

*In the opinion of Gilmore & Bell, P.C., Bond Counsel to the District, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (1) is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax and (2) is exempt from income taxation by the State of Missouri. The Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS" in this Official Statement.*



**LINDBERGH SCHOOLS  
(ST. LOUIS COUNTY, MISSOURI)**

**\$40,000,000  
GENERAL OBLIGATION BONDS  
SERIES 2019A**

**\$8,040,000  
GENERAL OBLIGATION REFUNDING BONDS  
SERIES 2019B**

**Dated: Date of Delivery**

**Due: March 1, as shown on the inside cover**

The General Obligation Bonds, Series 2019A (the "Series 2019A Bonds") and General Obligation Refunding Bonds, Series 2019B (the "Series 2019B Bonds" and, together with the Series 2019A Bonds, the "Bonds") will be issued by Lindbergh Schools (the "District") for the purposes of providing funds to (1) pay a portion of the costs of the Project, as further described herein under the section captioned "PLAN OF FINANCING – The Project," (2) refund certain outstanding general obligations of the District, as further described herein under the section captioned "PLAN OF FINANCING – Refunding of the Refunded Bonds" and (3) pay costs of issuance related to the Bonds.

The Bonds will be issued as fully-registered bonds in the denomination of \$5,000 or integral multiples thereof. Principal on the Bonds will be payable annually on March 1 as set forth on the inside cover of this Official Statement. Interest on the Bonds is payable semiannually on each March 1 and September 1, commencing on March 1, 2020 for the Series 2019A Bonds and September 1, 2019 for the Series 2019B Bonds. Interest is payable by check or draft mailed (or by electronic transfer in certain circumstances as described herein) to the persons who are the registered owners of the Bonds as of the close of business on the 15th day of the month preceding the applicable interest payment date.

The Bonds are subject to redemption prior to maturity as described herein under the section captioned "THE BONDS – Redemption Provisions."

THE BONDS AND INTEREST THEREON WILL CONSTITUTE GENERAL OBLIGATIONS OF THE DISTRICT, PAYABLE FROM AD VALOREM TAXES WHICH MAY BE LEVIED WITHOUT LIMITATION AS TO RATE OR AMOUNT UPON ALL OF THE TAXABLE TANGIBLE PROPERTY, REAL AND PERSONAL, WITHIN THE TERRITORIAL LIMITS OF THE DISTRICT.

**See inside cover for maturities, principal amounts, interest rates, prices and CUSIP numbers.**

**This cover page contains information for quick reference only. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.**

*The Bonds are offered when, as and if issued by the District and accepted by the Underwriter, subject to the approval of validity by Gilmore & Bell, P.C., St. Louis, Missouri, Bond Counsel to the District, and subject to certain other conditions. Bond Counsel will also pass on certain matters relating to this Official Statement. Piper Jaffray & Co. has served as financial advisor to the District on this transaction. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about June 27, 2019.*

The date of this Official Statement is June 13, 2019.

**LINDBERGH SCHOOLS  
(ST. LOUIS COUNTY, MISSOURI)**

**\$40,000,000  
GENERAL OBLIGATION BONDS  
SERIES 2019A**

**\$8,040,000  
GENERAL OBLIGATION REFUNDING BONDS  
SERIES 2019B**

**MATURITY SCHEDULE**

**Base CUSIP: 535205**

**SERIES 2019A BONDS**

| <b><u>Due<br/>(March 1)</u></b> | <b><u>Principal<br/>Amount</u></b> | <b><u>Interest<br/>Rate</u></b> | <b><u>Price</u></b> | <b><u>CUSIP</u></b> |
|---------------------------------|------------------------------------|---------------------------------|---------------------|---------------------|
| 2031                            | \$1,515,000                        | 5.000%                          | 121.648%            | LG1                 |
| 2032                            | 1,945,000                          | 5.000                           | 121.013             | LH9                 |
| 2033                            | 2,175,000                          | 5.000                           | 120.540             | LJ5                 |
| 2034                            | 2,640,000                          | 5.000                           | 120.147             | LK2                 |
| 2035                            | 5,245,000                          | 5.000                           | 119.834             | LL0                 |
| 2036                            | 5,865,000                          | 4.000                           | 111.155             | LM8                 |
| 2037                            | 6,270,000                          | 3.000                           | 99.725              | LN6                 |
| 2038                            | 6,945,000                          | 3.000                           | 98.727              | LP1                 |
| 2039                            | 7,400,000                          | 3.125                           | 99.778              | LQ9                 |

**SERIES 2019B BONDS**

| <b><u>Due<br/>(March 1)</u></b> | <b><u>Principal<br/>Amount</u></b> | <b><u>Interest<br/>Rate</u></b> | <b><u>Price</u></b> | <b><u>CUSIP</u></b> |
|---------------------------------|------------------------------------|---------------------------------|---------------------|---------------------|
| 2029                            | \$ 600,000                         | 4.000%                          | 118.482%            | LR7                 |
| 2030                            | 7,440,000                          | 4.000                           | 117.516             | LS5                 |

**LINDBERGH SCHOOLS**

9350 Sappington Road  
St. Louis, Missouri 63126

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**BOARD OF EDUCATION**

Karen Schuster, *President and Director*  
Mike Shamia, *Vice President and Director*  
Jennifer Miller, *Secretary and Director*  
Christy Watz, *Treasurer and Director*  
Dr. Mike Tschlis, *Director*  
Dr. Cathy Carlock Lorenz, *Director*  
Matt Alonzo, *Director*

**DISTRICT ADMINISTRATION**

Dr. Tony Lake, *Superintendent*  
Dr. Tara Sparks, *Assistant Superintendent, Curriculum and Instruction*  
Dr. Brian McKenney, *Assistant Superintendent, Human Resources*  
Ms. Joël Cracchiolo, *Chief Financial Officer*  
Ms. Beth Johnston, *Chief Communications Officer*

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**PAYING/ESCROW AGENT**

UMB Bank, N.A.  
St. Louis, Missouri

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**BOND COUNSEL**

Gilmore & Bell, P.C.  
St. Louis, Missouri

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**FINANCIAL ADVISOR**

Piper Jaffray & Co.  
St. Louis, Missouri

## REGARDING USE OF THIS OFFICIAL STATEMENT

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**THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(a)(2) OF SUCH ACT.**

The information set forth herein has been obtained from the District and other sources which are deemed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the District. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

No dealer, broker, salesperson or any other person has been authorized by the District to give any information or make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor the sale of any of the Bonds hereunder shall under any circumstances create any implication that there has been no change in the affairs of the District or the other matters described herein since the date hereof.

**IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

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**CAUTIONARY STATEMENTS REGARDING FORWARD-  
LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT**

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Certain statements included in or incorporated by reference in this Official Statement that are not purely historical are “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended, and reflect the District’s current expectations, hopes, intentions or strategies regarding the future. Such statements may be identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “intend” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INCLUDED IN SUCH RISKS AND UNCERTAINTIES ARE (1) THOSE RELATING TO THE POSSIBLE INVALIDITY OF THE UNDERLYING ASSUMPTIONS AND ESTIMATES, (2) POSSIBLE CHANGES OR DEVELOPMENTS IN SOCIAL, ECONOMIC, BUSINESS, INDUSTRY, MARKET, LEGAL AND REGULATORY CIRCUMSTANCES, AND (3) CONDITIONS AND ACTIONS TAKEN OR OMITTED TO BE TAKEN BY THIRD PARTIES, INCLUDING CUSTOMERS, SUPPLIERS, BUSINESS PARTNERS AND COMPETITORS, AND LEGISLATIVE, JUDICIAL AND OTHER GOVERNMENTAL AUTHORITIES AND OFFICIALS. ASSUMPTIONS RELATED TO THE FOREGOING INVOLVE JUDGMENTS WITH RESPECT TO, AMONG OTHER THINGS, FUTURE ECONOMIC, COMPETITIVE AND MARKET CONDITIONS AND FUTURE BUSINESS DECISIONS, ALL OF WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT ACCURATELY. FOR THESE REASONS, THERE CAN BE NO ASSURANCE THAT THE FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT WILL PROVE TO BE ACCURATE.

**UNDUE RELIANCE SHOULD NOT BE PLACED ON FORWARD-LOOKING STATEMENTS. ALL FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT ARE BASED ON INFORMATION AVAILABLE TO THE DISTRICT ON THE DATE HEREOF, AND THE DISTRICT ASSUMES NO OBLIGATION TO UPDATE ANY SUCH FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR OR FAIL TO OCCUR, OTHER THAN AS INDICATED UNDER THE CAPTION “CONTINUING DISCLOSURE UNDERTAKING.”**

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## OFFICIAL STATEMENT

### LINDBERGH SCHOOLS (ST. LOUIS COUNTY, MISSOURI)

**\$40,000,000**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2019A**

**\$8,040,000**  
**GENERAL OBLIGATION REFUNDING BONDS**  
**SERIES 2019B**

## INTRODUCTION

*The following introductory information is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the appendices hereto, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and appendices, should be considered in its entirety. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.*

### General

This Official Statement, including the cover page and appendices hereto, is furnished to prospective purchasers in connection with the offering and sale of \$40,000,000 aggregate principal amount of General Obligation Bonds, Series 2019A (the “**Series 2019A Bonds**”) and \$8,040,000 aggregate principal amount of General Obligation Refunding Bonds, Series 2019B (the “**Series 2019B Bonds**”) and, together with the Series 2019A Bonds, the “**Bonds**”) by Lindbergh Schools (the “**District**”). The Series 2019A Bonds represent general obligation bonds authorized by the required majority of the qualified voters of the District at an election held in the District on April 2, 2019. The Series 2019B Bonds represent general obligation refunding bonds authorized under the provisions of Article VI, Section 28 of the Constitution of Missouri, 1945, as amended, and Section 108.140 of the Revised Statutes of Missouri, as amended. The issuance and sale of the Bonds is authorized by resolutions of the Board of Education of the District adopted on June 11, 2019 (the “**Resolutions**”). *All capitalized terms used herein and not otherwise defined herein have the meanings assigned to those terms in the Resolutions.*

### Purpose of the Bonds

The Series 2019A Bonds are being issued for the purposes of providing funds to (1) pay a portion of the costs of acquiring, constructing, improving, renovating, repairing, furnishing and equipping school sites, buildings and related facilities, including acquiring real estate for school buildings and facilities, reconstructing and improving Lindbergh High School and improving security and safety throughout the District and (2) pay the costs of issuing the 2019A Bonds. The Series 2019B Bonds are being issued for the purposes of providing funds to (1) refund the District’s Taxable General Obligation Bonds (Build America Bonds – Direct Pay), Series 2010B, currently outstanding in the aggregate principal amount of \$9,000,000 (the “**Refunded Bonds**”) and (2) pay the costs of issuing the 2019B Bonds. See the section herein captioned “**PLAN OF FINANCING.**”

### Security for the Bonds

The Bonds will constitute general obligations of the District and will be payable as to principal or Redemption Price of (as defined herein) and interest on the Bonds from ad valorem taxes, which may be levied without limitation as to rate or amount upon all of the taxable tangible property, real and personal, within the territorial limits of the District. See the section herein captioned “**SECURITY FOR THE BONDS.**”

## Continuing Disclosure

The District will enter into a Continuing Disclosure Undertaking dated as of June 1, 2019 (the “**Continuing Disclosure Undertaking**”), in which it will agree to provide certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated material events relating to the Bonds. The financial information, operating data and notice of events will be filed in compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission. See the section herein captioned “**CONTINUING DISCLOSURE UNDERTAKING.**”

## Description of Documents

Brief descriptions of the Bonds, the Resolutions, the security for the Bonds and certain other matters are included in this Official Statement. Such information, summaries and descriptions do not purport to be comprehensive or definitive. All references herein to the Bonds and the Resolutions are qualified in their entirety by reference to such documents.

## THE BONDS

### General

The Bonds are being issued in the aggregate principal amount of \$48,040,000, consisting of the Series 2019A Bonds in the principal amount of \$40,000,000 and the Series 2019B Bonds in the principal amount of \$8,040,000. The Bonds are dated as of the date of original delivery of and payment for such Bonds, and the principal is payable on March 1 in the years and in the principal amounts set forth on the inside cover page hereof, subject to redemption and payment prior to maturity, upon the terms and conditions described under the section herein captioned “**THE BONDS – Redemption Provisions.**” Interest on the Bonds is calculated at the rates per annum set forth on the inside cover page, computed on the basis of a 360-day year of twelve 30-day months. The Bonds shall consist of fully-registered bonds in denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds is payable from the date thereof or the most recent date to which said interest has been paid and is payable semiannually on March 1 and September 1 (each an “**Interest Payment Date**”), beginning on March 1, 2020 for the Series 2019A Bonds and September 1, 2019 for the Series 2019B Bonds.

Payment of the interest on the Bonds will be made to the person in whose name such Bond is registered (the “**Registered Owner**” or “**Owner**”) as shown on the registration books (the “**Bond Register**”) at the close of business on the 15th day (whether or not a Business Day) of the calendar month next preceding an Interest Payment Date (the “**Record Date**”). Interest on the Bonds will be paid by check or draft mailed by UMB Bank, N.A. (the “**Paying Agent**”) to each Registered Owner at the address shown on the Bond Register or at such other address as is furnished to the Paying Agent in writing by such Registered Owner, or by electronic transfer to such Registered Owner upon written notice given to the Paying Agent not less than 15 days prior to the Record Date for such interest payment, containing the electronic transfer instructions including the name and address of the bank, the ABA routing number and the account number to which such Registered Owner wishes to have such transfer directed and an acknowledgement that an electronic transfer fee may be applicable.

The principal or Redemption Price of the Bonds will be paid by check, electronic transfer or draft to the Registered Owner of such Bond at the maturity thereof, upon presentation and surrender of such Bond at the payment office of the Paying Agent in St. Louis, Missouri, or at such other payment office as designated by the Paying Agent.



## **Book-Entry Only System**

**General.** The Bonds are available in book-entry only form. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Ownership interests in the Bonds will be available to purchasers only through a book-entry system (the “**Book-Entry System**”) maintained by The Depository Trust Company (“**DTC**”), New York, New York.

**The following information concerning DTC and DTC’s book-entry system has been obtained from DTC. The District takes no responsibility for the accuracy or completeness thereof, and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC.

**DTC and its Participants.** DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

**Purchases of Ownership Interests.** Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

**Transfers.** To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

**Notices.** Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

**Voting.** Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

**Payments of Principal, Redemption Price and Interest.** Payment of principal or Redemption Price of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or Redemption Price of and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

**Discontinuation of Book-Entry System.** DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Direct Participants holding a majority interest in the Bonds may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

## **Registration, Transfer and Exchange of Bonds**

The District will cause the Bond Register to be kept at the principal payment office of the Paying Agent or such other office designated by the Paying Agent for the registration, transfer and exchange of the Bonds as provided in the Resolutions. Upon surrender of any Bond at the principal payment office of the Paying Agent, or at such other office designated by the Paying Agent, the Paying Agent shall transfer or exchange such Bond as provided in the Resolutions.

The Paying Agent shall transfer or exchange such Bond for a new Bond or Bonds in any authorized denomination of the same Stated Maturity and in the same aggregate or principal amount as the Bond that was presented for transfer or exchange. Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Paying Agent, duly executed by the Registered Owner thereof or by the Registered Owner's duly authorized agent. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Paying Agent, are the responsibility of the Registered Owners of the Bonds. If any Registered Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against such Registered Owner sufficient to pay any governmental charge required to be paid as a result of such failure. The District and the Paying Agent shall not be required (1) to register the transfer or exchange of any Bond that has been called for redemption after notice of such redemption has been mailed by the Paying Agent in accordance with the Resolutions and during the period of 15 days next preceding the date of mailing of such notice of redemption, or (2) to register the transfer or exchange of any Bond during a period beginning at the opening of business on the day after receiving written notice from the District of its intent to pay Defaulted Interest and ending at the close of business on the date fixed for the payment of Defaulted Interest pursuant to the Resolutions.

## **Redemption Provisions**

**Series 2019A Bonds.** At the option of the District, the Series 2019A Bonds or portions thereof may be called for redemption and payment prior to their Stated Maturity on March 1, 2027 and thereafter as a whole or in part at any time at the Redemption Price of 100% of the principal amount thereof plus accrued interest thereon to the Redemption Date (as defined herein).

**Series 2019B Bonds.** At the option of the District, the Series 2019B Bonds or portions thereof maturing on March 1, 2030 may be called for redemption and payment prior to their Stated Maturity on March 1, 2029 and thereafter as a whole or in part at any time at the Redemption Price of 100% of the principal amount thereof plus accrued interest thereon to the Redemption Date.

## **Selection of Bonds to be Redeemed**

Bonds shall be redeemed only in the principal amount of \$5,000 or any integral multiple thereof. When less than all of the Outstanding Bonds are to be redeemed, such Bonds shall be redeemed in such order of their Stated Maturities as determined by the District, and Bonds of less than a full Stated Maturity shall be selected by the Paying Agent in \$5,000 units of principal amount by lot or in such other equitable manner as the Paying Agent may determine.

In the case of a partial redemption of Bonds, when Bonds of denominations greater than \$5,000 are then Outstanding, then for all purposes in connection with such redemption each \$5,000 of face value shall be treated as though it were a separate Bond of the denomination of \$5,000. If it is determined that one or more, but not all, of the \$5,000 units of face value represented by any Bond are selected for redemption, then upon notice of intention to redeem such \$5,000 unit or units, the Registered Owner of such Bond or the Registered Owner's duly authorized agent shall present and surrender such Bond to the Paying Agent (1) for payment of the price which such Bonds are to be redeemed (the "**Redemption Price**") and interest to the date fixed for redemption (the "**Redemption Date**") of such \$5,000 unit or units of face value called for redemption, and

(2) for exchange, without charge to the Registered Owner thereof, for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Bond. If the Registered Owner of any such Bond shall fail to present such Bond to the Paying Agent for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the Redemption Date to the extent of the \$5,000 unit or units of face value called for redemption (and to that extent only).

### **Notice of Redemption**

Unless waived by any Registered Owner of Bonds to be redeemed, official notice of any redemption shall be given by the Paying Agent on the District's behalf by mailing a copy of an official redemption notice by first class mail at least 30 days but not more than 60 days prior to the Redemption Date to each Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register.

The failure of any Registered Owner to receive the foregoing notice or any defect therein shall not invalidate the effectiveness of the call for redemption.

So long as DTC is effecting book-entry transfers of the Bonds, the Paying Agent shall provide the notices specified in the Resolutions to DTC. It is expected that DTC will, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of DTC or a Participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Paying Agent, a Participant or otherwise) to notify the Beneficial Owner of the Bond so affected, will not affect the validity of the redemption of such Bond.

### **Effect of Call for Redemption**

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall become due and payable on the Redemption Date, at the Redemption Price therein specified, and from and after the Redemption Date (unless the District defaults in the payment of the Redemption Price) such Bonds or portion of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with such notice, the Redemption Price of such Bonds shall be paid by the Paying Agent. Installments of interest due on or prior to the Redemption Date shall be payable as provided in the Resolutions for payment of interest. Upon surrender for any partial redemption of any Bond, the Paying Agent shall prepare for the Registered Owner a new Bond or Bonds of the same Stated Maturity in the amount of the unpaid principal as provided in the Resolutions. All Bonds that have been surrendered for redemption shall be cancelled and destroyed by the Paying Agent pursuant to the Resolutions and shall not be reissued.

## **SECURITY FOR THE BONDS**

***Pledge of Full Faith and Credit.*** The Bonds will constitute general obligations of the District and will be payable as to both the principal of and interest on the Bonds from ad valorem taxes, which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the District.

***Levy and Collection of Annual Tax.*** Under the Resolutions, there is levied upon all of the taxable tangible property within the District a direct annual tax sufficient to produce the amounts necessary for the payment of the principal or Redemption Price of and interest on the Bonds as the same becomes due and payable in each year. Such taxes shall be extended upon the tax rolls in each year and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the District are levied and collected. The proceeds derived from said taxes shall be deposited in the Debt Service Fund, shall be kept separate and apart from all other funds of the District and shall be used solely for the payment of the principal or Redemption Price of and interest on the Bonds as and when the same becomes due, taking into account scheduled mandatory redemptions, if any, and the fees and expenses of the Paying Agent.

## PLAN OF FINANCING

### The Project

In April 2019, voters in the District authorized \$105,000,000 of general obligation bonds for the purpose of acquiring, constructing, improving, renovating, repairing, furnishing and equipping school sites, buildings and related facilities, including (1) reconstructing and improving Lindbergh High School, (2) improving security and safety throughout the District, (3) refinancing existing leases and (4) acquiring real estate for school buildings and facilities (the “**Project**”). The proceeds of the Series 2019A Bonds will fund a portion of the high school reconstruction project, replacing roofs at various District facilities, increasing security at school entrances and landscaping improvements.

### Refunding of the Refunded Bonds

The proceeds of the Series 2019B Bonds will be used for the purpose of refunding the Refunded Bonds.

The District will enter into an Escrow Trust Agreement dated as of June 1, 2019 (the “**Escrow Trust Agreement**”), with UMB Bank, N.A., as escrow agent (the “**Escrow Agent**”). Pursuant to the Escrow Trust Agreement, the District will transfer a portion of the proceeds of the Series 2019B Bonds to the Escrow Agent for deposit in the Escrow Fund (the “**Escrow Fund**”) established under the Escrow Trust Agreement to purchase direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (the “**Escrowed Securities**”). The Escrowed Securities will mature in such amounts and at such times as shall be sufficient, together with interest to accrue thereon and any cash deposit to the Escrow Fund, to pay the principal of, redemption premium, if any, and interest on the Refunded Bonds as the same becomes due and payable to and including March 1, 2020, the redemption date.

Robert Thomas CPA, LLC, Shawnee Mission, Kansas (the “**Escrow Verifier**”), a firm of independent certified public accountants, will provide a report to the effect that the principal of and interest income on the Escrowed Securities, together with any cash deposit in the Escrow Fund, will provide sufficient moneys to make the required payments in accordance with the District’s refunding plan as set forth herein. See the section herein captioned “**VERIFICATION OF MATHEMATICAL COMPUTATIONS.**”

After the issuance of the Series 2019B Bonds and the deposit of the proceeds thereof with the Escrow Agent, the principal of and interest on the Refunded Bonds will be payable from the maturing principal of the Escrowed Securities and other funds on deposit in the Escrow Fund. The Escrow Trust Agreement provides that the Escrowed Securities are irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds and may be applied only to such payment.

Set forth below is a description of the Refunded Bonds:

| <u>Maturity Date</u><br><u>(March 1)</u> | <u>Principal</u><br><u>Amount</u> | <u>Interest</u><br><u>Rate</u> | <u>CUSIP</u><br><u>Number</u> | <u>Redemption</u><br><u>Date</u> | <u>Redemption</u><br><u>Price</u> |
|--|-----------------------------------|--------------------------------|-------------------------------|----------------------------------|-----------------------------------|
| 2029                                     | \$1,075,000                       | 5.50%                          | 535205 GN2                    | March 1, 2020                    | 100%                              |
| 2030                                     | <u>7,925,000</u>                  | 5.60                           | 535205 GP7                    | March 1, 2020                    | 100                               |
| Total                                    | <u>\$9,000,000</u>                |                                |                               |                                  |                                   |

## Sources and Uses of Funds

The sources and uses of the proceeds of the Series 2019A Bonds are as follows:

| <u>Sources of Funds</u>              | Total                  |
|--------------------------------------|------------------------|
| Par Amount of the Series 2019A Bonds | \$40,000,000.00        |
| Plus: Net Original Issue Premium     | <u>3,287,749.55</u>    |
| Total                                | <u>\$43,287,749.55</u> |

  

| <u>Uses of Funds</u>   | Total                  |
|--|------------------------|
| Deposit to the Series 2019A Account of the Capital Projects Fund | \$43,153,574.27        |
| Costs of Issuance (including Underwriter's discount)             | <u>134,175.28</u>      |
| Total  | <u>\$43,287,749.55</u> |

The sources and uses of the proceeds of the Series 2019B Bonds are as follows:

| <u>Sources of Funds</u>              | Total                  |
|--------------------------------------|------------------------|
| Par Amount of the Series 2019B Bonds | \$ 8,040,000.00        |
| Plus: Original Issue Premium         | <u>1,414,082.40</u>    |
| Total                                | <u>\$ 9,454,082.40</u> |

  

| <u>Uses of Funds</u>                                 | Total                  |
|--|------------------------|
| Deposit to the Escrow Fund                           | \$ 9,379,947.40        |
| Costs of Issuance (including Underwriter's discount) | <u>74,135.00</u>       |
| Total  | <u>\$ 9,454,082.40</u> |

## VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Series 2019B Bonds, the Escrow Verifier will deliver to the District a report indicating that such firm has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the Financial Advisor (defined herein) and the District and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of (1) the adequacy of the maturing principal amount of the Escrowed Securities held in the Escrow Fund, interest earned thereon and certain uninvested cash to redeem and pay the principal of, redemption premium, if any, and interest on the Refunded Bonds as the same becomes due and payable (as described under the caption "**PLAN OF FINANCING – Refunding of the Refunded Bonds**"), and (2) the mathematical computations supporting the conclusion that the Series 2019B Bonds are not "arbitrage bonds" under Section 148 of the Code. Such verification of the accuracy of the computations will be based upon information supplied by the Financial Advisor and on interpretations of the Internal Revenue Code of 1986, as amended (the "**Code**"), provided by Bond Counsel.

## RISK FACTORS

The following is a discussion of certain risks that could affect the payments to be made by the District with respect to the Bonds. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including its appendices) in order to make a judgment as to whether the Bonds are an appropriate investment. Prospective purchasers of

the Bonds should consider carefully all possible factors that may result in a default in the payment of the Bonds, the redemption of the Bonds prior to maturity, a determination that the interest on the Bonds might be deemed taxable for purposes of federal and Missouri income taxation or that may affect the market price or liquidity of the Bonds. **This discussion of risk factors is not, and is not intended to be, comprehensive or exhaustive.**

### **Ad Valorem Property Taxes**

The Resolutions levy a direct annual tax on all taxable tangible property within the District sufficient to produce amounts necessary for the payment of the principal of and interest on the Bonds each year. Declining property values in the District, whether caused by national or global financial crises, natural disasters, local economic downturns, or other reasons, may require higher levy rates, which may increase the burden on local taxpayers and affect certain taxpayers' willingness or ability to continue timely paying property taxes. See "**PROPERTY TAX INFORMATION CONCERNING THE DISTRICT – Property Valuations – History of Property Valuations**" in *Appendix A* of this Official Statement. In addition, the issuance of additional general obligation bonds by the District or by other political subdivisions in the District would increase the tax burden on taxpayers in the District. See "**DEBT STRUCTURE OF THE DISTRICT – Overlapping or Underlying Indebtedness**" in *Appendix A* of this Official Statement. Missouri law limits the amount of general obligation debt issuable by the District to 15% of the assessed valuation of taxable tangible property in the District. See "**DEBT STRUCTURE OF THE DISTRICT – Legal Debt Capacity**" in *Appendix A* of this Official Statement. Other political subdivisions in the District are subject to similar limitations on general obligation debt imposed by Missouri law, including cities, counties and certain other political subdivisions, which are limited to general obligation debt of 20%, 10% and 5% of assessed valuation of taxable tangible property, respectively.

Concentration of property ownership in the District would expose the District's ability to collect ad valorem property taxes to the financial strength and ability and willingness of major taxpayers to pay property taxes. See "**PROPERTY TAX INFORMATION CONCERNING THE DISTRICT – Property Valuations – Current Assessed Valuation**" and "**– Major Property Taxpayers**" in *Appendix A* of this Official Statement.

### **Secondary Market Prices and Liquidity**

The Underwriter will not be obligated to repurchase any of the Bonds, and no representation is made concerning the existence of any secondary market for the Bonds. No assurance is given that any secondary market will develop following the completion of the offering of the Bonds and no assurance is given that the initial offering price for the Bonds will continue for any period of time.

Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and changes in the operating performance or tax collection patterns of issuers. Particularly, prices of outstanding municipal securities should be expected to decline if prevailing market interest rates rise. Municipal securities are generally viewed as long-term investments, subject to material unforeseen changes in the investor's or the issuer's circumstances, and may require commitment of the investor's funds for an indefinite period of time, perhaps until maturity.

### **No Reserve Fund or Credit Enhancement**

No debt service reserve fund will be funded and no financial guaranty insurance policy, letter of credit or other credit enhancement will be issued to ensure payment of the Bonds. Accordingly, any potential purchaser of the Bonds should consider the financial ability of the District to pay the Bonds. As described under the heading "**SECURITY FOR THE BONDS**" herein, the District has irrevocably pledged its full faith, credit and resources for the prompt payment of the Bonds and levied a direct annual tax, without limitation, sufficient to pay principal and interest on the Bonds on all taxable tangible property in the District.

## **Ratings**

Moody's Investors Service, Inc. (the "**Rating Agency**") has assigned the Bonds the rating set forth in the section herein captioned "**BOND RATING.**" Such rating reflects only the views of the Rating Agency, and an explanation of the significance of such rating may be obtained therefrom. There is no assurance that the rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, by the Rating Agency if, in its judgment, circumstances warrant. Any such downward revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

## **Bankruptcy**

In addition to the limitations on remedies contained in the Resolutions, the rights and remedies provided by the Bonds may be limited by and are subject to (1) bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws affecting creditors' rights, (2) the application of equitable principles, and (3) the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against political subdivisions in Missouri. Section 108.180 of the Revised Statutes of Missouri, as amended, requires that any interest and sinking fund moneys only be used to pay principal and interest on the Bonds. The District, like all other Missouri political subdivisions, is specifically authorized by Missouri law to institute proceedings under Chapter 9 of the Federal Bankruptcy Code. Such proceedings, if commenced, are likely to have an adverse effect on the market price of the Bonds.

## **Pensions and Other Postemployment Benefits**

The District contributes to two cost-sharing multiple-employer defined benefit pension plans on behalf of its employees: (1) The Public School Retirement System of Missouri and (2) The Public Education Employee Retirement System of Missouri. See "**FINANCIAL INFORMATION CONCERNING THE DISTRICT – Pension and Employee Retirement Plans**" in *Appendix A* of this Official Statement. The District also provides other postemployment benefits as part of the total compensation offered to attract and retain the services of qualified employees. See "**FINANCIAL INFORMATION CONCERNING THE DISTRICT – Other Postemployment Benefits**" in *Appendix A* of this Official Statement. Future required contribution increases beyond the current fiscal year may require the District to increase its revenues, reduce its expenditures or some combination thereof, which may impact the District's operations or limit the District's ability to generate additional revenues in the future.

## **State Aid**

Approximately 7.21% of the District's revenue for the fiscal year ended June 30, 2018 was derived from moneys provided by the State of Missouri as State Aid. See "**FINANCIAL INFORMATION CONCERNING THE DISTRICT – Sources of Revenue,**" "**– State Revenue**" and "**– Missouri School Finance Laws**" in *Appendix A* of this Official Statement. Reductions in State Aid could occur in the future if, for example, the State faces fiscal problems similar to those currently affecting the neighboring states of Illinois and Kansas or the District experiences a decline in enrollment. Reductions in State Aid could force the District to make budget cuts or operational adjustments and may adversely affect the rating on the Bonds or the market price of the Bonds.

## **Enrollment**

Significant portions of the revenue the District receives are directly affected by the District's enrollment. A significant decrease in enrollment could reduce the amount of future revenue the District receives, which may adversely affect the District's financial position and results of operations. No assurance can be given that economic, social, legislative and other factors beyond the control of the District will not negatively impact student enrollment and revenues dependent thereon. Increased competition from other educational facilities, including virtual facilities and charter schools, which may offer comparable programs at



lower prices, could adversely affect the ability of the District to maintain enrollment, or could adversely affect the ability of the District to attract faculty and other staff. Under the Missouri Course Access and Virtual School Program, eligible students may enroll in virtual courses, and the school district will have to pay for that course if certain criteria are met. Charter schools are allowed in certain limited areas of Missouri provided certain criteria are met; there are or may be pending in the General Assembly of Missouri legislative proposals that, if enacted, could expand the prevalence of charter schools. It cannot be predicted whether or in what form any proposed legislation might be enacted or whether, if enacted, it would negatively impact the District's enrollment, financial position or operations. For information about the historical enrollment of the District, see "**THE DISTRICT – History of Enrollment**" in *Appendix A* of this Official Statement.

### **Amendment of the Resolutions**

Certain amendments, effected by resolution of the District, to the Bonds and the Resolutions may be made with the written consent of the Registered Owners of not less than a majority in principal amount of the Bonds then outstanding. Such amendments may adversely affect the security of the owners of the Bonds; provided that, no amendments may (1) extend the maturity of any payment of principal or interest due upon any Bond; (2) alter the optional redemption provisions of any Bond; (3) effect a reduction in the amount which the District is required to pay as principal of or interest on any Bond; (4) permit preference or priority of any Bond over any other Bond; or (5) reduce the percentage in principal amount of Bonds required for the written consent to any modification or alteration of the provisions of the Resolutions without the written consent of the Registered Owners of all of the Bonds at the time outstanding. The District may also amend or supplement the Resolutions, without notice to or the consent of any Registered Owners, for the purpose of curing any formal defect, omission, inconsistency or ambiguity therein or in connection with any other change therein that is not materially adverse to the security of the Registered Owners.

### **Loss of Premium from Redemption**

Any person who purchases the Bonds at a price in excess of their principal amount or who holds such Bonds trading at a price in excess of par should consider the fact that the Bonds are subject to redemption prior to maturity at the redemption prices described herein in the event such Bonds are redeemed prior to maturity. See "**THE BONDS – Redemption Provisions**" in this Official Statement.

### **Tax-Exempt Status and Risk of Audit**

The failure of the District to comply with certain covenants set forth in the Resolutions could cause the interest on the Bonds to become included in gross income for federal and State of Missouri income tax purposes retroactive to the date of issuance of the Bonds. The Resolutions do not provide for the payment of any additional interest, redemption premium or penalty if the interest on the Bonds becomes included in gross income for federal and Missouri income tax purposes. See the section herein captioned "**TAX MATTERS.**"

The Internal Revenue Service (the "**IRS**") has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations should be included in gross income for federal income tax purposes. Owners of the Bonds are advised that, if an audit of the Bonds were commenced, the IRS, in accordance with its current published procedures, is likely to treat the District as the taxpayer, and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any audit could adversely affect the market value and liquidity of the Bonds during the pendency of the audit, regardless of the ultimate outcome of the audit.

### **Defeasance Risks**

When all Bonds are deemed paid and discharged as provided in the Resolutions, the requirements contained in the Resolutions and the pledge of the District's faith and credit thereunder and all other rights granted thereby will terminate with respect to the Bonds or scheduled interest payments thereon so paid and

discharged. Bonds or scheduled interest payments thereon shall be deemed to have been paid and discharged within the meaning of the Resolutions if there has been deposited with the Paying Agent, or other commercial bank or trust company moneys and/or Defeasance Obligations that, together with the interest to be earned on any such Defeasance Obligations, will be sufficient for the payment of the Bonds to the stated maturity or prior redemption date. There is no legal requirement in the Resolutions that Defeasance Obligations be rated in the highest rating category by any rating agency. Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets, and that could include the rating of Bonds defeased with Defeasance Obligations to the extent the Defeasance Obligations have a change or downgrade in rating.

### **Cybersecurity Risks**

The District relies on its information systems to provide security for the processing, transmission and storage of confidential personal, health-related, credit and other information. It is possible that the District's security measures will not prevent improper or unauthorized access or disclosure of personally identifiable information resulting from cyber-attacks. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches can create disruptions or shutdowns of the District and the services it provides or the unauthorized disclosure of confidential personal, health-related, credit and other information. If personal or otherwise protected information is improperly accessed, tampered with or distributed, the District may incur significant costs to remediate possible injury to the affected persons, and the District may be subject to sanctions and civil penalties if it is found to be in violation of federal or state laws or regulations. Any failure to maintain proper functionality and security of information systems could interrupt the District's operations, delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations.

### **THE DISTRICT**

The District encompasses approximately 24 square miles in the southern section of St. Louis County, Missouri (the "**County**"). This area includes unincorporated portions of the County, as well as areas of the following municipalities: Crestwood, Fenton, Grantwood Village, Green Park, Kirkwood, Lakeshire and Sunset Hills. See "**THE DISTRICT**" in *Appendix A* of this Official Statement for further information regarding the District.

### **LEGAL MATTERS**

Legal matters with respect to the authorization, execution and delivery of the Bonds are subject to the approval of Gilmore & Bell, P.C., St. Louis, Missouri, Bond Counsel to the District, whose approving opinion will be available at the time of delivery of the Bonds. Gilmore & Bell, P.C. will also pass upon certain legal matters relating to this Official Statement.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transactions opined upon or of the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## BOND RATING

The Rating Agency has assigned a rating to the Bonds of “Aa1” based on the underlying credit of the District. The rating reflects only the view of the Rating Agency at the time such rating is given, and the Underwriter and the District make no representation as to the appropriateness of such rating. An explanation of the significance of such rating may be obtained from the Rating Agency.

The District has furnished the Rating Agency with certain information and materials relating to the Bonds and the District that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions made by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing such rating, circumstances so warrant. Neither the Underwriter nor the District has undertaken any responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the rating of the Bonds or to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of the rating could have an adverse effect on the market price and marketability of the Bonds. Pursuant to the Continuing Disclosure Undertaking, the District is required to bring to the attention of the holders of the Bonds any change of the rating of the Bonds but has not undertaken any responsibility to oppose any such change. See the section herein captioned “**CONTINUING DISCLOSURE UNDERTAKING.**”

## TAX MATTERS

The following is a summary of the material federal and State of Missouri income tax consequences of holding and disposing of the Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts and foreign taxpayers) and, except for the income tax laws of the State of Missouri, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Bonds.

### Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel to the District, under the law existing as of the issue date of the Bonds:

***Federal and State of Missouri Tax Exemption.*** The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Missouri.

***Alternative Minimum Tax.*** The interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

***Bank Qualification.*** The Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

Bond Counsel's opinions are provided as of the date of the original issue of the Bonds, subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal and State of Missouri income tax purposes retroactive to the date of issuance of the Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds but has reviewed the discussion under the heading "TAX MATTERS."

### **Other Tax Consequences**

**Original Issue Discount.** For federal income tax purposes, original issue discount ("OID") is the excess of the stated redemption price at maturity of a Bond over its issue price. The issue price of a Bond is generally the first price at which a substantial amount of the Bonds of that maturity have been sold to the public. Under Section 1288 of the Code, OID on tax-exempt bonds accrues on a compound basis. The amount of OID that accrues to an owner of a Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Bond during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes and will increase the owner's tax basis in that Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

**Original Issue Premium.** For federal income tax purposes, premium is the excess of the issue price of a Bond over its stated redemption price at maturity. The issue price of a Bond is generally the first price at which a substantial amount of the Bonds of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt bonds amortizes over the term of the Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

**Sale, Exchange or Retirement of Bonds.** Upon the sale, exchange or retirement (including redemption) of a Bond, an owner of the Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Bond. To the extent a Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Bond has been held for more than 12 months at the time of sale, exchange or retirement.

**Reporting Requirements.** In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Bonds and to the proceeds paid on the sale of the Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

**Collateral Federal Income Tax Consequences.** Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers,

including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

## CONTINUING DISCLOSURE UNDERTAKING

The District will enter into the Continuing Disclosure Undertaking to assist the Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the “**Rule**”). The District is the only “obligated person” with responsibility for continuing disclosure.

### Annual Reports

Pursuant to the Continuing Disclosure Undertaking, the District will, not later than January 1 immediately following the end of the District’s fiscal year, commencing with the year ending June 30, 2019, provide to the Municipal Securities Rulemaking Board (“**MSRB**”), through EMMA (described below) the following financial information and operating data (the “**Annual Report**”):

- (1) The audited financial statements of the District for the prior fiscal year, prepared in accordance with the accounting principles described in the notes to the financial statements set forth in *Appendix B* of this Official Statement. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in this Official Statement and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available.
- (2) The information relating to the District and its operations set forth in *Appendix A* of this Official Statement, set forth in the tables under the sections captioned: “**THE DISTRICT – History of Enrollment;**” “**DEBT STRUCTURE OF THE DISTRICT – Overview,**” “**– Current Long-Term General Obligation Indebtedness**” and “**– General Obligation Bonds Debt Service Requirements**” and “**PROPERTY TAX INFORMATION CONCERNING THE DISTRICT – Property Valuations – History of Property Valuations,**” “**– History of Tax Levies,**” “**– Tax Collection Record**” and “**– Major Property Taxpayers.**”

### Notices of Material Events

Pursuant to the Continuing Disclosure Undertaking, the District is also required to give notice to the MSRB no later than 10 business days after the occurrence of any of the following events with respect to the Bonds (“**Material Events**”):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other

- material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of bondholders, if material;
  - (8) bond calls, if material, and tender offers;
  - (9) defeasances;
  - (10) release, substitution or sale of property securing repayment of the Bonds, if material;
  - (11) rating changes;
  - (12) bankruptcy, insolvency, receivership or similar event of the District;
  - (13) the consummation of a merger, consolidation or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
  - (14) appointment of a successor or additional paying agent or the change of name of the Paying Agent, if material;
  - (15) incurrence of a Financial Obligation (defined below) of the District, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and
  - (16) default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

The District is also required to file a notice with the MSRB of any failure of the District to file an Annual Report by the deadline prescribed above.

**“Financial Obligation”** means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; provided however, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

### **Dissemination Agent**

The District may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Continuing Disclosure Undertaking and may discharge any such agent, with or without appointing a successor dissemination agent. The dissemination agent will not be responsible in any manner for the content of any notice or report prepared by the District pursuant to the Continuing Disclosure Undertaking.

### **Amendments to Continuing Disclosure Undertaking**

Notwithstanding any other provision of the Continuing Disclosure Undertaking, the District may amend the Continuing Disclosure Undertaking and any provision of the Continuing Disclosure Undertaking may be waived, provided Bond Counsel or other counsel experienced in federal securities law matters provides the District with its opinion that the undertaking of the District, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to the Continuing Disclosure Undertaking.

### **Remedies**

In the event of a failure of the District to comply with any provision of the Continuing Disclosure Undertaking, the Underwriter or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the

District to comply with its obligations under the Continuing Disclosure Undertaking. A default under the Continuing Disclosure Undertaking will not be deemed an event of default under the Resolutions, and the sole remedy under the Continuing Disclosure Undertaking in the event of any failure of the District to comply with the Continuing Disclosure Undertaking is an action to compel performance.

### **Termination**

The District's obligations under the Continuing Disclosure Undertaking for the Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of the Bonds. If the District's obligations under the Continuing Disclosure Undertaking are assumed in full by some other entity, such entity shall be responsible for compliance with the Continuing Disclosure Undertaking in the same manner as if it were the District, and the District shall have no further responsibility thereunder. If such assumption occurs prior to the final maturity of the Bonds, the District shall give notice of such assumption in the same manner as for a Material Event.

### **Electronic Municipal Market Access System (EMMA)**

All Annual Reports and notices of Material Events required to be filed by the District under the Continuing Disclosure Undertaking must be submitted to the MSRB through the MSRB's Electronic Municipal Market Access system ("EMMA"). EMMA is an internet-based, online portal for free investor access to municipal bond information, including offering documents, material event notices, real-time municipal securities trade prices and MSRB education resources, available at [www.emma.msrb.org](http://www.emma.msrb.org). Nothing contained on EMMA relating to the District, the Bonds or the District's existing bonds is incorporated by reference into this Official Statement.

### **Prior Compliance**

The District filed Annual Reports on EMMA containing audited financial statements and operating data for the fiscal years ended June 30, 2014 through 2018 within the time period required by the District's prior undertakings; however, the Annual Reports did not contain all of the operating data required by the District's prior undertakings. The District has since filed operating data intended to remedy the prior deficiencies. Except as described above, the District believes it has materially complied with its prior undertakings under the Rule during the past five years. The District retained Gilmore & Bell, P.C. to assist with future compliance with its prior undertakings.

## **ABSENCE OF LITIGATION**

As of the date hereof, there is no controversy, suit or other proceeding of any kind pending or, to the District's knowledge, threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the District or its boundaries, or the right or title of any of its officers to their respective offices, or the legality of any official act in connection with the authorization, issuance and sale of the Bonds, or the constitutionality or validity of the Bonds or any of the proceedings had in relation to the authorization, issuance or sale thereof, or the levy and collection of a tax to pay the principal and interest thereof, or which might affect the District's ability to meet its obligations to pay the Bonds.

## **UNDERWRITING**

Morgan Stanley & Co. LLC, New York, New York (the "**Underwriter**"), has agreed to purchase the Series 2019A Bonds at a price of \$43,249,324.27 (which is equal to the aggregate original principal amount of the Series 2019A Bonds, less an underwriting discount of \$38,425.28, plus a net original issue premium of

\$3,287,749.55) and the Series 2019B Bonds at a price of \$9,426,670.21 (which is equal to the aggregate original principal amount of the Series 2019B Bonds, less an underwriting discount of \$27,412.19, plus original issue premium of \$1,414,082.40). The Underwriter is purchasing the Bonds for resale in the normal course of the Underwriter's business activities. The Underwriter reserves the right to offer any of the Bonds to one or more purchasers on such terms and conditions and at such price or prices as the Underwriter, in its discretion, shall determine.

The Underwriter has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

### **FINANCIAL ADVISOR**

Piper Jaffray & Co., St. Louis, Missouri (the "**Financial Advisor**"), has been employed by the District as financial advisor to provide certain professional services in connection with the Bonds. The Financial Advisor has not undertaken an independent investigation into the accuracy of the information presented in this Official Statement.

### **CERTAIN RELATIONSHIPS**

Gilmore & Bell, P.C., Bond Counsel to the District, has represented the Financial Advisor in transactions unrelated to the issuance of the Bonds but is not representing the Financial Advisor in connection with the issuance of the Bonds.

### **MISCELLANEOUS**

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for the payment of the Bonds and the rights of the Owners thereof. During the period of the offering, copies of drafts of such documents may be examined at the offices of the Financial Advisor; following delivery of the Bonds, copies of such documents may be examined at the offices of the District. The information contained in this Official Statement has been compiled from official and other sources that are deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information presented herein since the date hereof. This Official Statement is not to be construed as a contract or agreement between the District, the Paying Agent or the Underwriter and the purchasers or Owners of any Bonds.



The District has duly authorized the delivery of this Official Statement.

**LINDBERGH SCHOOLS**

By: /s/Karen Schuster  
President of the Board of Education

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**APPENDIX A**

**INFORMATION REGARDING THE DISTRICT**

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## THE DISTRICT

### General Description

Lindbergh Schools (the “**District**”) encompasses approximately 24 square miles in the southern section of St. Louis County, Missouri (the “**County**”). This area includes unincorporated portions of the County, as well as areas of the following municipalities: Crestwood, Fenton, Grantwood Village, Green Park, Kirkwood, Lakeshire and Sunset Hills. The estimated population of the District in 2017 was 47,738. The District has 7,080 students (including Pre-K) enrolled for the 2018-2019 school year.



### Organization and Board of Education

The District is a reorganized school district formed pursuant to Chapter 162 of the Revised Statutes of Missouri, as amended (“**RSMo**”). The District is governed by a seven-member Board of Education (the “**Board**”). The members of the Board are elected by the voters of the District for three-year staggered terms. All Board members are elected at-large and serve without compensation. The Board is responsible for all policy decisions. The President of the Board is elected by the Board from among its members for a term of one year and has no regular administrative duties. The Secretary and Treasurer are appointed by the Board and may or may not be members of the Board.

The current members and officers of the Board are:

| <u>Name</u>                | <u>Office</u>             | <u>First Term Began</u> | <u>Current Term Expires</u> |
|----------------------------|---------------------------|-------------------------|-----------------------------|
| Karen Schuster             | President & Director      | 2012                    | 2021                        |
| Mike Shamia <sup>(1)</sup> | Vice President & Director | 2017                    | 2021                        |
| Jennifer Miller            | Secretary & Director      | 2016                    | 2022                        |
| Christy Watz               | Treasurer & Director      | 2017                    | 2020                        |
| Dr. Mike Tsichlis          | Director                  | 2016                    | 2022                        |
| Dr. Cathy Carlock Lorenz   | Director                  | 2017                    | 2020                        |
| Matt Alonzo                | Director                  | 2017                    | 2020                        |

<sup>(1)</sup> Mr. Shamia was elected on April 4, 2017 to fill a vacancy on the Board and re-elected on April 3, 2018.

### Administration

The Board appoints the Superintendent of Schools who is the chief administrative officer of the District responsible for carrying out the policies set by the Board. Dr. Tony Lake has been Superintendent of the District since July 1, 2018. Dr. Lake earned his Bachelor of Science in education from John Brown University in Arkansas, and his Master’s and Doctorate degrees in educational leadership from Baker University in Overland Park, Kansas. Prior to serving as superintendent of the District, Dr. Lake worked in the Blue Valley School District in Overland Park, Kansas, serving as Chief Operations Officer. Throughout his 27-year career in education Dr. Lake has also held the titles of teacher, associate principal, principal and Executive Director of School Administration.

Additional members of the administrative staff are appointed by the Board upon recommendation by the Superintendent. The District’s Administrative Cabinet includes the positions of Chief Financial Officer, Chief Communications Officer, Assistant Superintendent of Curriculum and Instruction and Assistant Superintendent of Human Resources.

The District has a total of 847 employees, including 37 administrative personnel, 467 teachers and 343 non-certificated employees. Teachers in the District belong to the Missouri State Teachers Association, the Missouri National Education Association or are not affiliated.

**Professional Staff**

On average, teachers employed by the District have 12.6 years of teaching experience, compared to a statewide average of 12.4 years, and 78.9% of the District’s teachers hold advanced degrees. For the 2017-2018 school year, the average salary for all teaching staff was \$57,245 compared to a statewide average salary for teaching staff of \$49,301.

**Educational Facilities**

The District operates 11 schools, as shown below. The aggregate replacement cost of the current physical facilities of the District as most recently determined for insurance purposes is \$257,663,771.

| <u>Name of School</u>                 | <u>Grades Served</u> |
|---------------------------------------|----------------------|
| Lindbergh High School                 | 9-12                 |
| Sperreng Middle School                | 6-8                  |
| Truman Middle School                  | 6-8                  |
| Concord Elementary School             | K-5                  |
| Crestwood Elementary School           | K-5                  |
| Dressel Elementary School             | K-5                  |
| Kennerly Elementary School            | K-5                  |
| Long Elementary School                | K-5                  |
| Sappington Elementary School          | K-5                  |
| Early Childhood Education Center      | Pre-K                |
| Early Childhood Education Center West | Pre-K                |

**History of Enrollment**

Shown below are the District’s fall enrollment figures for the current and previous four school years.

|                      | <u>2014-2015</u> | <u>2015-2016</u> | <u>2016-2017</u> | <u>2017-2018</u> | <u>2018-2019</u> |
|----------------------|------------------|------------------|------------------|------------------|------------------|
| Primary (K-5)        | 2,803            | 2,913            | 3,058            | 3,134            | 3,124            |
| Middle (6-8)         | 1,476            | 1,523            | 1,555            | 1,594            | 1,622            |
| High (9-12)          | <u>2,021</u>     | <u>2,059</u>     | <u>2,074</u>     | <u>2,104</u>     | <u>2,190</u>     |
| Total <sup>(1)</sup> | <u>6,300</u>     | <u>6,495</u>     | <u>6,687</u>     | <u>6,832</u>     | <u>6,936</u>     |

<sup>(1)</sup> Excludes Pre-K enrollment.

Source: Missouri Department of Elementary and Secondary Education.

**Education Programs**

The District operates under the oversight of the Missouri Department of Elementary and Secondary Education (“DESE”). Programs offered by the District are comprehensive with an academic curriculum encompassing several foreign languages, math, science, literature, composition and social studies. The District offers numerous special programs such as gifted, adult education, early childhood, Parents as Teachers, English language learning, engineering and a comprehensive special education program.

## Other District Statistics

The following table shows additional information about the District compiled by DESE for the last five completed fiscal years.

|                                | <u>2013-2014</u> | <u>2014-2015</u> | <u>2015-2016</u> | <u>2016-2017</u> | <u>2017-2018</u> |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|
| Avg. Daily Attendance (ADA)    | 5,603.52         | 5,789.70         | 5,974.28         | 6,116.33         | 6,253.98         |
| Proportional Attendance Rate   | 95.86%           | 94.18%           | 94.67%           | 94.00%           | 93.63%           |
| Current Expenditures per ADA   | \$9,398.99       | \$9,699.84       | \$9,754.36       | \$9,679.24       | \$10,031.33      |
| Students per Teacher           | 16               | 16               | 16               | 16               | 16               |
| Students per Classroom Teacher | 19               | 19               | 19               | 18               | 18               |

*Source:* Missouri Department of Elementary and Secondary Education.

## School Rating and Accreditation

DESE administers the Missouri School Improvement Program (“**MSIP**”), the state’s school accountability system for reviewing and accrediting public school districts in Missouri. Since MSIP was established in 1990, four review cycles have been completed, each cycle lasting from five to six years. The fifth cycle, referred to as MSIP 5, began in the 2012-2013 school year.

DESE computes an Annual Performance Report (“**APR**”) for every public school district and charter local education agency as well as for each school. This overall score is comprised of scores for each of the MSIP 5 performance standards: (1) Academic Achievement (percent proficient or advanced in English language arts, mathematics, science and social studies), (2) Subgroup Achievement (percent proficient or advanced in English language arts, mathematics, science and social studies for students in certain super subgroups (Hispanic, Black, FRL (free/reduced price lunch eligible), IEP (Individualized Education Program for child with disability), ELL (English Language Learners))), (3) High School Readiness (K-8 districts) or College and Career Readiness (K-12 districts) based on certain test scores, (4) Attendance Rate, and (5) Graduation Rate (K-12 districts). Status, progress and growth (where applicable) are used to calculate a comprehensive score used to determine the accreditation level of a school district.

Under MSIP 5, there are four levels of school accreditation: (1) Accredited with Distinction, for districts with equal to or greater than 90% of the points possible on the APR and meeting other criteria yet to be determined by the State Board of Education (a resolution to adopt criteria was considered but withdrawn in September 2014 and no further attempt to adopt criteria has been made making the achievement of the status Accredited with Distinction impossible until criteria have been adopted), (2) Accredited, for districts with scoring equal to or greater than 70% of the points possible on the APR, (3) Provisional, for districts with equal to or greater than 50% but less than 70% of the points possible on the APR, and (4) Unaccredited, for districts scoring less than 50% of the points possible on the APR.

In the District’s 2018 APR, the District earned 98.9% of the points possible, placing the District in the “Accredited” category (as stated above, no placement in the Accredited with Distinction category is currently possible).

The MSIP classification is not a bond or debt rating but is solely an evaluation made by DESE.

**ECONOMIC INFORMATION CONCERNING THE DISTRICT**

**Population**

The following table shows population figures for the District, the County and the State of Missouri (the “**State**”) from the last three decennial censuses and the latest available estimate.

|          | <u>1990</u> | <u>2000</u> | <u>2010</u> | <u>2017</u> |
|----------|-------------|-------------|-------------|-------------|
| District | 46,698      | 45,877      | 46,429      | 47,738      |
| County   | 993,529     | 1,016,315   | 998,954     | 999,539     |
| State    | 5,117,073   | 5,595,211   | 5,988,927   | 6,075,300   |

*Source:* U.S. Census Bureau – 2013-2017 American Community Survey 5-Year Estimates; U.S. Census Bureau – 2010 Census; Missouri Census Data Center – Census 1990-2000 Trend Report.

The following table shows population distribution by age for the District, the County and the State from the latest available estimate.

**Estimated Population Distribution by Age (2017 Estimate)**

| <u>Age</u>        | <u>District</u> | <u>County</u>  | <u>State</u>     |
|-------------------|-----------------|----------------|------------------|
| Under 5 years     | 2,265           | 58,328         | 373,141          |
| 5-19 years        | 8,852           | 189,067        | 1,176,263        |
| 20-24 years       | 2,092           | 63,527         | 425,687          |
| 25-44 years       | 10,653          | 243,990        | 1,536,109        |
| 45-64 years       | 13,245          | 276,007        | 1,608,068        |
| 65 years and over | <u>10,631</u>   | <u>168,620</u> | <u>956,032</u>   |
| TOTAL             | <u>47,738</u>   | <u>999,539</u> | <u>6,075,300</u> |
| Median age        | 45.0            | 40.3           | 38.4             |

*Source:* U.S. Census Bureau – 2013-2017 American Community Survey 5-Year Estimates.

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## Commerce, Industry and Employment

**Major Employers.** Listed below are the major employers located in the County and the approximate number of employees employed within the St. Louis Metropolitan Area<sup>(1)</sup> by each:

| <u>Employer</u>                  | <u>Type of Business</u>                 | <u>Employees</u> |
|----------------------------------|---|------------------|
| BJC HealthCare                   | Health care                             | 28,975           |
| Wal-Mart Stores Inc.             | Retail                                  | 22,290           |
| Washington University            | Education                               | 16,903           |
| SSM Health                       | Health care                             | 16,140           |
| Mercy                            | Health care                             | 15,174           |
| Boeing Defense, Space & Security | Aerospace engineering and manufacturing | 13,707           |
| Scott Air Force Base             | Military                                | 12,600           |
| United States Postal Service     | Delivery service                        | 12,000           |
| Schnuck Markets Inc.             | Groceries                               | 9,510            |
| Archdiocese of St. Louis         | Religious                               | 8,800            |

<sup>(1)</sup> Includes the City of St. Louis and St. Louis, St. Charles, Lincoln, Warren, Franklin, Washington and Jefferson counties in Missouri and Jersey, Madison, Clinton, St. Clair, Calhoun, Macoupin, Bond and Monroe counties in Illinois.

Source: St. Louis Business Journal.

**Employment Figures.** The following table sets forth employment figures for the County, the State and the United States.

|                      | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| <i>County</i>        |             |             |             |             |             |
| Total Labor Force    | 530,449     | 537,120     | 539,419     | 526,310     | 525,125     |
| Unemployed           | 31,066      | 24,754      | 22,604      | 18,113      | 15,801      |
| Unemployment Rate    | 5.9%        | 4.6%        | 4.2%        | 3.4%        | 3.0%        |
| <i>State</i>         |             |             |             |             |             |
| Total Labor Force    | 3,046,903   | 3,075,227   | 3,080,850   | 3,061,441   | 3,052,386   |
| Unemployed           | 186,937     | 154,466     | 140,536     | 115,101     | 97,578      |
| Unemployment Rate    | 6.1%        | 5.0%        | 4.6%        | 3.8%        | 3.2%        |
| <i>United States</i> |             |             |             |             |             |
| Total Labor Force    | 155,922,000 | 157,130,000 | 159,187,000 | 160,320,000 | 162,075,000 |
| Unemployed           | 9,617,000   | 8,296,000   | 7,751,000   | 6,982,000   | 6,314,000   |
| Unemployment Rate    | 6.2%        | 5.3%        | 4.9%        | 4.4%        | 3.9%        |

Source: Missouri Economic Research and Information Center.

## Medical and Health Facilities

There are approximately 50 hospitals located in the St. Louis Metropolitan Area, including Mercy Hospital South, formerly St. Anthony's Medical Center, which is located within the District. Other major hospitals and medical facilities nearby include the highly-regarded Barnes-Jewish Hospital and Mercy Hospital St. Louis as well as two medical schools, Washington University Medical School and Saint Louis University Medical School. In addition, dentists, chiropractors and doctors provide medical services from offices and clinics located in the District.

## **Higher Education**

Higher education is easily accessible to District residents through the St. Louis Community College (the “College”) and numerous other institutions of higher education located in the St. Louis Metropolitan Area, including University of Missouri-St. Louis, Webster University, Maryville University, Saint Louis University and Washington University. The College awards associate degrees and certificates of proficiency and specialization for prescribed courses of study. The College also offers courses to meet the needs of persons who desire enrichment or retraining in the areas of liberal arts, occupational education, continuing education and community services.

## **Recreational Facilities**

The County park system offers 71 park sites featuring camping, fishing, boating, picnicking, hiking, horseback riding, cross country skiing, swimming, golf, ice skating and other athletic activities. Unique attractions include the St. Louis Carousel, the Butterfly House, the internationally-recognized Laumeier Sculpture Park, the working farm in Suson Park, the elk and buffalo in Lone Elk Park and the Museum of Transportation which “houses one of the largest and best collections of transportation vehicles in the world,” according to the Smithsonian Institution.

## **Municipal Services and Utilities and Public Safety**

Municipal services, including street maintenance and water, are provided by the cities in the District or the County. The Metropolitan St. Louis Sewer District provides sewer services. Natural gas and electricity are provided by Spire and Ameren, respectively. Telephone service is provided by AT&T. Police services are provided by municipal departments within the District or the County. Fire protection services are provided by municipal departments and three fire protection districts operating within the District.

## **Transportation, Communications and Media**

The District’s geographic location provides easy access to all areas of metropolitan St. Louis via I-44 and I-270, both of which run through the District. Regularly scheduled commercial air passenger and air freight service is available at the St. Louis Lambert International Airport located approximately 20 miles north of the District.

Telecommunication services are provided to District residents by AT&T, CenturyLink and Charter Communications. Wireless telephone service is offered by numerous providers. Residents of the District receive all of the County and St. Louis radio stations and television channels. The District is served by the *St. Louis Post-Dispatch* newspaper. In addition, there are many weekly newspapers and journals published throughout the County.

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## Income and Home Values

The following table presents per capita personal income<sup>(1)</sup> for the County and the State for the years 2013 through 2017, the latest date for which such information is available.

| <u>Year</u> | <u>Per Capita Personal Income</u> |              |
|-------------|-----------------------------------|--------------|
|             | <u>County</u>                     | <u>State</u> |
| 2017        | \$67,029                          | \$44,978     |
| 2016        | 64,533                            | 43,587       |
| 2015        | 62,119                            | 42,839       |
| 2014        | 60,512                            | 41,538       |
| 2013        | 57,633                            | 40,152       |

<sup>(1)</sup> Per Capita Personal Income is the annual total personal income of residents divided by resident population as of July 1. **“Personal Income”** is the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income and transfer payments. **“Net Earnings”** is earnings by place of work — the sum of wage and salary disbursements (payrolls), other labor income and proprietors’ income — less personal contributions for social insurance, plus an adjustment to convert earnings by place of work to a place-of-residence basis. Personal Income is measured before the deduction of personal income taxes and other personal taxes and is reported in current dollars (no adjustment is made for price changes).

*Source:* U.S. Department of Commerce – Bureau of Economic Analysis.

The following table presents the estimated median household income for the District, the County and the State.

| <u>Median Household Income</u> |          |
|--------------------------------|----------|
| District                       | \$72,822 |
| County                         | 62,931   |
| State                          | 51,542   |

*Source:* U.S. Census Bureau – 2013-2017 American Community Survey 5-Year Estimates.

The following table presents the median value of owner-occupied housing units in the District, the County and the State.

|          | <u>Number of<br/>Owner-<br/>Occupied Units</u> | <u>Median Home<br/>Value</u> |
|----------|--|------------------------------|
| District | 15,742   | \$204,700                    |
| County   | 279,767  | 181,100                      |
| State    | 1,597,325                                      | 145,400                      |

*Source:* U.S. Census Bureau – 2013-2017 American Community Survey 5-Year Estimates.

## DEBT STRUCTURE OF THE DISTRICT

### Overview

The following table summarizes certain financial information concerning the District as of May 1, 2019 (unless otherwise noted). This information should be reviewed in conjunction with the other information contained in this section and the financial statements of the District in *Appendix B* to this Official Statement.

|   |                 |
|---|-----------------|
| 2018 Assessed Valuation <sup>(1)</sup>  | \$1,372,738,740 |
| 2018 Estimated Actual Valuation <sup>(2)</sup>                                | \$6,108,888,392 |
| 2017 Estimated Population <sup>(3)</sup>                                      | 47,738          |
|   |                 |
| Direct General Obligation Debt (“ <b>Direct Debt</b> ”) <sup>(4)</sup>        | \$128,248,953   |
| Overlapping General Obligation Debt (“ <b>Indirect Debt</b> ”) <sup>(5)</sup> | \$7,580,035     |
| Total Direct Debt and Indirect Debt   | \$135,828,988   |
|   |                 |
| Ratio of Direct Debt to Assessed Valuation                                    | 9.34%           |
| Ratio of Direct Debt to Estimated Actual Valuation                            | 2.10%           |
| Per Capita Direct Debt  | \$2,686.52      |
|   |                 |
| Ratio of Direct Debt and Indirect Debt to Assessed Valuation                  | 9.89%           |
| Ratio of Direct Debt and Indirect Debt to Estimated Actual Valuation          | 2.22%           |
| Per Capita Direct Debt and Indirect Debt                                      | \$2,845.30      |

- 
- (1) Includes real and personal property valuations as provided by the St. Louis County Department of Revenue, but excludes assessed valuations attributable to state assessed railroad and utility property. For further details, see “**PROPERTY TAX INFORMATION CONCERNING THE DISTRICT.**”
- (2) Estimated actual valuation is calculated by dividing different classes of property by the corresponding assessment ratio. For a detail of these different classes and ratios, see “**PROPERTY TAX INFORMATION CONCERNING THE DISTRICT.**”
- (3) See “**ECONOMIC INFORMATION CONCERNING THE DISTRICT – Population.**”
- (4) Includes the Bonds and excludes the Refunded Bonds and authorized but unissued bonds in the amount of \$65,000,000.
- (5) See “**DEBT STRUCTURE OF THE DISTRICT – Overlapping or Underlying Indebtedness.**”

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## Current Long-Term General Obligation Indebtedness

The following table sets forth all of the outstanding general obligation indebtedness of the District as of the issuance of the Bonds, including the Bonds and excluding the Refunded Bonds.

| <u>Issue Name</u>  | <u>Date of Indebtedness</u> | <u>Amount Originally Issued</u> | <u>Amount Outstanding</u> |
|--|-----------------------------|---------------------------------|---------------------------|
| General Obligation Qualified School Construction Bonds, Series 2009B   | 09/22/2009                  | \$ 7,165,000                    | \$ 6,215,000              |
| Tax-Exempt General Obligation Capital Appreciation Bonds, Series 2010A | 03/22/2010                  | 4,833,953                       | 4,833,953                 |
| General Obligation Refunding Bonds, Series 2010C                       | 12/02/2010                  | 6,055,000                       | 2,635,000                 |
| General Obligation Refunding Bonds, Series 2012                        | 02/28/2012                  | 9,070,000                       | 3,425,000                 |
| General Obligation Refunding Bonds, Series 2014                        | 02/26/2014                  | 32,060,000                      | 30,910,000                |
| General Obligation Bonds, Series 2014                                  | 09/22/2014                  | 34,035,000                      | 22,885,000                |
| General Obligation Refunding Bonds, Series 2015                        | 09/24/2015                  | 9,865,000                       | 9,305,000                 |
| The Series 2019A Bonds   | 06/27/2019                  | 40,000,000                      | 40,000,000                |
| The Series 2019B Bonds   | 06/27/2019                  | <u>8,040,000</u>                | <u>8,040,000</u>          |
| Total  |                             | <u>\$151,123,953</u>            | <u>\$128,248,953</u>      |

## History of General Obligation Indebtedness

The following table shows the outstanding general obligation debt of the District for each of the last five fiscal years.

|  | <u>As of June 30</u> | <u>Total Debt</u> | <u>Assessed Valuation<sup>(1)</sup></u> | <u>Debt as % of Assessed Valuation<sup>(2)</sup></u> |
|--|----------------------|-------------------|---|--|
|  | 2018                 | \$ 99,933,954     | \$1,386,197,050                         | 7.21%  |
|  | 2017                 | 103,938,817       | 1,267,181,520                           | 8.20   |
|  | 2016                 | 107,803,116       | 1,255,523,810                           | 8.59   |
|  | 2015                 | 112,806,756       | 1,199,688,760                           | 9.40   |
|  | 2014                 | 83,456,756        | 1,190,326,610                           | 7.01   |

<sup>(1)</sup> The assessed valuation of the District as adjusted through December 31 of the calendar year prior to the fiscal year shown. Excludes state assessed railroad and utility property.

<sup>(2)</sup> If state assessed railroad and utility property was taken into account, the debt as a percentage of total assessed valuation would be lower than the percentages shown. For more information, see “**DEBT STRUCTURE OF THE DISTRICT – Legal Debt Capacity.**”

Source: District’s Audited Financial Statements for the fiscal years ended June 30, 2014 through 2018.

The District has never defaulted on the payment of any of its debt obligations.

## Legal Debt Capacity

Under Article VI, Section 26(b) of the Constitution of Missouri, the District may incur indebtedness for authorized school purposes not to exceed 15% of the valuation of taxable tangible property in the District according to the last completed assessment upon the approval of four-sevenths of the qualified voters in the District voting on the proposition at any general municipal, primary or general election or two-thirds voter approval on any other election date. The legal debt limitation and debt margin of the District are as follows:

**Legal Debt Limitation and Debt Margin**

|  |                                  |
|--|----------------------------------|
| Constitutional Debt Limitation under Article VI, Section 26(b)<br>(15% of 2018 assessed valuation) | \$205,910,811                    |
| General Obligation Bonds Outstanding and Authorized But Not Issued                                 | <u>193,248,953<sup>(1)</sup></u> |
| Legal Debt Margin under Article VI, Sections 26(b)   | <u>\$ 12,661,858</u>             |

<sup>(1)</sup> Includes the Bonds plus the remaining \$65,000,000 of general obligation bonds authorized by voters on April 2, 2019.

The District’s legal debt limit and debt margin would be higher if (1) the amount in the Debt Service Fund available to pay principal of the bonds, and (2) the valuation of state assessed railroad and utility property that is physically located within the bounds of the District were both taken into account. Neither amount was included in the calculations of debt limit or debt margin.

Because of the manner in which tax collections are distributed to school districts from assessments of state assessed railroad and utility property (see “**PROPERTY TAX INFORMATION CONCERNING THE DISTRICT – Property Valuations – Current Assessed Valuation**”), the cumbersome task of determining the valuation of such property physically located within a school district is not normally undertaken unless, without the value of such property included in the calculation, the school district would exceed its legal debt limit.

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## General Obligation Bonds Debt Service Requirements

The following schedule shows the yearly principal and interest requirements for all outstanding general obligation bonds of the District, including the Bonds and excluding the Refunded Bonds.

| Fiscal<br>Year<br>ending<br>June 30 | Outstanding Bonds   |                     | The Bonds           |                     | Total                |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
|                                     | Principal           | Interest            | Principal           | Interest            |                      |
| 2019 <sup>(1)</sup>                 | \$ 6,295,000        | \$ 2,927,290        |                     |                     | \$ 9,222,290         |
| 2020                                | 6,675,000           | 2,201,036           |                     | \$ 1,260,599        | 10,136,635           |
| 2021                                | 7,005,000           | 2,032,089           |                     | 1,859,900           | 10,896,989           |
| 2022                                | 7,240,000           | 1,813,889           |                     | 1,859,900           | 10,913,789           |
| 2023                                | 7,445,000           | 1,598,584           |                     | 1,859,900           | 10,903,484           |
| 2024                                | 7,655,000           | 1,412,894           |                     | 1,859,900           | 10,927,794           |
| 2025                                | 7,289,770           | 1,756,061           |                     | 1,859,900           | 10,905,731           |
| 2026                                | 7,464,133           | 1,587,199           |                     | 1,859,900           | 10,911,232           |
| 2027                                | 7,640,803           | 1,415,878           |                     | 1,859,900           | 10,916,581           |
| 2028                                | 6,372,690           | 2,636,716           |                     | 1,859,900           | 10,869,306           |
| 2029                                | 5,941,558           | 2,016,730           | \$ 600,000          | 1,859,900           | 10,418,188           |
| 2030                                | 900,000             | 324,463             | 7,440,000           | 1,835,900           | 10,500,363           |
| 2031                                | 2,035,000           | 295,213             | 1,515,000           | 1,538,300           | 5,383,513            |
| 2032                                | 2,105,000           | 229,075             | 1,945,000           | 1,462,550           | 5,741,625            |
| 2033                                | 2,180,000           | 155,400             | 2,175,000           | 1,365,300           | 5,875,700            |
| 2034                                | 2,260,000           | 79,100              | 2,640,000           | 1,256,550           | 6,235,650            |
| 2035                                | 0                   | 0                   | 5,245,000           | 1,124,550           | 6,369,550            |
| 2036                                | 0                   | 0                   | 5,865,000           | 862,300             | 6,727,300            |
| 2037                                | 0                   | 0                   | 6,270,000           | 627,700             | 6,897,700            |
| 2038                                | 0                   | 0                   | 6,945,000           | 439,600             | 7,384,600            |
| 2039                                | 0                   | 0                   | 7,400,000           | 231,250             | 7,631,250            |
| Total                               | <u>\$86,503,954</u> | <u>\$22,481,617</u> | <u>\$48,040,000</u> | <u>\$28,743,699</u> | <u>\$185,769,270</u> |

<sup>(1)</sup> Includes the interest paid on the Refunded Bonds for FY 2019 but excludes the interest subsidy payments the District received from the U.S. Treasury pursuant to the American Recovery and Reinvestment Act. As of March 1, 2019, all of the District's debt service payments for FY 2019 have been paid.

The principal and interest requirements on the District's general obligation bonds (including the Bonds) are payable from amounts in the District's Debt Service Fund generated by a levy on all taxable tangible property in the District. The Debt Service Fund levy may be set, without limitation as to rate or amount, at the level required to make payments on the general obligation bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT."

### Other Long-Term Obligations of the District

**Certificates of Participation.** On April 7, 2016, the District approved delivery of Certificates of Participation, Series 2016, in the original principal amount of \$6,000,000 (the "Series 2016 Certificates"). The Series 2016 Certificates represent the proportionate interests of the owners thereof right to receive basic rent payments to be made by the District, subject to annual appropriation, pursuant to a Lease Purchase Agreement dated as of April 1, 2016 (the "Lease"), entered into between U.S. Bank National Association, as lessor and trustee, and the District, as lessee.

On February 27, 2017, the District approved delivery of Certificates of Participation, Series 2017, in the original principal amount of \$1,060,000 (the “**Series 2017 Certificates**” and, together with the Series 2016 Certificates, the “**Certificates**”). The Series 2017 Certificates represent the proportionate interests of the owners thereof right to receive basic rent payments to be made by the District, subject to annual appropriation, pursuant to the Lease as amended by a First Supplemental Lease Purchase Agreement dated as of February 1, 2017.

The following schedule shows the yearly rental payments that are payable by the District under the Lease, subject to annual appropriation, and distributable to owners of the Certificates. Such payments are payable from moneys in the District’s Capital Projects Fund and are not payable from any money in the District’s Debt Service Fund, which is available solely to make payments on any general obligation bonds of the District.

| <b>Fiscal<br/>Year<br/>Ending<br/>June 30</b> | <b>Principal Portion</b> | <b>Interest Portion</b> | <b>Total Rental<br/>Payments</b> |
|---|--------------------------|-------------------------|----------------------------------|
| 2020  | \$ 0.00                  | \$ 185,005.00           | \$ 185,005.00                    |
| 2021  | 0.00                     | 185,005.00              | 185,005.00                       |
| 2022  | 400,000.00               | 185,005.00              | 585,005.00                       |
| 2023  | 405,000.00               | 178,135.00              | 583,135.00                       |
| 2024  | 415,000.00               | 170,665.00              | 585,665.00                       |
| 2025  | 420,000.00               | 162,480.00              | 582,480.00                       |
| 2026  | 435,000.00               | 153,660.00              | 588,660.00                       |
| 2027  | 440,000.00               | 144,015.00              | 584,015.00                       |
| 2028  | 455,000.00               | 133,887.50              | 588,887.50                       |
| 2029  | 465,000.00               | 122,740.00              | 587,740.00                       |
| 2030  | 470,000.00               | 110,765.00              | 580,765.00                       |
| 2031  | 490,000.00               | 97,960.00               | 587,960.00                       |
| 2032  | 500,000.00               | 83,770.00               | 583,770.00                       |
| 2033  | 520,000.00               | 68,582.50               | 588,582.50                       |
| 2034  | 530,000.00               | 52,342.50               | 582,342.50                       |
| 2035  | 550,000.00               | 35,632.50               | 585,632.50                       |
| 2036  | <u>565,000.00</u>        | <u>18,052.50</u>        | <u>583,052.50</u>                |
| Totals  | <u>\$7,060,000.00</u>    | <u>\$2,087,702.50</u>   | <u>\$9,147,702.50</u>            |

The District does not have any other outstanding indebtedness or long-term obligations.

**Future Borrowing Plans**

On April 2, 2019, the voters of the District approved the issuance of general obligation bonds in the amount of \$105,000,000. After the issuance of the Bonds, the District will have \$65,000,000 of authorized but unissued bonds remaining. The District anticipates issuing these remaining bonds in 2020.

**Overlapping or Underlying Indebtedness**

The following table sets forth the approximate overlapping and underlying general obligation indebtedness of political subdivisions with boundaries overlapping the District as of May 1, 2019, unless otherwise noted, and the percent attributable (on the basis of assessed valuation figures for calendar year 2018) to the District. The table was compiled from publicly available information furnished by the jurisdictions responsible for the debt, and the District has not independently verified the accuracy or completeness of such information. Furthermore, political subdivisions may have ongoing programs requiring the issuance of



substantial additional bonds or other long-term obligations such as leases, the amounts of which may be unknown to the District at this time and are not included below.

| <u>Taxing Jurisdiction</u>         | <u>Outstanding General<br/>Obligation Debt</u> | <u>Approximate<br/>Percent<br/>Applicable</u> | <u>Approximate<br/>Amount<br/>Overlapping</u> |
|------------------------------------|--|---|---|
| St. Louis County                   | \$ 87,375,000                                  | 5.54%   | \$4,840,575                                   |
| City of Crestwood                  | 0  |   | 0   |
| City of Fenton                     | 0  |   | 0   |
| City of Green Park                 | 0  |   | 0   |
| City of Kirkwood                   | 525,000  | 1.04%   | 5,460   |
| City of Lakeshire                  | 0  |   | 0   |
| City of Sunset Hills               | 0  |   | 0   |
| Town of Grantwood Village          | 0  |   | 0   |
| Affton Fire Protection District    | 0  |   | 0   |
| Fenton Fire Protection District    | 20,000,000                                     | 13.67%  | 2,734,000                                     |
| Mehlville Fire Protection District | 0  |   | 0   |
| Kirkwood Library District          | 0  |   | 0   |
| <b>TOTAL</b>                       | <u>\$107,900,000</u>                           |   | <u>\$7,580,035</u>                            |

*Source:* St. Louis County Assessor's Office; State Auditor of Missouri – Bond Registration Reports; Municipal Securities Rulemaking Board's Electronic Municipal Market Access system.

## FINANCIAL INFORMATION CONCERNING THE DISTRICT

### Accounting, Budgeting and Auditing Procedures

The District presents its governmental activities in fund financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, in conformity with the requirements of Missouri law and DESE. This basis recognizes assets, liabilities, net assets/fund equity, revenues and expenditures when they result from modified cash transactions.

The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, 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. Transactions have been recorded in the following funds for the accounting of all District funds:

- **General (Incidental) Fund:** The General Fund is the primary operating fund of the District. It is used to account for general activities of the District, including expenditures for noncertified employees, pupil transportation costs, plant operation, fringe benefits, student body activities, community services, food service and any expenditures not required or permitted to be accounted for in other funds.
- **Special Revenue (Teachers') Fund:** The Special Revenue Fund accounts for expenditures for certificated employees involved in administration and instruction. It includes revenues restricted by the State and the local tax levy for the payment of teachers' salaries and certain employee benefits.

- **Debt Service Fund:** The Debt Service Fund accounts for the accumulation of resources for the payment of principal, interest and fiscal charges on long-term debt.
- **Capital Projects Fund:** The Capital Projects Fund accounts for resources restricted for the acquisition or construction of specific capital projects or items. It accounts for the proceeds of long-term debt, taxes and other receipts designated for construction of major capital assets and all other capital outlay.

The Treasurer of the District is responsible for handling all moneys of the District and administering the above funds. All moneys received by the District from whatever source are credited to the appropriate fund. Moneys may be disbursed from such funds by the Treasurer only for the purpose for which they were levied, collected or received and only upon checks drawn by the Treasurer pursuant to orders of the Board or upon orders for payment issued by the Treasurer pursuant to orders of the Board.

An annual budget of estimated receipts and disbursements for the coming fiscal year is prepared by the Superintendent and is presented to the Board prior to July 1 for approval. The District’s fiscal year is July 1 through June 30. The budget lists estimated receipts by funds and sources and estimated disbursements by funds and purposes and includes a statement of the rate of levy per hundred dollars of assessed valuation required to raise each amount shown on the budget as coming from District property taxes.

The financial records of the District are audited annually by an independent public accountant according to the modified cash basis of accounting. The most recent annual audit has been performed by Kerber, Eck & Braeckel LLP. The audited financial statements of the District for the fiscal year ended June 30, 2018, together with the independent auditor’s report thereon, are included in this Official Statement at *Appendix B*. A summary of significant accounting policies of the District is contained in the notes accompanying the financial statements in *Appendix B*. The audited financial statements for earlier years with reports by the certified public accountants are available for examination in the District’s office.

### **Sources of Revenue**

The District finances its operations through the local property tax levy, state sales tax, State Aid (as defined below), federal grant programs and miscellaneous sources, including without limitation State Aid for Transportation, a state sales tax on cigarettes and a pro rata share of interest income from the counties in which each school district operates. Debt service on general obligation bonds is paid from amounts in the District’s Debt Service Fund. The primary source of money in the Debt Service Fund is local property taxes derived from a debt service levy. As discussed below, the Debt Service Fund may, however, also contain money derived from transfers from the Incidental Fund, from the State Aid in the Classroom Trust Fund and from certain other taxes or payments-in-lieu-of-taxes that may be placed in the Debt Service Fund at the discretion of the Board. See *“Missouri School Finance Laws – Transfers from Incidental Fund to Debt Service Fund and/or Capital Projects Fund.”*

State and federal revenue, as well as “Proposition C” sales tax revenue (included in the **“Local Revenue”** category below), are received on a continuous monthly basis throughout the fiscal year. Local taxes, however, are received primarily in January, over six months into a district’s fiscal year. Districts that receive a smaller percentage of revenue from state and federal aid and depend more on local revenues will typically carry a larger fund balance than other districts that may be receiving a larger percent of its revenue from state and federal aid amounts rather than local taxes.

**Current.** For the 2017-2018 fiscal year, the District’s sources of revenue were as follows:

| <u>Source</u>                     | <u>Amount</u>                 | <u>%</u>              |
|-----------------------------------|-------------------------------|-----------------------|
| Local Revenue:                    |                               |                       |
| Property Taxes                    | \$56,114,305.91               | 67.48%                |
| Proposition C Sales Tax           | 6,174,653.93                  | 7.43                  |
| Other                             | 12,128,528.52                 | 14.58                 |
| County Revenue:                   |                               |                       |
| Railroad & Utility Property Taxes | 1,187,554.89                  | 1.43                  |
| Fines, Forfeitures & Other        | 65,600.43                     | 0.08                  |
| State Revenue                     | 5,996,558.99                  | 7.21                  |
| Federal Revenue                   | 1,214,342.74                  | 1.46                  |
| Other Revenue                     | <u>277,204.28</u>             | <u>0.33</u>           |
| <b>Total Revenue</b>              | <b><u>\$83,158,749.69</u></b> | <b><u>100.00%</u></b> |

Source: District’s Annual Secretary of the Board Report for fiscal year ended June 30, 2018.

**Historical.** The table below shows the allocation of revenues received by the District for the past five fiscal years:

| <u>Source</u>                | <u>2014</u>                           | <u>2015</u>                           | <u>2016</u>                          | <u>2017</u>            | <u>2018</u>            |
|------------------------------|---------------------------------------|---------------------------------------|--------------------------------------|------------------------|------------------------|
| Local Revenue <sup>(1)</sup> | \$ 66,482,403.31                      | \$ 70,431,688.51                      | \$71,711,667.73                      | \$74,054,732.80        | \$75,670,643.68        |
| State Revenue                | 4,043,780.86                          | 4,562,521.95                          | 5,002,163.02                         | 5,335,592.53           | 5,996,558.99           |
| Federal Revenue              | 1,340,210.74                          | 1,340,436.71                          | 1,326,946.87                         | 1,360,435.39           | 1,214,342.74           |
| Other Revenue                | <u>32,214,786.72<sup>(2)</sup></u>    | <u>34,122,543.19<sup>(3)</sup></u>    | <u>9,925,058.21<sup>(4)</sup></u>    | <u>79,426.08</u>       | <u>277,204.28</u>      |
| Total                        | <u>\$104,081,181.63<sup>(2)</sup></u> | <u>\$110,457,190.36<sup>(3)</sup></u> | <u>\$87,965,835.83<sup>(4)</sup></u> | <u>\$80,830,186.80</u> | <u>\$83,158,749.69</u> |

(1) Includes County sources of revenue.

(2) Includes proceeds from the sale of the District’s \$32,060,000 General Obligation Refunding Bonds, Series 2014.

(3) Includes proceeds from the sale of the District’s \$34,035,000 General Obligation Bonds, Series 2014.

(4) Includes proceeds from the sale of the District’s \$9,865,000 General Obligation Refunding Bonds, Series 2015.

Source: District’s Annual Secretary of the Board Reports for fiscal years ended June 30, 2014 through 2018.

## Local Revenue

The primary sources of “local revenue” are (1) taxes upon real and personal property within a district, excluding railroad and utility property taxes, which are more fully described below, and (2) receipts from a 1% state sales tax (commonly referred to as “**Proposition C revenues**”) approved by the voters in 1982.

Proposition C revenues are deemed to be “local” revenues for school district accounting purposes. Proposition C revenues are distributed to each school district based on the district’s weighted average daily attendance (see “**Weighted ADA**” under “**Missouri School Finance Laws**” below). For the 2017-2018 fiscal year, each school district received approximately \$988 per pupil from Proposition C revenues based upon each district’s 2016-2017 Weighted ADA.

## County Revenue

For school taxation purposes, all state assessed railroad and utility property within a county is taxed uniformly at a rate determined by averaging the tax rates of all school districts in the county. No determination is made of the assessed value of the railroad and utility property that is physically located within the boundaries of each school district. Such tax collections for each county are distributed to the school districts within that county according to a formula based in part on total student enrollments in each district and in part on the taxes levied by each district. County revenue also includes certain fines and forfeitures collected with respect to violations within the boundaries of the school district.

## State Revenue

The primary source of state revenue or “State Aid” is provided under a formula enacted under Chapter 163, RSMo. In its 2005 regular session, the Missouri General Assembly approved significant changes to the formula by adoption of Senate Bill 287 (“**SB 287**”), which became effective July 1, 2006. The changes to State Aid distribution laws are more fully described below under “**Missouri School Finance Laws.**”

## Federal Revenue

School districts receive certain grants and other revenue from the federal government that are required to be used for the specified purposes of the grant or funding program.

The federal “No Child Left Behind” law required that every public school student score at a “proficient” level or higher in math and reading by 2014. Each state established its own proficiency levels. Federal sanctions for school districts that failed to meet established proficiency standards included allowing parents and students in underperforming schools within a district to request a transfer to a school within the district that met proficiency standards. In addition, schools that continued to fail to meet proficiency standards were required to make additional changes in staffing, curriculum and management. Federal sanctions applied only to public schools that received Title I federal money.

In July of 2012, the State earned a waiver from the No Child Left Behind law when the United States Department of Education (the “**DOE**”) approved the State’s proposed accountability system aimed at replacing the existing accountability measures of the No Child Left Behind law. This waiver expired August 1, 2016. The state’s proposed system, Top 10 by 20, outlines a plan for the State to be in the top 10 states by 2020, with a focus on students becoming college and career ready by graduation.

The federal “Every Student Succeeds Act” (“**ESSA**”) was signed into law on December 10, 2015. ESSA replaces the “No Child Left Behind Act.” Each state education agency must develop a state accountability plan (“**ESSA Plan**”) that incorporates testing based on challenging academic standards. The ESSA Plans were required to be submitted to the DOE in 2017. Under ESSA, states can decide how much weight to give standardized tests in their accountability systems and determine what consequences, if any, should attach to poor performance. However, at least 95% of eligible students are required to take the state-chosen standardized tests, and federal funding can be withheld if states fall below the 95% threshold.

The State submitted its plan to the DOE on September 13, 2017 in order to meet the September 18, 2017 deadline. The DOE approved the State’s plan on January 16, 2018. Under ESSA, the State will continue to test students through the Missouri Assessment Program.

## Missouri School Finance Laws

**State Aid.** The amount of State Aid for school districts in Missouri has typically been calculated using a complex formula. The impact of SB 287 was to transition the state away from a local-tax-rate-based formula to a formula that is primarily student-needs-based. The formula was phased in over a seven-year period, which began in the 2006-2007 fiscal year and ended with the 2012-2013 fiscal year. Since the 2013-2014 fiscal year, State Aid has been calculated solely using the student-needs-based formula.

**Property Tax Levy Requirements.** The sum of a district’s local property tax levies in its Incidental and Teachers’ Funds must be at least \$2.75 per \$100 of assessed valuation in order for the district to receive increases in State Aid above the level of State Aid it received in the 2005-2006 fiscal year. Levy reductions required as a result of a “Hancock rollback” (see “**PROPERTY TAX INFORMATION CONCERNING THE DISTRICT – Tax Rates – Operating Levy**” below) will not affect a district’s eligibility for State Aid increases.

**The Formula.** A district's State Aid is determined by first multiplying the district's weighted average daily attendance ("**Weighted ADA**") by the state adequacy target ("**State Adequacy Target**"). This figure may be adjusted upward by a dollar value modifier ("**DVM**"). The product of the Weighted ADA multiplied by the State Adequacy Target multiplied by the DVM is then reduced by a district's local effort ("**Local Effort**") to calculate a district's final State Aid amount. The State Aid amount is distributed to the districts on a monthly basis.

**Weighted ADA.** Weighted ADA is based upon regular term ADA plus summer school ADA, with additional weight assigned in certain circumstances for students who qualify for free and reduced price lunch ("**FRL**"), receive special education services ("**IEP**") or possess limited English language proficiency ("**LEP**"). These FRL, IEP and LEP students are weighted to the extent they exceed certain thresholds (based on the percentage of students in each of the categories) in certain high performing districts ("**Performance Districts**"), which thresholds can change every two years. For fiscal years 2017 and 2018, DESE revised the thresholds downward as required under Senate Bill 586, which modified the definition of State Adequacy Target to require that a future recalculation of the State Adequacy Target never result in a decrease from the State Adequacy Target as calculated for fiscal years 2017 and 2018. For fiscal years 2019 and 2020, DESE revised the thresholds downward for FRL and IEP and upward for LEP. Beginning with the 2018-2019 fiscal year, certain school districts who operate early childhood education programs, such as the District, will also be able to claim a portion of their pre-kindergarten FRL students in their calculation of ADA; however, the portion of pre-kindergarten FRL students included in the calculation of ADA cannot exceed 4% of the total number of FRL students between the ages of 5 and 18 who are included in the school district's calculation of ADA. The District's State Aid revenues would be adversely affected by decreases in its Weighted ADA resulting from decreased enrollment generally and, specifically, decreased enrollment of FRL, IEP and LEP students.

**State Adequacy Target.** The State Aid formula requires DESE to calculate a "State Adequacy Target," which is intended to be the minimum amount of funds a school district needs in order to educate each student. DESE's calculation of the State Adequacy Target is based upon amounts spent, excluding federal and state transportation revenues, by Performance Districts. Every two years, using the most current list of Performance Districts, DESE will recalculate the State Adequacy Target. The recalculation can never result in a decrease from the State Adequacy Target as calculated for fiscal years 2017 and 2018 and any State Adequacy Target figure calculated subsequent to fiscal year 2018. For the current fiscal year ending June 30, 2019, the State Adequacy Target is expected to be \$6,308 per pupil, but the Governor still has the ability to withhold money throughout the year. For the fiscal year ending June 30, 2020, the State Adequacy Target is expected to be \$6,375 per pupil; however, this is preliminary and subject to change.

**Dollar Value Modifier.** The DVM is an index of the relative purchasing power of a dollar in different areas of the state. The DVM is calculated as one plus 15% of the difference of the regional wage ratio (the ratio of the regional wage per job divided by the state median wage per job) minus one. The law provides that the DVM can never be less than 1.000. DESE revises the DVM for each district on an annual basis. The DVM for the District for 2017-2018 was 1.094. The DVM for the District for 2018-2019 is 1.095. The DVM for the District for 2019-2020 will be 1.092.

**Local Effort.** For the 2006-2007 fiscal year, the Local Effort figure utilized in a district's State Aid calculation was the amount of locally generated revenue that the district would have received in the 2004-2005 fiscal year if its operating levy was set at \$3.43. The \$3.43 amount is called the "performance levy." For all years subsequent to the 2006-2007 fiscal year, a district's Local Effort amount has been frozen at the 2006-2007 amount, except for adjustments due to increased locally collected fines or decreased assessed valuation in the district. Growth in assessed valuation and operating levy increases will result in additional local revenue to the district, without affecting State Aid payments.

**Categorical-Source Add-Ons.** In addition to State Aid distributed pursuant to the formula as described above, the formula provides for the distribution of certain categorical sources of State Aid to school districts.

These include (1) 75% of allowable transportation costs, (2) the career ladder entitlement, (3) the vocational education entitlement and (4) educational and screening program entitlements.

***Classroom Trust Fund (Gambling Revenue) Distribution.*** A portion of the State Aid received under the formula will be in the form of a distribution from the “Classroom Trust Fund,” a fund in the state treasury containing a portion of the state’s gambling revenues. This money is distributed to school districts on the basis of ADA (versus *Weighted* ADA, which applies to the basic formula distribution). The funds deposited into the Classroom Trust Fund are not earmarked for a particular fund or expense and may be spent at the discretion of the local school district except that, beginning with the 2010-2011 fiscal year, all proceeds of the Classroom Trust Fund in excess of amounts received in the 2009-2010 fiscal year must be placed in the Teachers’ or Incidental Funds. For the 2017-2018 fiscal year, each school district received approximately \$415 per pupil based on their 2016-2017 ADA. For the 2018-2019 fiscal year, according to budget estimates provided by DESE in March 2019, each school district is expected to receive approximately \$408 per pupil based on their 2017-2018 ADA. For the 2019-2020 fiscal year, each school district is expected to receive approximately \$409 per pupil based on their 2018-2019 ADA; however, this is a preliminary estimate and subject to change. Classroom Trust Fund dollars do not increase the amount of State Aid.

***Mandatory Deposit and Expenditures of Certain Amounts in the Teachers’ Fund.*** The following state and local revenues must be deposited in the Teachers’ Fund: (1) 75% of basic formula State Aid, excluding State Aid distributed from the Classroom Trust Fund (gambling revenues); (2) 75% of one-half of the district’s local share of Proposition C revenues; (3) 100% of the career ladder state matching payments; and (4) 100% of local revenue from fines and escheats based on violations or abandoned property within the district’s boundaries.

In addition to these mandatory deposits, school districts are also required to spend for certificated staff compensation and tuition expenditures each year the amounts described in clauses (1) and (2) of the preceding paragraph. Since the 2007-2008 fiscal year, school districts are further required to spend for certificated staff compensation and tuition expenditures each year, per the second preceding year’s Weighted ADA, as much as was spent in the previous year from local and county tax revenues deposited in the Teachers’ Fund, plus the amount of any transfers from the Incidental Fund to the Teachers’ Fund that are calculated to be local and county tax sources. This amount is to be determined by dividing local and county tax sources in the Incidental Fund by total revenue in the Incidental Fund. Commencing with the 2006-2007 fiscal year, the formula provides that certificated staff compensation now includes the costs of public school retirement and Medicare for those staff members. These items were previously paid from the Incidental Fund.

Failure to satisfy the deposit and expenditure requirements applicable to the Teachers’ Fund will result in a deduction of the amount of the expenditure shortfall from a district’s basic formula State Aid for the following year, unless the district receives an exemption from the State Board of Education.

A school board may transfer any portion of the unrestricted balance remaining in the Incidental Fund to the Teachers’ Fund. Any district that uses a transfer from the Incidental Fund to pay for more than 25% of the annual certificated compensation obligation of the district, and has an Incidental Fund balance on June 30 in any year in excess of 50% of the combined Incidental and Teachers’ Fund expenditures for the fiscal year just ended, will be required to transfer the excess from the Incidental Fund to the Teachers’ Fund.

***Limited Sources of Funds for Capital Expenditures.*** School districts may only pay for capital outlays from the Capital Projects Fund. Sources of revenues in the Capital Projects Fund are limited to: (1) proceeds of general obligation bonds (which are repaid from a Debt Service Fund levy) and lease financings; (2) revenue from the school district’s local property tax levy for the Capital Projects Fund; (3) certain permitted transfers from the Incidental Fund; and (4) a portion of the funds distributed to school districts from the Classroom Trust Fund.

***Capital Projects Fund Levy.*** Prior to setting tax rates for the Incidental and Teachers’ Funds, each school district must annually set the tax rate for the Capital Projects Fund as necessary to meet the expenditures

of the Capital Projects Fund for capital outlays, except that the tax rate set for the Capital Projects Fund may not be in an amount that would result in the reduction of the equalized combined tax rates for the Incidental and Teachers' Funds to an amount below \$2.75. The District does not currently levy a property tax for its Capital Projects Fund.

***Transfers from the Incidental Fund to the Capital Projects Fund.*** In addition to money generated from the Capital Projects Fund levy, each school district may transfer money from the Incidental Fund to the Capital Projects Fund for certain purposes, including: (1) the amount to be expended for transportation equipment that is considered an allowable cost under the state board of education rules for transportation reimbursements during the current year; (2) the amount necessary to satisfy obligations of the Capital Projects Fund for state-approved area vocational-technical schools; (3) current year obligations for lease-purchase obligations entered into prior to January 1, 1997; (4) the amount necessary to repay costs of one or more guaranteed energy savings performance contracts to renovate buildings in the school district, provided that the contract specified that no payment or total of payments shall be required from the school district until at least an equal total amount of energy and energy-related operating savings and payments from the vendor pursuant to the contract have been realized; and (5) to satisfy current year capital project expenditures, an amount not to exceed the greater of (a) \$162,326 or (b) seven percent (7%) of the State Adequacy Target (see "***State Adequacy Target***" above) times the district's Weighted ADA. The District made no transfer from the Incidental Fund to the Capital Projects Fund under this provision during the 2017-2018 fiscal year.

***Transfers from Incidental Fund to Debt Service Fund and/or Capital Projects Fund.*** If a school district is not using the \$162,326 or seven percent (7%) transfer discussed in parts (5)(a) and (5)(b) of the prior paragraph and is not making payments on lease purchases pursuant to Section 177.088, RSMo, then the school district may transfer from the Incidental Fund to the Debt Service and/or the Capital Projects Fund the greater of (1) the State Aid received in the 2005-2006 school year as a result of no more than eighteen (18) cents of the sum of the Debt Service Fund levy and Capital Projects Fund levy used in the foundation formula and placed in the Capital Projects Fund or Debt Service Fund, or (2) five percent (5%) of the State Adequacy Target (see "***State Adequacy Target***" above) times the district's Weighted ADA. The District made no transfer from the Incidental Fund to the Capital Projects Fund under this provision during the 2017-2018 fiscal year.

### **Fund Balances Summary**

The following Summary Statement of Revenues, Expenditures and Changes in Fund Balances was prepared from the District's audited financial statements for the fiscal years ended June 30, 2014 through 2018. The statement set forth below should be read in conjunction with the other financial statements and notes set forth in ***Appendix B*** of this Official Statement and the financial statements on file at the District's office.

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**Summary Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds**

|   | <u>2014</u>                             | <u>2015</u>                             | <u>2016</u>                                | <u>2017</u>                          | <u>2018</u>                             |
|---|---|---|--|--------------------------------------|---|
| <b>General (Incidental) Fund</b>        |   |   |  |                                      |   |
| Balance—Beginning of Year               | \$19,211,481                            | \$23,135,958                            | \$22,205,436                               | \$20,203,734                         | \$22,156,926                            |
| Revenues                                | 30,024,496                              | 30,312,364                              | 31,815,486                                 | 33,026,767                           | 31,120,526                              |
| Expenditures                            | (23,757,185)                            | (25,729,616)                            | (26,617,977)                               | (27,008,669)                         | (29,237,927)                            |
| Transfers In (Out)                      | <u>(2,342,834)</u>                      | <u>(5,513,270)</u>                      | <u>(7,199,211)</u>                         | <u>(4,064,906)</u>                   | <u>(2,249,712)</u>                      |
| Balance—End of Year                     | <u>\$23,135,958</u>                     | <u>\$22,205,436</u>                     | <u>\$20,203,734</u>                        | <u>\$22,156,926</u>                  | <u>\$21,789,813</u>                     |
| <b>Special Revenue (Teachers') Fund</b> |   |   |  |                                      |   |
| Balance—Beginning of Year               | \$ 0                                    | \$ 0                                    | \$ 0                                       | \$ 0                                 | \$ 0                                    |
| Revenues                                | 33,149,690                              | 34,200,322                              | 34,214,757                                 | 35,082,755                           | 38,680,139                              |
| Expenditures                            | (35,492,524)                            | (37,302,064)                            | (38,872,316)                               | (39,147,661)                         | (40,929,851)                            |
| Transfers In (Out)                      | <u>2,342,834</u>                        | <u>3,101,742</u>                        | <u>4,657,559</u>                           | <u>4,064,906</u>                     | <u>2,249,712</u>                        |
| Balance—End of Year                     | <u>\$ 0</u>                             | <u>\$ 0</u>                             | <u>\$ 0</u>                                | <u>\$ 0</u>                          | <u>\$ 0</u>                             |
| <b>Debt Service Fund</b>                |   |   |  |                                      |   |
| Balance—Beginning of Year               | \$ 6,121,259                            | \$ 6,446,500                            | \$ 7,465,151                               | \$ 7,952,277                         | \$ 9,719,704                            |
| Revenues                                | 39,504,692 <sup>(1)</sup>               | 8,656,604                               | 19,932,058 <sup>(1)</sup>                  | 10,435,720                           | 11,508,022                              |
| Expenditures                            | (39,179,451) <sup>(2)</sup>             | (7,637,953)                             | (19,444,932) <sup>(2)</sup>                | (8,668,293)                          | (8,966,838)                             |
| Transfers In (Out)                      | <u>0</u>                                | <u>0</u>                                | <u>0</u>                                   | <u>0</u>                             | <u>0</u>                                |
| Balance—End of Year                     | <u>\$ 6,446,500<sup>(1)(2)</sup></u>    | <u>\$ 7,465,151</u>                     | <u>\$ 7,952,277<sup>(1)(2)</sup></u>       | <u>\$ 9,719,704</u>                  | <u>\$12,260,888</u>                     |
| <b>Capital Projects Fund</b>            |   |   |  |                                      |   |
| Balance—Beginning of Year               | \$ 4,319,530                            | \$ 3,257,064                            | \$32,928,519                               | \$19,990,841                         | \$ 6,786,240                            |
| Revenues                                | 1,401,392 <sup>(3)</sup>                | 37,287,901 <sup>(3)(4)</sup>            | 2,303,534 <sup>(3)(6)</sup>                | 3,911,210 <sup>(3)(6)</sup>          | 6,265,639 <sup>(3)(6)(7)</sup>          |
| Expenditures                            | (2,463,858)                             | (10,027,974) <sup>(5)</sup>             | (17,782,864)                               | (17,115,811)                         | (8,402,716)                             |
| Transfers In (Out)                      | <u>0</u>                                | <u>2,411,528</u>                        | <u>2,541,652</u>                           | <u>0</u>                             | <u>0</u>                                |
| Balance—End of Year                     | <u>\$ 3,257,064<sup>(3)</sup></u>       | <u>\$32,928,519<sup>(3)(4)(5)</sup></u> | <u>\$19,990,841<sup>(3)(6)</sup></u>       | <u>\$ 6,786,240<sup>(3)(6)</sup></u> | <u>\$4,649,163<sup>(3)(6)(7)</sup></u>  |
| <b>Total Governmental Funds</b>         |   |   |  |                                      |   |
| Balance—Beginning of Year               | \$29,652,270                            | \$32,839,522                            | \$62,599,106                               | \$48,146,852                         | \$38,662,870                            |
| Revenues                                | 104,080,270 <sup>(1)(3)</sup>           | 110,457,191 <sup>(3)(4)</sup>           | 88,265,835 <sup>(1)(3)(6)</sup>            | 82,456,452 <sup>(3)(6)</sup>         | 87,574,326 <sup>(3)(6)(7)</sup>         |
| Expenditures                            | (100,893,018) <sup>(2)</sup>            | (80,697,607) <sup>(5)</sup>             | (102,718,089) <sup>(2)</sup>               | (91,940,434)                         | (87,537,332)                            |
| Transfers In (Out)                      | <u>0</u>                                | <u>0</u>                                | <u>0</u>                                   | <u>0</u>                             | <u>0</u>                                |
| Balance—End of Year                     | <u>\$32,839,522<sup>(1)(2)(3)</sup></u> | <u>\$62,599,106<sup>(3)(4)(5)</sup></u> | <u>\$48,146,852<sup>(1)(2)(3)(6)</sup></u> | <u>\$38,662,870<sup>(3)(6)</sup></u> | <u>\$38,699,864<sup>(3)(6)(7)</sup></u> |

(1) Includes proceeds from the sale of general obligation refunding bonds.

(2) Includes deposit of refunding bonds with escrow agent.

(3) Includes proceeds from the sale of property.

(4) Includes proceeds from the sale of general obligation bonds.

(5) Includes prepayment of the District's Lease Participation Certificates, Series 2011 and Lease Participation Certificates, Series 2013.

(6) Includes proceeds from the delivery of the Series 2016 Certificates.

(7) Includes proceeds from the delivery of the Series 2017 Certificates.

Source: District's Audited Financial Statements for fiscal years ended June 30, 2014 through 2018.

**Risk Management**

**General.** The District is exposed to various risks of loss from, among things, tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains several policies of insurance, providing coverage that includes casualties to the District's facilities and general liability insurance, which policies are subject to certain deductible clauses. The District also maintains



a partially self-funded medical health care plan covering substantially all of its employees. There has been no significant reduction in insurance coverage from the previous year.

**Self-Funded Insurance.** The District has an employee health self-insurance program. For additional information regarding the District's employee health self-insurance program, see Note 9 to the District's financial statements included in *Appendix B* to this Official Statement.

## **Pension and Employee Retirement Plans**

**General.** The District contributes to two cost-sharing multiple-employer defined benefit pension plans on behalf of its employees: (1) The Public School Retirement System of Missouri ("**PSRS**"), which provides retirement, disability and death benefits to full-time (and certain part-time) certificated employees of school districts and certain other educational entities in Missouri and employees of certain related employers; and (2) The Public Education Employee Retirement System of Missouri ("**PEERS**"), which provides retirement and disability benefits to employees of school districts and certain other educational entities in Missouri and of certain related employers who work 20 or more hours per week and do not contribute to PSRS. Benefit provisions relating to both PSRS and PEERS are set forth in Chapter 169, RSMo. The statutes assign responsibility for the administration of both plans to a seven-member Board of Trustees of PSRS (the "**PSRS Board**"). PSRS and PEERS had 533 and 530 contributing employers, respectively, during the fiscal year ended June 30, 2018.

PSRS and PEERS issue a publicly available financial report that includes financial statements and required supplementary information. The PSRS/PEERS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018 (the "**2018 PSRS/PEERS CAFR**"), the comprehensive financial report for the plans, is available at [www.psr-peers.org/Investments/Annual-Report](http://www.psr-peers.org/Investments/Annual-Report). The link to the 2018 PSRS/PEERS CAFR is provided for general background information only, and the information in the 2018 PSRS/PEERS CAFR is not incorporated by reference herein. The 2018 PSRS/PEERS CAFR provides detailed information about PSRS and PEERS, including their respective financial positions, investment policy and performance information, actuarial information and assumptions affecting plan design and policies and certain statistical information about the plans.

**PSRS and PEERS Contributions.** Employees who contribute to PSRS are not eligible to make Social Security contributions, except in limited circumstances. For the fiscal year ended June 30, 2018, PSRS contributing employees were required to contribute 14.5% of their annual covered salary and their employers, including the District, were required to contribute a matching amount of 14.5% of each contributing employee's covered salary. The contribution requirements of members and the District are established (and may be amended) by the PSRS Board based on the recommendation of an independent actuary. State statute prohibits the PSRS Board from approving an increase greater than 1.0% in aggregate of PSRS contributing member covered pay of the previous year.

Employees who contribute to PEERS are eligible to make Social Security contributions. For the fiscal year ended June 30, 2018, PEERS contributing employees were required to contribute 6.86% of their annual covered salary and their employers, including the District, were required to contribute a matching amount of 6.86% of each contributing employee's covered salary. The contribution requirements of members and the District are established (and may be amended) by the PSRS Board based on the recommendation of an independent actuary. State statute prohibits the PSRS Board from approving an increase greater than 0.5% in aggregate of PEERS contributing member covered pay of the previous year.

**PSRS and PEERS Funded Status.** PSRS and PEERS reported funded ratios of 84.0% and 86.1%, respectively, as of June 30, 2018, according to the 2018 PSRS/PEERS CAFR. Funded ratios are intended to estimate the ability of current plan assets to satisfy projected future liabilities. The PSRS and PEERS funded ratios are determined by dividing the smoothed actuarial value of plan assets by the plan's actuarial accrued liability determined under the entry age normal cost method with normal costs calculated as a level percentage

of payrolls, along with certain actuarial assumptions based on an experience study conducted in 2016. PSRS and PEERS amortize unfunded actuarial liabilities using a closed 30-year method. Additional assumptions and methods used to determine the actuarial funded status of PSRS and PEERS are set forth in the Actuarial Section of the 2018 PSRS/PEERS CAFR. The funding objective of each plan, as stated in each plan's Actuarial Funding Policy, is to achieve a funded ratio of 100% over a closed 30-year period.

The following provides a historical comparison of actual employer contributions to actuarially determined contributions and the historical funded status for the plans for the years shown.

**Schedule of Employer Contributions**

| Year Ended June 30, | PSRS                                |                               |  | PEERS                               |                               |  |
|---------------------|-------------------------------------|-------------------------------|--|-------------------------------------|-------------------------------|--|
|                     | Actuarially Determined Contribution | Actual Employer Contributions | Contribution Excess/ (Deficiency) <sup>(1)</sup> | Actuarially Determined Contribution | Actual Employer Contributions | Contribution Excess/ (Deficiency) <sup>(1)</sup> |
| 2018                | \$533,062,186                       | \$696,970,397                 | \$163,908,211                                    | \$ 97,653,104                       | \$115,103,143                 | \$17,450,039                                     |
| 2017                | 642,821,624                         | 684,857,718                   | 42,036,094                                       | 108,807,233                         | 111,239,585                   | 2,432,352  |
| 2016                | 643,155,536                         | 669,953,683                   | 26,798,147                                       | 104,011,593                         | 106,654,638                   | 2,643,045  |
| 2015                | 666,438,984                         | 656,924,899                   | (9,514,085)                                      | 105,739,092                         | 103,624,310                   | (2,114,782)                                      |
| 2014                | 608,459,393                         | 643,989,869                   | 35,530,476                                       | 98,497,846                          | 100,699,735                   | 2,201,889  |

<sup>(1)</sup> The annual statutory increase in the total contribution rate may not exceed 1.0% of pay for PSRS and 0.5% of pay for PEERS. The limitation on contribution increases resulted in a deficiency for some of the years presented. Contributions were funded to the maximum statutory limit each year.

Source: "Schedules of Employer Contributions" in the Financial Section of the 2018 PSRS/PEERS CAFR.

**Schedule of Funding Progress**

*(Dollar amounts in thousands)*

| Year Ended June 30, | PSRS                      |                             |              | PEERS                     |                             |              |
|---------------------|---------------------------|-----------------------------|--------------|---------------------------|-----------------------------|--------------|
|                     | Actuarial Value of Assets | Actuarial Accrued Liability | Funded Ratio | Actuarial Value of Assets | Actuarial Accrued Liability | Funded Ratio |
| 2018                | \$39,211,452              | \$46,702,002                | 84.0%        | \$4,774,781               | \$5,542,478                 | 86.1%        |
| 2017                | 37,373,740                | 44,501,771                  | 84.0         | 4,470,270                 | 5,209,369                   | 85.8         |
| 2016                | 35,419,278                | 41,744,619                  | 84.8         | 4,157,427                 | 4,809,666                   | 86.4         |
| 2015                | 34,073,415                | 40,610,540                  | 83.9         | 3,915,199                 | 4,512,317                   | 86.8         |
| 2014                | 31,846,599                | 38,483,184                  | 82.8         | 3,584,719                 | 4,211,489                   | 85.1         |

Source: "Schedule of Funding Progress" in the Actuarial Section of the 2018 PSRS/PEERS CAFR.

As stated in the GASB 68 footnote disclosure prepared by PSRS and PEERS and provided to the District, the District's contributions to PSRS and PEERS for the years shown were as follows:

**District Contributions to PSRS and PEERS**

| Year Ended<br>June 30, | PSRS                                  |                                | PEERS                                 |                                |
|------------------------|---------------------------------------|--------------------------------|---------------------------------------|--------------------------------|
|                        | Annual<br>Contribution <sup>(1)</sup> | Contribution<br>(% of Payroll) | Annual<br>Contribution <sup>(1)</sup> | Contribution<br>(% of Payroll) |
| 2017                   | \$4,855,890                           | 14.41%                         | \$636,127                             | 6.86%                          |
| 2016                   | 4,834,261                             | 14.41                          | 616,699                               | 6.86                           |
| 2015                   | 4,611,302                             | 14.34                          | 611,183                               | 6.86                           |
| 2014                   | 4,342,197                             | 14.32                          | 600,457                               | 6.86                           |
| 2013                   | 4,225,097                             | 14.36                          | 564,065                               | 6.86                           |

<sup>(1)</sup> The annual contributions equaled the amounts required by the PSRS Board for each year.

Source: District's Audited Financial Statements; Financial Statement Information Related to the Public School and Education Employee Retirement Systems of Missouri, prepared by PSRS and PEERS in about June 2017 for the District (Unaudited).

The District's contribution to PSRS and PEERS during the fiscal year ended June 30, 2018 constituted approximately 6.49% of the District's total expenditures during the fiscal year. The District will be required to contribute 14.5% of covered payroll for PSRS contributing employees and 6.86% of covered payroll for PEERS contributing employees during the fiscal years ending June 30, 2019 and June 30, 2020, equal to the contribution percentages for the fiscal year ended June 30, 2018.

***Estimated Proportionate Share of PSRS/PEERS Liability.*** The District has not implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, because the District's financial statements are prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting different from accounting principles generally accepted in the United States of America. PSRS and PEERS, however, have implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*. Accordingly, PSRS and PEERS are required annually to provide each contributing Missouri school district reports estimating each district's proportionate share of the net pension liability of PSRS and PEERS as of the end of the prior fiscal year. The estimate is computed for each district by multiplying the net pension liability of a plan (calculated by determining the difference between the plan's total pension liability and fiduciary net position) by a percentage reflecting the district's proportionate share of contributions to the plan during the fiscal year (calculated by dividing the District's actual contributions by the actual contributions of all participating employers for PSRS and PEERS, respectively, for the fiscal year ended June 30, 2018). At June 30, 2018 (measured as of June 30, 2017), the District's proportionate share of the net pension liability of PSRS and PEERS was \$51,258,386 and \$4,402,226, respectively, as determined by PSRS and PEERS on an accrual basis of accounting. At June 30, 2017, the District's contribution to PSRS and PEERS represented 0.7098% and 0.5770%, respectively, of the overall contributions to PSRS and PEERS during the fiscal year. In addition, for the year ended June 30, 2018, the district recognized pension expense of \$6,007,861 for PSRS and \$846,480 for PEERS, its proportionate share of the total pension expense. Detailed information about the calculation of the net pension liability of the plans, including information about the assumptions used, is available in the 2018 PSRS/PEERS CAFR.

The net pension liability of PSRS and PEERS is based on a 7.6% discount rate, which was also the assumed investment rate of return for the plans effective for the fiscal year ended June 30, 2018. PSRS and PEERS further advised the District that its proportionate share of the net pension liability using a 1.0% higher or lower discount rate at June 30, 2018 (measured as of June 30, 2017) would be as follows:

**Proportionate Share of Net Pension Liability Sensitivity**

|   | <b>1.0% Decrease<br/>(6.6%)</b> | <b>Current Discount Rate<br/>(7.6%)</b> | <b>1.0% Increase<br/>(8.6%)</b> |
|---|---------------------------------|---|---------------------------------|
| District’s proportionate share of PSRS net pension liability            | \$91,037,735                    | \$51,258,386                            | \$18,187,304                    |
| District’s proportionate share of PEERS net pension liability / (asset) | \$8,109,449                     | \$4,402,226                             | \$1,292,642                     |

For the fiscal year ended June 30, 2017, the PSRS Board revised the actuarial assumed rate of return from 8.0% to 7.75% along with several other revisions and changes in assumptions made by the PSRS Board in light of the actuarial experience studies and asset-liability study conducted in fiscal year 2016. For the fiscal year ended June 30, 2018, the PSRS Board revised the actuarial assumed rate of return from 7.75% to 7.6% and increased the assumption for cost-of-living adjustments for the June 30, 2017 valuations, which were relevant for the fiscal year ended June 30, 2018. For the fiscal year ending June 30, 2019, the PSRS Board has revised the actuarial assumed rate of return from 7.6% to 7.5% for the June 30, 2018 valuations, which are relevant for the fiscal year ending June 30, 2019.

For additional information regarding the District’s pensions and employee retirement plans, see Note 6 to the District’s financial statements included in *Appendix B* to this Official Statement. For additional information regarding PSRS and PEERS, see the 2018 PSRS/PEERS CAFR.

**Other Postemployment Benefits**

In addition to pensions, many state and local governments, including the District, provide other postemployment benefits (“OPEB”) as part of the total compensation offered to attract and retain the services of qualified employees. For information specific to the District’s OPEB obligations, including the District’s past contributions relative to its required contributions, its assumptions as to future healthcare and other costs and its unfunded actuarial accrued liability, see Note 8 to the District’s financial statements included in *Appendix B* to this Official Statement.

**PROPERTY TAX INFORMATION CONCERNING THE DISTRICT**

**Property Valuations**

*Assessment Procedure.* All taxable real and personal property within the District is assessed annually by the County Assessor. Missouri law requires that personal property be assessed at various levels up to 33-1/3% of true value and that real property be assessed at the following percentages of true value:

|   |     |
|---|-----|
| Residential real property .....   | 19% |
| Agricultural and horticultural real property.....                           | 12% |
| Utility, industrial, commercial, railroad and all other real property ..... | 32% |

A general reassessment of real property occurred statewide in 1985. In order to maintain equalized assessed valuations following this reassessment, the state legislature adopted a maintenance law in 1986. On January 1 in every odd-numbered year, the County Assessor must adjust the assessed valuation of all real property located within the county in accordance with a two-year assessment and equalization maintenance plan approved by the State Tax Commission.

The County Assessor is responsible for preparing the tax roll each year and for submitting the tax roll to the Board of Equalization. The County Board of Equalization has the authority to adjust and equalize the values of individual properties appearing on the tax rolls.

**Current Assessed Valuation.** The following table shows the total locally assessed valuation and the estimated actual valuation, by category, of all taxable tangible property situated in the District (excluding assessed valuation amounts attributable to state assessed railroad and utility property located within the District) according to the assessment for calendar year 2018 for property owned as of January 1, 2018, as adjusted and finalized through December 31, 2018.

| <u>Type of Property</u>          | <u>Total Assessed Valuation</u> | <u>Assessment Rate</u> | <u>Estimated Actual Valuation</u> | <u>% of Actual Valuation</u> |
|----------------------------------|---------------------------------|------------------------|-----------------------------------|------------------------------|
| <b>Real:</b>                     |                                 |                        |                                   |                              |
| Residential                      | \$ 859,557,180                  | 19.00%                 | \$4,523,985,158                   | 74.05%                       |
| Agricultural                     | 296,250                         | 12.00%                 | 2,468,750                         | 0.04                         |
| Commercial <sup>(1)</sup>        | <u>350,224,530</u>              | 32.00%                 | <u>1,094,451,656</u>              | <u>17.92</u>                 |
| <b>Total Real</b>                | <u>\$1,210,077,960</u>          |                        | <u>\$5,620,905,564</u>            | <u>92.01%</u>                |
| <b>Personal<sup>(1)</sup></b>    | <u>162,660,780</u>              | 33.33% <sup>(2)</sup>  | <u>487,982,828</u>                | <u>7.99</u>                  |
| <b>Total Real &amp; Personal</b> | <u>\$1,372,738,740</u>          |                        | <u>\$6,108,888,392</u>            | <u>100.00%</u>               |

<sup>(1)</sup> Includes locally assessed railroad and utility property.

<sup>(2)</sup> Assumes all personal property is assessed at 33 1/3%; because certain subclasses of tangible personal property are assessed at less than 33 1/3%, the estimated actual valuation for personal property would likely be greater than that shown above. See “*Assessment Procedure*” discussed above.

Source: St. Louis County Department of Revenue.

**History of Property Valuations.** The total assessed valuation of all taxable tangible property situated in the District (excluding assessed valuation amounts attributable to state assessed railroad and utility property located within the District) according to the assessments of January 1, as adjusted through December 31, in each of the following years has been as follows:

| <u>Calendar Year</u> | <u>Assessed Valuation</u> | <u>% Change</u> |
|----------------------|---------------------------|-----------------|
| 2018                 | \$1,372,738,740           | -0.97%          |
| 2017                 | 1,386,197,050             | +9.39           |
| 2016                 | 1,267,181,520             | +0.93           |
| 2015                 | 1,255,523,810             | +4.65           |
| 2014                 | 1,199,688,760             | N/A             |

Source: District’s Audited Financial Statements for the fiscal years ended June 30, 2014 through 2018 and St. Louis County Department of Revenue.

### Property Tax Levies and Collections

**Generally.** Property taxes are levied and collected for the District by the County, for which the County receives a collection fee of 1.5% of the gross tax collections made.

The District is required by law to prepare an annual budget, which includes an estimate of the amount of revenues to be received from all sources for the budget year, including an estimate of the amount of money

required to be raised from property taxes and the tax levy rates required to produce such amounts. The budget must also include proposed expenditures and must state the amount required for the payment of interest, amortization and redemption charges on the District's debt for the ensuing budget year. Such estimates are based on the assessed valuation figures provided by the County Clerk. As required under SB 711 (discussed below), the District must informally project nonbinding tax levies for the year and return such projected tax levies to the County Clerk in April. The District must fix its ad valorem property tax rates and certify them to the County Clerk no later than September 1 for entry in the tax books. Taxes are levied at the District's tax rate per \$100 of assessed valuation. The Missouri State Auditor is responsible for reviewing the rate of tax to ensure that it does not exceed constitutional rate limits.

Real and personal property within the District is assessed by the County Assessor. The County Assessor is responsible for preparing the tax rolls each year and for submitting tax rolls to the Board of Equalization of the County. The Board of Equalization has the authority to question and determine the proper value of property and then adjust and equalize individual properties appearing on the tax rolls. After local appeal procedures have been completed, the books are finalized and sent to the County Collector. The County Collector extends the taxes on the tax rolls and issues the tax statements in early December.

The County Collector is required to make disbursements of collected taxes to the District each month. Because of the tax collection procedure described above, the District receives the bulk of its moneys from local property taxes in the months of December, January and February.

***District's Rights in Event of Tax Delinquency.*** Taxes are due by December 31 and become delinquent if not paid to the County Collector by that time. All tracts of land and city lots on which delinquent taxes are due are charged with a penalty of 18% of each year's delinquency. Taxes on real estate become delinquent on January 1, and the County Collector is required to enforce the State's lien by offering the property for sale in August. If the offering does not produce a bid equal to the delinquent taxes plus interest, penalty and costs, the property is offered for sale again the following year. If the second offering also does not produce a bid adequate to cover the amount due, the property is sold the following year to the highest bidder. Tax sales at the first or second offerings are subject to the owner's redemption rights. Delinquent personal property taxes constitute a debt of the person assessed with the taxes, and a personal judgment can be rendered for such taxes against the debtor. Personal property taxes become delinquent on January 1. Collection suits may be commenced on or after February 1 and must be commenced within three years.

### **Tax Abatement and Tax Increment Financing**

Under state law, tax abatement is available for redevelopers of areas determined by the governing body of a city to be "blighted." The Land Clearance for Redevelopment Authority Law authorizes ten-year tax abatement pursuant to Sections 99.700 to 99.715, RSMo. In lieu of ten-year tax abatement, a redeveloper that is an urban redevelopment corporation formed pursuant to Chapter 353, RSMo, may seek real property tax abatement for a total period of 25 years. In addition, Chapter 100, RSMo and Article VI Section 27(b) of the Missouri Constitution authorize real and personal property tax abatement for corporations for certain projects. For additional information regarding tax abatement within the District, see Note 5 to the District's financial statements included in *Appendix B* to this Official Statement.

In addition, the Real Property Tax Increment Allocation Redevelopment Act, Sections 99.800 to 99.865, RSMo, makes available tax increment financing for redevelopment projects in certain areas determined by the governing body of a city or county to be a "blighted area," "conservation area" or "economic development area," each as defined in such statute. Currently, certain portions of the District are located in tax increment financing redevelopment areas ("**TIF Redevelopment Areas**"). Tax increment financing does not diminish the amount of property tax revenues collected by the District in an affected area compared to prior to the establishment of a TIF Redevelopment Area but instead acts to freeze such revenues at current levels (the "**Base**") and deprives the District and other taxing districts of all or part of future increases in ad valorem real property tax revenues that otherwise would have resulted from increases in assessed valuation above the Base (the "**TIF Increment**"). The

TIF Increment is captured by the TIF Redevelopment Areas until the tax increment financing obligations issued are repaid or the tax increment financing period terminates.

According to the County Assessor's office, the assessed valuation of the property within the TIF Redevelopment Areas within the District was at or below the Base for the past five years. For additional information regarding tax increment financing within the District, see Note 5 to the District's financial statements included in *Appendix B* to this Official Statement.

## Tax Rates

**Debt Service Levy.** The District's debt service levy for the 2018-2019 fiscal year is \$0.8330 per \$100 of assessed valuation. Once indebtedness has been approved by the requisite number of voters voting therefor and bonds are issued, the District is required under Article VI, Section 26(f) of the Missouri Constitution to levy an annual tax on all taxable tangible property therein sufficient to pay the interest and principal of the indebtedness as they fall due and to retire the same within 20 years from the date of issue. The Board of Education may set the tax rate for debt service, without limitation as to rate or amount, at the level required to make such payments.

**Operating Levy.** The operating tax levy of a school district (consisting of all ad valorem taxes levied except the debt service levy) cannot exceed the "**tax rate ceiling**" for the current year without voter approval. The tax rate ceiling, determined annually, is the rate of levy that, when charged against a district's assessed valuation for the current year, excluding new construction and improvements, will produce an amount of tax revenues equal to tax revenues for the previous year increased by the lesser of actual assessment growth, 5% or the Consumer Price Index.

Under Article X, Section 11(b) of the Missouri Constitution, a school district may increase its operating levy up to \$2.75 per \$100 of assessed valuation without voter approval. Any increase above \$2.75, however, must be approved by a majority of the voters voting on the proposition. Further, pursuant to Article X, Section 11(c) of the Missouri Constitution, any increase above \$6.00 must be approved by two-thirds of the voters voting on the proposition. Without the required percentage of voter approval, the tax rate ceiling cannot at any time exceed the greater of the tax rate in effect in 1980 or the most recent voter-approved tax rate (as adjusted pursuant to the provisions of the Hancock Amendment and SB 711, more fully explained below).

Article X, Section 22(a) of the Missouri Constitution (commonly known as the "**Hancock Amendment**"), approved in 1980, places limitations on total state revenues and the levying or increasing of taxes without voter approval. The Missouri Supreme Court has interpreted the definition of "total state revenues" to exclude voter-approved tax increases. The Hancock Amendment also includes provisions for rolling back tax rates. If the assessed valuation of property, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the Consumer Price Index from the previous year (or 5%, if greater), the maximum authorized current levy must be reduced to yield the same gross revenue from existing property, adjusted for changes in the Consumer Price Index, as could have been collected at the existing authorized levy on the prior assessed value. This reduction is often referred to as a "**Hancock rollback**."

In 2008, through the enactment of Senate Bill 711 ("**SB 711**"), the Missouri General Assembly approved further limitations on the amount of property taxes that can be imposed by a local governmental unit. Prior to the enactment of SB 711, a Hancock rollback would not necessarily result in a reduction of a district's *actual* operating tax levy if its current tax levy was less than its current tax levy *ceiling*, due to the district's voluntary rollback from the maximum authorized tax levy. Under SB 711, in reassessment years (odd-numbered years), the Hancock rollback is applied to a district's *actual* operating tax levy, regardless of whether that levy is at the district's tax levy *ceiling*. This further reduction is sometimes referred to as an "**SB 711 rollback**." In non-reassessment years (even-numbered years), the operating levy may be increased to the district's tax levy ceiling (as adjusted by the Hancock rollback), only after a public hearing and adoption of a resolution or policy statement justifying the action.

Under the provisions of an initiative petition adopted by the voters of Missouri on November 2, 1982, commonly known as “**Proposition C,**” revenues generated by a 1% state sales tax are credited to a special trust fund for school districts and are deemed to be “local” revenues for school district accounting purposes. Proposition C revenues are distributed to each school district within the State on the basis of eligible pupils. Under Proposition C, after determining its budget and the levy rate needed to produce required revenues to fund the budget, a school district must reduce the operating levy by an amount sufficient to decrease the revenues it would have received therefrom by an amount equal to 50% of the revenues received through Proposition C during the prior year. School districts may submit propositions to voters to forgo all or a part of the reduction in the operating levy that would otherwise be required under the terms of Proposition C. The District’s voters previously approved a proposition to forgo all of the reduction in the operating levy which would otherwise be required under the terms of Proposition C which allows the District to levy up to its tax rate ceiling.

For the current fiscal year ending June 30, 2019, the District’s operating levy (all funds except the debt service fund levy) is \$3.5025 per \$100 of assessed valuation, which is equal to the District’s tax rate ceiling for said fiscal year.

The tax levy for debt service on the District’s general obligation bonds is exempt from the calculations of and limitations upon the tax rate ceiling.

**History of Tax Levies**

The following table shows the District’s tax levies (per \$100 of assessed valuation) for each of the following years:

| <b>Fiscal Year<br/>Ended<br/>June 30</b> | <b>General<br/>Incidental<br/>Fund</b> | <b>Special Revenue<br/>Teachers’<br/>Fund</b> | <b>Debt<br/>Service<br/>Fund</b> | <b>Capital<br/>Projects<br/>Fund</b> | <b>Total<br/>Levy</b> |
|--|--|---|----------------------------------|--------------------------------------|-----------------------|
| 2018                                     | \$1.2000                               | \$2.2431                                      | \$0.7900                         | \$0.0000                             | \$4.2331              |
| 2017                                     | 1.5000                                 | 2.1731  | 0.7730                           | 0.0000                               | 4.4461                |
| 2016                                     | 1.5000                                 | 2.1754  | 0.7530                           | 0.0000                               | 4.4284                |
| 2015                                     | 1.5000                                 | 2.3100  | 0.6830                           | 0.0000                               | 4.4930                |
| 2014                                     | 1.5000                                 | 2.2579  | 0.4730                           | 0.0000                               | 4.2309                |

*Source:* District’s Annual Secretary of the Board Reports for fiscal years ended June 30, 2014 through 2018.

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## Tax Collection Record

Taxes are levied based on the assessed valuation following Board of Equalization review, which typically occurs in August. As a result of resolution of tax cases, the addition of undeclared personal property and other changes in assessment following Board of Equalization review, tax bills may be changed following the original levy and some taxpayers may be obligated to pay additional taxes or pay less taxes. The following table sets forth tax collection information for the District in each of the following years:

| Fiscal Year<br>Ended<br><u>June 30</u> | Total Levy<br>(per \$100 of<br>Assessed<br>Value) | Assessed<br>Valuation | Total Taxes<br>Levied <sup>(1)</sup> | Current                          |        | Current and<br>Delinquent        |        |
|--|---|-----------------------|--------------------------------------|----------------------------------|--------|----------------------------------|--------|
|  |   |                       |                                      | <u>Taxes Collected</u><br>Amount | %      | <u>Taxes Collected</u><br>Amount | %      |
| 2018                                   | \$4.2331  | \$1,386,197,050       | \$58,679,107                         | \$56,114,306                     | 95.63% | \$56,114,306                     | 95.63% |
| 2017                                   | 4.4461  | 1,267,181,520         | 56,340,158                           | 54,689,483                       | 97.07  | 55,055,990                       | 97.72  |
| 2016                                   | 4.4284  | 1,255,523,810         | 55,599,616                           | 53,971,370                       | 97.07  | 54,032,334                       | 97.18  |
| 2015                                   | 4.4930  | 1,199,688,760         | 53,902,016                           | 52,335,497                       | 97.09  | 52,605,167                       | 97.59  |
| 2014                                   | 4.2309  | 1,190,326,610         | 50,361,529                           | 48,812,146                       | 96.92  | 49,355,883                       | 98.00  |

<sup>(1)</sup> Total Taxes Levied are based on assessed valuation as of December 31 of each year and are calculated by dividing Assessed Valuation by 100 and multiplying by the Total Levy.

Source: District's Annual Secretary of the Board Reports for fiscal years ended June 30, 2014 through 2018.

## Major Property Taxpayers

The following table sets forth a list of the largest property taxpayers in the District based on the valuation of property owned as of January 1, 2018, as adjusted through December 31, 2018. The District has not independently verified the accuracy or completeness of such information.

| <u>Owner</u>                          | <u>Type of Use</u>       | <u>Assessed<br/>Valuation</u> | <u>Percentage of<br/>Total Assessed<br/>Valuation</u> |
|---------------------------------------|--------------------------|-------------------------------|---|
| 1. Sunset Hills Owner LLC             | Shopping Center          | \$15,279,660                  | 1.11%   |
| 2. Friendship Village of South County | Senior Living Community  | 9,500,000                     | 0.69  |
| 3. Missouri American Water Company    | Utility                  | 8,881,990                     | 0.65  |
| 4. Gravois Bluffs III LLC             | Shopping Center          | 8,663,670                     | 0.63  |
| 5. NHP/MCSHANE SAMC LLC               | Medical Center           | 7,654,720                     | 0.56  |
| 6. Gravois Bluffs II LLC              | Shopping Center          | 6,718,550                     | 0.49  |
| 7. Summit at Gravois Bluffs LLC       | Shopping Center          | 6,638,630                     | 0.48  |
| 8. Gravois Bluffs LLC                 | Shopping Center          | 5,506,080                     | 0.40  |
| 9. Fenton Development LLC             | Shopping Center          | 5,087,240                     | 0.37  |
| 10. EAN Holdings LLC                  | Property Holding Company | <u>4,739,030</u>              | <u>0.35</u>   |
| Total                                 |                          | <u>\$78,669,570</u>           | <u>5.73%</u>  |

Source: St. Louis County Department of Revenue.

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**LINDBERGH SCHOOLS**

**FINANCIAL STATEMENTS**

**June 30, 2018**

# LINDBERGH SCHOOLS

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## **Independent Auditors' Report**

Board of Education  
Lindbergh Schools

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Lindbergh Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Lindbergh Schools' 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 of 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 modified cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lindbergh Schools as of June 30, 2018, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lindbergh Schools' basic financial statements. The supplementary information and schedule of selected statistics are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *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 supplementary information on pages 26-34, and schedule of selected statistics on pages 36-39, 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.

The schedule of expenditures of federal awards on page 45 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2018, on our consideration of the Lindbergh Schools' 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 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 Lindbergh Schools' internal control over financial reporting and compliance.

*Keiser, Eck & Braeckel LLP*

St. Louis, Missouri  
September 25, 2018

# LINDBERGH SCHOOLS

## STATEMENT OF NET POSITION - MODIFIED CASH BASIS

June 30, 2018

|                                    | <u>Governmental<br/>activities</u> |
|------------------------------------|------------------------------------|
| ASSETS                             |                                    |
| Cash and investments               | \$ 42,993,335                      |
| Restricted cash and investments    | <u>1,335,029</u>                   |
| TOTAL ASSETS                       | <u><u>\$ 44,328,364</u></u>        |
| LIABILITIES                        |                                    |
| Payroll withholdings               | \$ 2,387,015                       |
| NET POSITION                       |                                    |
| Restricted for:                    |                                    |
| Debt service                       | 12,260,888                         |
| Capital projects                   | 1,335,029                          |
| Unrestricted                       | <u>28,345,432</u>                  |
| Total net position                 | <u><u>41,941,349</u></u>           |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 44,328,364</u></u>        |

See notes to financial statements.

**LINDBERGH SCHOOLS**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**Year ended June 30, 2018**

| Function/Program  | Expenses             | Program revenues     |                                    |                                  | Net (expense)                       |
|---|----------------------|----------------------|------------------------------------|----------------------------------|-------------------------------------|
|   |                      | Charges for services | Operating grants and contributions | Capital grants and contributions | revenue and changes in net position |
|   |                      |                      |                                    |                                  | Total governmental activities       |
| <b>Governmental activities</b>                                    |                      |                      |                                    |                                  |                                     |
| Instruction   | \$ 39,352,169        | \$ 1,839,097         | \$ 17,936                          | \$ -                             | \$ (37,495,136)                     |
| Attendance  | 134,123              | -                    | -                                  | -                                | (134,123)                           |
| Guidance  | 1,604,465            | 1,526                | 5,643                              | -                                | (1,597,296)                         |
| Health, psych, speech and audio                                   | 705,363              | -                    | -                                  | -                                | (705,363)                           |
| Improvement of instruction  | 710,264              | -                    | 17,644                             | -                                | (692,620)                           |
| Professional development  | 105,551              | -                    | -                                  | -                                | (105,551)                           |
| Media services  | 1,092,106            | -                    | -                                  | -                                | (1,092,106)                         |
| Board of education services                                       | 464,508              | -                    | -                                  | -                                | (464,508)                           |
| Executive administration  | 4,973,262            | -                    | 91,559                             | -                                | (4,881,703)                         |
| Building level administration                                     | 3,629,186            | -                    | -                                  | -                                | (3,629,186)                         |
| Business central service  | 1,313,163            | -                    | -                                  | -                                | (1,313,163)                         |
| Operation of plant  | 7,880,164            | 1,359                | 1,721                              | -                                | (7,877,084)                         |
| Security services   | 258,278              | -                    | -                                  | -                                | (258,278)                           |
| Pupil transportation  | 2,632,435            | -                    | 342,836                            | -                                | (2,289,599)                         |
| Food services   | 2,608,862            | 1,863,762            | 656,589                            | -                                | (88,511)                            |
| Central office support services                                   | 64,544               | 22,084               | -                                  | -                                | (42,460)                            |
| Community services  | 3,791,483            | 4,225,351            | 179,411                            | -                                | 613,279                             |
| Facilities acquisition and construction                           | 7,392,907            | -                    | -                                  | -                                | (7,392,907)                         |
| Debt service:   |                      |                      |                                    |                                  |                                     |
| Principal   | 4,004,863            | -                    | -                                  | -                                | (4,004,863)                         |
| Interest and other charges  | 5,149,015            | -                    | -                                  | -                                | (5,149,015)                         |
| <b>Total governmental activities</b>                              | <b>\$ 87,866,711</b> | <b>\$ 7,953,179</b>  | <b>\$ 1,313,339</b>                | <b>\$ -</b>                      | <b>(78,600,193)</b>                 |
| <b>General revenues</b>   |                      |                      |                                    |                                  |                                     |
| Taxes   |                      |                      |                                    |                                  |                                     |
| Property taxes, levied for general purposes                       |                      |                      |                                    |                                  | 47,363,061                          |
| Property taxes, levied for debt service                           |                      |                      |                                    |                                  | 10,865,635                          |
| Other taxes   |                      |                      |                                    |                                  | 229,213                             |
| Prop C - sales tax  |                      |                      |                                    |                                  | 6,174,654                           |
| Federal, state and county aid not restricted to specific purposes |                      |                      |                                    |                                  | 7,280,414                           |
| Interest and investment earnings                                  |                      |                      |                                    |                                  | 782,305                             |
| Proceeds from certificates of participation                       |                      |                      |                                    |                                  | 4,415,576                           |
| Miscellaneous   |                      |                      |                                    |                                  | 1,221,248                           |
| <b>Total general revenues</b>                                     |                      |                      |                                    |                                  | <b>78,332,106</b>                   |
| <b>Decrease in net position</b>                                   |                      |                      |                                    |                                  | <b>(268,087)</b>                    |
| <b>Net position at July 1, 2017</b>                               |                      |                      |                                    |                                  | <b>42,209,436</b>                   |
| <b>Net position at June 30, 2018</b>                              |                      |                      |                                    |                                  | <b>\$ 41,941,349</b>                |

See notes to financial statements.

**LINDBERGH SCHOOLS**

**BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**

**June 30, 2018**

|  | General                     | Special<br>Revenue | Debt<br>Service             | Capital<br>Projects        | Total<br>Governmental<br>Funds |
|--|-----------------------------|--------------------|-----------------------------|----------------------------|--------------------------------|
| <b>ASSETS</b>                              |                             |                    |                             |                            |                                |
| Cash and investments                       | \$ 24,176,828               | \$ -               | \$ 12,260,888               | \$ 3,314,134               | \$ 39,751,850                  |
| Restricted cash and investments            | -                           | -                  | -                           | 1,335,029                  | 1,335,029                      |
| <b>TOTAL ASSETS</b>                        | <b><u>\$ 24,176,828</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 12,260,888</u></b> | <b><u>\$ 4,649,163</u></b> | <b><u>\$ 41,086,879</u></b>    |
| <b>LIABILITIES</b>                         |                             |                    |                             |                            |                                |
| Payroll withholdings                       | \$ 2,387,015                | \$ -               | \$ -                        | \$ -                       | \$ 2,387,015                   |
| <b>FUND BALANCES</b>                       |                             |                    |                             |                            |                                |
| Restricted for:                            |                             |                    |                             |                            |                                |
| Debt service                               | -                           | -                  | 12,260,888                  | -                          | 12,260,888                     |
| Prop G capital projects                    | -                           | -                  | -                           | 1,335,029                  | 1,335,029                      |
| Committed:                                 |                             |                    |                             |                            |                                |
| Scholarships                               | 70,408                      | -                  | -                           | -                          | 70,408                         |
| Assigned:                                  |                             |                    |                             |                            |                                |
| Other capital projects                     | -                           | -                  | -                           | 3,314,134                  | 3,314,134                      |
| Unassigned                                 | 21,719,405                  | -                  | -                           | -                          | 21,719,405                     |
| <b>Total fund balances</b>                 | <b><u>21,789,813</u></b>    | <b><u>-</u></b>    | <b><u>12,260,888</u></b>    | <b><u>4,649,163</u></b>    | <b><u>38,699,864</u></b>       |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b><u>\$ 24,176,828</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 12,260,888</u></b> | <b><u>\$ 4,649,163</u></b> | <b><u>\$ 41,086,879</u></b>    |

Reconciliation to Statement of Net Position

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

|   |                      |
|---|----------------------|
| Fund balances of governmental funds   | \$ 38,699,864        |
| Internal service funds are used by the District to charge the cost of insurance activities to individual funds. The net position of the internal service fund are included in governmental activities in the Statement of Net Position. | <u>3,241,485</u>     |
| Net position of governmental activities   | <u>\$ 41,941,349</u> |

See notes to financial statements.

**LINDBERGH SCHOOLS**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
Year ended June 30, 2018**

|   | General              | Special<br>Revenue | Debt<br>Service      | Capital<br>Projects | Total<br>Governmental<br>Funds |
|---|----------------------|--------------------|----------------------|---------------------|--------------------------------|
| <b>Revenues</b>                             |                      |                    |                      |                     |                                |
| Local sources                               | \$ 27,967,007        | \$ 35,122,311      | \$ 11,248,897        | \$ 79,273           | \$ 74,417,488                  |
| County sources                              | 323,578              | 670,452            | 259,125              | -                   | 1,253,155                      |
| State sources                               | 1,650,468            | 2,581,587          | -                    | 1,764,504           | 5,996,559                      |
| Federal sources                             | 1,179,473            | 34,871             | -                    | -                   | 1,214,344                      |
| Other sources                               | -                    | 270,918            | -                    | -                   | 270,918                        |
| Total revenues                              | <u>31,120,526</u>    | <u>38,680,139</u>  | <u>11,508,022</u>    | <u>1,843,777</u>    | <u>83,152,464</u>              |
| <b>Expenditures</b>                         |                      |                    |                      |                     |                                |
| Instruction                                 | 4,943,662            | 33,974,889         | -                    | 104,239             | 39,022,790                     |
| Attendance                                  | 134,123              | -                  | -                    | -                   | 134,123                        |
| Guidance                                    | 285,876              | 1,318,589          | -                    | -                   | 1,604,465                      |
| Health, psych speech and audio              | 705,363              | -                  | -                    | -                   | 705,363                        |
| Improvement of instruction                  | 183,525              | 526,739            | -                    | -                   | 710,264                        |
| Professional development                    | 105,551              | -                  | -                    | -                   | 105,551                        |
| Media services                              | 207,267              | 884,839            | -                    | -                   | 1,092,106                      |
| Board of education services                 | 464,508              | -                  | -                    | -                   | 464,508                        |
| Executive administration                    | 3,033,547            | 1,756,136          | -                    | 183,579             | 4,973,262                      |
| Building level administration               | 1,161,168            | 2,466,893          | -                    | 1,125               | 3,629,186                      |
| Business central services                   | 1,271,089            | 1,766              | -                    | 40,308              | 1,313,163                      |
| Operation of plant                          | 7,394,544            | -                  | -                    | 485,620             | 7,880,164                      |
| Security services                           | 258,278              | -                  | -                    | -                   | 258,278                        |
| Pupil transportation                        | 2,632,435            | -                  | -                    | -                   | 2,632,435                      |
| Food service                                | 2,602,416            | -                  | -                    | 6,446               | 2,608,862                      |
| Central office support services             | 64,544               | -                  | -                    | -                   | 64,544                         |
| Community services                          | 3,790,031            | -                  | -                    | 1,452               | 3,791,483                      |
| Facilities acquisition and construction     | -                    | -                  | -                    | 7,392,907           | 7,392,907                      |
| <b>Debt service:</b>                        |                      |                    |                      |                     |                                |
| Principal                                   | -                    | -                  | 4,004,863            | -                   | 4,004,863                      |
| Interest and other charges                  | -                    | -                  | 4,961,975            | 187,040             | 5,149,015                      |
| Total expenditures                          | <u>29,237,927</u>    | <u>40,929,851</u>  | <u>8,966,838</u>     | <u>8,402,716</u>    | <u>87,537,332</u>              |
| Revenues over (under) expenditures          | 1,882,599            | (2,249,712)        | 2,541,184            | (6,558,939)         | (4,384,868)                    |
| <b>Other financing sources (uses)</b>       |                      |                    |                      |                     |                                |
| Transfers                                   | (2,249,712)          | 2,249,712          | -                    | -                   | -                              |
| Proceeds from sale of other property        | -                    | -                  | -                    | 6,286               | 6,286                          |
| Proceeds from certificates of participation | -                    | -                  | -                    | 4,415,576           | 4,415,576                      |
| Total other financing sources (uses)        | <u>(2,249,712)</u>   | <u>2,249,712</u>   | <u>-</u>             | <u>4,421,862</u>    | <u>4,421,862</u>               |
| NET CHANGE IN FUND BALANCES                 | (367,113)            | -                  | 2,541,184            | (2,137,077)         | 36,994                         |
| Fund balance at July 1, 2017                | <u>22,156,926</u>    | <u>-</u>           | <u>9,719,704</u>     | <u>6,786,240</u>    | <u>38,662,870</u>              |
| Fund balance at June 30, 2018               | <u>\$ 21,789,813</u> | <u>\$ -</u>        | <u>\$ 12,260,888</u> | <u>\$ 4,649,163</u> | <u>\$ 38,699,864</u>           |

**Reconciliation to Statement of Activities**

Amounts reported for governmental activities in the Statement of Activities are different because:

|  |                     |
|--|---------------------|
| Net change in fund balances for governmental funds   | \$ 36,994           |
| Internal service funds are used by the District to charge the cost of insurance activities | <u>(305,081)</u>    |
| Change in net position of governmental activities  | <u>\$ (268,087)</u> |

See notes to financial statements.

# LINDBERGH SCHOOLS

## STATEMENT OF NET POSITION - MODIFIED CASH BASIS - PROPRIETARY FUND

June 30, 2018

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|              | Governmental<br>Activities -<br>Internal Service<br>Fund |
|--------------|--|
| ASSETS       |  |
| Cash         | <u>\$ 3,241,485</u>                                      |
| NET POSITION |  |
| Unrestricted | <u>\$ 3,241,485</u>                                      |

See notes to financial statements.

# LINDBERGH SCHOOLS

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - MODIFIED CASH BASIS - PROPRIETARY FUND Year ended June 30, 2018

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|                               | Governmental<br>Activities -<br>Internal Service<br>Fund |
|-------------------------------|--|
| Revenues                      |  |
| Insurance premiums            | \$ 7,464,576   |
| Interest income               | 24,298   |
| Total revenues                | <u>7,488,874</u>   |
| Operating expenditures        |  |
| Medical and dental claims     | <u>7,793,955</u>   |
| CHANGE IN NET POSITION        | (305,081)  |
| Net position at July 1, 2017  | <u>3,546,566</u>   |
| Net position at June 30, 2018 | <u><u>\$ 3,241,485</u></u>                               |

See notes to financial statements.



# LINDBERGH SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lindbergh Schools (the District) operates under the regulations pursuant to Section 162.092 RSMo of the Public School Laws of Missouri, which designates a Board of Education to act as the governing authority. The District provides educational services.

These financial statements are presented on the modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP) as further described in this footnote under Basis of Accounting. Generally accepted accounting principles include relevant Governmental Accounting Standards Board (GASB) pronouncements.

#### **Principles Determining the Scope of Reporting Entity**

Generally accepted accounting principles require that the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in the applicable GASB statements have been considered and there are no other agencies or entities that should be presented with the District.

While parent-teacher organizations of the District's schools provide financial support exclusively to the District, they are not included as a component unit because the amount of financial support provided is of a de minimus nature.

#### **Basis of Presentation**

##### **Government-Wide Financial Statements**

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each 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 charges paid by the students for goods and services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

# LINDBERGH SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

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### **Fund Financial Statements**

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

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

### **Governmental Funds**

#### **General Fund**

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

#### **Special Revenue Fund**

The Special Revenue Fund is used to account for specific revenue sources that are restricted, committed or assigned for the payment of salaries and certain employee benefits for certified personnel.

#### **Debt Service Fund**

The Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned for the periodic payment of principal, interest and fiscal charges on general long-term debt.

#### **Capital Projects Fund**

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

### **Proprietary Fund**

#### **Internal Service Fund**

The Internal Service Fund accounts for premiums collected for the payment of claims associated with the District's self insurance activities (primarily medical and dental benefits). Expenses consist of claims paid.

# LINDBERGH SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

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### **Net Position**

In the government-wide and proprietary fund financial statements, equity is classified as net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments. The remaining balance of net position is reported as unrestricted. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

### **Fund Balances – Governmental Funds**

In the fund financial statements, governmental funds report the following classifications of fund balance:

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

**Restricted** – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

**Committed** – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board.

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

**Unassigned** – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned for those purposes, a negative unassigned fund balance may be reported.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions. The District has not reported any nonspendable fund balance.

The details of the fund balances are included in the Governmental Funds Balance Sheet.

# LINDBERGH SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

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### **Basis of Accounting**

The government-wide financial statements and fund financial statements are prepared using a modified cash basis of accounting. This basis of accounting recognizes assets, net position/fund equity, revenues and expenditures/expenses when they result from cash transactions except that the purchase of investments are recorded as assets and payroll withholdings are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, general obligation bonds payable and obligations under capital leases) and certain expenses (such as expenses for goods or services received but not yet paid) are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the governmental fund financial statements would use the modified accrual basis of accounting, while the government-wide and proprietary fund financial statements would be presented on the accrual basis of accounting.

### **Cash and Investments**

Cash resources from all funds, except the Debt Service Fund, are combined to form a pool of cash and temporary investments which is managed by the District's Chief Financial Officer. State law requires that all deposits of the Debt Service Fund be kept separate from all other funds of the District. Interest income earned is allocated to contributing funds based on each fund's proportionate share of funds invested.

The District may invest in United States Treasury-bills, notes, bonds, government agency and instrumentality obligations, repurchase agreements collateralized by government securities, time certificates of deposit and A1-P1 commercial paper.

### **Restricted Assets**

Restricted assets include cash and investments that are legally restricted as to their use. The restricted assets consist of amounts restricted for renovation of the high school.

### **Interfund Activity**

Interfund transfers are reported as other financing sources (uses) in governmental funds. During the year the District transferred \$2,249,712 from the General Fund to the Special Revenue Fund. Transfers are made to the Special Revenue Fund in order to achieve a zero balance in this Fund.

# LINDBERGH SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

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### Teachers' Salaries

The salary payment schedule of the District for the year ended June 30, 2018 requires the payment of salaries over a twelve month period. Consequently, the July 2018 payroll checks are included in the accompanying financial statements as an expenditure paid in the month of June.

### NOTE 2 – CASH AND INVESTMENTS

The District is governed by the deposit and investment limitations of state law.

The District participates in the Missouri Security Investment Program (MoSIP). All funds of these programs are invested in accordance with Section 165.051 of the Missouri Revised Statutes. Each school district owns a pro rata share of money market funds which is held in the name of the Fund. The District had \$42,903,172 invested through MoSIP at June 30, 2018.

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

|   | <u>Cost</u>          | <u>Investment maturities</u><br><u>0 to 1 year</u> |
|---|----------------------|--|
| Deposits                                |                      |  |
| Cash on hand                            | \$ 2,950             | N/A  |
| Demand deposits                         | <u>1,422,242</u>     | N/A  |
|   | 1,425,192            |  |
| Investments - external investment pools |                      |  |
| Missouri Security Investment Program    |                      |  |
| Money market funds                      | 18,913,172           | 18,913,172   |
| Term investments                        | 23,500,000           | 23,500,000   |
| Certificates of deposit                 | <u>490,000</u>       | <u>490,000</u>                                     |
|   | <u>42,903,172</u>    | <u>\$ 42,903,172</u>                               |
| Total deposits and investments          | <u>\$ 44,328,364</u> |  |

### Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District has a custodial credit risk policy for repurchase agreement investments and for certificate of deposits which requires these funds to be collateralized at least 100% or greater of the balance plus any demand deposit with the depository, less any insurance (FDIC or NCUSIF), as applicable. The District's deposits were not exposed to custodial credit risk at year end.



# LINDBERGH SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

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### 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 government, and are held by the party who sold the security to the District or its agent, but not in the government's name. The District does not have a policy for custodial credit risk for investments. The District's investments were not exposed to custodial credit risk at year end.

### Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### 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 institution with which the District will do business and by diversifying the portfolio so that potential losses on individual securities will be minimized.

The credit ratings of the District's investments at June 30, 2018, are summarized in the schedule below.

|                                      | <u>Cost</u>          | <u>Credit<br/>rating</u> |
|--------------------------------------|----------------------|--------------------------|
| Investments                          |                      |                          |
| Missouri Security Investment Program |                      |                          |
| Money market funds                   | \$ 18,913,172        | AAAm                     |
| Term investments                     | 23,500,000           | AAAf                     |
| Certificates of deposit              | <u>490,000</u>       | Unrated                  |
|                                      | <u>\$ 42,903,172</u> |                          |

# LINDBERGH SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

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### 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). The District has policies in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities by requiring a periodic review of diversification strategies. The District's investments were not exposed to concentration credit risk at year end.

### NOTE 3 – TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are payable by December 31. All unpaid taxes become delinquent January 1 of the following year. The county collects the property taxes and remits them to the District on a monthly basis.

The District also receives sales tax collected by the State and remitted based on a prior year average daily attendance.

The assessed valuation of the tangible taxable property (excluding state assessed railroad and utilities) for the calendar year 2017 for the purposes of local taxation was:

|                   |                                |
|-------------------|--------------------------------|
| Real estate       |                                |
| Residential       | \$ 861,159,820                 |
| Agricultural      | 298,100                        |
| Commercial        | 367,196,740                    |
| Personal property | <u>157,542,390</u>             |
| Total             | <u><u>\$ 1,386,197,050</u></u> |

# LINDBERGH SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

The tax levy per \$100 of the assessed valuation of tangible taxable property for the fiscal year 2018 for purposes of local taxation was:

|                       | <u>Unadjusted</u> | <u>Adjusted</u>  |
|-----------------------|-------------------|------------------|
| General Fund          | \$ 1.2000         | \$ 1.2000        |
| Special Revenue Fund  | 2.2431            | 2.2431           |
| Debt Service Fund     | 0.7900            | 0.7900           |
| Capital Projects Fund | <u>0.0000</u>     | <u>0.0000</u>    |
| Total                 | <u>\$ 4.2331</u>  | <u>\$ 4.2331</u> |

The receipts of current property taxes during the fiscal year ended June 30, 2018, aggregated approximately 95.65 percent of the current assessment computed on the basis of the levy as shown above.

### NOTE 4 – LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2018:

|                               | <u>Balance<br/>July 1, 2017</u> | <u>Additions</u> | <u>Reductions</u>     | <u>Balance<br/>June 30, 2018</u> | <u>Amounts<br/>due within<br/>one year</u> |
|-------------------------------|---------------------------------|------------------|-----------------------|----------------------------------|--|
| Bonds payable                 | \$ 103,938,817                  | \$ -             | \$ (4,004,863)        | \$ 99,933,954                    | \$ 6,295,000                               |
| Certificates of participation | <u>7,060,000</u>                | <u>-</u>         | <u>-</u>              | <u>7,060,000</u>                 | <u>-</u>                                   |
|                               | <u>\$ 110,998,817</u>           | <u>\$ -</u>      | <u>\$ (4,004,863)</u> | <u>\$ 106,993,954</u>            | <u>\$ 6,295,000</u>                        |

Principal and interest on all bonded indebtedness is paid through the Debt Service Fund. The principal and interest on the certificates of participation are paid by the Capital Projects Fund.



# LINDBERGH SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

Bonds payable consists of the following at June 30, 2018,:

|                       | Original<br>issue<br>amount | Maturity<br>date | Interest<br>rates | Balance<br>at June 30,<br>2018 |
|-----------------------|-----------------------------|------------------|-------------------|--------------------------------|
| Series 2009B          | \$ 7,165,000                | 2024             | 1.00%             | \$ 6,490,000                   |
| Series 2010A          | 4,833,954                   | 2029             | 0.00%             | 4,833,954                      |
| Series 2010B          | 9,000,000                   | 2030             | 5.50% - 5.60%     | 9,000,000                      |
| Series 2010C          | 6,055,000                   | 2020             | 2.35% - 2.85%     | 5,900,000                      |
| Series 2012           | 9,070,000                   | 2023             | 1.00% - 2.00%     | 4,400,000                      |
| Series 2014 Refunding | 32,060,000                  | 2027             | 2.00% - 3.00%     | 31,135,000                     |
| Series 2014           | 34,035,000                  | 2034             | 2.00% - 4.00%     | 28,730,000                     |
| Series 2015 Refunding | 9,865,000                   | 2029             | 2.00% - 3.00%     | 9,445,000                      |
|                       | <u>\$112,083,954</u>        |                  |                   | <u>\$ 99,933,954</u>           |

The annual requirements to amortize general obligation bonds are as follows at June 30, 2018:

| Year ending<br>June 30, | Principal            | Interest            | Total                |
|-------------------------|----------------------|---------------------|----------------------|
| 2019                    | \$ 6,295,000         | \$ 2,993,446        | \$ 9,288,446         |
| 2020                    | 6,675,000            | 2,836,275           | 9,511,275            |
| 2021                    | 7,005,000            | 2,667,326           | 9,672,326            |
| 2022                    | 7,385,000            | 2,449,127           | 9,834,127            |
| 2023                    | 7,705,000            | 2,228,021           | 9,933,021            |
| 2024-2028               | 38,777,396           | 7,952,306           | 46,729,702           |
| 2029-2033               | 23,831,558           | 2,493,211           | 26,324,769           |
| 2034                    | 2,260,000            | 79,100              | 2,339,100            |
| Total                   | <u>\$ 99,933,954</u> | <u>\$23,698,812</u> | <u>\$123,632,766</u> |

### Certificates of Participation

During 2017, the District issued \$1,060,000 of Lease Participation Certificates Series 2017. During 2016 the District issued \$6,000,000 of Lease Participation Certificates Series 2016. The proceeds are for construction of a new central office building.

During 2018, the District received proceeds of \$3,400,052 from the series 2016 certificates and \$1,015,524 from the Series 2017 certificates for the completion of the new central office building. This depleted all funds in both series.

# LINDBERGH SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

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The following is a schedule of the future minimum lease payments required under these certificates of participation and the present value of the net minimum lease payments as of June 30, 2017:

| Year ending<br>June 30, | Principal           | Interest            | Total               |
|-------------------------|---------------------|---------------------|---------------------|
| 2019                    | \$ -                | \$ 185,005          | \$ 185,005          |
| 2020                    | -                   | 185,005             | 185,005             |
| 2021                    | -                   | 185,005             | 185,005             |
| 2022                    | 400,000             | 185,005             | 585,005             |
| 2023                    | 405,000             | 178,135             | 583,135             |
| 2024-2028               | 2,165,000           | 764,707             | 2,929,707           |
| 2029-2033               | 2,445,000           | 483,818             | 2,928,818           |
| 2034-2036               | 1,645,000           | 106,028             | 1,751,028           |
| Total                   | <u>\$ 7,060,000</u> | <u>\$ 2,272,708</u> | <u>\$ 9,332,708</u> |

### Legal Debt Margin

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized Article VI general obligation bonds of a District to fifteen (15%) percent of the assessed valuation of the District (including state-assessed railroad and utilities). The legal debt margin, computed excluding the assessed valuation of State assessed railroad and utilities, of the District at June 30, 2018, was:

|                                       |                       |
|---------------------------------------|-----------------------|
| Constitutional debt limit             | \$ 207,929,558        |
| General obligation bonds payable      | (99,933,954)          |
| Amount available in Debt Service Fund | <u>12,260,888</u>     |
| Legal debt margin                     | <u>\$ 120,256,492</u> |

### NOTE 5 – TAX ABATEMENTS

The City of Crestwood granted \$25 million in tax incentives for UrbanStreet Group to redevelop the former Crestwood Plaza – a 47 acre site in the heart of the District at Watson and Sappington Roads.

The \$25 million in tax incentives include \$15 million in tax-increment financing; \$5 million in Community Improvement District funds; and \$5 million in Transportation Development District funds.

# LINDBERGH SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

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Under the redevelopment agreement, if non-senior housing is constructed, the tax revenue will pass through to the District.

For 2017, the total amount of tax abated was \$80,022.

### NOTE 6 – PENSION PLANS

The Lindbergh Schools contributes to The Public School Retirement System of Missouri (PSRS), a cost-sharing multiple-employer defined benefit pension plan. PSRS provides retirement and disability benefits to certificated employees and death benefits to members and beneficiaries. Positions covered by The Public School Retirement System are not covered by Social Security. PSRS benefit provisions are set forth in Chapter 169.010-.141 of the Missouri Revised Statutes.

The statutes assign responsibility for the administration of the system to a seven member Board of Trustees. PSRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: The Public School Retirement System of Missouri, P.O. Box 268, Jefferson City, Missouri 65102, or by calling 1-800-392-6848.

PSRS members are required to contribute 14.5% of their annual covered salary and the Lindbergh Schools are required to contribute a matching amount. The contribution requirements of members and the Lindbergh Schools are established and may be amended by the PSRS Board of Trustees. The District's contributions to PSRS for the year ending June 30, 2018, 2017 and 2016 were \$5,004,685, \$4,861,267 and \$4,840,988, respectively, equal to the required contributions.

The Lindbergh Schools also contributes to The Public Education Employee Retirement System of Missouri (PEERS), a cost-sharing multiple-employer defined benefit pension plan. PEERS provides retirement and disability benefits to employees of the district who work 20 or more hours per week and who do not contribute to The Public School Retirement System of Missouri. Positions covered by The Public Education Employee Retirement System of Missouri are also covered by Social Security. Benefit provisions are set forth in Chapter 169.600-.715 of the Missouri Revised Statutes. The statutes assign responsibility for the administration of the system to the Board of Trustees of The Public School Retirement System of Missouri. PEERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: The Public Education Employee Retirement System of Missouri, P.O. Box 268, Jefferson City, Missouri 65102 or by calling 1-800-392-6848.

PEERS members are required to contribute 6.86% of their annual covered salary and the Lindbergh Schools are required to contribute a matching amount. The contribution requirements of members and the Lindbergh Schools are established and may be amended by the Board of Trustees. The District's contributions to PEERS for the year ending June 30, 2018, 2017 and 2016 were \$680,803, \$635,307 and \$629,891, respectively, equal to the required contributions.

# LINDBERGH SCHOOLS

## NOTES TO BASIC FINANCIAL STATEMENTS

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### NOTE 7 – CONTINGENCIES

#### **Grant Audits**

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

#### **Litigation**

Various claims and lawsuits are pending against the District. In the opinion of District management and legal counsel, the potential loss on all claims and lawsuits will not be significant to the District's financial statements.

### NOTE 8 – POST EMPLOYMENT BENEFITS

The District allows employees who retire from the District to participate in the District's health, dental and life insurance plans. Upon meeting the retirement requirements per PSRS and PEERS, the employees can elect to participate in the District's plans. The retirees must pay for 100% of their coverage for each plan in which they elect to participate. The premiums are based on a single blended rate used for both active employees and retirees. The difference between the amount the retiree is required to pay and the actual cost to the District is considered to be a post employment benefit. The District has not established an irrevocable trust fund for the accumulation of resources for the future payment of benefits under the plan; benefits are paid on a pay as you go basis. A stand alone financial report is not available for the plan. During the year ended June 30, 2018, 260 retirees participated in the District's insurance plans and paid premiums totaling \$990,897.

### NOTE 9 – SELF-INSURANCE PLAN

The District has a self-insurance plan which covers participating employees' and retirees' medical coverage. Both the members and the District contribute to a reserve maintained by an insurance administrator, which is used to pay claims. The District utilizes an internal service fund to account for the activity of the plan. A premium is charged to each fund that accounts for employees' salaries based on past trends and experience. Provisions are also made for unexpected and unusual claims. The District purchases stop loss insurance coverage to limit its exposure to catastrophic claims in excess of \$175,000 per individual.

# **LINDBERGH SCHOOLS**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

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The District has a self-insurance plan which covers participating employees' and retirees' dental coverage that began January 1, 2016. Both the members and the District contribute to a reserve maintained by an insurance administrator, which is used to pay claims. The District utilizes an internal service fund to account for the activity of the plan. A premium is charged to each fund that accounts for employees' salaries based on past trends and experience.

### **NOTE 10 – EARLY RETIREMENT PLAN**

On June 30, 1982, the District approved an early retirement incentive program. Eligible teachers and administrators are those with 10 years experience with the District that meets one of the PSRS retirement criteria. A teacher who retires when first eligible is entitled to 55 percent of their prior year's salary per the District salary schedule, payable in equal annual installments over the following three years. Eligible participants are also provided District paid medical, dental, vision and life insurance over the three year period.

In the fiscal year ended June 30, 2018, the District paid approximately \$1,042,000 under the plan. Based upon participants at June 30, 2018, the District will be liable for approximately \$2,600,000 in additional benefits through the year ending June 30, 2021. Of this amount, approximately \$1,200,000 will be payable by the year ending June 30, 2019.

LINDBERGH SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -  
 BUDGET TO ACTUAL - GENERAL FUND - UNAUDITED  
 Year ended June 30, 2018

|                                    | Budgeted amounts |               | Actual        | Variances -<br>positive (negative) |                    |
|------------------------------------|------------------|---------------|---------------|------------------------------------|--------------------|
|                                    | Original         | Final         |               | Original<br>to final               | Final<br>to actual |
|                                    | Revenues         |               |               |                                    |                    |
| Local sources                      | \$ 27,738,951    | \$ 27,943,327 | \$ 27,967,007 | \$ 204,376                         | \$ 23,680          |
| County sources                     | 302,767          | 302,767       | 323,578       | -                                  | 20,811             |
| State sources                      | 1,481,003        | 1,638,249     | 1,650,468     | 157,246                            | 12,219             |
| Federal sources                    | 1,202,239        | 1,201,233     | 1,179,473     | (1,006)                            | (21,760)           |
| Total revenues                     | 30,724,960       | 31,085,576    | 31,120,526    | 360,616                            | 34,950             |
| Expenditures                       |                  |               |               |                                    |                    |
| Instruction                        | 5,224,362        | 4,429,454     | 4,943,662     | 794,908                            | (514,208)          |
| Attendance                         | 127,334          | 134,155       | 134,123       | (6,821)                            | 32                 |
| Guidance                           | 312,253          | 319,238       | 285,876       | (6,985)                            | 33,362             |
| Health, psych, speech and audio    | 682,043          | 698,591       | 705,363       | (16,548)                           | (6,772)            |
| Improvement of instruction         | 246,635          | 254,256       | 183,525       | (7,621)                            | 70,731             |
| Professional development           | 111,369          | 97,623        | 105,551       | 13,746                             | (7,928)            |
| Media services                     | 165,728          | 167,911       | 207,267       | (2,183)                            | (39,356)           |
| Board of education services        | 422,779          | 493,770       | 464,508       | (70,991)                           | 29,262             |
| Executive administration           | 2,307,297        | 3,436,820     | 3,033,547     | (1,129,523)                        | 403,273            |
| Building level administration      | 1,132,879        | 1,083,746     | 1,161,168     | 49,133                             | (77,422)           |
| Business central services          | 1,431,602        | 1,435,155     | 1,271,089     | (3,553)                            | 164,066            |
| Operation of plant                 | 7,710,765        | 7,865,231     | 7,394,544     | (154,466)                          | 470,687            |
| Security services                  | 268,342          | 260,584       | 258,278       | 7,758                              | 2,306              |
| Pupil transportation               | 2,516,843        | 2,522,507     | 2,632,435     | (5,664)                            | (109,928)          |
| Food service                       | 2,452,376        | 2,460,732     | 2,602,416     | (8,356)                            | (141,684)          |
| Central office support services    | 127,580          | 66,530        | 64,544        | 61,050                             | 1,986              |
| Community services                 | 3,632,565        | 3,850,093     | 3,790,031     | (217,528)                          | 60,062             |
| Total expenditures                 | 28,872,752       | 29,576,396    | 29,237,927    | (703,644)                          | 338,469            |
| Revenues over (under) expenditures | 1,852,208        | 1,509,180     | 1,882,599     | (343,028)                          | 373,419            |
| Other financing uses               |                  |               |               |                                    |                    |
| Transfers                          | (1,875,215)      | (1,820,519)   | (2,249,712)   | 54,696                             | (429,193)          |
| NET CHANGE IN FUND BALANCE         | \$ (23,007)      | \$ (311,339)  | (367,113)     | \$ (288,332)                       | \$ (55,774)        |
| Fund balance at July 1, 2017       |                  |               | 22,156,926    |                                    |                    |
| Fund balance at June 30, 2018      |                  |               | \$ 21,789,813 |                                    |                    |

See notes to supplementary information.



**LINDBERGH SCHOOLS**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -  
BUDGET TO ACTUAL - SPECIAL REVENUE FUND - UNAUDITED  
Year ended June 30, 2018**

|                                   | Budgeted amounts  |                     | Actual            | Variances -<br>positive (negative) |                    |
|-----------------------------------|-------------------|---------------------|-------------------|------------------------------------|--------------------|
|                                   | Original          | Final               |                   | Original<br>to final               | Final<br>to actual |
|                                   |                   |                     |                   |                                    |                    |
| <b>Revenues</b>                   |                   |                     |                   |                                    |                    |
| Local sources                     | \$ 35,689,969     | \$ 35,377,679       | \$ 35,122,311     | \$ (312,290)                       | \$ (255,368)       |
| County sources                    | 623,533           | 623,533             | 670,452           | -                                  | 46,919             |
| State sources                     | 2,964,247         | 2,926,200           | 2,581,587         | (38,047)                           | (344,613)          |
| Federal sources                   | -                 | 42,441              | 34,871            | 42,441                             | (7,570)            |
| Other sources                     | 47,780            | 297,825             | 270,918           | 250,045                            | (26,907)           |
| Total revenues                    | <u>39,325,529</u> | <u>39,267,678</u>   | <u>38,680,139</u> | <u>(57,851)</u>                    | <u>(587,539)</u>   |
| <b>Expenditures</b>               |                   |                     |                   |                                    |                    |
| Instruction                       | 34,250,582        | 34,406,241          | 33,974,889        | (155,659)                          | 431,352            |
| Guidance                          | 1,311,438         | 1,332,039           | 1,318,589         | (20,601)                           | 13,450             |
| Improvement of instruction        | 665,515           | 560,704             | 526,739           | 104,811                            | 33,965             |
| Media services                    | 690,549           | 890,492             | 884,839           | (199,943)                          | 5,653              |
| Executive administration          | 1,754,721         | 1,754,504           | 1,756,136         | 217                                | (1,632)            |
| Building level administration     | 2,526,223         | 2,479,928           | 2,466,893         | 46,295                             | 13,035             |
| Business central services         | 786               | -                   | 1,766             | 786                                | (1,766)            |
| Community services                | 930               | 450                 | -                 | 480                                | 450                |
| Total expenditures                | <u>41,200,744</u> | <u>41,424,358</u>   | <u>40,929,851</u> | <u>(223,614)</u>                   | <u>494,507</u>     |
| Revenues under expenditures       | (1,875,215)       | (2,156,680)         | (2,249,712)       | (281,465)                          | (93,032)           |
| <b>Other financing sources</b>    |                   |                     |                   |                                    |                    |
| Transfers                         | <u>1,875,215</u>  | <u>1,820,519</u>    | <u>2,249,712</u>  | <u>(54,696)</u>                    | <u>429,193</u>     |
| <b>NET CHANGE IN FUND BALANCE</b> | <u>\$ -</u>       | <u>\$ (336,161)</u> | <u>-</u>          | <u>\$ (336,161)</u>                | <u>\$ 336,161</u>  |
| Fund balance at July 1, 2017      |                   |                     | <u>-</u>          |                                    |                    |
| Fund balance at June 30, 2018     |                   |                     | <u>\$ -</u>       |                                    |                    |

See notes to supplementary information.

LINDBERGH SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -  
 BUDGET TO ACTUAL - DEBT SERVICE FUND - UNAUDITED  
 Year ended June 30, 2018

|                               | Budgeted amounts    |                     | Actual               | Variances -<br>positive (negative) |                    |
|-------------------------------|---------------------|---------------------|----------------------|------------------------------------|--------------------|
|                               | Original            | Final               |                      | Original<br>to final               | Final<br>to actual |
| Revenues                      |                     |                     |                      |                                    |                    |
| Local sources                 | \$ 11,091,200       | \$ 11,269,400       | \$ 11,248,897        | \$ 178,200                         | \$ (20,503)        |
| County sources                | 220,000             | 220,000             | 259,125              | -                                  | 39,125             |
| Total revenues                | <u>11,311,200</u>   | <u>11,489,400</u>   | <u>11,508,022</u>    | <u>178,200</u>                     | <u>18,622</u>      |
| Expenditures                  |                     |                     |                      |                                    |                    |
| Debt service:                 |                     |                     |                      |                                    |                    |
| Principal                     | 5,900,000           | 5,900,000           | 4,004,863            | -                                  | 1,895,137          |
| Interest and other charges    | <u>3,103,750</u>    | <u>3,103,750</u>    | <u>4,961,975</u>     | -                                  | <u>(1,858,225)</u> |
| Total expenditures            | <u>9,003,750</u>    | <u>9,003,750</u>    | <u>8,966,838</u>     | -                                  | <u>36,912</u>      |
| NET CHANGE IN FUND BALANCE    | <u>\$ 2,307,450</u> | <u>\$ 2,485,650</u> | <u>2,541,184</u>     | <u>\$ 178,200</u>                  | <u>\$ 55,534</u>   |
| Fund balance at July 1, 2017  |                     |                     | <u>9,719,704</u>     |                                    |                    |
| Fund balance at June 30, 2018 |                     |                     | <u>\$ 12,260,888</u> |                                    |                    |

See notes to supplementary information.



LINDBERGH SCHOOLS

SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -  
 BUDGET TO ACTUAL - CAPITAL PROJECTS FUND - UNAUDITED  
 Year ended June 30, 2018

|   | Budgeted amounts |                | Actual       | Variances -<br>positive (negative) |                    |
|---|------------------|----------------|--------------|------------------------------------|--------------------|
|   | Original         | Final          |              | Original<br>to final               | Final<br>to actual |
| Revenues                                |                  |                |              |                                    |                    |
| Local sources                           | \$ 71,375        | \$ 65,675      | \$ 79,273    | \$ (5,700)                         | \$ 13,598          |
| State sources                           | 1,764,503        | 1,764,503      | 1,764,504    | -                                  | 1                  |
| Other sources                           | 15,000           | 15,000         | -            | -                                  | (15,000)           |
| Total revenues                          | 1,850,878        | 1,845,178      | 1,843,777    | (5,700)                            | (1,401)            |
| Expenditures                            |                  |                |              |                                    |                    |
| Instruction                             | 451,613          | 185,849        | 104,239      | 265,764                            | 81,610             |
| Improvement of instruction              | 4,000            | -              | -            | 4,000                              | -                  |
| Media services                          | 6,315            | 5,600          | -            | 715                                | 5,600              |
| Executive administration                | 460,000          | 60,000         | 183,579      | 400,000                            | (123,579)          |
| Building level administration           | 11,059           | 12,184         | 1,125        | (1,125)                            | 11,059             |
| Business central services               | 270,000          | 271,009        | 40,308       | (1,009)                            | 230,701            |
| Operation of plant                      | 386,710          | 751,918        | 485,620      | (365,208)                          | 266,298            |
| Food service                            | -                | 5,000          | 6,446        | (5,000)                            | (1,446)            |
| Community services                      | -                | -              | 1,452        | -                                  | (1,452)            |
| Facilities acquisition and construction | 2,728,700        | 3,728,700      | 2,977,331    | (1,000,000)                        | 751,369            |
| Debt service:                           |                  |                |              |                                    |                    |
| Interest and other charges              | 185,755          | 185,755        | 187,040      | -                                  | (1,285)            |
| Total expenditures                      | 4,504,152        | 5,206,015      | 3,987,140    | (701,863)                          | 1,218,875          |
| Revenues under expenditures             | (2,653,274)      | (3,360,837)    | (2,143,363)  | (707,563)                          | 1,217,474          |
| Other financing sources                 |                  |                |              |                                    |                    |
| Proceeds from sale of other property    | -                | -              | 6,286        | -                                  | 6,286              |
| NET CHANGE IN FUND BALANCE              | \$ (2,653,274)   | \$ (3,360,837) | (2,137,077)  | \$ (707,563)                       | \$ 1,223,760       |
| Fund balance at July 1, 2017            |                  |                | 6,786,240    |                                    |                    |
| Fund balance at June 30, 2018           |                  |                | \$ 4,649,163 |                                    |                    |

See notes to supplementary information.

**LINDBERGH SCHOOLS**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS -  
BUDGET TO ACTUAL - ALL GOVERNMENTAL FUNDS - UNAUDITED  
Year ended June 30, 2018**

|   | Budgeted amounts |                | Actual        | Variances -<br>positive (negative) |                    |
|---|------------------|----------------|---------------|------------------------------------|--------------------|
|   | Original         | Final          |               | Original<br>to final               | Final<br>to actual |
|   | Revenues         |                |               |                                    |                    |
| Local sources                           | \$ 74,591,495    | \$ 74,656,081  | \$ 74,417,488 | \$ 64,586                          | \$ (238,593)       |
| County sources                          | 1,146,300        | 1,146,300      | 1,253,155     | -                                  | 106,855            |
| State sources                           | 6,209,753        | 6,328,952      | 5,996,559     | 119,199                            | (332,393)          |
| Federal sources                         | 1,202,239        | 1,243,674      | 1,214,344     | 41,435                             | (29,330)           |
| Other sources                           | 62,780           | 312,825        | 270,918       | 250,045                            | (41,907)           |
| Total revenues                          | 83,212,567       | 83,687,832     | 83,152,464    | 475,265                            | (535,368)          |
| Expenditures                            |                  |                |               |                                    |                    |
| Instruction                             | 39,926,557       | 39,021,544     | 39,022,790    | 905,013                            | (1,246)            |
| Attendance                              | 127,334          | 134,155        | 134,123       | (6,821)                            | 32                 |
| Guidance                                | 1,623,691        | 1,651,277      | 1,604,465     | (27,586)                           | 46,812             |
| Health, psych, speech and audio         | 682,043          | 698,591        | 705,363       | (16,548)                           | (6,772)            |
| Improvement of instruction              | 916,150          | 814,960        | 710,264       | 101,190                            | 104,696            |
| Professional development                | 111,369          | 97,623         | 105,551       | 13,746                             | (7,928)            |
| Media services                          | 862,592          | 1,064,003      | 1,092,106     | (201,411)                          | (28,103)           |
| Board of education services             | 422,779          | 493,770        | 464,508       | (70,991)                           | 29,262             |
| Executive administration                | 4,522,018        | 5,251,324      | 4,973,262     | (729,306)                          | 278,062            |
| Building level administration           | 3,670,161        | 3,575,858      | 3,629,186     | 94,303                             | (53,328)           |
| Business central services               | 1,702,388        | 1,706,164      | 1,313,163     | (3,776)                            | 393,001            |
| Operation of plant                      | 8,097,475        | 8,617,149      | 7,880,164     | (519,674)                          | 736,985            |
| Security services                       | 268,342          | 260,584        | 258,278       | 7,758                              | 2,306              |
| Pupil transportation                    | 2,516,843        | 2,522,507      | 2,632,435     | (5,664)                            | (109,928)          |
| Food service                            | 2,452,376        | 2,465,732      | 2,608,862     | (13,356)                           | (143,130)          |
| Central office support services         | 127,580          | 66,530         | 64,544        | 61,050                             | 1,986              |
| Community services                      | 3,633,495        | 3,850,543      | 3,791,483     | (217,048)                          | 59,060             |
| Facilities acquisition and construction | 2,728,700        | 3,728,700      | 2,977,331     | (1,000,000)                        | 751,369            |
| Debt service:                           |                  |                |               |                                    |                    |
| Principal                               | 5,900,000        | 5,900,000      | 4,004,863     | -                                  | 1,895,137          |
| Interest and other charges              | 3,289,505        | 3,289,505      | 5,149,015     | -                                  | (1,859,510)        |
| Total expenditures                      | 83,581,398       | 85,210,519     | 83,121,756    | (1,629,121)                        | 2,088,763          |
| Revenues under (over) expenditures      | (368,831)        | (1,522,687)    | 30,708        | (1,153,856)                        | 1,553,395          |
| Other financing sources                 |                  |                |               |                                    |                    |
| Proceeds from sale of other property    | -                | -              | 6,286         | -                                  | 6,286              |
| NET CHANGE IN FUND BALANCE              | \$ (368,831)     | \$ (1,522,687) | 36,994        | \$ (1,153,856)                     | \$ 1,559,681       |
| Fund balance at July 1, 2017            |                  |                | 38,662,870    |                                    |                    |
| Fund balance at June 30, 2018           |                  |                | \$38,699,864  |                                    |                    |

See notes to supplementary information.

# LINDBERGH SCHOOLS

## NOTES TO SUPPLEMENTARY INFORMATION

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### NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

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

1. In accordance with Chapter 67 RSMo, the District adopts a budget for each fund.
2. Prior to July, the Superintendent, who serves as the budget officer, submits to the Board of Education a proposed budget for the fiscal year beginning on the following July 1. The proposed budget includes estimated revenues and proposed expenditures for all District funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
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 July 1, the budget is legally enacted by a vote of the Board of Education.
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.
6. Budgets are adopted on the modified cash basis of accounting for all governmental funds.
7. Capital outlay acquired through certificates of participation are not reported as an expenditure and the proceeds are not reported as another financing source for budgetary purposes.

**LINDBERGH SCHOOLS**

**SCHEDULE OF REVENUES COLLECTED BY SOURCE**  
**ALL GOVERNMENTAL FUNDS - MODIFIED CASH BASIS - UNAUDITED**  
**Year ended June 30, 2018**

|   | General              | Special<br>Revenue   | Debt<br>Service      | Capital<br>Projects | Total<br>Governmental<br>Funds |
|---|----------------------|----------------------|----------------------|---------------------|--------------------------------|
| <b>Local</b>  |                      |                      |                      |                     |                                |
| Current taxes   | \$ 15,913,017        | \$ 29,730,595        | \$ 10,470,694        | \$ -                | \$ 56,114,306                  |
| School district trust fund (Prop C)                     | 3,087,327            | 3,087,327            | -                    | -                   | 6,174,654                      |
| Financial institution tax                               | 64,977               | 121,460              | 42,776               | -                   | 229,213                        |
| M&M surtax  | 597,894              | 1,121,555            | 394,941              | -                   | 2,114,390                      |
| Tuition from individuals (K-12)                         | -                    | 988,336              | -                    | -                   | 988,336                        |
| Earnings (loss) on investments                          | 292,376              | 45,872               | 340,486              | 79,273              | 758,007                        |
| Food service program                                    | 1,050,579            | -                    | -                    | -                   | 1,050,579                      |
| Food service non-program                                | 813,183              | -                    | -                    | -                   | 813,183                        |
| Student activities                                      | 850,761              | -                    | -                    | -                   | 850,761                        |
| Community services                                      | 4,219,892            | -                    | -                    | -                   | 4,219,892                      |
| Other local sources                                     | 1,077,001            | 27,166               | -                    | -                   | 1,104,167                      |
|   | <u>27,967,007</u>    | <u>35,122,311</u>    | <u>11,248,897</u>    | <u>79,273</u>       | <u>74,417,488</u>              |
| <b>County</b>   |                      |                      |                      |                     |                                |
| Fines, escheat, etc.                                    | -                    | 65,600               | -                    | -                   | 65,600                         |
| State assessed utilities                                | 323,578              | 604,852              | 259,125              | -                   | 1,187,555                      |
|   | <u>323,578</u>       | <u>670,452</u>       | <u>259,125</u>       | <u>-</u>            | <u>1,253,155</u>               |
| <b>State</b>  |                      |                      |                      |                     |                                |
| Basic formula   | -                    | 2,578,540            | -                    | -                   | 2,578,540                      |
| Transportation  | 342,836              | -                    | -                    | -                   | 342,836                        |
| Early childhood special education                       | -                    | -                    | -                    | 327,604             | 327,604                        |
| Classroom trust fund                                    | 1,097,708            | -                    | -                    | 1,436,900           | 2,534,608                      |
| Educational screening prog/PAT                          | 179,219              | -                    | -                    | -                   | 179,219                        |
| Career education  | 6,782                | 3,047                | -                    | -                   | 9,829                          |
| Food service - state                                    | 15,490               | -                    | -                    | -                   | 15,490                         |
| Residential placement/excess cost                       | 7,885                | -                    | -                    | -                   | 7,885                          |
| Other state revenue                                     | 548                  | -                    | -                    | -                   | 548                            |
|   | <u>1,650,468</u>     | <u>2,581,587</u>     | <u>-</u>             | <u>1,764,504</u>    | <u>5,996,559</u>               |
| <b>Federal</b>  |                      |                      |                      |                     |                                |
| Medicaid  | 36,628               | -                    | -                    | -                   | 36,628                         |
| Perkins basic grant                                     | -                    | 34,871               | -                    | -                   | 34,871                         |
| School lunch program                                    | 514,009              | -                    | -                    | -                   | 514,009                        |
| School breakfast program                                | 127,090              | -                    | -                    | -                   | 127,090                        |
| Title I -ESEA   | 363,231              | -                    | -                    | -                   | 363,231                        |
| Title IV, Drug Free Schools                             | 6,727                | -                    | -                    | -                   | 6,727                          |
| Title III, ESEA-English language acquisition            | 52,069               | -                    | -                    | -                   | 52,069                         |
| Title II, Part A, ESEA-teacher & principal quality      | 79,719               | -                    | -                    | -                   | 79,719                         |
|   | <u>1,179,473</u>     | <u>34,871</u>        | <u>-</u>             | <u>-</u>            | <u>1,214,344</u>               |
| <b>Other financing sources</b>                          |                      |                      |                      |                     |                                |
| Proceeds from certificates of participation             | -                    | -                    | -                    | 4,415,576           | 4,415,576                      |
| Proceeds from sale of other property                    | -                    | -                    | -                    | 6,286               | 6,286                          |
| Contracted educational services                         | -                    | 270,918              | -                    | -                   | 270,918                        |
|   | <u>-</u>             | <u>270,918</u>       | <u>-</u>             | <u>4,421,862</u>    | <u>4,692,780</u>               |
|   | <u>\$ 31,120,526</u> | <u>\$ 38,680,139</u> | <u>\$ 11,508,022</u> | <u>\$ 6,265,639</u> | <u>\$ 87,574,326</u>           |
| <b>Total revenues</b>                                   |                      |                      |                      |                     | <b>\$ 87,574,326</b>           |
| <b>Less Prop G revenue</b>                              |                      |                      |                      |                     | <b>32,013</b>                  |
| <b>Less proceeds from certificates of participation</b> |                      |                      |                      |                     | <b>(4,415,576)</b>             |
| <b>Less debt service revenue</b>                        |                      |                      |                      |                     | <b>(11,508,022)</b>            |
| <b>Total operating revenue</b>                          |                      |                      |                      |                     | <b><u>\$ 71,682,741</u></b>    |

**LINDBERGH SCHOOLS**

**SCHEDULE OF EXPENDITURES PAID BY OBJECT  
ALL GOVERNMENTAL FUNDS - MODIFIED CASH BASIS - UNAUDITED  
Year ended June 30, 2018**

|  | <u>General</u>       | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|----------------------|----------------------------|-------------------------|-----------------------------|---|
| Salaries   | \$ 10,060,254        | \$ 31,483,175              | \$ -                    | \$ -                        | \$ 41,543,429                           |
| Employee benefits  | 3,338,625            | 9,444,910                  | -                       | -                           | 12,783,535                              |
| Purchased services   | 9,748,186            | 1,766                      | -                       | -                           | 9,749,952                               |
| Supplies   | 6,090,862            | -                          | -                       | -                           | 6,090,862                               |
| Capital outlay   | -                    | -                          | -                       | 8,215,676                   | 8,215,676                               |
| Other objects  | -                    | -                          | 8,966,838               | 187,040                     | 9,153,878                               |
|  | <u>\$ 29,237,927</u> | <u>\$ 40,929,851</u>       | <u>\$ 8,966,838</u>     | <u>\$ 8,402,716</u>         | <u>\$ 87,537,332</u>                    |
| Total expenditures   |                      |                            |                         |                             | \$ 87,537,332                           |
| Less Prop G expenditures   |                      |                            |                         |                             | (3,206,923)                             |
| Less capital outlay acquired through certificates of participation |                      |                            |                         |                             | (4,415,576)                             |
| Less debt service expenditures                                     |                      |                            |                         |                             | <u>(8,966,838)</u>                      |
| Total operating expenditures                                       |                      |                            |                         |                             | <u>\$ 70,947,995</u>                    |

**LINDBERGH SCHOOLS****SCHEDULE OF REVENUES COLLECTED, EXPENDITURES  
PAID AND CHANGES IN FUND BALANCE  
ALL GOVERNMENTAL FUNDS - MODIFIED CASH BASIS - UNAUDITED  
Year ended June 30, 2018**

|                                    | <u>General</u>       | <u>Special<br/>Revenue</u> | <u>Debt<br/>Service</u> | <u>Capital<br/>Projects</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|------------------------------------|----------------------|----------------------------|-------------------------|-----------------------------|---|
| Revenues collected                 | \$ 31,120,526        | \$ 38,680,139              | \$ 11,508,022           | \$ 1,843,777                | \$ 83,152,464                           |
| Expenditures paid                  | <u>29,237,927</u>    | <u>40,929,851</u>          | <u>8,966,838</u>        | <u>8,402,716</u>            | <u>87,537,332</u>                       |
| Revenues over (under) expenditures | 1,882,599            | (2,249,712)                | 2,541,184               | (6,558,939)                 | (4,384,868)                             |
| Other financing sources (uses)     | <u>(2,249,712)</u>   | <u>2,249,712</u>           | <u>-</u>                | <u>4,421,862</u>            | <u>4,421,862</u>                        |
| NET CHANGE IN FUND BALANCE         | (367,113)            | -                          | 2,541,184               | (2,137,077)                 | 36,994                                  |
| Fund balance at July 1, 2017       | <u>22,156,926</u>    | <u>-</u>                   | <u>9,719,704</u>        | <u>6,786,240</u>            | <u>38,662,870</u>                       |
| Fund balance at June 30, 2018      | <u>\$ 21,789,813</u> | <u>\$ -</u>                | <u>\$ 12,260,888</u>    | <u>\$ 4,649,163</u>         | <u>\$ 38,699,864</u>                    |



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**Independent Accountants' Report on  
Compliance with Specified Requirements of  
Missouri Laws and Regulations**

Board of Education  
Lindbergh Schools

We have examined Lindbergh Schools' compliance with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures, accurate disclosure of the Lindbergh Schools' records of average daily attendance and average daily transportation of pupils and other statutory requirements as listed in the schedule of selected statistics for the year ended June 30, 2018. Management is responsible for the Lindbergh Schools' compliance with the aforementioned requirements.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Lindbergh Schools complied in all material respects, with the specific requirements above. An examination involves performing procedures to obtain evidence about whether Lindbergh Schools complied with the specific requirements, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Lindbergh Schools' compliance with specified requirements.

In our opinion, Lindbergh Schools complied, in all material respects, with the aforementioned requirements included in the accompanying schedule of selected statistics.

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.

*Kerber, Eck & Braeckel LLP*

St. Louis, Missouri  
September 25, 2018

Other Locations

Carbondale, IL • Columbia, IL • Harrisburg, IL • Litchfield, IL • O'Fallon, IL • Springfield, IL • Cape Girardeau, MO • Milwaukee, WI



# LINDBERGH SCHOOLS

## SCHEDULE OF SELECTED STATISTICS – UNAUDITED

---

Entity Number: 096-093

### 1. Calendar (Sections 160.041 and 171.031, RSMo)

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

|                         | <u>SDL</u> |
|-------------------------|------------|
| Kindergarten - A.M.     | 3.1000     |
| Kindergarten - P.M.     | 3.1000     |
| Kindergarten - Full Day | 6.3500     |
| Grades 1 through 5      | 6.3500     |
| Grades 6 through 8      | 6.5000     |
| Grades 9 through 12     | 6.5000     |

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

|                         | <u>Hours</u> | <u>Days</u> |
|-------------------------|--------------|-------------|
| Kindergarten - A.M.     | 533.40       | 174         |
| Kindergarten - P.M.     | 533.40       | 174         |
| Kindergarten - Full Day | 1087.75      | 175         |
| Grades 1 through 5      | 1087.50      | 175         |
| Grades 6 through 8      | 1115.90      | 175         |
| Grades 9 through 12     | 1078.00      | 175         |



# LINDBERGH SCHOOLS

## SCHEDULE OF SELECTED STATISTICS – UNAUDITED

### 2. Average Daily Attendance (ADA)

|   | Full-Time &<br>Part-Time | Remedial | Deseg In | Federal Lands<br>Deseg In | Total            | Deseg Out |
|---|--------------------------|----------|----------|---------------------------|------------------|-----------|
| Regular term                              |                          |          |          |                           |                  |           |
| Kindergarten - A.M.                       | 196.599                  | -        | -        | -                         | 196.599          | -         |
| Kindergarten - P.M.                       | 29.773                   | -        | -        | -                         | 29.773           | -         |
| Kindergarten - Full Day                   | 33.866                   | -        | -        | -                         | 33.866           | -         |
| Grades 1 through 5                        | 2,541.805                | -        | -        | -                         | 2,541.805        | -         |
| Grades 6 through 8                        | 1,516.044                | -        | -        | -                         | 1,516.044        | -         |
| Grades 9 through 12                       | 1,902.971                | -        | -        | -                         | 1,902.971        | -         |
| Subtotal regular term                     | <u>6,221.058</u>         | <u>-</u> | <u>-</u> | <u>-</u>                  | 6,221.058        | <u>-</u>  |
| Summer School subtotal                    | <u>34.032</u>            | <u>-</u> | <u>-</u> | <u>-</u>                  | 34.032           | <u>-</u>  |
| Total regular term plus summer school ADA |                          |          |          |                           | <u>6,255.090</u> |           |

### 3. September Membership

|                               | Full-Time &<br>Part-Time | Remedial | Deseg In | Federal Lands<br>Deseg In | Total    | Deseg Out    |
|-------------------------------|--------------------------|----------|----------|---------------------------|----------|--------------|
| September resident membership | <u>6,748.66</u>          | <u>-</u> | <u>-</u> | <u>-</u>                  | 6,748.66 | <u>10.00</u> |

### 4. Free and Reduced Priced Lunch FTE Count

| State FTE Total | Full-Time &<br>Part-Time | Deseg In | Total          |
|-----------------|--------------------------|----------|----------------|
| Free            | 723.780                  | -        | 723.780        |
| Reduced         | <u>239.070</u>           | <u>-</u> | <u>239.070</u> |
| Total           | <u>962.850</u>           | <u>-</u> | <u>962.850</u> |

**LINDBERGH SCHOOLS**

**SCHEDULE OF SELECTED STATISTICS – UNAUDITED**

---

**5. Finance**

- A. As required by Section 162.401, RSMo, a bond was purchased for the schools' treasurer in the total amount of: \$ 50,000
  
- B. The District's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo. True
  
- C. The District maintained a separate bank account for the Debt Service Fund in accordance with Section 165.011, RSMo. True
  
- D. Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records. True
  
- 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 date for the projects to be undertaken. True
  
- 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. True
  
- G. The District has a professional development committee plan adopted by the Board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment. True
  
- H. The amount spent for approved professional development committee plan activities was: \$105,551

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

Findings #: N/A

Management Letter Comment #: N/A

# LINDBERGH SCHOOLS

## SCHEDULE OF SELECTED STATISTICS – UNAUDITED

---

### 6. Transportation

|    |  |                |
|----|--|----------------|
| A. | The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.   | <u>True</u>    |
| B. | The District's transportation ridership records are maintained in a manner to accurately disclose in all material respects the average number of regular riders transported.       | <u>True</u>    |
| 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   | <u>2,939.5</u> |
|    | ▪ Ineligible ADT   | <u>1,075.0</u> |
| D. | The schools' transportation odometer mileage records are maintained in a manner to accurately disclose in all material respects the eligible and ineligible mileage for the year.  | <u>True</u>    |
| E. | Actual odometer records show the total district-operated <u>and</u> contracted mileage for the year was:   | <u>436,897</u> |
|    | Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route <u>and</u> disapproved miles (combined) was:                      |                |
|    | ▪ Eligible Miles   | <u>404,271</u> |
|    | ▪ Ineligible Miles (Non-Route/Disapproved)   | <u>32,626</u>  |
| F. | Number of days the schools operated the school transportation system during the regular school year:   | <u>175</u>     |

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

Findings #: N/A

Management Letter Comment #: N/A



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**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

Board of Education  
Lindbergh Schools

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, each major fund and the aggregate remaining fund information of the Lindbergh Schools as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Lindbergh Schools' basic financial statements, and have issued our report thereon dated September 25, 2018. Our report on the basic financial statements disclosed that, as described in Note 1 to the financial statements, Lindbergh Schools prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Lindbergh Schools' 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 Lindbergh Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Lindbergh Schools' 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. 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 Lindbergh Schools' financial statements are free of 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.

Keiser, Eck & Braeckel LLP

St. Louis, Missouri  
September 25, 2018





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## **Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

Board of Education  
Lindbergh Schools

### **Report on Compliance for Each Major Federal Program**

We have audited the Lindbergh Schools' 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 Lindbergh Schools' major federal programs for the year ended June 30, 2018. The Lindbergh Schools' 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 Lindbergh Schools' 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 Lindbergh Schools' 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 Lindbergh Schools' compliance.

## **Opinion on Each Major Federal Program**

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

## **Report on Internal Control over Compliance**

Management of the Lindbergh Schools 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 Lindbergh Schools' internal control over compliance with 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 Lindbergh Schools' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding 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.

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 federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001 to be a significant deficiency.

Lindbergh Schools' response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Lindbergh Schools' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Keiter, Eck & Braeckel LLP

St. Louis, Missouri  
September 25, 2018



**LINDBERGH SCHOOLS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the year ended June 30, 2018**

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title                | Federal<br>CFDA<br>Number | Pass-Through<br>Entity<br>Number | Expenditures               |
|--|---------------------------|----------------------------------|----------------------------|
| U.S. Department of Education   |                           |                                  |                            |
| Passed-through Missouri Department of Elementary and<br>Secondary Education: |                           |                                  |                            |
| Title I Part A, Grants to Local Educational Agencies                         | 84.010                    | 096-093                          | \$ 336,254                 |
| Title II Part A, Supporting Effective Instruction State Grants               | 84.367                    | 096-093                          | 93,874                     |
| English Language Acquisition Grants  | 84.365                    | 096-093                          | <u>52,437</u>              |
| Total U.S. Department of Education   |                           |                                  | <u>482,565</u>             |
| U.S. Department of Agriculture   |                           |                                  |                            |
| Passed-through Missouri Department of Elementary and<br>Secondary Education: |                           |                                  |                            |
| Child Nutrition Cluster  |                           |                                  |                            |
| School Breakfast Program   | 10.553                    | 096-093                          | 127,090                    |
| National School Lunch Program  |                           |                                  |                            |
| Cash assistance  | 10.555                    | 096-093                          | 514,009                    |
| Non-cash assistance (food distribution)                                      | 10.555                    | 096-093                          | <u>124,611</u>             |
| Total National School Lunch Program  |                           |                                  | <u>638,620</u>             |
| Total U.S. Department of Agriculture   |                           |                                  | <u>765,710</u>             |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                                  |                           |                                  | <u><u>\$ 1,248,275</u></u> |

The accompanying notes are an integral part of this schedule.

# LINDBERGH SCHOOLS

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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### NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2018. The information 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 and is reported on the modified cash basis of accounting, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain expenditures are not allowable or are limited as to reimbursement.

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

### NOTE 3 – SUBRECIPIENTS

There have been no awards passed through to subrecipients.

# LINDBERGH SCHOOLS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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### SECTION I – SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of report issued on financial statements: Unmodified opinion

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiency identified that is not considered to be material weaknesses? No

Noncompliance material to the financial statements noted? No

#### Federal Awards

Internal control over major programs:

Material weakness identified? No

Significant deficiency identified that is not considered to be material weaknesses? Yes

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

Any audit findings disclosed that are required to be reported under 2 CFR Section 200.516(a) of the Uniform Guidance? No

The programs tested as a major program are as follows:

| <u>CFDA Number(s)</u> | <u>Name of Program or Cluster</u> |
|-----------------------|-----------------------------------|
| 10.553, 10.555        | Child Nutrition Cluster           |

The dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? No

# LINDBERGH SCHOOLS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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### SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings which are required to be reported in accordance with Generally Accepted Government Auditing Standards.

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### **Finding 2018-001**

Federal Program: Child Nutrition Cluster

CFDA No: 10.553, 10.555

Federal Agency: U.S. Department of Agriculture

Pass-through Agency: Missouri Department of Elementary and Secondary Education

Award No: As listed on the Schedule of Expenditures of Federal Awards

Award Period: July 1, 2017 – June 30, 2018

Compliance: Eligibility

**Criteria:** Uniform Guidance requires there to be internal controls over compliance requirements applicable to each federal program a District has and for those internal controls to be consistently followed. The District's policy over determining eligibility for free and reduced school meals is for each free and reduced school meal application to be reviewed and approved to ensure the appropriate determination was made in accordance with the program requirements.

**Condition:** We noted that free and reduced school meal applications were not consistently approved. Under provisions of the reduced-price and free benefit policy, the determining official will review and sign applications to verify eligibility.

**Cause:** A provision of the reduced price and free benefit policy regarding school meal applications was not consistently followed. The determining official's signature verifying review of eligibility was missing from some of the applications pulled for audit purposes.

**Effect:** A student may be classified incorrectly in the program as either free, reduced or full price. The result is the student paying the incorrect federal (free or reduced) rate for the meals received and the District requesting reimbursement at the incorrect amount under the child nutrition federal program.

**Questioned Cost:** None

**Recommendation:** We recommend the District consistently follow the provision of the policy requiring the determining officials signature as proof of review of the approval of free and reduced school meal applications.

# LINDBERGH SCHOOLS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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*Management response:*

An additional layer of review was added to the processing of meal applications as follows:

Current process (added steps in ***BOLD/ italicized font***):

- Individual school sites collect meal applications and forward to the food service office staff at central office for processing.
- The food service office staff enter the information provided on the completed form into the student management database.
- The student management database calculates household eligibility for free or reduced meals based on federal criteria.
- The food service office staff completes “school use” section of the form regarding eligibility ***and initials***. The form is then forwarded to the determining official for review, final signature and notification to household of eligibility results.
- The original forms are filed in a binder in with the CFO. ***The CFO double checks the forms and proper signatures as filed.***