

**NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

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

**For the Fiscal Year Ended June 30, 2014**

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## **NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

### **BOARD OF EDUCATION**

Mr. Joe Jacobs, President

Mr. Terry Stone, Vice President

Dr. Terry Ward, Treasurer

Mr. Jay Wilson, Member

Ms. Melissa J. Roberts, Member

Dr. Chip Luerding, Member

Ms. Dixie Youngers, Member

Ms. Peggy Cole, Board Secretary

### **ADMINISTRATIVE LEADERSHIP TEAM**

Dr. Todd White  
Superintendent of Schools

Mr. Paul G. Harrell, CPA  
Chief Financial Officer

Dr. Dan Clemens  
Asst. Superintendent - Administrative Services

Dr. Paul Fregeau  
Asst. Superintendent - Student Services

Mrs. Tammy Henderson  
Chief Communications & Community Affairs Officer

Dr. Jill Hackett  
Asst. Superintendent-Academic Service &  
School Accountability



## 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, 2014, 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, 2014, 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 13 and analysis and other information on pages 51 through 54 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 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The 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 4, 2014, 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 large and stylized.

Marr and Company, P.C.  
Certified Public Accountants

Kansas City, Missouri  
November 4, 2014

## **NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

For the Year Ended June 30, 2014

The discussion and analysis of North Kansas City School District No. 74's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

#### **Financial Highlights**

Key financial highlights for 2014 are as follows:

- Total net position is \$122.4 million which reflects a decrease of \$9.2 million, or 7.02%. The School District planned this reduction to bring year-end fund balances as a percentage of year-end expenditures closer to the Board's parameters.
- Long term liabilities increased \$6.5 million, or 3.1% due mainly to a new bond issuance of \$20 million, general obligation debt refinancing and debt retirements.
- General revenues of \$191 million accounted for 86% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions of \$30.6 million accounted for 14% of total revenues of \$221.6 million.
- As reflected on the Statement of Activities, the School District had \$230.8 million in expenses; only \$30.6 million of these expenses were offset by program specific charges for services, grants or contribution. General revenues (primarily taxes) of \$191 million were adequate to provide for these programs.
- Among major funds, the General Fund had \$80.6 million in revenues and \$84 million in expenditures. A \$2.3 million transfer from the General Fund to the Capital Projects fund was made to replenish the Capital Project fund balance as allowed for completed café renovations, bus purchases, and Apple MacBook lease payment. A \$1 million transfer was made from the General Fund to the Special Revenue fund to bring the Special Revenue Fund Balance to zero. The operating fund balance decreased by \$7.5 million. This spend down was intentional to bring year-end fund balances closer to the Board parameters.

#### **Using the Generally Accepted Accounting Principles Report (GAAP)**

This annual report consists of a series of financial statements and notes to those statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the North Kansas City School District No. 74 as a whole and present a longer-term view of the School District's finances. The Fund Financial Statements provide detail about the School District's four required funds; the General (Incidental) Fund, the Special Revenue (Teacher's) Fund, the Debt Service Fund and the Capital Projects Fund. For governmental activities, these statements show how services were financed in the short term as well as what remains for future spending. The statements then proceed to provide an increasingly detailed look at specific financial activities.



## **NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

For the Year Ended June 30, 2014

#### **Reporting the School District as a Whole**

##### **Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in this position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, current property tax laws in Missouri, required educational programs and other factors.

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, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District does not have any business-type activities.

#### **Reporting the School District's Most Significant Funds**

##### **Fund Financial Statements**

Fund financial statements provide detailed information about the School District's major funds and are prepared on the modified accrual basis of accounting. The School District uses many 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, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2014

#### Governmental Funds (continued)

The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

#### The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

**TABLE 1      Statement of Net Position**

	<u>FYE 6/30/14</u>	<u>FYE 6/30/13</u>
<b>ASSETS</b>		
Current Assets	\$ 109,167,658	\$ 97,550,421
Capital Assets – Net	269,513,350	279,783,019
Noncurrent Assets	<u>2,052,849</u>	<u>2,064,406</u>
Total Assets	<u>380,733,857</u>	<u>379,397,846</u>
<b>LIABILITIES</b>		
Long-Term Liabilities	213,117,338	206,648,311
Other Liabilities	<u>45,170,025</u>	<u>41,053,907</u>
Total Liabilities	<u>258,287,363</u>	<u>247,702,218</u>
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	59,542,837	56,811,223
Restricted-Debt Svc	21,182,269	24,061,158
Restricted-Capital Projects	12,656,084	13,123,754
Restricted-Teachers Fund	-	829,228
Unrestricted	<u>29,065,304</u>	<u>36,870,265</u>
Net Position	<u>122,446,494</u>	<u>131,695,628</u>
Total Liabilities and Net Position	<u>\$ 380,733,857</u>	<u>\$ 379,397,846</u>

Total assets for governmental activities were \$380.7 million. Current assets increased by \$11 million due in part by a \$20 million bond sale for building improvements partially offset by an intentional fund balance decrease to support salary, benefits, and other operating expenses. Capital Assets (net of depreciation) decreased as depreciation exceeds the additions.

Long term liabilities increased by \$6.5 million as the general obligation liability increased due to the \$20 million bond sale held in June 2014 after a successful April 2014 election authorization. A bond refunding in December 2013 and June 2014 restructured the debt amortization also. Other liabilities increased mainly due to the Net OPEB liability (See the Note section of the financials).

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the Year Ended June 30, 2014

### The School District as a Whole (continued)

The net position decreased by \$9 million to a \$122.4 million balance at June 30, 2014. A fund balance reduction was planned to bring in year-end fund balances as a percentage of year-end expenditures closer to the Board's parameters. The operating fund balance decreased by \$7.5 million as salary and benefits expenditures reflected raises and other operating costs increased. The District also contracted with Kelly Services, Inc. for substitute teacher coverage during FY 14. This shifted costs from salary/benefit objects in 2013 to professional contracted services in 2014.

Unrestricted net assets total \$29 million that can be used to finance day-to-day activities, without constraints established by grants or legal requirements of the School District.

**TABLE 2      Change in Net Position**

<b>PROGRAM REVENUES</b>	<b>FYE 6/30/14</b>	<b>FYE 6/30/13</b>
Charges for Services	\$ 10,399,709	\$ 9,889,390
Operation & Capital Grants and Contributions	20,190,730	19,607,945
Total of Charges, Operating Grant and Contributions	<u>30,590,439</u>	<u>29,497,335</u>
General Revenues:		
Property Taxes	107,539,204	109,235,187
Non-restricted Intergovernmental	81,465,103	78,984,812
Interest and Investment Earnings	1,308,272	2,449,343
Other Miscellaneous Local	661,672	462,973
Sale/Retirement of Assets	10,131	11,341
	<u>190,984,382</u>	<u>191,143,656</u>
Total Revenues	<u>221,574,821</u>	<u>220,640,991</u>
<b>PROGRAM EXPENSES</b>		
Instruction	122,869,394	120,859,925
Student Services	7,490,297	7,052,374
Instructional Staff Support	17,041,228	16,007,458
Board/Executive and Tech Administration	3,358,982	2,668,348
Building Administration	12,662,194	12,256,136
General Administration/Central Services	7,370,570	6,838,832
Operation of Plant	20,682,343	20,776,369
Transportation	11,055,295	10,331,954
Food Service	9,450,485	11,337,670
Community Services	5,029,564	5,103,459
Facility Acquisition and Construction	4,190,941	237,897
Interest and Fiscal Charges	9,622,662	9,890,268
Total Expenses	<u>230,823,955</u>	<u>223,360,690</u>
<b>INCREASE IN NET POSITION</b>	<u>\$ (9,249,134)</u>	<u>\$ (2,719,699)</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2014

### Governmental Activities

Revenue received for the School District's governmental activities increased slightly by \$933,830, or 0.4%. The increase in revenue from the State's Basic Formula helped to offset the decrease in local property tax revenue due to lower assessed property values.

Regarding Program Expenses, classroom instruction comprises 53% of district expenses. The total program expenses increased \$7.5 million. The District completed installing wireless access points at all District locations. The cafeteria renovations at Oak Park High School and Gashland Elementary School were completed. With a successful election in April 2014 the District was able to issue \$20 million of bonds in June 2014. With the new bond funds, facility improvements were started immediately and included football turf resurfacing at Winnetonka High School, security card access improvements, and new roofing at North Kansas City High School.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**TABLE 3      Net Cost of Government Activities**

	<b>FYE 6/30/14</b>		<b>FYE 6/30/13</b>	
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instruction	\$ 122,869,394	\$ (108,987,258)	\$ 120,859,925	\$ (107,465,945)
Student Services	7,490,297	(7,490,297)	7,052,374	(7,052,374)
Instructional Staff Support	17,041,228	(17,041,228)	16,007,458	(16,003,458)
Board/Executive & Tech Adm	3,358,982	(3,358,982)	2,668,348	(2,668,348)
Building Administration	12,662,194	(12,662,194)	12,256,136	(12,256,136)
General Admin & Central Services	7,370,570	(7,370,570)	6,838,832	(6,838,832)
Operation of Plant	20,682,343	(20,682,343)	20,776,369	(20,776,369)
Transportation	11,055,295	(8,422,443)	10,331,954	(7,824,573)
Food Service	9,450,485	823,679	11,337,670	(1,527,283)
Community Services	5,029,564	(1,228,277)	5,103,459	(1,321,872)
Facility Acquisition & Construction	4,190,941	(4,190,941)	237,897	(237,897)
Interest and Fiscal Charges	9,622,662	(9,622,662)	9,890,268	(9,890,268)
Total Expenses	<u>\$ 230,823,955</u>	<u>\$ (200,233,516)</u>	<u>\$ 223,360,690</u>	<u>\$ (193,863,355)</u>

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.

## **NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

For the Year Ended June 30, 2014

#### **Governmental Activities (continued)**

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.

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 89% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 87%. The local community, as a whole, is the primary support for the North Kansas City School District No. 74.

#### **The School District's Funds**

The School District's funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$221.6 million and expenditures of \$273.7 million. The net change in fund balance for the year in the General Fund was a decrease of \$6.7 million. The unrestricted Operating Fund balance was \$33.4 million at year-end and was 16.31% of total expenditures of the General Fund plus the Special Revenue (Teachers) Fund. This fund balance would exclusively sustain the School District for approximately 42 days of operations. The School District has already implemented GASB 54 as required. See Note 1 to the financial statements for details. The Operating Fund balance consisted of \$1.2 million non-spendable, leaving \$32.2 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, 2014

#### General 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. 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 2014, the School District amended its General Fund budget to reflect \$80 million for revenue and \$87.2 million for expenditures. Local revenue came in \$0.7 million over budget. With prudent spending and conservative budgeting the actual expenditures were \$3.3 million below the final budget. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

#### Special Revenue Teachers Fund Budgeting Highlights

During the fiscal year 2014, the School District amended its Special Revenue Fund budget to reflect \$118.2 million for revenue and \$120.7 million for expenditures. Actual revenue came in at \$.6 million above budget. The actual expenditures were \$1.1 million below the final budget due to conservative budgeting.

#### Capital Assets

As of June 30, 2014, the School District had \$379.3 million invested in land, buildings, furniture and equipment, and vehicles. Accumulated depreciation totaled \$109.8 million, an increase of \$11.4 million over fiscal year 2013. The net investment in capital assets at year-end was \$269.5 million.

**TABLE 4 Capital Assets (Net of Depreciation)**

	<u>FYE 6/30/14</u>	<u>FYE 6/30/13</u>
Land	\$ 5,645,472	\$ 5,385,451
Construction in Progress	1,060,986	3,295,553
Capitalized Interest on Construction in Progress	1,140	5,515
Buildings and Improvements	241,091,870	246,445,803
Furniture and Equipment	<u>21,713,882</u>	<u>24,650,697</u>
Totals	\$ <u>269,513,350</u>	\$ <u>279,783,019</u>

Net capital assets ended at \$269.5 million as the addition of capital assets offset by depreciation expense reflects a \$10.3 million decrease. The cafeterias at Oak Park High School and Gashland Elementary School were completed. With the successful April 2014 election a \$20 million bond authorization allowed the District to sell the \$20 million bonds in June 2014. Improvements were started immediately and include football turf resurfacing at Winnetonka High School, security card access improvements, and North Kansas City High School roofing all reflected in Construction in Progress.

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2014

#### Debt Administration

At June 30, 2014, the School District had \$210.53 million in general obligation bonds, due in varying interest rate charges through the year 2034.

**TABLE 5 Outstanding General Obligation Bonds**

<u>Outstanding Debt at</u>	<u>FYE 6/30/14</u>	<u>FYE 6/30/13</u>
2002 General Obligation Bonds	\$ -	\$ 1,025,000
2003 General Obligation Bonds	-	2,830,000
2004 General Obligation Bonds	-	9,530,000
2005 General Obligation Bonds	14,820,000	17,165,000
2006 General Obligation Bonds	29,190,000	57,610,000
2007 General Obligation Bonds	48,475,000	50,575,000
2008 General Obligation Bonds	8,700,000	8,700,000
2010 General Obligation Bonds	12,290,000	13,555,000
2011 General Obligation Bonds	12,245,000	13,370,000
2012 General Obligation Bonds	31,370,000	31,545,000
2013 General Obligation Bonds	8,500,000	-
2014 General Obligation Bonds	44,940,000	-
Total	<u>\$ 210,530,000</u>	<u>\$ 205,905,000</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, 2014, the School District's overall legal debt margin was \$272.8 million, of which \$210.5 has been issued, offset by debt service fund balance of \$21.6 million leaving the un-voted debt margin at \$84 million.

At June 30, 2014, the outstanding balance for the School District on a Capital Lease Obligation with Apple, Inc. for 6,000 MacBooks is \$3,008,410 in principal and \$41,579 interest for a total of \$3,049,989 (see notes for additional information on a second lease entered into after June 30, 2014).

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 2014 the Annual required contribution was \$2,149,900 offset by \$1,019,500 implicit employer contributions (excess premiums) which resulted in a \$1,130,400 increased obligation for the current year and a cumulative Net OPEB obligation of \$4,016,200 at June 30, 2014 (see Notes to Financial Statements for additional details).

#### Current Financial Issues and Concerns

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 at the same time making necessary improvements to facilities. Facility upgrades are needed for a growing student enrollment and overall general repair.

## **NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)** **For the Year Ended June 30, 2014**

#### **Current Financial Issues and Concerns (continued)**

In April 2014 the voters successfully approved for the District to issue an additional \$20 million in general obligation bonds, and also to increase the operating fund levy by \$0.26 cents. The bond issue will allow for additional classrooms needed for the increasing student enrollment, and enhancements to the facilities to better address safety and security issues. The increase to the operating levy will allow the district to continue offering our existing programming as it will help offset lost revenue as a result of lower property values.

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 recover from the recession that began in 2008, the school district continues to experience a decline in local property values and corresponding tax revenues. Our 2013 local assessed property valuation has fallen below values reported by the Clay County Assessor's office in 2004. The 2013 assessment figures were based upon 2011 and 2012 home sale values.

The School District has been able to partially offset the loss of local property tax revenue through increased State revenues sources in order to maintain the current overall financial position. In 2005, the State of Missouri adopted a new method of distributing state funds to local school districts from which our district has benefited. This new state foundation formula is known as SB 287 and is being implemented by the state over a seven year period, with FY 13 being the final year of implementation. These types of scenarios require management to plan carefully and prudently to provide the resources to meet student and staff needs over the next several years.

In conclusion, the North Kansas City School District No. 74 has committed itself to financial excellence for many years as demonstrated by our strong year-end 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.

#### **Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Paul Harrell, Chief Financial Officer, at the North Kansas City School District, 2000 NE 46<sup>th</sup> Street, Kansas City, Missouri, 64116, phone number 816-413-5026.



## **BASIC FINANCIAL STATEMENTS**

### *GOVERNMENT-WIDE FINANCIAL STATEMENTS*

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## STATEMENT OF NET POSITION

June 30, 2014

<u>ASSETS</u>	<u>Governmental Activities</u>
<u>Current Assets</u>	
Cash & Cash Equivalents	\$ 62,098,220
Investments	31,721,444
Cash with Fiscal Agents	9,039,274
Receivables:	
Taxes	611,317
Other Local, net of allowance for uncollectible of \$36,371	416,893
State	1,903,461
Federal	1,576,954
Inventory	933,666
Prepaid Expenses	<u>866,429</u>
Total Current Assets	\$ 109,167,658
<u>Noncurrent Assets</u>	
Non-depreciable Capital Assets:	
Land	5,645,472
Construction in Progress	1,060,986
Capitalized Interest on Construction in Progress	<u>1,140</u>
Total Non-depreciable Capital Assets	6,707,598
Depreciable Capital Assets:	
Buildings and Improvements	314,717,998
Furniture and Equipment	57,841,830
Less: Accumulated Depreciation	<u>(109,754,076)</u>
Total Depreciable Capital Assets, Net	<u>262,805,752</u>
Total Capital Assets, Net	269,513,350
Bond Issuance Cost, net of accumulated amortization	<u>2,052,849</u>
Total Noncurrent Assets	271,566,199
 TOTAL ASSETS	 \$ <u>380,733,857</u>

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

**NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

**STATEMENT OF NET POSITION (CONTINUED)**

June 30, 2014

	<u>Governmental Activities</u>
<u>LIABILITIES AND NET POSITION</u>	
<u>Current Liabilities</u>	
Accounts Payable	\$ 911,679
Payroll Withholding	5,492,231
Accrued Wages	10,935,469
Stop-gap Liability	2,135,902
Accrued Interest Payable	2,522,414
Unearned Revenue	30,911
Retiree Medical Insurance Liability	4,016,200
Compensated Absences	1,233,147
Current Portion of Long-term Debt:	
General Obligation Bonds Payable	14,895,000
Bond Premium, net of accumulated amortization	1,499,755
Capital Lease Obligation	<u>1,497,317</u>
Total Current Liabilities	45,170,025
<u>Long-term Liabilities</u>	
Noncurrent Portion of Bonds Payable	195,635,000
Noncurrent Portion of Bond Premium, net	15,971,245
Noncurrent Portion of Capital Lease Obligation	<u>1,511,093</u>
Total Long-term Liabilities	<u>213,117,338</u>
Total Liabilities	258,287,363
<u>Net Position</u>	
Invested in Capital Assets, net of related debt	59,542,837
Restricted for:	
Debt Service	21,182,269
Capital Projects	12,656,084
Unrestricted	<u>29,065,304</u>
Total Net Position	<u>122,446,494</u>
 TOTAL LIABILITIES AND NET POSITION	 \$ <u>380,733,857</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, 2014

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Charges for Services &amp; Sales</u>	<u>Program Revenues Operating Grants &amp; Contribution</u>	<u>Capital Grants &amp; Contribution</u>	<u>Net Revenue &amp; Changes in Net Position</u>
Governmental Activities:					<u>Governmental Activities</u>
Current:					
Instruction	\$ 122,869,394	\$ 2,452,951	\$ 11,362,282	\$ 66,903	\$ (108,987,258)
Student Services	7,490,297	0	0	0	(7,490,297)
Instructional Staff Support	17,041,228	0	0	0	(17,041,228)
Board/Executive & Tech	3,358,982	0	0	0	(3,358,982)
Building Administration	12,662,194	0	0	0	(12,662,194)
General Admin/Central Svcs.	7,370,570	0	0	0	(7,370,570)
Operation of Plant	20,682,343	0	0	0	(20,682,343)
Transportation	11,055,295	488,190	2,144,662	0	(8,422,443)
Food Services	9,450,485	4,215,288	6,058,876	0	823,679
Community Services	5,029,564	3,243,280	558,007	0	(1,228,277)
Facilities	4,190,941	0	0	0	(4,190,941)
Interest & Charges	<u>9,622,662</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(9,622,662)</u>
	<u>\$ 230,823,955</u>	<u>\$ 10,399,709</u>	<u>\$ 20,123,827</u>	<u>\$ 66,903</u>	<u>\$ (200,233,516)</u>
 <u>General Revenues</u>					
Taxes:					
Property taxes, levied for general purposes					45,642,864
Property taxes, levied for instruction					40,899,310
Property taxes, levied for debt services					18,623,640
Property taxes, levied for capital projects					2,373,390
Non-restricted Intergovernmental Revenues:					
Proposition C - Sales Tax					17,047,663
Financial Institution Tax, in lieu of tax/M&M surtax					7,824,351
State Assessed Railroad & Utility					2,914,011
County - fines					315,046
Basic formula					45,834,415
Classroom trust					7,529,617
Interest & Investment Earnings					1,308,272
Miscellaneous					<u>661,672</u>
Subtotal - General Revenues					<u>190,974,251</u>
Excess (deficiency) of revenues over expenses before special items					(9,259,265)
Special Items: Sale of Capital Assets – Net					<u>10,131</u>
Changes in Net Position					(9,249,134)
NET POSITION - BEGINNING OF YEAR					<u>131,695,628</u>
NET POSITION - END OF YEAR					<u>\$ 122,446,494</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, 2014

	General (Incidental) Fund	Special Revenue (Teachers) Fund	Debt Service Fund	Capital Projects Fund	Totals
<u>ASSETS</u>					
Cash & Cash Equivalents	\$ 17,825,076	\$ 3,426,355	\$ 12,480,343	\$ 28,366,446	\$ 62,098,220
Investments	23,196,851	3,010,083	0	5,514,510	31,721,444
Cash with Fiscal Agent	0	0	9,039,274	0	9,039,274
Receivables:					
Taxes	260,639	232,496	104,690	13,492	611,317
Local	70,952	6,608	0	12,000	89,560
State	988,424	910,342	0	4,695	1,903,461
Federal	551,911	1,025,043	0	0	1,576,954
Inventories	778,656	0	0	0	778,656
Prepaid Expenses	<u>385,100</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>385,100</u>
TOTAL ASSETS	<u>\$ 44,057,609</u>	<u>\$ 8,610,927</u>	<u>\$ 21,624,307</u>	<u>\$ 33,911,143</u>	<u>\$ 108,203,986</u>
<u>LIABILITIES &amp; FUND BALANCES</u>					
Liabilities:					
Accounts Payable	\$ 626,568	\$ 68,799	\$ 150	\$ 216,162	\$ 911,679
Payroll Withholdings	5,492,231	0	0	0	5,492,231
Accrued Wages	2,395,661	8,539,808	0	0	10,935,469
Stop-gap Liability	2,135,902	0	0	0	2,135,902
Unearned Revenue	<u>28,591</u>	<u>2,320</u>	<u>0</u>	<u>0</u>	<u>30,911</u>
Total Liabilities	10,678,953	8,610,927	150	216,162	19,506,192
Fund Balances:					
Nonspendable	1,163,756	0	0	0	1,163,756
Restricted	0	0	21,624,157	33,694,981	55,319,138
Assigned	3,099,856	0	0	0	3,099,856
Unassigned	<u>29,115,044</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,115,044</u>
Total Fund Balances	<u>33,378,656</u>	<u>0</u>	<u>21,624,157</u>	<u>33,694,981</u>	<u>88,697,794</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 44,057,609</u>	<u>\$ 8,610,927</u>	<u>\$ 21,624,307</u>	<u>\$ 33,911,143</u>	<u>\$ 108,203,986</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, 2014

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 88,697,794

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

Capital assets	379,267,426	
Accumulated depreciation	<u>(109,754,076)</u>	269,513,350
Inventory of food commodities	155,010	
Advance use of short-term medical leave	327,333	
Bond issuance cost - net of accumulated amortization	2,052,849	
Prepaid insurance premiums	<u>481,329</u>	3,016,521

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

OPEB obligation for retiree medical insurance	(4,016,200)	
Accrued vacation & comp time	(1,233,147)	
Accrued interest of general obligation bonds & capital	(2,522,414)	
Bond premiums - net of accumulated amortization	(17,471,000)	
Bonds payable	(210,530,000)	
Capital lease obligation	<u>(3,008,410)</u>	(238,781,171)

TOTAL NET POSITION - GOVERNMENTAL FUNDS \$ 122,446,494

*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, 2014

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals Governmental Funds
<b><u>REVENUES</u></b>					
Local	\$ 63,635,082	\$ 59,329,750	\$ 18,913,602	\$ 2,591,221	\$ 144,469,655
County	1,228,620	1,415,961	567,638	16,839	3,229,058
State	6,774,397	52,574,745	0	66,903	59,416,045
Federal	8,811,293	5,394,965	0	0	14,206,258
Other	<u>128,050</u>	<u>115,624</u>	<u>0</u>	<u>0</u>	<u>243,674</u>
Total Revenues	80,577,442	118,831,045	19,481,240	2,674,963	221,564,690
<b><u>EXPENDITURES</u></b>					
Current:					
Instruction	16,992,085	99,206,678	0	368,001	116,566,764
Student Services	3,725,196	3,760,597	0	4,504	7,490,297
Instructional Staff Support	6,951,315	7,383,969	0	1,886,620	16,221,904
Board/Executive & Tech Admin	5,252,845	987,240	0	19,842	6,259,927
Building Administration	2,709,822	454,700	0	249,895	3,414,417
General Admin & Central Services	4,650,717	8,011,476	0	0	12,662,193
Operation of Plant	19,494,949	0	0	1,388,769	20,883,718
Transportation	10,161,526	0	0	233,983	10,395,509
Food Services	9,825,182	0	0	579,532	10,404,714
Community Services	4,178,290	846,167	0	0	5,024,457
Facilities Acquisition/Construction	0	0	0	1,952,000	1,952,000
Debt Service:					
Principal	0	0	49,375,000	0	49,375,000
Interest and Charges	<u>10,330</u>	<u>2,071</u>	<u>13,051,578</u>	<u>0</u>	<u>13,063,979</u>
Total Expenditures	83,952,257	120,652,898	62,426,578	6,683,146	273,714,879
Other Financing Sources (Uses):					
Transfers To	0	992,625	0	2,311,780	3,304,405
Transfers From	(3,304,405)	0	0	0	(3,304,405)
Sales of Bonds	0	0		20,000,000	20,000,000
Premium on Bonds Sold	0	0	5,424,864	1,937,222	7,362,086
Refunding Bonds	0	0	34,000,000	0	34,000,000
Sale of Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,131</u>	<u>10,131</u>
Total Other Financing Sources (Uses)	<u>(3,304,405)</u>	<u>992,625</u>	<u>39,424,864</u>	<u>24,259,133</u>	<u>61,372,217</u>
Net Change in Fund Balances	(6,679,220)	(829,228)	(3,520,474)	20,250,950	9,222,028
FUND BALANCES, JULY 1, 2013	<u>40,057,876</u>	<u>829,228</u>	<u>25,144,631</u>	<u>13,444,031</u>	<u>79,475,766</u>
FUND BALANCES, JUNE 30, 2014	\$ <u>33,378,656</u>	\$ <u>0</u>	\$ <u>21,624,157</u>	\$ <u>33,694,981</u>	\$ <u>88,697,794</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, 2014

TOTAL NET CHANGE IN FUND BALANCES - *GOVERNMENTAL FUNDS* \$ 9,222,028

Variances in the reporting amounts of assets & 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> 3,903,648 <i>Capitalized leases</i> 1,483,667 <i>Depreciation expense</i> (14,173,317)
Federal food commodities are not recorded in funds & inventoried in activities.	<i>Commodities received</i> 526,765 <i>Commodities consumed</i> (556,212)
Accounts receivable for employee short-term medical leave.	40,333
Bond issuance cost is expenses in funds and amortized in activities.	<i>Issuance Cost</i> 557,100 <i>Amortization</i> (568,657)
Insurance premiums are expensed in funds and recorded as prepaids in activities.	<i>Current year adjustment</i> 16,988
OPEB cost is recorded in activities.	(1,130,400)
Accrued vacation & comp time are recorded in activities and not in the funds.	<i>Current year adjustment</i> (36,865)
Debt interest is expensed as paid in the funds and expensed or capitalized in the appropriate period for funds.	<i>Accrued interest</i> 666,792
Bond premiums are recognized as other financing sources in funds and capitalized and amortized in activities.	<i>Premium on issued, refunded bonds</i> (7,362,086) <i>Premium amortization</i> 2,786,082
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 issued, refunded</i> (54,000,000) <i>Bonds paid</i> <u>49,375,000</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>(9,249,134)</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, 2014

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# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### 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 1,469 non-certificated employees, 1,482 certificated, full-time teaching personnel and 129 administrative employees who provide services to 19,201 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 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 Governmental Accounting Standards Board (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, 2014

#### 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, 2014, 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 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, 2014

### **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**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements.

##### **Government-wide Financial Statements**

Government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the Statement of Net Position.

##### **Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and change in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

# **NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **E. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

#### **Revenues-Exchange and Non-Exchange Transactions**

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

For the School District, available means expected to be received within thirty days of fiscal year end. Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, investment earnings, tuition, grants and student fees.

#### **Deferred Revenue**

The School District reports deferred revenue on its statement of net position and governmental funds balance sheet. In subsequent periods, the liability for deferred revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

#### **Expense/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

# **NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **F. 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).

##### **Prepaid Items**

Payments made to vendors for services that will benefit a period beyond June 30, 2014, 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.

# **NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **F. Assets, Liabilities and Equity (continued)**

##### **Capital Assets (continued)**

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

##### **Bond Premiums and Issuance Costs**

Bond issue costs are capitalized and amortized using the straight line basis over the number of years the bond issue is outstanding. Bond issue costs, net of accumulated amortization, are reported as an asset in the government-wide statement of net position as deferred charges. In the governmental funds, all of the costs are recognized as expenditures in the period when paid.

Premiums on bond issues are deferred and amortized using the straight line method over the number of years the bond issue is outstanding. Bond premiums, net of accumulated amortization, are reported as a liability in the statement of net position. The net premiums are an increase of the face amount of bonds payable to reflect the adjustment to market value of the outstanding bonds payable as of June 30, 2014. In the governmental funds, the bond premiums are recognized as other financing sources in the period when the bonds were issued.

##### **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 2013-2014 school year contracts paid in July and August 2014 was included in accrued salaries and wages at June 30, 2014. The option to receive the July and August payment in June was not offered to the employee in the current year.



# **NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **F. Assets, Liabilities and Equity (continued)**

##### **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.

##### **Post-Employment Benefits**

In addition to the pension benefits described in Note 4.A, 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.

##### **Net Position**

Net position represents the difference between assets and liabilities. Net investments in capital assets, net of related debt, 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.

##### **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 Chief Financial Officer or the Superintendent. The following is a list of classifications of fund balances and definitions as described in GASB 54.

**NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Assets, Liabilities and Equity (continued)**

**Fund Balance Reporting (continued)**

*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, 2014, 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.

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

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2014

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### F. Assets, Liabilities and Equity (continued)

	<u>General</u>	<u>Special Revenue (Teachers)</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Nonspendable:					
Inventory	\$ 778,656	\$ 0	\$ 0	\$ 0	\$ 778,656
Prepaid Expense	<u>385,100</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>385,100</u>
Total Nonspendable	1,163,756	0	0	0	1,163,756
Restricted:					
Debt Service	0	0	21,624,157	0	21,624,157
Bond Projects	0	0	0	21,038,897	21,038,897
Capital Projects	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,656,084</u>	<u>12,656,084</u>
Total Restricted	0	0	21,624,157	33,694,981	55,319,138
Assigned:					
Activity Funds	1,367,590	0	0	0	1,367,590
Food Service	<u>1,732,266</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,732,266</u>
Total Assigned	3,099,856	0	0	0	3,099,856
Unassigned	<u>29,115,044</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,115,044</u>
Total Fund Balances	<u>\$33,378,656</u>	<u>\$ 0</u>	<u>\$21,624,157</u>	<u>\$33,694,981</u>	<u>\$88,697,794</u>

#### G. 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.

## **NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **G. Revenues and Expenditures (continued)**

###### **Other Sources**

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

###### **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.

##### **H. 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.

#### **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.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### NOTE 2: COMPLIANCE AND ACCOUNTABILITY (continued)

#### 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, 2014, 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 that 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.

The assessed valuation of the tangible property for calendar year 2013 for purposes of local taxation, excluding tax increment financing assessed valuation, follows.

	Assessed Valuation as of <u>12/31/2013</u>	Assessment <u>Rate</u>	Estimated Actual <u>Valuation</u>	% of Total Estimated <u>Actual Valuation</u>
Residential	\$ 1,033,667,632	19.0%	\$ 5,440,355,958	69.2%
Agricultural	2,475,453	12.0%	20,628,775	0.3%
Commercial	<u>402,634,639</u>	32.0%	<u>1,258,233,247</u>	<u>16.0%</u>
Total Real Property	1,438,777,724		6,719,217,980	85.5%
Personal Property	<u>379,566,839</u>	33.3% <sup>(1)</sup>	<u>1,138,814,398</u>	<u>14.5%</u>
Total Property	\$ <u>1,818,344,563</u>		\$ <u>7,858,032,378</u>	100.0%

<sup>(1)</sup> Assumes all personal property is assessed at 33 1/3%. Because certain subclasses of tangible personal property are assessed at less than 33 1/3%, the estimated actual valuation for personal property would likely be greater than that shown above.

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2013 for purposes of local taxation was as follows.

General (Incidental) Fund	2.4998
Special Revenue (Teachers) Fund	2.2400
Debt Service Fund	1.0200
Capital Projects Fund	<u>0.1300</u>
Total	5.8898

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2014, aggregated 100% of the current assessment computed on the basis of the levy as shown above.

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

#### NOTE 2: COMPLIANCE AND ACCOUNTABILITY (continued)

##### 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, 2014, 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, 2014, no budgets had been exceeded.

#### 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, 2014, 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.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

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

##### Investments (continued)

###### *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, 2014, the fair market value of the School District's investments was \$30,480,826.

As of June 30, 2014, the School District had the following investments.

<u>Investment Type</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Investment Maturities</u>	
			<u>&lt; 1 Year</u>	<u>1-5 Years</u>
Fed Home Loan Mort Corp	\$ 3,000,000	\$ 3,010,219	\$ 0	\$ 3,010,219
Fed Nat Mort Assoc	27,655,000	27,712,482	0	27,712,482
Credit Agri North America	<u>1,000,000</u>	<u>998,743</u>	<u>998,743</u>	<u>0</u>
Totals	\$ 31,655,000	\$ 31,721,444	\$ 998,743	\$30,722,701

##### 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 Intercept Program and the Missouri Securities Investment Program. These investments and deposits are not classified by credit risk category.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2014

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

#### B. Long-term Liabilities

Long-term liability balances and activity for the year ended June 30, 2014, were as follows:

	Beginning Balance <u>7/01/2013</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>6/30/2014</u>	Due Within <u>One Year</u>
General Obligation Bonds Payable	\$205,905,000	\$54,000,000	\$(49,375,000)	\$210,530,000	\$14,895,000
Unamortized Premium on Bonds	12,894,996	7,362,086	(2,786,082)	17,471,000	1,499,755
Capital Lease Obligation	<u>4,492,077</u>	<u>0</u>	<u>(1,483,667)</u>	<u>3,008,410</u>	1,497,317
Total Long-term Liabilities	<u>\$223,292,073</u>	<u>\$61,362,086</u>	<u>\$(53,644,749)</u>	<u>\$231,009,410</u>	

#### 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, 2014, consisted of the following:

General obligation bonds, issue of 2005, due in varying annual installments through March 1, 2022, interest at 4.0% to 5.0%	\$14,820,000
General obligation bonds, issue of 2006, due in varying annual installments through March 1, 2026, interest at 4.0% to 5.0%	29,190,000
General obligation bonds, issue of 2007, due in varying annual installments through March 1, 2021, interest at 4.0% to 5.0%	48,475,000
General obligation bonds, issue of 2008, due in varying annual installments through March 1, 2028, interest at 4.0% to 5.5%	8,700,000
General obligation bonds, issue of 2010, due in varying annual installments through March 1, 2021, interest at 2.0% to 3.5%	12,290,000
General obligation bonds, issue of 2011, due in varying annual installments through March 1, 2023, interest at 2.0% to 4.89%	12,245,000
General obligation bonds, issue of 2012, due in varying annual installments through March 1, 2025, interest at 2.0% to 5.0%	31,370,000
General obligation bonds, issue of 2013, due in varying annual installments through March 1, 2022, interest at 2.0% to 4.25%	8,500,000
General obligation bonds, issue of 2014, due in varying annual installments Through March 1, 2034, interest at 2.0% to 5.0%	<u>44,940,000</u>
Total Bonds Payable	<u>\$210,530,000</u>



# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

#### B. Long-term Liabilities (continued)

##### General Obligation Bonds Payable (continued)

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 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, 2014, was \$12,676,604.

Debt service requirements as of June 30, 2014, was as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 14,895,000	\$ 8,891,088	\$ 23,786,088
2016	15,950,000	8,823,031	24,773,031
2017	16,690,000	8,173,107	24,863,107
2018	17,250,000	7,482,332	24,732,332
2019	18,110,000	6,728,357	24,838,357
2020-2024	83,980,000	21,509,784	105,489,784
2025-2029	36,420,000	4,862,571	41,282,571
2030-2034	<u>7,235,000</u>	<u>813,897</u>	<u>8,048,897</u>
	<u>\$210,530,000</u>	<u>\$67,284,167</u>	<u>\$277,814,167</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	\$272,751,684	(15% of Assessed Val.)
General Obligation Bonds Payable	(210,530,000)	
Amount Available in Debt Service Fund	<u>21,624,157</u>	
Total Legal Debt Margin	<u>\$ 83,845,841</u>	

##### Capital Lease Obligation

On April 28, 2012, the School District entered into a lease purchase agreement with Apple Inc. Financial Services for 6,000 MacBook computers for high school students. Beginning July 2012, the agreement required four annual payments of \$1,524,995 due on July 5<sup>th</sup> of every year totaling \$6,099,979, which includes total interest of \$82,907 and principal of \$6,017,072.

Capital leases at June 30, 2014, consisted of –

	<u>Original Financed Amount</u>	<u>Interest Rate</u>	<u>Outstanding Principal Balance</u>
Lease purchase agreement	\$6,017,072	0.92%	\$3,008,410

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

#### B. Long-term Liabilities (continued)

##### Capital Lease Obligation (continued)

On September 23, 2014, the Board of Education approved to pay off the existing lease purchase agreement for the remaining outstanding balance and accrued interest and will obtain title to the computers. The computers will be provided to various middle and elementary school buildings. In addition, the District entered into a new lease purchase agreement effective October 23, 2014 with Apple Inc. Financial Services for 6,200 MacBook computers for high school students. Beginning July 2015, the agreement requires four annual payments of \$1,518,627 due on July 5<sup>th</sup> of every year totaling \$6,074,507, which includes total interest of \$129,856 and principal of \$5,944,651. The following is a schedule of future lease expense under this new lease purchase agreement.

Year ended June 30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$1,477,456	\$ 41,171	\$1,518,627
2017	1,474,429	44,198	1,518,627
2018	1,489,017	29,610	1,518,627
2019	<u>1,503,749</u>	<u>14,877</u>	<u>1,518,626</u>
	<u>\$5,944,651</u>	<u>\$ 129,856</u>	<u>\$6,074,507</u>

#### C. Capital Assets

Capital asset balances of the School District's governmental activities for the year ended June 30, 2014, were as follows.

	<u>Balance</u> <u>June 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2014</u>
Land	\$ 5,385,451	\$ 260,021	\$ 0	\$ 5,645,472
Construction in progress	3,295,553	2,307,026	4,541,593	1,060,986
Capitalized interest on CIP	5,515	3,216	7,591	1,140
Buildings	312,588,656	2,607,458	478,116	314,717,998
Furniture	<u>56,906,439</u>	<u>3,275,111</u>	<u>2,339,720</u>	<u>57,841,830</u>
	378,181,614	8,452,832	7,367,020	379,267,426
Less accumulated depreciation for:				
Buildings/land improvements	66,142,853	7,961,391	478,116	73,626,128
Furniture	<u>32,255,742</u>	<u>6,211,926</u>	<u>2,339,720</u>	<u>36,127,948</u>
Total accumulated depreciation	<u>98,398,595</u>	<u>14,173,317</u>	<u>2,817,836</u>	<u>109,754,076</u>
Net Capital Assets	<u>\$279,783,019</u>	<u>\$(5,720,485)</u>	<u>\$4,549,184</u>	<u>\$269,513,350</u>

During the current fiscal year, the School District transferred \$4,549,184 of completed construction in progress projects and related capitalized interest to the buildings and improvements account, resulting in net additions totaling \$3,903,648.

# **NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

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

#### **C. Capital Assets (continued)**

Depreciation expense was charged by function as shown below.

Instruction	\$11,213,847
Instructional staff support	1,251,026
Administration	205,281
Operation of plant	171,465
Transportation	891,031
Food service	435,560
Community Service	<u>5,107</u>
	<u>\$14,173,317</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, 2014, 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.

##### Transportation Calculated Cost

The School District transferred from the general fund to the capital projects fund to pay for transportation capital outlay expenditures.

##### "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".

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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

#### D. Inter-fund Transfers (continued)

The following is a detail of the transfers.

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>
Food Service	\$ (579,532)	\$ 579,532	\$ 0
Student Activities	(32,248)	32,248	0
7% x SAT x WADA	(1,500,000)	1,500,000	0
Transportation Calculation Cost	(200,000)	200,000	0
“Zero” Teachers Fund	<u>(992,625)</u>	<u>0</u>	<u>992,625</u>
	\$ <u>(3,304,405)</u>	\$ <u>2,311,780</u>	\$ <u>992,625</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, 2014, the estimated amount owed to the School District was \$363,707 of which \$ 36,371 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, 2013. 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, 2014, totaled \$2,096,044. A portion of the first two months of insurance premiums were recorded as stop gap liability totaling \$2,135,902 as of June 30, 2014 that will become due at the termination of the contract agreement with Blue Cross and Blue Shield.

### NOTE 4: OTHER NOTES

#### A. Employee Pension Plans

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

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS

June 30, 2014

#### NOTE 4: OTHER NOTES (continued)

##### A. Employee Pension Plans (continued)

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

PSRS members are required to contribute 14.5% of their annual-covered salary and the School District is required to contribute a matching amount. Certain positions covered by PSRS are also subject to social security, so PSRS contributions are reduced to two-thirds of the statutory amount. The contribution requirements of members and the School District are established and may be amended by the PSRS Board of Trustees. The School District's contributions of \$14,801,187 to PSRS for the year ending June 30, 2014, were equal to the required employee contributions.

The School District also contributes to the Public Education Employee Retirement System of Missouri (PEERS), a cost-sharing multiple-employer defined benefit pension plan. PEERS provides retirement and disability benefits to employees of the School District who work 20 or more hours per week and who do not contribute to the Public School Retirement System of Missouri. Certain part-time certificated employees may be covered by this plan. Positions covered by the Public Education Employee Retirement System are also covered by social security.

Benefit provisions are set forth in Chapter 169.600 - .715 of the Missouri Revised Statutes. The statutes assign responsibility for the administration of the system to the Board of Trustees of The Public School Retirement System of Missouri. PEERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: The Public School Retirement System of Missouri, PO Box 268, Jefferson City, Missouri 65102, or by calling 1-800-392-6848.

Members of PEERS are required to contribute 6.86% of their annual-covered salary and the School District is required to contribute a matching amount. The contribution requirements of members and the School District are established and may be amended by the Board of Trustees. The School District's contributions of \$2,787,684 to PEERS for the year ending June 30, 2014, were equal to the required employee contributions.

##### B. Post-employment Healthcare Plan

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

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### NOTE 4: OTHER NOTES (continued)

#### B. Post-employment Healthcare Plan (continued)

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 the fiscal years ended June 30, 2008, 2010, 2012, and 2014.

#### 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, 2013, membership consisted of 2,743 active employees, 258 retired members, and 36 spouses of retirees totaling 3,037.

#### 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.

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	\$ 3,092,859
Retirees/Cobra	1,577,089
School District	<u>14,154,441</u>
	<u>\$18,824,389</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### NOTE 4: OTHER NOTES (continued)

#### B. Post-employment Healthcare Plan (continued)

##### 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, 2014 is as follows.

Annual required contribution (ARC)	\$2,152,400
Interest on net OPEB obligation	108,200
Adjustment to annual required contributions	<u>(110,700)</u>
Annual Net OPEB cost	2,149,900
Contributions made	<u>(1,019,500)</u>
Increase in net OPEB obligation	1,130,400
Net OPEB obligation-Beginning of Year	<u>2,885,800</u>
Net OPEB obligation - End of Year	<u>\$4,016,200</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, 2014, were as follows.

	Annual Net OPEB Cost	Implicit Employer Contribution	% of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$1,848,400	\$1,119,600	60.6%	\$2,131,700
June 30, 2013	1,886,400	1,132,300	60.0%	2,885,800
June 30, 2014	2,149,900	1,019,500	47.4%	4,016,200

##### Funding Status and Funding Progress

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

Actuarial Valuation Date	7/1/2013
Actuarial accrued liability	\$23,506,500
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability	23,506,500
Covered payroll	\$80,706,000
Unfunded actuarial accrued liability as a percentage of covered payroll	29.1%

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.

# **NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

### **NOTE 4: OTHER NOTES (continued)**

#### **B. Post-employment Healthcare Plan (continued)**

##### **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, 2013
Actuarial cost method	Projected unit credit cost
Amortization method	Closed
Remaining amortization period	24 years
Asset valuation method	not applicable
Actuarial assumption:	
Discount rate	3.75% per annum
Medical inflation rate	8.10% initial rate; 4.5% ultimate rate; 70 yrs until ultimate rate
Payroll inflation	4% per annum
Healthy mortality	RP 2000 mortality tables

#### **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.



# **NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

### **NOTE 4: OTHER NOTES (continued)**

#### **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.

#### **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, 2014, 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 parking facilities, office space and equipment. Those leases each contain various provisions with regard to cancellation and renewals. For the year ended June 30, 2014, the School District recognized expense related to these agreements totaling \$525,828.

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>
2015	\$525,858
2016	91,972
2017	74,952
2018	14,449
2019	5,000
Thereafter	<u>20,000</u>
	<u>\$732,231</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### NOTE 4: OTHER NOTES (continued)

#### 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. In February 2014, \$525,000 was paid to the City of which \$306,250 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, 2014, the maintenance fee was recalculated to \$150,000, of which \$75,000 was recorded as prepaid expense. 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>Use Fees</u>	<u>Maintenance Fees</u>
2015	\$ 525,000	\$ 150,000
2016	525,000	150,000
2017	525,000	150,000
2018	525,000	Adjusted
2019	525,000	Adjusted
2020-2024	2,625,000	Adjusted
2025-2026	<u>1,050,000</u>	Adjusted
	<u>\$6,300,000</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, 2013	\$1,893,087
Credits sold	<u>0</u>
Balance June 30, 2014	<u>\$1,893,087</u>

#### I. Litigation

As of June 30, 2014, 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.

## **NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

#### **NOTE 4: OTHER NOTES (continued)**

##### **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.

##### **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**

Beginning with the 2013-14 school year, the School District partnered with five other surrounding school districts in Missouri to create the Northland CAPS (Northland Center for Advanced Professional Studies) program. The participating school districts are Kearney, Liberty, North Kansas City, Park Hill, Platte County R-III, and Smithville. Each district is required to pay tuition for their students. The program operates with its own Board of Directors and the School District serves as the fiscal agent.

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.

During the first year of operation, the program served 28 students and the start-up costs of approximately \$373,000 were absorbed by the School District. The program is expected to serve over 200 students during the 2014-15 school year and will be reported as an agency fund.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### NOTE 4: OTHER NOTES (continued)

#### M. Subsequent Events

The School District has evaluated subsequent events through November 4, 2014, the date which the financial statements were available to be issued.

##### *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 following is a schedule of future minimum 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	<u>119,800</u>	<u>1,437,600</u>
			\$ <u>5,012,400</u>

##### *Guaranteed Energy Cost Savings Performance Contract*

On April 15, 2014, the Board of Education approved an energy savings performance contract agreement with Navitas. Navitas guarantees the School District various energy and consumption savings over a 15-year period and Navitas obtains insurance to cover any shortfalls in the guaranteed savings, which protects the School District from any liability for underperformance. With up to four phases of development and subsequent implementation and construction, the project is to begin in November 2014 with Phase I to be completed by June 30, 2015. To finance the implementation and construction of Phase I, the School District will issue certificates of participation (COPs) with financing of approximately \$5,000,000.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## BUDGETARY COMPARISON SCHEDULE (UNAUDITED)

### GENERAL FUND

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
<b><u>REVENUES</u></b>				
Local	\$64,326,549	\$62,950,697	\$63,635,082	\$ 684,385
County	1,273,286	1,305,118	1,228,620	(76,498)
State	6,333,163	6,617,383	6,774,397	157,014
Federal	8,637,785	9,012,472	8,811,293	(201,179)
Other	<u>102,000</u>	<u>130,000</u>	<u>128,050</u>	<u>(1,950)</u>
Total Revenues	80,672,783	80,015,670	80,577,442	561,772
<b><u>EXPENDITURES</u></b>				
Instruction	17,413,895	17,510,205	16,992,085	(518,120)
Student Services	3,750,029	3,798,102	3,725,196	(72,906)
Instructional Staff Support	7,509,544	7,681,354	6,951,315	(730,039)
General Admin & Central Services	5,548,572	5,767,975	5,252,845	(515,130)
Board/Executive & Tech Admin	3,097,417	2,892,221	2,709,822	(182,399)
Building Administration	4,715,055	4,767,429	4,650,717	(116,712)
Operation of Plant	19,921,693	19,729,869	19,494,949	(234,920)
Transportation	9,933,536	10,216,187	10,161,526	(54,661)
Food Services	10,137,025	10,232,913	9,825,182	(407,731)
Community Service	4,749,373	4,629,366	4,178,290	(451,076)
Debt Service	<u>0</u>	<u>10,330</u>	<u>10,330</u>	<u>0</u>
Total Expenditures	86,776,139	87,235,951	83,952,257	(3,283,694)
Other Financing Sources/(Uses):				
Transfers From	<u>(1,375,598)</u>	<u>(5,085,527)</u>	<u>(3,304,405)</u>	<u>(1,781,122)</u>
Total Other Financing Sources (Uses)	<u>(1,375,598)</u>	<u>(5,085,527)</u>	<u>(3,304,405)</u>	<u>(1,781,122)</u>
Net Change in Fund Balance	(7,478,954)	(12,305,808)	(6,679,220)	(5,626,588)
FUND BALANCE - JULY 1, 2013	<u>36,768,627</u>	<u>40,057,876</u>	<u>40,057,876</u>	<u>0</u>
FUND BALANCE - JUNE 30, 2014	<u>\$29,289,673</u>	<u>\$27,752,068</u>	<u>\$33,378,656</u>	<u>\$(5,626,588)</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over/ (Under) Budget</u>
<b><u>REVENUES</u></b>				
Local	\$60,069,650	\$58,274,914	\$59,329,750	\$1,054,836
County	1,530,956	1,559,479	1,415,961	(143,518)
State	52,509,821	52,693,193	52,574,745	(118,448)
Federal	5,431,941	5,582,522	5,394,965	(187,557)
Other	<u>90,000</u>	<u>114,000</u>	<u>115,624</u>	<u>1,624</u>
Total Revenues	119,632,368	118,224,108	118,831,045	606,937
<b><u>EXPENDITURES</u></b>				
Instruction	100,811,931	100,067,058	99,206,678	(860,380)
Student Services	3,725,516	3,769,390	3,760,597	(8,793)
Instructional Staff Support	7,286,479	7,536,170	7,383,969	(152,201)
General Admin & Central Services	996,023	1,001,439	987,240	(14,199)
Board/Executive & Tech Admin	454,858	454,911	454,700	(211)
Building Administration	8,191,201	8,090,531	8,011,476	(79,055)
Community Services	865,559	875,780	846,167	(29,613)
Debt Service	<u>0</u>	<u>2,072</u>	<u>2,071</u>	<u>(1)</u>
Total Expenditures	122,331,567	121,797,351	120,652,898	(1,144,453)
Other Financing Sources (Uses)				
Transfers To	<u>590,598</u>	<u>2,745,527</u>	<u>992,625</u>	<u>(1,752,902)</u>
Total Other Financing Sources (Uses)	<u>590,598</u>	<u>2,745,527</u>	<u>992,625</u>	<u>(1,752,902)</u>
Net Change in Fund Balance	(2,108,601)	(827,716)	(829,228)	1,512
FUND BALANCE, JULY 1, 2013	<u>2,108,601</u>	<u>829,228</u>	<u>829,228</u>	<u>0</u>
FUND BALANCE - JUNE 30, 2014	<u>\$ 0</u>	<u>\$ 1,512</u>	<u>\$ 0</u>	<u>\$ 1,512</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, 2014

#### **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, 2014, no budgets had been exceeded using the modified accrual basis of accounting.



# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## OTHER POST-EMPLOYMENT BENEFITS For the Year Ended June 30, 2014

### Other Post-Employment Benefits

The School District provides post-employment healthcare benefits to qualified retirees as described in Note 4B 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, 2013, 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	17.0%
7/1/2009	0	20,834,000	0%	20,834,000	78,800,000	26.0%
7/1/2011	0	22,468,000	0%	22,468,000	80,500,000	28.0%
7/1/2013	\$0	\$23,506,500	0%	\$23,506,500	\$ 80,706,000	29.1%

### *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

## **SUPPLEMENTARY INFORMATION**

**NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

**BUDGETARY COMPARISON - MODIFIED ACCRUAL BASIS**

***DEBT SERVICE FUND***

For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over/ (Under) Budget</u>
<b><u>REVENUES</u></b>				
Local	\$19,330,943	\$18,767,830	\$18,913,602	\$145,772
County	<u>519,542</u>	<u>532,531</u>	<u>567,638</u>	<u>35,107</u>
Total Revenues	19,850,485	19,300,361	19,481,240	180,879
<b><u>EXPENDITURES</u></b>				
Debt Service	<u>23,410,000</u>	<u>62,449,606</u>	<u>62,426,578</u>	<u>(23,028)</u>
Total Expenditures	23,410,000	62,449,606	62,426,578	(23,028)
Other Financing Sources/(Uses)				
Premium on Bonds Sold	0	5,425,176	5,424,864	(312)
Refunding Bonds	<u>0</u>	<u>34,000,000</u>	<u>34,000,000</u>	<u>0</u>
Total Other Financing Sources	0	39,425,176	39,424,864	(312)
Net Change in Fund Balance	(3,559,515)	(3,724,069)	(3,520,474)	(203,595)
FUND BALANCE - JULY 1, 2013	<u>25,530,639</u>	<u>25,144,631</u>	<u>25,144,631</u>	<u>0</u>
FUND BALANCE - JUNE 30, 2014	<u>\$21,971,124</u>	<u>\$21,420,562</u>	<u>\$21,624,157</u>	<u>\$(203,595)</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## BUDGETARY COMPARISON - MODIFIED ACCRUAL BASIS CAPITAL PROJECTS FUND For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over/ (Under) Budget</u>
<b><u>REVENUES</u></b>				
Local	\$ 2,593,342	\$ 2,519,717	\$ 2,591,222	\$ 71,505
County	66,216	67,872	16,839	(51,033)
State	<u>114,000</u>	<u>66,904</u>	<u>66,903</u>	<u>(1)</u>
Total Revenues	2,773,558	2,654,493	2,674,964	20,471
<b><u>EXPENDITURES</u></b>				
Instruction	109,866	401,329	368,001	(33,328)
Student Services	5,600	4,504	4,504	0
Instructional Staff Support	2,348,615	1,915,013	1,886,620	(28,393)
General Admin/Central Services	42,000	19,843	19,842	(1)
Board/Executive & Tech Admin	250,000	249,895	249,895	0
Operation of Plant	1,433,987	1,382,592	1,388,769	6,177
Transportation	408,200	233,984	233,983	(1)
Food Services	720,000	579,532	579,532	0
Community Services	1,000	0	0	0
Facilities Acquisition & Construction	<u>343,210</u>	<u>3,571,193</u>	<u>1,952,000</u>	<u>(1,619,193)</u>
Total Expenditures	5,662,478	8,357,885	6,683,146	(1,674,739)
Other Financing Sources/(Uses):				
Transfer to	785,000	2,340,000	2,311,780	(28,220)
Sale of Bonds	0	20,000,000	20,000,000	0
Premium on Bonds Sold	0	1,937,223	1,937,222	(1)
Sale of Assets	<u>20,000</u>	<u>20,000</u>	<u>10,131</u>	<u>(9,869)</u>
Total Other Financing Sources (Uses)	<u>805,000</u>	<u>24,297,223</u>	<u>24,259,133</u>	<u>(38,090)</u>
Net Change in Fund Balance	(2,083,920)	18,593,831	20,250,951	1,657,120
FUND BALANCE - JULY 1, 2013	<u>12,788,107</u>	<u>13,444,031</u>	<u>13,444,031</u>	<u>0</u>
FUND BALANCE - JUNE 30, 2014	<u>\$10,704,187</u>	<u>\$32,037,862</u>	<u>\$33,694,982</u>	<u>\$1,657,120</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## HISTORICAL SCHOOL DATA June 30, 2014

### 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>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>
19,201	18,930	18,674	18,529	18,288

### 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.

<u>As of</u> <u>December 31,</u>	<u>Assessed</u> <u>Valuation</u>	<u>% Change</u> <u>in Assessed</u> <u>Valuation</u>	<u>Fiscal</u> <u>Year</u> <u>Ended</u> <u>June 30,</u>	<u>Bond</u> <u>Principal</u> <u>Outstanding</u>	<u>Interest on</u> <u>Bonds</u> <u>Outstanding</u>	<u>Total Debt</u>	<u>Bond Principal</u> <u>as % of</u> <u>Assessed</u> <u>Valuation</u>
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	1.1%	2011	225,480,000	90,795,830	316,275,830	11.7%
2009	1,913,428,229	(3.1%)	2010	234,815,000	102,742,324	337,557,324	12.3%
2008	1,974,428,131	N/A	2009	245,355,000	114,357,502	359,712,502	12.4%

### 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:

<u>Fiscal</u> <u>Year</u> <u>Ended</u> <u>June 30,</u>	<u>Special</u> <u>Revenue</u> <u>(Teacher's)</u> <u>Fund</u>	<u>General</u> <u>(Incidental)</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>(Building)</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total Levy</u>
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

# **NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

## **HISTORICAL SCHOOL DATA**

June 30, 2014

### **D. Tax Collection Record**

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

Fiscal Year			Taxes Collected		Railroad &
Ended	Total	Total Taxes	(Current & Delinquent)		Utility Taxes
<u>June 30,</u>	<u>Levy</u>	<u>Levied</u>	<u>Amount</u>	<u>Percent</u>	<u>Collected</u>
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, 2014

Bonded Indebtedness	Totals	Series 2005	Series 2006	Series 2007	Series 2008	Series 2010	Series 2011	Series 2012	Series 2013	Series 2014
Fiscal Year										
2014-15	\$ 14,895,000	\$ 2,470,000	\$ 6,110,000	\$ 1,900,000	\$ 0	\$ 1,290,000	\$ 1,170,000	\$ 175,000	\$ 1,080,000	\$ 700,000
2015-16	15,950,000	2,200,000	4,955,000	2,230,000	560,000	1,315,000	840,000	2,245,000	1,105,000	500,000
2016-17	16,690,000	1,290,000	4,405,000	2,390,000	570,000	1,345,000	1,290,000	2,700,000	1,065,000	1,635,000
2017-18	17,250,000	2,430,000	3,415,000	3,310,000	580,000	1,370,000	1,345,000	2,805,000	30,000	1,965,000
2018-19	18,110,000	1,860,000	3,580,000	3,470,000	580,000	2,245,000	1,405,000	2,930,000	30,000	2,010,000
2019-20	18,235,000	1,965,000	3,760,000	3,645,000	605,000	2,325,000	1,465,000	3,070,000	30,000	1,370,000
2020-21	18,240,000	1,270,000	2,965,000	3,835,000	610,000	2,400,000	1,520,000	3,205,000	1,010,000	1,425,000
2021-22	16,570,000	1,335,000	0	4,030,000	630,000	0	1,575,000	3,350,000	4,150,000	1,500,000
2022-23	15,925,000	0	0	4,235,000	650,000	0	1,635,000	3,490,000	0	5,915,000
2023-24	15,010,000	0	0	4,455,000	715,000	0	0	3,630,000	0	6,210,000
2024-25	15,050,000	0	0	4,730,000	750,000	0	0	3,770,000	0	5,800,000
2025-26	10,720,000	0	0	4,970,000	780,000	0	0	0	0	4,970,000
2026-27	7,275,000	0	0	5,275,000	815,000	0	0	0	0	1,185,000
2027-28	2,090,000	0	0	0	855,000	0	0	0	0	1,235,000
2028-29	1,285,000	0	0	0	0	0	0	0	0	1,285,000
2029-30	1,335,000	0	0	0	0	0	0	0	0	1,335,000
2030-31	1,390,000	0	0	0	0	0	0	0	0	1,390,000
2031-32	1,450,000	0	0	0	0	0	0	0	0	1,450,000
2032-33	1,505,000	0	0	0	0	0	0	0	0	1,505,000
2033-34	<u>1,555,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,555,000</u>
	<u>\$210,530,000</u>	<u>\$14,820,000</u>	<u>\$29,190,000</u>	<u>\$48,475,000</u>	<u>\$8,700,000</u>	<u>\$12,290,000</u>	<u>\$12,245,000</u>	<u>\$31,370,000</u>	<u>\$8,500,000</u>	<u>\$44,940,000</u>

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# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)

June 30, 2014

Interest Obligation	Totals	Series 2005	Series 2006	Series 2007	Series 2008	Series 2010	Series 2011	Series 2012	Series 2013	Series 2014
Fiscal Year										
2014-15	\$ 8,891,088	\$ 741,000	\$1,382,150	\$ 2,389,075	\$ 472,712	\$ 363,925	\$ 488,025	\$1,328,725	\$ 318,600	\$ 1,406,876
2015-16	8,823,031	617,500	1,107,200	2,308,325	472,712	338,125	441,225	1,325,225	286,200	1,926,519
2016-17	8,173,106	507,500	884,225	2,196,825	443,312	311,825	424,425	1,235,425	253,050	1,916,519
2017-18	7,482,331	443,000	686,000	2,089,275	413,388	278,200	372,825	1,127,425	221,100	1,851,118
2018-19	6,728,356	321,500	515,250	1,929,750	382,938	243,950	307,075	1,015,225	220,500	1,792,168
2019-20	5,916,331	228,500	336,250	1,756,250	351,038	165,375	238,325	868,725	219,900	1,751,968
2020-21	5,082,543	130,250	148,250	1,574,000	319,275	84,000	179,725	730,575	219,300	1,697,168
2021-22	4,264,594	66,750	0	1,382,250	285,725	0	126,975	586,350	176,375	1,640,169
2022-23	3,496,569	0	0	1,180,750	251,075	0	63,975	435,600	0	1,565,169
2023-24	2,749,744	0	0	969,000	215,325	0	0	296,000	0	1,269,419
2024-25	2,031,969	0	0	746,250	176,000	0	0	150,800	0	958,919
2025-26	1,313,419	0	0	509,750	134,750	0	0	0	0	668,919
2026-27	773,519	0	0	261,250	91,850	0	0	0	0	420,419
2027-28	420,044	0	0	0	47,025	0	0	0	0	373,019
2028-29	323,619	0	0	0	0	0	0	0	0	323,619
2029-30	272,219	0	0	0	0	0	0	0	0	272,219
2030-31	218,819	0	0	0	0	0	0	0	0	218,819
2031-32	163,219	0	0	0	0	0	0	0	0	163,219
2032-33	105,219	0	0	0	0	0	0	0	0	105,219
2033-34	54,425	0	0	0	0	0	0	0	0	54,425
	<u>\$67,284,164</u>	<u>\$3,056,000</u>	<u>\$5,059,325</u>	<u>\$19,292,750</u>	<u>\$4,057,125</u>	<u>\$1,785,400</u>	<u>\$2,642,575</u>	<u>\$9,100,075</u>	<u>\$1,915,025</u>	<u>\$20,375,889</u>



# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF REVENUES COLLECTED BY SOURCE For the Year Ended June 30, 2014

	General (Incidental) Fund	Special Revenue (Teachers) Fund	Debt Service Fund	Capital Projects Fund	Totals
<u>LOCAL</u>					
Current taxes	\$ 44,159,286	\$ 39,569,917	\$ 18,018,296	\$ 2,296,245	\$ 104,043,744
Delinquent Taxes	1,483,578	1,329,393	605,344	77,145	3,495,460
School District Trust Fund (Prop C)	852,383	16,195,280	0	0	17,047,663
Financial Institutions Tax	72,018	64,533	29,385	3,745	169,681
M&M Surcharge Tax	2,850,583	1,814,116	0	105,273	4,769,972
In Lieu of Tax	2,884,698	0	0	0	2,884,698
Tuition	145,275	6,915	0	0	152,190
Transportation from Individuals	380,141	0	0	0	380,141
Earnings on Investments	638,899	344,984	260,577	63,813	1,308,273
Food Services	2,302,009	0	0	0	2,302,009
Food Services Non-Program	1,913,279	0	0	0	1,913,279
Student Activities	2,441,412	0	0	0	2,441,412
Community Services	2,741,708	0	0	0	2,741,708
Other	<u>769,813</u>	<u>4,613</u>	<u>0</u>	<u>45,000</u>	<u>819,426</u>
Total Local	63,635,082	59,329,751	18,913,602	2,591,222	144,469,656
<u>COUNTY</u>					
Fines, Escheats	0	315,046	0	0	315,046
State Assessed Utilities	<u>1,228,620</u>	<u>1,100,915</u>	<u>567,638</u>	<u>16,839</u>	<u>2,914,012</u>
Total County	1,228,620	1,415,961	567,638	16,839	3,229,058
<u>STATE</u>					
Basic Formula	2,265,486	43,568,929	0	0	45,834,415
Transportation Aid	2,144,662	0	0	0	2,144,662
Early Child SPED	988,424	1,814,329	0	4,695	2,807,448
Classroom Trust Fund	376,481	7,153,136	0	0	7,529,617
Parents as Teachers	208,010	0	0	0	208,010
Career Ed	23,632	31,676	0	62,208	117,516
Food Services	81,359	0	0	0	81,359
Adult Education Literacy	83,140	0	0	0	83,140
Career Ed Enhancement Grant	0	0	0	0	0
High Needs Fund	472,766	0	0	0	472,766
Other	<u>130,437</u>	<u>6,675</u>	<u>0</u>	<u>0</u>	<u>137,112</u>
Total State	\$ 6,774,397	\$ 52,574,745	\$ 0	\$ 66,903	\$ 59,416,045

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# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF REVENUES COLLECTED BY SOURCE (CONTINUED) For the Year Ended June 30, 2014

	General (Incidental) Fund	Special Revenue (Teachers) Fund	Debt Service Fund	Capital Projects Fund	Totals
<b><u>FEDERAL</u></b>					
Medicaid	\$ 177,440	\$ 0	\$ 0	\$ 0	\$ 177,440
Perkins-Career Education	60,764	142,200	0	0	202,964
Adult Education Literacy	197,287	0	0	0	197,287
Special Ed IDEA/ECSE	860,427	3,272,634	0	0	4,133,061
Food Services	5,977,517	0	0	0	5,977,517
Title I.A – ESEA	1,162,037	1,522,733	0	0	2,684,770
Title III - English Language	191,937	126,740	0	0	318,677
Title II.A – ESEA	182,898	329,906	0	0	512,804
Other	<u>986</u>	<u>752</u>	<u>0</u>	<u>0</u>	<u>1,738</u>
Total Federal	8,811,293	5,394,965	0	0	14,206,258
<b><u>OTHER</u></b>					
Tuition from Other Districts	20,000	115,624	0	0	135,624
Transportation from Other Districts	<u>108,050</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>108,050</u>
Total Other	128,050	115,624	0	0	243,674
<b><u>OTHER FINANCING SOURCES</u></b>					
Sale of Bonds	0	0	0	20,000,000	20,000,000
Premium on Bonds Sold	0	0	5,424,864	1,937,222	7,362,086
Refunding of Bonds	0	0	34,000,000	0	34,000,000
Sale of Property	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,131</u>	<u>10,131</u>
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>39,424,864</u>	<u>21,947,353</u>	<u>61,372,217</u>
<b>TOTAL ALL SOURCES</b>	<b>\$ <u>80,577,442</u></b>	<b>\$ <u>118,831,045</u></b>	<b>\$ <u>58,906,104</u></b>	<b>\$ <u>24,622,317</u></b>	<b>\$ <u>282,936,908</u></b>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF EXPENDITURES PAID BY OBJECT For the Year Ended June 30, 2014

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals (Memo Only)
Salaries	\$39,284,196	\$91,502,674	\$ 0	\$ 0	\$130,786,870
Retirement	3,100,821	14,488,050	0	0	17,588,871
FICA/Medicare	2,848,078	1,275,651	0	0	4,123,729
Employee Insurance	7,624,849	8,868,402	0	0	16,493,251
Tuition	0	1,914,251	0	0	1,914,251
Professional, audit & legal	430,645	2,601,799	0	0	3,032,444
Technical Services	4,774,003	0	0	0	4,774,003
Property Services	2,767,138	0	0	0	2,767,138
Contracted Transportation	592,656	0	0	0	592,656
Travel	1,569,970	0	0	0	1,569,970
Insurance-property/liabilit	970,304	0	0	0	970,304
Other Purchased Services	2,952,541	0	0	0	2,952,541
General Supplies	6,407,386	0	0	0	6,407,386
Books & Periodicals	424,535	0	0	0	424,535
Warehouse & Food	4,391,154	0	0	0	4,391,154
Utilities, Energy Service	5,555,804	0	0	0	5,555,804
Other Supplies	247,847	0	0	0	247,847
Capital Outlay	0	0	0	6,683,146	6,683,146
Debt & Other	10,330	2,071	62,426,578	0	62,438,979
	<u>\$83,952,257</u>	<u>\$120,652,898</u>	<u>\$62,426,578</u>	<u>\$6,683,146</u>	<u>\$273,714,879</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF SELECTED STATISTICS For the Year Ended June 30, 2014

TYPE OF AUDIT PERFORMED:    YELLOW BOOK \_\_\_\_\_    SINGLE AUDIT      X  

1. Calendar (Sections 160.041 and 171.031,RSMO)

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

Grades K-5	1,108.85
Grades 6-8, Antioch MS	1,142.40
Grades 6-8, all others	1,142.20
Grades 9-12	1,151.10

B. The number of days classes were in session and pupils were under the direction of teachers during this school year was 176 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	8,783.8541	0.6715	8,784.5256
Grades 6-8	4,054.9582	7.3507	4,062.3089
Grades 9-12	<u>5,078.6023</u>	<u>6.8916</u>	<u>5,085.4939</u>
Subtotal Regular Term	17,917.4146	14.9138	17,932.3284
Summer School Subtotal			568.2916
ESY Subtotal			<u>0.6686</u>
Total Regular Term Plus Summer School ADA			<u>18,501.2886</u>

3. September Membership

	<u>Full-time &amp; Part-time</u>
September Membership FTE Count	<u>19,111.63</u>

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

	<u>Full-time &amp; Part time</u>
State FTE Total:	
Free	7,363.04
Reduced	<u>2,031.36</u>
Total	<u>9,394.40</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF SELECTED STATISTICS For the Year Ended June 30, 2014

### 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>\$783,514</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, 2014**

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>10,510.50</u>
Ineligible ADT	<u>1,444.50</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:

2,385,507

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>1,890,201</u>
Ineligible miles (non-route/disapproved)	<u>495,306</u>

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

176

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, 2014

<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 &amp; Secondary Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	024-093	\$ 1,533,877
National School Lunch Program	10.555	024-093	<u>4,952,530</u>
Total Child Nutrition Cluster			<u>6,486,407</u>
National Fresh Fruits and Veggie Program	10.582	024-093	<u>17,875</u>
Total U.S. Department of Agriculture			6,504,282
<u>U.S. Department of Education</u>			
<i>Pass-through Missouri Dept. of Elementary &amp; Secondary Education:</i>			
Title I, Part A - Grants for LEAs	84.010A	024-093	2,684,770
Title I, Part A - Career and Technical Education	84.048A	024-093	202,964
Title II, Part A - Improving Teacher Quality	84.367A	024-093	512,803
Title III, Part A - Limited English Proficient (LEP)	84.365A	024-093	318,677
Adult Education & Family Literacy Act	84.002A	024-093	197,287
Special Education Cluster (IDEA):			
IDEA, Part B - Special Education	84.027A	024-093	3,338,082
Early Childhood Special Education	84.027A	024-093	<u>794,979</u>
Total Special Education Cluster			4,133,061
<i>Direct from U.S. Department of Education:</i>			
Indian Education Grant	84.060	Direct	<u>1,739</u>
Total U.S. Department of Education			<u>8,051,301</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$14,555,583</u></b>

## **NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2014**

#### **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	\$ 8,811,293
Special Revenue/Teachers Fund	<u>5,394,965</u>
	<u>\$ 14,206,258</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**

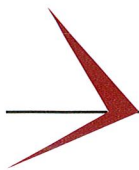
For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

#### **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 \$526,765 for the year ended June 30, 2014.



## **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, 2014, 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 4, 2014.

**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 4, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR NO. A-133

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 Circular A-133 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, 2014. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2014.



### **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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Marr and Company, P.C.  
Certified Public Accountants

Kansas City, Missouri  
November 4, 2014

**NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2014

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   X   No
  - Significant deficiencies identified that are not considered to be material weaknesses?  
       Yes        No   X   None Reported
3. Noncompliance material to financial statements noted:        Yes   X   No

*Federal Awards*

1. Internal control over major programs:
  - Material weakness(es) identified?        Yes   X   No
  - Significant deficiencies identified that are not considered to be material weakness(es)?  
       Yes        No   X   None Reported
2. Type of auditor's report issued on compliance for major programs: Unmodified Opinion
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?        Yes   X   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
84.010	ESEA Title I, Part A Grants to LEAs
5. Dollar threshold used to distinguish between type A and type B programs: \$436,667
6. Auditee qualified as low-risk auditee?   X   Yes        No

**NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended June 30, 2014**

**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**

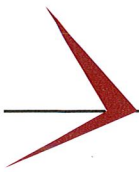
There were no audit findings related to internal control, compliance, questioned costs or fraud that related to federal awards for the year ended June 30, 2014.

**NORTH KANSAS CITY SCHOOL DISTRICT NO. 74**

**SCHEDULE OF RESOLUTIONS OF PRIOR YEAR AUDIT FINDINGS**  
For the Year Ended June 30, 2014

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





# MARR AND COMPANY, P.C.

Certified Public Accountants



Employee Benefit Plan Audit  
Quality Center Member

Government Audit  
Quality Center Member

## 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, 2014, and have issued our report, which was unmodified on November 4, 2014.

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 4, 2014. 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*

Marr and Company, P.C.  
Certified Public Accountants

Kansas City, Missouri  
November 4, 2014