

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT
and SUPPLEMENTARY INFORMATION**

For the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS

List of Board of Education and Administration.....	1
Independent Auditors' Report.....	2-4
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis.....	5-18
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position.....	20
Statement of Activities.....	21
Fund Financial Statements:	
Balance Sheet.....	23
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities.....	24
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds.....	25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	26
Notes to Financial Statements.....	27-64
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund.....	66
Budgetary Comparison Schedule - Special Revenue Fund.....	68
Notes to Required Supplementary Information.....	68
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios.....	69
Schedule of Employer Contributions – PSRS & PEERS.....	70
Other Post-Employment Benefits.....	71
SUPPLEMENTARY INFORMATION	
Budgetary Comparison - Debt Service Fund.....	73
Budgetary Comparison - Capital Projects Fund.....	74
Historical School Data:	
A. History of Student Enrollment.....	75
B. History of Assessed Valuations and Corresponding Debt Outstanding.....	75
C. History of Tax Levies.....	76
D. Tax Collection Record.....	76
Schedule of Bonded Indebtedness.....	77-78
Schedule of Revenues Collected by Source.....	79-80
Schedule of Expenditures Paid by Object.....	81
Schedule of Selected Statistics.....	82-84
Schedule of Expenditures of Federal Awards.....	85
Notes to the Schedule of Expenditures of Federal Awards.....	86

TABLE OF CONTENTS

INTERNAL CONTROL AND COMPLIANCE SECTION

Independent Auditors' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards	88-89
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	90-91
Schedule of Findings and Questioned Costs	92-93
Schedule of Resolutions of Prior Years Audit Findings	94
Independent Auditor's Report on Management's Assertions About Compliance with Specific Requirements of Missouri Laws and Regulations	95

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

BOARD OF EDUCATION

Dr. Terrence Ward, President

Ms. Dixie Youngers, Vice President

Dr. Chip Luerding, Treasurer

Mr. Victor Hurlbert, Member

Mr. Joe Jacobs, Member

Ms. Judy Wartick, Member

Mr. Jay Wilson, Member

Ms. Peggy Cole, Board Secretary

ADMINISTRATIVE LEADERSHIP TEAM

Dr. Dan Clemens
Superintendent of Schools

Mr. Paul Harrell, CPA
Deputy Superintendent – Operations

Dr. Jill Hackett
Deputy Superintendent - Academics

Ms. Rochel Daniels
Executive Director – Organizational Development

Dr. Deborah Delsemme
Executive Director – Human Resources

Dr. Paul Fregeau
Assistant Superintendent – Support Services

Mrs. Tammy Henderson
Executive Director – Community Relations
Legislative Affairs

Mr. Matthew Fritz
Executive Director – Finance and Accounting

Dr. J. Michael Pragman
Executive Director – Data & Accountability

Mr. Chad Sutton
Assistant to the Superintendent – Pre K-8

Mr. Steve Book
General Counsel

* Administrative Leadership Team July 1, 2016. Dr. Paul Kinder served as interim Superintendent until June 30, 2016.



INDEPENDENT AUDITORS' REPORT

Board of Education
North Kansas City School District No. 74
Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the North Kansas City School District No. 74 (the "School District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School District, as of June 30, 2016, and the respective change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 5 through 18 and analysis and other information on pages 65 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The supplementary information as listed in the table of contents on pages 72 through 86 is presented for purposes of additional analysis and is 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 U.S. *Code of Federal Regulations* 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, including the schedule of expenditures of federal awards, 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 supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Education
North Kansas City School District No. 74
Kansas City, Missouri

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Marr and Company". The script is cursive and fluid, with the "M" and "C" being particularly prominent.

Marr and Company, P.C.
Certified Public Accountants

Kansas City, Missouri
November 29, 2016

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2016

Management's Discussion and Analysis (MD&A) of the North Kansas City School District No. 74's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The purpose of this MD&A is to communicate the overall financial performance of the School District including how the School District has performed in the past, the School District's current financial condition, and its outlook for the future. The MD&A, in combination with the financial statements, provides the opportunity for the School District to communicate the effectiveness of management's stewardship of resources, and, further, progress towards the School District's and the Board of Education's stated strategic objectives. Readers should also review the financial statements and the accompanying notes to the financial statements to enhance their understanding of the School District's financial performance.

The MD&A is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

Financial Highlights

Key financial highlights for the Fiscal Year 2015-2016 include the following:

- Beginning fiscal year 2014-2015, GASB 68 requires the School District to recognize the School District's portion of the state-wide pension liability associated with the Public School & Education Employee Retirement Systems of Missouri (PSRS & PEERS) and GASB 65 requires the School District to recognize debt issuance costs as an expense in the period incurred. The School District's ending Net Position is \$29.3 million which reflects an increase in Net Position of \$29.4 million.
- The net position increase of \$29.4 million for the year ended June 30, 2016 was comprised of the following elements:

(dollars in millions)

	<u>June 30,</u> <u>2016</u>	<u>2015</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Invested in capital assets, net of related debt	\$ 71.7	\$ 56.3	\$ 15.4	27.4%
Restricted for:				
Debt service	22.8	20.8	2.0	9.4%
Capital Projects	8.1	12.3	(4.2)	(34.5%)
Unrestricted	(73.3)	(89.5)	16.2	18.1%
Total Net Position	<u>\$ 29.3</u>	<u>\$ (0.1)</u>	<u>\$ 29.4</u>	<u>N/M</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2016

Financial Highlights (continued)

The unrestricted net position increased \$31.6 million due to operating revenues exceeding operating expenditures by \$8.5 million in the General and Special Revenue Funds. Operating increases are representative of the School District's commitment to fiscal responsibility. Additionally, the remaining increase is due to a net increase of the deferred outflows and inflows for GASB 68 of \$21.8 million.

- Total assets increased by \$23.0 million attributed to the following elements:

<i>(dollars in millions)</i>				
	June 30,		\$ Increase/	% Increase/
	2016	2015	(Decrease)	(Decrease)
Cash and investments	\$ 120.8	\$ 122.4	\$ (1.6)	(1.3%)
Receivables	6.9	4.8	2.1	44.1%
Prepaid expenses and inventory items	1.6	2.0	(0.4)	(19.6%)
Capital assets, net of depreciation	298.9	276.0	22.9	8.3%
Total Assets	\$ 428.2	\$ 405.2	\$ 23.0	5.7%

The decrease in cash and investments of \$(1.6) million is mainly due to the timing of payments made on current liabilities. The net increase in capital assets of \$22.9 million is due to current year additions of \$32.8 million, partially offset by increased depreciation expense of \$9.9 million. The additions are mainly the result of \$20.2 million in guaranteed energy savings project improvements.

- Total liabilities increased by \$44.2 million due to the following items:

<i>(dollars in millions)</i>				
	June 30,		\$ Increase/	% Increase/
	2016	2015	(Decrease)	(Decrease)
Accounts payable, salaries and other	\$ 35.2	\$ 40.0	\$ (4.8)	(12.0%)
Current portion of Long-term Debt	23.0	19.7	3.3	16.9%
Noncurrent portion of Long-term Debt	216.5	212.3	4.2	2.0%
Total Liabilities (excluding GASB 68)	\$ 274.7	\$ 272.0	\$ 2.7	1.0%
Share of PSRS/PEERS Pension Liability	146.0	104.5	41.5	39.8%
Total Liabilities	\$ 420.7	\$ 376.5	\$ 44.2	11.7%

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2016

Financial Highlights (continued)

The share of the Missouri State Pension Liability is a result of the adoption of GASB 68. Accounts payable decreased as a result of capital projects in process at prior year end and timing of payments made related to payroll withholdings. Long term liabilities increased \$45.7 million due mainly to FY 2015-2016 change in share of PSRS/PEERS pension liability under GASB 68. The current year net pension liability is \$146.0 million which is up \$41.5 million from the prior year net pension liability of \$104.5 million. All other long term liabilities increased \$4.2 million.

Other financial highlights are as follows:

- Total revenues of \$254.8 million consisted of general revenues of \$222.4 million that accounted for 87% of all revenues while program specific revenues (in the form of charges for services and operating grants and contributions) of \$32.4 million accounted for 13% of total revenues.
- The largest source of general revenue for the School District continues to be locally assessed property taxes. In fiscal year 2016, the assessed valuation increased \$90.6 million or 4.7% to \$2,003.1 million from the prior year. The collection rate, on a full accrual basis of accounting, increased slightly to 100% from 99.6% in the prior year. Total property tax revenue received amounted to \$128.9 million. Property taxes collected, exclusive of all other taxes collected, were \$4.7 million higher than the prior year.
- The second largest source of general revenue for the School District comes from Missouri State Aid including the Missouri K-12 Foundation Formula and the Classroom Trust Fund. The School District received \$60.5 million from these sources in the current year, an increase of \$3.9 million from the prior year.
- Prop C sales taxes are collected and distributed by the State Department of Revenue. These taxes accounted for \$18.5 million in revenue, an increase of \$0.4 million over the prior year due to increase retail sales.
- Other local tax revenues, such as surtax, financial institution taxes and railroad and utility taxes are collected and distributed by the Clay County Department of Revenue and accounted for \$13.9 million in general revenues, an increase of \$0.3 million from the prior year.
- The School District had \$225.5 million in expenses, partially offset by \$32.4 million of program specific charges for services, grants and contributions. General revenues of \$222.4 million were adequate to provide for these programs.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2016

Financial Highlights (continued)

- Among major funds, the General Fund had \$97.3 million in revenues and \$88.7 million in expenditures. A \$4.2 million transfer from the General Fund to the Capital Projects fund was made to finish the Northland Innovation Center and to continue to service the Apple lease purchase payments. A \$0.1 million transfer was made from the General Fund to the Special Revenue fund to cover Special Revenue Fund expenditures. The operating fund balance increased \$4.3 million as the School District worked to keep operating expenditures in line with operating revenues in order to meet the Board of Education's fund balance goal of 16% of operating expenditures.
- Program revenue offsets costs associated with operations and is made up of Charges for services and grants and contributions. Charges for services revenues increased \$831,573 due to increased Community Services revenues of \$455,449, increased Food Services revenues of \$72,038, increased Transportation revenues of \$14,928, and increased Student Activity revenues of \$289,158. The School District received \$4.4 million in revenue from Food Services, \$4.1 million from Community Services, \$2.7 million from Student Activities and \$0.5 million from Transportation. Grants and contributions account for \$20.9 million in program revenues, a decrease of \$0.1 million from the prior year

The School District as a Whole

The Statement of Net Position and Statement of Activities

The Statement of Net Position and the Statement of Activities present an aggregate view of the School District's financial standing as well as a more in depth view of the School District's current financial standing than would normally be seen in the Governmental Fund Type statements. These statements include all assets and liabilities using the full accrual basis of accounting. Accrual basis of accounting recognizes revenues when earned and expenses when incurred regardless of when the School District physically receives funds or writes checks for goods and services.

These two statements report the School District's year ended net position and changes in that net position during the year. The change in net position helps readers determine whether the financial condition of the School District has improved or diminished over the course of the year. The change in net position may be the result of both financial and non-financial factors. Non-financial factors include the School District's property tax base, current property tax laws in Missouri, student enrollment, facility conditions and required educational programs for which little or no funding is provided.

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operations and maintenance of buildings, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2016

The School District as a Whole (continued)

Table 1 compares the School District's Net Position as of June 30, 2016 to June 30, 2015.

TABLE 1
Statement of Net Position
(dollars in millions)

	<u>June 30,</u>		<u>\$ Increase/</u>	<u>% Increase/</u>
	<u>2016</u>	<u>2015</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
ASSETS				
Current Assets	\$ 129.3	\$ 129.2	\$ 0.1	0.09%
Capital Assets – Net	298.9	276.0	22.9	8.29%
Total Assets	428.2	405.2	23.0	5.68%
DEFERRED OUTFLOWS OF RESOURCES				
Pension Plan Deferred Outflows	61.4	23.0	38.4	166.78%
LIABILITIES				
Other Liabilities	58.2	59.7	(1.5)	(2.53%)
Long-Term Liabilities	362.5	316.8	45.7	14.42%
Total Liabilities	420.7	376.5	44.2	11.73%
DEFERRED INFLOWS OF RESOURCES				
Pension Plan Deferred Inflows	39.6	51.7	(12.1)	(23.39%)
NET POSITION				
Invested in Capital Assets,				
Net of Related Debt	71.7	56.3	15.4	27.43%
Restricted-Debt Svc	22.8	20.8	2.0	9.37%
Restricted-Capital Projects	8.1	12.3	(4.2)	(34.49%)
Unrestricted	(73.3)	(89.5)	16.2	18.12%
Total Net Position	\$ 29.3	\$ (0.1)	\$ 29.4	N/M

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2016

The School District as a Whole (continued)

Table 2 compares the Changes in Net Position for fiscal year ended June 30, 2016 to June 30, 2015.

TABLE 2
Change in Net Position
(dollars in millions)

	<u>Year Ended June 30,</u>		<u>\$ Increase/</u>	<u>% Increase/</u>
	<u>2016</u>	<u>2015</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Program Revenues				
Charges for Services	\$ 11.6	\$ 10.8	\$ 0.8	7.6%
Operating/Capital Grants and Contributions	20.8	21.0	(0.2)	(1.0%)
General Revenues:				
Property Taxes	129.0	124.1	4.9	3.9%
Non-restricted Intergovernmental	91.3	87.2	4.1	4.7%
Interest and Investment Earnings	1.5	1.4	0.1	9.7%
Other Miscellaneous Local	1.6	1.2	0.4	31.0%
Sale/Retirement of Assets	<u>(1.0)</u>	<u>(0.4)</u>	<u>(0.6)</u>	<u>161.3%</u>
Total Revenues	<u>254.8</u>	<u>245.3</u>	<u>9.5</u>	<u>3.9%</u>
Program Expenses				
Instruction	117.0	113.7	3.3	2.9%
Student Services	7.6	7.0	0.6	8.9%
Instructional Staff Support	19.8	19.4	0.4	2.0%
Board/Executive and Tech Administration	3.0	3.4	(0.4)	(12.0%)
Building Administration	12.9	12.2	0.7	5.7%
General Administration/Central Services	7.3	6.8	0.5	7.3%
Operation of Plant	19.9	19.5	0.4	2.1%
Transportation	11.1	10.7	0.4	4.1%
Food Service	10.2	9.7	0.5	4.6%
Community Services	5.3	5.0	0.3	6.6%
Facility Acquisition and Construction	4.0	4.3	(0.3)	(8.0%)
Interest and Fiscal Charges	<u>7.4</u>	<u>7.8</u>	<u>(0.4)</u>	<u>(5.3%)</u>
Total Expenses	<u>225.5</u>	<u>219.5</u>	<u>6.0</u>	<u>2.7%</u>
Increase/(Decrease) in Net Position	<u>\$ 29.4</u>	<u>\$ 25.8</u>	<u>\$ 3.5</u>	<u>13.7%</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **For the Year Ended June 30, 2016**

The School District as a Whole (continued)

Fund Financial Statements

The School District's financial statements for major funds provide more in depth information about the School District's financial position and results of operations. The School District uses numerous funds to account for a multitude of financial transactions, however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General (Incidental) Fund, Special Revenue (Teachers) Fund, Debt Service Fund, and Capital Projects Fund.

Governmental Funds

Most of the School District's activities are reported in governmental funds format. This format focuses on how money flows in and out of these funds and provides the reader with remaining fiscal year-end balances available for future use. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a short-term view of the School District's general governmental operations and the basic services the School District provides. Governmental fund information helps the reader determine the changes in financial resources in order to understand what can be spent in the near future. The relationship between governmental activities (as reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Governmental Activities

As reported in the Statement of Activities, the cost of the School District's governmental activities for the year ended June 30, 2016 was \$225.5 million. The Statement of Activities shows the cost of program services, the charges for services and the operating grants and contributions offsetting some of these services. Grants and contributions totaled \$20.8 million and helped reduce expenses for certain programs. Charges for services offset expenses by \$11.6 and include items such as tuition reimbursement, activity fees, fees for school lunches and facility use charges. The remaining program expenses are financed primarily by the taxpayers of the School District through property tax, sales tax, and other ad valorem tax revenue totaling \$159.7 million. State aid accounted for \$60.5 million and investment earnings contributed \$1.5 million. The "net cost" statement, on the following page, determines the remaining cost of the various categories and informs the reader how much each program is funded by proceeds other than charges for services and operating grants and contributions.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2016

The School District as a Whole (continued)

Governmental Activities (continued)

Table 3 compares the Total and Net Costs of Governmental Activities for Fiscal Year ended June 30, 2016 to June 30, 2015.

TABLE 3
Net Cost of Government Activities
(dollars in millions)

	Year Ended June 30,					Year Over		Year Over	
	2016			2015		Total Cost		Total Cost	
	Total Cost of Services	Net Cost of Services	% of total expenses	Total Cost of Services	Net Cost of Services	\$ Increase/ (Decrease)	% Increase/ (Decrease)	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Instruction	\$ 117.0	\$ 102.5	53.2%	\$ 113.7	\$ 99.6	\$ 3.3	2.9%	\$ 2.9	3.0%
Student Services	7.6	7.6	3.9%	7.0	7.0	0.6	8.9%	0.6	8.9%
Instructional Staff Support	19.8	19.8	10.3%	19.4	19.4	0.4	2.0%	0.4	2.2%
Board/Executive & Tech Adm	3.0	3.0	1.5%	3.4	3.4	(0.4)	(12.0%)	(0.4)	(12.0%)
Building Administration	12.9	12.9	6.7%	12.2	12.2	0.7	5.7%	0.7	5.7%
General Adm & Central Svcs	7.3	7.3	3.8%	6.8	6.8	0.5	7.3%	0.5	7.3%
Operation of Plant	19.9	19.9	10.3%	19.5	19.5	0.4	2.1%	0.4	1.9%
Transportation	11.1	8.4	4.4%	10.7	7.6	0.4	4.1%	0.8	10.1%
Food Service	10.2	(0.5)	(0.3%)	9.7	(0.7)	0.5	4.6%	0.2	(23.1%)
Community Services	5.3	0.6	0.3%	5.0	0.7	0.3	6.6%	(0.1)	(16.8%)
Facility Acquisition/Construction	4.0	4.0	2.1%	4.3	4.3	(0.3)	(8.0%)	(0.3)	(7.4%)
Interest and Fiscal Charges	7.4	7.4	3.8%	7.8	7.8	(0.4)	(5.3%)	(0.4)	(5.0%)
Total Expenses	\$ 225.5	\$ 192.9	100.0%	\$ 219.5	\$ 187.6	\$ 6.0	2.7%	\$ 5.3	2.8%

Note: Net Cost of Services is computed by taking the Total Cost of Services and subtracting Charges for Services and Grants and Contributions

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Student Services include guidance and counseling, health services, as well as the cost of student attendance reporting.

Instructional Staff Support includes the activities involved with assisting staff with the content and process of teaching to pupils.

Board/Executive and Tech Administration includes office of the superintendent, Board of Education and beginning July 1, 2011, Technology Administration is also included in this function.

Building Administration includes the cost of salaries and benefits for building level principals and office support staff.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) **For the Year Ended June 30, 2016**

The School District as a Whole (continued)

Governmental Activities (continued)

General Administration and Central Services includes expenses associated with administrative and financial supervision of the School District. It also includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Operation of Plant involves keeping the school grounds, buildings, and equipment in an effective working condition.

Transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Food Service includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

Community Services includes expense related to parents as teachers, adult literacy education, adult continuing education, community education programs, and school age childcare program.

Facility Acquisition and Construction includes remodeling buildings; the construction of buildings and additions to buildings; initial installation and extensions of service systems and other built-in equipment; acquisition of land and buildings and improvements to sites.

Interest and Fiscal Charges involves the transactions associated with the payment of interest and other related charges to debt of the School District.

The dependence upon tax revenues is apparent. Over 88% of instruction activities are supported through taxes and other general revenues; for all activities, general revenue support is 86%. The local community as a whole is the primary support for the North Kansas City School District No. 74.

Reporting the School District's Most Significant Funds

School District Funds

The School District's funds are accounted for using the modified accrual basis of accounting. Governmental funds total revenues were \$255.8 million and total expenditures were \$257.4 million. The net change in fund balance for the year in the General Fund was an increase of \$4.3 million. The unrestricted operating fund balance was \$40.0 million at year-end and was 18.6% of total expenditures of the General Fund plus the Special Revenue (Teachers) Fund. This fund balance would exclusively sustain the School District for approximately 48 days of operations. The School District has implemented GASB 54 as required. See Note 1 to the financial statements for details. The Operating Fund balance consisted of \$0.8 million non-spendable, leaving \$39.1 million operating fund balance unassigned and assigned.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2016

Budgeting Highlights

Operating Funds (General Fund and Special Revenue Fund) Budgeting Highlights

The School District's budget is prepared according to Missouri law and is based on accounting for certain transactions on the modified accrual basis recognizing cash receipts, disbursements, and encumbrances. During the course of the fiscal year, the School Board has the opportunity to approve budget adjustments on two separate occasions, once in the fall and again in the spring. Missouri Revised Statute 67.030 permits budget amendments to the expenditure budget as long as the changes do not exceed estimated revenues to be received during the year plus the unencumbered balance at the beginning of the fiscal year. The original budget for the School District was adopted June 23, 2015 with amendments being approved on August 25, 2015 and June 14, 2016. The most significant budgeted fund is the General Fund, followed by the Special Revenue Teachers Fund.

The School District uses site-based budgeting and the budgeting systems are designed to tightly control the overall site budget but also provide some flexibility for site administration within program functions.

During the fiscal year 2016, the School District amended its operating budget to reflect \$223.8 million for revenue and \$222.1 million for expenditures. Local revenue came in \$0.4 million below budget. With prudent spending and conservative budgeting the actual expenditures were \$7.5 million below the final budget.

Capital Assets and Long-term Liabilities Administration

Capital Assets

As of June 30, 2016, the School District had \$429.0 million invested in land, buildings, furniture and equipment, and vehicles with accumulated depreciation of \$130.0 million, resulting in net investment in capital assets at year-end of \$298.9 million.

TABLE 4
Capital Assets (Net of Depreciation)

	<u>June 30,</u>		<u>\$ Increase/</u>	<u>% Increase/</u>
	<u>2016</u>	<u>2015</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Land	\$ 5,645,472	\$ 5,645,472	\$ -	-
Construction in Progress (CIP)	24,016,210	10,802,754	13,213,456	122.3%
Capitalized Interest on CIP	379,726	21,863	357,863	1,636.8%
Buildings and Improvements	248,566,855	237,674,458	10,892,397	4.6%
Furniture and Equipment	20,245,191	21,823,657	(1,578,466)	(7.2%)
Totals	<u>\$ 298,853,454</u>	<u>\$ 275,968,204</u>	<u>\$ 22,885,250</u>	<u>8.3%</u>

Net capital assets ended at \$298.9 million, an increase of \$22.9 million due to the addition of capital assets of \$32.8 million partially offset by depreciation expense of \$(9.9) million. In April 2014, the community authorized the School District to issue \$20 million in bonds which allowed the School District to make needed improvements and upgrades to facilities in the current year.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2016

Capital Assets and Long-term Liabilities Administration (continued)

Debt Administration

On June 30, 2016, the School District had \$179.3 million in general obligation bonds, due in varying interest rate charges through the year 2034. These bonds were originally issued for the purpose of capital improvements, building additions, and technology system advancements.

Table 5
Outstanding General Obligation Bonds

	June 30,	
	2016	2015
Series 2015	\$ 25,645,000	\$ 28,310,000
Series 2014	43,740,000	44,240,000
Series 2013	6,315,000	7,420,000
Series 2012	28,950,000	31,195,000
Series 2011	10,235,000	11,075,000
Series 2010	9,685,000	11,000,000
Series 2008	8,140,000	8,700,000
Series 2007	44,345,000	46,575,000
Series 2006	2,280,000	7,235,000
Total	<u>\$ 179,335,000</u>	<u>\$ 195,750,000</u>

Missouri statute allows School Districts to incur debt up to an amount equal to 15% of the most current assessed valuation. At June 30, 2016, the School District's overall legal debt margin was \$300.5 million, of which \$179.3 million has been issued, offset by a debt service fund balance of \$25.8 million leaving the un-voted debt margin at \$146.9 million.

In August 2016 the District's community voted overwhelmingly (82%) to approve the issuance of \$114 million in new general obligation debt to fund the construction of two new elementary schools, renovate the 100 year old North Kansas City High School, and provide additional repairs and upgrades throughout the District.

In August 2016 the District held a Board of Education approved competitive sale to refinance the 2007 and 2008 GO bonds. The refunding received Moody's Aa2 bond rating and lowered the district's average interest rate payable from just over 5% to 1.45% resulting in present value savings of \$7.2 million.

In November 2016 the District held a voter and Board of Education approved competitive sale to issue \$114 million of new GO Bonds. The result of the competitive sale yielded a true interest cost of 2.72% and keeps the District's promise of a "No Tax Increase" bond issue. The new debt includes bonds with maturity dates ranging from March 1, 2020 through March 1, 2036, Coupons ranging from 2.0% to 4.0%, an average life of approximately 13 years, and on average are priced at \$107.95. The District will begin making debt service payments March 1, 2017 with a final scheduled payment on March 1, 2036.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2016

Capital Assets and Long-term Liabilities Administration (continued)

Both the Series 2016A refunding and the Series 2016B GO bonds received a rating from Moody's of Aa2. The Aa2 rating reflects the district's large and growing tax base, average wealth indices and modestly growing enrollment. The rating also reflects stable financial performance and reserves, and high yet manageable debt and pension profiles.

The stable outlook reflects an expectation of stable credit fundamentals supported by structurally balanced operations, healthy reserves, no medium term plans for additional debt and conservative management. Additionally, continued growth is expected in the district's tax base given new development and its location within the growing Kansas City, MO metropolitan area.

The rating and the stability demonstrates that the School District exhibits strong financial management with a tenured financial staff, multi-year planning and conservative budgeting.

At June 30, 2016, the outstanding balance for the School District on Capital Lease Obligations is \$21.4 million in principal and \$1.6 million in interest for a total of \$23 million.

Table 6
Outstanding Capital Lease Obligations
(dollars in millions)

	Total Principal and Interest		\$ Increase/ (Decrease)	% Increase/ (Decrease)
	as of June 30,			
	2016	2015		
Apple, Inc. - Student MacBooks	\$ 4.6	\$ 6.1	\$ (1.5)	(25.3%)
Apple, Inc. - Staff MacBooks	2.3	0.0	2.3	100.0%
CNG Bus Infrastructure	2.7	0.0	2.7	100.0%
CNG Buses	13.4	0.0	13.4	100.0%
CNG Fueling Truck	0.1	0.0	0.1	100.0%
	<u>\$ 23.0</u>	<u>\$ 6.1</u>	<u>\$ 16.9</u>	<u>276.8%</u>

The School District implemented Governmental Accounting Standards Board (GASB) Statement No. 68 Accounting and Financial Reporting for Pensions commencing with the fiscal year ending June 30, 2015. The School District is required to address accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts and must recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to such pension plans. The current year net pension liability is \$146.0 million, an increase of \$41.5 million dollars. Additionally, the School District recorded deferred outflows related to the pension plan of \$61.4 million dollars and deferred inflows related to pension plans of \$39.6 million dollars. See Notes to Financial Statements for additional details.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2016

Capital Assets and Long-term Liabilities Administration (continued)

The School District implemented Governmental Accounting Standards Board (GASB) Statement No. 45 Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions (OPEB) commencing with the fiscal year ending June 30, 2008. The School District is required to provide a systematic, accrual-basis measurement of an annual OPEB Cost. In 2016 the Annual required contribution was \$2.1 million offset by \$1.1 million implicit employer contributions (excess premiums) which resulted in a \$1.0 million increased obligation for the current year and a cumulative Net OPEB obligation of \$6.1 million at June 30, 2016. See Notes to Financial Statements for additional details.

Economic Factors and Next Year's Budget

The North Kansas City School District No. 74 is financially stable; however, we must continually monitor the national, state, and local economic trends in order to maintain that stability. As our nation continues to slowly recover from the recession that began in 2008, the School District has begun to see a slight increase in local property values and corresponding tax revenues. Our 2014 local assessed property valuation is still below values reported by the Clay County Assessor's office in 2005. The 2014 assessment figures, a non-reassessment year, were based upon 2011 and 2012 home sale values.

The School District has partially offset the loss of local property tax revenue through increased State revenues sources to maintain the current overall financial position. In 2005, the State of Missouri adopted Senate Bill 287 (SB 27) a new method of distributing state funds to local School Districts from which our School District has benefited.

As part of the normal budgeting process, long-range projections are developed and continually updated. This process allows the School District to determine how much of the available resources can be used for on-going projects, such as new programs or initiatives, versus one-time projects, such as facility repairs.

In addition to balancing the revenue and expenditure budgets, School District policy sets beginning of the fiscal year minimum cash requirements. Based upon parameters established by the Board of Education, the year-end operating fund balance must be equal to 16% of the operating expenditure budget plus or minus 2%. Due to the cyclical nature of School District revenues and expenditures, this reserve is designed to cover cash flow needs during the period of October thru December, just prior to the collection of property tax revenues in late December and January, eliminating the need to utilize short-term borrowing to cover School District cash requirements.

The community support for the School District is strong. In August of 2016 the community voted with a resounding 82% approval of our new money bond issue. The School District is proud of the community support for public schools. As the preceding information shows, the School District continues to provide quality educational programming, while simultaneously making necessary improvements to facilities to serve a growing student enrollment.

The North Kansas City School District No. 74 has committed itself to financial excellence for many years as demonstrated by our consistently strong financial performance. In addition, the School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2016

Economic Factors and Next Year's Budget (continued)

This report is designed to provide our citizens, taxpayers, investors and creditors with a full and complete disclosure of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional copies, they can be obtained by contacting the following people at the North Kansas City School District, 2000 NE 46th Street, Kansas City, Missouri, 64116, phone number 816-321-5000.

Matthew Fritz
Executive Director – Finance & Accounting

Kendra Hutsell
Director of Accounting

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

STATEMENT OF NET POSITION June 30, 2016

	Governmental <u>Activities</u>
<u>ASSETS</u>	
Cash & Cash Equivalents	\$ 53,666,767
Investments	39,895,465
Receivables:	
Taxes	770,839
Other Local, net of allowance for uncollectible of \$29,143	2,546,233
State	1,691,442
Federal	1,948,652
Inventory	968,216
Prepaid Expenses	618,127
Escrowed Cash with Fiscal Agents	27,261,197
Capital Assets:	
Land	5,645,472
Construction in Progress and related Capitalized Interest	24,395,936
Other Capital Assets, net of Accumulated Depreciation	<u>268,812,046</u>
Total Assets	<u>428,220,392</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred amounts related to pension plans	<u>61,381,964</u>
<u>LIABILITIES</u>	
Accounts Payable	4,927,644
Payroll Withholding	6,450,598
Accrued Wages	11,135,397
Stop-gap Liability	2,189,880
Accrued Interest Payable	3,089,487
Retiree Medical Insurance Liability	6,144,400
Compensated Absences	1,272,642
Long-term Liabilities:	
Due within one year	22,999,117
Due in more than one year	<u>362,461,974</u>
Total Liabilities	<u>420,671,139</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred amounts related to pension plans	<u>39,621,492</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	82,050,787
Restricted for:	
Debt Service	23,204,089
Bond Capital Projects	5,167,300
Unrestricted	<u>(81,112,381)</u>
Total Net Position	<u>\$ 29,309,725</u>

See Accompanying Independent Auditors' Report and Notes to the Basic Financial Statements.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2016

Functions/Programs:	Expenses	Program Revenue			Net (Expense)
		Charges for Services & Sales	Operating Grants & Contributions	Capital Grants & Contributions	Revenue and Change in Net Position
Governmental Activities:					Total Governmental Activities
Current:					
Instruction	\$116,958,636	\$ 2,690,092	\$11,585,322	\$89,263	\$(102,593,959)
Student Services	7,599,583	0	0	0	(7,599,583)
Instructional Staff Support	19,794,028	0	0	0	(19,794,028)
Board/Executive & Tech Admin	2,965,144	0	0	0	(2,965,144)
Building Administration	12,964,705	0	0	0	(12,964,705)
General Admin/Central Services	7,332,183	0	0	0	(7,332,183)
Operation of Plant	19,880,607	0	0	0	(19,880,607)
Transportation	11,107,279	487,769	2,226,974	0	(8,392,536)
Food Services	10,182,246	4,351,524	6,363,532	0	532,810
Community Services	5,281,485	4,107,287	1,194,406	0	20,208
Facilities	3,969,685	0	0	0	(3,969,685)
Interest & Charges	<u>7,465,966</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(7,465,966)</u>
Total Governmental Activities	\$225,501,547	\$11,636,672	\$21,370,234	\$89,263	\$(192,405,378)
<u>General Revenues</u>					
Property taxes					128,964,415
Sales tax (Proposition C)					18,478,485
Other local taxes					8,032,096
County taxes and fines					4,205,585
State Aid - Basic formula & Classroom Trust					60,533,013
Interest & Investment Earnings					1,515,271
Miscellaneous Other					<u>1,018,368</u>
Subtotal - General Revenues					<u>222,747,233</u>
Excess of revenues over expenses before special items					30,341,855
Special Items: Gain(Loss) on Sale of Capital Assets					<u>(966,568)</u>
Change in Net Position					29,375,287
NET POSITION – BEGINNING OF YEAR					<u>(65,562)</u>
NET POSITION – END OF YEAR					<u>\$ 29,309,725</u>

See Accompanying Independent Auditors' Report and Notes to the Basic Financial Statements.

BASIC FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2016

	General (Incidental) <u>Fund</u>	Special Revenue (Teachers) <u>Fund</u>	Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Totals</u>
<u>ASSETS</u>					
Cash & Cash Equivalents	\$13,098,275	\$6,784,718	\$15,837,652	\$17,946,122	\$ 53,666,767
Investments	35,380,644	0	0	4,514,821	39,895,465
Receivables:					
Taxes	343,686	261,880	150,075	15,198	770,839
Local	254,614	0	0	2,029,328	2,283,942
State	589,616	1,087,766	0	14,060	1,691,442
Federal	626,084	1,320,504	0	2,064	1,948,652
Inventories	716,318	0	0	0	716,318
Prepaid Expenses	111,107	0	0	0	111,107
Escrowed Cash with Fiscal Agent	<u>0</u>	<u>0</u>	<u>9,795,699</u>	<u>0</u>	<u>9,795,699</u>
TOTAL ASSETS	<u>\$51,120,344</u>	<u>\$9,454,868</u>	<u>\$25,783,426</u>	<u>\$24,521,593</u>	<u>\$110,880,231</u>
 <u>LIABILITIES & FUND BALANCES</u>					
Liabilities:					
Accounts Payable	\$ 713,915	\$ 84,099	\$4,700	\$4,124,930	\$4,927,644
Payroll Withholdings	6,450,598	0	0	0	6,450,598
Accrued Wages	1,764,628	9,370,769	0	0	11,135,397
Stop-gap Liability	<u>2,189,880</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,189,880</u>
Total Liabilities	<u>\$11,119,021</u>	<u>\$9,454,868</u>	<u>\$4,700</u>	<u>\$4,124,930</u>	<u>\$24,703,519</u>
Fund Balances:					
Nonspendable	827,425	0	0	0	827,425
Restricted	4,817,490	0	25,778,726	5,167,300	35,763,516
Assigned	0	0	0	15,229,363	15,229,363
Unassigned	<u>34,356,408</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>34,356,408</u>
Total Fund Balances	<u>40,001,323</u>	<u>0</u>	<u>25,778,726</u>	<u>20,396,663</u>	<u>86,176,712</u>
 TOTAL LIABILITIES & FUND BALANCES	 <u>\$51,120,344</u>	 <u>\$9,454,868</u>	 <u>\$25,783,426</u>	 <u>\$24,521,593</u>	 <u>\$110,880,231</u>

See Accompanying Independent Auditors' Report and Notes to the Basic Financial Statements.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES

June 30, 2016

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$86,176,712

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

Various assets are reported in the governmental activities that are not reported as assets in the governmental funds:

Capital assets, cost	\$ 428,883,061	
Accumulated depreciation	(130,029,607)	
		298,853,454
Non-cash donated inventory of food commodities	251,898	
Advance use of short-term medical leave, net of allowance	262,291	
Prepaid insurance premiums	<u>507,020</u>	
		1,021,209

The assets and liabilities related to the capital leases from both lease purchase agreements and Certificates of Participation (COPs) are included in the governmental activities and are not reported in the governmental funds.

Escrowed cash equivalents with fiscal agent	17,465,498	
Issuance premiums, net of accumulated amortization	(546,070)	
Capital leases – certificates of participation obligation	(23,985,000)	
Capital leases – lease purchase obligation	<u>(21,365,037)</u>	
		(28,430,609)

Deferred inflows and outflows of resources for pension plans are reported in the governmental activities that are not reported in the governmental funds:

Deferred outflows for PSRS and PEERS	61,381,964	
Deferred inflows for PSRS and PEERS	<u>(39,621,492)</u>	
		21,760,472

Various liabilities are reported in the governmental activities that are not reported as liabilities in the governmental funds:

Accrued interest on long-term debt	(3,089,487)	
Net OPEB obligation for retiree medical insurance	(6,144,400)	
Compensated absences for vacation and comp time	(1,272,642)	
Bond issuance premiums, net of accumulated amortization	(14,204,358)	
Bonds payable and lease obligations	(179,335,000)	
Net pension obligation liability for PSRS and PEERS	<u>(146,025,626)</u>	
		(350,071,513)

TOTAL NET POSITION - GOVERNMENTAL FUNDS \$ 29,309,725

See Accompanying Independent Auditors' Report and Notes to the Basic Financial Statements.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES For the Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals Governmental Funds
<u>REVENUES</u>					
Local	\$74,779,182	\$ 62,744,674	\$26,113,168	\$5,633,163	\$169,270,187
County	1,610,058	1,721,339	811,181	63,007	4,205,585
State	11,752,476	55,164,863	0	48,040	66,965,379
Federal	8,330,867	6,188,621	0	18,389	14,537,877
Other	<u>849,974</u>	<u>14,400</u>	<u>0</u>	<u>0</u>	<u>864,374</u>
Total Revenues	97,322,557	125,833,897	26,924,349	5,762,599	255,843,402
<u>EXPENDITURES</u>					
Current:					
Instruction	11,147,868	84,538,477	0	391,680	96,078,025
Special Education Instruction	7,620,616	19,257,147	0	14,060	26,891,823
Student Services	4,010,692	3,944,089	0	1,711	7,956,492
Instructional Staff Support	7,566,193	7,645,492	0	3,985,112	19,196,797
Board/Executive & Tech Admin	2,935,728	484,085	0	0	3,419,813
Building Administration	5,375,125	8,214,172	0	0	13,589,297
General Admin & Central Services	5,451,108	835,545	0	218,629	6,505,282
Operation of Plant	19,426,192	0	0	1,034,007	20,460,199
Transportation	10,892,685	0	0	46,401	10,939,086
Food Services	9,762,543	0	0	289,954	10,052,497
Community Services	4,544,274	999,786	0	0	5,544,060
Facilities Acquisition/Construction	0	0	0	11,717,597	11,717,597
Debt Service:					
Principal	0	0	16,415,000	0	16,415,000
Interest and Charges	<u>11,657</u>	<u>0</u>	<u>8,137,116</u>	<u>477,056</u>	<u>8,625,829</u>
Total Expenditures	88,744,681	125,918,793	24,552,116	18,176,207	257,391,797
Other Financing Sources (Uses):					
Sale of Assets	73	0	0	50,584	50,657
Transfers To	0	84,896	0	4,192,907	4,277,803
Transfers From	<u>(4,277,803)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4,277,803)</u>
Total Other Financing Sources (Uses)	<u>(4,277,730)</u>	<u>84,896</u>	<u>0</u>	<u>4,243,491</u>	<u>50,657</u>
Net Change in Fund Balances	4,300,146	0	2,372,233	(8,170,117)	(1,497,738)
FUND BALANCES, JUNE 30, 2015	<u>35,701,177</u>	<u>0</u>	<u>23,406,493</u>	<u>28,566,780</u>	<u>87,674,450</u>
FUND BALANCES, JUNE 30, 2016	<u>\$40,001,323</u>	<u>\$ 0</u>	<u>\$25,778,726</u>	<u>\$20,396,663</u>	<u>\$86,176,712</u>

See Accompanying Independent Auditors' Report and Notes to the Basic Financial Statements.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$(1,497,738)
--	---------------

Variances in the reporting amounts of assets, deferred inflows and outflows, liabilities between the governmental activities & the governmental funds create variances in the reporting amounts of revenues & expenditures which follows:

Net capital asset purchases and disposals are expensed in funds but are capitalized & depreciated in activities.	
<i>Capitalized assets</i>	15,396,116
<i>Capitalized leases and COPs</i>	6,244,121
<i>Depreciation expense</i>	(15,352,923)
<i>Gain on sale, sale proceeds</i>	(1,017,225)
Federal food commodities are not recorded in funds & inventoried in activities.	
<i>Commodities received</i>	906,675
<i>Commodities consumed</i>	(907,759)
Accounts receivable for employee short-term medical leave.	(19,606)
Insurance premiums are expensed in funds and recorded as prepaids in activities.	14,522
The OPEB cost for retiree medical insurance is recorded in activities.	(1,043,300)
Compensated absences liability is recorded in activities and not in the funds.	(45,196)
Long-term obligation interest is expensed as paid in the funds and expensed or capitalized in the appropriate period for funds.	
<i>Accrued interest</i>	(330,435)
Bond premiums are recognized as other financing sources in funds and capitalized and amortized in activities.	
<i>Premium amortization</i>	1,577,234
General obligation bonds and notes payable are recorded as other financing sources in the year of received and expensed in year of payment in funds and recorded as liabilities in activities.	
<i>Bonds paid</i>	16,415,000
Certificates of Participation issuance cost, underwriter discount, obligation payments, and amortization of issuance premiums are not reported in the funds.	
<i>Issuance cost for COPs</i>	(51,200)
<i>Underwriter discount on new COPs</i>	(68,880)
<i>Payment on COPs</i>	200,000
<i>Premium amortization</i>	33,144
Pension expense (PSRS/PEERS) reported in activities do not require use of current resources, not reported in funds.	<u>8,922,737</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>29,375,287</u>
---	----------------------

See Accompanying Independent Auditors' Report and Notes to the Basic Financial Statements.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

INDEX

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Entity
- B. Principles Used to Determine Scope of Entity
- C. Basis of Presentation
- D. Measurement Focus and Basis of Accounting
- E. Assets, Liabilities and Equity
- F. Revenues and Expenditures
- G. Use of Estimates
- H. Adoption of Governmental Accounting Standards Statements

NOTE 2: COMPLIANCE AND ACCOUNTABILITY

- A. Uninsured and Uncollateralized Deposits
- B. Property Tax Requirements
- C. Net Position/Fund Balance Restrictions
- D. Budgetary Law

NOTE 3: DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

- A. Custodial Credit Risk - Deposits and Investments
- B. Long-term Liabilities
- C. Capital Assets
- D. Inter-fund Transfers
- E. Short-term Medical Leave Policy
- F. Stop-gap Liability

NOTE 4: OTHER NOTES

- A. Public School and Education Employee Retirement System of Missouri (PSRS/PEERS)
- B. Post-employment Healthcare Plan
- C. Deferred Compensation Plan
- D. Section 125 Cafeteria Plan and Health Savings Account
- E. Claims and Adjustments
- F. Lease - Operating
- G. Facilities Use Agreement
- H. Impact Fee Credits
- I. Litigation
- J. Risk Management
- K. North Kansas City School District Foundation
- L. Northland CAPS Program
- M. Northland Innovation Campus
- N. Subsequent Events

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Entity

The North Kansas City School District No. 74 (the "School District") was established in 1913 under the statutes of the State of Missouri. The School 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 School District, located in Clay County, serves an area of approximately 82 square miles. It is staffed by 1,518 non-certificated employees, 1,422 certificated, full-time teaching personnel and 129 administrative employees who provide services to 19,391 students and other community members. The School District currently operates 21 elementary schools (grades K-5), five middle schools (grades 6-8), four high schools (grades 9-12) and six other education centers.

B. Principles Used to Determine Scope of Entity

The School District has implemented Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations are Component Units*. GASB Statement No. 39, which amended GASB Statement No. 14, provides specific criteria which must be met in order for an organization to be included in the School District's financial statements.

The School District has developed criteria to determine whether outside agencies with activities which benefit the citizens of the School District, including joint agreements which serve students from numerous school districts, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the School District exercises oversight responsibility, which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters, scope of public service and special financing relationships.

The School District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the School District's financial statements. In addition, the School District is not aware of any entity which could exercise such oversight which would result in the School District being considered a component unit of the entity.

C. Basis of Presentation

The School District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The GASB is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) (when applicable) that do not conflict with or contradict GASB pronouncements.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information. Both the government-wide and fund-financial statements categorize primary activities as either governmental or business type. For the year ended June 30, 2016, all of the School District's activities are classified as governmental type.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the School District as a whole. They include all funds of the School District. The School District has only governmental activities which are financed through taxes, intergovernmental revenues and other revenues.

The statement of net position presents the financial condition of the governmental activities of the School District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirement of a particular program and interest earned on grants that is required to be used to support a particular program.

Fund Financial Statements

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. An emphasis is placed on major funds within the governmental categories. In accordance with the State law, the School District has designated all of the following funds as major funds.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the School District's governmental fund types.

General (Incidental) Fund

Accounts for general activities of the School District, including student activities, transportation, community activities and food service which are not required to be accounted for in a separate fund.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Special Revenue (Teacher's) Fund

Accounts for expenditures for certified employees who are involved in administration and instruction. It includes revenues restricted by the state and local tax levy for the payment of teacher salaries and certain employee benefits.

Debt Service Fund

Accounts for the accumulation of resources for, and the payment of, principal, interest and fiscal charges on long-term debt.

Capital Projects (Building) Fund

Accounts for the proceeds of bond issues, taxes and other revenue restricted for acquisition or construction of major capital assets.

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, recording of deferred revenue, presentation of expenses versus expenditures, and recording of long-term liabilities. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources' measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of related cash flows.

Governmental fund statements are reported using the "current financial resources" measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School District considers revenues to be available if they are collected within 30 days after the end of the current fiscal period. Property taxes, state and federal grants and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Expenditures are recorded when the liability is incurred, except for claims and judgments, compensated absences and interest on long-term debt which are recorded when normally expected to be liquidated with expendable available financial resources. Proceeds from issuance of long-term debt are recognized when received and payment of long-term debt principal is reported as an expenditure when paid. Capital asset purchases are recorded as expenditures and depreciation is not recognized.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus and Basis of Accounting (continued)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenues from property taxes are recognized in the period for which the taxes are levied. Revenues from grants, entitlements and donations are recognized when all eligibility requirements imposed by the provider have been satisfied.

Eligibility requirements include timing requirements, which specify the year the resources require use, or the year when use is first permitted, matching requirements and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from nonexchange transactions must also be available before they are recognized.

E. Assets, Liabilities and Equity

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, except for the debt service fund, are maintained in this pool. Individual fund integrity is maintained through School District records. (State law requires that all deposits of the Debt Service Fund be kept separate and apart from all other funds of the School District.) Each fund type's portion of this pool is displayed in these financial statements as "Cash and Cash Equivalents" under each fund's caption.

Cash with Fiscal Agents

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "Cash with Fiscal Agents" and represents deposits.

Investments

The School District's investment policy allows the purchase of any investments allowed by the Missouri State Treasurer. These include obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than five years from the date of purchase; repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity; or commercial paper issued by U.S. or domestic corporations and have two of the highest ratings issued from Moody's Investor Services, Inc. (Moody's), Standard and Poor's Corporation (S&P) or Fitch Group (Fitch).

Investment Valuation

The School District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District does not have any investments that are measured using Level 3 inputs.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity (continued)

Prepaid Items

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

Inventory

On government-wide financial statements, inventories are presented using the average cost basis and are expensed when used. On fund-financial statements, inventories of governmental funds are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000.

The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except for land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	25-50 years
Furniture and Equipment	5-20 years
Vehicles	8-15 years

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position and the governmental funds balance sheet will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position / fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate element, Deferred Inflows of Resources, represents an acquisition of net position / fund balance that applies to a future period and so will not be recognized as revenue until then.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity (continued)

Bond Premium / Discount and Bond Issuance Cost

Initial issue bond premiums and discounts are capitalized and amortized over the life of the related debt issues using the straight-line method, which approximates the effective interest method. Bond premiums are reported with long-term liabilities net of the unamortized portion of applicable premium or discount in the government-wide financial statements. Amortization of bond premiums or discounts is included in interest expense and reported as debt service expenditures. In the governmental funds, the bond premiums are recognized as other financing sources in the period when the bonds were issued. Issuance costs, including underwriters' discount, are expensed when incurred.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that, once incurred, are paid on a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. The general obligation bonds, the notes payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

Accrued Salaries - Wages

Payroll expense for 2015-2016 school year contracts paid in July and August 2016 was included in accrued salaries and wages at June 30, 2016. The option to receive the July and August payment in June was not offered to the employee in the current year.

Accrued Vacation and Comp Time

Various certified and non-certified employees receive vacation and comp time which can be accrued. Each year a calculation of these accrued benefits is prepared based upon carryover hours at the employee's current rate. This liability is included in the government-wide financial statements.

Net Position

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

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity (continued)

Fund Balance Reporting

The School District has implemented GASB 54 with the intention to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the School District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

For committed fund balances (as defined in GASB 54), the School District's highest level of decision-making authority is the Board of Education. The Board delegates the authority to assign amounts for specific purpose(s) to either the Deputy Superintendent of Operations or the Superintendent. The following is a list of classifications of fund balances and definitions as described in GASB 54.

Nonspendable Fund Balance

Represents amounts that cannot be spent due to form (such as inventory) or are required to be maintained intact.

Restricted Fund Balance

Represents amounts constrained for a specific purpose (restricted expenditure use).

Committed Fund Balance

Represents amounts designated for a special purpose by a government using its highest level of decision-making authority. The Board would make the commitment and only the Board can remove such a commitment. As of June 30, 2016, the School District did not have fund balances classified as committed.

Assigned Fund Balance

For all governmental funds other than the general fund. The amount reported as assigned should not result in a deficit in unassigned fund balance.

Unassigned Fund Balance

Represents only the general fund and all remaining fund balances not classified in the first four levels.

In addition, the order of spending is as follows: 1) when restricted, committed, assigned and unassigned funds are available for expenditure, restricted funds should be spent first (if applicable); 2) committed funds (if applicable) should be spent second; 3) assigned funds (if applicable) third; and 4) unassigned funds last.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity (continued)

Fund Balance Reporting (continued)

The following table shows the restrictions, commitments and assigned amounts within each element of the School District's fund balances by fund.

	<u>General</u>	<u>Special Revenue (Teachers)</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Nonspendable:					
Inventory	\$ 716,318	\$ 0	\$ 0	\$ 0	\$ 716,318
Prepaid Expense	<u>111,107</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>111,107</u>
Total Nonspendable	827,425	0	0	0	827,425
Restricted:					
Activity Funds	1,532,553	0	0	0	1,532,553
Food Service	3,284,937	0	0	0	3,284,937
Debt Service	0	0	25,778,726	0	25,778,726
Bond Projects	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,167,300</u>	<u>5,167,300</u>
Total Restricted	4,817,490	0	25,778,726	5,167,300	35,763,516
Assigned:					
Capital Projects	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,229,363</u>	<u>15,229,363</u>
Total Assigned	0	0	0	15,229,363	15,229,363
Unassigned	<u>34,356,408</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>34,356,408</u>
Total Fund Balances	<u>\$40,001,323</u>	<u>\$ 0</u>	<u>\$ 25,778,726</u>	<u>\$ 20,396,663</u>	<u>\$ 86,176,712</u>

Retirement Pension Plans

Public School and Education Employee Retirement Systems of Missouri

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

The fiduciary net position, as well as additions to and deductions from the fiduciary net position, of PSRS and PEERS have been determined on the same basis as they are reported by the Systems. The financial statements were prepared using the accrual basis of accounting. Member and employer contributions are recognized when due, pursuant to formal commitments and statutory requirements. Benefits and refunds of employee contributions are recognized when due and payable in accordance with the statutes governing the Systems. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the district's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense. A Comprehensive Annual Financial Report ("CAFR") can be obtained at www.psr-peers.org.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity (continued)

Post-Employment Benefits

In addition to the retirement pension benefits described above and in Notes 4.A. and 4.B., the School District provides post-retirement healthcare benefits to all employees who retire from the School District. The monthly premium is paid fully by the retiree for the next period's coverage. There is no associated cost to the School District under this program.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the School District provides healthcare benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid by the insured monthly for the next period's coverage. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the School District under this program.

F. Revenues and Expenditures

Revenues are classified by their source.

Local Revenues

Includes property taxes that are levied and collected at the county level for the School District, a percentage sales tax collected by local merchants and collections for services provided to students and patrons.

County Revenues

The county by law collects and passes through to the School District specified revenues.

State Revenues

The School District receives state aid money from the state based upon the state basic formula and for various other state educational programs.

Federal Revenues

The School District receives federal aid for various educational programs and grants in which they participate.

Investment Income

Interest earned on invested funds is a material amount annually.

Other Sources

The issuance of bonds is a source of revenue in the year of issuance in the governmental fund statements.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Revenues and Expenditures (continued)

Program Receipts

Amounts reported as program receipts include 1) charges to students or others for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. All other governmental receipts are reported as general receipts. All taxes are classified as general receipts even if restricted for a specific purpose.

Expenditures are classified by their use.

Instruction

This category includes the payment of salaries to and benefits for all instructional staff along with needed supplies and aides.

Support Services

This category includes all the services that are provided for the support of the students and/or teachers, the management team, the facilities' expenses and the transporting of students.

Acquisition/Construction

This category represents the expenditures of major new construction or furnishing and the upgrading of existing facilities.

Debt Service

The payment of principal and interest on bonds payable or long-term capital leases.

G. Use of Estimates

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

H. Adoption of Governmental Accounting Standards Statements

GASB Statement No. 72

For the year ended June 30, 2016, the School District adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Adoption of Governmental Accounting Standards Statements (continued)

GASB Statement No. 76

For the year ended June 30, 2016, the School District adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction of other event is not specified within the source of authoritative GAAP. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015. The adoption of this statement did not have an impact on the School District's financial statements.

NOTE 2: COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government, the School District is subject to various federal, state and local laws and regulations. An analysis of the School District's compliance with significant laws, regulations, grants and contracts over School District resources follows.

A. Uninsured and Uncollateralized Deposits

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. government governmental agency securities and certain state or political subdivision debt obligations. At June 30, 2016, all School District funds were covered with FDIC insurance or acceptable collateral.

B. Property Tax Requirements

Property taxes attach as an enforceable lien on the property each year as of January 1. Taxes are levied on November 1 and payable by December 31. The county collects the property tax and remits it to the School District on a monthly basis.

The School District also receives sales tax collected by the state and remitted based on prior year weighted average daily attendance. The state requires the School District to reduce its property tax levy by one-half the amount of sales tax estimated to be received in the subsequent calendar year. However, in April 1994 the voters of the School District approved a Prop C rollback wavier.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS June 30, 2016

NOTE 2: COMPLIANCE AND ACCOUNTABILITY (continued)

B. Property Tax Requirements (continued)

The assessed valuation of the tangible property for calendar year 2015 for purposes of local taxation, excluding tax increment financing assessed valuation, follows.

	Assessed Valuation as of <u>12/31/2015</u>	Assessment <u>Rate</u>	Estimated Actual <u>Valuation</u>	% of Total Estimated <u>Actual Valuation</u>
Real Property				
Residential	\$1,143,717,682	19.0%	\$6,019,566,747	69.5%
Agricultural	2,991,667	12.0%	24,930,558	0.3%
Commercial	<u>367,895,952</u>	32.0%	<u>1,149,674,850</u>	<u>13.1%</u>
Total Real Property	1,514,605,301		7,194,172,156	83.1%
Personal Property	<u>488,498,549</u>	33.3% ⁽¹⁾	<u>1,465,495,647</u>	<u>16.9%</u>
Total Property	<u>\$2,003,103,850</u>		<u>\$8,659,667,803</u>	100.00%

⁽¹⁾ 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.

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2015 for purposes of local taxation was as follows:

General (Incidental) Fund	\$ 2.7733
Special Revenue (Teachers) Fund	2.2400
Debt Service Fund	1.2900
Capital Projects Fund	<u>0.1300</u>
Total	\$ <u>6.4333</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2016, aggregated 101.7% of the current assessment computed on the basis of the levy as shown above.

C. Net Position/Fund Balance Restrictions

State law prohibits the creation of a deficit fund balance in any individual fund. For the year ended June 30, 2016, the School District incurred no fund balance deficits in any individual fund.

D. Budgetary Law

State law requires that expenditures not exceed final budgeted expenditures as approved by the Board of Education. For the fiscal year ended June 30, 2016, no budgets had been exceeded.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 3: DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS

The following information is presented to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenditures/expenses.

A. Custodial Credit Risk - Deposits and Investments

Deposits

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. The funds of the School District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the School District's agent bank in an amount sufficient to protect the School District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (the "FDIC") insurance.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a failure of a depository financial institution, the School District's deposits may not be returned or the School District will not be able to recover collateral securities in the possession of an outside party. The School District's policy required deposits to be 100% secured by collateral valued at market less the amount covered by the FDIC. As of June 30, 2016, none of the School District's bank balances with financial institutions was exposed to custodial credit risk.

Investments

Authorized Investments

The School District is authorized to invest in U.S. obligation, U.S. government agency securities and instrumentalities of government-sponsored corporations, repurchase agreements secured by U.S. obligations or obligations of U.S. government agencies or instrumentalities, certificates of deposit and commercial paper having two of the highest ratings issued from Moody's, S&P or Fitch.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the School District's investment policy requires operating funds to be invested to coincide with projected cash flow needs, thereby avoiding the need to sell securities on the open market prior to maturity. At June 30, 2016, the fair market value of the School District's investments was \$39,834,497.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 3: DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS (continued)

A. Custodial Credit Risk - Deposits and Investments (continued)

Investments (continued)

As of June 30, 2016, the School District had the following investments.

<u>Investment Type</u>	<u>Par</u>	<u>Investment Cost</u>	<u>Investment Maturities</u>	
			<u>< 1 Year</u>	<u>1-5 Years</u>
Fed Nat Mort Assoc	\$ 9,500,000	\$ 9,500,000	\$ 0	\$ 9,500,000
Commercial Paper - various	<u>30,400,000</u>	<u>30,309,132</u>	<u>30,309,132</u>	<u>0</u>
Totals	\$ <u>39,900,000</u>	\$ <u>39,809,132</u>	\$ <u>30,309,132</u>	\$ <u>9,500,000</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The School District's investment policy is to apply the prudent-person rule: Investments will be made with judgment and care, under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering probable safety of their capital as well as the probable income to be derived.

The School District also has deposits and investments held by the Missouri Direct Deposit Program and the Missouri Securities Investment Program. These investments and deposits are not classified by credit risk category.

B. Long-term Liabilities

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

	<u>Beginning Balance 6/30/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 6/30/2016</u>	<u>Due Within One Year</u>
General Obligation Bonds Payable	\$195,750,000	\$ 0	\$(16,415,000)	\$179,335,000	\$16,765,000
Unamortized Premium on Bonds	15,781,592	0	(1,577,234)	14,204,358	1,523,880
Capital Lease Obligation	5,944,651	16,897,842	(1,477,456)	21,365,037	3,595,244
Certificates of Participation (COP)	14,345,000	9,840,000	(200,000)	23,985,000	1,075,000
Unamortized Premium on COPs	181,988	397,226	(33,144)	546,070	39,993
Net Pension Plan Liability	<u>104,480,620</u>	<u>60,343,003</u>	<u>(18,797,997)</u>	<u>146,025,626</u>	<u>0</u>
Total Long-term Liabilities	\$ <u>336,483,851</u>	\$ <u>87,478,071</u>	\$ <u>(38,500,831)</u>	\$ <u>385,461,091</u>	\$ <u>22,999,117</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS June 30, 2016

NOTE 3: DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS (continued)

B. Long-term Liabilities (continued)

General Obligation Bonds Payable

The School District issues general obligation (GO) bonds to provide for acquisition and construction of new buildings and improvements, repair and renovation of existing buildings, and furnishing and equipping the facilities. In addition, the School District issues GO bonds to refund previously issued GO bonds. Bonds payable at June 30, 2016, consisted of the following.

General obligation refunding bonds, issue of 2006, due in varying annual installments through March 1, 2026, interest at 4.0% to 5.0%.	\$ 2,280,000
General obligation bonds, issue of 2007, due in varying annual installments through March 1, 2021, interest at 4.0% to 5.0%	44,345,000
General obligation bonds, issue of 2008, due in varying annual installments through March 1, 2028, interest at 4.0% to 5.5%	8,140,000
General obligation refunding bonds, issue of 2010, due in varying annual installments through March 1, 2021, interest at 2.0% to 3.5%	9,685,000
General obligation refunding bonds, issue of 2011, due in varying annual installment through March 1, 2023, interest at 2.0% to 4.89%	10,235,000
General obligation refunding bonds, issue of 2012, due in varying annual installments through March 1, 2025, interest at 2.0% to 5.0%	28,950,000
General obligation refunding bonds, issue of 2013, due in varying annual installments through March 1, 2022, interest at 2.0% to 4.25%	6,315,000
General obligation refunding and improvement bonds, issue of 2014, due in varying annual installments through March 1, 2034, interest at 2.0% to 5.0%	43,740,000
General obligation refunding bonds, issue of 2015, due in varying annual installments through March 1, 2022, interest at 2.0% to 5.0%	<u>25,645,000</u>
Total Bonds Payable	\$ <u>179,335,000</u>

The School District is participating in the Missouri School District Direct Deposit Program ("Direct Deposit Program") for all of the outstanding series bonds. This program provides for the School District to pledge its state aid, except for state aid for gifted and exceptional pupils and remedial reading, for payment of bonds and for the State of Missouri to directly deposit a portion of the School District's state aid monies into a Direct Deposit Program account. The principal and interest payments on the bonds are paid directly from this account when due. General obligation bond interest expense during the year ended June 30, 2016, was \$8,139,458.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS June 30, 2016

NOTE 3: DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS (continued)

B. Long-term Liabilities (continued)

General Obligation Bonds Payable (continued)

Debt service requirements as of June 30, 2016, was as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 16,765,000	\$ 7,724,119	\$ 24,489,119
2018	17,170,000	7,088,770	24,258,770
2019	17,545,000	6,396,445	23,941,445
2020	18,405,000	5,612,670	24,017,670
2021	18,310,000	4,947,232	23,257,232
2022 to 2026	73,255,000	13,846,634	87,101,634
2027 to 2031	13,375,000	2,008,221	15,383,221
2032 to 2036	<u>4,510,000</u>	<u>322,859</u>	<u>4,832,859</u>
	<u>\$ 179,335,000</u>	<u>\$ 47,946,950</u>	<u>\$ 227,281,950</u>

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a district to 15% of the assessed valuation of a district including state-assessed railroads and utilities.

Constitutional Debt Limit	\$ 300,465,578	(15% of Assessed Val.)
General Obligation Bonds Payable	(179,335,000)	
Amount Available in Debt Service Fund	<u>25,778,726</u>	
Total Legal Debt Margin	<u>\$ 146,909,304</u>	

Capital Lease Obligation

Apple MacBook computers

On March 27, 2012, the Board of Education approved and signed a master lease purchase agreement with Apple Inc. Financial Services ("Apple") effective April 28, 2012 to purchase new computers through capital lease purchase transactions. The School District signed individual contract agreements with specific funding and repayment schedules for each purchase.

Effective October 23, 2014, the School District purchased 6,200 new MacBook Air laptops for high school students through a lease purchase contract with Apple. Beginning July 2015, the agreement requires four annual payments of \$1,518,627 due on July 5th of every year totaling \$6,074,507, which includes total interest of \$129,856 and principal of \$5,944,651.

Effective May 20, 2016, an additional lease purchase contract was signed with Apple for 2,000 MacBook Air laptops for staff and 150 MacBook Air laptops for the Northland Innovation Center. Beginning July 2016, the agreement requires four annual payments of \$568,774 due on July 1st of every year totaling \$2,275,095, which includes total interest of \$42,845 and principal of \$2,232,250.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS **June 30, 2016**

NOTE 3: DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS (continued)

B. Long-term Liabilities (continued)

Capital Lease Obligation (continued)

The following is a schedule of future lease expense under the Apple lease purchase agreements.

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,040,177	\$ 47,223	\$ 2,087,400
2018	2,037,959	49,441	2,087,400
2019	2,059,224	28,176	2,087,400
2020	<u>562,085</u>	<u>6,690</u>	<u>568,775</u>
	<u>\$ 6,699,445</u>	<u>\$ 131,530</u>	<u>\$ 6,830,975</u>

Transportation – CNG Buses and Infrastructure

On March 10, 2015, the Board of Education approved the Transportation Committee's recommendation and signed a master installment purchase agreement with Mercedes-Benz Financial Services (MBFS) effective April 15, 2015 to purchase new buses and facility infrastructure through a combination of operating leases and capital lease purchase transactions. The School District signed individual contract agreements with specific funding and repayment schedules for each purchase. The three capital lease purchase agreements are outlined below.

Effective April 5, 2016, the School District purchased 94 CNG school buses for a term of 10 years through a lease purchase contract with MBFS. The School District will capitalize the 94 CNG school buses. Beginning July 2016, the agreement requires 10 annual payments of \$1,338,218 due on July 1st of every year totaling \$13,382,184, which includes total interest of \$1,231,833 and principal of \$12,150,351.

Effective April 5, 2016, the School District purchased a CNG fueling truck for a term of five years through a lease purchase contract with MBFS. The School District will capitalize the CNG fueling truck. Beginning July 2016, the agreement requires five annual payments of \$9,750 due on July 1st of every year totaling \$48,748, which includes total interest of \$1,753 and principal of \$46,995.

Effective April 5, 2016, the School District purchased CNG infrastructure and building modifications for a term of 10 years through a lease purchase contract with MBFS. The School District will capitalize the CNG infrastructure and building modifications. Beginning July 2016, the agreement requires 10 annual payments of \$271,848 due on July 1st of every year totaling \$2,718,483, which includes total interest of \$250,237 and principal of \$2,468,246.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 3: DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS (continued)

B. Long-term Liabilities (continued)

Capital Lease Obligation (continued)

The following is a schedule of future lease expense under the MBFS lease purchase agreements.

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,555,067	\$ 64,749	\$ 1,619,816
2018	1,343,363	276,453	1,619,816
2019	1,371,667	248,149	1,619,816
2020	1,400,568	219,248	1,619,816
2021	1,430,078	189,738	1,619,816
2022-2026	<u>7,564,849</u>	<u>485,486</u>	<u>8,050,335</u>
	\$ <u>14,665,592</u>	\$ <u>1,483,823</u>	\$ <u>16,149,415</u>

The following is a combined schedule of future lease expense under all lease purchase agreements.

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,595,244	\$ 111,972	\$ 3,707,216
2018	3,381,322	325,894	3,707,216
2019	3,430,891	276,325	3,707,216
2020	1,962,653	225,938	2,188,591
2021	1,430,078	189,738	1,619,816
2022-2026	<u>7,564,849</u>	<u>485,486</u>	<u>8,050,335</u>
	\$ <u>21,365,037</u>	\$ <u>1,615,353</u>	\$ <u>22,980,390</u>

Certificates of Participation (COPs)

On November 11, 2014, the Board of Education approved entry into an Energy Savings Performance Contract with Navitas, LLC as authorized under Section 8.231 of the Revised Statutes of Missouri, as amended. The contract includes a written guarantee from Navitas, LLC that either the energy savings or operational savings, or both, achieved by the School District will meet or exceed amounts specified in the contract on an annual basis for a period of 15 years. The School District, in agreement with the contract, entered into a series of leases through the issuance of Certificates of Participation (COPs). The School District issued the COPs Series 2014 in the amount of \$5,170,000 on December 1, 2014, Series 2015 in the amount of \$9,175,000 on April 2, 2015 and Series 2015A in the amount of \$9,840,000 on September 30, 2015. The proceeds received from the sale of the COPs will be used to pay costs of acquiring and installing energy cost savings measures in existing buildings of the School District and to pay certain costs related to the execution and delivery of the COPs.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS June 30, 2016

NOTE 3: DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS (continued)

B. Long-term Liabilities (continued)

Certificates of Participation (COPS) (continued)

The following is a schedule of future lease expense related to the issuance of COPS series 2014, 2015, and 2015A and the related guaranteed energy and operational saving.

Phase I, II & III Projects – Financed with Proceeds of the Series 2014, 2015 & 2015A Certificates					
Fiscal Year Ending June 30	Lease Payments			Cumulative Total Lease Payments	Total Guaranteed Energy and Operational Savings ⁽¹⁾
	Principal	Interest	Total		
2017	\$ 1,075,000	\$ 908,157	\$ 1,983,157	\$ 1,983,157	\$ 2,830,977
2018	1,380,000	725,156	2,105,156	4,088,313	4,415,658
2019	1,470,000	676,656	2,146,656	6,234,970	6,060,835
2020	1,490,000	624,881	2,114,881	8,349,851	7,768,840
2021	1,505,000	572,906	2,077,906	10,427,757	9,542,097
2022-2026	8,500,000	2,092,263	10,592,263	21,020,020	19,478,800
2027-2031	<u>8,565,000</u>	<u>673,172</u>	<u>9,238,172</u>	30,258,192	29,841,461
Total	\$ <u>23,985,000</u>	\$ <u>6,273,192</u>	\$ <u>30,258,192</u>		

⁽¹⁾ Includes Annual Energy Savings and Annual Operational Savings, but excludes \$9,489,947 in Future Capital Cost Avoidance Savings, which the parties to the Energy Contract have stipulated will be realized upon completion of Phase I, II & III.

C. Capital Assets

Capital asset balances of the School District's governmental activities for the year ended June 30, 2016, were as follows.

	Balance <u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2016</u>
Land	\$ 5,645,472	\$ 0	\$ 0	\$ 5,645,472
Construction in progress,				
capitalized interest	10,824,617	34,182,988	20,611,669	24,395,936
Buildings	319,410,739	19,586,409	0	338,997,148
Furniture	<u>60,177,779</u>	<u>6,091,556</u>	<u>6,424,831</u>	<u>59,844,504</u>
	396,058,607	59,860,953	27,036,500	428,883,060
Less accumulated depreciation	<u>120,090,403</u>	<u>15,352,922</u>	<u>5,413,719</u>	<u>130,029,606</u>
Net Capital Assets	\$ <u>275,968,204</u>	\$ <u>44,508,031</u>	\$ <u>21,622,781</u>	\$ <u>298,853,454</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 3: DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS (continued)

C. Capital Assets (continued)

During the current fiscal year, the School District transferred \$20,611,669 of completed construction in progress projects and related capitalized interest to the furniture and buildings and improvements accounts, resulting in net additions totaling \$39,249,284.

Depreciation expense was charged by function as shown below.

Instruction	\$ 12,615,373
Instructional staff support	1,274,145
Administration	170,943
Operation of plant	204,122
Transportation	638,361
Food service	444,872
Community Service	<u>5,107</u>
	<u>\$ 15,352,923</u>

D. Inter-fund Transfers

Exchange transactions between funds are reported as receipts in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Those transfers made by the School District at June 30, 2016, are as follows.

Food Service

The School District transferred from the general fund food service revenue the amount spent for food service equipment to the capital projects fund.

Student Activities

This is a transfer from the general fund to the capital projects' fund for capital projects' expenses pertaining to student activities.

7% x State Adequacy Target x Prior Year Weighted Average Daily Attendance

This is a legal transfer from the general fund to the capital projects fund for specified projects as approved by the board of education. The amount transferred is less than the maximum amount calculated on the state formula.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 3: DETAIL NOTES - TRANSACTION CLASSES/ACCOUNTS (continued)

D. Inter-fund Transfers (continued)

“Zero” Teachers’ Fund

This fund allows the School District to transfer from the general fund an amount necessary to bring a negative special revenue fund balance to “zero”.

The following is a detail of the transfers.

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>
Food Service	\$ (82,046)	\$ 82,046	\$ 0
Student Activities	(13,699)	13,699	0
7% x SAT x WADA	(4,097,160)	4,097,160	0
“Zero” Teachers Fund	<u>(84,896)</u>	<u>0</u>	<u>84,896</u>
	\$ <u>(4,277,801)</u>	\$ <u>4,192,905</u>	\$ <u>84,896</u>

E. Short-term Medical Leave Policy

This policy allows employees to continue to be paid up to thirty days for approved specified approved paid leave conditions after the employee has exhausted all available approved paid leave and vacation. The policy states that the employee will reimburse the School District by forfeiting four days annual approved paid leave (AAPL) and one half of any unused AAPL days at the end of each year until the employee has repaid short-term leave days.

If the employee leaves employment for other than permanent disability or death, the amount due to the School District is collected from their final paychecks. As of June 30, 2016, the estimated amount owed to the School District was \$291,434 of which \$ 29,143 was reserved for uncollectability.

F. Stop-gap Liability

The School District began offering a qualified high-deductible plan (QHDP) as an alternative to the traditional HMO plan by entering into a modified cost-plus agreement with Blue Cross and Blue Shield of Kansas City beginning October 1, 2014. The modified cost-plus agreement provides the School District the advantage of a partially self-funded plan. The agreement’s maximum terminal liability obligation at June 30, 2016, totaled \$2,189,880. A portion of the first two months of insurance premiums were recorded as stop gap liability totaling \$2,135,902 as of June 30, 2016 that will become due at the termination of the contract agreement with Blue Cross and Blue Shield.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 4: OTHER NOTES

A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS)

General Information about the Pension Plan

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

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

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

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 4: OTHER NOTES (continued)

A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) (continued)

General Information about the Pension Plan (continued)

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

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

Contributions . PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2015 and 2016. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay. Contributions for employees of the State of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2015 and 2016. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay.

The School District's contributions to PSRS and PEERS were \$15,501,060 and \$3,009,720, respectively, for the year ended June 30, 2016.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 4: OTHER NOTES (continued)

A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) (continued)

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

At June 30, 2016, the School District recorded a liability of \$131,326,795 for its proportionate share of PSRS' net pension liability and \$14,698,831 for its proportionate share of PEERS' net pension liability. In total the School District recorded net pension liabilities of \$146,025,626. The net pension liability for the plans in total was measured as of June 30, 2015, and determined by an actuarial valuation as of that date. The School District's proportionate share of the total net pension liability was based on the ratio of its actual contributions paid to PSRS and PEERS of \$14,936,534 and \$2,858,708, respectively, for the year ended June 30, 2015, relative to the actual contributions of \$656,578,122 for PSRS and \$102,864,099 for PEERS from all participating employers. At June 30, 2015, the School District's proportionate share was 2.2749% for PSRS and 2.7791% for PEERS.

For the year ended June 30, 2016, the School District recognized pension expense of \$7,922,727 for PSRS and \$1,665,314 for PEERS, its proportionate share of the total pension expense. The School District also recognized expense of \$71 for contributions to PSRS related to employee reciprocity and other service transfers.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 4: OTHER NOTES (continued)

A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) (continued)

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

	PSRS		PEERS		District Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of Deferred Outflows and Inflows Due to:						
Differences between expected and actual experience	\$ 15,065,581	\$ 0	\$ 952,776	\$ 206,016	\$ 16,018,357	\$ 206,016
Changes of assumptions	0	0	0	0	0	0
Net difference between projected and actual earnings on pension plan investments	23,005,326	33,663,629	3,182,541	4,533,517	26,187,867	38,197,146
Changes in proportion and differences between employer contributions and proportionate share of contributions	657,753	1,201,286	8,433	17,044	666,186	1,218,330
Employer contributions subsequent to the measurement date	<u>15,500,352</u>	<u>0</u>	<u>3,009,202</u>	<u>0</u>	<u>18,509,554</u>	<u>0</u>
Total	\$ <u>54,229,012</u>	\$ <u>34,864,915</u>	\$ <u>7,152,952</u>	\$ <u>4,756,577</u>	\$ <u>61,381,964</u>	\$ <u>39,621,492</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS June 30, 2016

NOTE 4: OTHER NOTES (continued)

A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) (continued)

Amounts reported as deferred outflows of resources resulting from contribution subsequent to the measurement date of June 30, 2015, will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as collective deferred (inflows) / outflows of resources are to be recognized in pension expense as follows:

Year Ending June 30,	<u>PSRS</u>	<u>PEERS</u>	<u>District Total</u>
2017	\$ (2,584,351)	\$ (503,470)	\$ (3,087,821)
2018	(2,584,351)	(503,470)	(3,087,821)
2019	(2,584,351)	(425,356)	(3,009,707)
2020	8,636,859	826,032	9,462,891
2021	2,302,051	0	2,302,051
Thereafter	<u>1,041,665</u>	<u>0</u>	<u>1,041,665</u>
	\$ <u>4,227,522</u>	\$ <u>(606,264)</u>	\$ <u>3,621,258</u>

Actuarial Assumptions

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

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

- Measurement Date		June 30, 2015
- Valuation Date		June 30, 2015
- Expected Return on Investments		8.00% net of investment expenses and including 2.5% inflation
- Inflation		2.50%
- Total Payroll Growth	PSRS	3.50% per annum, consisting of 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.
	PEERS	3.75% per annum, consisting of 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 4: OTHER NOTES (continued)

A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) (continued)

Actuarial Assumptions (continued)

- Future Salary Increases	PSRS	4.00% - 10.00%, depending on service and including 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.00% to 7.00%.
	PEERS	5.00% - 12.00%, depending on service and including 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.75% to 8.75%.
- Cost-of-Living Increases	PSRS	2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increase.
	PEERS	2.0% compounded annually, beginning on the fourth January after retirement and capped at 80% lifetime increase.
- Mortality Assumption Actives:	PSRS	RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
	PEERS	RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
Non-disabled Retirees, Beneficiaries and Survivors:	PSRS	RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.
	PEERS	RP 2000 Mortality Table set forward one year for males and no set back/forward for females, then projected to 2016 using Scale AA.
Disabled Retirees:		RP 2000 Disable Mortality Table
- Changes in Actuarial Assumptions and Methods		There were no changes in actuarial assumptions or methods for the June 30, 2015 valuation.
- Fiduciary Net Position		The Systems issue a publicly available financial report that can be obtained at www.psrs-peers.org .

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 4: OTHER NOTES (continued)

A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) (continued)

Actuarial Assumptions (continued)

- Expected Rate of Return

The long-term expected rate of return on the Systems' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems' target allocation as of June 30, 2015 is summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cash flows.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	Long-term Expected Real Return Arithmetic <u>Basis</u>	Weighted Long- term Expected Real Return <u>Arithmetic Basis</u>
U.S. Public Equity	27.0%	5.85%	1.58%
Public Credit	12.0%	2.44%	0.29%
Hedged Assets	6.0%	5.22%	0.31%
Non-U.S. Public Equity	15.0%	6.64%	1.00%
U.S. Treasuries	16.0%	1.01%	0.16%
U.S. TIPS	4.0%	1.12%	0.04%
Private Credit	2.0%	7.61%	0.15%
Private Equity	10.5%	8.61%	0.90%
Private Real Estate	<u>7.5%</u>	4.60%	<u>0.35%</u>
Total	<u>100.0%</u>		4.78%
		Inflation	<u>2.50%</u>
		Long-term arithmetical nominal return	7.28%
		Effect of covariance matrix	<u>0.81%</u>
		Long-term expected geometric return	<u>8.09%</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 4: OTHER NOTES (continued)

A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) (continued)

Actuarial Assumptions (continued)

- Discount Rate

The discount rate used to measure the total pension liability was 8.00% as of June, 30, 2015, and is consistent with the long-term expected geometric return on the Systems' investments. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policies adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

- Discount Rate Sensitivity

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

		1% Decrease (7.0%)	Current Rate (8.0%)	1% Increase (9.0%)
PSRS	Proportionate share of the Net Pension Liability/(Asset)	\$ 241,533,864	\$ 131,326,795	\$ 38,765,139
PEERS	Proportionate share of the Net Pension Liability/(Asset)	\$ 29,674,519	\$ 14,698,831	\$ 2,038,182

As of June 30, 2016, the School District reported a payable for legally required contributions of \$333,477 and \$74,126 to PSRS and PEERS, respectively.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 4: OTHER NOTES (continued)

B. Post-employment Healthcare Plan

In addition to the pension benefits described in Note 4.A. above, the School District administers the North Kansas City School District Other Post-Employment Benefits Program which is a single-employer defined benefit OPEB plan.

As mandated by Section 169.590 of the Missouri Revised Statutes, the School District's qualified retirees and current employees are insured together as a group. The premiums paid by the retirees may be lower than they would have been if the retirees were insured separately. This is called an implicit rate subsidy. The School District's active employees' share for healthcare premiums is greater than it would be without the retirees being a part of the group plan.

The School District recognizes the cost of post-employment healthcare in the year the services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the School District's cash flows.

Recognition of the liability accumulated from prior years will be amortized over 30 years, the first period commencing with the fiscal year June 30, 2008. The School District engaged Milliman, Inc. to perform an actuarial evaluation of their post-employment healthcare liability for every other fiscal year beginning with June 30, 2008.

Plan Description

The School District provides post-employment medical benefits to eligible retirees. To be eligible for benefits, an employee must qualify for retirement under one of the state retirement plans for public employees and be covered under the School District's plan the last year of active status. Retirees can enroll in the School District's plan up to one year after they retire, after which their eligibility for benefits ceases.

All medical benefits are provided through the School District's selected medical and dental care plans. The benefit levels are the same as those afforded to active employees. Upon a retiree reaching age 65 and qualifying for Medicare, the retiree and related dependents may continue School District coverage as a secondary insurance. As of the most recent actuarial calculation dated July 1, 2015, membership consisted of 2,807 active employees, 242 retired members, and 39 spouses of retirees totaling 3,088.

Funding Policy

The plan's premium rates are determined by the Board of Education in their selection of benefit plan proposals submitted by various benefit providing entities. The current plan offers four different types of plans, each with a different premium. The retirees' contribution is 100% of the premium of the plan in which they participate. The School District makes no contribution to the retirees' premiums other than allowing them to participate through the School District's benefit plans.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 4: OTHER NOTES (continued)

B. Post-employment Healthcare Plan (continued)

Funding Policy (continued)

By providing retirees with access to the School District's healthcare plans based on the same rates as charged to active employees, the School District is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree healthcare costs are higher than active employee healthcare costs. By the School District not contributing anything toward this plan in advance, the School District employs a pay-as-you-go method through paying the higher rate for active employees each year.

The current year cost, by payer, is as follows.

Active employee	\$ 3,526,220
Retirees/Cobra	1,696,691
School District	<u>14,729,119</u>
	<u>\$ 19,952,030</u>

Annual OPEB Costs and Net OPEB Obligation

The School District's other annual post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employee (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The School District's annual OPEB cost for the current year and the related information for each plan at June 30, 2016 is as follows.

Annual required contribution (ARC)	\$ 2,139,100
Interest on net OPEB obligation	191,300
Adjustment to annual required contributions	<u>(195,600)</u>
Annual Net OPEB cost	2,134,800
Contributions made	<u>(1,091,500)</u>
Increase in net OPEB obligation	1,043,300
Net OPEB obligation-Beginning of Year	<u>5,101,100</u>
Net OPEB obligation - End of Year	<u>\$ 6,144,400</u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for year ending June 30, 2016, were as follows.

<u>Beginning Net Obligation</u>	<u>Annual Net OPEB Cost</u>	<u>Implicit Employer Contribution</u>	<u>% of OPEB Cost Contributed</u>	<u>Ending Net OPEB Obligation</u>
\$5,101,100	\$ 2,134,800	\$ 1,091,500	51.1%	\$ 6,144,400

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS **June 30, 2016**

NOTE 4: OTHER NOTES (continued)

B. Post-employment Healthcare Plan (continued)

Funding Status and Funding Progress

The funding status of the plan as of the most recent valuation date was as follows.

Actuarial Valuation Date	7/1/2015
Actuarial accrued liability	\$ 23,617,400
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability	23,617,400
Covered payroll	\$ 122,810,000
Unfunded actuarial accrued liability as a percentage of covered payroll	19.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Amounts determined regarding the status of the plan and the annual required contributions and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan participants) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the School District and the plan participants at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant method and assumptions used for this valuation year was as follows.

Actuarial valuation date	July 1, 2015
Actuarial cost method	Projected unit credit cost
Amortization method	Closed (selected as of July 1, 2007)
Remaining amortization period	22 years
Asset valuation method	not applicable
Actuarial assumption:	
Discount rate	3.75% per annum
Medical premium inflation rate	8.10% initial rate (adopted July 1, 2013); 4.5% ultimate rate; 58 yrs until ultimate rate (2073)
Payroll inflation	3.00 % per annum
Healthy mortality	RP 2000 mortality tables, using Scale AA

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 4: OTHER NOTES (continued)

C. Deferred Compensation Plan

The School District has a deferred compensation plan under the provision of Internal Revenue Code Section 457B (Deferred Compensation Plans with Respect to Service for State and Local Governments). Those employees electing to defer a portion of their salary avoided paying income taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

The deferred compensation plans of these employees are administered by unrelated financial institutions. Under the terms of IRC Section 457 Deferred Compensation Plan, all deferred compensation amounts held by these financial institutions, until paid or made available to the employee or beneficiary, are the property of the School District and subject to the claims of the School District's general creditors. In addition, the participant in the plan has rights equal to those of the general creditors of the School District and each participant's rights are equal to his or her share of the fair market value of the plan assets.

The School District believes that it is unlikely that plan assets will be needed to satisfy claims of general creditors that might arise. As part of a fiduciary role, the School District has an obligation of due care in selecting the third party administrator.

D. Section 125 Cafeteria Plan and Health Savings Account

The School District has a Section 125 Cafeteria Plan that includes the Health Savings Account (HSA) option. Under the Plan, School District employees may elect to withhold from their payroll amounts which can be used to pay for various medical and dependent care expenses not covered by insurance. Any balance that remains in the employee account at September 30 of each year (plan year-end) is not carried over to the subsequent plan year. The employee forfeits all rights with respect to the balance, and the forfeited balance reverts to the School District.

As of October 1, 2013, the School District began offering a Qualified-High Deductible Plan (QHDP) with a HSA for pre-tax contributions. Under the QHDP Plan, School District employees may elect to withhold from their payroll amounts which can be used to pay for various medical and dependent care expenses not covered by insurance and the School District contributes \$50 per month to each account. Any balance remaining in the employee's HSA account at the end of any plan year will be carried forward and used to fund such benefits in any subsequent plan year.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 4: OTHER NOTES (continued)

E. Claims and Adjustments

The School District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulation, the School District may be required to reimburse the grantor government. As of June 30, 2016, disbursements have not been audited by grantor governments, but the School District believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall position of the School District.

F. Lease - Operating

The School District has entered into various operating leases for the use of passenger school buses, parking facilities, office space and equipment. Each lease contains separate and varying provisions with regard to cancellation and renewal. For the year ended June 30, 2016, the School District recognized expense related to these agreements totaling \$918,755.

The following is a schedule of the future minimum lease payments under the lease (assuming noncancellation).

<u>For the Year Ended June 30,</u>	<u>Amount</u>
2017	\$ 1,379,450
2018	1,360,706
2019	1,065,198
2020	488,089
2021	5,000
Thereafter	<u>11,250</u>
	<u>\$ 4,309,693</u>

G. Facilities Use Agreement

In September 2005, the School District entered into an agreement with the City of Gladstone, Missouri. The City agreed to finance the planning, development and construction of a water-related recreational facility (Natatorium) and to operate the facility after completion. The School District agreed to use the Natatorium and pay a user fee of \$525,000 per year commencing in February 2007 and lasting through February 2026. During the fiscal year ended June 30, 2016, the School District received a \$471,475 credit from the City of Gladstone for savings the City received from the 2006 COPs refunding. In February 2016, \$53,525 was paid to the City of which \$31,223 was recorded as prepaid expense.

The School District also agreed to pay the City \$125,000 per year for the first five years for maintenance usage. These maintenance usage fees will be recalculated every five years during the lease term. Beginning in fiscal year ending June 30, 2013, the maintenance fee was recalculated to \$150,000, of which \$75,000 was recorded as prepaid expense.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 4: OTHER NOTES (continued)

G. Facilities Use Agreement (continued)

The following is a schedule of future minimum use payments and maintenance agreements as per agreement.

<u>For the Year Ended June 30,</u>	<u>Usage Fees</u>	<u>Maintenance Fees</u>
2017	\$ 525,000	\$ 150,000
2018	525,000	Adjusted
2019	525,000	Adjusted
2020	525,000	Adjusted
2021	525,000	Adjusted
2022-2026	<u>2,625,000</u>	Adjusted
	<u>\$ 5,250,000</u>	

H. Impact Fee Credits

New construction within the city limits of Kansas City, Missouri, require specified fees be paid to Kansas City. As the project is completed, benefitting the City, the City issues credits which have value and can be used in the future for fees on construction projects or sold if a willing buyer can be located. Through the years, the School District has accumulated, used and sold these credits. Even though the City assigns a value to these credits, a fair value can never be easily estimated as there is very little market for such credits. Therefore, the School District has never booked a value for such credits. The following is the summary of the current year's transactions of impact fee credits at City value.

Balance June 30, 2015	\$1,893,087
Credits sold	<u>0</u>
Balance June 30, 2016	<u>\$1,893,087</u>

I. Litigation

As of June 30, 2016, the School District had several unsettled claims of various natures. These claims are at various stages of litigation and at this time, outcomes cannot be predicted. The School District is vigorously defending against each claim.

J. Risk Management

The School District is exposed to various risks of loss from torts, theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 4: OTHER NOTES (continued)

K. North Kansas City School District Foundation

The North Kansas City School District Foundation is a 501(c)(3) corporation that was organized to provide support to the School District through classroom grants to teachers and scholarships to students graduated from the School District. The Foundation has a separate board of directors to include School District management and has the final approval on the distribution of funds. The Foundation is not controlled by the Board of Education and therefore not considered a component unit by management.

L. Northland CAPS Program

The Northland CAPS (Northland Center for Advanced Professional Studies) program is a partnership with surrounding school districts that started with the 2014-15 school year. Each district is required to pay tuition for their students to attend the program. The program operates with its own Board of Directors and the North Kansas City School District serves as the fiscal agent.

Participating school districts include; North Kansas City, Kearney, Liberty, Park Hill, Platte County R-III, Smithville, and Excelsior Springs.

The program provides high school students the opportunity to deeply explore professions of interest through a profession-based, inquiry learning method. Local and global business partners participate with highly skilled instructors to provide authentic exposure and skill acquisition in high demand/high skill 21st century professions.

The program served 292 students during the 2015-16 school year and is reported as an agency fund.

M. Northland Innovation Center

On October 7, 2014, the School District entered into a lease agreement with the CBC Real Estate Group ("CBC") based on a development agreement between the City of Gladstone, Missouri and the CBC to finance the planning, development and construction of a 90,000 square foot office building (Northland Innovation Center, the "Center"). CBC will be the landlord for the facility upon completion. The School District agreed to use 60,000 square feet of the Center for educational purposes, including the location for the Northland CAPS program (see Note 4.L.) and the Gifted and Talented program. The base rent has an escalator every 60 months beginning with \$90,000 per month commencing 90 days from the completion of the building. The commence date of the lease was May 1, 2016. The following is a schedule of the future escalation payments as per agreement.

<u>Lease term month</u>	<u>Per Rentable Square Foot</u>	<u>Monthly Base Rent</u>	<u>Annual Base Rent</u>
1 to 60 months	\$ 18.00	\$ 90,000	\$ 1,080,000
61 to 120 months	19.80	99,000	1,188,000
121 to 180 months	21.78	108,900	1,306,800
181 to 240 months	23.96	119,800	1,437,600

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 4: OTHER NOTES (continued)

M. Northland Innovation Center (continued)

The following is a schedule of the future minimum lease payments under the lease agreement.

<u>For the Year Ended June 30,</u>	<u>Amount</u>
2017	\$ 1,080,000
2018	1,080,000
2019	1,080,000
2020	1,080,000
2021	1,098,000
2022-2026	5,959,800
2027-2031	6,555,800
2032-2036	<u>6,948,400</u>
	\$ <u>24,882,000</u>

N. Subsequent Events

General Obligation Refunding Bonds – Series 2016A

On July 19, 2016, the School District Board of Education approved the issuance of general obligation (GO) refunding bonds Series 2016A with the principal amount of \$41,045,000 to crossover refund the two outstanding GO building bonds – Series 2007 and Series 2008. The proceeds funds were transferred to an escrow account and will pay scheduled interest and \$38,645,000 of principal on the GO bonds Series 2007 through March 1, 2018 and \$6,410,000 of principal on the GO bonds Series 2008 through March 1, 2019. The Series 2016A bonds were issued on August 18, 2016 with principal and interest payments due in varying annual installments through March 1, 2028 with an interest rate ranging from 2.0% to 5.0%.

General Obligation Improvement Bonds – Series 2016B

On October 4, 2016, the School District Board of Education approved the issuance of general obligation (GO) improvement bonds Series 2016B with the principal amount of \$114,000,000 as authorized by the proposition approved by the voters on August 2, 2016. The proceed funds will be used on specific projects to construct two new elementary schools and the remodeling and upgrading North Kansas City High School. The Series 2016A bonds were issued on November 17, 2016 with principal and interest payments due in varying annual installments through March 1, 2036 with an interest rate ranging from 2.0% to 4.0%.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

BUDGETARY COMPARISON SCHEDULE (UNAUDITED) GENERAL FUND

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
<u>REVENUES</u>				
Local	\$ 74,691,863	\$ 74,459,132	\$ 74,779,182	\$ 320,050
County	1,522,264	1,508,798	1,610,058	101,260
State	9,686,688	9,741,108	11,752,476	2,011,368
Federal	8,933,024	8,637,038	8,330,867	(306,171)
Other	<u>1,246,000</u>	<u>1,225,201</u>	<u>849,974</u>	<u>(375,227)</u>
Total Revenues	96,079,839	95,571,277	97,322,557	1,751,280
<u>EXPENDITURES</u>				
Instruction	18,470,673	19,273,334	18,768,484	(504,850)
Student Services	4,140,547	4,167,452	4,010,692	(156,760)
Instructional Staff Support	7,749,337	8,096,979	7,566,193	(530,786)
General Admin & Central Services	5,946,402	6,037,525	5,451,108	(586,417)
Board/Executive & Tech Admin	3,117,815	3,168,563	2,935,728	(232,835)
Building Administration	5,739,264	5,851,680	5,375,125	(476,555)
Operation of Plant	20,317,505	20,429,012	19,426,192	(1,002,820)
Transportation	11,334,783	11,311,793	10,892,685	(442,098)
Food Services	10,938,882	10,941,932	9,762,543	(1,179,389)
Community Service	5,390,983	5,388,748	4,544,274	(844,474)
Debt Service	<u>20,000</u>	<u>20,000</u>	<u>11,657</u>	<u>(8,343)</u>
Total Expenditures	93,166,191	94,687,018	88,744,681	(5,942,337)
Other Financing Sources/(Uses):				
Sale of Assets	0	0	73	73
Transfers From	<u>(3,300,000)</u>	<u>(3,400,000)</u>	<u>(4,277,803)</u>	<u>(877,803)</u>
Total Other Financing Sources (Uses)	<u>(3,300,000)</u>	<u>(3,400,000)</u>	<u>(4,277,730)</u>	<u>(877,730)</u>
Net Change in Fund Balance	(386,352)	(2,515,741)	4,300,146	6,815,887
FUND BALANCE – JUNE 30, 2015	<u>30,299,202</u>	<u>29,812,727</u>	<u>35,701,177</u>	<u>5,888,450</u>
FUND BALANCE – JUNE 30, 2016	\$ <u>29,212,850</u>	\$ <u>27,296,986</u>	\$ <u>40,001,323</u>	\$ <u>12,704,337</u>

See Accompanying Independent Auditors' Report and Notes to the Required Supplementary Information.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

BUDGETARY COMPARISON SCHEDULE (UNAUDITED) SPECIAL REVENUE FUND For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over/ (Under) Budget</u>
<u>REVENUES</u>				
Local	\$ 62,818,781	\$ 63,451,386	\$ 62,744,674	\$ (706,712)
County	1,570,418	1,578,659	1,721,339	142,680
State	56,277,531	56,780,290	55,164,863	(165,427)
Federal	6,256,347	6,370,119	6,188,621	(181,498)
Other	<u>15,100</u>	<u>15,100</u>	<u>14,400</u>	<u>(700)</u>
Total Revenues	126,938,177	128,195,554	125,833,897	(911,657)
<u>EXPENDITURES</u>				
Instruction	104,790,756	105,191,690	103,795,624	(1,396,066)
Student Services	3,900,769	3,900,769	3,944,089	43,320
Instructional Staff Support	7,494,962	7,601,045	7,645,492	44,447
General Admin & Central Services	916,844	916,844	835,545	(81,299)
Board/Executive & Tech Admin	460,589	460,589	484,085	23,496
Building Administration	8,342,226	8,341,987	8,214,172	(127,815)
Community Services	1,029,031	1,040,249	999,786	(40,463)
Debt Service	<u>3,000</u>	<u>3,000</u>	<u>0</u>	<u>(3,000)</u>
Total Expenditures	126,938,177	127,456,173	125,918,793	(1,537,380)
Other Financing Sources (Uses)				
Transfers To	<u>0</u>	<u>0</u>	<u>84,896</u>	<u>84,896</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>84,896</u>	<u>84,896</u>
Net Change in Fund Balance	0	739,381	0	(738,381)
FUND BALANCE – JUNE 30, 2015	<u>67,701</u>	<u>611,450</u>	<u>0</u>	<u>(611,450)</u>
FUND BALANCE – JUNE 30, 2016	<u>\$ 67,701</u>	<u>\$ 1,350,831</u>	<u>\$ 0</u>	<u>\$ (1,350,831)</u>

See Accompanying Independent Auditors' Report and Notes to the Required Supplementary Information.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

For the Year Ended June 30, 2016

BUDGETARY ACCOUNTING

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

1. In accordance with Chapter 67, RSMo, the School District adopts a budget for each major fund.
2. Prior to June 30, the superintendent, who serves as the budget officer, submits to the Board of Education a proposed budget for the fiscal year beginning on the following July 1. The proposed budget includes estimated revenues, proposed expenditures and transfers for all School District governmental type 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. Adjustments made during the year are reflected in the budget information included in these financial statements. Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Education.
6. The School District prepares its budget for all governmental funds on the modified accrual basis of accounting. This basis is consistent with the basis of accounting used in preparing and presenting the governmental fund statements. The financial statements include a reconciliation between the modified accrual basis of accounting and the accrual basis of accounting.
7. Actual expenditures may not legally exceed the budgeted expenditures in any budgeted fund. For the fiscal year ended June 30, 2016, no budgets had been exceeded using the modified accrual basis of accounting.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS

For the Year Ended June 30, 2016

Public School Retirement System (PSRS)

Year Ended*	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2015	2.2990%	\$94,318,208	\$103,094,163	91.49%	89.34%
6/30/2016	2.2749%	\$131,326,795	\$103,881,210	126.42%	85.78%

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

Public Education Employee Retirement System (PEERS)

Year Ended*	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2015	2.7829%	\$10,162,203	\$40,581,222	25.04%	91.33%
6/30/2016	2.779%	\$14,698,831	\$41,672,178	35.27%	88.28%

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

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF EMPLOYER CONTRIBUTIONS For the Year Ended June 30, 2016

Public School Retirement System (PSRS)

<u>Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess/(Deficiency) (Deficiency)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions As a Percentage of Covered Payroll</u>
6/30/2014	\$ 14,349,307	\$ 14,349,307	\$0	\$ 100,074,855	14.34%
6/30/2015	14,804,562	14,804,562	0	103,094,163	14.36%
6/30/2016	14,936,534	14,936,534	0	103,881,210	14.38%

Public Education Employee Retirement System (PEERS)

<u>Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess/(Deficiency) (Deficiency)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions As a Percentage of Covered Payroll</u>
6/30/2014	\$ 2,680,124	\$ 2,680,124	\$0	\$ 39,068,849	6.86%
6/30/2015	2,783,873	2,783,873	0	40,581,222	6.86%
6/30/2016	2,858,708	2,858,708	0	41,672,178	6.86%

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

OTHER POST-EMPLOYMENT BENEFITS For the Year Ended June 30, 2016

Other Post-Employment Benefits

The School District provides post-employment healthcare benefits to qualified retirees as described in Note 4.B. of these financial statements. The retirees and current employees are insured together as a group. This is a single-employer defined benefit OPEB plan. As of July 1, 2015, the most recent actuarial valuation date, the following information has been provided.

Schedule of Funding Progress

Actuarial Valuation	(1) Actuarial Value of Assets	(2) Projected Unit Actuarial Accrued Liability (AAL)	(3) Percent Funded (1) / (2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4) / (5)
7/1/2007	\$ 0	\$ 19,887,000	0%	\$ 19,887,000	\$ 118,944,000	16.7%
7/1/2009	0	20,834,000	0%	20,834,000	111,532,000	18.7%
7/1/2011	0	22,468,000	0%	22,468,000	110,542,000	20.3%
7/1/2013	0	23,506,500	0%	23,506,500	117,521,000	20.0%
7/1/2015	0	23,617,400	0%	23,617,400	122,810,000	19.2%

Schedule of Employer Contribution

Actuarial Valuation	Annual Required Contribution (1)	Interest on Net OPEB Obligation (2)	Adjustment to the ARC (3)	(4) Annual Net OPEB Cost (1)+(2)-(3)	Implicit Employer Contribution (5)	Net OPEB Obligation (4)-(5)
6/30/2008	\$ 1,273,400	\$ 0	\$ 0	\$ 1,273,400	\$ 966,100	\$ 307,300
6/30/2009	1,305,700	13,800	9,900	1,309,600	1,055,300	561,600
6/30/2010	1,459,900	25,300	17,000	1,468,200	1,019,000	1,010,800
6/30/2011	1,493,200	45,500	32,600	1,506,100	1,114,000	1,402,900
6/30/2012	1,835,400	63,100	50,100	1,848,400	1,119,600	2,131,700
6/30/2013	1,869,000	95,900	78,500	1,886,400	1,132,300	2,885,800
6/30/2014	2,152,400	108,200	110,700	2,149,900	1,019,500	4,016,200
6/30/2015	2,179,500	150,600	158,800	2,171,300	1,086,400	5,101,100
6/30/2016	2,139,100	191,300	195,600	2,134,800	1,091,500	6,144,400

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

SUPPLEMENTARY INFORMATION

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

BUDGETARY COMPARISON - MODIFIED ACCRUAL BASIS

DEBT SERVICE FUND

For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over/ (Under) Budget</u>
<u>REVENUES</u>				
Local	\$ 25,622,614	\$ 25,960,878	\$ 26,113,168	\$ 152,290
County	<u>697,071</u>	<u>701,817</u>	<u>811,181</u>	<u>109,364</u>
Total Revenues	26,319,685	26,662,695	26,924,349	261,654
<u>EXPENDITURES</u>				
Debt Service - Principal	16,415,000	16,415,000	16,415,000	0
Debt Service - Interest	<u>8,180,266</u>	<u>8,180,266</u>	<u>8,137,116</u>	<u>(43,150)</u>
Total Expenditures	<u>24,595,266</u>	<u>24,595,266</u>	<u>24,552,116</u>	<u>(43,150)</u>
Other Financing Sources/(Uses)				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	1,724,419	2,067,429	2,372,233	304,804
FUND BALANCE – JUNE 30, 2015	<u>23,134,236</u>	<u>23,169,647</u>	<u>23,406,493</u>	<u>236,846</u>
FUND BALANCE – JUNE 30, 2016	\$ <u>24,858,655</u>	\$ <u>25,237,076</u>	\$ <u>25,778,726</u>	\$ <u>541,650</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

BUDGETARY COMPARISON - MODIFIED ACCRUAL BASIS CAPITAL PROJECTS FUND For the Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over/ (Under) Budget</u>
<u>REVENUES</u>				
Local	\$ 2,979,898	\$ 3,016,650	\$ 5,633,163	\$ 2,616,513
County	70,247	70,726	63,007	(7,719)
State	33,980	33,980	48,040	14,060
Federal	<u>0</u>	<u>0</u>	<u>18,389</u>	<u>18,389</u>
Total Revenues	3,084,125	3,121,356	5,762,599	2,641,243
<u>EXPENDITURES</u>				
Instruction	286,506	479,641	405,740	(73,901)
Student Services	4,500	1,716	1,711	(5)
Instructional Staff Support	3,249,856	4,119,117	3,985,112	(134,005)
General Admin/Central Services	108,400	216,400	218,629	2,229
Operation of Plant	1,408,050	1,362,801	1,034,007	(328,794)
Transportation	6,970	47,960	46,401	(1,559)
Food Services	210,000	210,000	289,954	79,954
Community Services	1,000	1,000	0	(1,000)
Facilities Acquisition & Construction	12,698,667	17,349,821	11,717,597	(5,632,224)
Debt Service – Interest	<u>478,857</u>	<u>615,857</u>	<u>477,056</u>	<u>(138,801)</u>
Total Expenditures	<u>18,452,806</u>	<u>24,404,313</u>	<u>18,176,207</u>	<u>(6,228,106)</u>
Other Financing Sources/(Uses):				
Transfer to	3,300,000	3,400,000	4,192,907	792,907
Sale of Assets	<u>10,000</u>	<u>10,000</u>	<u>50,584</u>	<u>40,584</u>
Total Other Financing Sources (Uses)	<u>3,310,000</u>	<u>3,410,000</u>	<u>4,243,491</u>	<u>833,491</u>
Net Change in Fund Balance	(12,058,681)	(17,872,957)	(817,017)	9,702,840
FUND BALANCE – JUNE 30, 2015	<u>19,852,144</u>	<u>19,077,421</u>	<u>28,566,780</u>	<u>9,489,359</u>
FUND BALANCE – JUNE 30, 2016	\$ <u>7,793,463</u>	\$ <u>1,204,464</u>	\$ <u>20,396,663</u>	\$ <u>19,192,199</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

HISTORICAL SCHOOL DATA June 30, 2016

A. History of Student Enrollment

The following table shows the total student enrollment as of the last Wednesday in September for each of the last five school years:

<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>
19,391	19,253	19,201	18,930	18,674

B. History of Assessed Valuations and Corresponding Debt Outstanding

Assessed valuation figures used are as of December 31 of the preceding calendar year and do not include abated TIF property, abated Chapter 135 property and Chapter 353 property or state-assessed railroad and utility real property.

As of <u>December 31,</u>	Assessed <u>Valuation</u>	% Change in Assessed <u>Valuation</u>	Fiscal Year Ended <u>June 30,</u>	Bond Principal <u>Outstanding</u>	Interest on Bonds <u>Outstanding</u>	<u>Total Debt</u>	Bond Principal as % of Assessed <u>Valuation</u>
2015	\$2,003,103,850	4.7%	2016	\$179,335,000	\$47,946,944	\$227,281,944	9.0%
2014	1,912,528,731	5.2%	2015	195,750,000	56,070,710	251,820,710	10.2%
2013	1,818,344,563	(2.8%)	2014	210,530,000	67,284,164	277,814,164	11.6%
2012	1,871,506,546	0.6%	2013	205,905,000	67,872,590	273,777,590	11.0%
2011	1,860,080,168	(3.8%)	2012	215,930,000	77,507,869	293,437,869	11.6%
2010	1,934,246,117	(3.1%)	2011	225,480,000	90,795,830	316,275,830	11.7%
2009	1,996,928,201	(4.4%)	2010	234,815,000	102,742,324	337,557,324	11.8%
2008	2,088,537,902	N/A	2009	245,355,000	114,357,502	359,712,502	11.7%

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

HISTORICAL SCHOOL DATA June 30, 2016

C. History of Tax Levies

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

Fiscal Year Ended <u>June 30,</u>	Special Revenue (Teacher's) <u>Fund</u>	General (Incidental) <u>Fund</u>	Capital Projects (Building) <u>Fund</u>	Debt Service <u>Fund</u>	<u>Total Levy</u>
2016	\$2.7733	\$2.2400	\$0.1300	\$1.2900	\$6.4333
2015	2.2400	2.8567	0.1300	1.2900	6.5167
2014	2.2400	2.4998	0.1300	1.0200	5.8898
2013	2.2400	2.4998	0.1300	1.0200	5.8898
2012	2.2400	2.4998	0.1300	1.0200	5.8898
2011	2.2400	2.4998	0.1300	1.0200	5.8898
2010	2.2400	2.4998	0.1300	1.0200	5.8898
2009	2.2400	2.4998	0.1300	1.0200	5.8898

D. Tax Collection Record

The following table sets forth tax collection information for the School District for the last five fiscal years:

Fiscal Year Ended <u>June 30,</u>	Total <u>Levy</u>	Total Taxes <u>Levied</u>	Taxes Collected (Current & Delinquent) <u>Amount</u> <u>Percent</u>		Railroad & Utility Taxes <u>Collected</u>
2016	\$6.4333	\$128,865,680	\$128,865,680	100.0%	\$3,784,693
2015	6.5167	124,634,537	124,121,001	99.6%	3,567,253
2014	5.8898	107,096,858	107,539,203	100.4%	2,914,010
2013	5.8898	110,227,993	109,235,187	99.1%	3,075,312
2012	5.8898	109,555,002	109,609,569	100.0%	2,924,133
2011	5.8898	113,923,227	112,627,534	98.9%	2,465,226
2010	5.8898	117,901,628	117,387,000	99.6%	2,124,104
2009	5.8898	118,361,839	121,211,120	102.4%	2,400,575

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF BONDED INDEBTEDNESS

June 30, 2016

<u>Bonded Indebtedness</u>	<u>Totals</u>	<u>Series 2006</u>	<u>Series 2007</u>	<u>Series 2008</u>	<u>Series 2010</u>	<u>Series 2011</u>	<u>Series 2012</u>	<u>Series 2013</u>	<u>Series 2014</u>	<u>Series 2015</u>
Fiscal Year										
2016-17	\$16,765,000	\$2,280,000	\$2,390,000	\$570,000	\$1,345,000	\$1,290,000	\$2,700,000	\$1,065,000	\$1,635,000	\$3,490,000
2017-18	17,170,000	0	3,310,000	580,000	1,370,000	1,345,000	2,805,000	30,000	1,965,000	5,765,000
2018-19	17,545,000	0	3,470,000	580,000	2,245,000	1,405,000	2,930,000	30,000	2,010,000	4,875,000
2019-20	18,405,000	0	3,645,000	605,000	2,325,000	1,465,000	3,070,000	30,000	1,370,000	5,895,000
2020-21	18,310,000	0	3,835,000	610,000	2,400,000	1,520,000	3,205,000	1,010,000	1,425,000	4,305,000
2021-22	16,550,000	0	4,030,000	630,000	0	1,575,000	3,350,000	4,150,000	1,500,000	1,315,000
2022-23	15,925,000	0	4,235,000	650,000	0	1,635,000	3,490,000	0	5,915,000	0
2023-24	15,010,000	0	4,455,000	715,000	0	0	3,630,000	0	6,210,000	0
2024-25	15,050,000	0	4,730,000	750,000	0	0	3,770,000	0	5,800,000	0
2025-26	10,720,000	0	4,970,000	780,000	0	0	0	0	4,970,000	0
2026-27	7,275,000	0	5,275,000	815,000	0	0	0	0	1,185,000	0
2027-28	2,090,000	0	0	855,000	0	0	0	0	1,235,000	0
2028-29	1,285,000	0	0	0	0	0	0	0	1,285,000	0
2029-30	1,335,000	0	0	0	0	0	0	0	1,335,000	0
2030-31	1,390,000	0	0	0	0	0	0	0	1,390,000	0
2031-32	1,450,000	0	0	0	0	0	0	0	1,450,000	0
2032-33	1,505,000	0	0	0	0	0	0	0	1,505,000	0
2033-34	1,555,000	0	0	0	0	0	0	0	1,555,000	0
Total	<u>\$179,335,000</u>	<u>\$2,280,000</u>	<u>\$44,345,000</u>	<u>\$8,140,000</u>	<u>\$9,685,000</u>	<u>\$10,235,000</u>	<u>\$28,950,000</u>	<u>\$6,315,000</u>	<u>\$43,740,000</u>	<u>\$25,645,000</u>

----- CONTINUED ON NEXT PAGE -----

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)

June 30, 2016

Interest Obligation Fiscal Year	<u>Totals</u>	<u>Series 2006</u>	<u>Series 2007</u>	<u>Series 2008</u>	<u>Series 2010</u>	<u>Series 2011</u>	<u>Series 2012</u>	<u>Series 2013</u>	<u>Series 2014</u>	<u>Series 2015</u>
2016-17	\$7,724,119	\$102,600	\$2,196,825	\$443,312	\$311,825	\$424,425	\$1,235,425	\$253,050	\$1,916,519	\$840,138
2017-18	7,088,770	0	2,089,275	413,388	278,200	372,825	1,127,425	221,100	1,851,119	735,438
2018-19	6,396,445	0	1,929,750	382,938	243,950	307,075	1,015,225	220,500	1,792,169	504,838
2019-20	5,612,670	0	1,756,250	351,038	165,375	238,325	868,725	219,900	1,751,969	261,088
2020-21	4,947,232	0	1,574,000	319,275	84,000	179,725	730,575	219,300	1,697,169	143,188
2021-22	4,254,933	0	1,382,250	285,725	0	126,975	586,350	176,376	1,640,169	57,088
2022-23	3,496,569	0	1,180,750	251,075	0	63,975	435,600	0	1,565,169	0
2023-24	2,749,744	0	969,000	215,325	0	0	296,000	0	1,269,419	0
2024-25	2,031,969	0	746,250	176,000	0	0	150,800	0	958,919	0
2025-26	1,313,419	0	509,750	134,750	0	0	0	0	668,919	0
2026-27	773,519	0	261,250	91,850	0	0	0	0	420,419	0
2027-28	420,045	0	0	47,026	0	0	0	0	373,019	0
2028-29	323,619	0	0	0	0	0	0	0	323,619	0
2029-30	272,219	0	0	0	0	0	0	0	272,219	0
2030-31	218,819	0	0	0	0	0	0	0	218,819	0
2031-32	163,219	0	0	0	0	0	0	0	163,219	0
2032-33	105,219	0	0	0	0	0	0	0	105,219	0
2033-34	54,421	0	0	0	0	0	0	0	54,421	0
Total	<u>\$47,946,950</u>	<u>\$102,600</u>	<u>\$14,595,350</u>	<u>\$3,111,702</u>	<u>\$1,083,350</u>	<u>\$1,713,325</u>	<u>\$6,446,125</u>	<u>\$1,310,226</u>	<u>\$17,042,494</u>	<u>\$2,541,778</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF REVENUES COLLECTED BY SOURCE For the Year Ended June 30, 2016

	General (Incidental) <u>Fund</u>	Special Revenue (Teachers) <u>Fund</u>	Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Totals</u>
<u>LOCAL</u>					
Current taxes	\$ 54,313,149	\$ 43,868,840	\$ 25,263,752	\$ 2,545,959	\$ 125,991,700
Delinquent Taxes	1,294,266	1,045,141	572,653	60,655	2,972,715
School District Trust Fund (Prop C)	1,478,279	17,000,206	0	0	18,478,485
Financial Institutions Tax	39,567	31,958	18,405	1,855	91,785
M&M Surcharge Tax	1,775,624	460,333	0	2,645,126	4,881,083
In Lieu of Tax	3,059,228	0	0	0	3,059,228
Tuition	184,950	6,300	0	0	191,250
Transportation from Individuals	412,196	0	0	0	412,196
Earnings on Investments	804,984	324,361	258,358	127,568	1,515,271
Food Services	2,523,224	0	0	0	2,523,224
Food Services Non-Program	1,828,301	0	0	0	1,828,301
Student Activities	2,683,790	0	0	0	2,683,790
Community Services	2,894,745	0	0	0	2,894,745
Other	<u>1,486,879</u>	<u>7,535</u>	<u>0</u>	<u>252,000</u>	<u>1,746,414</u>
Total Local	74,779,182	62,744,674	26,113,168	5,633,163	169,270,187
<u>COUNTY</u>					
Fines, Escheats	0	420,892	0	0	420,892
State Assessed Utilities	<u>1,610,058</u>	<u>1,300,447</u>	<u>811,181</u>	<u>63,007</u>	<u>3,784,693</u>
Total County	1,610,058	1,721,339	811,181	63,007	4,205,585
<u>STATE</u>					
Basic Formula	6,265,056	47,048,142	0	0	53,313,198
Transportation Aid	2,226,974	0	0	0	2,226,974
Early Child SPED	1,442,161	1,444,991	0	14,060	2,901,212
Classroom Trust Fund	577,585	6,642,230	0	0	7,219,815
Parents as Teachers	261,451	0	0	0	261,451
Career Ed	11,634	19,300	0	0	30,934
Food Services	82,756	0	0	0	82,756
Adult Education Literacy	78,487	0	0	0	78,487
Career Ed Enhancement Grant	22,834	0	0	33,980	56,814
High Needs Fund	607,317	0	0	0	607,317
Other	<u>176,221</u>	<u>10,200</u>	<u>0</u>	<u>0</u>	<u>186,421</u>
Total State	11,752,476	55,164,863	0	48,040	66,965,379

- - - CONTINUED ON NEXT PAGE - - -

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF REVENUES COLLECTED BY SOURCE (CONTINUED) For the Year Ended June 30, 2016

	General (Incidental) Fund	Special Revenue (Teachers) Fund	Debt Service Fund	Capital Projects Fund	Totals
<u>FEDERAL</u>					
Medicaid	\$ 222,373	\$ 0	\$ 0	\$ 0	\$ 222,373
Perkins-Career Education	74,780	141,191	0	18,389	234,360
Adult Education Literacy	178,793	0	0	0	178,793
Special Ed IDEA/ECSE	92,723	3,824,905	0	0	3,917,628
Food Services	6,280,776	0	0	0	6,280,776
Title I.A – ESEA	1,236,140	1,778,148	0	0	3,014,288
Title III - English Language	180,448	105,537	0	0	285,985
Title II.A – ESEA	64,576	338,255	0	0	402,831
Other	<u>258</u>	<u>585</u>	<u>0</u>	<u>0</u>	<u>843</u>
Total Federal	8,330,867	6,188,621	0	18,389	14,537,877
<u>OTHER</u>					
Tuition from Other Districts	774,400	14,400	0	0	788,800
Transportation from Other Districts	<u>75,574</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>75,574</u>
Total Other	849,974	14,400	0	0	864,374
<u>OTHER FINANCING SOURCES</u>					
Sale of School Buses	0	0	0	44,500	44,500
Sale of Property	<u>73</u>	<u>0</u>	<u>0</u>	<u>6,084</u>	<u>6,157</u>
Total Other Financing Sources	<u>73</u>	<u>0</u>	<u>0</u>	<u>50,584</u>	<u>50,657</u>
TOTAL ALL SOURCES	\$ <u>97,322,630</u>	\$ <u>125,833,897</u>	\$ <u>26,924,349</u>	\$ <u>5,813,183</u>	\$ <u>255,894,059</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF EXPENDITURES PAID BY OBJECT
For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memo Only)</u>
Salaries	\$ 41,982,912	\$ 95,484,661	\$ 0	\$ 0	\$ 137,467,573
Retirement	3,350,775	15,151,058	0	0	18,501,833
FICA/Medicare	2,997,557	1,342,092	0	0	4,339,649
Employee Insurance	8,219,029	9,364,251	0	0	17,583,280
Tuition	0	1,795,304	0	0	1,795,304
Professional, audit & legal	730,124	2,781,427	0	0	3,511,551
Technical Services	4,089,350	0	0	0	4,089,350
Property Services	3,170,054	0	0	0	3,170,054
Contracted Transportation	592,790	0	0	0	592,790
Travel	2,183,905	0	0	0	2,183,905
Insurance-property/liability	991,785	0	0	0	991,785
Other Purchased Services	3,997,189	0	0	0	3,997,189
General Supplies	6,980,116	0	0	0	6,980,116
Books & Periodicals	656,610	0	0	0	656,610
Warehouse & Food Service	4,167,117	0	0	0	4,167,117
Utilities, Energy Service	4,358,288	0	0	0	4,358,288
Other Supplies	265,423	0	0	0	265,423
Capital Outlay	0	0	0	17,699,151	17,699,151
Debt & Other	<u>11,657</u>	<u>0</u>	<u>24,552,116</u>	<u>477,056</u>	<u>25,040,829</u>
	\$ <u>88,744,681</u>	\$ <u>125,918,793</u>	\$ <u>24,552,116</u>	\$ <u>18,176,207</u>	\$ <u>257,391,797</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF SELECTED STATISTICS

For the Year Ended June 30, 2016

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.

Grades K-5	6.4500 SDL
Grades 6-8	6.6500 SDL
Grades 9-12	6.7000 SDL

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

Grades K-5, Crestview	1,119.75 Hours
Grades K-5, Winnwood	1,117.10 Hours
Grades K-5, all others	1,117.65 Hours
Grades 6-8, Antioch MS	1,153.95 Hours
Grades 6-8, all others	1,151.05 Hours
Grades 9-12	1,160.00 Hours

- C. The number of days classes were in session and pupils were under the direction of teachers during this school year was 177 days for grades K-12.

2. Average Daily Attendance (ADA)

	<u>Full-time/ Part-time</u>	<u>Remedial</u>	<u>Totals</u>
Regular Term:			
Grades K-5	8,802.8215	0.4405	8,803.2620
Grades 6-8	4,169.6557	8.6213	4,178.2770
Grades 9-12	<u>5,195.4506</u>	<u>6.8571</u>	<u>5,202.3077</u>
Subtotal Regular Term	18,167.9278	15.9189	18,183.8467
Summer School Subtotal			680.6794
ESY Subtotal			<u>2.1954</u>
Total Regular Term Plus Summer School ADA			<u>18,866.7215</u>

3. September Membership

	<u>Full-time & Part-time</u>
September Membership FTE Count	<u>19,298.22</u>

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

	<u>Full-time & Part time</u>
State FTE Total:	
Free	7,336.78
Reduced	<u>1,957.40</u>
Total	<u>9,308.18</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF SELECTED STATISTICS For the Year Ended June 30, 2016

5. Finance

- | | | |
|----|---|------------------|
| A. | As required by Section 162.401, RSMo, a bond was purchased for the School District's treasurer in the total amount of | <u>\$100,000</u> |
| B. | The School District's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo. | <u>True</u> |
| C. | The School District maintained a separate bank account for the Debt Service Fund in accordance with Section 165.011, RSMo. | <u>True</u> |
| D. | Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records. | <u>True</u> |
| E. | If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the board approved a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken. | <u>N/A</u> |
| F. | The School District published a summary of the prior year's audit report within 30 days of the receipt of the audit pursuant to Section 165.121, RSMo. | <u>True</u> |
| G. | The district has a professional development committee plan adopted by the board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment. | <u>True</u> |
| H. | The amount spent for approved professional development committee plan activities was: | <u>\$954,667</u> |

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

Finding #	<u>N/A</u>
Management Letter Comment #	<u>N/A</u>

6. Transportation (Section 163.161, RSMo)

- | | | |
|----|---|-------------|
| 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 school 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> |

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF SELECTED STATISTICS
For the Year Ended June 30, 2016

6. Transportation (Section 163.161, RSMo) (continued)

- 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>10,855.50</u>
Ineligible ADT	<u>1,470.00</u>

- D. The School District's transportation odometer mileage records are maintained in a manner to accurately disclose in all material respects the eligible and ineligible mileage for the year.

True

- E. Actual odometer records show the total district-operated and contracted mileage for the year was:

2,419,420

Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route and disapproved miles (combined) was:

Eligible miles	<u>1,863,804</u>
Ineligible miles (non-route/disapproved)	<u>555,616</u>

- F. Number of days the School District operated the school transportation system during the regular school year.

177

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

Finding #	<u>N/A</u>
Management Letter Comment #	<u>N/A</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2016

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass- thru Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
<i>Pass-through Missouri Dept. of Elementary & Secondary Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	024-093	\$ 1,573,574
National School Lunch Program	10.555	024-093	<u>5,599,339</u>
Total Child Nutrition Cluster			7,172,913
National Fresh Fruits and Veggie Program	10.582	024-093	<u>21,756</u>
Total U.S. Department of Agriculture			7,194,669
<u>U.S. Department of Education</u>			
<i>Pass-through Missouri Dept. of Elementary & Secondary Education:</i>			
Title I, Part A - Grants for LEAs	84.010A	024-093	3,014,288
Title I, Part A - Career and Technical Education	84.048A	024-093	234,359
Title II, Part A - Improving Teacher Quality	84.367A	024-093	402,831
Title III, Part A - Limited English Proficient (LEP)	84.365A	024-093	285,985
Adult Education & Family Literacy Act	84.002A	024-093	178,793
Special Education Cluster (IDEA):			
IDEA, Part B - Special Education	84.027A	024-093	3,441,519
Early Childhood Special Education	84.027A	024-093	<u>476,110</u>
Total Special Education Cluster			3,917,629
<i>Direct from U.S. Department of Education:</i>			
Indian Education Grant	84.060	Direct	<u>439</u>
Total U.S. Department of Education			<u>8,034,324</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>15,228,993</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2016

NOTE 1: GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the North Kansas City School District No. 74. The District School Board reporting entity is defined in Note 1 to the school board's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1-E to the school board's financial statements.

NOTE 3: RELATIONSHIP TO FINANCIAL STATEMENTS

Federal awards are reported in the school board's financial statements as follows.

	<u>Federal Sources</u>
General Fund	\$ 8,330,867
Special Revenue/Teachers Fund	6,188,621
Capital Projects Fund	<u>18,389</u>
	<u>\$ 14,537,877</u>

NOTE 4: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States.

NOTE 5: MATCHING REVENUES

For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

NOTE 6: NON-CASH PROGRAMS

The commodities received, which are noncash revenues, are valued using prices provided by the United States Department of Agriculture. The total value included in the National School Lunch Program was \$913,892 for the year ended June 30, 2016.

INTERNAL CONTROL AND COMPLIANCE SECTION



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

Board of Education
North Kansas City School District No. 74
Kansas City, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the North Kansas City School District No. 74 (the "School District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 29, 2016.

Internal Control Over Financial Reporting

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

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

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

Board of Education
North Kansas City School District No. 74
Kansas City, Missouri

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Marr and Company, P.C.
Certified Public Accountants

Kansas City, Missouri
November 29, 2016



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

Board of Education
North Kansas City School District No. 74
Kansas City, Missouri

Report on Compliance for Each Major Federal Program

We have audited the North Kansas City School District No. 74's (the "School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2016. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

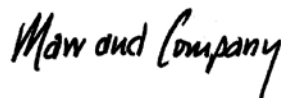
Report on Internal Control Over Compliance

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

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

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

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



Marr and Company, P.C.
Certified Public Accountants

Kansas City, Missouri
November 29, 2016

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued: Unmodified Opinion
2. Internal control over financing reporting:
 - Material weakness(es) identified? ☐ Yes ☒ No
 - Significant deficiencies identified that are not considered to be material weaknesses?
☐ Yes ☐ No ☒ None Reported
3. Noncompliance material to financial statements noted: ☐ Yes ☒ No

Federal Awards

1. Internal control over major programs:
 - Material weakness(es) identified? ☐ Yes ☒ No
 - Significant deficiencies identified that are not considered to be material weakness(es)?
☐ Yes ☐ No ☒ None Reported
2. Type of auditor's report issued on compliance for major programs: Unmodified Opinion
3. Any audit findings which are required to be reported under Section 200.516(a) of the Uniform Guidance? ☐ Yes ☒ No
4. The School District's major federal programs were:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	IDEA Special Education Cluster

5. Dollar threshold used to distinguish between type A and type B programs: \$750,000
6. Auditee qualified as low-risk auditee specified in Section 200.520 of the Uniform Guidance?
☒ Yes ☐ No

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended June 30, 2016

Financial Statement Findings

The audit did not disclose any noncompliance which is material to the basic financial statements of the School District.

Federal Award Findings and Questioned Costs

There were no audit findings related to internal control, compliance, questioned costs or fraud that related to federal awards for the year ended June 30, 2016.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF RESOLUTIONS OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2016

There were no findings or questioned costs in the prior year's audit findings to be resolved.



INDEPENDENT AUDITORS' REPORT ON MANAGEMENT'S ASSERTIONS ABOUT COMPLIANCE WITH SPECIFIED REQUIREMENTS OF MISSOURI LAWS AND REGULATIONS

Board of Education
North Kansas City School District No. 74
Kansas City, Missouri

We have audited the basic financial statements of the North Kansas City School District No. 74 as of and for the year ended June 30, 2016, and have issued our report, which was unmodified on November 29, 2016.

As required by the Revised Statutes of the State of Missouri, we have performed auditing procedures to test compliance with the requirements governing budgets (Chapter 67 RSMo) and the methods of maintaining pupil attendance and pupil transportation records (Chapter 165.121.3(7) RSMo). The management of the School District is responsible for the School District's compliance with those requirements and have so acknowledged in a representation letter dated November 29, 2016. Our responsibility is to express an opinion on the School District's compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the School District's budgetary and disbursement procedures were in compliance with the budgetary statute (Chapter 67 RSMo). It is further our opinion that the pupil attendance and pupil transportation records are so maintained as to accurately disclose, in all material respects, the average daily attendance, resident membership on the last Wednesday of September, average daily transportation of pupils and mileage and allowable cost for pupil transportation in compliance with state and administrative rules.

This report is intended for the information and use of the Board of Education, School 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.

Marr and Company, P.C.
Certified Public Accountants

Kansas City, Missouri
November 29, 2016