085
Unrestricted	(43,277,291)
Total Net Position	29,642,053
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 534,509,116

See accompanying notes to basic financial statements

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

						Net (Expense)
						Revenue and
						Changes in
						Net Position
						Total
						Governmental
						Activities

See accompanying notes to basic financial statements

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
-- ASSETS --					
Cash and investments	\$ 253,572,519	\$ -	\$ -	\$ -	\$ 253,572,519
Property taxes - net of allowance for uncollectible amount	4,061,308	4,368,764	-	546,909	8,976,981
Grants and other receivables	19,379,517	2,106,128	-	-	21,485,645
Interfund receivables	1,432,948	-	-	594,769	2,027,717
Prepaid items	528,141	-	-	4,396	532,537
Inventory	147,814	-	-	-	147,814
Restricted cash and investments	200,085	-	44	6,005	206,134
TOTAL ASSETS	\$ 279,322,332	\$ 6,474,892	\$ 44	\$ 1,152,079	\$ 286,949,347
-- LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES --					
LIABILITIES:					
Accounts payable	\$ 27,696,570	\$ -	\$ 1,401	\$ 614,864	\$ 28,312,835
Accrued expenditures:					
Salaries and related benefits	890,794	694,200	-	-	1,584,994
Medical and dental claims	3,560,159	-	-	-	3,560,159
Other liabilities	1,586,918	-	-	-	1,586,918
Due to student activity program	89,408	-	-	-	89,408
Unavailable revenues	7,793	-	-	-	7,793
Interfund payables	-	2,022,316	5,401	-	2,027,717
Total Liabilities	33,831,642	2,716,516	6,802	614,864	37,169,824
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	3,493,877	3,758,376	-	470,497	7,722,750
FUND BALANCES:					
Nonspendable:					
Inventory	147,814	-	-	-	147,814
Prepaid items	528,141	-	-	4,396	532,537
Restricted for:					
Capital projects	-	-	-	62,322	62,322
Workers' compensation claims	200,085	-	-	-	200,085
Unassigned	241,120,773	-	(6,758)	-	241,114,015
Total Fund Balances	241,996,813	-	(6,758)	66,718	242,056,773
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 279,322,332	\$ 6,474,892	\$ 44	\$ 1,152,079	\$ 286,949,347

See accompanying notes to basic financial statements

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS

\$ 242,056,773

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 \$171,907,161 and the accumulated depreciation is \$61,401,783

110,505,378

Unpaid property taxes at June 30, 2017, less July and August receipts are recorded as deferred revenue in the governmental funds.

7,722,750

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

(302,419)

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	(110,114)
Capital leases - certificates of participation	(1,235,000)
Leasehold revenue bonds	(36,675,000)
Operating leases - Crossings	(166,228)
Sick leave benefits	(2,562,351)
Workers' compensation claims	(3,723,893)
Unemployment benefits	(36,599)
Vacation pay	(2,454,490)
Unamortized bond premium	(661,938)
Liability claims	(443,187)
Other post-employment benefits	(37,915,400)
Net pension obligation - PSRS	(303,377,575)
Net pension obligation - PEERS	(49,126,989)
Deferred outflows of resources - PSRS	116,004,509
Deferred outflows of resources - PEERS	23,077,599
Deferred inflows of resources - PSRS	(27,969,121)
Deferred inflows of resources - PEERS	(2,964,652)

Total

(330,340,429)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 29,642,053

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, 2017**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Property taxes	\$ 124,657,452	\$ 134,094,470	\$ -	\$ 16,786,789	\$ 275,538,711
Sales tax	-	5,946,098	-	-	5,946,098
Adult education	921,724	-	-	-	921,724
Investment income	684,815	736,658	41	92,221	1,513,735
Food service	71,913	-	-	-	71,913
Desegregation program	6,998,460	-	-	-	6,998,460
Other local	1,702,693	1,235,660	-	235,290	3,173,643
Total Local	135,037,057	142,012,886	41	17,114,300	294,164,284
County Sources:					
Fines, forfeitures, escheat	-	22,513	-	-	22,513
State assessed	2,327,068	2,503,239	-	313,371	5,143,678
Total County	2,327,068	2,525,752	-	313,371	5,166,191
State Sources:					
Basic formula	10,401,919	32,038,610	-	-	42,440,529
Transportation	5,119,727	-	-	-	5,119,727
High needs fund	10,707,761	-	-	-	10,707,761
Early childhood	11,024,540	11,859,138	-	-	22,883,678
Vocational tech aid	2,011,073	-	-	233,888	2,244,961
State grants and contributions	2,082,490	-	-	-	2,082,490
Total State	41,347,510	43,897,748	-	233,888	85,479,146
Federal Sources:					
Medicaid	2,696,675	-	-	-	2,696,675
Entitlement	1,600,000	30,579,937	-	-	32,179,937
School breakfast/lunch	543,528	-	-	-	543,528
Early childhood	3,295,639	-	-	-	3,295,639
Other federal sources	3,065,804	-	-	25,305	3,091,109
Total Federal	11,201,646	30,579,937	-	25,305	41,806,888
Contracted educational services	6,534,601	-	-	-	6,534,601
Total Revenues	196,447,882	219,016,323	41	17,686,864	433,151,110

See accompanying notes to basic financial statements

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
EXPENDITURES:					
Current:					
Instruction	86,744,330	175,689,722	-	-	262,434,052
Attendance	8,243,971	856,371	-	-	9,100,342
Guidance	453,353	2,350,622	-	-	2,803,975
Health services	19,486,137	17,382,959	-	-	36,869,096
Improvement of instruction	2,341,237	4,504,624	-	-	6,845,861
Professional development	305,421	111,463	-	-	416,884
Media services	294,975	243,082	-	-	538,057
Board of Education services	1,189,642	144,776	-	-	1,334,418
Executive administration	3,138,969	3,320,410	-	-	6,459,379
Building level administration	3,476,370	12,557,794	-	-	16,034,164
Business, fiscal and internal services	7,826,140	792,761	-	-	8,618,901
Operation of plant	6,759,209	-	-	-	6,759,209
Security services	653,151	-	-	-	653,151
Pupil transportation	26,853,404	-	-	-	26,853,404
Food services	826,403	-	-	-	826,403
Central office support services	7,332,237	1,266,254	-	-	8,598,491
Adult continuing education	1,540,909	1,238,890	-	-	2,779,799
Community services	10,780	176	-	-	10,956
Capital outlay	-	-	-	16,627,756	16,627,756
Debt service:					
Principal	-	-	605,000	59,028	664,028
Interest	-	-	1,227,971	6,157	1,234,128
Other charges	-	-	-	2,299	2,299
Total Expenditures	177,476,638	220,459,904	1,832,971	16,695,240	416,464,753
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,971,244	(1,443,581)	(1,832,930)	991,624	16,686,357
OTHER FINANCING SOURCES (USES):					
Transfer (to) from other funds	(1,443,581)	1,443,581	1,832,968	(1,832,968)	-
Proceeds from the sale of capital assets	-	-	-	12,130	12,130
Total Other Financing Sources (Uses)	(1,443,581)	1,443,581	1,832,968	(1,820,838)	12,130
NET CHANGE IN FUND BALANCES	17,527,663	-	38	(829,214)	16,698,487
FUND BALANCES, BEGINNING OF YEAR	224,469,150	-	(6,796)	895,932	225,358,286
FUND BALANCES, END OF YEAR	\$ 241,996,813	\$ -	\$ (6,758)	\$ 66,718	\$ 242,056,773

See accompanying notes to basic financial statements

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL BALANCES	\$ 16,698,487
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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	15,494,196	
Depreciation expense	<u>(4,938,052)</u>	
		10,556,144

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. (946,009)

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

Repayment of bond and lease principal	664,028	
Interest expense	529	
Operating lease amortization	62,391	
Amortization of bond premium	<u>68,675</u>	
		795,623

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	(12,130)	
Gain (loss) on disposal of capital assets	<u>(13,223)</u>	
		(25,353)

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	(336,616)	
Workers' compensation claims	315,016	
Unemployment benefits	3,390	
Liability claims	(296,979)	
Other post-employment benefits	(3,286,400)	
Pension expense - PSRS	(9,826,690)	
Pension expense - PEERS	<u>(2,285,946)</u>	
		<u>(15,714,225)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 11,364,667
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See accompanying notes to basic financial statements

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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 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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

also be available before they can be recognized. For the District, available generally means expected to be received within sixty (60) days of year end.

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

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

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

Property Taxes

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

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

The assessed valuations of the tangible taxable property for the calendar years 2017 and 2016 for purposes of local taxation were \$22,864,550,044 and \$22,733,218,984, 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 2016 and 2015 for purposes of local taxation were:

	December 31, 2016	December 31, 2015
General Fund	\$ 0.5614	\$ 0.5736
Special Revenue Fund	0.6039	0.6158
Capital Projects Fund	0.0756	0.0454
Total	<u>\$ 1.2409</u>	<u>\$ 1.2348</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2017, aggregated approximately 98.03% 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, 2017 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 and amounts escrowed under an agreement with the Missouri Division of Workers' Compensation for possible payments of claims.

Inventory

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

Capital Assets

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

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

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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

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

Interfund Balances

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

Payroll Disbursements

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

Compensated Absences

Vacation pay is accrued as a liability of the District in the government-wide financial statements when earned. Vacation benefits are available to all regular full-time employees who work 12 months. The amount of vacation earned is determined based on job classification and the number of months of continuous service. Accumulated unused earned vacation pay at June 30, 2017 amounted to approximately \$2,454,000 and is recorded as an expense in the government-wide financial statements.

Sick leave benefits are accrued as a liability of the District in the government-wide financial statements when earned. All District employees are entitled to receive a specified benefit at retirement for accumulated and unused sick days. The estimated liability to be incurred in future years, discounted at current interest rates, is approximately \$2,562,000 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.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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

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

Other Post Employment Benefit Obligation

The District calculates and records a net other post employment benefit obligation (OPEB) in the government-wide financial statements. The net OPEB is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since July 1, 2008, the

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

effective date of implementation. Details relating to the District's post-retirement health care benefits provided, OPEB liability, and its calculations are provided in Note 10.

Governmental Fund Balances

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

Nonspendable - This consists of the governmental fund balances that are not in spendable form or legally or contractually required to be maintained intact. The District's nonspendable fund balance at June 30, 2017 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, 2017 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, 2017.

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, 2017.

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, 2017 as expenditures incurred for specific purposes exceeded the amounts that are restricted, committed, or assigned to those purposes.

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

Net Position

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Interfund Activity

Interfund transfers are reported as other financing sources/uses in governmental funds. During the year ended June 30, 2017, transfers were made from the General Fund to the Special Revenue Fund to eliminate the deficit. In addition, the Facilities Authority made transfers between the Debt Service Fund and Capital Projects Fund to eliminate payments from the District to the Facilities Authority's Debt Service Fund.

Pooled Cash and Temporary Investments

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

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

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

Cash and investments of the Facilities Authority are separately maintained from those of the District. At June 30, 2017, investments of the Facilities Authority consist of money market mutual funds managed on behalf of the Facilities Authority by an independent trustee. Investments of the Facilities Authority are reported at fair market value as of June 30, 2017.

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

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year ended June 30, 2017.

Use of Restricted Resources

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Estimates

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

2. CASH AND INVESTMENTS

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

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

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

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

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

The District participates in the Missouri Securities Investment Program (MOSIP). MOSIP is an external investment pool in which the District's monies are pooled with other districts' monies to purchase investments that are permitted by state statutes. The District's monies are used to purchase a pro-rata share of the pool. A board of directors, comprised of Missouri school administrators, school

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

board members, and school business officials provides governance and oversight of MOSIP's operations. The board seeks to maintain a stable net position value of \$1 per share. A separately issued financial statement can be obtained by contacting 1-877-MY-MOSIP. At June 30, 2017, the District also has other investments 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, 2017, are as follows:

Type	Carrying Value
Deposits:	
Demand deposits	\$ 13,041,980
Money market	105,504
Certificates of deposit	2,529,859
Cash on hand	2,455
Total Deposits	15,679,798
Investments:	
U.S. Treasury Bills	51,731,169
External investment pool	35,856,709
Federal agency bonds	62,943,872
Federal agency collateralized mortgage obligations	3,467,462
* Money market mutual funds	6,047
Commercial paper	83,113,596
Negotiable certificates of deposit	980,000
Total Investments	238,098,855
Total Deposits and Investments	\$ 253,778,653

* Represents investments of the Facilities Authority

Custodial Credit Risk - Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District has a custodial credit risk policy for repurchase agreement investments and for certificate of deposits which requires these funds to be collateralized at least 100% or greater of the balance plus any demand deposit with the depository, less any insurance (Federal Deposit Insurance Corporation or National Credit Union Share Insurance Fund), as applicable. As of June 30, 2017, none of the District's deposits were exposed to custodial credit risk.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by the party who sold the security to the District or the seller's agent but not in the District's name. The District has a custodial credit risk policy to minimize credit risk by (1) pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the District will do business and (2) diversifying the portfolio so that potential losses on individual securities will be minimized. The District's investments were not exposed to custodial credit risk at year end.

Investment Interest Rate Risk

Individual interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The District has policies to minimize this risk by structuring the investments portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities. Investments in commercial paper shall mature in no more than 180 days from the purchase date, and all other investments shall mature and become payable in no more than five (5) years from the purchase date. Maturities of investments held at June 30, 2017 are provided as follows:

Investment Type	Fair Value	Investment Maturities (In Years)	
		Less than 1	1 - 5
U.S. Treasury Bills	\$ 51,731,169	\$ 22,795,353	\$ 28,935,816
External investment pool	35,856,709	35,856,709	-
Federal agency bonds	62,943,872	6,164,721	56,779,151
Federal agency collateralized mortgage obligations	3,467,462	67,826	3,399,636
* Money market mutual funds	6,047	6,047	-
Commercial paper	83,113,596	83,113,596	-
Negotiable certificates of deposit	980,000	-	980,000
	<u>\$ 238,098,855</u>	<u>\$ 148,004,252</u>	<u>\$ 90,094,603</u>

* Represents investments of the Facilities Authority

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

Investment Credit Risk

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI**Notes to Basic Financial Statements (continued)**

At June 30, 2017, the District's investments were rated as follows:

Description	Financial Institution	Amount	Rating
U.S. Treasury Bill	Commerce, MOSIP	\$ 51,731,169	N/A
External Investment Pool -			
MOSIP Term Investment Pool	MOSIP	20,000,000	AAAf
MOSIP Liquid Series	MOSIP	15,856,709	AAAm
Federal agency bonds	Commerce	33,084,909	A-1+
Federal agency bonds	MOSIP	29,858,963	AA+
Federal agency collateralized mortgage obligations	MOSIP	3,467,462	AA+
* Money market mutual funds	UMB Bank	6,047	AAAm
Commercial paper	UMB Bank, MOSIP, Commerce, FTN Financial	74,667,417	A-1
Commercial paper	UMB Bank	8,446,179	A
Negotiable certificates of deposit	UMB Bank	980,000	Unrated

* Represents investments of the Facilities Authority

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the District for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). At June 30, 2017, the District had the following concentrations of credit risk to be disclosed:

Description	Financial Institution	Fair Value	Percentage of Total Investments
Federal agency bonds	MOSIP	\$ 29,858,964	19.84%
Federal agency bonds	Commerce	29,210,574	19.41%
Commercial paper	UMB Bank	38,324,587	25.46%
Commercial paper	Commerce	19,882,658	13.21%
Commercial paper	FTN Financial	20,867,508	13.86%

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, 2017, is as follows:

	Balance June 30, 2016	Additions and Transfers	Disposals and Transfers	Balance June 30, 2017
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 2,738,098	\$ -	\$ -	\$ 2,738,098
Construction in Progress	45,332,510	8,402,357	45,332,510	8,402,357
Total Capital Assets, Not Being Depreciated	48,070,608	8,402,357	45,332,510	11,140,455
Capital Assets, Being Depreciated:				
Land improvements	2,644,912	-	-	2,644,912
Buildings and building improvements	71,612,993	50,398,575	-	122,011,568
Machinery and equipment	20,194,056	748,636	6,211	20,936,481
Vehicles	14,928,315	1,277,138	1,031,708	15,173,745
Total Capital Assets, Being Depreciated	109,380,276	52,424,349	1,037,919	160,766,706
Less - Accumulated Depreciation For:				
Land improvements	1,610,187	114,993	-	1,725,180
Buildings and building improvements	34,755,142	2,141,725	-	36,896,867
Machinery and equipment	13,639,064	935,838	6,211	14,568,691
Vehicles	7,471,904	1,745,496	1,006,355	8,211,045
Total Accumulated Depreciation	57,476,297	4,938,052	1,012,566	61,401,783
Total Capital Assets, Being Depreciated, Net	51,903,979	47,486,297	25,353	99,364,923
Governmental Activities, Capital Assets, Net	\$ 99,974,587	\$ 55,888,654	\$ 45,357,863	\$ 110,505,378

Depreciation was charged to functions of the District as follows:

Instruction	\$ 2,246,299
Attendance	4,525
Guidance	1,697
Health services	22,061
Improvement of instruction	10,070
Media services	876
Executive administration	10,646
Building level administration	30,158
Business, fiscal and internal services	530,443
Operation of plant	108,160
Pupil transportation	1,776,733
Food services	62,185
Adult continuing education	39,846
Unallocated	94,353
	<u>\$ 4,938,052</u>

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

4. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2017 is as follows:

	Balance				Balance	Amounts Due
	July 1,				June 30,	Within
	2016	Additions	Deductions		2017	One Year
Governmental Activities:						
Leasehold revenue bonds	\$ 36,675,000	\$ -	\$ -	\$ 36,675,000	\$ 1,370,000	
Capital leases	2,009,142	-	664,028	1,345,114	676,579	
Operating leases - Crossings	228,619	-	62,391	166,228	-	
Sick leave benefits	2,544,329	852,813	834,791	2,562,351	300,973	
Vacation pay	2,135,897	524,752	206,159	2,454,490	2,454,490	
Workers' compensation claims	4,038,908	2,549,331	2,864,346	3,723,893	3,723,893	
Unemployment benefits	39,989	67,645	71,035	36,599	36,599	
Liability claims	146,208	548,959	251,980	443,187	443,187	
	<u>\$ 47,818,092</u>	<u>\$ 4,543,500</u>	<u>\$ 4,954,730</u>	47,406,862	<u>\$ 9,005,721</u>	
Unamortized bond premium				661,938		
				<u>\$ 48,068,800</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, 2017 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, 2017 was \$4,894,260 and is included in capital assets as vehicles and equipment, and accumulated depreciation is \$2,851,858. The cost for the office equipment as of June 30, 2017 was \$228,838 and is included in capital assets as machinery and equipment, and accumulated depreciation is \$141,734.

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, 2017:

Year Ending June 30,	
2018	\$ 698,100
2019	659,936
2020	12,432
2021	8,288
Total future minimum lease payments	1,378,756
Less amount representing interest	(33,642)
Present value of future minimum lease payments	<u>\$ 1,345,114</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, 2017, the net OPEB obligation is \$37,915,400 and is reported as a liability in the government-wide financial statements. The OPEB obligation will be paid from the General and Special Revenue Funds. Refer to Note 10 for more information on the District's other post-employment benefits.

5. RETIREMENT PLANS

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

General Information about the Pension Plans

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

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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

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

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

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

Contributions. PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2016 and 2017. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay.

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay.

The District's contributions to PSRS and PEERS were \$27,319,781 and \$6,487,318, respectively, for the year ended June 30, 2017.

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

At June 30, 2017, the District recorded a liability of \$303,377,575 for its proportionate share of PSRS' net pension liability and \$49,126,989 for its proportionate share of PEERS' net pension liability. In total the District recorded net pension liabilities of \$352,504,564. The net pension liability for the plans in total was measured as of June 30, 2016, and determined by an actuarial valuation as of that date. The District's proportionate share of the total net pension liability was based on the ratio of its actual contributions paid to PSRS and PEERS of \$27,319,781 and \$6,487,318, respectively, for the year ended June 30, 2016, relative to the actual contributions of \$669,858,142 for PSRS and \$105,934,385 for PEERS from all participating employers. At June 30, 2016, the District's proportionate share was 4.0773 for PSRS and 6.1230% for PEERS.

For the year ended June 30, 2017, the District recognized government-wide pension expense of \$37,039,596 for PSRS and \$9,522,371 for PEERS, its proportionate share of the total pension expense. The District also recognized expense of \$43,910 for contributions to PSRS related to employee reciprocity and other service transfers.

At June 30, 2017, the district reported deferred outflows of resources and deferred inflows of resources from the following sources related to PSRS and PEERS pension benefits:

Balance of Deferred Outflows and Inflows Due to:	PSRS		PEERS		District Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,827,882	\$ 23,179,924	\$ 1,422,029	\$ 2,879,274	\$ 23,249,911	\$ 26,059,198
Changes in assumptions	3,431,311	-	2,926,004	-	6,357,315	-
Net difference between projected and actual earnings on pension plan investments	62,866,821	-	11,198,738	-	74,065,559	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	4,789,197	639,923	85,378	639,923	4,874,575
Employer contributions subsequent to the measurement date	27,878,496	-	6,890,904	-	34,769,400	-
Total	\$ 116,004,510	\$ 27,969,121	\$ 23,077,598	\$ 2,964,652	\$ 139,082,108	\$ 30,933,773

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Amounts reported as deferred outflows of resources resulting from contribution subsequent to the measurement date of June 30, 2016, will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as collective deferred (inflows) / outflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	PSRS	PEERS	District Total
2018	\$ 8,409,619	\$ 2,438,735	\$ 10,848,354
2019	8,409,618	2,581,644	10,991,262
2020	28,521,376	5,051,974	33,573,350
2021	17,783,426	3,149,689	20,933,115
2022	(2,074,019)	-	(2,074,019)
Thereafter	(893,126)	-	(893,126)
Total	\$ 60,156,894	\$ 13,222,042	\$ 73,378,936

Actuarial Assumptions

Actuarial valuations of the Systems involve 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 Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience for the Systems, derived from experience studies conducted every fifth year. The most recent comprehensive experience studies were completed in June 2016. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the study and effective with the June 30, 2016 valuation. Significant actuarial assumption and method changes are detailed below. For additional information please refer to the Systems' Comprehensive Annual Financial Report ("CAFR"). The next experience studies are scheduled for 2021.

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, 2016	
Valuation date	June 30, 2016	
Expected return on investments	7.75 %, net of investment expenses and including 2.25% inflation	
Inflation	2.25%	
Total payroll growth	PSRS	2.75% per annum, consisting of 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.
	PEERS	3.25% per annum, consisting of 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.
Future salary increases	PSRS	3.00% - 9.50%, depending on service and including 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.
	PEERS	4.00% - 11.00%, depending on service and including 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.
Cost-of-living increases	PSRS & PEERS	The long-term cost-of-living adjustment (COLA) assumed in the valuation is 1.50% per year, based on the current policy of the Board to grant a 0.00% COLA when annual inflation, as measured by the CPI-U index for a fiscal year, increases between 0.00% and 2.00% and to grant 2.00% when the increase is between 2.00% and 5.00%. The actuarial assumption increases from 1.00% to 1.50% over ten years (from fiscal year 2017 to fiscal year 2027). The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over age 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. The total lifetime COLA cannot exceed 80% of the original benefit. PSRS members receive a COLA on the second January after retirement, while PEERS members receive a COLA on the fourth January after retirement.
Mortality assumptions:		
Actives	PSRS	RP 2006 White Collar Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
	PEERS	RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
Non-disabled retirees, beneficiaries and survivors	PSRS	RP-2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
	PEERS	RP-2006 Total Dataset Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
Disabled retirees	PSRS & PEERS	RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.

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:

Changes in Actuarial Assumptions and Methods	An experience study was completed in June 2016 resulting in an update to the following assumptions:
PSRS & PEERS	The inflation assumption decreased from 2.50% to 2.75% per year.
PSRS	The payroll growth assumption decreased from 3.50% to 2.75% per year. The future salary increase assumption decreased from 4.00%-10.00%, depending on service to 3.00%-9.50%, depending on service. The investment return assumption decreased from 8.00% to 7.75% per year. The active mortality assumption changed from the RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA to 75% of the RP-2006 White Collar Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale. The non-disabled retiree mortality assumption changed from the RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA to the RP-2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale. The disabled retiree mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to the RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
PEERS	The payroll growth assumption decreased from 3.75% to 3.25% per year. The future salary increase assumption decreased from 5.00%-12.00%, depending on service to 4.00%-11.00%, depending on service. The investment return assumption decreased from 8.00% to 7.75% per year. The active mortality assumption changed from the RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA to 75% of the RP-2006 Total Dataset Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale. The non-disabled retiree mortality assumption changed from the RP 2000 Mortality Table set forward one year for males and no set back/forward for females, then projected to 2016 using Scale AA to the RP-2006 Total Dataset Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale. The disabled retiree mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to the RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
PSRS & PEERS	In addition, the Board adopted a new COLA policy during fiscal 2016 resulting in a decrease in the future COLA assumption from 2.00% per year to a variable, increasing assumption of 1.00%-1.50% over ten years beginning January 1, 2018.
Fiduciary net position	The Systems issue a publicly available financial report that can be obtained at www.psr-peers.org .

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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

Expected rate of return The long-term expected rate of return on investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27 *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed rate of return. The long-term expected rate of return on Systems' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems' target allocation as of June 30, 2016 are summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cash flows.

Asset Class	Target Asset Allocation	Long-Term Expected Real Return Arithmetic Basis	Weighted Long-Term Expected Real Return Arithmetic Basis
U.S. Public Equity	27.0%	5.16%	1.39%
Public Credit	7.0%	2.17%	0.15%
Hedged Assets	6.0%	4.42%	0.27%
Non-U.S. Public Equity	15.0%	6.01%	0.90%
U.S. Treasuries	16.0%	0.96%	0.15%
U.S. TIPS	4.0%	0.80%	0.03%
Private Credit	4.0%	5.60%	0.22%
Private Equity	12.0%	9.86%	1.18%
Private Real Estate	9.0%	3.56%	0.32%
Total	<u>100%</u>		<u>4.61%</u>
		Inflation	<u>2.25%</u>
		Long-term arithmetical nominal return	<u>6.86%</u>
		effect of covariance matrix	<u>0.89%</u>
		Long-term expected geometric return	<u>7.75%</u>

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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

Discount rate	The long-term expected rate of return used to measure the total pension liability was 7.75% as of June 30, 2016, and is consistent with the long-term expected geometric return on plan investments. The actuarial assumed rate of return of 8.0% from 1980 through fiscal year 2016. The Board of Trustees adopted a new actuarial assumed rate of return of 7.75% based on the actuarial experience studies and asset-liability study conducted during the current year. 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 7.75% is presented as well as the net pension liability using a discount rate that is 1.0% lower (6.75%) or 1.0% higher (8.75%) than the current rate.

		1.0% Decrease (6.75%)	Current Rate (7.75%)	1.0% Increase (8.75%)
	Discount rate			
PSRS	Proportionate share of the Net Pension Liability	\$ 514,667,491	\$ 303,377,575	\$ 127,446,615
PEERS	Proportionate share of the Net Pension Liability	\$ 85,433,553	\$ 49,126,989	\$ 18,656,847

As of June 30, 2017, the District reported \$78,738 and \$52,792 payable to the PSRS and PEERS, respectively, for legally required contributions.

6. RISK MANAGEMENT

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

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

Self-Insured Employee Benefits

The District generally retains the risks related to its obligations to provide medical and dental and unemployment benefits to its employees. However, the District's maximum liability for each one-year period related to health benefits is limited by insurance coverage. As of June 30, 2017, the estimated liability for payment of medical and dental, and unemployment claims is approximately \$3,560,000 and \$37,000, respectively. The liability for medical and dental claims are recorded in the governmental fund financial statements in the General Fund and the liability for unemployment claims is recorded in the government-wide financial statements.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Workers' Compensation Insurance

From July 31, 1996 through June 30, 2001, the District had purchased insurance for workers' compensation claims. Beginning July 1, 2001, the District became substantially self-insured. The District maintains excess workers' compensation insurance coverage for losses in excess of specified amounts. As of June 30, 2017, the estimated liability for payment of workers' compensation claims under the self-insurance plan was approximately \$3,724,000 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, 2017 and June 30, 2016 are as follows:

	Prescription Drugs, Medical and Dental Benefits	Workers' Compensation	Unemployment Benefits
Balance - June 30, 2015	\$ 3,359,567	\$ 3,289,052	\$ 39,483
Add: claims, fees, and change in estimates	42,121,598	3,580,288	85,937
Less: claim payments	(41,910,416)	(2,830,432)	(85,431)
Balance - June 30, 2016	3,570,749	4,038,908	39,989
Add: claims, fees, and change in estimates	44,957,201	2,549,331	67,645
Less: claim payments	(44,967,791)	(2,864,346)	(71,035)
Balance - June 30, 2017	<u>\$ 3,560,159</u>	<u>\$ 3,723,893</u>	<u>\$ 36,599</u>

7. PENDING LITIGATION

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

The District has sovereign tort immunity from liability and suit for compensation damages for negligent acts or omissions, except in the case of injuries arising out of the operation of District motor vehicles or caused by the condition of District property. The District has purchased insurance to cover claims related to the operation of motor vehicles and the condition of District property. The maximum claim settlement established by state statute for such claims is approximately \$414,000 per person and approximately \$2,763,000 per occurrence.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

8. SPECIAL SCHOOL DISTRICT EDUCATIONAL FACILITIES AUTHORITY

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

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

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

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

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Rental payments made pursuant to this lease totaled \$1,832,968 during the year ended June 30, 2017. Rental payments will be determined annually based on the amount of monies necessary for the future payment of bond principal and interest on the bonds when due, less amounts held by the Authority in the Certificate Fund. The District is also obligated to make additional payments for costs specified in the Lease. The Authority has agreed to convey to the District, all rights, interest and title to the project site at the expiration of the lease term following full payment of the bonds.

Bonds payable at June 30, 2017 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
	<u>\$ 36,675,000</u>

The following is a summary of bond transactions for the year ended June 30, 2017:

Bonds payable, July 1, 2016	\$ 36,675,000
Bonds issued	-
Bonds retired	-
	<u>\$ 36,675,000</u>

The following are debt service requirements on the outstanding bonds at June 30, 2017:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 1,370,000	\$ 1,203,704	\$ 2,573,704
2019	1,420,000	1,171,139	2,591,139
2020	2,100,000	1,138,799	3,238,799
2021	2,180,000	1,089,186	3,269,186
2022	2,255,000	1,037,751	3,292,751
2023-2027	12,960,000	4,211,100	17,171,100
2028-2032	11,190,000	1,628,550	12,818,550
2033-2034	3,200,000	194,500	3,394,500
	<u>\$ 36,675,000</u>	<u>\$ 11,674,729</u>	<u>\$ 48,349,729</u>

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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

See Note 2 for the Authority's investments.

9. COMMITMENTS AND CONTINGENCIES

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

The District has entered into operating leases for various office equipment and buildings. Rental expense recorded during the year ended June 30, 2017 on these and other operating leases was approximately \$870,000. Future minimum lease payments as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2018	\$ 889,233
2019	733,860
2020	<u>1,200</u>
Total	<u>\$ 1,624,293</u>

As of June 30, 2017, the District has entered into construction commitments totaling approximately \$19,928,000 of which approximately \$9,760,000 has been paid.

Risks and Uncertainties

The District invests in various investment securities, including cash equivalents. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

10. OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to providing the pension benefits described in Note 5, the District provides an opportunity for continuation of medical and prescription drug insurance to employees that retire from the District who meet the retirement requirements of PSRS and PEERS. Retirees who elect to participate must pay 100% of the premiums in effect for the current plan year or any subsequent year at the premium rates in effect at that time. Since the retirees pay the premium for each year, the District's 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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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, 2017, no trust fund has been established for the funding of the plan's post-employment benefit obligation, resulting in the classification of all of the liability as unfunded. Additional information is presented as required supplementary information in the schedule of funding progress.

Annual OPEB Cost and Net OPEB Obligation

The District's OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation, as of June 30, 2017:

Annual required contribution	\$ 6,117,000
Interest on net OPEB obligation	1,212,000
Adjustment to annual required contribution	<u>(1,277,000)</u>
Annual OPEB cost	6,052,000
Contributions made *	<u>(2,765,600)</u>
Increase in net OPEB obligation	3,286,400
Net OPEB obligation - beginning of year	<u>34,629,000</u>
Net OPEB obligation - end of year	<u><u>\$ 37,915,400</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
2015	\$6,508,000	\$3,094,000	47.50%	\$30,926,000
2016	\$6,027,000	\$2,324,000	38.56%	\$34,629,000
2017	\$6,052,000	\$2,765,000	45.69%	\$37,915,400

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

Funded Status and Funding Progress

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

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

Actuarial Methods and Assumptions

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

In the June 30, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.5 percent investment rate of return assuming the benefits are not prefunded. 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, 2017, was 22 years.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

11. TAX ABATEMENTS

As of June 30, 2017, the District is subject to the following tax abatement programs initiated by other governmental entities:

	Real Estate Tax	Surcharge	Property Tax
Enhanced enterprise zones			
City of Berkley	\$ 3,753	\$ 358	\$ -
City of Hazelwood	39,865	3,797	-
Industrial development bonds/St. Louis County Chapter 100			
City of Bellerive	201,216	19,120	3,452
City of Clayton	197,780	18,839	3,626
City of Eureka	18,228	1,736	1,276
City of Ferguson	32,641	3,109	1,472
City of Jennings	1,318	126	2,675
St. Louis County	923,228	87,940	225,724
Land Clearance for Redevelopment Authority			
City of University City	66,779	-	-
Urban redevelopment corporations			
City of Brentwood	120,646	9,158	-
City of Edmundson	87,934	8,376	-
City of Ferguson	4,757	453	-
City of Maryland Heights	2,647	252	-
City of Normandy	8,945	-	-
City of Overland	43,497	3,958	-
City of Richmond Heights	25,728	2,451	-
City of Rock Hill	28,897	2,580	-
City of Sunset Hills	11,657	151	-
City of University City	1,123	-	-
City of Wellston	4,516	430	-
St. Louis County	235,142	22,292	-
Total	\$ 2,060,297	\$ 185,126	\$ 238,225

12. RECENT ACCOUNTING PRONOUNCEMENTS

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

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

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

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

In March 2017, the GASB approved Statement No. 85, "Omnibus 2017." The objective of this Statement is to address practice issues that have been identified during implementations and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In May 2017, the GASB approved Statement No. 86, "Certain Debt Extinguishment Issues." The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In June 2017, the GASB approved Statement No. 87, "Leases." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Notes to Basic Financial Statements (continued)

liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Local	\$ 135,815,769	\$ 134,580,460	\$ 135,037,057	\$ 456,597
County	2,378,389	2,324,953	2,327,068	2,115
State	42,569,927	40,801,681	41,347,510	545,829
Federal	9,961,906	14,443,093	11,201,646	(3,241,447)
Contracted educational services	6,722,000	6,824,000	6,534,601	(289,399)
Total Revenues	197,447,991	198,974,187	196,447,882	(2,526,305)
EXPENDITURES:				
Current:				
Instruction	91,660,777	92,557,872	86,744,330	5,813,542
Attendance	8,573,414	8,552,069	8,243,971	308,098
Guidance	429,570	449,568	453,353	(3,785)
Health services	19,236,134	20,380,258	19,486,137	894,121
Improvement of instruction	2,656,166	2,797,933	2,341,237	456,696
Professional development	96,800	96,800	305,421	(208,621)
Media services	312,680	311,880	294,975	16,905
Board of Education services	1,192,314	1,214,932	1,189,642	25,290
Executive administration	3,575,767	3,458,214	3,138,969	319,245
Building level administration	2,948,919	3,439,149	3,476,370	(37,221)
Business, fiscal and internal services	7,807,361	8,638,255	7,826,140	812,115
Operation of plant	7,269,702	7,520,570	6,759,209	761,361
Security services	724,656	744,356	653,151	91,205
Pupil transportation	28,014,694	27,771,119	26,853,404	917,715
Food services	782,550	852,550	826,403	26,147
Central office support services	6,805,391	7,913,154	7,332,237	580,917
Adult continuing education	1,456,960	1,520,821	1,540,909	(20,088)
Community services	9,987	24,152	10,780	13,372
Total Expenditures	183,553,842	188,243,652	177,476,638	10,767,014
EXCESS OF REVENUES				
OVER EXPENDITURES	13,894,149	10,730,535	18,971,244	8,240,709
OTHER FINANCING USES:				
Transfers to other funds	(17,786,000)	(17,786,758)	(1,443,581)	16,343,177
Total Other Financing Uses	(17,786,000)	(17,786,758)	(1,443,581)	16,343,177
NET CHANGE IN FUND BALANCE	(3,891,851)	(7,056,223)	17,527,663	24,583,886
FUND BALANCE, BEGINNING OF YEAR	207,533,000	224,469,145	224,469,150	5
FUND BALANCE, END OF YEAR	\$ 203,641,149	\$ 217,412,922	\$ 241,996,813	\$ 24,583,891

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
SPECIAL REVENUE FUND -
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES:				
Local	\$ 140,633,226	\$ 139,949,733	\$ 142,012,886	\$ 2,063,153
County	2,578,864	2,523,461	2,525,752	2,291
State	44,542,590	43,563,738	43,897,748	334,010
Federal	30,579,937	30,579,937	30,579,937	-
Total Revenues	218,334,617	216,616,869	219,016,323	2,399,454
EXPENDITURES:				
Current:				
Instruction	180,760,527	178,237,297	175,689,722	2,547,575
Attendance	799,133	799,133	856,371	(57,238)
Guidance	2,235,832	2,302,126	2,350,622	(48,496)
Health services	18,101,196	17,590,683	17,382,959	207,724
Improvement of instruction	5,029,593	4,858,108	4,504,624	353,484
Professional development	115,486	115,486	111,463	4,023
Media services	281,663	281,663	243,082	38,581
Board of Education services	145,878	145,878	144,776	1,102
Executive administration	3,181,061	3,175,582	3,320,410	(144,828)
Building level administration	13,212,929	13,003,921	12,557,794	446,127
Business, fiscal and internal services	713,000	864,000	792,761	71,239
Central office support services	1,288,421	1,276,256	1,266,254	10,002
Adult continuing education	1,272,571	1,276,571	1,238,890	37,681
Community services	-	2,087	176	1,911
Total Expenditures	227,137,290	223,928,791	220,459,904	3,468,887
EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(8,802,673)	(7,311,922)	(1,443,581)	5,868,341
OTHER FINANCING SOURCES:				
Transfers from other funds	8,802,673	8,802,673	1,443,581	(7,359,092)
Total Other Financing Sources	8,802,673	8,802,673	1,443,581	(7,359,092)
NET CHANGE IN FUND BALANCE	-	1,490,751	-	(1,490,751)
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ 1,490,751	\$ -	\$ (1,490,751)

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**NOTES TO BUDGETARY COMPARISON INFORMATION
JUNE 30, 2017**

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 24, 2016 or as amended by the Board of Education at various times during the fiscal year. The Governing Council approved the original budget on June 6, 2016.

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

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF FUNDING PROGRESS -
OTHER POST-EMPLOYMENT BENEFITS PLAN
JUNE 30, 2017**

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

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

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS - PSRS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Year Ended * June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Actual Covered Member Payroll	Net Pension Liability as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
2015	4.1314%	\$ 169,493,799	\$ 188,504,965	89.91%	89.34%
2016	4.0894%	\$ 236,075,341	\$ 190,042,904	124.22%	85.78%
2017	4.0773%	\$ 303,377,575	\$ 193,253,990	156.98%	82.18%

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, 2017**

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

Year Ended June 30,	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess / (Deficiency)	Actual Covered Member Payroll	Contribution as a Percentage of Covered Payroll
2014	\$ 26,425,261	\$ 26,425,261	\$ -	\$ 187,116,249	14.12%
2015	\$ 26,601,171	\$ 26,601,171	\$ -	\$ 188,504,965	14.11%
2016	\$ 26,849,095	\$ 26,849,095	\$ -	\$ 190,042,904	14.13%
2017	\$ 27,319,781	\$ 27,319,781	\$ -	\$ 193,253,990	14.14%

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, 2017**

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

Year Ended * June 30,	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Actual Covered Member Payroll	Net Pension Liability as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
2015	5.9502%	\$ 21,728,104	\$ 86,774,147	25.04%	91.33%
2016	6.1444%	\$ 32,498,110	\$ 92,136,896	35.27%	88.28%
2017	6.1230%	\$ 49,126,989	\$ 94,567,382	51.95%	83.32%

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, 2017**

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

Year Ended June 30,	Statutorily Required Contribution	Actual Employer Contributions	Contribution Excess / (Deficiency)	Actual Covered Member Payroll	Contribution as a Percentage of Covered Payroll
2014	\$ 5,709,941	\$ 5,709,941	\$ -	\$ 83,235,752	6.86%
2015	\$ 5,952,711	\$ 5,952,711	\$ -	\$ 86,774,147	6.86%
2016	\$ 6,320,594	\$ 6,320,594	\$ -	\$ 92,136,896	6.86%
2017	\$ 6,487,318	\$ 6,487,318	\$ -	\$ 94,567,382	6.86%

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, 2017**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Local	\$ 9,951,355	\$ 16,956,195	\$ 17,114,298	\$ 158,103
County	188,247	313,086	313,371	285
State	169,000	169,000	233,888	64,888
Federal	-	27,000	25,305	(1,695)
Total Revenues	10,308,602	17,465,281	17,686,862	221,581
EXPENDITURES:				
Capital outlay	17,403,655	16,815,245	16,627,756	187,489
Debt service:				
Principal	662,515	664,029	664,028	1
Interest	1,232,018	1,234,128	1,234,125	3
Total Expenditures	19,298,188	18,713,402	18,525,909	187,493
EXCESS OF REVENUES (UNDER)				
OVER EXPENDITURES	(8,989,586)	(1,248,121)	(839,047)	409,074
OTHER FINANCING SOURCES:				
Transfers from other funds	8,984,086	8,984,086	-	(8,984,086)
Proceeds from the sale of capital assets	5,500	15,000	12,130	(2,870)
Total Other Financing Sources	8,989,586	8,999,086	12,130	(8,986,956)
NET CHANGE IN FUND BALANCE	-	7,750,965	(826,917)	(8,577,882)
FUND BALANCE, BEGINNING OF YEAR	-	-	883,431	883,431
FUND BALANCE, END OF YEAR	\$ -	\$ 7,750,965	\$ 56,514	\$ (7,694,451)

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

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**COMBINING BALANCE SHEET -
DEBT SERVICE FUND BY COMPONENT UNIT
JUNE 30, 2017**

	Special School District	Special School District Educational Facilities Authority	Eliminations	Total
-- ASSETS --				
Restricted cash and investments	\$ -	\$ 44	\$ -	\$ 44
TOTAL ASSETS	\$ -	\$ 44	\$ -	\$ 44
-- 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	-	(6,758)	-	(6,758)
Total Fund Balances	-	(6,758)	-	(6,758)
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 44	\$ -	\$ 44

See the accompanying independent auditors' report

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**COMBINING BALANCE SHEET -
CAPITAL PROJECTS FUND BY COMPONENT UNIT
JUNE 30, 2017**

	Special School District	Special School District Educational Facilities Authority	Eliminations	Total
-- ASSETS --				
Property taxes receivable - net of allowance for uncollectible amount	\$ 546,909	\$ -	\$ -	\$ 546,909
Interfund receivables	589,368	5,401	-	594,769
Prepaid items	4,396	-	-	4,396
Restricted cash and investments	2	6,003	-	6,005
TOTAL ASSETS	\$ 1,140,675	\$ 11,404	\$ -	\$ 1,152,079
-- LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES --				
LIABILITIES:				
Accounts payable	\$ 613,664	\$ 1,200	\$ -	\$ 614,864
Total Liabilities	613,664	1,200	-	614,864
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	470,497	-	-	470,497
FUND BALANCES:				
Nonspendable:				
Prepaid items	4,396	-	-	4,396
Restricted for:				
Capital projects	52,118	10,204	-	62,322
Total Fund Balance	56,514	10,204	-	66,718
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,140,675	\$ 11,404	\$ -	\$ 1,152,079

See the accompanying independent auditors' report

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, 2017**

	Special School District	Special School District Educational Facilities Authority	Eliminations	Total
REVENUES:				
Local	\$ -	\$ 41	\$ -	\$ 41
Lease/purchase payments from District	-	1,832,968	(1,832,968)	-
Total Revenues	-	1,833,009	(1,832,968)	41
EXPENDITURES:				
Debt service:				
Principal	-	605,000	-	605,000
Interest	-	1,227,971	-	1,227,971
Total Expenditures	-	1,832,971	-	1,832,971
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	38	(1,832,968)	(1,832,930)
OTHER FINANCING SOURCES :				
Transfers from other funds	-	-	1,832,968	1,832,968
Total Other Financing Sources	-	-	1,832,968	1,832,968
NET CHANGE IN FUND BALANCES	-	38	-	38
FUND BALANCES, BEGINNING OF YEAR	-	(6,796)	-	(6,796)
FUND BALANCES, END OF YEAR	\$ -	\$ (6,758)	\$ -	\$ (6,758)

See the accompanying independent auditors' report

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUND BY COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Special School District	Special School District Educational Facilities Authority	Eliminations	Total
REVENUES:				
Local	\$ 17,114,298	\$ 2	\$ -	\$ 17,114,300
County	313,371	-	-	313,371
State	233,888	-	-	233,888
Federal	25,305	-	-	25,305
Total Revenues	17,686,862	2	-	17,686,864
EXPENDITURES:				
Capital outlay	16,627,756	-	-	16,627,756
Debt service:				
Principal	664,028	-	(605,000)	59,028
Interest	1,234,125	-	(1,227,968)	6,157
Other charges	-	2,299	-	2,299
Total Expenditures	18,525,909	2,299	(1,832,968)	16,695,240
EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(839,047)	(2,297)	1,832,968	991,624
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	-	-	(1,832,968)	(1,832,968)
Proceeds from the sale of capital assets	12,130	-	-	12,130
Total Other Financing Sources (Uses)	12,130	-	(1,832,968)	(1,820,838)
NET CHANGES IN FUND BALANCES	(826,917)	(2,297)	-	(829,214)
FUND BALANCES, BEGINNING OF YEAR	883,431	12,501	-	895,932
FUND BALANCES, END OF YEAR	\$ 56,514	\$ 10,204	\$ -	\$ 66,718

See the accompanying independent auditors' report

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF SELECTED STATISTICS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. Calendar (Sections 160.041 and 171.031, RSMo)

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

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

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

Hiram Neuwoehner	1,070.6608	Hours
Juvenile Detention Center	1,082.8274	Hours
Southview High School	1,058.4942	Hours
Northview	1,070.6608	Hours
North County Technical	1,114.6608	Hours
South County Technical	1,044.0000	Hours
Ackerman	1,064.5775	Hours
Litzinger	1,070.6608	Hours
Southview Elementary	1,058.4942	Hours
External Sites	1,058.4942	Hours

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

Southview High School, South County Technical, Southview Elementary, and External Sites	174 Days
Ackerman	175 Days
Hiram Neuwoehner, Northview, North County Technical, and Litzinger	176 Days

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Schedule of Selected Statistics (continued)

2. Average Daily Attendance (ADA)

	Full-time/ Part-Time	Deseg In	Total
Regular Term:			
Hiram Neuwoehner	116.9292	-	116.9292
Juvenile Detention Center	41.3408	-	41.3408
Southview High School	71.1578	-	71.1578
Northview	135.7774	-	135.7774
North County Technical	421.2099	-	421.2099
South County Technical	268.3255	34.5760	302.9015
Ackerman	143.7958	-	143.7958
Litzinger	102.7768	1.7082	104.4850
Southview Elementary	80.7841	0.9502	81.7343
External Sites	343.3814	4.1584	347.5398
Subtotal Regular Term	1,725.4787	41.3928	1,766.8715
SUMMER SCHOOL SUBTOTAL	86.7002	-	86.7002
TOTAL REGULAR TERM PLUS SUMMER SCHOOL ADA	1,812.1789	41.3928	1,853.5717

3. September Membership

	Full-time/ Part-Time	Deseg In	Total
September Membership FTE Count	2,013.00	46.20	2,059.20

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

		Full-time/ Part-Time	Deseg In	Total
State FTE Total	Free	1,345.19	31.52	1,376.71
	Reduced	42.46	5.30	47.76
	Total	1,387.65	36.82	1,424.47

See the accompanying independent auditors' report

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Schedule of Selected Statistics (continued)

5. Finance

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

- | | | |
|----|---|------------------|
| A. | As required by Section 162.401, RSMo, a bond was purchased for the District's treasurer in the total amount of: | <u>\$50,000</u> |
| B. | The District's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo. | <u>True</u> |
| C. | The District maintained a separate bank account for the Debt Service Fund in accordance with Section 165.011, RSMo. | <u>N/A</u> |
| D. | Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records. | <u>True</u> |
| E. | If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the Board approved a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken. | <u>N/A</u> |
| F. | The District published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo. | <u>True</u> |
| G. | The District has a professional development committee plan adopted by the board with the professional development committee plan identifying the expenditures of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment. | <u>True</u> |
| H. | The amount spent for approved professional development committee plan activities was: | <u>\$416,884</u> |

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

Finding #: _____

Management Letter Comment #: _____

Notes: _____

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

Schedule of Selected Statistics (continued)

6. Transportation (Section 163.161, RSMo)

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

- A. The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid. True
- B. The District's school transportation ridership records are maintained in a manner to accurately disclose in all material respects the average number of regular riders transported. True
- C. Based on the ridership records, the average number of students (non-disabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was:
- Eligible ADT 3,896
 - Ineligible ADT -
- D. The District's transportation odometer mileage records are maintained in a manner to accurately disclose in all material respects the eligible and ineligible mileage for the year. True
- E. Actual odometer records show the total District-operated and contracted mileage for the year was: 4,711,468
- Of this total, the eligible non-disabled and students with disabilities route miles and ineligible non-route and disapproved miles (combined) was:
- Eligible Miles 4,588,938
 - Ineligible Miles (Non-Route/Disapproved) 122,530
- F. Number of days the District operated the school transportation system during the regular school year: 178

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

Finding #: _____

Management Letter Comment #: _____

Notes: _____



REPORT ON COMPLIANCE - STATE REQUIREMENTS

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

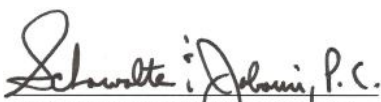
We have audited the accompanying financial statements of the governmental activities and each major fund of the Special School District of St. Louis County, Missouri (the "District") as of and for the year ended June 30, 2017, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 6, 2017.

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, 2017. 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, 2017. 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, 2017.

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


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
November 6, 2017

Federal Compliance Section



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Special School District of St. Louis County, Missouri (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
November 6, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the Special School District of St. Louis County, Missouri's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
November 6, 2017

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Program Title	Federal CFDA Number	Pass-Through Identification Number	Passed through to Subrecipients	Expenditures
<u>U.S. Department of Education:</u>				
Direct Program - Student Financial Assistance Cluster:				
Federal Pell Grant Program	84.063	N/A		\$ 733,119
Federal Direct Student Loans	84.268	N/A		1,270,036
Total Student Financial Aid Cluster				2,003,155
Passed through Missouri Department of Elementary and Secondary Education:				
Special Education - Grants to States	84.027	096-119		32,179,937
Special Education High Needs Fund	84.027	096-119		861,239
Assistive Technology Reimbursement Program	84.027	096-119		57,062
Subtotal CFDA 84.027				33,098,238
Special Education - Preschool Grants	84.173	096-119		3,480,919
Total Special Education Cluster				36,579,157
Title IA Grants to Local Education Agencies	84.010	096-119		560,357
Title ID Grants to Local Education Agencies (Delinquent)	84.010	096-119		179,459
Subtotal CFOA 84.010				739,816
Title IIA Improving Teacher Quality State Grants	84.367	096-119		137,741
Career and Technical Education	84.048	096-119	13,666	110,516
Total U.S. Department of Education				39,570,385
<u>U.S. Department of Agriculture:</u>				
Passed through Missouri Department of Elementary and Secondary Education:				
School Breakfast Program	10.553	096-119		215,520
National School Lunch Program	10.555	096-119		351,708
Donated Foods	10.555	096-119		21,576
After School Snack	10.555	096-119		2,437
Subtotal CFDA 10.553				215,520
Subtotal CFDA 10.555				375,721
Total Child Nutrition Cluster				591,241
Total U.S. Department of Agriculture				591,241

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Program Title	Federal CFDA Number	Pass-Through Identification Number	Passed through to Subrecipients	Expenditures
<u>U.S. Department of Labor:</u>				
Passed Through Workforce Investment Board of Southeast Missouri:				
WIOA Adult Program	17.258	N/A		4,369
Passed through St. Louis Agency on Training and Employment:				
WIOA Adult Program	17.258	N/A		97,335
Passed through Madison County Government:				
WIOA Adult Program	17.258	N/A		71,578
Passed Through Jefferson-Franklin Counties Office of Job Training Programs:				
WIOA Adult Program	17.258	N/A		14,000
WIOA Dislocated Worker	17.278	N/A		7,000
Passed through St. Louis County Government:				
WIOA Adult Program	17.258	N/A		129,656
WIOA Dislocated Workers	17.278	N/A		37,414
Passed through Central Region Workforce Investment Board:				
WIOA Adult Program	17.258	N/A		2,000
WIOA Dislocated Workers	17.278	N/A		3,107
Passed through St. Clair County, Illinois:				
WIOA Adult Program	17.258	N/A		55,446
Passed through Better Family Life, Inc.:				
WIOA Adult Program	17.258	N/A		2,800
Passed through Missouri Department of Social Services, Missouri Employment and Training Program:				
WIOA Adult Program	17.258	N/A		17,071
Subtotal CFDA 17.258				394,255
Subtotal CFDA 17.278				47,521
Total WIOA Cluster				441,776
Total U.S. Department of Labor				441,776
TOTAL				\$ 40,603,402

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the fiscal year ended June 30, 2017. The District's reporting entity is defined in Note 1 to the District's financial statements. The information reported in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2 - Significant Accounting Policies

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

Note 3 – Indirect Cost Rate

The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 - Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

Note 5 - Insurance

The District did not have any federal insurance in effect during the fiscal year ended June 30, 2017.

Note 6 - Loans (Loan Guarantees)

Federal Direct Loan Program:

The District is responsible only for the performance of certain administrative duties with respect to the Federal Direct Loan Program. During the fiscal year ended June 30, 2017, the District processed \$1,270,036 under the Federal Loan Program. The balance of loans outstanding at June 30, 2017 is \$714,763.

SPECIAL SCHOOL DISTRICT OF ST. LOUIS COUNTY, MISSOURI

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified: _____ Yes X No

Significant deficiency(ies) identified
not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified: _____ Yes X No

Significant deficiency(ies) identified
not considered to be material weaknesses? _____ Yes X None reported

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

Any audit findings disclosed that are required
to be reported in accordance with 2 CFR
Section 200.516 (a) _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster
84.063, 84.268	Student Financial Assistance Cluster

Dollar threshold used to distinguish between
Type A and Type B programs: \$1,218,102

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.