
KIRKWOOD SCHOOL DISTRICT R-7
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of the Board of Education
Kirkwood School District R-7

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Kirkwood School District R-7 (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information – budget basis and related notes, and the other pensions and post-employment benefit program schedules on pages 4 through 15 and 51 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.


SCHOWALTER & LABOURI, P.C.

St. Louis, Missouri
September 30, 2016

KIRKWOOD SCHOOL DISTRICT R-7

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016 - UNAUDITED

The discussion and analysis of the District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and the financial statements to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999.

Financial Highlights

Overall:

Cash and investments decreased approximately \$1.5 million, primarily because the District's enrollment continues to increase requiring additional teachers and educational support, while revenues have remained relatively flat.

Capital assets increased \$0.7 million, primarily due to the construction of the Walker Natatorium. In April 2014, the District received a \$10 million grant from The Earl E. and Myrtle E. Walker Foundation to build a competitive pool on the campus of Kirkwood High School (KHS). The facility was named "The Walker Natatorium" and construction was completed in the fall of 2015. In addition, the District received an anonymous donation of \$1,000,000 for the construction of the natatorium bringing the total donations for construction to \$11,000,000. The District continues to work with the Kirkwood School District Foundation to set up an endowment fund to help pay for maintenance of the natatorium. Building rental funds will also be used to pay for maintenance.

Deferred outflows increased \$5.3 million related to the implementation of GASB 68. Detailed information regarding pensions is included in the notes to the basic financial statements (Note 6).

Current liabilities decreased \$2.1 million, primarily due to a decrease in accounts payable related to construction work that was completed and paid for in the summer of 2015.

Long-term liabilities increased \$12.5 million, primarily due to an increase in the "net pension obligation" related to the implementation of GASB 68. Detailed information regarding pensions is included in the notes to the basic financial statements (Note 6).

Deferred inflows of resources decreased \$13.4 million related to the implementation of GASB 68. Detailed information regarding pensions is included in the notes to the basic financial statements (Note 6).

The District's net position increased by approximately \$6.0 million, mainly due to a \$6.2 million increase in capital assets related to the construction of the Walker Natatorium and projects completed during the fiscal year.

Total revenue is \$84.4 million and total expenses are \$78.5 million. Program revenues accounted for \$16.7 million or 20% of total revenue, and general revenues accounted for \$67.7 million or 80% of total revenue.

KIRKWOOD SCHOOL DISTRICT R-7

Management's Discussion and Analysis (continued)

The general fund balance is \$18.0 million, a decrease of \$0.3 million from 2015. The majority of the change is from increases in expenditures that caused decreases in cash and investments and increases in accounts payable.

The Special Revenue fund balance is \$.02 million, a decrease of \$0.9 million from 2015. The decrease resulted because of accruals made to property tax revenue and to insurance expenditures.

The debt service fund balance is \$4.8 million, an increase of \$0.1 million from 2015. The majority of the increase is because tax collections were greater than principal and interest payments on outstanding general obligation bonds.

The capital projects fund balance is \$3.8 million, an increase of \$0.2 million from 2015.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a manner that helps to 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. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

These statements include the activity of the Kirkwood School District Educational Facilities Authority.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 18. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, special revenue fund, debt service fund and the capital projects fund.

Government Funds

All of the 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 to cover expenses in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all

KIRKWOOD SCHOOL DISTRICT R-7

Management's Discussion and Analysis (continued)

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$28.3 million at the close of the most recent fiscal year.

The District's net position consists of unrestricted net position totaling -\$29.2 million, restricted net position totaling \$8.9 million, and \$48.7 million in net investment in capital assets. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1 provides a summary of the District's net position for 2016 and 2015:

**Table 1
Net Assets
(In Thousands)**

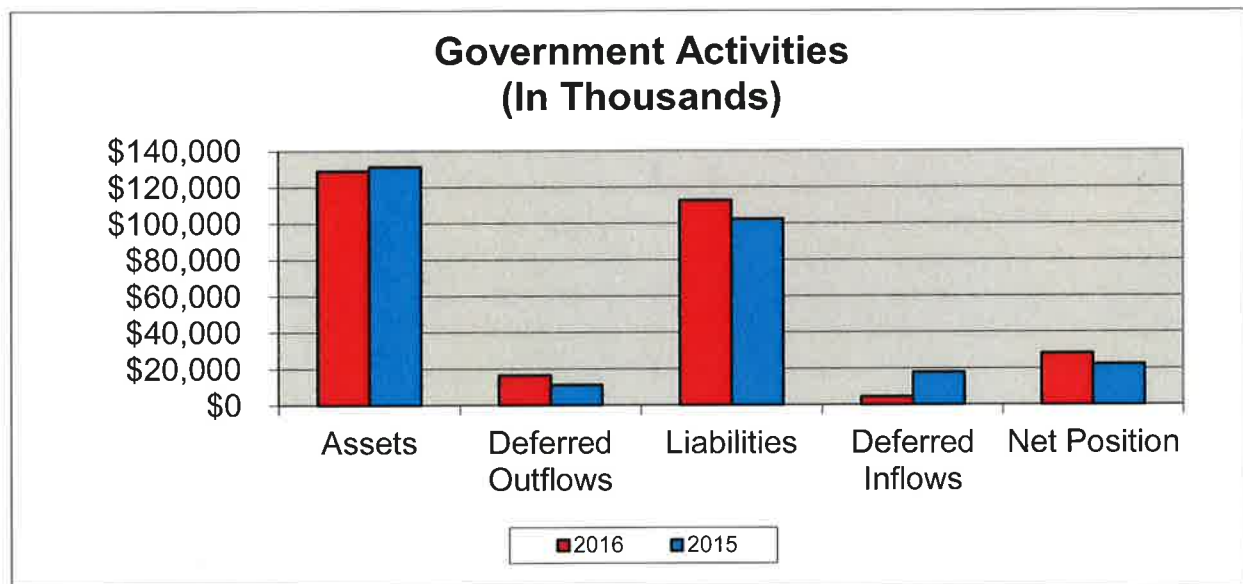
| | <u>2016</u> | <u>2015</u> |
|----------------------------------|------------------|------------------|
| Assets | | |
| Current and Other Assets | \$ 32,908 | \$ 35,812 |
| Capital Assets | <u>96,148</u> | <u>95,479</u> |
| Total Assets | 129,056 | 131,291 |
| Deferred Outflows of Resources | 16,481 | 11,202 |
| Liabilities | | |
| Other Liabilities | 4,519 | 6,625 |
| Long-Term Liabilities | <u>108,287</u> | <u>95,757</u> |
| Total Liabilities | 112,806 | 102,382 |
| Deferred Inflows of Resources | 4,433 | 17,797 |
| Net Position | | |
| Investment in Capital | | |
| Net Investment in Capital Assets | 48,675 | 42,507 |
| Restricted | 8,870 | 7,509 |
| Unrestricted | <u>(29,247)</u> | <u>(27,702)</u> |
| Total Net Position | <u>\$ 28,298</u> | <u>\$ 22,314</u> |

KIRKWOOD SCHOOL DISTRICT R-7

Management's Discussion and Analysis (continued)

Governmental Activities

| | <u>2016</u> | <u>2015</u> |
|--------------------------------------|------------------|------------------|
| Total Assets | \$ 129,056 | \$ 131,291 |
| Total Deferred Outflows of Resources | 16,481 | 11,202 |
| Total Liabilities | 112,806 | 102,382 |
| Total Deferred Inflows of Resources | <u>4,433</u> | <u>17,797</u> |
| Total Net Position | <u>\$ 28,298</u> | <u>\$ 22,314</u> |



Current assets decreased \$2.9 million, primarily because general operating expenditures exceeded operating revenue.

Capital assets increased \$0.7 million, equal to the difference between capital asset purchases of \$5.0 million and depreciation expense of \$4.3 million. The majority of the capital asset purchases consist of the construction of the Walker Natatorium, infrastructure improvements, roof replacements, and other site improvements.

Total liabilities increased \$10.4 million primarily because of the pension obligation related to the implementation of GASB 68 (detailed information regarding pensions is included in the notes to the basic financial statements, Note 6).

Net position of the District's governmental activities increased \$6.0 million and unrestricted net position is -\$29.2 million. The deficit in unrestricted net position resulted from the adoption of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Detailed information regarding pensions is included in the notes to the basic financial statements (Note 6).

KIRKWOOD SCHOOL DISTRICT R-7

Management's Discussion and Analysis (continued)

Table 2 shows the changes in net position for fiscal year 2016 and 2015 for Governmental Activities:

Table 2
Changes in Net Assets for Governmental Activities
(In Thousands)

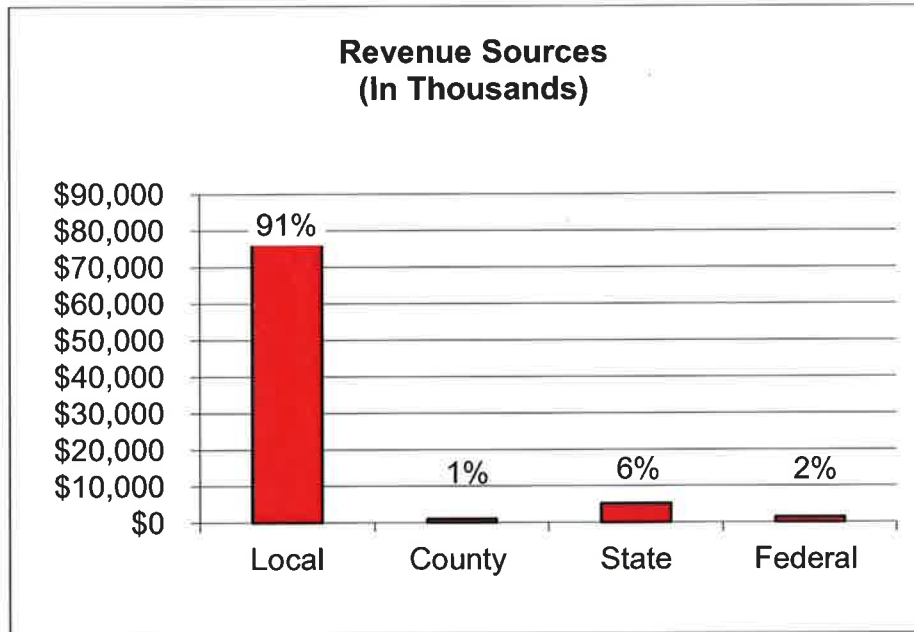
| | <u>2016</u> | <u>2015</u> | <u>Change</u> |
|---|-----------------|------------------|-------------------|
| Revenues | | | |
| Program Revenues: | | | |
| Charges for Services and Sales | \$ 6,478 | \$ 5,986 | \$ 492 |
| Operating Grants | 6,481 | 6,800 | (319) |
| Capital Grants and Contributions | 3,743 | 7,133 | (3,390) |
| General Revenue: | | | |
| Property Taxes | 57,783 | 57,152 | 631 |
| Sales Taxes | 4,677 | 4,505 | 172 |
| Financial Inst Tax/In Lieu of Tax/M&M Sur | 2,152 | 2,135 | 17 |
| State Aid | 2,922 | 2,659 | 263 |
| Investment Earnings | 116 | 87 | 29 |
| Other | 83 | 242 | (159) |
| Total Revenue | <u>84,435</u> | <u>86,699</u> | <u>(2,264)</u> |
| Program Expenses | | | |
| Instruction | 44,954 | 40,556 | 4,398 |
| Attendance | - | - | - |
| Guidance | 2,307 | 2,190 | 117 |
| Health Services | 503 | 463 | 40 |
| Improvement of Instruction | 455 | 423 | 32 |
| Professional Development | 36 | 105 | (69) |
| Media Services | 3,614 | 3,852 | (238) |
| Board of Education Services | 165 | 185 | (20) |
| General Administration | 1,415 | 1,439 | (24) |
| Building Level Administration | 4,973 | 4,760 | 213 |
| Business, Fiscal and Internal Services | 927 | 1,052 | (125) |
| Operation of Plant | 7,135 | 7,286 | (151) |
| Security Services | 557 | 555 | 2 |
| Transportation | 1,032 | 1,027 | 5 |
| Food Service | 1,310 | 1,330 | (20) |
| Community Services | 3,426 | 3,404 | 22 |
| Capital Outlay | 3,615 | 3,267 | 348 |
| Debt Services | 2,027 | 2,173 | (146) |
| Total Expenses | <u>78,451</u> | <u>74,067</u> | <u>4,384</u> |
| Increase/(Decrease) in Net Assets | <u>\$ 5,984</u> | <u>\$ 12,632</u> | <u>\$ (6,648)</u> |

KIRKWOOD SCHOOL DISTRICT R-7

Management's Discussion and Analysis (continued)

District Funds

| | <u>Revenue</u> | <u>Percent</u> |
|---------|------------------|----------------|
| Local | \$ 76,612 | 91% |
| County | 1,034 | 1 |
| State | 5,183 | 6 |
| Federal | 1,414 | 2 |
| Total | <u>\$ 84,243</u> | <u>100%</u> |



The District's reliance on local revenues is demonstrated by the graph above that indicates 91% of total revenues for the District's funds come from local sources.

The property tax laws in Missouri create the need to periodically seek voter approval for additional operating funds. Reassessment revenue growth is restricted by the lower of the percentage increase in assessed valuation, the increase in the Consumer Price Index, or 5%. Therefore school districts, such as Kirkwood, that are dependent upon property taxes as a primary source of revenue must periodically return to the ballot and ask voters for additional resources to maintain current programs. Since the District must rely heavily on voter approval of operating tax issues, management of the resources is of paramount concern to the District's administration and the voting public. The District utilizes a five-year cash financial forecast to estimate revenues and control expenditures to assure tax levy revenues can maintain operations for a significant period of time.

KIRKWOOD SCHOOL DISTRICT R-7

Management's Discussion and Analysis (continued)

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$26.8 million. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2016 and 2015.

| <u>Fund</u> | <u>Fund Balance</u> <u>June 30, 2016</u> | <u>Fund Balance</u> <u>June 30, 2015</u> | <u>Increase</u> <u>(Decrease)</u> |
|--------------------|---|---|--|
| General | \$ 18,004,738 | \$ 18,347,521 | \$ (342,783) |
| Special Revenue | 205,665 | 1,131,498 | (925,833) |
| Debt Service | 4,812,004 | 4,714,459 | 97,545 |
| Capital Projects | 3,751,291 | 3,582,563 | 168,728 |
| Total | <u>\$ 26,773,698</u> | <u>\$ 27,776,041</u> | <u>\$ (1,002,343)</u> |

General Fund

The District's General Fund balance decreased because general expenditures exceeded revenues and caused cash and investments to decrease.

Special Revenue Fund

The District set a tax rate in 2015 equal to the projected amount needed to pay for teachers' salaries and benefits for the 2015-16 fiscal year. The increase resulted because of accruals made to property tax revenue and to insurance expenditures.

Debt Service Fund

The Debt Service Fund increased approximately \$98,000. The majority of the increase is because tax collections were greater than principal and interest payments on outstanding general obligation bonds.

Capital Projects Fund

The Capital Projects Fund increased approximately \$169,000, primarily due to construction projects and improvements costing less than anticipated.

KIRKWOOD SCHOOL DISTRICT R-7

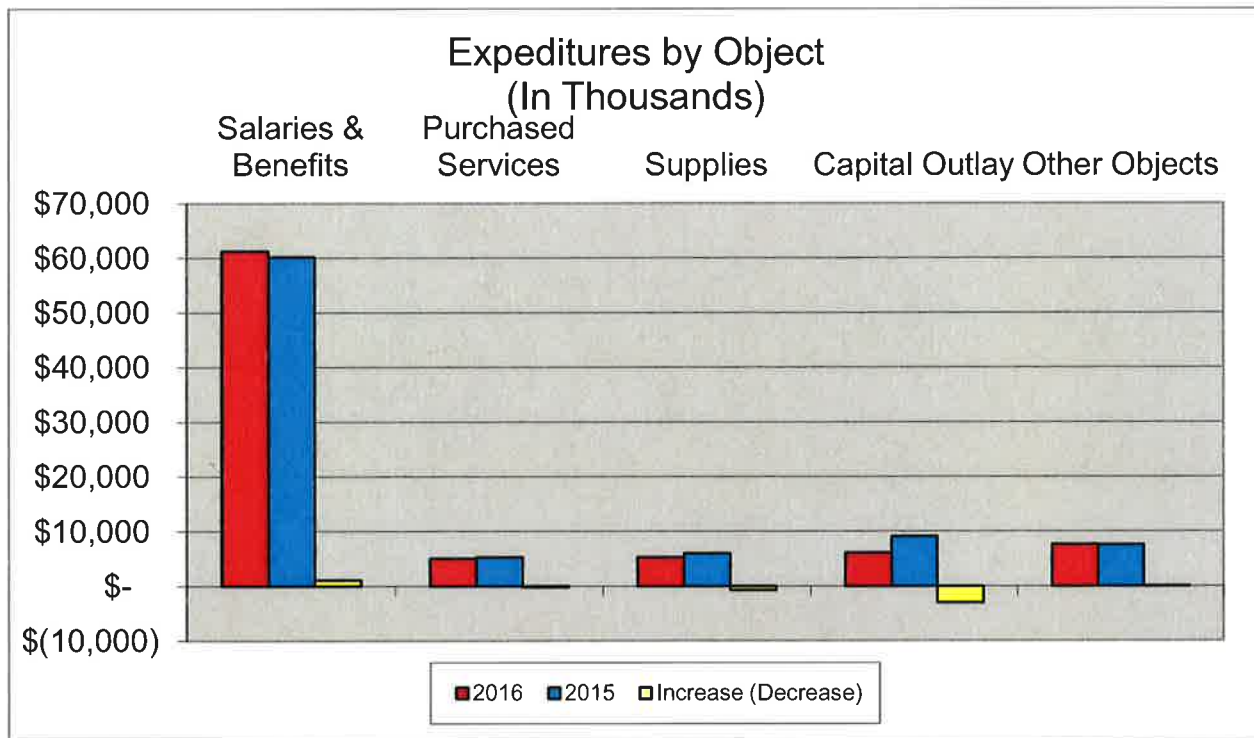
Management's Discussion and Analysis (continued)

Graph 3

As the graph below illustrates, the largest portions of District's fund expenditures are for salaries and fringe benefits.

**Graph 3
Expenditures by Object
(In Thousands)**

| | <u>2016</u> | <u>2015</u> | <u>Increase (Decrease)</u> |
|---------------------|------------------|------------------|--------------------------------|
| Salaries & Benefits | \$ 61,266 | \$ 60,184 | \$ 1,082 |
| Purchased Services | 5,047 | 5,258 | (211) |
| Supplies | 5,250 | 5,973 | (723) |
| Capital Outlay | 6,090 | 9,102 | (3,012) |
| Other Objects | 7,592 | 7,538 | 54 |
| Total | \$ 85,245 | \$ 88,055 | \$ (2,810) |



Total expenditures decreased \$2.8 million from the prior year. Salary and benefit increases along with additional teaching staff related to the District's growing enrollment caused an increase of \$1.1 million. Construction projects and capital outlay decreased \$3.0 million, since most of the construction expense of the Walker Natatorium was paid in 2015. Purchased services and supplies decreased approximately \$1.0 million due to expenditure reductions made during the fiscal year after the failure of Proposition A, a 78 cent operating tax increase referendum.

KIRKWOOD SCHOOL DISTRICT R-7

Management's Discussion and Analysis (continued)

Budget Information - General Fund

The District's budget is prepared in accordance with Missouri state law and is based on the modified cash basis of accounting, utilizing cash receipts, disbursements and encumbrances.

The final revenue budget for the general fund increased approximately \$906,000 over the original revenue budget. The District amended projections to reflect greater than originally anticipated revenues.

The final general fund expenditure budget decreased approximately \$450,000 from the original budget, mainly due to cuts made after the failure of Proposition A.

Capital Assets

The District has \$96.1 million invested in capital assets net of depreciation. Acquisitions for governmental activities totaled \$5.0 million and depreciation was \$4.3 million. The majority of the acquisitions were building additions, improvements and equipment. Detailed information regarding capital asset activity is included in the notes to the basic financial statements (Note 3).

Debt

On June 30, 2016, the District had \$27.3 million in outstanding general obligation bonds, \$3.8 million due within one year. In addition to general obligation bonds, the District had \$19.5 million in leasehold revenue bonds outstanding at June 30, 2016, \$1.7 million due within one year. Detailed information regarding long-term debt is included in the notes to the basic financial statements (Note 4).

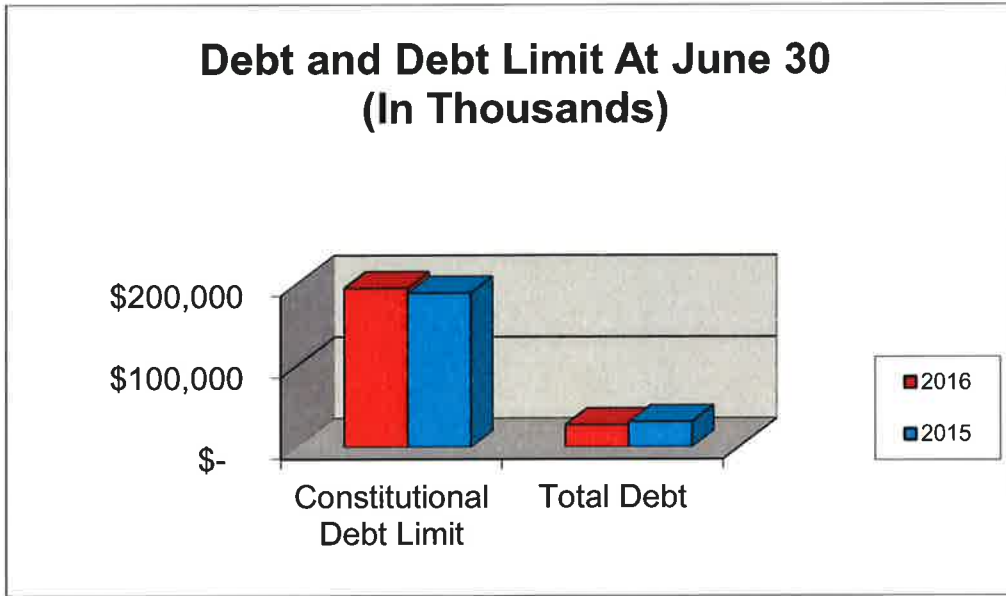
Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation of fifteen percent (15%) of the assessed valuation of the District (including State assessed railroad and utility). On June 30, 2016, the District's general obligation debt was below the legal limit.

Graph 4
Debt and Debt Limit at June 30

| | <u>2016</u> | <u>2015</u> |
|---------------------------------------|-----------------------|-----------------------|
| Constitutional Debt Limit | \$ 194,939,789 | \$ 189,054,749 |
| General Obligation Bonds Payable | (27,255,000) | (30,930,000) |
| Amount Available in Debt Service Fund | 4,812,004 | 4,714,459 |
| Legal Debt Margin | <u>\$ 172,496,793</u> | <u>\$ 162,839,208</u> |

KIRKWOOD SCHOOL DISTRICT R-7

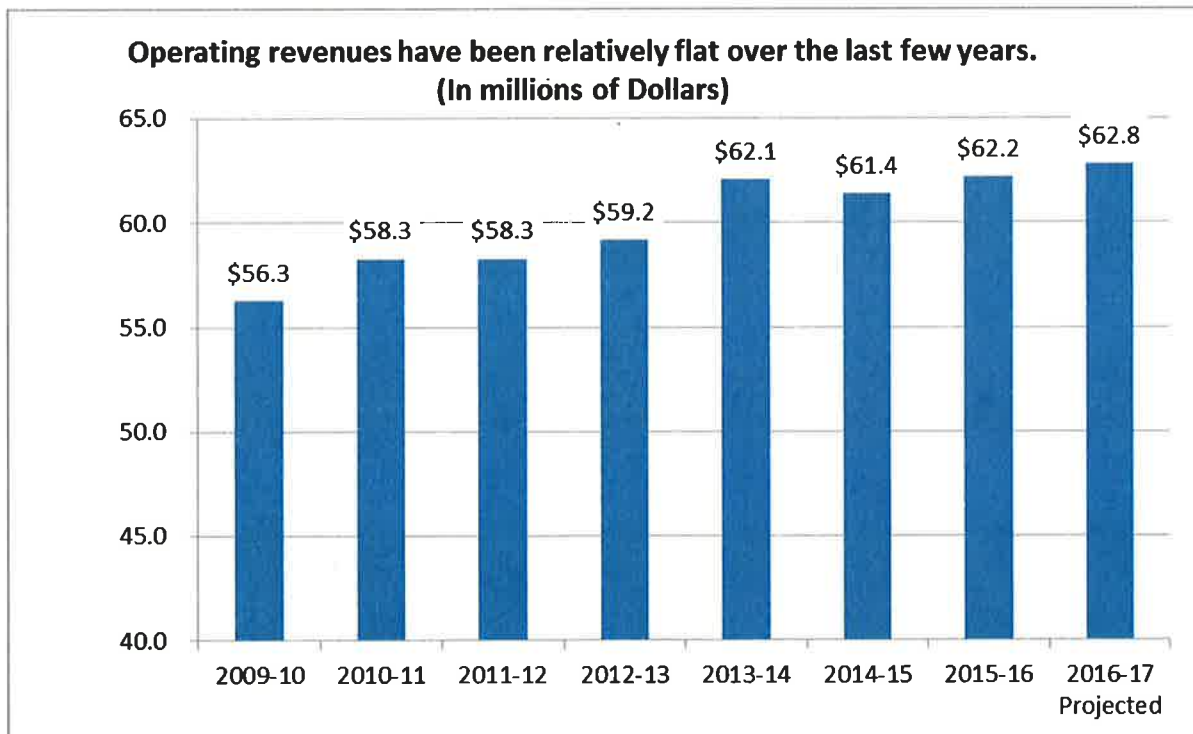
Management's Discussion and Analysis (continued)



For the Future

The Kirkwood School District is a hold-harmless district, which means our schools receive very little state or federal revenue. In fact, approximately 90% of the District's operating revenue comes from local sources. The District receives \$570 per student from the state education formula and \$948 per student from state sales tax revenue; however, it costs the District approximately \$12,000 per year to educate each student.

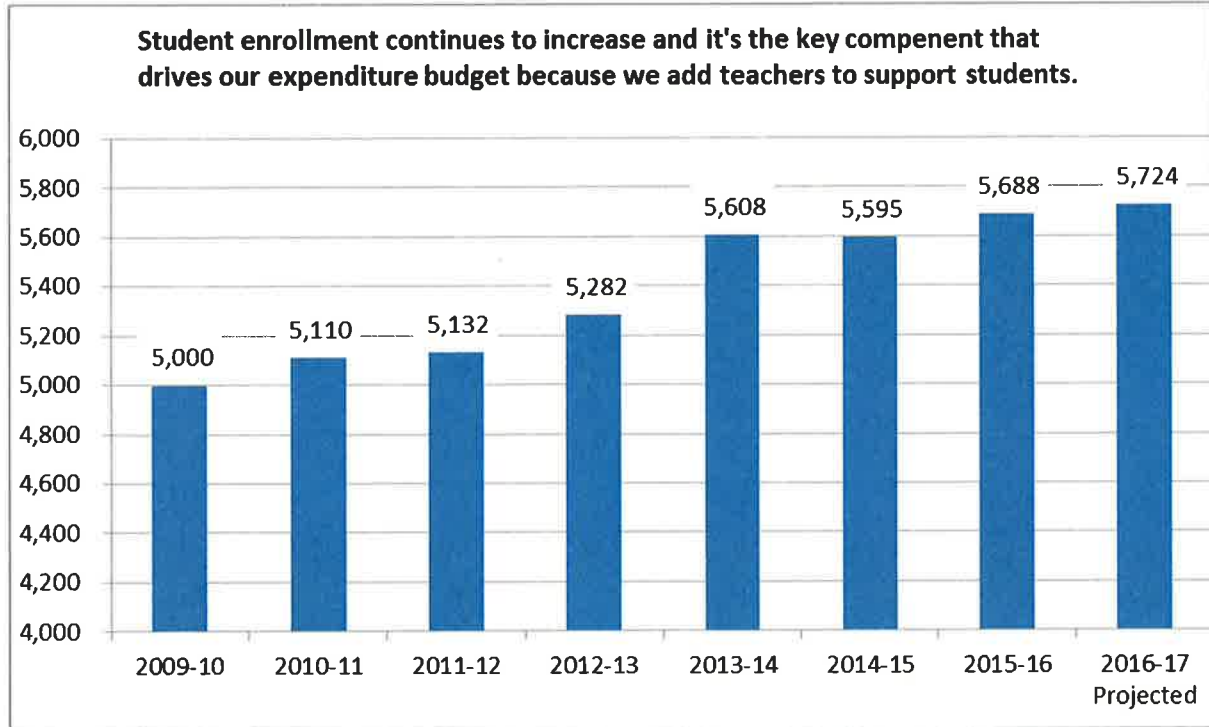
Over the last few years, Operating revenues have been relatively flat, as illustrated below.



KIRKWOOD SCHOOL DISTRICT R-7

Management's Discussion and Analysis (continued)

During the same time period, while operating revenue has remained relatively flat, residential enrollment has increased. Enrollment is the key component that drives our operating budget, because enrollment has a direct impact on staffing. Eighty-six percent (86%) of the District's expenditure budget is wages and benefits.



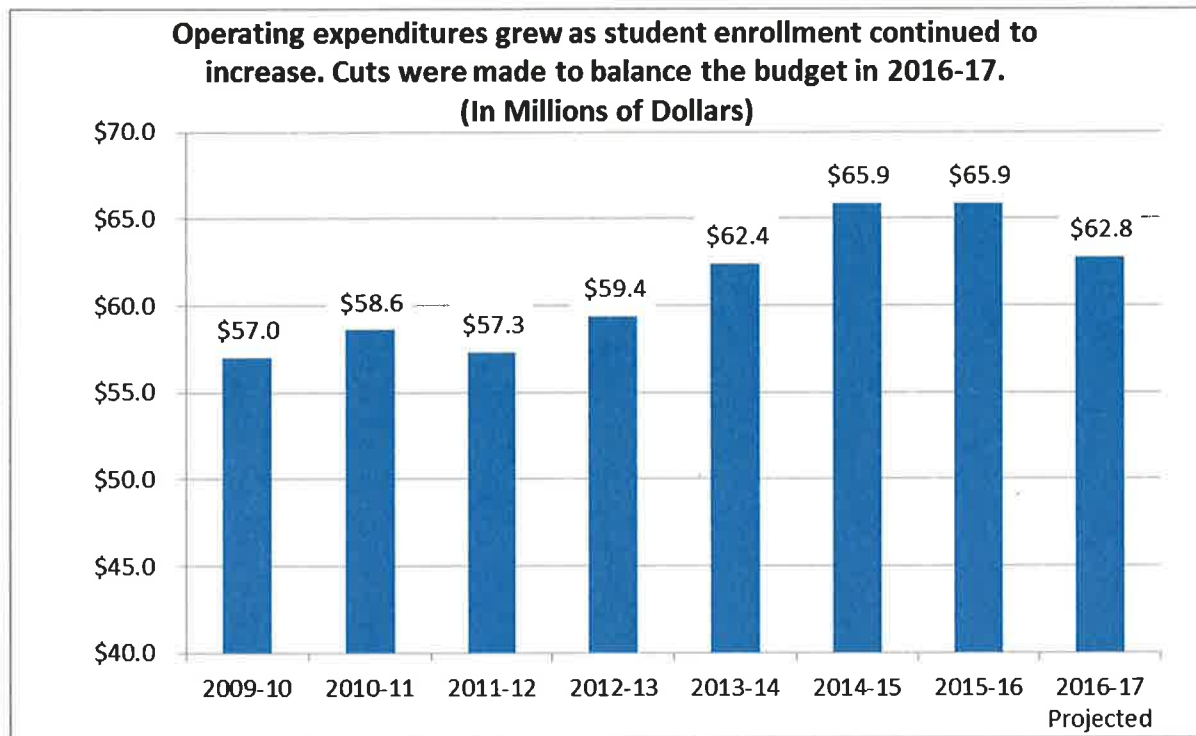
As educators, we know teachers are the number one factor in ensuring student success so we cut supply budgets instead cutting staff and increasing class sizes. As student enrollment increased, we supported students by adding:

- Classroom teachers to maintain classroom sizes,
- Reading and math specialists to support students,
- Classroom assistants to provide small group and individual instruction, and
- School resource officers and administrative interns to ensure safe learning environments as well as build positive relationships with students.

Operating expenditures grew as student enrollment continued to increase, as illustrated below.

KIRKWOOD SCHOOL DISTRICT R-7

Management's Discussion and Analysis (continued)



The Kirkwood Board of Education unanimously approved a resolution (Proposition A) seeking an operating tax levy increase of \$0.78 per \$100 of assessed value to generate additional revenue to maintain class size guidelines and student programs and services.

The referendum did not pass.

After the failure of Prop A, the District cut \$5 million out of operating expenses to balance the budget. Some of the major cuts include:

- 25 teachers (6% of the teaching staff)
- 24 support staff (11% of the support staff)
- 3 administrators (12% of the admin staff)
- Salary freeze for all employees with some taking a reduction in pay

We are on our own. State support and funding for education in Missouri is inadequate. Local revenue counts for 90 cents of every dollar spent on a child's education in Kirkwood School District.

The District projects expenditures will increase 3% annually, unless more cuts are made.

An increase in revenue (i.e. an operating tax levy) would support instruction, services, and programs for students, prevent further cuts and avoid deficit spending.

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 District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Mr. Michael Romay, Treasurer of Kirkwood School District R-7, 11289 Manchester Road, Kirkwood, Missouri 63122.

Basic Financial Statements

KIRKWOOD SCHOOL DISTRICT R-7

**STATEMENT OF NET POSITION
JUNE 30, 2016**

| | <u>Governmental Activities</u> |
|--|---|
| ASSETS: | |
| Cash and investments | \$ 24,513,250 |
| Cash and investments - restricted | 4,512,830 |
| Receivables: | |
| Taxes (net) | 1,817,422 |
| Interest and other | 1,208,933 |
| Prepaid items | 610,310 |
| Inventory | 245,457 |
| Capital assets: | |
| Land | 811,154 |
| Construction in progress | 502,947 |
| Other capital assets, net of accumulated depreciation | 94,834,167 |
| Total Assets | <u>129,056,470</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | |
| Deferred charge on refunding | 1,526,870 |
| Deferred amounts related to pensions | 14,954,034 |
| Total Deferred Outflows of Resources | <u>16,480,904</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 145,537,374</u> |
| LIABILITIES: | |
| Accounts payable | \$ 2,916,516 |
| Accrued wages | 350,366 |
| Unearned revenue | 141,905 |
| Medical benefits payable | 364,233 |
| Accrued interest | 746,386 |
| Long-term liabilities: | |
| Due within one year | 7,103,797 |
| Due in more than one year | 45,030,293 |
| Due in more than one year - net pension obligation | 53,048,924 |
| Due in more than one year - net OPEB obligation | 3,104,000 |
| Total Liabilities | <u>112,806,420</u> |
| DEFERRED INFLOWS OF RESOURCES: | |
| Deferred amounts related to pensions | 4,432,774 |
| NET POSITION: | |
| Net investment in capital assets | 48,674,630 |
| Restricted for: | |
| Debt service | 4,635,369 |
| Maintenance | 2,017,458 |
| Technology | 2,217,535 |
| Unrestricted | (29,246,812) |
| Total Net Position | <u>28,298,180</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 145,537,374</u> |

KIRKWOOD SCHOOL DISTRICT R-7

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | Expenses | Program Revenues | | | Net (Expense) |
|--|----------------------|--------------------------------------|--|--|---|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position |
| | | | | | Total Governmental Activities |
| GOVERNMENTAL ACTIVITIES: | | | | | |
| Instruction | \$ 44,874,199 | \$ 2,319,835 | \$ 5,099,104 | \$ 23,042 | \$ (37,432,218) |
| Guidance | 2,299,968 | - | - | - | (2,299,968) |
| Health services | 504,657 | - | - | - | (504,657) |
| Improvement of instruction | 445,864 | - | 141,745 | - | (304,119) |
| Professional development | 36,607 | - | - | - | (36,607) |
| Media services | 3,625,662 | - | - | - | (3,625,662) |
| Board of education services | 165,049 | - | - | - | (165,049) |
| General administration | 1,416,140 | - | - | - | (1,416,140) |
| Building level administration | 5,122,089 | - | - | - | (5,122,089) |
| Business, fiscal and internal services | 798,953 | 41,579 | - | - | (757,374) |
| Operation of plant | 7,162,049 | - | - | - | (7,162,049) |
| Security services | 556,544 | - | - | - | (556,544) |
| Transportation | 1,031,971 | 10,974 | 156,877 | - | (864,120) |
| Food service | 1,316,280 | 841,128 | 473,687 | - | (1,465) |
| Community services | 3,451,522 | 3,264,559 | 609,219 | - | 422,256 |
| Facilities | 3,616,383 | - | - | 3,720,179 | 103,796 |
| Debt services: | | | | | |
| Interest and other | 2,026,969 | - | - | - | (2,026,969) |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ 78,450,906 | \$ 6,478,075 | \$ 6,480,632 | \$ 3,743,221 | (61,748,978) |

General Revenues

Taxes:

| | |
|---|------------|
| Property taxes, levied for general purposes | 6,450,835 |
| Property taxes, levied for special revenue fund | 40,775,567 |
| Property taxes, levied for debt services | 4,571,211 |
| Property taxes, levied for capital projects | 5,009,548 |
| Sales tax | 4,677,133 |
| Financial Institution Tax/In Lieu of Tax/M&M Surtax | 2,151,648 |

Other taxes

| | |
|-------------------------------------|-----------|
| State assessed railroad and utility | 975,985 |
| Fines | 54,245 |
| State - basic formula | 997,159 |
| State - classroom trust fund | 1,920,435 |
| Investment earnings | 116,047 |
| Miscellaneous | 33,142 |

TOTAL GENERAL REVENUES 67,732,955

CHANGE IN NET POSITION 5,983,977

NET POSITION, BEGINNING OF YEAR 22,314,203

NET POSITION, END OF YEAR \$ 28,298,180

KIRKWOOD SCHOOL DISTRICT R-7

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016**

| | General | Special Revenue | Debt Service | Capital Projects | Total Governmental Funds |
|---------------------------------|----------------------|---------------------|---------------------|---------------------|--------------------------------|
| -- ASSETS -- | | | | | |
| Cash and investments | \$ 13,098,080 | \$ 2,313,504 | \$ 4,796,986 | \$ 4,304,680 | \$ 24,513,250 |
| Cash and investments-restricted | 4,512,769 | - | - | 61 | 4,512,830 |
| Receivables: | | | | | |
| Taxes (net) | 209,178 | 1,301,809 | 146,207 | 160,228 | 1,817,422 |
| Interest and other | 835,247 | 224,005 | 443 | - | 1,059,695 |
| Prepaid items | 610,310 | - | - | - | 610,310 |
| Inventory | 245,457 | - | - | - | 245,457 |
| TOTAL ASSETS | \$ 19,511,041 | \$ 3,839,318 | \$ 4,943,636 | \$ 4,464,969 | \$ 32,758,964 |

-- LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES --

LIABILITIES:

| | | | | | |
|------------------------------------|------------------|------------------|----------|----------------|------------------|
| Accounts payable | \$ 470,521 | \$ 1,876,572 | \$ - | \$ 569,423 | \$ 2,916,516 |
| Accrued wages | 261,319 | 89,047 | - | - | 350,366 |
| Unearned revenue | 141,905 | - | - | - | 141,905 |
| Medical benefits payable | 364,233 | - | - | - | 364,233 |
| Early retirement incentive payable | 80,000 | 496,000 | - | - | 576,000 |
| Total Liabilities | 1,317,978 | 2,461,619 | - | 569,423 | 4,349,020 |

DEFERRED INFLOWS OF RESOURCES:

| | | | | | |
|--------------------------------------|---------|-----------|---------|---------|-----------|
| Unavailable revenue - property taxes | 188,325 | 1,172,034 | 131,632 | 144,255 | 1,636,246 |
|--------------------------------------|---------|-----------|---------|---------|-----------|

FUND BALANCES:

| | | | | | |
|--|-------------------|----------------|------------------|------------------|-------------------|
| Nonspendable: | | | | | |
| Prepaid items | 610,310 | - | - | - | 610,310 |
| Inventory | 245,457 | - | - | - | 245,457 |
| Restricted for: | | | | | |
| Certificated employees' compensation and benefits | - | 205,665 | - | - | 205,665 |
| Debt service | - | - | 4,812,004 | - | 4,812,004 |
| Bond proceeds | - | - | - | 61 | 61 |
| Maintenance | - | - | - | 1,945,331 | 1,945,331 |
| Technology | 2,145,408 | - | - | - | 2,145,408 |
| Committed: | | | | | |
| Self funded insurance | 4,148,536 | - | - | - | 4,148,536 |
| Assigned: | | | | | |
| Kirkwood Early Childhood Center | 581,230 | - | - | - | 581,230 |
| Student activities | 1,671,894 | - | - | - | 1,671,894 |
| Capital projects | - | - | - | 1,805,899 | 1,805,899 |
| Subsequent year's budget | 190,010 | - | - | - | 190,010 |
| Unassigned | 8,411,893 | - | - | - | 8,411,893 |
| Total Fund Balances | 18,004,738 | 205,665 | 4,812,004 | 3,751,291 | 26,773,698 |

**TOTAL LIABILITIES, DEFERRED
INFLOWS OF RESOURCES
AND FUND BALANCES**

| | | | | |
|----------------------|---------------------|---------------------|---------------------|----------------------|
| \$ 19,511,041 | \$ 3,839,318 | \$ 4,943,636 | \$ 4,464,969 | \$ 32,758,964 |
|----------------------|---------------------|---------------------|---------------------|----------------------|

KIRKWOOD SCHOOL DISTRICT R-7

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2016

| | |
|--|----------------------|
| TOTAL FUND BALANCE - GOVERNMENTAL FUNDS | \$ 26,773,698 |
| Amounts reported for <i>governmental activities</i> in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$132,769,445 and the accumulated depreciation is \$36,621,177. | 96,148,268 |
| Property taxes and other receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. | 1,636,246 |
| To recognize interest accrual to year end on general obligation bonds, leasehold revenue bonds, and obligations under capital leases. In governmental funds, interest on long-term debt is recognized as an expenditure when due. | (746,386) |
| To recognize federal interest subsidy which is not a current financial resource and therefore is not reported in the funds. | 149,238 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Discounts, premiums, and deferred amount on refunding are reported in the governmental fund financial statements when the debt was issued whereas these amounts are deferred and amortized over the life of the debt as an adjustment to interest expense on the government-wide financial statements. | |
| General obligation bonds | (27,255,000) |
| Facilities authority leasehold revenue bonds | (19,490,000) |
| Early retirement incentive | (1,732,000) |
| Compensated absences (vacations) | (825,521) |
| Unamortized bond premium | (2,050,503) |
| Deferred amount on refunding | 1,526,870 |
| Capital lease obligation | (205,066) |
| OPEB obligation | <u>(3,104,000)</u> |
| Total | (53,135,220) |
| The District is required to recognize a liability equal to the net pension liability in the statement of net position. In governmental fund financial statements, a net pension liability should be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources. The pension expense and deferred outflows of resources and deferred inflows of resources related to pensions in the government-wide financial statements primarily result from changes in the components of the net pension liability. Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources. Amounts as of June 30, 2016 are as follows: | |
| Net pension obligation – PSRS | (49,121,267) |
| Net pension obligation – PEERS | (3,927,657) |
| Deferred outflows of resources – PSRS | 13,918,489 |
| Deferred outflows of resources – PEERS | 1,035,545 |
| Deferred inflows of resources – PSRS | (3,986,615) |
| Deferred inflows of resources - PEERS | <u>(446,159)</u> |
| Total | <u>(42,527,664)</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ 28,298,180 |

KIRKWOOD SCHOOL DISTRICT R-7

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | General | Special Revenue | Debt Service | Capital Projects | Total Governmental Funds |
|--|-------------------|----------------------------|-------------------------|-----------------------------|---|
| REVENUES: | | | | | |
| Local sources: | | | | | |
| Property taxes | \$ 8,338,700 | \$ 40,540,624 | \$ 4,553,592 | \$ 4,990,238 | \$ 58,423,154 |
| Sales taxes | 2,923,208 | 1,753,925 | - | - | 4,677,133 |
| Investment income | 62,945 | 35,834 | 17,055 | 213 | 116,047 |
| Food service | 841,128 | - | - | - | 841,128 |
| Student activities | 2,319,835 | - | - | - | 2,319,835 |
| Community services | 3,264,559 | - | - | - | 3,264,559 |
| Voluntary transfer program | 1,300,145 | - | - | - | 1,300,145 |
| Tuition from other districts | 1,288,731 | - | - | - | 1,288,731 |
| Other local | 416,992 | - | - | 3,725,039 | 4,142,031 |
| Total Local | 20,756,243 | 42,330,383 | 4,570,647 | 8,715,490 | 76,372,763 |
| County sources: | | | | | |
| State assessed utilities | 105,975 | 659,533 | 115,920 | 94,557 | 975,985 |
| Other county | 3,958 | 54,245 | - | - | 58,203 |
| Total County | 109,933 | 713,778 | 115,920 | 94,557 | 1,034,188 |
| State sources: | | | | | |
| Basic formula | 249,289 | 747,870 | - | - | 997,159 |
| State grants and contributions | 3,304,934 | 1,056,812 | - | - | 4,361,746 |
| Total State | 3,554,223 | 1,804,682 | - | - | 5,358,905 |
| Federal grants and contributions | 656,730 | 367,620 | 429,747 | 23,042 | 1,477,139 |
| Total Revenues | 25,077,129 | 45,216,463 | 5,116,314 | 8,833,089 | 84,242,995 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction | 4,570,881 | 39,430,105 | - | - | 44,000,986 |
| Guidance | 194,605 | 2,187,763 | - | - | 2,382,368 |
| Health services | 500,047 | - | - | - | 500,047 |
| Improvement of instruction | 204,126 | 235,045 | - | - | 439,171 |
| Professional development | 6,820 | 29,787 | - | - | 36,607 |
| Media services | 2,225,983 | 1,017,647 | - | - | 3,243,630 |
| Board of Education services | 165,049 | - | - | - | 165,049 |
| General administration | 936,442 | 532,127 | - | - | 1,468,569 |
| Building level administration | 2,558,216 | 2,588,216 | - | - | 5,146,432 |
| Business, fiscal and internal services | 913,384 | - | - | - | 913,384 |
| Operation of plant | 6,989,221 | - | - | - | 6,989,221 |
| Security services | 511,351 | - | - | - | 511,351 |
| Transportation | 1,031,971 | - | - | - | 1,031,971 |
| Food service | 1,317,662 | - | - | - | 1,317,662 |
| Community services | 3,294,154 | 121,606 | - | - | 3,415,760 |
| Facility projects | - | - | - | - | - |
| Capital outlay | - | - | - | 6,089,535 | 6,089,535 |
| Debt services: | | | | | |
| Principal retirements | - | - | 5,355,000 | 69,533 | 5,424,533 |
| Interest | - | - | 2,161,767 | 2,867 | 2,164,634 |
| Other charges | - | - | 592 | 3,836 | 4,428 |
| Total Expenditures | 25,419,912 | 46,142,296 | 7,517,359 | 6,165,771 | 85,245,338 |

KIRKWOOD SCHOOL DISTRICT R-7

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | General | Special Revenue | Debt Service | Capital Projects | Total Governmental Funds |
|---|----------------|----------------------------|-------------------------|-----------------------------|---|
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (342,783) | (925,833) | (2,401,045) | 2,667,318 | (1,002,343) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in (out) | - | - | 2,498,590 | (2,498,590) | - |
| NET CHANGE IN FUND BALANCES | (342,783) | (925,833) | 97,545 | 168,728 | (1,002,343) |
| FUND BALANCES, BEGINNING OF YEAR | 18,347,521 | 1,131,498 | 4,714,459 | 3,582,563 | 27,776,041 |
| FUND BALANCES, END OF YEAR | \$ 18,004,738 | \$ 205,665 | \$ 4,812,004 | \$ 3,751,291 | \$ 26,773,698 |

KIRKWOOD SCHOOL DISTRICT R-7

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (1,002,343)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

| | | |
|-------------------------|--------------------|---------|
| Capital asset purchases | 5,001,661 | |
| Depreciation expense | <u>(4,331,997)</u> | 669,664 |

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. The net effect of these amounts are:

| | | |
|--------------------------|-----------------|---------|
| Property taxes | 203,372 | |
| Federal interest subsidy | <u>(11,484)</u> | 191,888 |

The governmental funds report debt proceeds and inception of capital leases as an other financing source, while repayment of principal is reported as an expenditure. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds financial statements but reduces the long-term liabilities in the Statement of Net Position.

| | | |
|------------------------|------------------|-----------|
| Repayment of principal | <u>5,424,533</u> | 5,424,533 |
|------------------------|------------------|-----------|

Under the modified accrual basis of accounting used in governmental funds reported in the operating statement, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

The net effect of these differences is as follows:

| | | |
|---|------------------|---------|
| Compensated absences | 56,999 | |
| Early retirement incentive | (860,000) | |
| Other post employment benefit obligation | (582,000) | |
| Pension expense - PSRS | 1,581,041 | |
| Pension expense - PEERS | 362,373 | |
| Accrued interest on outstanding debt | 68,134 | |
| Premium on debt issuance, net of amortization | 243,611 | |
| Deferred amount on refunding, net of amortization | <u>(169,652)</u> | 700,506 |

In the Statement of Activities, the gain or (loss) on the disposition of capital assets is reported. The fund financial statements recognize only the proceeds from the sale of those assets.

(271)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 5,983,977

KIRKWOOD SCHOOL DISTRICT R-7

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Kirkwood School District R-7 (the "District") operates under the regulations pursuant to Section 162.092 RSMo of the Public School Laws of Missouri, which designates a Board of Education to act as the governing authority. The District provides educational services.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The basic financial statements of the reporting entity include those of the Kirkwood School District (the primary government) and the Kirkwood School District Educational Facilities Authority (the "Authority"). A component unit is a legally separate organization for which the primary government is financially accountable or closely related. The Authority has been determined to be a component unit of the District. Its purpose is to act on behalf of the District in its acquisition, construction, improvement, extension, repair, remodeling, renovation and financing of capital improvement projects. The financial information of the Authority has been incorporated into the District's financial statements using the blending method. Under the blending method, transactions of a component unit are presented as if they were executed directly by the primary government. Complete financial statements of the Authority are as shown in the supplementary information following these Notes to Basic Financial Statements.

Additionally, while the parent-teacher organizations of the District's schools and the Kirkwood School District Foundation are organizations that provide financial support exclusively to the District, they are not required to be included as a component unit because the amount of financial support provided is of a de minimus nature.

Fund Accounting

The accounts of the District are organized on the basis of legally established funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. District resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The District's policy is to close all encumbrances at the end of each fiscal year. The following fund types are used by the District:

Governmental Funds

Governmental Funds are those through which most functions of the District are financed. The District's expendable financial resources are accounted for through Governmental Funds. The measurement focus is upon determination of changes in the financial position rather than upon net income determination. The following are the District's governmental fund types, each of which the District considers to be a major fund:

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

General Fund

This fund is the general operating fund of the District and accounts for expenditures for noncertified employees, pupil transportation costs, operation of plant, fringe benefits, student body activities, community services, the food service program and any expenditures not required or permitted to be accounted for in other funds.

Special Revenue Fund

A special revenue fund accounts for revenues derived from specific taxes or other earmarked revenue sources. The Special Revenue Fund accounts for expenditures for certified employees involved in administration and instruction, and includes revenues restricted by the state and local tax levy allocations for the payment of teacher salaries and certain benefits.

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, principal, interest and fiscal charges on long-term debt.

Capital Projects Fund

This fund is used to account for the proceeds of long-term debt, taxes and other revenues restricted for acquisition or construction of major capital assets.

Basis of Presentation

Government-wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions.

The government-wide statements are prepared using the economic resources measurement focus. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The statement of net position 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 function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* include (a) charges paid by the students for tuition, fees, or goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

program revenues are presented as general revenues and include all property taxes. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

The fund financial statements provide information about the District's funds. A balance sheet and statement of revenues, expenditures and changes in fund balances are presented. The emphasis of fund financial statements is on *major* governmental funds, each displayed in a separate column. The District considers each of its funds to be major.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are the balance sheet, which generally include only current assets, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Measurement Focus and 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.

Revenues - Exchange and Non-Exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current 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 generally means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

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

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met and recorded as unearned revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Costs are not allocated between functions.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are payable by December 31. The County collects the property tax and remits it to the District. The District believes all property taxes are collectible; therefore, no allowance for uncollectible taxes has been provided.

The assessed valuations of the tangible taxable property for the calendar years 2015 and 2014 for purposes of local taxation were \$1,299,598,950 and \$1,260,364,990, respectively.

The blended tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2015 and 2014 for purposes of local taxation were:

| | <u>December 31, 2015</u> | <u>December 31, 2014</u> |
|-----------------------|---------------------------------|---------------------------------|
| General Fund | \$0.5222 | \$0.8222 |
| Special Revenue Fund | 3.2499 | 3.0000 |
| Capital Projects Fund | 0.4000 | 0.4000 |
| Debt Service Fund | 0.3650 | 0.3650 |
| Total | <u>\$4.5371</u> | <u>\$4.5872</u> |

The receipts of current property taxes during the fiscal year ended June 30, 2016, aggregated approximately 96.4% of the current assessment computed on the basis of the levy as shown above.

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

Pooled Cash and Temporary Investments

Cash resources are combined to form a pool of cash and temporary investments which is managed by the District Treasurer, except resources from the Debt Service Fund, as state law requires these deposits to be separately maintained.

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

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

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

Prepaid Items

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

Inventory

Inventories are stated at cost, which approximates market on a first-in/first out (FIFO) basis. The District uses the purchase method of accounting for inventory. Items purchased are recorded as expenditures when purchased with the expenditure being adjusted at year end depending on the change in inventory level.

Capital Assets

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

All capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 for financial reporting purposes. The District maintains an inventory of removable electronic equipment with a useful life of two years for tracking purposes. The District does not possess any infrastructure.

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

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed and placed in service. Improvements are depreciated over the remaining useful lives of the related capital assets. Interest incurred during construction is not capitalized. Except for land, all reported capital assets are depreciated. Depreciation is calculated using the straight-line method over the following useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------------|--------------|
| Land improvements | 15 - 20 |
| Building improvements | 15 - 20 |
| Buildings | 40 |
| Machinery and equipment | 5 - 20 |

Compensated Absences

Vacation time earned but unused at year end has been recorded as an expense/expenditure in the government-wide financial statements. In accordance with GASB Interpretation 6, no liability is required to be reported in the governmental fund level financial statements.

Sick leave is considered an expenditure in the year paid. Amounts which are unused and vested in the employee are payable upon retirement, but are forfeited upon any other type of termination. The amount of unpaid sick leave subject to accrual which is not included in the accompanying financial statements has not been determined; however, the District considers the amount to be immaterial.

Pensions

The District records a net pension obligation in the government-wide financial statements for defined benefit plans. The liability is calculated as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. Actuarial valuations of the total pension liability are required to be performed as least every two years.

In the government-wide financial statements, components of pension expense that are recognized over a period of time are classified as either deferred outflows of resources (using plan assets that are applicable to a future reporting period) or deferred inflows of resources (acquiring plan assets that are applicable to a future reporting period). Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources.

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

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

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

Details of the District's defined benefit plans are provided in Note 6.

Other Post Employment Benefit Obligation

The District calculates and records a net other post employment benefit obligation (OPEB) in the government-wide financial statements. The net OPEB is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since July 1, 2008, the effective date of implementation. Details relating to the District's post-retirement health care benefits provided, OPEB liability, and its calculations are provided in Note 11.

Restricted Cash and Investments

Restricted cash and investments represent amounts whose use is limited by legal requirements and consist of amounts held by the District for self-insurance as discussed in Note 9.

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 will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds, capital leases and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method, which is not materially different from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the government-wide financial statements, the deferred amount on refunding is recorded as a deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow (expense/expenditure) until then. The deferred amount on refunding is computed as the difference between the reacquisition price and the net carrying amount of the old debt. This deferred amount on refunding is amortized as a component of interest expense over the remaining life of the bonds using the straight-line method, since results of the straight-line method are not materially different from the effective interest method.

In the fund financial statements, the deferred amount on refunding is not recorded in governmental funds.

Governmental Fund Balances

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

Nonspendable - This consists of the governmental fund balances that are not in spendable form or legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items and inventory.

Restricted - This consists of the governmental fund balances that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The District's restricted funds consist of bond proceeds, debt service and various taxes approved by voters for specific purposes.

Committed - This consists of the governmental fund balances that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the Board of Education, the District's highest level of decision-making authority. The District's committed fund balance consists of monies available for the District's self-insurance program.

Assigned - This consists of the governmental fund balances that are intended to be used for specific purposes by a) Board of Education or b) Superintendent. The District's assigned fund balance includes tuition, student activities, capital projects and amounts budgeted in the subsequent year.

Unassigned - This consists of the governmental funds that do not meet the definition of "nonspendable," "restricted," "committed," or "assigned."

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

The District's policy is to maintain sufficient financial reserves to provide for prudent financial management and for adequacy of cash flow to support operations. The District strives to maintain a minimum unassigned fund balance in its operating funds equal to 20% of its operating budget.

Net Position

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

Use of Restricted Resources

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

Interfund Activity

Interfund 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.

During the current year, the Authority made transfers between the Debt Service Fund and Capital Projects Fund to eliminate payments from the District under the Capital Projects Fund to the Authority's Debt Service Fund.

Estimates

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

2. CASH AND INVESTMENTS

The District is governed by the deposit and investment limitations of state law. The depository bank is to pledge securities in addition to Federal Deposit Insurance Corporation (FDIC) insurance at least equal to the amount on deposit at all times in accordance with sections 110.010 and 110.020 of the Missouri Revised Statutes. The District may invest the funds in bonds or any instrument permitted by law for the investment of state monies in accordance with section 165.051 of the Missouri Revised Statutes.

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

The deposits and investments held at June 30, 2016 are as follows:

| <u>Type</u> | <u>Carrying Value</u> |
|--|-----------------------|
| Kirkwood School District | |
| Deposits: | |
| Demand deposits | \$ 12,814,421 |
| Money market | 8,439,573 |
| Nonnegotiable certificates of deposit | 7,522,950 |
| | <u>28,776,944</u> |
| Investments: | |
| Negotiable certificates of deposit | 249,075 |
| Total District Deposits and Investments | <u>29,026,019</u> |
| Kirkwood School District Educational Facilities Authority | |
| Investments: | |
| Money market mutual funds | 61 |
| Total Deposits and Investments | <u>\$ 29,026,080</u> |
| Reconciliation to financial statements: | |
| Current: | |
| Cash and investments | \$ 24,513,250 |
| Cash and investments - restricted | 4,512,830 |
| | <u>\$ 29,026,080</u> |

The District has the following fair value measurements as of June 30, 2016:

- Money market mutual funds of the Facilities Authority are valued using quoted market prices (Level 1 inputs).
- Negotiable certificates of deposit are valued using a matrix pricing model (Level 2 inputs).

Custodial Credit Risk - Deposits - For a deposit, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy addressing custodial credit risk for deposits. As of June 30, 2016, the District's bank balance was not exposed to custodial credit risk.

Custodial Credit Risk - Investments - For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the District or its agent but not in the government's name. The District does not have a policy addressing custodial credit risk for investments. At June 30, 2016, all of the District's investments are registered in the name of the District or of a type that are not exposed to custodial credit risk.

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

Investment Interest Rate Risk - Investment interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at June 30, 2016 are as follows:

| Investment Type | Fair Value | Investment Maturities (In Years) | |
|------------------------------------|-------------------|-------------------------------------|-------------------|
| | | Less than 1 | 1-4 |
| Negotiable certificates of deposit | \$ 249,075 | \$ - | \$ 249,075 |
| * Money market mutual funds | 61 | 61 | - |
| | <u>\$ 249,136</u> | <u>\$ 61</u> | <u>\$ 249,075</u> |

* Represents investments of the Facilities Authority.

** Callable in less than a year.

Investment Credit Risk - The District has no investment policy that limits its investment choices other than the limitation of state law, as documented above. At June 30, 2016, the District's investments were rated as follows:

| Description | Financial Institution | Amount | Rating |
|---------------------------------------|-----------------------------|------------|---------|
| Negotiable certificates of deposit | Multi-Bank Securities, Inc. | \$ 249,075 | Unrated |
| * Federal Government Tax Managed Fund | UMB Corporate Trust | 61 | AAA |

* Represents investments of the Facilities Authority.

Concentration of Investment Credit Risk - Concentration of credit risk is required to be disclosed by the District for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the US Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The District does not have a policy on limiting the amount it may invest in any one issuer. At June 30, 2016, all of the District's investments were negotiable certificates of deposit.

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

| | Ending Balance June 30, 2015 | Additions | Disposals | Transfers In/(Out) | Ending Balance June 30, 2016 |
|--|---|--------------------|------------------|-------------------------------|---|
| <i>Capital Assets, Not Being Depreciated:</i> | | | | | |
| Land | \$ 811,154 | \$ - | \$ - | \$ - | \$ 811,154 |
| Construction In Progress | 7,578,278 | 4,405,617 | - | (11,480,948) | 502,947 |
| Total Capital Assets, Not Being Depreciated | 8,389,432 | 4,405,617 | - | (11,480,948) | 1,314,101 |
| <i>Capital Assets, Being Depreciated:</i> | | | | | |
| <i>Land Improvements:</i> | | | | | |
| Land Improvements | 8,732,951 | 201,424 | - | - | 8,934,375 |
| <i>Buildings:</i> | | | | | |
| Building Components | 94,713,262 | 172,004 | 215,855 | 11,480,948 | 106,150,359 |
| <i>Equipment:</i> | | | | | |
| Machinery & Equipment | 15,855,267 | 222,616 | 13,217 | - | 16,064,666 |
| Vehicle | 305,944 | - | - | - | 305,944 |
| | 16,161,211 | 222,616 | 13,217 | - | 16,370,610 |
| Total Capital Assets, Being Depreciated | 119,607,424 | 596,044 | 229,072 | 11,480,948 | 131,455,344 |
| <i>Accumulated Depreciation:</i> | | | | | |
| <i>Land and Improvements:</i> | | | | | |
| Land Improvements | 2,463,301 | 303,494 | - | - | 2,766,795 |
| <i>Buildings:</i> | | | | | |
| Building Components | 19,927,118 | 3,111,256 | 215,855 | - | 22,822,519 |
| <i>Equipment:</i> | | | | | |
| Machinery & Equipment | 9,857,814 | 895,146 | 12,946 | - | 10,740,014 |
| Vehicle | 269,748 | 22,101 | - | - | 291,849 |
| | 10,127,562 | 917,247 | 12,946 | - | 11,031,863 |
| Total Accumulated Depreciation | 32,517,981 | 4,331,997 | 228,801 | - | 36,621,177 |
| Total Capital Assets, Being Depreciated, Net | 87,089,443 | (3,735,953) | 271 | 11,480,948 | 94,834,167 |
| Capital Assets, Net Of Accumulated Depreciation | \$ 95,478,875 | \$ 669,664 | \$ 271 | \$ - | \$ 96,148,268 |
| <i>Depreciation Allocation:</i> | | | | | |
| Instruction | \$ 662,689 | | | | |
| Media services | 69,684 | | | | |
| Building level administration | 47,390 | | | | |
| Business, fiscal and internal services | 24,566 | | | | |
| Operation of plant | 41,462 | | | | |
| Security services | 48,817 | | | | |
| Food service | 13,113 | | | | |
| Community services | 104,613 | | | | |
| Facility projects | 3,319,663 | | | | |
| Total Depreciation Expense | \$ 4,331,997 | | | | |

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

4. GENERAL LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

A summary of changes in long-term liabilities (excluding the Kirkwood School District Facilities Authority leasehold revenue bonds) for the year ended June 30, 2016 is as follows:

| | Balance July 1, 2015 | Additions | Deductions | Balance June 30, 2016 | Amounts Due Within One Year |
|---------------------------------|-------------------------------------|---------------------|---------------------|--------------------------------------|--|
| Bonds payable | \$ 30,930,000 | \$ - | \$ 3,675,000 | \$ 27,255,000 | \$ 3,830,000 |
| Capital lease obligations | 274,599 | - | 69,533 | 205,066 | 67,354 |
| Early retirement payable | 1,504,000 | 1,548,000 | 744,000 | 2,308,000 | 980,000 |
| Compensated absences (vacation) | 882,520 | 473,722 | 530,721 | 825,521 | 496,443 |
| | 33,591,119 | <u>\$ 2,021,722</u> | <u>\$ 5,019,254</u> | 30,593,587 | <u>\$ 5,373,797</u> |
| Add: Unamortized premium, net | <u>15,560</u> | | | <u>-</u> | |
| Total | <u>\$ 33,606,679</u> | | | <u>\$ 30,593,587</u> | |

Payments on the general obligation bonds are made by the debt service fund. The obligations under capital leases are paid by the capital projects fund. The compensated absences (vacation) will be paid by the fund in which the employee worked and the early retirement will be paid by the general fund.

Bonds Payable

Bonds payable at June 30, 2016 consist of:

\$33,575,000 taxable general obligation bonds,
Series 2010 (Build America Bonds); issued on
December 21, 2010; due in varying installments
through February 15, 2023; interest at a variable
rate ranging from 1.682% to 5.192% and is payable
on February 15 and August 15 of each year

\$27,255,000

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

General Obligation Bonds

General obligation bonds are supported by a pledge of the District's full faith and credit. These bonds were originally issued to finance various capital projects.

The annual requirements to amortize bonded debt outstanding as of June 30, 2016, is as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-----------------------------|----------------------|---------------------|----------------------|
| 2017 | \$ 3,830,000 | \$ 1,220,013 | \$ 5,050,013 |
| 2018 | 4,010,000 | 1,076,771 | 5,086,771 |
| 2019 | 4,120,000 | 908,672 | 5,028,672 |
| 2020 | 4,330,000 | 729,781 | 5,059,781 |
| 2021 | 4,460,000 | 535,278 | 4,995,278 |
| 2022-2023 | 6,505,000 | 420,250 | 6,925,250 |
| Total | \$ 27,255,000 | \$ 4,890,765 | \$ 32,145,765 |

Legal Debt Margin

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a District to fifteen (15%) percent of the assessed valuation of the District (including State assessed railroad and utility). The legal debt margin, computed excluding the assessed valuation of State assessed railroad and utilities, of the District at June 30, 2016, was:

| | |
|---------------------------------------|---------------------------|
| Constitutional debt limit | \$ 194,939,843 |
| General obligation bonds payable | (27,255,000) |
| Amount available in Debt Service Fund | <u>4,812,004</u> |
| Legal Debt Margin | <u>\$ 172,496,847</u> |

Capital Leases

The District leases certain equipment under agreements classified as capital leases for the purchase of computer equipment and copiers. The cost for such equipment as of June 30, 2016 was approximately \$510,675 of which \$448,587 is capitalized as Machinery and Equipment and the accumulated depreciation is \$184,685.

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2016:

| <u>Year Ending June 30,</u> | |
|--|--------------------------|
| 2017 | \$ 70,389 |
| 2018 | 70,389 |
| 2019 | <u>70,387</u> |
| Total future minimum lease payments | 211,165 |
| Less amount representing interest | <u>(6,099)</u> |
| Present value of future minimum lease payments | <u><u>\$ 205,066</u></u> |

Early Retirement Incentive

The District has an early retirement incentive program (ERIP), in which retirees must work 180 hours over three years to receive wage and/or health insurance premium payments. Payments to retirees cease three years after they begin; however, for the years ended June 30, 2011 and June 30, 2014, the District enhanced the insurance benefits for certified employees from three to five years. There are currently 39 certified and 13 noncertified employees participating in the District's ERIP. As of June 30, 2016, 21 of the current participating retirees have met the 180 hour requirement. If all employees work the 180 hour requirement, the District will owe \$2,308,000 as follows:

| <u>Fiscal Year Ending June 30,</u> | |
|------------------------------------|----------------------------|
| 2017 | \$ 980,000 |
| 2018 | 728,000 |
| 2019 | <u>600,000</u> |
| | <u><u>\$ 2,308,000</u></u> |

5. KIRKWOOD SCHOOL DISTRICT EDUCATIONAL FACILITIES AUTHORITY

The Kirkwood School District adopted a resolution approving the formation of the Kirkwood School District Educational Facilities Authority (the "Authority") on February 19, 2002. The Authority is organized under the not for profit provisions of Chapter 355, revised statutes of Missouri (1986) as amended, for the purpose of acting on behalf of the Kirkwood School District (the "District") in its acquisition, construction, improvement, extension, repair, remodeling, renovation and financing of capital improvement projects, and other purposes as specified in the Authority's Articles of Incorporation.

On August 1, 2005, the District leased to the Authority the Kirkwood High School in exchange for issuing bonds. The District also authorized the Authority to issue \$30,335,000 principal amount of Leasehold Revenue Bonds ("2005B Bonds"). On April 24, 2013, the Authority issued \$20,110,000 principal amount of Leasehold Refunding Revenue Bonds ("2013 Bonds") to advance refund \$23,520,000 of the outstanding Series 2005B Bonds.

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

On April 14, 2014, the District authorized the Authority to issue \$3,565,000 principal amount of Leasehold Revenue Bonds ("2014 Bonds") for certain project additions.

The District executed a lease agreement dated August 1, 2005, as amended May 1, 2013 and April 29, 2014, between the Authority and the District under which the Authority will lease the Kirkwood High School to the District. The term of the lease expires on February 16, 2025. Rental payments will be determined annually based on the amount of monies necessary for the payment of bond principal and interest on the outstanding bonds when due, less amounts held by the Authority in its Bond Fund and Bond Reserve Fund. The District is also obligated to make additional payments for costs specified in the lease agreement. The Authority has agreed to convey to the District title to the Kirkwood High School at the expiration of the lease term following full payment of the outstanding bonds.

The following is a summary of bond transactions for the year ended June 30, 2016:

| | Balance July 1, 2015 | Additions | Deductions | Balance June 30, 2016 | Amounts Due Within One Year |
|---------------------------------|-------------------------------------|------------------|-------------------|--------------------------------------|--|
| Leasehold revenue bonds payable | \$ 21,170,000 | \$ - | \$ 1,680,000 | \$ 19,490,000 | \$ 1,730,000 |
| | 21,170,000 | \$ - | \$ 1,680,000 | 19,490,000 | \$ 1,730,000 |
| Add: Unamortized premium, net | <u>2,278,554</u> | | | <u>2,050,503</u> | |
| Total | <u>\$ 23,448,554</u> | | | <u>\$ 21,540,503</u> | |

Bonds Payable

Bonds payable at June 30, 2016 consist of:

| | |
|---|----------------------------|
| \$20,110,000 leasehold revenue refunding bonds, Series 2013; issued on April 24, 2013; due in varying installments through February 15, 2025; interest at a variable rate ranging from 2.00% to 5.00% and is payable on February 15 and August 15 of each year | \$17,100,000 |
| \$3,565,000 leasehold revenue bonds, Series 2014; issued on April 14, 2014; due in varying installments through February 15, 2025; interest at a variable rate ranging from 2.00% to 2.65% and is payable on February 15 and August 15 of each year | <u>2,390,000</u> |
| Total bonds payable at June 30, 2016 | <u>\$19,490,000</u> |

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

Leasehold Revenue Bonds

The following are the annual debt service requirements of the bonds:

| Year Ending June 30, | Principal | Interest | Total |
|-----------------------------|----------------------|---------------------|----------------------|
| 2017 | \$ 1,730,000 | \$ 762,590 | \$ 2,492,590 |
| 2018 | 1,845,000 | 691,840 | 2,536,840 |
| 2019 | 1,930,000 | 603,940 | 2,533,940 |
| 2020 | 2,055,000 | 529,540 | 2,584,540 |
| 2021 | 2,155,000 | 432,640 | 2,587,640 |
| 2022-2025 | 9,775,000 | 888,650 | 10,663,650 |
| Total | \$ 19,490,000 | \$ 3,909,200 | \$ 23,399,200 |

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

6. RETIREMENT PLANS

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

General Information about the Pension Plans

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

PEERS is a mandatory cost-sharing multiple employer retirement system for all public school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators, and community college employees (except the Community College of St. Louis). Employees of covered districts who work 20 or more hours per week on a

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

regular basis and who are not contributing members of the Public School Retirement System of Missouri (PSRS) must contribute to PEERS. Employees of PSRS who do not hold Missouri educator certificates also contribute to PEERS. PEERS was established as a trust fund by an Act of the Missouri General Assembly effective October 13, 1965. Statutes governing the System are found in Sections 169.600 - 169.715 and Sections 169.560-169.595 RSMo. The statutes place responsibility for the operation of PEERS on the Board of Trustees of the Public School Retirement System of Missouri.

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

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

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

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

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

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

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

The district's contributions to PSRS and PEERS were \$5,586,614 and \$763,839, respectively, for the year ended June 30, 2016.

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

At June 30, 2016, the District recorded a liability of \$49,121,267 for its proportionate share of PSRS' net pension liability and \$3,927,657 for its proportionate share of PEERS' net pension liability. In total the district recorded net pension liabilities of \$53,048,924. The net pension liability for the plans in total was measured as of June 30, 2015, and determined by an actuarial valuation as of that date. The District's proportionate share of the total net pension liability was based on the ratio of its actual contributions paid to PSRS and PEERS of \$5,586,614 and \$763,839, respectively, for the year ended June 30, 2015, relative to the actual contributions of \$656,578,122 for PSRS and \$102,864,099 for PEERS from all participating employers. At June 30, 2015, the district's proportionate share was 0.8509% for PSRS and 0.7426% for PEERS.

For the year ended June 30, 2016, the District recognized government-wide pension expense of \$4,154,367 for PSRS and \$414,534 for PEERS, its proportionate share of the total pension expense. The District also recognized expense of \$119 for contributions to PSRS related to employee reciprocity and other service transfers.

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

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

| Balance of Deferred Outflows and Inflows Due to: | PSRS | | PEERS | | District Total | |
|---|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 5,635,106 | \$ - | \$ 254,590 | \$ 55,049 | \$ 5,889,696 | \$ 55,049 |
| Changes in assumptions | - | - | - | - | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 3,986,615 | - | 360,993 | - | 4,347,608 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 2,547,975 | - | 4,048 | 30,117 | 2,552,023 | 30,117 |
| Employer contributions subsequent to the measurement date | 5,735,408 | - | 776,907 | - | 6,512,315 | - |
| Total | \$ 13,918,489 | \$ 3,986,615 | \$ 1,035,545 | \$ 446,159 | \$ 14,954,034 | \$ 4,432,774 |

Amounts reported as deferred outflows of resources resulting from contribution subsequent to the measurement date of June 30, 2015, will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as collective deferred (inflows) / outflows of resources will be recognized in pension expense as follows:

| Fiscal Year Ending June 30, | PSRS | PEERS | District Total |
|------------------------------------|---------------------|---------------------|-----------------------|
| 2017 | \$ (445,053) | \$ (142,509) | \$ (587,562) |
| 2018 | (445,053) | (142,509) | (587,562) |
| 2019 | (445,053) | (122,345) | (567,398) |
| 2020 | 3,752,110 | 219,842 | 3,971,952 |
| 2021 | 1,237,089 | - | 1,237,089 |
| Thereafter | 542,426 | - | 542,426 |
| Total | \$ 4,196,466 | \$ (187,521) | \$ 4,008,945 |

Actuarial Assumptions

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

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

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

| | |
|--|---|
| Measurement date | June 30, 2015 |
| Valuation date | June 30, 2015 |
| Expected return on investments | 8.00 %, net of investment expenses and including 2.5% inflation |
| Inflation | 2.50% |
| Total payroll growth | <p>PSRS 3.50% per annum, consisting of 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.</p> <p>PEERS 3.75% per annum, consisting of 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.</p> |
| Future salary increases | <p>PSRS 4.00% - 10.00%, depending on service and including 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.00% to 7.00%.</p> <p>PEERS 5.00% - 12.00%, depending on service and including 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.75% to 8.75%.</p> |
| Cost-of-living increases | <p>PSRS 2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increase.</p> <p>PEERS 2.0% compounded annually, beginning on the fourth January after retirement and capped at 80% lifetime increase.</p> |
| Mortality assumptions: | |
| Actives | <p>PSRS RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.</p> <p>PEERS RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.</p> |
| Non-disabled retirees, beneficiaries and survivors | <p>PSRS RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.</p> <p>PEERS RP 2000 Mortality Table set back one year for both males and no set back / forward for females, then projected to 2016 using Scale AA.</p> |
| Disabled retirees | RP 2000 Disabled Mortality Table |
| Changes in Actuarial Assumptions and Methods | There were no changes in actuarial assumptions or methods for the June 30, 2015 valuation. |
| Fiduciary net position | The Systems issue a publicly available financial report that can be obtained at www.psr-peers.org . |
| Expected rate of return | The long-term expected rate of return on Systems' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems' target allocation as of June 30, 2015 is summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cash flows. |

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

| Asset Class | Target Asset Allocation | Long-Term Expected Real Return Arithmetic Basis | Weighted Long-Term Expected Real Return Arithmetic Basis |
|------------------------|--------------------------------|--|---|
| U.S. Public Equity | 27.0% | 5.85% | 1.58% |
| Public Credit | 12.0% | 2.44% | 0.29% |
| Hedged Assets | 6.0% | 5.22% | 0.31% |
| Non-U.S. Public Equity | 15.0% | 6.64% | 1.00% |
| U.S. Treasuries | 16.0% | 1.01% | 0.16% |
| U.S. TIPS | 4.0% | 1.12% | 0.04% |
| Private Credit | 2.0% | 7.61% | 0.15% |
| Private Equity | 10.5% | 8.61% | 0.90% |
| Private Real Estate | 7.5% | 4.60% | 0.35% |
| Total | 100% | | 4.78% |
| | | Inflation | 2.50% |
| | | Long-term arithmetical nominal return | 7.28% |
| | | Effect of covariance matrix | 0.81% |
| | | Long-term expected geometric return | 8.09% |

Discount rate

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

Discount rate sensitivity

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

| | Discount rate | 1.0% Decrease (7.00%) | Current Rate (8.00%) | 1.0% Increase (9.00%) |
|--------------|--|----------------------------------|---------------------------------|----------------------------------|
| PSRS | Proportionate share of the Net Pension Liability | \$ 90,342,945 | \$ 49,121,267 | \$ 14,499,651 |
| PEERS | Proportionate share of the Net Pension Liability | \$ 7,929,293 | \$ 3,927,657 | \$ 544,620 |

As of June 30, 2016, the District reported \$2,019 and \$16,877 payable to the PSRS and PEERS, respectively, for legally required contributions.

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

7. EMPLOYEE BENEFIT PLANS

The District offers its employees a tax-sheltered annuity program created in accordance with Internal Revenue Code Section 403(b). The plan, available to all District employees, permits them to defer a portion of their salary for investment purposes.

The District also offers a Section 125 cafeteria plan to all employees. Under this plan, the deferred portion can be used to purchase health insurance benefits.

In addition, the District offers a Section 457 Deferred Compensation Plan that is offered to all employees. This plan is an investment program to enhance retirement benefits similar to the 403(b) plan.

8. INSURANCE PROGRAM

The District, along with various other local school districts, participates in the Missouri United School Insurance Council ("MUSIC"), an insurance association for workers' compensation, general liability and property and casualty insurance. The purpose of MUSIC is to distribute the cost of self-insurance over similar entities. MUSIC requires an annual premium payment to cover estimate claims payable and reserves for claims from each entity. The members of MUSIC have no legal interest in the assets, liabilities, or fund balances of the insurance association. However, the District retains a contingent liability to fund its pro rata share of any deficit incurred by MUSIC should it cease operations at some future date. The District's premium payments to MUSIC during the year ended June 30, 2016 were \$821,237. Settled claims have not exceeded insurance coverage in any of the past three years.

9. SELF-INSURANCE

The District has adopted a self-insured medical plan to cover substantially all employees in the District.

Liabilities are recorded when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated based upon recent claim settlement trends. Changes in the balance of claims liabilities during the past two years are as follows:

| | June 30, 2016 | June 30, 2015 |
|-----------------------------------|----------------------|----------------------|
| Unpaid claims, beginning of year | \$ 499,458 | \$ 476,894 |
| Incurred claims (including IBNRs) | 4,689,892 | 4,457,325 |
| Claim payments | (4,825,117) | (4,434,761) |
| Total | \$ 364,233 | \$ 499,458 |

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

In addition, the District carries insurance to protect from any excessive liabilities that could result from medical claims that are incurred. The District carries insurance for any employee's claims exceeding \$125,000 per year.

10. COMMITMENTS AND CONTINGENCIES

Operating Leases

The District has operating leases for solar panels. Payments related to these leases for the year ended June 30, 2016 totaled \$10,800.

Future minimum lease payments are as follows:

| <u>Fiscal Year Ending June 30,</u> | |
|------------------------------------|---------------------------------|
| 2017 | \$ 10,800 |
| 2018 | 10,800 |
| 2019 | 10,800 |
| 2020 | 10,800 |
| 2021 | 10,800 |
| 2022-2026 | 54,000 |
| 2027-2031 | 54,000 |
| 2032-2033 | <u>19,800</u> |
| Total | <u><u>\$ 181,800</u></u> |

Contractual Commitments

As of June 30, 2016, the District has outstanding commitments totaling approximately \$1.1 million for the construction and rehabilitation of buildings of which approximately \$927,000 has been paid subsequent to June 30, 2016.

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability. The following encumbrances were outstanding as of June 30, 2016:

| <u>Fund</u> | <u>Amount</u> |
|------------------|-----------------------------------|
| General | \$ 550,604 |
| Capital Projects | <u>1,921,223</u> |
| Total | <u><u>\$ 2,471,827</u></u> |

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

11. OTHER POST EMPLOYMENT BENEFITS

In addition to providing the pension benefits described in Note 6, the District provides an opportunity for continuation of medical, prescription drug, dental and vision insurance to employees that retire from the District who meet the retirement requirements of PSRS and PEERS. Retirees who elect to participate must pay 100% of the premium in effect for the current plan year or any subsequent year at the premium rates in effect at that time. Since the retirees pay the premium for each year, the District share of any premium cost is determined on the basis of a blended rate or implicit rate subsidy calculation. The plan is a single-employer defined benefit OPEB plan. The benefits and benefit levels are governed by District policy. The plan is not accounted for as a trust fund since an irrevocable trust has not been established. A stand-alone financial report is not available for the plan.

Funding Policy

The District currently pays for the implicit rate subsidy associated with these post employment health care benefits on a pay-as-you-go basis. As of June 30, 2016, no trust fund has been established for the funding of the plan's post employment benefit obligation, resulting in the classification of all of the liability as unfunded. Additional information is presented as required supplementary information, schedule of funding progress.

Annual OPEB Cost and Net OPEB Obligation

The District's OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation, as of June 30, 2016:

| | |
|--|----------------------------|
| Annual Required Contribution | \$ 1,328,000 |
| Interest on net OPEB obligation | 95,000 |
| Adjustment to annual required contribution | <u>(93,000)</u> |
| Annual OPEB cost | 1,330,000 |
| Contributions made * | <u>(748,000)</u> |
| Increase in net OPEB obligation | 582,000 |
| Net OPEB obligation - beginning of year | <u>2,522,000</u> |
| Net OPEB obligation - end of year | <u><u>\$ 3,104,000</u></u> |

* Contribution related to implicit rates subsidy.

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

Three Year Trend Information

| Plan Year Ended June 30, | Annual Required OPEB Cost | Percentage of ARC Contributed | Net OPEB Obligation |
|---|--|--|--------------------------------|
| 2016 | \$ 1,330,000 | 56.2% | \$ 3,104,000 |
| 2015 | 1,240,000 | 58.1% | 2,522,000 |
| 2014 | 1,225,000 | 54.2% | 2,002,000 |

Funded Status and Funding Progress

As of June 30, 2016, the most recent actuarial valuation date, the plan was not prefunded. The actuarial accrued liability for benefits was approximately \$16.6 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$16.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$45.6 million, and the rate of the UAAL to the covered payroll was 34.2%.

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

Actuarial Methods and Assumptions

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

In the June 30, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.75% investment rate of return assuming the benefits are not pre-funded. The discount rate is based on the expected earnings of the District's general fund. Payroll is assumed to increase at a rate of 3% per annum. The healthcare trends used in the valuation are based on long term healthcare trends generated by the Getzen Model. This model is the current industry standard for projecting long-term medical trends. The health mortality is based on the RP 2000 Mortality Table (employee and healthy annuitant tables), projected generationally using Scale AA. The unfunded Actuarial Accrued Liability AAL is being amortized over an open 30 year period as a level percentage of payroll.

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

12. RECENT ACCOUNTING PRONOUNCEMENTS

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

In June 2015, the GASB approved Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The objective of these Statements is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) and establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. The requirements of Statement No. 74 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of Statement No. 75 are effective for fiscal years beginning after June 15, 2017.

In August 2015, the GASB approved Statement No. 77, "Tax Abatement Disclosures." Although many governments offer tax abatements and provide information to the public about them, they do not always provide the information necessary to assess how tax abatements affect their financial position and results of operations, including their ability to raise resources in the future. This statement requires disclosures of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of the Statement are effective for reporting periods beginning after December 15, 2015.

In December 2015, the GASB approved Statement No. 79, "Certain External Investment Pools and Pool Participants." This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

In January 2016, the GASB approved Statement No. 80, "Blending Requirements for Certain Component Units (an amendment of GASB Statement No. 14)." This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of the Statement are effective for reporting period beginning after June 15, 2016.

In April 2016, the GASB approved Statement No. 82, "Pension Issues (an amendment of GASB Statement No. 67, No. 68, and No. 73)." This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements regarding the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that case, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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

Required Supplementary Information

KIRKWOOD SCHOOL DISTRICT R-7

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND - UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|----------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Local | \$ 17,475,583 | \$ 18,298,559 | \$ 19,506,000 | \$ 1,207,441 |
| County | 170,000 | 105,975 | 109,933 | 3,958 |
| State | 3,198,360 | 3,302,378 | 3,378,604 | 76,226 |
| Federal | 705,000 | 747,158 | 593,247 | (153,911) |
| Other | - | - | 1,288,731 | 1,288,731 |
| Total Revenues | 21,548,943 | 22,454,070 | 24,876,515 | 2,422,445 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction | 4,683,206 | 4,515,756 | 4,617,556 | (101,800) |
| Attendance | - | - | - | - |
| Guidance | 248,199 | 224,493 | 195,075 | 29,418 |
| Health services | 510,277 | 509,421 | 500,096 | 9,325 |
| Improvement of instruction | 221,476 | 220,443 | 215,429 | 5,014 |
| Professional development | 15,942 | 6,970 | 6,970 | - |
| Media services | 2,541,524 | 2,533,485 | 2,322,887 | 210,598 |
| Board of Education services | 181,386 | 183,841 | 158,597 | 25,244 |
| Executive administration | 954,931 | 908,189 | 935,230 | (27,041) |
| Building level administration | 2,670,282 | 2,637,806 | 2,520,924 | 116,882 |
| Business, fiscal and internal services | 987,396 | 980,664 | 954,185 | 26,479 |
| Operation of plant | 7,517,432 | 7,348,492 | 7,112,769 | 235,723 |
| Security services | 516,753 | 514,943 | 511,805 | 3,138 |
| Pupil transportation | 1,044,360 | 1,044,071 | 1,039,143 | 4,928 |
| Food service | 1,403,128 | 1,403,128 | 1,309,822 | 93,306 |
| Community services | 3,506,650 | 3,520,853 | 3,312,015 | 208,838 |
| Total Expenditures | 27,002,942 | 26,552,555 | 25,712,503 | 840,052 |
| NET CHANGE IN FUND BALANCE | (5,453,999) | (4,098,485) | (835,988) | 3,262,497 |
| FUND BALANCE, BEGINNING OF YEAR | 18,562,493 | 18,562,493 | 18,562,493 | - |
| FUND BALANCE, END OF YEAR | \$ 13,108,494 | \$ 14,464,008 | \$ 17,726,505 | \$ 3,262,497 |

KIRKWOOD SCHOOL DISTRICT R-7

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) -
SPECIAL REVENUE FUND - UNAUDITED
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Local | \$ 44,743,529 | \$ 44,094,529 | \$ 42,560,131 | \$ (1,534,398) |
| County | 641,000 | 714,773 | 713,778 | (995) |
| State | 1,479,800 | 1,681,567 | 1,804,682 | 123,115 |
| Federal | 452,000 | 513,408 | 315,999 | (197,409) |
| Total Revenues | 47,316,329 | 47,004,277 | 45,394,590 | (1,609,687) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction | 40,331,063 | 40,103,070 | 39,515,445 | 587,625 |
| Guidance | 2,291,795 | 2,218,615 | 2,187,763 | 30,852 |
| Improvement of instruction | 257,678 | 239,699 | 235,045 | 4,654 |
| Professional development | 76,758 | 29,787 | 29,787 | - |
| Media services | 1,064,578 | 1,038,196 | 1,017,647 | 20,549 |
| Executive administration | 529,284 | 533,216 | 532,127 | 1,089 |
| Building level administration | 2,614,425 | 2,622,616 | 2,588,216 | 34,400 |
| Community services | 150,748 | 121,640 | 121,606 | 34 |
| Total Expenditures | 47,316,329 | 46,906,839 | 46,227,636 | 679,203 |
| NET CHANGE IN FUND BALANCE | - | 97,438 | (833,046) | (930,484) |
| FUND BALANCE, BEGINNING OF YEAR | 683,757 | 683,757 | 683,757 | - |
| FUND BALANCE, END OF YEAR | \$ 683,757 | \$ 781,195 | \$ (149,289) | \$ (930,484) |

KIRKWOOD SCHOOL DISTRICT R-7

**NOTES TO BUDGETARY COMPARISON INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

1. Budgets and Budgetary Accounting

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

1. In accordance with Chapter 67 RSMo, the District adopts a budget for each fund.
2. Prior to July, the Superintendent, who serves as the budget officer, submits to the Board of Education a proposed budget for the fiscal year beginning on the following July 1. The proposed budget includes estimated revenues and proposed expenditures for all District funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Education, the budget document is available for public inspection.
4. Prior to July 1, the budget is legally enacted by a vote of the Board of Education.

Budgeted amounts are as originally adopted on June 15, 2015.

5. Subsequent to its formal approval of the budget, the Board of Education has the authority to make necessary adjustments to the budget by formal vote of the Board. Adjustments made during the year are reflected in the budget information included in the financial statements.
6. Budgets are adopted on the modified cash basis of accounting.

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Budgetary Comparison Information (continued)

2. Adjustments to Convert Budgetary Basis to Modified Accrual Basis

The following is a reconciliation of the adjustment necessary to convert from the budget basis to the modified accrual basis:

| | General Fund | Special Revenue Fund | Debt Service Fund | Capital Projects Fund |
|---------------------------------------|-------------------------|-------------------------------------|------------------------------|----------------------------------|
| Excess of Revenues Over (Under) | | | | |
| Expenditures, Budgetary Basis | \$ (835,988) | \$ (833,046) | \$ 126,559 | \$ 200,136 |
| Taxes and other receivables | 1,044,425 | 1,525,814 | 146,650 | 160,228 |
| Inventory | 245,457 | - | - | - |
| Prepaid items | 610,310 | - | - | - |
| Accrued expenses, salaries | | | | |
| taxes and compensated absences | (261,319) | (89,047) | - | - |
| Accounts payable | (470,521) | (1,876,572) | - | (569,423) |
| Medical and dental benefits | (364,233) | - | - | - |
| Unearned revenue | (141,905) | - | - | - |
| Deferred tax revenue | (188,325) | (1,172,034) | (131,632) | (144,255) |
| Early retirement incentive | (80,000) | (496,000) | - | - |
| Unrealized gain (loss) on investments | - | - | (85) | - |
| Reclassification of held checks to | | | | |
| accounts payable | 4,408 | 1,876,572 | - | 62,808 |
| Reverse June 30, 2016 accruals | 94,908 | 138,480 | (43,947) | 459,186 |
| Excess of Revenues Over (Under) | | | | |
| Expenditures, Modified Accrual Basis | \$ (342,783) | \$ (925,833) | \$ 97,545 | \$ 168,680 |

The above schedule does not include the activity of the Kirkwood School District Educational Facilities Authority.

KIRKWOOD SCHOOL DISTRICT R-7

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY AND RELATED RATIOS - PSRS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

| Year Ended * June 30, | Proportion of the Net Pension Liability | Proportionate Share of the Net Pension Liability | Actual Covered Member Payroll | Net Pension Liability as a Percentage of Covered Payroll | Fiduciary Net Position as a Percentage of Total Pension Liability |
|--------------------------------------|--|---|--|---|--|
| 2015 | 0.8148% | \$ 33,427,784 | \$ 36,708,343 | 91.06% | 89.34% |
| 2016 | 0.8509% | \$ 49,121,267 | \$ 39,127,284 | 125.54% | 85.78% |

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

KIRKWOOD SCHOOL DISTRICT R-7

**SCHEDULE OF DISTRICT CONTRIBUTIONS - PSRS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

| Year Ended June 30, | Statutorily Required Contribution | Actual Employer Contributions | Contribution Excess / (Deficiency) | Actual Covered Member Payroll | Contribution as a Percentage of Covered Payroll |
|------------------------------------|--|--|---|--|--|
| 2014 | \$ 4,933,431 | \$ 4,933,431 | \$ - | \$ 34,459,013 | 14.32% |
| 2015 | \$ 5,247,145 | \$ 5,247,145 | \$ - | \$ 36,708,343 | 14.29% |
| 2016 | \$ 5,586,614 | \$ 5,586,614 | \$ - | \$ 39,127,284 | 14.28% |

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

KIRKWOOD SCHOOL DISTRICT R-7

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY AND RELATED RATIOS - PEERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

| Year Ended * June 30, | Proportion of the Net Pension Liability | Proportionate Share of the Net Pension Liability | Actual Covered Member Payroll | Net Pension Liability as a Percentage of Covered Payroll | Fiduciary Net Position as a Percentage of Total Pension Liability |
|--------------------------------------|--|---|--|---|--|
| 2015 | 0.7535% | \$ 2,751,525 | \$ 10,988,276 | 25.04% | 91.33% |
| 2016 | 0.7426% | \$ 3,927,657 | \$ 11,134,685 | 35.27% | 88.28% |

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

KIRKWOOD SCHOOL DISTRICT R-7

**SCHEDULE OF DISTRICT CONTRIBUTIONS - PEERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

| Year Ended June 30, | Statutorily Required Contribution | Actual Employer Contributions | Contribution Excess / (Deficiency) | Actual Covered Member Payroll | Contribution as a Percentage of Covered Payroll |
|----------------------------|--|--------------------------------------|---|--------------------------------------|--|
| 2014 | \$ 725,211 | \$ 725,211 | \$ - | \$ 10,571,582 | 6.86% |
| 2015 | \$ 753,797 | \$ 753,797 | \$ - | \$ 10,988,276 | 6.86% |
| 2016 | \$ 763,839 | \$ 763,839 | \$ - | \$ 11,134,685 | 6.86% |

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

KIRKWOOD SCHOOL DISTRICT R-7

**SCHEDULE OF FUNDING PROGRESS -
OTHER POST-EMPLOYMENT BENEFITS PROGRAM
JUNE 30, 2016**

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

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Actuarial Accrued Liability | (b-a) Unfunded Actuarial Accrued Liability (UAAL) | (a/b) Funded Ratio | (c) Covered Payroll | ((b-a)/c) UAL as a Percentage of Covered Payroll |
|---|--|--|--|-----------------------------------|------------------------------------|---|
| 06/30/16 | \$ - | \$ 16,620,500 | \$ 16,620,500 | 0% | \$ 45,581,628 | 34.2% |
| 06/30/14 | \$ - | \$ 15,503,400 | \$ 15,503,400 | 0% | \$ 45,623,478 | 34.0% |
| 07/01/11 | \$ - | \$ 12,377,100 | \$ 12,377,100 | 0% | \$ 41,505,080 | 29.8% |
| 07/01/09 | \$ - | \$ 8,474,900 | \$ 8,474,900 | 0% | \$ 40,559,055 | 20.9% |
| 07/01/07 | \$ - | \$ 8,742,000 | \$ 8,742,000 | 0% | \$ 63,740,298 | 23.8% |

Note: The results shown above are based on the baseline assumptions with respect to the medical inflation rate and the discount rate, as discussed in the Sensitivity Analysis section of the actuary report. The 3.75% baseline discount rate assumes that the District will not prefund its retiree medical program.

Additional Supplementary Information

KIRKWOOD SCHOOL DISTRICT R-7

**COMBINING BALANCE SHEET -
DEBT SERVICE FUND BY COMPONENT UNIT
JUNE 30, 2016**

| | Kirkwood School District | Kirkwood School District Educational Facilities Authority | Total |
|---|---|--|---------------------|
| -- ASSETS -- | | | |
| ASSETS: | | | |
| Cash and investments | \$ 4,796,986 | \$ - | \$ 4,796,986 |
| Receivables: | | | |
| Taxes | 146,207 | - | 146,207 |
| Interest and other | 443 | - | 443 |
| TOTAL ASSETS | \$ 4,943,636 | \$ - | \$ 4,943,636 |
| -- LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES -- | | | |
| LIABILITIES: | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Unavailable revenue - property taxes | 131,632 | - | 131,632 |
| FUND BALANCES: | | | |
| Restricted for debt service | 4,812,004 | - | 4,812,004 |
| Total Fund Balances | 4,812,004 | - | 4,812,004 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 4,943,636 | \$ - | \$ 4,943,636 |

KIRKWOOD SCHOOL DISTRICT R-7

**COMBINING BALANCE SHEET -
CAPITAL PROJECTS FUND BY COMPONENT UNIT
JUNE 30, 2016**

| | Kirkwood School District | Kirkwood School District Educational Facilities Authority | Total |
|---|---|--|---------------------|
| -- ASSETS -- | | | |
| ASSETS: | | | |
| Cash and investments | \$ 4,304,680 | \$ - | \$ 4,304,680 |
| Cash and investments - restricted | - | 61 | 61 |
| Receivables: | | | |
| Taxes | 160,228 | - | 160,228 |
| TOTAL ASSETS | \$ 4,464,908 | \$ 61 | \$ 4,464,969 |
| -- LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES -- | | | |
| LIABILITIES: | | | |
| Accounts payable | \$ 569,423 | \$ - | \$ 569,423 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Unavailable revenue - property taxes | 144,255 | - | 144,255 |
| FUND BALANCES: | | | |
| Fund balances: | | | |
| Restricted for: | | | |
| Capital projects | - | 61 | 61 |
| Maintenance | 1,945,331 | - | 1,945,331 |
| Assigned to capital projects | 1,805,899 | - | 1,805,899 |
| Total Fund Balances | 3,751,230 | 61 | 3,751,291 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 4,464,908 | \$ 61 | \$ 4,464,969 |

KIRKWOOD SCHOOL DISTRICT R-7

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - DEBT SERVICE FUND BY COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | Kirkwood School District | Kirkwood School District Educational Facilities Authority | Eliminations | Total |
|---|---|--|---------------------|---------------------|
| REVENUES: | | | | |
| Local | \$4,570,647 | \$ - | \$ - | \$ 4,570,647 |
| County | 115,920 | - | - | 115,920 |
| Federal | 429,747 | - | - | 429,747 |
| Lease/purchase payments from the District | - | 2,498,590 | (2,498,590) | - |
| Total Revenues | 5,116,314 | 2,498,590 | (2,498,590) | 5,116,314 |
| EXPENDITURES: | | | | |
| Debt service: | | | | |
| Principal retirements | 3,675,000 | 1,680,000 | - | 5,355,000 |
| Interest | 1,343,177 | 818,590 | - | 2,161,767 |
| Other charges | 592 | - | - | 592 |
| Total Expenditures | 5,018,769 | 2,498,590 | - | 7,517,359 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 97,545 | - | (2,498,590) | (2,401,045) |
| OTHER FINANCING SOURCES: | | | | |
| Transfers in | - | - | 2,498,590 | 2,498,590 |
| NET CHANGE IN FUND BALANCES | 97,545 | - | - | 97,545 |
| FUND BALANCES, BEGINNING OF YEAR | 4,714,459 | - | - | 4,714,459 |
| FUND BALANCES, END OF YEAR | \$4,812,004 | \$ - | \$ - | \$ 4,812,004 |

KIRKWOOD SCHOOL DISTRICT R-7

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
CAPITAL PROJECTS FUND BY COMPONENT UNIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | Kirkwood School District | School District Educational Facilities Authority | Eliminations | Total |
|---|---|---|---------------------|---------------------|
| REVENUES: | | | | |
| Local | \$ 8,715,442 | \$ 48 | \$ - | \$ 8,715,490 |
| County | 94,557 | - | - | 94,557 |
| Federal | 23,042 | - | - | 23,042 |
| Total Revenues | 8,833,041 | 48 | - | 8,833,089 |
| EXPENDITURES: | | | | |
| Capital outlay | 6,089,535 | - | - | 6,089,535 |
| Debt service: | | | | - |
| Lease/purchase payments to the Authority | 2,498,590 | - | (2,498,590) | - |
| Principal retirements | 69,533 | - | - | 69,533 |
| Interest | 2,867 | - | - | 2,867 |
| Other charges | 3,836 | - | - | 3,836 |
| Total Expenditures | 8,664,361 | - | (2,498,590) | 6,165,771 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 168,680 | 48 | 2,498,590 | 2,667,318 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | - | - | (2,498,590) | (2,498,590) |
| Total Other Financing Sources (Uses) | - | - | (2,498,590) | (2,498,590) |
| NET CHANGE IN FUND BALANCES | 168,680 | 48 | - | 168,728 |
| FUND BALANCES, BEGINNING OF YEAR | 3,582,550 | 13 | - | 3,582,563 |
| FUND BALANCES, END OF YEAR | \$ 3,751,230 | \$ 61 | \$ - | \$ 3,751,291 |

KIRKWOOD SCHOOL DISTRICT R-7

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget |
|--|-------------------------|--------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | Positive (Negative) |
| REVENUES: | | | | |
| Local | \$4,760,479 | \$4,626,559 | \$4,599,855 | \$ (26,704) |
| County | 95,000 | 115,920 | 115,920 | - |
| Federal | 428,591 | 428,591 | 429,747 | 1,156 |
| Total Revenues | 5,284,070 | 5,171,070 | 5,145,522 | (25,548) |
| EXPENDITURES: | | | | |
| Debt Services: | | | | |
| Principal retirements | 3,675,000 | 3,675,000 | 3,675,000 | - |
| Interest | 1,343,177 | 1,343,177 | 1,343,177 | - |
| Other charges | 3,500 | 3,500 | 786 | 2,714 |
| Total Expenditures | 5,021,677 | 5,021,677 | 5,018,963 | 2,714 |
| NET CHANGE IN FUND BALANCE | 262,393 | 149,393 | 126,559 | (22,834) |
| FUND BALANCE, BEGINNING OF YEAR | 4,672,177 | 4,672,177 | 4,672,177 | - |
| FUND BALANCE, END OF YEAR | \$4,934,570 | \$4,821,570 | \$4,798,736 | \$ (22,834) |

KIRKWOOD SCHOOL DISTRICT R-7

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Local | \$ 8,932,853 | \$ 11,228,842 | \$ 10,270,711 | \$ (958,131) |
| County | 96,000 | 94,557 | 94,557 | - |
| Federal | - | 23,345 | 23,042 | (303) |
| Total Revenues | <u>9,028,853</u> | <u>11,346,744</u> | <u>10,388,310</u> | <u>(958,434)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction | 77,000 | 123,216 | 196,643 | (73,427) |
| Guidance | - | 276 | 276 | - |
| Health services | 4,000 | - | - | - |
| Improvement of instruction | 7,970 | 2,247 | 746 | 1,501 |
| Media services | 719,525 | 666,484 | 483,119 | 183,365 |
| Executive administration | 5,500 | 3,501 | 1,997 | 1,504 |
| Building level administration | 14,309 | 4,009 | 4,009 | - |
| Business, fiscal and internal services | 9,993 | 18,597 | 18,542 | 55 |
| Operation of plant | 81,860 | 21,947 | 219,140 | (197,193) |
| Security services | - | - | - | - |
| Capital outlay | 4,710,276 | 7,195,897 | 6,687,713 | 508,184 |
| Debt services: | | | | |
| Lease payments to facilities authority | - | - | 2,498,590 | (2,498,590) |
| Principal retirements | 1,793,026 | 1,749,534 | 69,533 | 1,680,001 |
| Interest | 825,212 | 822,620 | 4,030 | 818,590 |
| Other charges | 3,000 | 3,000 | 3,836 | (836) |
| Total Expenditures | <u>8,251,671</u> | <u>10,611,328</u> | <u>10,188,174</u> | <u>423,154</u> |
| NET CHANGE IN FUND BALANCE | <u>777,182</u> | <u>735,416</u> | <u>200,136</u> | <u>(535,280)</u> |
| FUND BALANCE, BEGINNING OF YEAR | <u>3,262,252</u> | <u>3,262,252</u> | <u>3,262,252</u> | <u>-</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 4,039,434</u> | <u>\$ 3,997,668</u> | <u>\$ 3,462,388</u> | <u>\$ (535,280)</u> |

This schedule does not include the activity of the Kirkwood School District Educational Authority.

KIRKWOOD SCHOOL DISTRICT R-7

**SCHEDULE OF SELECTED STATISTICS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

County District Number 096-092

1. Calendar (Sections 160.041 and 171.031, RSMo)

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

| | | | | | | |
|-------------------------|---------------|-----|--------|---------------|---------------|-----|
| Kindergarten - A.M. | - | SDL | Grades | 6 - 8 | 6.1500 | SDL |
| Kindergarten - Full-day | <u>6.6000</u> | SDL | Grades | <u>9 - 12</u> | <u>6.4500</u> | SDL |
| Grades 1 - 5 | <u>6.6000</u> | SDL | | | | |

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

| | | | | | | |
|-------------------------|-----------------|-------|--------|---------------|-----------------|-------|
| Kindergarten - A.M. | - | Hours | Grades | 6 - 8 | 1,048.75 | Hours |
| Kindergarten - Full-day | <u>1,129.15</u> | Hours | Grades | <u>9 - 12</u> | <u>1,087.65</u> | Hours |
| Grades 1 - 5 | <u>1,129.15</u> | Hours | | | | |

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

| | | | | | | |
|-------------------------|------------|------|--------|---------------|------------|------|
| Kindergarten - A.M. | - | Days | Grades | 1 - 5 | 174 | Days |
| Kindergarten - P.M. | - | Days | Grades | 6 - 8 | 174 | Days |
| Kindergarten - Full-day | <u>174</u> | Days | Grades | <u>9 - 12</u> | <u>174</u> | Days |

2. Average Daily Attendance (ADA)

| <u>Regular Term</u> | <u>Full-Time & Part-Time</u> | <u>Remedial</u> | <u>Deseg In</u> | <u>Total</u> | <u>Deseg Out</u> |
|-------------------------|---------------------------------------|-----------------|-----------------|------------------|------------------|
| Kindergarten - A.M. | - | - | - | - | - |
| Kindergarten - P.M. | - | - | - | - | - |
| Kindergarten - Full-day | <u>382.278</u> | - | <u>2.848</u> | <u>385.126</u> | - |
| Grades 1 - 5 | <u>2,039.363</u> | - | <u>32.787</u> | <u>2,072.150</u> | - |
| Grades 6 - 8 | <u>1,189.697</u> | - | <u>34.533</u> | <u>1,224.230</u> | - |
| Grades 9 - 12 | <u>1,459.089</u> | - | <u>84.989</u> | <u>1,544.078</u> | - |
| Subtotal Regular Term | <u>5,070.427</u> | - | <u>155.157</u> | <u>5,225.584</u> | - |
| | | <u>Resident</u> | <u>Deseg In</u> | <u>Total</u> | |
| Summer School | | | | | |
| Subtotal | | <u>23.151</u> | <u>1.602</u> | <u>24.753</u> | - |
| | Total Regular Term Plus Summer School | | | | |
| | ADA | | | <u>5,250.337</u> | - |

KIRKWOOD SCHOOL DISTRICT R-7

Schedule of Selected Statistics (continued)

3. September Membership

| | <u>Full-Time & Part-Time</u> | <u>Deseg In</u> | <u>Total</u> | <u>Deseg Out</u> |
|-----------------------------------|---|------------------------|---------------------|-------------------------|
| September Membership FTE Count | 5,321.74 | 171.87 | 5,493.61 | 5.00 |

Notes: _____

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

| | | <u>Full-Time & Part-Time</u> | <u>Deseg In</u> | <u>Total</u> |
|-----------------|---------|---|------------------------|---------------------|
| State FTE Total | Free | 559.71 | 115.71 | 675.42 |
| | Reduced | 89.00 | 11.00 | 100.00 |
| | Total | 648.71 | 126.71 | 775.42 |

5. Finance

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

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

KIRKWOOD SCHOOL DISTRICT R-7

Schedule of Selected Statistics (continued)

H. The amount spent for approved professional development committee plan activities was: \$36,607

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

Finding #: _____

Management Letter Comment #: _____

6. Transportation (Section 163.161, RSMo)

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

A. The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid. True

B. The District's school transportation ridership records are maintained in a manner to accurately disclose in all material respects the average number of regular riders transported. True

C. Based on the ridership records, the average number of students (non-disabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was:

- Eligible ADT #1,523.5
- Ineligible ADT #99.5

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

E. Actual odometer records show the total District-operated and contracted mileage for the year was: #184,561

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

- Eligible Miles #130,392
- Ineligible Miles (Non-Route/Disapproved) #54,169

F. Number of days the District operated the school transportation system during the regular school year: 174

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

Finding #: _____

Management Letter Comment #: _____

Notes: _____



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REPORT ON COMPLIANCE - STATE REQUIREMENTS

To the Members of the Board of Education
Kirkwood School District R-7

We have audited the financial statements of the Kirkwood School District R-7 (the "District") as of and for the year ended June 30, 2016, and have issued our report thereon dated September 30, 2016.

As required by the Revised Statutes of the State of Missouri, we have performed auditing procedures to test compliance with the budgetary statute (Chapter 67 RSMo) and Section 165.121.3(7) RSMo with respect to the methods of maintaining pupil attendance and pupil transportation records for the year ended June 30, 2016. The management of the District is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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

In our opinion, the District's budgetary and disbursements procedures were in compliance, in all material respects, with the budgetary statute (Chapter 67 RSMo) for the year ended June 30, 2016. It is further our opinion that the pupil attendance and pupil transportation records are so maintained as to accurately disclose, in all material respects, the average daily attendance; resident membership on the last Wednesday of September; average number of students transported on a regular basis; and mileage and allowable cost for pupil transportation in compliance with state law and administrative rules for the year ended June 30, 2016.

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 federal awarding agencies and pass-through entities and is not intended to be, and should not, be used by anyone other than these specified parties.

SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
September 30, 2016

Federal Compliance Section



SCHOWALTER & JABOURI, P.C.

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

To the Members of the Board of Education
Kirkwood School District R-7

We have audited, 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, the financial statements of the governmental activities and each major fund of the Kirkwood School District R-7 (the "District") as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 30, 2016.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
September 30, 2016



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

To the Members of the Board of Education
Kirkwood School District R-7

Report on Compliance for Major Federal Program

We have audited the Kirkwood School District R-7's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2016. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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Opinion on Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
September 30, 2016

KIRKWOOD SCHOOL DISTRICT R-7

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| Program Title | Federal CFDA Number | Pass - Through Identification Program | Expenditures |
|--|------------------------------------|--|----------------------------|
| <u>U.S. Department of Education:</u> | | | |
| Passed through Missouri Department of Elementary and Secondary Education: | | | |
| ESEA Title I | 84.010 | 096-092 | \$ 362,467 |
| ESEA Title II A | 84.367 | 096-092 | 141,745 |
| Early Childhood Special Education | 84.173 | 096-092 | 14,166 |
| Passed through Special School District of St. Louis County: | | | |
| Carl Perkins Career and Technical Education | 84.048 | 096-092 | <u>38,270</u> |
| Total U.S. Department of Education | | | <u>556,648</u> |
| <u>U.S. Department of Agriculture:</u> | | | |
| Passed through Missouri Department of Elementary and Secondary Education: | | | |
| National School Breakfast | 10.553 | 096-092 | 106,977 |
| National School Lunch | 10.555 | 096-092 | 358,172 |
| Food Distribution | 10.555 | 096-092 | <u>64,863</u> |
| Subtotal CFDA 10.555 | | | <u>423,035</u> |
| Total Child Nutrition Cluster | | | <u>530,012</u> |
| Passed through Missouri Department of Health and Senior Services: | | | |
| Child and Adult Care Food Program | 10.558 | ERS46110992 | <u>25,790</u> |
| Total U.S. Department of Agriculture | | | <u>555,802</u> |
| TOTAL | | | <u><u>\$ 1,112,450</u></u> |

KIRKWOOD SCHOOL DISTRICT R-7

Schedule of Expenditures of Federal Awards (continued)

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the fiscal year ended June 30, 2016. The information reported in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2 - Significant Accounting Policies

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

Note 3 - Food Distribution

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

Note 4 - Insurance

The District did not have any federal insurance in effect during the fiscal year ended June 30, 2016.

Note 5 - Loans/Loan Guarantees

The District did not have any loans or loan guarantees outstanding as of June 30, 2016.

Note 6 - Subrecipients

The District did not provide federal awards to any subrecipients during the fiscal year ended June 30, 2016.

KIRKWOOD SCHOOL DISTRICT R-7

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unmodified
Internal control over financial reporting:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified
not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements
noted? Yes No

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified
not considered to be material weaknesses? Yes None reported

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

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

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 10.553 and 10555 | Child Nutrition Cluster |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

2. FINANCIAL STATEMENT FINDINGS

There were no financial statement findings.

KIRKWOOD SCHOOL DISTRICT R-7

Schedule of Findings and Questions Costs (continued)

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings and questioned costs related to federal awards.

4. FOLLOW-UP OF PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no prior year federal award findings or questioned costs.