

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

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

For the Fiscal Year Ended June 30, 2012

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NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

BOARD OF EDUCATION

Mr. Joe Jacobs, President

Dr. Terry Ward, Vice President

Mr. Terry Stone, Treasurer

Mr. Jay Wilson, Member

Mrs. Melissa J. Roberts, Member

Dr. Chip Luerding, Member

Mrs. Dixie Youngers, Member

Mrs. Becky Shaul, 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



INDEPENDENT AUDITORS' REPORT

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

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities and each major fund of the School District as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules on pages 4 through 12 and 43 through 46 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.

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

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The other supplementary information listed in the table of contents, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Marr and Company, P.C.
Certified Public Accountants

Kansas City, Missouri
December 3, 2012

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2012

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, 2012. 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 2012 are as follows:

- Total net assets remained at \$134 million. Capital assets increased by \$6.3 million as the School District capitalized new classroom additions and cafeteria renovations in several existing facilities.
- Long term liabilities continue to decrease as bond issue debt is retired.
- General revenues accounted for \$189.1 million in revenue or 86 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$30.6 million or 14 percent of total revenues of \$219.8 million.
- As reflected on the Statement of Activities the District had \$219.7 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 \$189.2 million were adequate to provide for these programs.
- Among major funds, the General Fund had \$80.8 million in revenues and \$78.5 million in expenditures. A \$3 million transfer from the General Fund to the Capital Projects fund was made to replenish the Capital Project fund balance for bus purchases and new computers purchased for the District's teachers. The General Fund balance decreased by \$.6 million.

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 Assets 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 District's finances. The Fund Financial Statements provide detail about the District's four required funds; the General Fund, the Special (Teacher's) Fund, the Debt Service Fund and the Capital Fund. For governmental activities, these statements tell how these 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)

June 30, 2012

Reporting the School District as a Whole

Statement of Net Assets 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 2012?" The Statement of Net Assets 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 accounting basis 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 assets and changes in those assets. This change in net assets 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 Assets 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 the 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. 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2012

The School District as a Whole

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

TABLE 1 **Statement of Net Assets**

ASSETS	<u>FYE 6/30/12</u>	<u>FYE 6/30/11</u>
Current Assets	\$105,907,636	\$112,135,689
Capital Assets - Net	278,983,207	278,852,786
Noncurrent Assets	<u>2,269,887</u>	<u>2,232,528</u>
	<u>387,160,730</u>	<u>393,221,003</u>
 LIABILITIES		
Long-Term Liabilities	\$218,799,995	\$225,606,048
Other Liabilities	<u>33,945,408</u>	<u>33,260,952</u>
	252,745,403	258,867,000
 NET ASSETS		
Invested in Capital Assets, Net of Debt	\$ 66,994,016	\$ 60,672,202
Restricted for Debt Service	25,011,963	23,613,100
Unrestricted	<u>42,409,348</u>	<u>50,068,701</u>
Total Net Assets	<u>134,415,327</u>	<u>134,354,003</u>
 Total Liabilities and Net Assets	<u>\$387,160,730</u>	<u>\$393,221,003</u>

Total assets for governmental activities were \$387 million. Current assets decreased by \$6 million as the School District spent down fund balance on capital projects. Net capital assets increased by \$6.3 million to reflect the classroom additions, network upgrade, café renovations and new computers for teachers.

Long term liabilities decreased by \$6.8 million as bond debt is paid. The district refunded various bond issues during the year to reflect a savings in future interest payments.

Total net assets remained at \$134 million as the invested capital assets increased and the unrestricted net assets decreased. The operating fund balance decreased by \$1.9 million as salary and benefits expenditures reflected raises during 2011-2012.

Unrestricted net assets total \$42.4 million and consist of the following: \$1 million inventory reserve and the balance of \$41.4 million that can be used to finance day-to-day activities, without constraints established by grants or legal requirements of the School District.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2012

The School District as a Whole (Continued)

TABLE 2 Change in Net Assets

PROGRAM REVENUES	<u>FYE 6/30/12</u>	<u>FYE 6/30/11</u>
Charges for Services	\$ 10,341,226	\$ 10,361,969
Operation & Capital Grants and Contributions	20,269,929	24,936,252
Total of Charges, Operating Grant and Contributions	<u>\$ 30,611,155</u>	<u>\$ 35,298,221</u>
General Revenues:		
Property Taxes	\$109,609,569	\$112,627,534
Non-restricted Intergovernmental	75,520,465	65,177,031
Interest and Investment Earnings	3,449,274	2,281,410
Other Miscellaneous Local	555,541	1,413,161
Sale/Retirement of Assets	25,038	53,893
	<u>\$189,159,887</u>	<u>\$181,553,029</u>
 Total Revenues	 <u>\$219,771,042</u>	 <u>\$216,851,250</u>
 PROGRAM EXPENSES		
Instruction	\$112,952,699	\$111,240,079
Student Services	7,335,342	7,044,604
Instructional Staff Support	13,030,254	14,663,701
Board/Executive and Tech Administration	2,278,089	891,178
Building Administration	11,278,818	10,747,539
General Administration/Central Services	6,830,947	7,150,618
Operation of Plant	19,751,956	18,860,362
Transportation	9,963,404	9,243,531
Food Service	9,534,822	8,558,101
Community Services	4,521,044	4,306,177
Facility Acquisition and Construction	6,547,640	3,833,124
Interest and Fiscal Charges	15,684,703	11,405,023
Total Expenses	<u>\$219,709,718</u>	<u>\$ 207,944,037</u>
 INCREASE IN NET ASSETS	 <u>\$ 61,324</u>	 <u>\$ 8,907,213</u>

Governmental Activities

Revenue received for the District's governmental activities increased by 1.35 percent or \$2.9 million. This was largely due to increases in revenue from the State's Basic Formula. The property tax revenue decreased due to lower assessed valuation.

Regarding Program Expenses, classroom instruction comprises 51 percent of district expenses. The total program expenses increased \$11.8 million. Construction projects started in fiscal year 2011 for additional classrooms to relieve overcrowding were completed.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2012

Governmental Activities (Continued)

The District also started new projects to construct additional classrooms at the middle schools, Northgate, Maple Park and Antioch. Renovations were also started in the cafeterias at these three middle schools. The program expenses for Board/Executive and Tech Administration increased due to the State requesting all districts to realign the coding of Administrative Technology services from Instructional Staff Support to this area.

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.

	FYE 6/30/12		FYE 6/30/11	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$112,952,699	\$ (98,327,138)	\$ 111,240,079	\$ (95,227,953)
Student Services	7,335,342	(7,335,342)	7,044,604	(7,044,604)
Instructional Staff Support	13,030,254	(12,917,236)	14,663,701	(11,489,402)
Board/Executive & Tech Adm	2,278,089	(2,278,089)	891,178	(891,178)
Building Administration	11,278,818	(11,278,818)	10,747,539	(10,747,539)
General Admin & Central Services	6,830,947	(6,830,947)	7,150,618	(7,150,618)
Operation of Plant	19,751,956	(19,751,956)	18,860,362	(18,860,362)
Transportation	9,963,404	(7,314,401)	9,243,531	(6,881,216)
Food Service	9,534,822	(58,913)	8,558,101	808,156
Community Services	4,521,044	(773,380)	4,306,177	77,047
Facility Acquisition and Construction	6,547,640	(6,547,640)	3,833,124	(3,833,124)
Interest and Fiscal Charges	<u>15,684,703</u>	<u>(15,684,703)</u>	<u>11,405,023</u>	<u>(11,405,023)</u>
Total Expenses	<u>\$219,709,718</u>	<u>\$(189,098,563)</u>	<u>\$207,944,037</u>	<u>\$(172,645,816)</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.

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 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.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2012

Governmental Activities (Continued)

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 87 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 86 percent. 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 \$223.8 million and expenditures of \$275.1 million. The net change in fund balance for the year in the General Fund was a decrease of \$.6 million and \$1.3 million decrease in the Special Revenue (Teachers) Fund. The unrestricted Operating Fund balance was \$43.7 million at year-end and was 22.93 percent of total expenditures of the General Fund plus the Special Revenue (Teachers) Fund. This fund balance would exclusively sustain the district for approximately 59 days of operations. The School District 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 \$41.8 Operating Fund balance unassigned and restricted.

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.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2012

General Fund Budgeting Highlights (Continued)

During the fiscal year 2012, the School District amended its General Fund budget to reflect \$79.7 million for revenue and \$81.9 million for expenditures. State revenue came in \$0.7 million over budget. With prudent spending and conservative budgeting the actual expenditures were \$3.8 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 2012, the School District amended its Special Revenue Fund budget to reflect \$113.3 million for revenue and \$114.5 million for expenditures. However, the actual expenditures were \$2.2 million below the final budget due to conservative budgeting.

Capital Assets

At the end of the fiscal year 2012, the School District had \$365.8 million invested in land, buildings, furniture and equipment, and vehicles. Accumulated depreciation was reported at \$86.8 million an increase of \$9 million over FY 2011. The net investment in Capital Assets at year-end was \$279 million.

TABLE 4

<u>Capital Assets (Net of Depreciation)</u>	<u>FYE 6/30/12</u>	<u>FYE 6/30/11</u>
Land	\$ 5,385,451	\$ 5,385,451
Construction in Progress	4,448,694	3,378,606
Capitalized Interest on Construction in Progress	72,771	45,249
Buildings and Improvements	247,476,966	249,860,233
Furniture and Equipment	21,599,325	20,183,247
Totals	<u>\$278,983,207</u>	<u>\$278,852,786</u>

Total Capital Assets remained at \$279 million as the addition of capital assets offset the depreciation expense. Construction projects started in fiscal year 2011 for additional classrooms to relieve overcrowding at New Mark Middle School, Linden West Elementary, and Topping elementary school were completed in 2012. Construction in Progress reflects the additional classrooms being added to alleviate overcrowding at the middle schools, Northgate, Maple Park and Antioch. Renovations were also started in the cafeterias at these three middle school classrooms.

Debt Administration

At June 30, 2012, the School District had \$215.9 million in general obligation bonds, due in varying interest rate charges through 2028.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2012

Debt Administration (Continued)

TABLE 5

<u>Outstanding Debt at</u>	<u>FYE 6/30/12</u>	<u>FYE 6/30/11</u>
2002 General Obligation Bonds	\$ 1,025,000	\$ 1,850,000
2003 General Obligation Bonds	3,670,000	4,490,000
2003A General Obligation Bonds		15,005,000
2004 General Obligation Bonds	10,780,000	11,935,000
2005 General Obligation Bonds	19,125,000	52,725,000
2006 General Obligation Bonds	60,920,000	63,325,000
2007 General Obligation Bonds	51,770,000	52,655,000
2008 General Obligation Bonds	8,700,000	8,700,000
2010 General Obligation Bonds	14,795,000	14,795,000
2011 General Obligation Bonds	13,500,000	
2012 General Obligation Bonds	31,645,000	
Total	<u>\$215,930,000</u>	<u>\$225,480,000</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, 2012, the School District's overall legal debt margin was \$279 million, of which \$215.9 has been issued, offset by debt service fund balance of \$25 million leaving the un-voted debt margin at \$88.1 million. The School District refunded Series 2003A, Series 2005, and partial Series 2007. The refinancing allows the School District to realize a savings on future interest payments.

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 District is required to provide a systematic, accrual-basis measurement of an annual OPEB Cost. In 2012 the Annual required contribution was \$1,848,400 offset by \$1,119,600 contributions (excess premiums) which resulted in a \$728,800 obligation for current year and a cumulative Net OPEB obligation of \$2,131,700 at June 30, 2012. See Notes to Financial Statements for additional details.

Current Financial Issues and Concerns

The School District is proud of the community support for our public schools. As the preceding information shows, the District continues to provide quality educational programming while at the same time is able to make necessary improvements to our facilities. Facility upgrades are needed for a growing student enrollment and overall general repair. The School District has used capital projects fund to construct 16 additional classrooms at the existing middle schools to help alleviate the overcrowding. However, as our student enrollment continues to grow the need for facilities is being studied by our Administration and Board of Education.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2012

Current Financial Issues and Concerns (Continued)

The North Kansas City School District No. 74 is financially stable, however, we must be continually aware of the downturn in the National and State economy. As our Nation continues to recover from a recession, the school district continues to experience a decline in local property values and corresponding tax revenues. Our 2012 local assessed property valuation has fallen to equivalent values reported by the Clay County Assessor's office in 2004. As far as our overall financial position, an offset to the loss of local property tax revenue has been increased revenue received from State revenues sources. 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'12 being the 6th 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.

NKCSD received \$1 million in FY 12 from the State of Missouri from the ARRA federal source for the Basic Formula Stabilization and Government Services. We are appreciative of the funding and realize these were one-time revenue sources to the district.

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 46th Street, Kansas City, Missouri, 64116, phone number 816-413-5000.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

STATEMENT OF NET ASSETS

June 30, 2012

	<u>Governmental</u> <u>Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash & Cash Equivalents	\$ 65,402,241
Investments	25,510,791
Cash with Fiscal Agents	8,142,805
Taxes Receivable (Net)	1,146,483
Due from Other Government Units	3,262,030
Other Receivables	451,555
Inventory	954,015
Prepaid Expenses	<u>1,037,716</u>
Total Current Assets	105,907,636
Non-Current Assets:	
Non-depreciable Capital Assets:	
Land	5,385,451
Construction in Progress	4,448,694
Capitalized Interest on Construction in Progress	<u>72,771</u>
Total Non-depreciable Capital Assets	9,906,916
Depreciable Capital Assets:	
Buildings and Improvements	305,821,195
Furniture and Equipment	50,046,020
Less: Accumulated Depreciation	<u>(86,790,924)</u>
Total Depreciable Capital Assets, Net	<u>269,076,291</u>
Total Capital Assets, Net	278,983,207
Deferred Charge - Bond Issuance Cost (Net)	<u>2,269,887</u>
Total Non-Current Assets	<u>281,253,094</u>
 TOTAL ASSETS	 <u>\$387,160,730</u>

See Accompanying Notes to the Basic Financial Statements.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

STATEMENT OF NET ASSETS (CONTINUED)

June 30, 2012

	<u>Governmental Activities</u>
<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities:	
Accounts Payable	\$ 477,136
Accrued Wages	10,370,915
Payroll Withholding	5,369,614
Accrued Benefits	3,272,754
Accrued Interest	3,145,048
Deferred Revenues	24,847
Current Portion of Long-term Debt:	
General Obligation Bonds	10,025,000
Bond Premium	<u>1,260,094</u>
Total Current Liabilities	33,945,408
Non-current Liabilities:	
Non-current Portion of Long-term Debt	205,905,000
Non-current Portion of Bond Premium	<u>12,894,995</u>
Total Non-current Liabilities	<u>218,799,995</u>
Total Liabilities	252,745,403
Net Assets:	
Invested in Capital Assets, Net of Related Debt	66,994,016
Restricted for:	
Debt Service	25,011,963
Unrestricted	<u>42,409,348</u>
Total Net Assets	<u>134,415,327</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$387,160,730</u>

See Accompanying Notes to the Basic Financial Statements.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

STATEMENT OF ACTIVITIES

June 30, 2012

		Program Revenues			Net Revenue and Changes in Net Assets
	Expenses	Charges for Services & Sales	Operating Grants & Contributions	Capital Grants & Contributions	Government Activities
Governmental Activities:					
Instruction	\$112,952,699	\$ 2,654,459	\$11,940,769	\$30,333	\$ (98,327,138)
Student Services	7,335,342	0	0	0	(7,335,342)
Instructional Staff Support	13,030,254	0	113,018	0	(12,917,236)
Board/Executive & Tech Admin	2,278,089	0	0	0	(2,278,089)
Building Administration	11,278,818	0	0	0	(11,278,818)
General Admin/Central Svcs.	6,830,947	0	0	0	(6,830,947)
Operation of Plant	19,751,956	0	0	0	(19,751,956)
Transportation	9,963,404	449,251	2,199,752	0	(7,314,401)
Food Services	9,534,822	4,065,320	5,410,589	0	(58,913)
Community Services	4,521,044	3,172,196	575,468	0	(773,380)
Facilities	6,547,640	0	0	0	(6,547,640)
Interest & Charges	<u>15,684,703</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(15,684,703)</u>
	<u>\$219,709,718</u>	<u>\$10,341,226</u>	<u>\$20,239,596</u>	<u>\$30,333</u>	<u>(189,098,563)</u>
General Revenues:					
Taxes:					
Property taxes, levied for general purposes					46,521,590
Property taxes, levied for instruction					41,686,711
Property taxes, levied for debt services					18,982,185
Property taxes, levied for capital projects					2,419,083
Non-restricted Intergovernmental Revenues:					
Proposition C - Sales Tax					15,741,924
Financial Institution Tax, in lieu of tax/M&M surtax					8,395,356
State Assessed Railroad & Utility					2,924,133
County - fines					392,299
Basic formula					41,010,561
Classroom trust					7,056,192
Interest & Investment Earnings					3,449,274
Miscellaneous					<u>555,541</u>
Subtotal - General Revenues					<u>189,134,849</u>
Excess (deficiency) of revenues over expenses before special items					36,286
Special Items:					
Sale of Capital Assets-Net					<u>25,038</u>
Changes in Net Assets					61,324
NET ASSETS - BEGINNING OF YEAR					<u>134,354,003</u>
NET ASSETS - END OF YEAR					<u>\$134,415,327</u>

See Accompanying Notes to the Basic Financial Statements.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

	General (Incidental) <u>Fund</u>	Special Revenue (Teachers) <u>Fund</u>	Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Totals</u>
<u>ASSETS</u>					
Cash & Cash Equivalents	\$29,521,101	\$1,720,725	\$16,726,375	\$17,434,040	\$ 65,402,241
Investments	18,019,461	4,985,833	0	2,505,497	25,510,791
Cash with Fiscal Agent	0	0	8,142,805	0	8,142,805
Accounts Receivable:					
Taxes	701,196	294,233	133,980	17,074	1,146,483
Local	108,486	0	0	76,265	184,751
State	868,489	537,227	0	1,638	1,407,354
Federal	543,984	1,310,692	0	0	1,854,676
Other	0	0	8,803	0	8,803
Inventories	747,245	0	0	0	747,245
Prepaid Expenses	<u>548,215</u>	<u>6,181</u>	<u>0</u>	<u>7,970</u>	<u>562,366</u>
TOTAL ASSETS	<u>\$51,058,177</u>	<u>\$8,854,891</u>	<u>\$25,011,963</u>	<u>\$20,042,484</u>	<u>\$104,967,515</u>
 <u>LIABILITIES & FUND EQUITY</u>					
Liabilities:					
Accounts Payable	\$ 369,462	\$ 33,753	\$ 0	\$ 73,921	\$ 477,136
Accrued Wages	2,294,539	8,076,376	0	0	10,370,915
Payroll Withholding	5,369,614	0	0	0	5,369,614
Deferred Income	<u>24,847</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>24,847</u>
Total Liabilities	8,058,462	8,110,129	0	73,921	16,242,512
Fund Equity:					
Nonspendable	1,202,491	0	0	0	1,202,491
Restricted	0	744,762	25,011,963	19,968,563	45,725,288
Assigned	4,331,013	0	0	0	4,331,013
Unassigned	<u>37,466,211</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37,466,211</u>
Total Fund Equity	<u>42,999,715</u>	<u>744,762</u>	<u>25,011,963</u>	<u>19,968,563</u>	<u>88,725,003</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$51,058,177</u>	<u>\$8,854,891</u>	<u>\$25,011,963</u>	<u>\$20,042,484</u>	<u>\$104,967,515</u>

See Accompanying Notes to the Basic Financial Statements.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES**

Year Ended June 30, 2012

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS		\$ 88,725,003
Various assets are reported in the governmental activities that are not reported as assets in the governmental funds:		
Capital assets	\$ 365,774,131	
Accumulated depreciation	<u>(86,790,924)</u>	278,983,207
Inventory of food commodities	206,770	
Advance use of employee benefit	258,000	
Bond issuance cost - net	2,269,887	
Prepaid expense	<u>475,350</u>	3,210,007
Various liabilities are reported in the governmental activities that are not reported as liabilities in the governmental funds:		
OPEB obligation	(2,131,700)	
Accrued vacation & comp time	(1,141,053)	
Accrued interest of general obligation bonds	(3,145,048)	
Bond premiums - net	(14,155,089)	
Long-term debt	<u>(215,930,000)</u>	(236,502,890)
TOTAL NET ASSETS - GOVERNMENTAL FUNDS		<u>\$134,415,327</u>

See Accompanying Notes to the Basic Financial Statements.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
For the Year Ended June 30, 2012

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals Governmental Funds
<u>REVENUES</u>					
Local	\$63,369,983	\$ 57,230,729	\$26,463,339	\$ 4,949,757	\$152,013,808
County	1,226,423	1,491,245	581,866	16,898	3,316,432
State	7,668,415	46,163,278	0	30,333	53,862,026
Federal	8,452,780	6,071,324	0	0	14,524,104
Other	<u>103,611</u>	<u>20,065</u>	<u>0</u>	<u>0</u>	<u>123,676</u>
Total Revenues	80,821,212	110,976,641	27,045,205	4,996,988	223,840,046
<u>EXPENDITURES</u>					
Instruction	16,494,901	94,532,590	0	190,408	111,217,899
Student Services	3,905,447	3,429,895	0	0	7,335,342
Instructional Staff Support	6,772,502	5,147,632	0	2,746,047	14,666,181
General Admin & Central Services	5,599,770	799,812	0	53,665	6,453,247
Board/Executive & Tech Admin	1,930,713	424,655	0	0	2,355,368
Building Administration	3,825,142	7,453,676	0	0	11,278,818
Operation of Plant	18,331,910	0	0	1,370,996	19,702,906
Transportation	8,961,725	0	0	508,295	9,470,020
Food Services	8,643,596	0	0	908,703	9,552,299
Community Services	3,995,998	519,061	0	5,713	4,520,772
Facilities Acquisition/Construction	0	0	0	7,645,248	7,645,248
Debt Service	<u>0</u>	<u>0</u>	<u>70,911,342</u>	<u>0</u>	<u>70,911,342</u>
Total Expenditures	78,461,704	112,307,321	70,911,342	13,429,075	275,109,442
Other Financing Sources (Uses):					
Transfers In	0	0	0	2,958,359	2,958,359
Transfers Out	(2,958,359)	0	0	0	(2,958,359)
Sale of Assets	1,021	0	0	24,015	25,036
Refunding Bonds	<u>0</u>	<u>0</u>	<u>45,265,000</u>	<u>0</u>	<u>45,265,000</u>
Total Other Financing Sources	<u>(2,957,338)</u>	<u>0</u>	<u>45,265,000</u>	<u>2,982,374</u>	<u>45,290,036</u>
Net Change in Fund Balance	(597,830)	(1,330,680)	1,398,863	(5,449,713)	(5,979,360)
					0
FUND BALANCE, JULY 1, 2011	<u>43,597,545</u>	<u>2,075,442</u>	<u>23,613,100</u>	<u>25,418,276</u>	<u>94,704,363</u>
FUND BALANCE, JUNE 30, 2012	<u>\$42,999,715</u>	<u>\$ 744,762</u>	<u>\$25,011,963</u>	<u>\$19,968,563</u>	<u>\$ 88,725,003</u>

See Accompanying Notes to the Basic Financial Statements.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

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

Year Ended June 30, 2012

TOTAL NET CHANGE IN FUND BALANCE \$ (5,979,360)

Variations 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.

Bond premiums are recognized as revenues in funds & capitalized & amortized in activities.	<i>Amortization Series 2011 and 2012</i>	1,825,973 (5,920,014)
Federal food commodities are not recorded in funds & inventoried in activities.	<i>Commodities received Commodities consumed</i>	659,027 (601,321)
Capital assets are expensed in funds and capitalized & depreciated in activities.	<i>Capitalized assets Depreciation expense</i>	9,195,487 (9,065,065)
Accounts receivable for employee short-term medical leave		(10,000)
Accrued vacation & comp time are not recorded in funds recorded in activities.	<i>Current year adjustment</i>	725,847
OPEB cost is recorded in activities		(728,800)
Insurance premiums are expensed in funds & recorded as prepaids in activities.	<i>Current year adjustment</i>	(2,090)
General obligation bonds and notes payable are recorded as revenues in the year of received & expensed in year of payment in funds & recorded as liabilities in activities.	<i>Bonds paid</i>	9,550,000
Bond issuance cost is expensed in funds & amortized in activities.	<i>Amortized Series 2011 and 2012</i>	(426,150) 463,509
Bond interest is expensed as paid in the funds & expensed or capitalized in the appropriate period for funds.	<i>Accrued bond interest</i>	<u>374,281</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 61,324</u>

See Accompanying Notes to the Basic Financial Statements.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Entity

The North Kansas City School District No. 74 (the "District") was established in 1913 under the statutes of the State of Missouri. The District operates under the regulations pursuant to Section 162.092 RSMo of the Public School Laws of Missouri which designates a Board of Education to act as the governing authority.

The District, located in Clay County, serves an area of approximately 82 square miles. It is staffed by 1,450 non-certificated employees, 1,438 certificated, full-time teaching personnel and 121 administrative employees who provide services to 18,674 students and other community members. The 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 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 District's financial statements.

The District has developed criteria to determine whether outside agencies with activities which benefit the citizens of the 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 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 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 District's financial statements. In addition, the District is not aware of any entity which could exercise such oversight which would result in the District being considered a component unit of the entity.

C. Basis of Presentation

The 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, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

The District's basic financial statements consist of government-wide statements, including a statement of net assets 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, 2012, all of the District's activities are classified as governmental type.

Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the 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 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 equity, revenues and expenditures. An emphasis is placed on major funds within the governmental categories. The District has designated that all funds are considered major funds. The funds of the District are described below.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the 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 District's governmental fund types.

General (Incidental) Fund

Accounts for general activities of the 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, 2012

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 District are included on the Statement of Net Assets.

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 changes 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.

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.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting (continued)

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 District, available means expected to be received within thirty days of fiscal year end. Non-exchange transactions, in which the 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 District reports deferred revenue on its statement of net assets and governmental funds balance sheet. In subsequent periods, the liability for deferred revenue is removed from the statement of net assets 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.

F. Assets, Liabilities and Equity

Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled. Monies for all funds, except for the debt service fund, are maintained in this pool. Individual fund integrity is maintained through District records. (State law requires that all deposits of the Debt Service Fund be kept separate and apart from all other funds of the 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.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Equity (continued)

Cash with Fiscal Agents

The 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 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, 2012, 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 assets 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 District maintains a capitalization threshold of \$5,000 dollars.

The 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.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Equity (continued)

Capital Assets (continued)

<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 Discounts and Issuance Costs

In the governmental funds, bond discounts and issuance costs are recognized in the current period. In the government-wide statements, bond discounts and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

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 2011-2012 school year contracts paid in July and August 2012 was included in accrued salaries and wages at June 30, 2012. The option to receive the July and August payment in June was not offered to the employee in the current year.

Accrued Vacation and Comp Time

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

Post-Employment Benefits

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

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Equity (continued)

Post-Employment Benefits (continued)

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the 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 District under this program.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested 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. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balance Reporting

The District has adopted 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 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 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.

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.

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.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Equity (continued)

Fund Balance Reporting (continued)

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 District's fund balances by fund.

	<u>General</u>	<u>Special Revenue (Teachers)</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Nonspendable:					
Inventory	\$ 747,245	\$ 0	\$ 0	\$ 0	\$ 747,245
Prepaid Expense	<u>455,246</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>455,246</u>
Total Nonspendable	1,202,491	0	0	0	1,202,491
Restricted for:					
Debt Service	0	0	25,011,963	0	25,011,963
Bond Projects	0	0	0	3,940,807	3,940,807
Capital Projects	0	0	0	16,027,756	16,027,756
Teachers' Fund	<u>0</u>	<u>744,762</u>	<u>0</u>	<u>0</u>	<u>744,762</u>
Total Restricted for	0	744,762	25,011,963	19,968,563	45,725,288
Committed to:					
	0	0	0	0	0
Assigned to:					
Activity Funds	1,303,495	0	0	0	1,303,495
Food Service	<u>3,027,518</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,027,518</u>
Total Assigned to	4,331,013	0	0	0	4,331,013
Unassigned					
	<u>37,466,211</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37,466,211</u>
Total Unassigned	<u>37,466,211</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37,466,211</u>
Total Fund Equity					
	<u>\$42,999,715</u>	<u>\$744,762</u>	<u>\$25,011,963</u>	<u>\$19,968,563</u>	<u>\$88,725,003</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 District, a percentage sales tax collected by local merchants and collections for services provided to students and patrons.

County Revenues

The county bylaw collects and passes through to the District specified revenues.

State Revenues

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

Federal Revenues

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

Investment Income

Interest earned on invested funds is a material amount annually.

Other Sources

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

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.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Revenues and Expenditures (continued)

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

A. Compliance with Laws

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

B. Fund Accounting Requirements

The District complies in all material respects with state and local laws and regulations requiring the use of separate funds. The legally required funds used by the District include the following.

<u>Fund</u>	<u>Required by</u>
General (Incidental) Fund	State law
Special Revenue (Teachers) Fund	State law
Debt Service Fund	State law
Capital Projects Fund	State law

C. 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, 2012, all District funds were covered with FDIC insurance or acceptable collateral.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 2: COMPLIANCE AND ACCOUNTABILITY (continued)

D. 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 District on a monthly basis.

The District also receives sales tax collected by the state and remitted based on prior year weighted average daily attendance. The state requires that the 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 District approved a Prop C rollback waiver.

The assessed valuation of the tangible property for calendar year 2011 for purposes of local taxation, including tax increment financing assessed valuation, is as follows.

Residential	1,124,526,702
Agricultural	7,009,563
Commercial	355,394,721
Personal Property	<u>373,149,182</u>
Total	<u>\$1,860,080,168</u>

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2011 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, 2012, aggregated 100% of the current assessment computed on the basis of the levy as shown above.

E. Net Asset/Fund Equity Restrictions

State law prohibits the creation of a deficit fund balance in any individual fund. For the year ended June 30, 2012, the District incurred no fund balance deficits in any individual fund.

F. 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, 2012, no budgets had been exceeded.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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 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 District's agent bank in an amount sufficient to protect the 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 District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The 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, 2012, none of the District's bank balances with financial institutions was exposed to custodial credit risk.

Investments

Authorized Investments

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy requires operating funds to be invested to coincide with projected cash flow needs.

As of June 30, 2012, the District had the following investments.

<u>Investment Type</u>	<u>Par</u>	<u>Carrying Value</u>	<u>Investment Maturities</u>	
			<u>< 1 Year</u>	<u>1-5 Years</u>
Fed Nat Mort Assoc	\$ 9,500,000	\$ 9,516,758	\$9,516,758	0
Fed Home Loan Mort Corp	6,000,000	6,023,269	6,023,269	0
Commercial Paper	<u>10,000,000</u>	<u>9,970,764</u>	9,970,764	0
	<u>\$25,500,000</u>	<u>\$25,510,791</u>		

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

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

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 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 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.

B. Long-term Debt

Bonds payable at June 30, 2012, consisted of the following.

General obligation bonds, issue of 2002, due in varying annual installments through March 1, 2017, interest at 2.45% to 4.40%	\$ 1,025,000
General obligation bonds, issue of 2003, due in varying annual installments through March 1, 2016, interest at 0.90% to 4.50%	3,670,000
General obligation bonds, issue of 2004, due in varying annual installments through March 1, 2024, interest at 1.95% to 5%	10,780,000
General obligation bonds, issue of 2005, due in varying annual installments through March 1, 2022, interest at 4.00% to 5.00%	19,125,000
General obligation bonds, issue of 2006, due in varying annual installments through March 1, 2026, interest at 4% to 5%	60,920,000
General obligation bonds, issue of 2007, due in varying annual installments through March 1, 2027, interest at 4% to 5%	51,770,000
General obligation bonds, issue of 2008, due in varying annual installments through March 1, 2028, interest at 4% to 5.5%	8,700,000
General obligation bonds, issue of 2010, due in varying annual installments through March 1, 2021, interest at 2% to 3.5%	14,795,000

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

B. Long-term Debt (continued)

General obligation bonds, issue of 2011, due in varying annual installments through March 1, 2023, interest at 2.00% to 4.89%	13,500,000
General obligation bonds, issue of 2012, due in varying annual installments through March 1, 2025, interest at 2.00% to 5.00%	<u>31,645,000</u>
Total Bonds Payable	<u><u>\$215,930,000</u></u>

The following is a summary of bond transactions for the year ended June 30, 2012.

Bonds payable, July 1, 2011	\$225,480,000
Bonds issued	45,265,000
Bonds retired	<u>54,815,000</u>
Bonds payable, June 30, 2012	<u><u>\$215,930,000</u></u>

Debt service requirements to maturity follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 10,025,000	\$ 9,635,279	\$ 19,660,279
2014	13,900,000	9,443,638	23,343,638
2015	15,125,000	8,856,550	23,981,550
2016	16,435,000	8,213,288	24,648,288
2017	17,085,000	7,515,050	24,600,050
2018-2022	83,910,000	26,071,914	109,981,914
2023-2027	58,595,000	7,725,125	66,320,125
2028-2029	<u>855,000</u>	<u>47,025</u>	<u>902,025</u>
	<u><u>\$215,930,000</u></u>	<u><u>\$77,507,869</u></u>	<u><u>\$293,437,869</u></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	\$ 279,012,025
General Obligation Bonds Payable	(215,930,000)
Amount Available in Debt Service Fund	<u>25,011,963</u>
Total Legal Debt Margin	<u><u>\$ 88,093,988</u></u>

C. Capital Assets

Capital asset balances of the District's governmental activities for the year ended June 30, 2012, were as follows.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

C. Capital Assets (continued)

	Balance <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2012</u>
Land	\$ 5,385,451	\$ 0	\$ 0	\$ 5,385,451
Construction in progress	3,378,606	5,533,252	4,463,164	4,448,694
Capitalized interest on CIP	45,249	102,294	74,772	72,771
Buildings and improvements	300,812,356	5,438,539	429,700	305,821,195
Furniture and equipment	<u>46,956,982</u>	<u>6,374,189</u>	<u>3,285,151</u>	<u>50,046,020</u>
Totals (at historical cost)	356,578,644	17,448,274	8,252,787	365,774,131
Less accumulated depreciation for:				
Buildings and improvements	50,952,123	7,581,174	189,068	58,344,229
Furniture and equipment	<u>26,773,735</u>	<u>4,852,825</u>	<u>3,179,865</u>	<u>28,446,695</u>
Total accumulated depreciation	<u>77,725,858</u>	<u>12,433,999</u>	<u>3,368,933</u>	<u>86,790,924</u>
Capital Assets, Net	<u>\$278,852,786</u>	<u>\$ 5,014,275</u>	<u>\$4,883,854</u>	<u>\$278,983,207</u>

Depreciation expense was charged by function as shown below.

Instruction	\$ 9,631,149
Instructional staff support	1,092,342
Administration	225,967
Operation of plant	161,279
Transportation	974,696
Food service	348,293
Community Service	<u>271</u>
	<u>\$12,433,997</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 District at June 30, 2012, are as follows.

Food Service

The 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.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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

D. Inter-fund Transfers (continued)

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

The following is a detail of the transfers.

	<u>General Fund</u>	<u>Special Fund</u>	<u>Capital Fund</u>
Food Service	\$ (908,703)	0	\$ 908,703
Student Activities	(64,232)	0	64,232
7% x SAT x WADA	(1,500,000)	0	1,500,000
Transportation Calculation Cost	(485,424)	0	485,424

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 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 District is collected from their final paychecks. As of June 30, 2012, the estimated amount owed to the District was \$286,948 of which \$28,695 was reserved for uncollectability.

NOTE 4: OTHER NOTES

A. Employee Pension Plans

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

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS June 30, 2012

NOTE 4: OTHER NOTES

A. Employee Pension Plans (continued)

PSRS members are required to contribute 14.5% of their annual-covered salary and the District is required to contribute a matching amount. Effective July 1, 2011, 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 District are established and may be amended by the PSRS Board of Trustees. The District's contributions of \$13,874,863 to PSRS for the year ending June 30, 2012, were equal to the required employee contributions.

The 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 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 District is required to contribute a matching amount. The contribution requirements of members and the District are established and may be amended by the Board of Trustees. The District's contributions of \$2,532,189 to PEERS for the year ending June 30, 2012, were equal to the required employee contributions.

B. Post-employment Healthcare Plan

The cost of post-employment healthcare benefits, from an accrual accounting perspective, similar to the cost of pension benefits, should be associated with the periods in which the cost occurs rather than in the future year when it will be paid.

As required by State of Missouri law, the 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 District's active employees' share for healthcare premiums is greater than it would be without the retirees being a part of the group plan.

The 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 District's cash flows.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4: OTHER NOTES (continued)

B. Post-employment Healthcare Plan (continued)

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 District engaged Milliman, Inc. to perform an actuarial evaluation of their post-employment healthcare liability for the fiscal years ended June 30, 2008, 2010 and 2012.

Plan Description

The 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 District's plan the last year of active status. Retirees can enroll in the District's plan up to one year after they retire, after which their eligibility for benefits ceases.

All medical benefits are provided through the 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 District coverage as a secondary insurance. As of July 1, 2011, membership consisted of 2,604 active employees, 303 retired members, and 36 spouses of retirees totaling 2,943.

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 District makes no contribution to the retirees' premiums other than allowing them to participate through the District's benefit plans.

By providing retirees with access to the District's healthcare plans based on the same rates as charged to active employees, the 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 District not contributing anything toward this plan in advance, the 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	\$ 2,505,943
Retirees	2,105,808
District	<u>12,598,168</u>
	<u>\$17,209,919</u>

Annual OPEB Costs and Net OPEB Obligation

The 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 Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The District's annual OPEB cost for the current year and the related information for each plan at June 30, 2012 is as follows.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 4: OTHER NOTES (continued)

B. Post-employment Healthcare Plan (continued)

	<u>6/30/10</u>	<u>6/30/11</u>	<u>6/30/12</u>
Annual required contribution	\$1,459,900	\$1,493,200	\$1,835,400
Interest on net OPEB obligation	25,300	45,500	63,100
Adjustment to annual required contributions	<u>(17,000)</u>	<u>(32,600)</u>	<u>(50,100)</u>
Annual OPEB cost	1,468,200	1,506,100	1,848,400
Contributions made	<u>1,019,000</u>	<u>1,114,000</u>	<u>1,119,600</u>
Increase in net OPEB obligation-Beginning of Year	449,200	392,100	728,800
 Net OPEB obligation - End of Year	 <u>\$1,010,800</u>	 <u>\$1,402,900</u>	 <u>\$2,131,700</u>

The 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, 2012, were as follows.

	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>% of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$1,468,200	\$1,019,000	69.4%	\$1,010,800
June 30, 2011	1,506,100	1,114,000	74.0%	1,402,900
June 30, 2012	1,848,400	1,119,600	60.6%	2,131,700

Funding Status and Funding Progress

The funding status of the plan as of June 30, 2012, was as follows.

	<u>7/1/2009</u>	<u>7/1/2011</u>
Actuarial accrued liability	\$20,834,000	\$22,468,000
Actuarial value of plan assets	<u>0</u>	<u>0</u>
Unfunded actuarial accrued liability	20,834,000	22,468,000
Funded ratio	0%	0%
Covered payroll	78,800,000	80,500,000
Unfunded actuarial accrued liability as a percentage of covered payroll	26.4%	27.9%

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

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan participants) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the 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 initial year valuation follows.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 4: OTHER NOTES (continued)

B. Post-employment Healthcare Plan (continued)

Actuarial valuation date	July 1, 2011
Actuarial cost method	Projected unit credit cost
Amortization method	Closed
Remaining amortization period	30 years
Asset valuation method	not applicable
Actuarial assumption:	
Discount rate	4.5% per annum
Medical inflation rate	7.2% initial rate; 4.7% ultimate rate; 6-yr grade in period
Payroll inflation	4% per annum
Healthy mortality	RP 2000 mortality tables

C. Deferred Compensation Plan

The 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 District and subject to the claims of the District's general creditors. In addition, the participant in the plan has rights equal to those of the general creditors of the District and each participant's rights are equal to his or her share of the fair market value of the plan assets. The 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 District has an obligation of due care in selecting the third party administrator.

D. Section 125 Cafeteria Plan

The District implemented a Section 125 Cafeteria Plan. Under the Plan, 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 District.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 4: OTHER NOTES (continued)

E. Risk Management

The 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.

F. Claims and Adjustments

The 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 district may be required to reimburse the grantor government. As of June 30, 2012, disbursements have not been audited by grantor governments, but the 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 District.

G. Lease - Operating

The 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. 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>
2013	\$ 594,534
2014	501,961
2015	501,961
2016	68,075
2017	51,056
	<u>\$1,717,587</u>

H. Facilities Use Agreement

In September 2005 the 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 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 2012, \$525,000 was paid to the City of which \$306,250 was recorded as prepaid expense.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 4: OTHER NOTES (continued)

H. Facilities Use Agreement (continued)

The District also agreed to pay the City \$125,000, of which \$62,500 was recorded as prepaid expense, per year for the first five years for maintenance usage. These maintenance usage fees will be recalculated every five years. Beginning in fiscal year ending June 30, 2013, the maintenance fee will be \$150,000. 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>
2013	\$ 525,000	\$150,000
2014	525,000	150,000
2015	525,000	150,000
2016	525,000	150,000
2017	525,000	150,000
2018-2022	2,625,000	Adjusted
2023-2026	<u>2,100,000</u>	Adjusted
	<u>\$7,350,000</u>	

I. Litigation

As of June 30, 2012, the 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 District is vigorously defending against each claim.

J. 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 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 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, 2011	\$1,901,522
Used	<u>(402)</u>
Balance June 30, 2012	<u>\$1,901,120</u>

K. Lease Purchase

The District entered into a lease purchase agreement with Apple Inc. Financial Services for 6,000 MacBook computers for high school students. The annual payment is \$1,524,995 due on July 5th of every year for four years. The following is a schedule of future lease expense under this agreement.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE 4: OTHER NOTES (continued)

K. Lease Purchase (continued)

<u>Year Ending June 30.</u>	
2013	\$1,524,995
2014	1,524,995
2015	1,524,995
2016	<u>1,524,995</u>
	<u>\$6,099,980</u>

L. 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 District through classroom grants to teachers and scholarships to students graduated from the District. The Foundation has a separate board of directors to include 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.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

BUDGETARY COMPARISON - MODIFIED ACCRUAL BASIS

GENERAL FUND

June 30, 2012

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Actual Over</u> <u>(Under) Budget</u>
<u>REVENUES</u>				
Local	\$63,738,096	\$63,278,097	\$63,369,983	\$ 91,886
County	1,046,217	1,046,217	1,226,423	180,206
State	5,789,100	6,930,251	7,668,415	738,164
Federal	7,299,876	8,407,229	8,452,780	45,551
Other	<u>64,000</u>	<u>60,000</u>	<u>103,611</u>	<u>43,611</u>
Total Revenues	77,937,289	79,721,794	80,821,212	1,099,418
<u>EXPENDITURES</u>				
Instruction	17,163,357	17,395,704	16,494,901	(900,803)
Student Services	3,948,632	3,969,993	3,905,447	(64,546)
Instructional Staff Support	8,628,941	7,405,413	6,772,502	(632,911)
General Admin & Central Services	6,191,902	5,921,618	5,599,770	(321,848)
Board/Executive & Tech Admin	583,153	2,078,889	1,930,713	(148,176)
Building Administration	3,810,315	3,922,688	3,825,142	(97,546)
Operation of Plant	18,890,078	18,714,701	18,331,910	(382,791)
Transportation	8,886,067	8,890,298	8,961,725	71,427
Food Services	9,048,760	9,165,938	8,643,596	(522,342)
Community Service	<u>4,492,691</u>	<u>4,473,879</u>	<u>3,995,998</u>	<u>(477,881)</u>
Total Expenditures	81,643,896	81,939,121	78,461,704	(3,477,417)
Other Financing Sources (Uses):				
Transfers Out	(484,295)	(2,495,000)	(2,958,359)	(463,359)
Sale of Assets	<u>0</u>	<u>0</u>	<u>1,021</u>	<u>1,021</u>
Total Other Financing Sources (Uses)	(484,295)	(2,495,000)	(2,957,338)	(462,338)
Net Change in Fund Balance	(4,190,902)	(4,712,327)	(597,830)	4,114,497
FUND BALANCE - JULY 1, 2011	<u>46,209,579</u>	<u>43,597,545</u>	<u>43,597,545</u>	<u>0</u>
FUND BALANCE - JUNE 30, 2012	<u>\$42,018,677</u>	<u>\$38,885,218</u>	<u>\$42,999,715</u>	<u>\$ 4,114,497</u>

See Accompanying Notes to the Required Supplementary Information.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

BUDGETARY COMPARISON - MODIFIED ACCRUAL BASIS
SPECIAL REVENUE FUND
 June 30, 2012

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Actual Over</u> <u>(Under) Budget</u>
<u>REVENUES</u>				
Local	\$ 59,108,872	\$ 58,674,333	\$ 57,230,729	\$(1,443,604)
County	1,377,485	1,377,485	1,491,245	113,760
State	47,021,790	46,785,819	46,163,278	(622,541)
Federal	6,105,073	6,407,086	6,071,324	(335,762)
Other	<u>32,250</u>	<u>21,885</u>	<u>20,065</u>	<u>(1,820)</u>
Total Revenues	113,645,470	113,266,608	110,976,641	(2,289,967)
<u>EXPENDITURES</u>				
Instruction	96,264,910	96,412,807	94,532,590	(1,880,217)
Student Services	3,418,346	3,438,971	3,429,895	(9,076)
Instructional Staff Support	5,241,542	5,377,071	5,147,632	(229,439)
General Admin & Central Services	842,916	834,218	799,812	(34,406)
Board/Executive & Tech Admin	277,209	424,888	424,655	(233)
Building Administration	7,321,775	7,469,108	7,453,676	(15,432)
Community Services	<u>535,067</u>	<u>537,273</u>	<u>519,061</u>	<u>(18,212)</u>
Total Expenditures	113,901,765	114,494,336	112,307,321	(2,187,015)
Transfers In	<u>256,295</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	(1,227,728)	(1,330,680)	(102,952)
FUND BALANCE, JULY 1, 2011	<u>0</u>	<u>2,075,442</u>	<u>2,075,442</u>	<u>0</u>
FUND BALANCE - JUNE 30, 2012	<u>\$ 0</u>	<u>\$ 847,714</u>	<u>\$ 744,762</u>	<u>\$ (102,952)</u>

See Accompanying Notes to the Required Supplementary Information.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON For the Fiscal Year Ended June 30, 2012

BUDGETARY ACCOUNTING

North Kansas City School District No. 74 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 basic financial statements. All unexpended appropriations lapse at year end.

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

1. In accordance with Chapter 67, RSMo, the District adopts a budget for each fund.
2. Prior to July, the superintendent, who serves as the budget officer, submits to the Board of Education a proposed budget for the fiscal year beginning on the following July 1. The proposed budget includes estimated revenues, proposed expenditures and transfers for all 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. Budgets for District governmental funds are prepared and adopted on the modified accrual basis (budget), recognizing revenues when collected and expenditures when paid.
7. Actual expenditures may not legally exceed the budgeted expenditures in any budgeted fund. For the fiscal year ended June 30, 2012, no budgets had been exceeded using the modified accrual basis of accounting.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

OTHER POST-EMPLOYMENT BENEFIT PLAN

Schedule of Funding Progress

	(1)	(2)	(3)	(4)	(5)	(6)
	Actuarial	Projected	Percent	Unfunded	Annual	Unfunded
	Value	Unit	Funded	AAL	Covered	AAL as a
	of Assets	Actuarial	(1) / (2)	(2) - (1)	Payroll	Percentage
		Liability				of Covered
		(AAL)				Payroll
<u>Actuarial</u>	<u>Valuation</u>					<u>(4) / (5)</u>
7/1/2007	0	\$19,887,000	0	\$19,887,000	\$118,944,000	17%
7/1/2009	0	20,834,000	0	20,834,000	78,800,000	26%
7/1/2011	0	22,468,000	0	22,468,000	80,500,000	28%

Schedule of Employer Contribution

	(1)	(2)	(3)
	Employer	Annual Required	Percent Contributed
	Contributions	Contribution	(1) / (2)
		(ARC)	
6/30/2008	\$ 966,100	\$1,273,000	76%
6/30/2009	1,055,300	1,305,700	81%
6/30/2010	1,019,000	1,459,900	70%
6/30/2011	1,114,000	1,493,200	75%
6/30/2012	1,119,600	1,835,400	61%

OTHER SUPPLEMENTARY INFORMATION

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

BUDGETARY COMPARISON - MODIFIED ACCRUAL BASIS

DEBT SERVICE FUND

June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
<u>REVENUES</u>				
Local	\$20,403,720	\$26,508,109	\$26,463,339	\$ (44,770)
County	<u>426,891</u>	<u>426,891</u>	<u>581,866</u>	<u>154,975</u>
Total Revenues	20,830,611	26,935,000	27,045,205	110,205
 <u>EXPENDITURES</u>				
Debt Service	<u>19,800,000</u>	<u>70,911,443</u>	<u>70,911,342</u>	<u>(101)</u>
Total Expenditures	19,800,000	70,911,443	70,911,342	(101)
 Other Financing Sources (Uses)				
Refunding Bonds	<u>0</u>	<u>45,265,000</u>	<u>45,265,000</u>	<u>0</u>
Net Change in Fund Balance	1,030,611	1,288,557	1,398,863	110,306
 FUND BALANCE - JULY 1, 2011	<u>23,203,241</u>	<u>23,613,100</u>	<u>23,613,100</u>	<u>0</u>
FUND BALANCE - JUNE 30, 2012	<u>\$24,233,852</u>	<u>\$24,901,657</u>	<u>\$25,011,963</u>	<u>\$110,306</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

**BUDGETARY COMPARISON - MODIFIED ACCRUAL BASIS
CAPITAL PROJECTS FUND
June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
<u>REVENUES</u>				
Local	\$ 2,609,767	\$ 2,584,662	\$ 4,949,757	\$ 2,365,095
County	54,407	54,407	16,898	(37,509)
Federal	<u>0</u>	<u>30,515</u>	<u>30,333</u>	<u>(182)</u>
Total Revenues	2,664,174	2,669,584	4,996,988	2,327,404
<u>EXPENDITURES</u>				
Instruction	123,670	192,259	190,408	(1,851)
Student Services	3,000	0	0	0
Instructional Staff Support	768,000	2,755,558	2,746,047	(9,511)
General Admin/Central Services	65,000	55,954	53,665	(2,289)
Operation of Plant	1,196,459	1,382,264	1,370,996	(11,268)
Transportation	506,200	508,296	508,295	(1)
Food Services	188,000	991,000	908,703	(82,297)
Community Services	4,400	5,713	5,713	0
Facilities Acquisition & Construction	<u>7,546,633</u>	<u>9,346,413</u>	<u>7,645,248</u>	<u>(1,701,165)</u>
Total Expenditures	10,401,362	15,237,457	13,429,075	(1,808,382)
Other Financing Sources (Uses):				
Transfer to	228,000	2,495,000	2,958,359	463,359
Sale of Assets	<u>20,000</u>	<u>20,000</u>	<u>24,015</u>	<u>4,015</u>
Total Other Financing Sources	<u>248,000</u>	<u>2,515,000</u>	<u>2,982,374</u>	<u>467,374</u>
Net Change in Fund Balance	(7,489,188)	(10,052,873)	(5,449,713)	4,603,160
FUND BALANCE - JULY 1, 2011	<u>23,625,990</u>	<u>25,418,276</u>	<u>25,418,276</u>	<u>0</u>
FUND BALANCE - JUNE 30, 2012	<u>\$16,136,802</u>	<u>\$ 15,365,403</u>	<u>\$19,968,563</u>	<u>\$ 4,603,160</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF REVENUES COLLECTED BY SOURCE

For the Year Ended June 30, 2012

	General (Incidental) <u>Fund</u>	Special Revenue (Teachers) <u>Fund</u>	Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Totals</u>
<u>LOCAL</u>					
Current	\$44,814,950	\$ 40,157,439	\$18,285,826	\$2,330,339	\$105,588,554
Delinquent Taxes	1,706,639	1,529,272	696,359	88,744	4,021,014
School District Trust Fund (Prop C)	787,096	14,954,828	0	0	15,741,924
Financial Institutions Tax	94,189	84,399	38,432	4,898	221,918
M&M Surcharge Tax	1,695,597	0	871,534	2,465,400	5,032,531
In Lieu of Tax	3,140,907	0	0	0	3,140,907
Tuition	137,571	16,983	0	0	154,554
Transportation from Individuals	370,141	0	0	0	370,141
Earnings on Investments	583,868	465,407	6,433,664	60,376	7,543,315
Food Services	2,317,059	0	0	0	2,317,059
Food Services Non-Program	1,748,262	0	0	0	1,748,262
Student Activities	2,637,476	0	0	0	2,637,476
Community Services	2,770,126	0	0	0	2,770,126
Other	<u>566,102</u>	<u>22,401</u>	<u>137,524</u>	<u>0</u>	<u>726,027</u>
Total Local	63,369,983	57,230,729	26,463,339	4,949,757	152,013,808
 <u>COUNTY</u>					
Fines, Escheats	0	392,299	0	0	392,299
State Assessed Utilities	<u>1,226,423</u>	<u>1,098,946</u>	<u>581,866</u>	<u>16,898</u>	<u>2,924,133</u>
Total County	1,226,423	1,491,245	581,866	16,898	3,316,432
 <u>STATE</u>					
Basic Formula	3,235,949	37,774,612	0	0	41,010,561
Transportation Aid	2,199,752	0	0	0	2,199,752
Early Child SPED	1,108,326	1,633,813	0	1,638	2,743,777
Classroom Trust	343,127	6,713,065	0	0	7,056,192
Educational Screening Program	182,613	0	0	0	182,613
Vocational/Technical Aid	201	37,658	0	0	37,859
Food Services	59,866	0	0	0	59,866
Adult Education Literacy	64,743	0	0	0	64,743
High Need Fund	354,637	0	0	0	354,637
Other	<u>119,201</u>	<u>4,130</u>	<u>0</u>	<u>28,695</u>	<u>152,026</u>
Total State	7,668,415	46,163,278	0	30,333	53,862,026

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NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF REVENUES COLLECTED BY SOURCE (CONTINUED)
For the Year Ended June 30, 2012

	General (Incidental) <u>Fund</u>	Special (Teachers) <u>Fund</u>	Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Totals</u>
<u>FEDERAL</u>					
Medicaid	178,633	0	0	0	178,633
Vocational Education	118,286	129,240	0	0	247,526
Early Child - SPED	301,191	0	0	0	301,191
Adult Education Literacy	254,228	0	0	0	254,228
IDEA	61,713	3,325,835	0	0	3,387,548
Food Service	5,350,723	0	0	0	5,350,723
Title I - ESEA	768,453	1,949,854	0	0	2,718,307
Title II - ESEA	105,478	529,028	0	0	634,506
Title III - English Language	194,604	35,396	0	0	230,000
Budget Stabilization - ARRA	968,007	0	0	0	968,007
Government Services - ARRA	53,752	0	0	0	53,752
Classroom Trust - Jobs Bill	40,523	0	0	0	40,523
IDEA - Grants	38,962	587	0	0	39,549
Other	<u>18,227</u>	<u>101,384</u>	<u>0</u>	<u>0</u>	<u>119,611</u>
Total Federal	8,452,780	6,071,324	0	0	14,524,104
<u>OTHER</u>					
Transportation from Other Districts	79,110	0	0	0	79,110
Contracted Educational Services	24,500	20,065	0	0	44,565
Sale of Property	1,022	0	0	24,015	25,037
Refunding Bonds	<u>0</u>	<u>0</u>	<u>45,265,000</u>	<u>0</u>	<u>45,265,000</u>
Total Other	<u>104,632</u>	<u>20,065</u>	<u>45,265,000</u>	<u>24,015</u>	<u>45,413,712</u>
TOTAL ALL SOURCES	<u>\$80,822,233</u>	<u>\$110,976,641</u>	<u>\$72,310,205</u>	<u>\$5,021,003</u>	<u>\$269,130,082</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF EXPENDITURES PAID BY OBJECT
 For the Year Ended June 30, 2012

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals (Memo Only)
Salaries	\$36,443,334	\$ 87,583,360	\$ 0	\$ 0	\$124,026,694
Employee Benefits	12,228,015	22,868,239	0	0	35,096,254
Purchased Services	13,433,915	1,855,722	0	0	15,289,637
Supplies	16,356,440	0	0	0	16,356,440
Capital Outlay	0	0	0	13,429,075	13,429,075
Debt Service	<u>0</u>	<u>0</u>	<u>70,911,342</u>	<u>0</u>	<u>70,911,342</u>
	<u>\$78,461,704</u>	<u>\$112,307,321</u>	<u>\$70,911,342</u>	<u>\$13,429,075</u>	<u>\$275,109,442</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF BONDED INDEBTEDNESS

June 30, 2012

<u>Bonded Indebtedness</u>	<u>Totals</u>	<u>Series 2002</u>	<u>Series 2003</u>	<u>Series 2004</u>	<u>Series 2005</u>	<u>Series 2006</u>	<u>Series 2007</u>	<u>Series 2008</u>	<u>Series 2010</u>	<u>Series 2011</u>	<u>Series 2012</u>
Fiscal Year											
2012-13	\$ 10,025,000	\$ 0	\$ 840,000	\$ 1,250,000	\$ 1,960,000	\$ 3,310,000	\$ 1,195,000	\$ 0	\$ 1,240,000	\$ 130,000	\$ 100,000
2013-14	13,900,000	0	760,000	1,305,000	2,345,000	4,825,000	2,100,000	0	1,265,000	1,125,000	175,000
2014-15	15,125,000	0	1,015,000	995,000	2,470,000	6,110,000	1,900,000	0	1,290,000	1,170,000	175,000
2015-16	16,435,000	0	1,055,000	1,035,000	2,200,000	4,955,000	2,230,000	560,000	1,315,000	840,000	2,245,000
2016-17	17,085,000	1,025,000	0	1,070,000	1,290,000	5,405,000	2,390,000	570,000	1,345,000	1,290,000	2,700,000
2017-18	16,370,000	0	0	1,115,000	2,430,000	3,415,000	3,310,000	580,000	1,370,000	1,345,000	2,805,000
2018-19	17,235,000	0	0	1,165,000	1,860,000	3,580,000	3,470,000	580,000	2,245,000	1,405,000	2,930,000
2019-20	17,350,000	0	0	515,000	1,965,000	3,760,000	3,645,000	605,000	2,325,000	1,465,000	3,070,000
2020-21	17,325,000	0	0	540,000	1,270,000	3,945,000	3,835,000	610,000	2,400,000	1,520,000	3,205,000
2021-22	15,630,000	0	0	570,000	1,335,000	4,140,000	4,030,000	630,000	0	1,575,000	3,350,000
2022-23	14,950,000	0	0	595,000	0	4,345,000	4,235,000	650,000	0	1,635,000	3,490,000
2023-24	13,990,000	0	0	625,000	0	4,565,000	4,455,000	715,000	0	0	3,630,000
2024-25	13,975,000	0	0	0	0	4,725,000	4,730,000	750,000	0	0	3,770,000
2025-26	9,590,000	0	0	0	0	3,840,000	4,970,000	780,000	0	0	0
2026-27	6,090,000	0	0	0	0	0	5,275,000	815,000	0	0	0
2027-28	855,000	0	0	0	0	0	0	855,000	0	0	0
	<u>\$215,930,000</u>	<u>\$1,025,000</u>	<u>\$3,670,000</u>	<u>\$10,780,000</u>	<u>\$19,125,000</u>	<u>\$60,920,000</u>	<u>\$51,770,000</u>	<u>\$8,700,000</u>	<u>\$14,795,000</u>	<u>\$13,500,000</u>	<u>\$31,645,000</u>

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

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)

June 30, 2012

<u>Interest Obligation</u>	<u>Totals</u>	<u>Series 2002</u>	<u>Series 2003</u>	<u>Series 2004</u>	<u>Series 2005</u>	<u>Series 2006</u>	<u>Series 2007</u>	<u>Series 2008</u>	<u>Series 2010</u>	<u>Series 2011</u>	<u>Series 2012</u>
Fiscal Year											
2012-13	\$ 9,635,279	\$ 45,100	\$158,850	\$ 486,525	\$ 936,650	\$ 2,922,975	\$ 2,526,125	\$ 472,713	\$ 414,025	\$ 538,225	\$ 1,134,091
2013-14	9,443,638	45,100	127,350	433,400	858,250	2,774,025	2,478,325	472,713	389,225	533,025	1,332,225
2014-15	8,856,550	45,100	93,150	377,937	741,000	2,556,900	2,389,075	472,713	363,925	488,025	1,328,725
2015-16	8,213,288	45,100	47,475	335,650	617,500	2,281,950	2,308,325	472,713	338,125	441,225	1,325,225
2016-17	7,515,051	45,100	0	291,663	507,500	2,058,975	2,196,825	443,313	311,825	424,425	1,235,425
2017-18	6,784,713	0	0	244,850	443,000	1,815,750	2,089,275	413,388	278,200	372,825	1,127,425
2018-19	6,040,112	0	0	194,675	321,500	1,645,000	1,929,750	382,937	243,950	307,075	1,015,225
2019-20	5,216,463	0	0	142,250	228,500	1,466,000	1,756,250	351,038	165,375	238,325	868,725
2020-21	4,412,325	0	0	116,500	130,250	1,278,000	1,574,000	319,275	84,000	179,725	730,575
2021-22	3,618,300	0	0	89,500	66,750	1,080,750	1,382,250	285,725	0	126,975	586,350
2022-23	2,866,150	0	0	61,000	0	873,750	1,180,750	251,075	0	63,975	435,600
2023-24	2,168,075	0	0	31,250	0	656,500	969,000	215,325	0	0	296,000
2024-25	1,501,300	0	0	0	0	428,250	746,250	176,000	0	0	150,800
2025-26	836,500	0	0	0	0	192,000	509,750	134,750	0	0	0
2026-27	353,100	0	0	0	0	0	261,250	91,850	0	0	0
2027-28	<u>47,025</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>47,025</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$77,507,869</u>	<u>\$225,500</u>	<u>\$426,825</u>	<u>\$2,805,200</u>	<u>\$4,850,900</u>	<u>\$22,030,825</u>	<u>\$24,297,200</u>	<u>\$5,002,553</u>	<u>\$2,588,650</u>	<u>\$3,713,825</u>	<u>\$11,566,391</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass- thru Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
<i>Pass-through Missouri Dept. of Elementary & Secondary Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	024-093	\$ 1,419,885
National School Lunch Program:	10.555	024-093	<u>4,589,864</u>
Total Child Nutrition Cluster			<u>6,009,749</u>
Total U.S. Department of Agriculture			6,009,749
 <u>U.S. Department of Education</u>			
<i>Pass-through Missouri Dept. of Elementary & Secondary Education:</i>			
Title I, Part A Cluster:			
Title I, Part A - Grants for LEAs	84.010A	024-093	2,576,970
Title I School Improvement (a)	84.010A	024-093	<u>141,337</u>
Total Title I, Part A Cluster			2,718,307
Title I, Part A - Career and Technical Education	84.048A	024-093	247,526
Title II, Part A - Improving Teacher Quality	84.367A	024-093	634,506
Title III, Part A - Limited English Proficient (LEP)	84.365A	024-093	230,000
State Fiscal Stabilization Fund Cluster (SFSF):			
SFSF Education Stabilization Fund (ARRA)	84.394	024-093	968,007
SFSF Government Services (ARRA)	84.397	024-093	<u>53,752</u>
Total State Fiscal Stabilization Fund Cluster			1,021,759
Education Jobs Bill Fund (ARRA)	84.410A	024-093	40,523
Adult Education & Family Literacy Act	84.002A	024-093	254,228
Special Education Cluster (IDEA):			
IDEA, Part B - Special Education	84.027A	024-093	3,427,097
Early Childhood Special Education	84.027A	024-093	<u>301,191</u>
Total Special Education Cluster			3,728,288
 <i>Pass-through Curators of the University of Missouri:</i>			
UMKC - EXCELL Grant	84.195N	933395238	113,018
 <i>Direct from U.S. Department of Education:</i>			
Indian Education Grant	84.060	Direct	<u>6,593</u>
Total U.S. Department of Education			<u>8,994,748</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$15,004,497</u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012**

NOTE 1: GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of 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	\$ 8,452,780
Special Revenue/Teachers Fund	6,071,324
Capital Project Fund	<u>0</u>
	<u>\$14,524,104</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 \$659,027 for the year ended June 30, 2012.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF SELECTED STATISTICS

For the Year Ended June 30, 2012

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 year was as follows.

Grades K-5	1,080.95
Grades 6-8, Antioch MS	1,100.40
Grades 6-8, Eastgate MS	1,101.25
Grades 6-8, all others	1,084.35
Grades 9-12, N.K.C. HS	1,080.95
Grades 9-12, all others	1,089.40

B. The number of days classes were in session and pupils were under the direction of teachers during this school year was 174 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	8,437.12	1.76	8,438.88
Grades 6-8	3,987.38	4.54	3,991.92
Grades 9-12	<u>4,963.27</u>	<u>5.31</u>	<u>4,968.58</u>
Subtotal Regular Term	17,387.77	11.61	17,399.38
Summer School Subtotal			<u>493.69</u>
Total Regular Term Plus Summer School ADA			<u><u>17,893.07</u></u>

3. September Membership

September Membership FTE Count	<u>Full-time & Part-time</u> <u>18,612.80</u>
--------------------------------	--

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

	<u>Full-time & Part time</u>
State FTE Total:	
Free	6832.90
Reduced	<u>1929.00</u>
Total	<u><u>8761.90</u></u>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF SELECTED STATISTICS

For the Year Ended June 30, 2012

5. Finance

- | | | |
|----|---|------------------|
| A. | As required by Section 162.401, RSMo, a bond was purchased for the District's treasurer in the total amount of | <u>\$100,000</u> |
| B. | The District's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo. | <u>True</u> |
| C. | The District maintained a separate bank account for the Debt Service Fund in accordance with Section 165.011, RSMo. | <u>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 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> |

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> |
| 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>10,159.50</u> |
| | Ineligible ADT | <u>1,306.00</u> |
| D. | The District's transportation odometer mileage records are maintained in a manner to accurately disclose in all material respects the eligible and ineligible mileage for the year. | <u>True</u> |
| E. | Actual odometer records show the total district-operated <u>and</u> contracted mileage for the year was: | <u>2,086,799</u> |

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF SELECTED STATISTICS

For the Year Ended June 30, 2012

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

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>1,681,112</u>
Ineligible miles (non-route/disapproved)	<u>405,687</u>

F. Number of days the District operated the school transportation system during the regular school year.	<u>174</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>

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF TRANSPORTATION COSTS ELIGIBLE FOR STATE AID
 For the Year Ended June 30, 2012

	<u>Pupil</u>			<u>Disabled</u>		<u>Totals</u>
	<u>Contracted</u>	District <u>Owned</u>	Payments	<u>Contracted</u>	District	
			to Other <u>Districts</u>		<u>Owned</u>	
Noncertified Salaries	\$ 0	\$2,617,112	\$ 0	\$ 0	\$1,809,092	\$4,426,204
Employee Benefits	0	978,939	0	0	720,892	1,699,831
Purchased Services	253,479	246,259	118,398	132,470	88,039	838,645
Supplies	0	967,179	0	0	432,049	1,399,228
Capital Outlay	<u>0</u>	<u>508,295</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>508,295</u>
Totals	<u>\$253,479</u>	<u>\$5,317,784</u>	<u>\$118,398</u>	<u>\$132,470</u>	<u>\$3,050,072</u>	<u>\$8,872,203</u>

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 the financial statements of the governmental activities and each major fund of North Kansas City School District No. 74 as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of North Kansas City School District No. 74 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designating our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies, Missouri Department of Elementary and Secondary Education and other pass-through entities 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
December 3, 2012



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

Compliance

We have audited North Kansas City School District No. 74's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular No. A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Marr and Company, P.C.
Certified Public Accountants

Kansas City, Missouri
December 3, 2012

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued: Unqualified 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: Unqualified 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 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
84.394, 84.397	State Fiscal Stabilization Fund Cluster
84.367A	Title II, Part A Improving Teacher Quality

5. Dollar threshold used to distinguish between type A and type B programs: \$450,135
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, 2012

Financial Statement Findings

The audit did not disclose any noncompliance which is material to the basic financial statements of the 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, 2012.

NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

SCHEDULE OF RESOLUTIONS OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2012

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



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

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

We have audited the basic financial statements of North Kansas City School District No. 74 as of and for the year ended June 30, 2012, and have issued our report, which was unqualified on December 3, 2012.

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 District is responsible for the District's compliance with those requirements and have so acknowledged in a representation letter dated December 3, 2012. Our responsibility is to express an opinion on the 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 District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the District's budgetary and 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, 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
December 3, 2012