
KIRKWOOD SCHOOL DISTRICT R-7

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2015

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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, 2015, 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.

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, 2015, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

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 the other pensions and post-employment benefit program schedules on pages 4 through 15 and 54 through 62 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The 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 October 23, 3015 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 & ABOURI, P.C.

St. Louis, Missouri
October 23, 3015

KIRKWOOD SCHOOL DISTRICT R-7

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015 - 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, 2015. 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.

As further described in Note 1, the District adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," for the year ended June 30, 2015. As a result, certain comparative information for the year ended June 30, 2014 has been restated.

Financial Highlights

Overall:

Cash and investments decreased approximately \$7.5 million, primarily because the remaining proceeds from the 2014 Leasehold Revenue Bonds were spent on construction projects and general operating expenditures exceeded operating revenue.

Capital assets increased \$6.7 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 will be named "The Walker Natatorium" and construction was completed in the fall of 2015. In addition, the District received an anonymous donation of \$1 million for the construction of the natatorium bringing the total donations for construction to \$11 million. 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. In addition to this project, other projects paid from the proceeds of the 2014 Leasehold Revenue Bonds were completed during the fiscal year.

Deferred outflows increased \$3.3 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 2014.

Deferred inflows of resources increased \$17.8 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 \$12.6 million mainly due to a \$9.0 million increase in capital assets related to the construction of the Walker Natatorium and projects completed with the 2014 Leasehold Revenue Bonds.

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Management's Discussion and Analysis (continued)

Total revenue is \$86.7 million and total expenses are \$74.0 million. Program revenues accounted for \$19.9 million or 23% of total revenue, and general revenues accounted for \$66.8 million or 77% of total revenue.

The general fund balance is \$18.3 million, a decrease of \$3.0 million from 2014. 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 \$1.1 million, an increase of \$1.1 million from 2014. The increase resulted because of accruals made to property tax revenue and to insurance expenditures.

The debt service fund balance is \$4.7 million, an increase of \$109,000 from 2014. 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 \$3.6 million, a decrease of \$1.8 million from 2014. The decrease resulted from payments made on construction projects planned from the proceeds of the 2014 Leasehold Revenue Bond issue.

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.

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Management's Discussion and Analysis (continued)

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 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$22.3 million at the close of the most recent fiscal year.

The District's net position consists of unrestricted net position totaling-\$27.7 million, restricted net position totaling \$7.5 million, and \$42.5 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 2015 and 2014:

	<u>2015</u>	<u>2014</u> <u>(restated)</u>	
Assets			
Current and Other Assets	\$ 35,812	\$ 41,390	
Capital Assets	95,479	88,795	
Total Assets	131,291	130,185	
Deferred Outflows of Resources	11,202	7,867	
Liabilities			
Other Liabilities	6,625	8,731	
Long-Term Liabilities	95,757	119,639	
Total Liabilities	102,382	128,370	
Deferred Inflows of Resources	17,797	-	

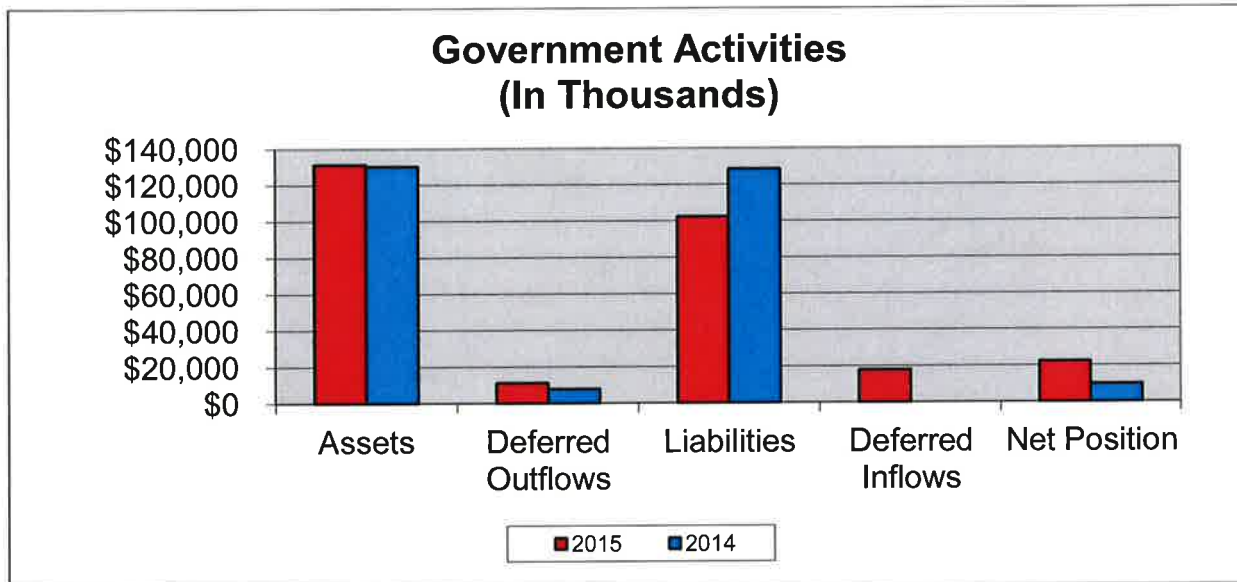
KIRKWOOD SCHOOL DISTRICT R-7

Management's Discussion and Analysis (continued)

	Net Position (In Thousands)	
	<u>2015</u>	<u>2014 (restated)</u>
Net Position		
Net Investment in Capital		
Assets	42,507	33,505
Restricted	7,509	8,140
Unrestricted	<u>(27,702)</u>	<u>(31,963)</u>
Total Net Position	<u>\$ 22,314</u>	<u>\$9,682</u>

Governmental Activities

	<u>2015</u>	<u>2014 (restated)</u>
Total Assets	\$ 131,291	\$ 130,185
Total Deferred Outflows of Resources	11,202	7,867
Total Liabilities	102,382	128,370
Total Deferred Inflows of Resources	<u>17,797</u>	<u>-</u>
Total Net Position	<u>\$ 22,314</u>	<u>\$ 9,682</u>



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Management's Discussion and Analysis (continued)

Current assets decreased \$5.6 million, primarily because the remaining proceeds from the 2014 Leasehold Revenue Bonds were used and general operating expenditures exceeded operating revenue.

Capital assets increased \$6.7 million, equal to the difference between capital asset purchases of \$10.7 million and depreciation expense of \$4.0 million. The majority of the capital asset purchases consists of building improvements related to 2014 bond issues, the construction of the Walker Natatorium, infrastructure improvements, roof replacements, and other site improvements.

Total liabilities decreased \$2.1 million primarily because of a decrease in accounts payable related to construction work that was completed and paid for in the summer of 2014.

Net position of the District's governmental activities increased \$12.6 million and unrestricted net position is - \$27.7 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).

Table 2 shows the changes in net position for fiscal year 2015 and 2014 for Governmental Activities:

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

	<u>2015</u>	<u>2014</u> <u>(restated)</u>	<u>Change</u>
Revenues			
Program Revenues:			
Charges for Services and Sales	\$ 5,986	\$ 5,624	\$ 362
Operating Grants	6,800	7,113	(313)
Capital Grants and Contributions	7,133	96	7,037
General Revenue:			
Property Taxes	57,152	56,825	327
Sales Taxes	4,505	4,188	317
Financial Inst Tax/In Lieu of Tax/M&M Surtax	2,135	2,146	(11)
State Aid	2,659	2,601	58
Investment Earnings	87	90	(3)
Other	242	283	(41)
Total Revenue	<u>86,699</u>	<u>78,966</u>	<u>7,733</u>
Program Expenses			
Instruction	40,556	80,960	(40,404)
Attendance	-	2	(2)
Guidance	2,190	4,653	(2,463)
Health Services	463	505	(42)
Improvement of Instruction	423	762	(339)
Professional Development	105	211	(106)
Media Services	3,852	6,182	(2,330)
Board of Education Services	185	117	68
General Administration	1,439	2,220	(781)
Building Level Administration	4,760	8,634	(3,874)
Business, Fiscal and Internal Services	1,052	1,267	(215)
Operation of Plant	7,286	8,348	(1,062)

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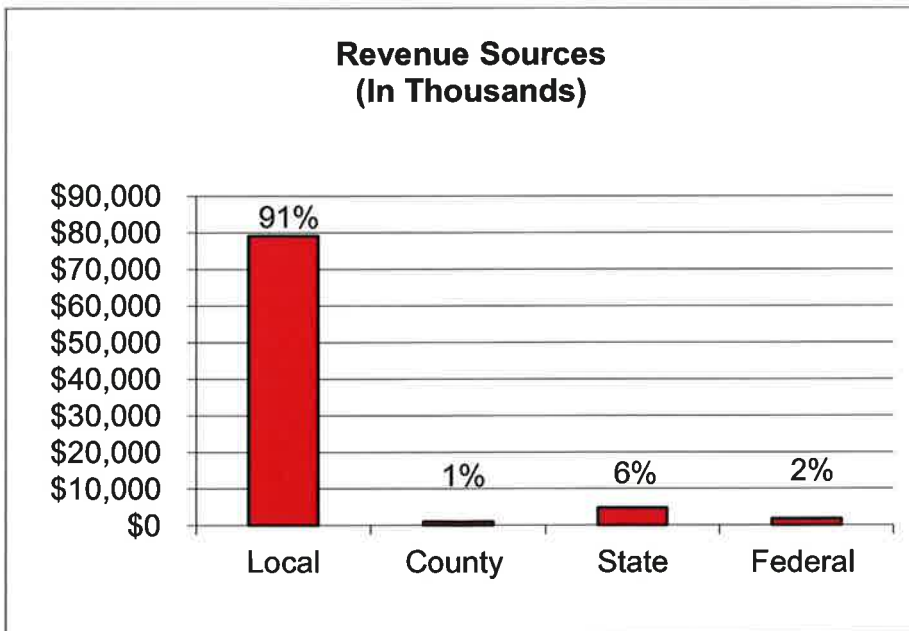
Management's Discussion and Analysis (continued)

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

	<u>2015</u>	<u>2014 (restated)</u>	<u>Change</u>
Program Expenses			
Security Services	555	548	7
Transportation	1,027	976	51
Food Service	1,330	1,623	(293)
Community Services	3,404	4,537	(1,133)
Capital Outlay	3,267	3,358	(91)
Debt Services	2,173	2,324	(151)
Total Expenses	<u>74,067</u>	<u>127,227</u>	<u>(53,160)</u>
Increase/(Decrease) in Net Position	<u>\$ 12,632</u>	<u>\$ (48,261)</u>	<u>\$ 60,893</u>

District Funds

	<u>Revenue</u>	<u>Percent</u>
Local	\$ 79,148	91%
County	1,006	1%
State	4,803	6%
Federal	1,836	2%
Total	<u>\$ 86,793</u>	<u>100%</u>



KIRKWOOD SCHOOL DISTRICT R-7

Management's Discussion and Analysis (continued)

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.

The District's governmental funds (as presented on the balance sheet 18) reported a combined fund balance of \$27.8 million. The schedule below indicates the fund balance and the total change in fund balance by fund type as of June 30, 2015 and 2014.

<u>Fund</u>	<u>Fund Balance</u> <u>June 30, 2015</u>	<u>Fund Balance</u> <u>June 30, 2014</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 18,347,521	\$ 21,378,463	\$ (3,030,942)
Special Revenue	1,131,498	-	1,131,498
Debt Service	4,714,459	4,605,099	109,360
Capital Projects	3,582,563	5,375,510	(1,792,947)
Total	<u>\$ 27,776,041</u>	<u>\$ 31,359,072</u>	<u>\$ (3,583,031)</u>

General Fund

The District's General Fund balance decreased primarily from increased expenditures that caused cash and investments to decrease.

Special Revenue Fund

The District set a tax rate in 2014 equal to the projected amount needed to pay for teachers' salaries and benefits for the 2014-15 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 \$109,000. 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 decreased \$1.8 million primarily due to construction projects paid from the proceeds of the 2014 Leasehold Revenue Bonds.

KIRKWOOD SCHOOL DISTRICT R-7

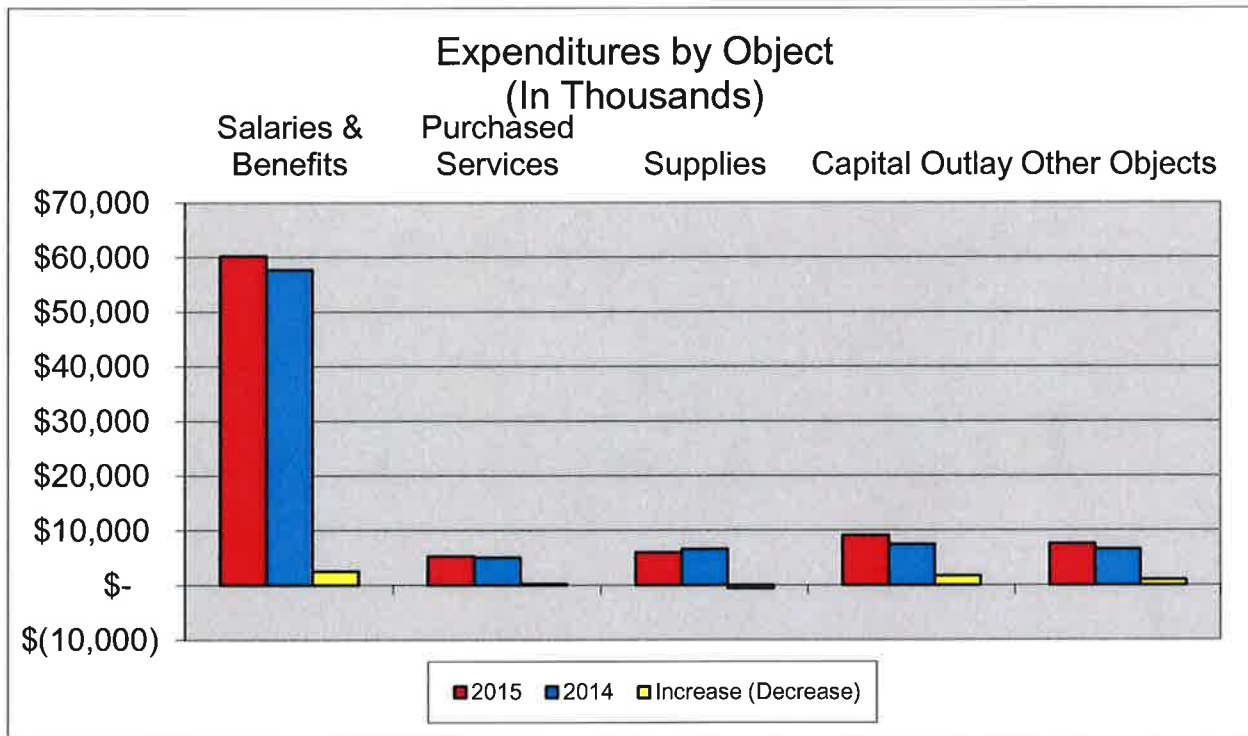
Management's Discussion and Analysis (continued)

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>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Salaries & Benefits	\$ 60,184	\$ 57,650	\$ 2,534
Purchased Services	5,258	5,014	244
Supplies	5,973	6,572	(599)
Capital Outlay	9,102	7,417	1,685
Other Objects	7,538	6,531	1,007
Total	\$ 88,055	\$ 83,184	\$ 4,871



Total expenditures increased \$4.9 million from the prior year. Salary and benefit increases along with additional teaching staff related to the District's growing enrollment caused \$2.5 million of the increase. Construction projects and capital outlay increased \$1.7 million and principal payments on outstanding debt (Other Objects) increased \$1.0 million.

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 \$89,000 over the original revenue budget. The District amended projections to reflect greater than originally anticipated revenues.

The final general fund expenditure budget decreased approximately \$26,000 from the original budget.

Capital Assets

The District has \$95.5 million invested in capital assets net of depreciation. Acquisitions for governmental activities totaled \$10.7 million and depreciation was \$4.0 million. 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, 2015, the District had \$30.9 million in outstanding general obligation bonds, \$3.7 million due within one year. In addition to general obligation bonds, the District had \$21.2 million in leasehold revenue bonds outstanding at June 30, 2015, \$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).

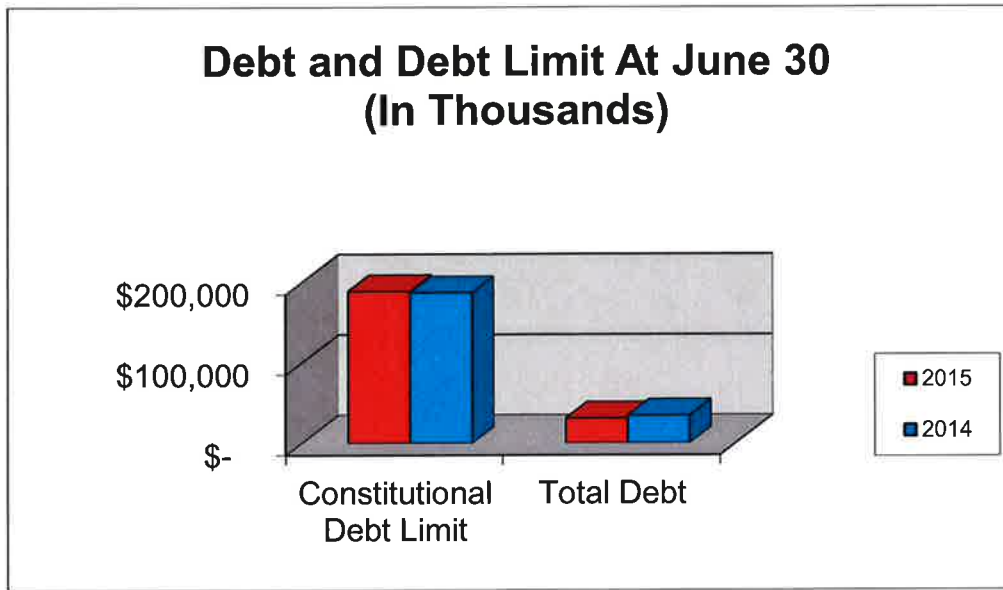
Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation of fifteen (15%) of the assessed valuation of the District (including State assessed railroad and utility). On June 30, 2015, the District's general obligation debt was below the legal limit.

**Graph 4
Debt and Debt Limit at June 30,**

	<u>2015</u>	<u>2014</u>
Constitutional Debt Limit	\$189,054,749	\$187,259,690
General Obligation Bonds Payable	(30,930,000)	(34,440,000)
Amount Available in Debt Service Fund	<u>4,714,459</u>	<u>4,605,099</u>
Legal Debt Margin	<u>\$162,839,208</u>	<u>\$157,424,789</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, 75% of the District's operating revenue comes from local property taxes. The District receives approximately \$552 per student from the state education formula and \$930 per student from state sales tax revenue; however, it costs the District approximately \$12,000 per year to educate each student.

School districts that are hold harmless typically operate on a multi-year operating cycle. In a multi-year operating cycle, the fund balance (reserves) is built up in the beginning of a voter-approved tax increase in order to offset costs in the latter part of an operating cycle. A multi-year operating cycle usually lasts 5 years. In Kirkwood, high property values and careful management of expenditures have extended the operating cycle ten (10) years.

The last multi-year operating cycle for Kirkwood Schools began in 2005 with the passage of Prop i, which provided funds for construction and operating expenses.

The last bond issue, which provides funds for construction, was in 2010 with the passage of Prop 1. Prop 1 was a no-tax-rate increase bond referendum.

It is important to understand the distinction from operating funds and construction funds. These funds cannot be comingled. Therefore, the recent renovations projects throughout the district were financed by private donations or construction funds, which legally can't be used for operating expenses.

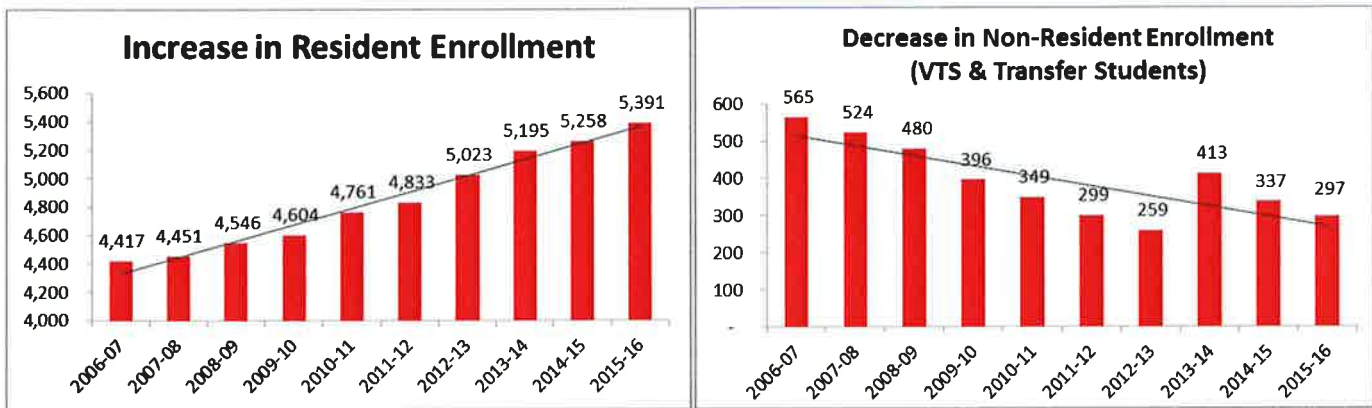
Assessed property values dropped significantly in 2009 and after four reassessment periods, assessed values are just now close to the same value they were in 2008. When assessed property values remain stagnant, revenue received from property taxes remain relatively flat. Also, in the past, interest revenue was a significant source of revenue for the District, over \$1 million per year. The District expects interest rates to remain low for the 2015-16 fiscal year, resulting in approximately \$90,000 in interest revenue for 2015-16.

KIRKWOOD SCHOOL DISTRICT R-7

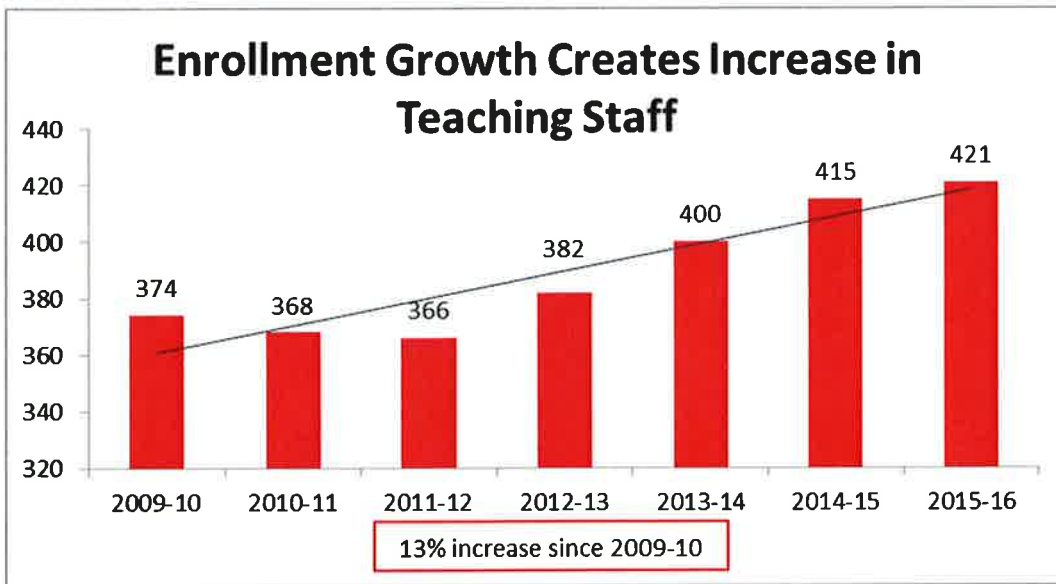
Management's Discussion and Analysis (continued)

During the same time period, when tax 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-seven percent (87%) of the District's expenditure budget is salaries and benefits.

Since 2006-07, total enrollment has increased 706 students or 14% (residential enrollment has increased 974 students and non-resident enrollment has decreased 268 students), as illustrated below:



To keep up with the enrollment growth and to maintain recommended classroom sizes, the District has hired forty-seven (47) additional teachers since 2009-10.



The District needs approximately \$5.0 million in additional revenue from year to year in order to maintain a quality-learning environment for our students. We are in the latter part of the operating cycle, so we will offset the deficit of approximately \$5.0 million by dipping into our fund balance (reserve). Using the fund balance (reserve) to offset costs in the latter part of a multi-year operating cycle is fiscally responsible and ensures a stable learning environment for students.

We have been able to balance our expenditures and revenues over the past few years, thanks to cuts made to non-classroom positions and supply budgets, but this delicate balance isn't sustainable. Our policy stipulates

KIRKWOOD SCHOOL DISTRICT R-7

Management's Discussion and Analysis (continued)

a 20 percent fund balance in order to avoid short-term borrowing to cover expenses. We project the fund balance dropping below 20 percent at the end of the 2015-16 school year.

Therefore, the Kirkwood Board of Education unanimously approved a resolution seeking an operating tax levy increase of \$0.78 per \$100 of assessed value for the November 3, 2015 election.

The purpose of the proposed increase is to:

- Maintain our current level of student programs, services, and desirable class sizes
- Maintain safe schools
- Recruit and retain highly qualified teachers
- Pay general operating expenses for the District

If approved by the voters, a house appraised at \$250,000 would see an approximate increase in real estate tax of \$370 beginning with the 2016 tax year.

This decision was made after reviewing the District's financial information and feedback from parents, community members and staff members. The School Board was intent on finding a solution to best meet the ongoing academic needs of our students while being responsive to our taxpayers.

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, 2015**

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 26,607,885
Cash and investments - restricted	3,939,181
Receivables:	
Taxes (net)	1,982,610
Interest and other	2,453,713
Prepaid items	518,481
Inventory	310,596
Capital assets:	
Land	811,154
Construction in progress	7,578,278
Other capital assets, net of accumulated depreciation	87,089,443
Total Assets	<u>131,291,341</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred charge on refunding	1,696,522
Deferred amounts related to pensions	9,505,354
Total Deferred Outflows of Resources	<u>11,201,876</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 142,493,217</u>
LIABILITIES:	
Accounts payable	\$ 4,762,536
Accrued wages	366,979
Unearned revenue	181,856
Medical benefits payable	499,458
Accrued interest	814,520
Long-term liabilities:	
Due within one year	6,688,452
Due after one year	89,068,090
Total Liabilities	<u>102,381,891</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred amounts related to pensions	17,797,123
NET POSITION:	
Net investment in capital assets	42,506,684
Restricted for:	
Debt service	4,485,503
Bond proceeds	13
Maintenance	1,239,826
Technology	1,783,581
Unrestricted	(27,701,404)
Total Net Position	<u>22,314,203</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 142,493,217</u>

KIRKWOOD SCHOOL DISTRICT R-7

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	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	\$ 40,555,524	\$ 2,053,241	\$ 5,300,405	\$ -	\$ (33,201,878)
Guidance	2,189,756	-	-	-	(2,189,756)
Health services	462,696	-	-	-	(462,696)
Improvement of instruction	423,184	-	143,234	-	(279,950)
Professional development	105,122	-	-	-	(105,122)
Media services	3,851,475	-	-	-	(3,851,475)
Board of education services	185,224	-	-	-	(185,224)
General administration	1,439,020	-	-	-	(1,439,020)
Building level administration	4,760,214	-	-	-	(4,760,214)
Business, fiscal and internal services	1,052,163	50,708	-	-	(1,001,455)
Operation of plant	7,285,863	-	-	-	(7,285,863)
Security services	555,318	-	-	-	(555,318)
Transportation	1,027,328	7,293	185,012	-	(835,023)
Food service	1,330,320	823,355	518,031	-	11,066
Community services	3,404,257	3,051,214	653,007	-	299,964
Facilities	3,266,506	-	-	7,133,358	3,866,852
Debt services:					
Interest and other	2,173,260	-	-	-	(2,173,260)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 74,067,230	\$ 5,985,811	\$ 6,799,689	\$ 7,133,358	(54,148,372)

General Revenues

Taxes:

Property taxes, levied for general purposes	10,072,881
Property taxes, levied for special revenue fund	36,761,891
Property taxes, levied for debt services	4,472,029
Property taxes, levied for capital projects	4,900,853
Sales tax	4,505,480
Financial Institution Tax/In Lieu of Tax/M&M Surtax	2,134,906

Other taxes

State assessed railroad and utility	944,162
Fines	59,430
State - basic formula	764,066
State - classroom trust fund	1,894,693
Investment earnings	87,297
Miscellaneous	182,952

TOTAL GENERAL REVENUES 66,780,640

CHANGE IN NET POSITION 12,632,268

NET POSITION, BEGINNING OF YEAR, RESTATED 9,681,935

NET POSITION, END OF YEAR \$ 22,314,203

KIRKWOOD SCHOOL DISTRICT R-7

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
-- ASSETS --					
Cash and investments	\$ 14,587,115	\$ 3,116,706	\$ 4,670,512	\$ 4,233,552	\$ 26,607,885
Cash and investments-restricted	3,939,168	-	-	13	3,939,181
Receivables:					
Taxes (net)	355,359	1,296,614	157,755	172,882	1,982,610
Interest and other	596,903	172,384	399	1,523,305	2,292,991
Prepaid items	518,481	-	-	-	518,481
Inventory	310,596	-	-	-	310,596
TOTAL ASSETS	\$ 20,307,622	\$ 4,585,704	\$ 4,828,666	\$ 5,929,752	\$ 35,651,744
-- LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES --					
LIABILITIES:					
Accounts payable	\$ 658,714	\$ 1,881,384	\$ 194	\$ 2,222,244	\$ 4,762,536
Accrued wages	299,248	67,731	-	-	366,979
Unearned revenue	181,856	-	-	-	181,856
Medical benefits payable	499,458	-	-	-	499,458
Early retirement incentive payable	64,000	568,000	-	-	632,000
Total Liabilities	1,703,276	2,517,115	194	2,222,244	6,442,829
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	256,825	937,091	114,013	124,945	1,432,874
FUND BALANCES:					
Nonspendable:					
Prepaid items	518,481	-	-	-	518,481
Inventory	310,596	-	-	-	310,596
Restricted for:					
Certificated employees' compensation and benefits	-	1,131,498	-	-	1,131,498
Debt service	-	-	4,714,459	-	4,714,459
Bond proceeds	-	-	-	13	13
Maintenance	-	-	-	1,177,353	1,177,353
Technology	1,721,108	-	-	-	1,721,108
Committed:					
Self funded insurance	3,439,710	-	-	-	3,439,710
Assigned:					
Kirkwood Early Childhood Center	427,011	-	-	-	427,011
Student activities	1,603,091	-	-	-	1,603,091
Capital projects	-	-	-	2,405,197	2,405,197
Subsequent year's budget	5,453,999	-	-	-	5,453,999
Unassigned	4,873,525	-	-	-	4,873,525
Total Fund Balances	18,347,521	1,131,498	4,714,459	3,582,563	27,776,041
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 20,307,622	\$ 4,585,704	\$ 4,828,666	\$ 5,929,752	\$ 35,651,744

KIRKWOOD SCHOOL DISTRICT R-7

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

TOTAL FUND BALANCE - GOVERNMENT FUNDS	\$ 27,776,041
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 \$127,996,856 and the accumulated depreciation is \$32,517,981.	95,478,875
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.	1,432,874
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.	(814,520)
To recognize federal interest subsidy which is not a current financial resource and therefore is not reported in the funds.	160,722
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	(30,930,000)
Facilities authority leasehold revenue bonds	(21,170,000)
Early retirement incentive	(872,000)
Compensated absences (vacations)	(882,520)
Unamortized bond premium	(2,294,114)
Deferred amount on refunding	1,696,522
Capital lease obligation	(274,599)
OPEB obligation	<u>(2,522,000)</u>
Total	(57,248,711)
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, 2015 are as follows:	
Net pension obligation – PSRS	(33,427,784)
Net pension obligation – PEERS	(2,751,525)
Deferred outflows of resources – PSRS	8,733,733
Deferred outflows of resources – PEERS	771,621
Deferred inflows of resources – PSRS	(16,076,384)
Deferred inflows of resources – PEERS	<u>(1,720,739)</u>
Total	<u>(44,471,078)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 22,314,203</u></u>

KIRKWOOD SCHOOL DISTRICT R-7

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
REVENUES:					
Local sources:					
Property taxes	\$ 10,089,725	\$ 38,684,708	\$ 4,479,065	\$ 4,908,565	\$ 58,162,063
Sales taxes	1,303,874	3,201,606	-	-	4,505,480
Investment income	55,401	10,243	18,018	3,637	87,299
Food service	823,355	-	-	-	823,355
Student activities	2,053,241	-	-	-	2,053,241
Community services	3,051,214	-	-	-	3,051,214
Voluntary transfer program	1,300,145	-	-	-	1,300,145
Tuition from other districts	1,407,715	-	-	-	1,407,715
Other local	624,016	-	-	7,133,358	7,757,374
Total Local	20,708,686	41,896,557	4,497,083	12,045,560	79,147,886
County sources:					
State assessed utilities	156,047	569,378	114,996	103,741	944,162
Other county	2,222	59,430	-	-	61,652
Total County	158,269	628,808	114,996	103,741	1,005,814
State sources:					
Basic formula	191,017	2,467,742	-	-	2,658,759
State grants and contributions	1,289,403	809,600	-	45,153	2,144,156
Total State	1,480,420	3,277,342	-	45,153	4,802,915
Federal grants and contributions	828,073	537,056	455,861	15,000	1,835,990
Total Revenues	23,175,448	46,339,763	5,067,940	12,209,454	86,792,605
EXPENDITURES:					
Current:					
Instruction	4,841,014	38,399,651	-	-	43,240,665
Guidance	179,258	2,218,265	-	-	2,397,523
Health services	486,931	-	-	-	486,931
Improvement of instruction	224,530	243,745	-	-	468,275
Professional development	15,175	98,159	-	-	113,334
Media services	2,601,413	1,038,630	-	-	3,640,043
Board of Education services	185,224	-	-	-	185,224
General administration	989,609	526,151	-	-	1,515,760
Building level administration	2,495,066	2,541,174	-	-	5,036,240
Business, fiscal and internal services	1,000,460	-	-	-	1,000,460
Operation of plant	7,074,587	-	-	-	7,074,587
Security services	509,673	-	-	-	509,673
Transportation	1,027,328	-	-	-	1,027,328
Food service	1,322,322	-	-	-	1,322,322
Community services	3,253,800	142,490	-	-	3,396,290
Capital outlay	-	-	-	11,764,437	11,764,437
Debt services:					
Principal retirements	-	-	5,125,000	107,348	5,232,348
Interest	-	-	2,303,075	2,286	2,305,361
Other charges	-	-	662	-	662
Total Expenditures	26,206,390	45,208,265	7,428,737	11,874,071	90,717,463

KIRKWOOD SCHOOL DISTRICT R-7

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,030,942)	1,131,498	(2,360,797)	335,383	(3,924,858)
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	-	-	2,470,157	(2,470,157)	-
Inception of capital lease	-	-	-	341,827	341,827
Total Other Financing Sources (Uses)	-	-	2,470,157	(2,128,330)	341,827
NET CHANGE IN FUND BALANCES	(3,030,942)	1,131,498	109,360	(1,792,947)	(3,583,031)
FUND BALANCES, BEGINNING OF YEAR	21,378,463	-	4,605,099	5,375,510	31,359,072
FUND BALANCES, END OF YEAR	<u>\$ 18,347,521</u>	<u>\$ 1,131,498</u>	<u>\$ 4,714,459</u>	<u>\$ 3,582,563</u>	<u>\$ 27,776,041</u>

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, 2015**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (3,583,031)

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	10,692,267	
Depreciation expense	<u>(4,007,606)</u>	6,684,661

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	(82,790)	
Federal interest subsidy	<u>(10,317)</u>	(93,107)

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.

Inception of capital lease	(341,827)	
Repayment of principal	<u>5,232,348</u>	4,890,521

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	(13,163)	
Early retirement incentive	584,000	
Other post employment benefit obligation	(520,000)	
Pension expense - PSRS	4,106,146	
Pension expense - PEERS	443,829	
Accrued interest on outstanding debt	43,244	
Premium on debt issuance, net of amortization	259,171	
Deferred amount on refunding, net of amortization	<u>(169,652)</u>	4,733,575

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.

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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 12,632,268

KIRKWOOD SCHOOL DISTRICT R-7

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2015

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 2014 and 2013 for purposes of local taxation were \$1,260,364,990 and \$1,248,397,930, respectively.

The blended tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar years 2014 and 2013 for purposes of local taxation were:

	<u>December 31, 2014</u>	<u>December 31, 2013</u>
General Fund	\$0.8222	\$0.8252
Special Revenue Fund	3.0000	2.9800
Capital Projects Fund	0.4000	0.4000
Debt Service Fund	0.3650	0.3650
Total	<u>\$4.5872</u>	<u>\$4.5702</u>

The receipts of current property taxes during the fiscal year ended June 30, 2015, aggregated approximately 96.8% 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 of the pooled accounts include a repurchase agreement and certificates of deposit. These investments are carried at cost, which approximates fair value. Other investments are carried at fair market value.

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, 2015, 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.

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 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.

Adoption of New Accounting Standards

For the year ended June 30, 2015, the District adopted GASB Statement No. 68, "Accounting and Reporting for Pensions," as amended by GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." The objective of these statements is to revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits. At transition, a government must recognize a beginning deferred

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. As a result, the net position for the year ended June 30, 2014 has been restated as follows:

Government-Wide Financial Statements - Governmental Activities:

Net position, June 30, 2014, as previously reported:	\$	58,702,988
To record the net pension obligation at the beginning of the year in accordance with GASB Statement No. 68:		
PSRS		(50,123,725)
PEERS		(4,898,270)
To record deferred outflows at the beginning of the year in accordance with GASB Statement No. 71:		
PSRS		5,247,145
PEERS		753,797
		<hr/>
Net position, June 30, 2014, restated	\$	9,681,935
		<hr/> <hr/>

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.

The District participates in the Missouri Securities Investment Program (MOSIP). MOSIP is an external investment pool in which a district's monies are pooled with other districts' monies to purchase investments that are permitted by state statutes. The District's monies purchase a pro-rata share of the pool. A board of directors comprised of Missouri school administrators, school board members, and school business officials provides governance and oversight of MOSIP's operations. The board seeks to maintain a stable net asset value of \$1 per share.

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

The deposits and investments held at June 30, 2015 are as follows:

<u>Type</u>	<u>Carrying Value</u>
Kirkwood School District	
Deposits:	
Demand deposits	\$ 7,648,025
Money market	<u>22,648,784</u>
	<u>30,296,809</u>
Investments:	
Negotiable certificates of deposit	<u>250,245</u>
Total District Deposits and Investments	<u><u>30,547,054</u></u>
Kirkwood School District Educational Facilities Authority	
Investments:	
Money market mutual funds	<u>12</u>
Total Deposits and Investments	<u><u>\$ 30,547,066</u></u>
Reconciliation to financial statements:	
Current:	
Cash and investments	\$ 26,607,885
Cash and investments - restricted	<u>3,939,181</u>
	<u><u>\$ 30,547,066</u></u>

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, 2015, 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, 2015, 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, 2015 are as follows:

Investment Type	Fair Value	Investment Maturities (In Years)	
		Less than 1	1-4
Negotiable certificates of deposit	\$ 250,245	\$ -	\$ 250,245
* Money market mutual funds	12	12	-
	<u>\$ 250,257</u>	<u>\$ 12</u>	<u>\$ 250,245</u>

* Represents investments of the Facilities Authority.

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, 2015, the District's investments were rated as follows:

Description	Financial Institution	Amount	Rating
Negotiable certificates of deposit	Multi-Bank Securities, Inc.	\$ 250,245	Unrated
* Federal Government Tax Managed Fund	UMB Corporate Trust	12	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, 2015, none of the District's investments were subject to concentration of investment credit risk.

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Ending Balance June 30, 2014	Additions	Disposals	Transfers In/(Out)	Ending Balance June 30, 2015
<i>Capital Assets, Not Being Depreciated:</i>					
Land	\$ 811,154	\$ -	\$ -	\$ -	\$ 811,154
Construction In Progress	5,656,705	7,361,822	-	(5,440,249)	7,578,278
Total Capital Assets, Not Being Depreciated	6,467,859	7,361,822	-	(5,440,249)	8,389,432
<i>Capital Assets, Being Depreciated:</i>					
<i>Land Improvements:</i>					
Land Improvements	8,694,286	38,665	-	-	8,732,951
<i>Buildings:</i>					
Building Components	91,670,589	1,913,324	3,722,457	4,851,806	94,713,262
<i>Equipment:</i>					
Machinery & Equipment	14,277,671	1,378,456	389,303	588,443	15,855,267
Vehicle	305,944	-	-	-	305,944
	14,583,615	1,378,456	389,303	588,443	16,161,211
Total Capital Assets, Being Depreciated	114,948,490	3,330,445	4,111,760	5,440,249	119,607,424
<i>Accumulated Depreciation:</i>					
<i>Land and Improvements:</i>					
Land Improvements	2,163,096	300,205	-	-	2,463,301
<i>Buildings:</i>					
Building Components	20,822,990	2,826,585	3,722,457	-	19,927,118
<i>Equipment:</i>					
Machinery & Equipment	9,393,093	853,673	388,952	-	9,857,814
Vehicle	242,605	27,143	-	-	269,748
	9,635,698	880,816	388,952	-	10,127,562
Total Accumulated Depreciation	32,621,784	4,007,606	4,111,409	-	32,517,981
Total Capital Assets, Being Depreciated, Net	82,326,706	(677,161)	351	5,440,249	87,089,443
Capital Assets, Net Of Accumulated Depreciation	\$ 88,794,565	\$ 6,684,661	\$ 351	\$ -	\$ 95,478,875
<i>Depreciation Allocation:</i>					
Instruction	\$ 655,960				
Media services	76,352				
Building level administration	47,390				
Business, fiscal and internal services	25,634				
Operation of plant	63,930				
Security services	49,671				
Food service	25,751				
Community services	104,613				
Facility projects	2,958,305				
Total Depreciation Expense	\$ 4,007,606				

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, 2015 is as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Amounts Due Within One Year
Bonds payable	\$ 34,440,000	\$ -	\$ 3,510,000	\$ 30,930,000	\$ 3,675,000
Capital lease obligations	40,120	341,827	107,348	274,599	69,533
Early retirement payable	1,928,000	384,000	808,000	1,504,000	744,000
Compensated absences (vacation)	869,357	521,376	508,213	882,520	519,919
Net pension obligation - PSRS	50,123,725	4,627,588	21,323,529	33,427,784	-
Net pension obligation - PEERS	4,898,270	327,792	2,474,537	2,751,525	-
OPEB obligation	2,002,000	1,240,000	720,000	2,522,000	-
	<u>94,301,472</u>	<u>\$ 7,442,583</u>	<u>\$ 29,451,627</u>	<u>72,292,428</u>	<u>\$ 5,008,452</u>
Add: Unamortized premium, net	<u>46,680</u>			<u>15,560</u>	
Total	<u>\$ 94,348,152</u>			<u>\$ 72,307,988</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) and OPEB obligation 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, 2015 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	\$30,190,000
\$4,980,000 general obligation refunding bonds issued on July 27, 2011; due in varying installments through February 15, 2016; interest at a variable rate ranging from 2.0% to 3.0% and is payable on February 15 and August 15 of each year	<u>740,000</u>
Total bonds payable at June 30, 2015	<u>\$30,930,000</u>

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, 2015, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,675,000	\$ 1,343,177	\$ 5,018,177
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
2021-2023	10,965,000	955,528	11,920,528
Total	\$ 30,930,000	\$ 6,233,942	\$ 37,163,942

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, 2015, was:

Constitutional debt limit	\$ 189,054,749
General obligation bonds payable	(30,930,000)
Amount available in Debt Service Fund	<u>4,714,459</u>
Legal Debt Margin	<u>\$ 162,839,208</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, 2015 was approximately \$510,675 of which \$448,587 is capitalized as Machinery and Equipment and the accumulated depreciation is \$142,249.

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, 2015:

<u>Year Ending June 30,</u>	
2016	\$ 73,563
2017	70,389
2018	70,389
2019	<u>70,387</u>
Total future minimum lease payments	284,728
Less amount representing interest	<u>(10,129)</u>
Present value of future minimum lease payments	<u><u>\$ 274,599</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 42 certified and 13 noncertified employees participating in the District's ERIP. As of June 30, 2015, 37 of the current participating retirees have met the 180 hour requirement. If all employees work the 180 hour requirement, the District will owe \$1,504,000 as follows:

<u>Fiscal Year Ending June 30,</u>	
2016	\$ 744,000
2017	\$ 472,000
2018	\$ 208,000
2019	\$ 40,000
2020	\$ 40,000

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.

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

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. The Authority used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2005B Series Bonds. As a result, that portion of the 2005B Series Bonds is considered defeased, and the Authority has removed the liability from its accounts. The defeased bonds were called in February 2015; therefore, the outstanding defeased bonds were \$0 as of June 30, 2015.

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, 2015:

	Balance				Balance	Amounts
	July 1,				June 30,	Due Within
	2014	Additions	Deductions		2015	One Year
Leasehold revenue bonds payable	\$ 22,785,000	\$ -	\$ 1,615,000		\$ 21,170,000	\$ 1,680,000
	22,785,000	\$ -	\$ 1,615,000		21,170,000	\$ 1,680,000
Add: Unamortized premium, net	2,506,605				2,278,554	
Total	\$ 25,291,605				\$ 23,448,554	

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

Bonds Payable

Bonds payable at June 30, 2015 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	\$18,220,000
\$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>2,950,000</u>
Total bonds payable at June 30, 2015	<u>\$21,170,000</u>

Leasehold Revenue Bonds

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

Year Ending June 30,	Principal	Interest	Total
2016	\$ 1,680,000	\$ 818,590	\$ 2,498,590
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
2021-2025	11,930,000	1,321,290	13,251,290
Total	<u>\$ 21,170,000</u>	<u>\$ 4,727,790</u>	<u>\$ 25,897,790</u>

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.

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

6. RETIREMENT PLANS

Public School Retirement System of Missouri

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. A Comprehensive Annual Financial Report ("CAFR") can be obtained at www.psr-peers.org.

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 is 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. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psr-peers.org. Since the prior valuation date, the benefit provisions were amended to make permanent an early retirement benefit allowing members to retire at any age after 25 years of service.

Cost-of-Living Adjustments ("COLA"). The PSRS Board 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 member retiring on or after July 1, 2001, such adjustments commence on the second 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 year 2015. 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.

The district's contributions to PSRS were \$5,588,148 for the year ended June 30, 2015.

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

At June 30, 2015, the district recorded a liability of \$33,427,784 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2014 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 of \$5,247,145 paid to PSRS for the year ended June 30, 2014 relative to the actual contributions of \$643,964,894 from all participating employers. At June 30, 2014, the district's proportionate share was 0.8148%.

For the year ended June 30, 2015, the district recognized a government-wide pension expense of \$1,482,003, its proportionate share of the total pension expense.

At June 30, 2015, the district reported deferred outflows of resources and deferred inflows of resources on the government-wide financial statements from the following sources related to PSRS pension benefits:

<u>Balance of Deferred Outflows and Inflows Due to:</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,557,339	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	16,076,384
Changes in proportion and differences between District contributions and proportionate share of contributions	1,588,246	-
Employer contributions subsequent to the measurement date	5,588,148	-
Total	\$ 8,733,733	\$ 16,076,384

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

\$5,588,148 reported as deferred outflows of resources to pensions resulting from contribution subsequent to the measurement date of June 30, 2014 will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as collective deferred (inflows) / outflows of resources will be recognized in pension expense as follows:

Year Ending June 30,	Net Deferred (Inflows) / Outflows of Resources
2016	\$ (3,435,500)
2017	(3,435,500)
2018	(3,435,500)
2019	(3,435,500)
2020	583,596
Thereafter	227,605
Total	\$ (12,930,799)

Actuarial Assumptions

Actuarial valuations of PSRS 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, 2014
Valuation date	June 30, 2014
Expected return on investments	8.00 %, net of investment expenses and including 2.5% inflation.
Inflation	2.50%
Total payroll growth	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.
Future salary increases	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%.
Cost-of-living increases	2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increase.
Mortality assumptions:	
Actives	RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
Non-disabled retirees, beneficiaries and survivors	RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.
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, 2014 valuation.
Fiduciary net position	PSRS issues 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 PSRS' 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 weighing 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 PSRS' target allocation as of June 30, 2014 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)

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

Discount rate

The discount rate used to measure the total pension liability was 8.00% as of June, 30, 2014, and is consistent with the long-term expected geometric return on plan 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 pension plan's 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.

	<u>1.0% Decrease (7.00%)</u>	<u>Current Rate (8.00%)</u>	<u>1.0% Increase (9.00%)</u>
Discount rate			
Proportionate share of the Net Pension Liability / (Asset)	\$ 70,783,669	\$ 33,427,784	\$ 2,094,608

As of June 30, 2015, the District reported \$2,278 payable to the PSRS for legally required contributions.

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

Public Education Employee Retirement System of Missouri

Plan Description. PEERS is a mandatory cost-sharing multiple employer retirement system for all public school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators, and community college employees (except the Community College of St. Louis). Employees of covered districts who work 20 or more hours per week on a regular basis and who are not contributing members of the 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. A Comprehensive Annual Financial Report ("CAFR") can be obtained at www.psrps-peers.org.

Benefits Provided. 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. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at www.psrps-peers.org.

Cost-of-Living Adjustments (COLA). The PEERS Board 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 member, such adjustments commence on the fourth January after commencement of benefits and occur annually thereafter. The total of such increases may not exceed 80% of the original benefit for any member.

Contributions. PEERS members were required to contribute 6.86% of their annual covered salary during fiscal year 2015. 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 PEERS were \$765,690 for the year ended June 30, 2015.

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

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

At June 30, 2015, the district recorded a liability of \$2,751,525 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2014 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 of \$753,797 paid to PEERS for the year ended June 30, 2014 relative to the actual contributions of \$100,035,580 from all participating employers. At June 30, 2014, the district's proportionate share was 0.7535%.

For the year ended June 30, 2015, the district recognized a pension expense of \$321,861, its proportionate share of the total pension expense.

At June 30, 2015, the district reported deferred outflows of resources and deferred inflows of resources from the following sources related to PEERS pension benefits:

Balance of Deferred Outflows and Inflows Due to:	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 81,837
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,638,902
Changes in proportion and differences between District contributions and proportionate share of contributions	5,931	-
Employer contributions subsequent to the measurement date	765,690	-
Total	\$ 771,621	\$ 1,720,739

\$765,690 reported as deferred outflows of resources to pensions resulting from contribution subsequent to the measurement date of June 30, 2014 will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as collective deferred (inflows) / outflows of resources to be recognized in pension expense as follows:

Year Ending June 30,	Net Deferred (Inflows) / Outflows of Resources
2016	\$ (433,823)
2017	(433,823)
2018	(433,823)
2019	(413,339)
Total	\$ (1,714,808)

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

Actuarial Assumptions

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

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

Measurement date	June 30, 2014
Valuation date	June 30, 2014
Expected return on investments	8.00 %, net of investment expenses and including 2.5% inflation.
Inflation	2.50%
Total payroll growth	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.
Future salary increases	5.00% - 12.00%, depending on service and including 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.75% to 8.75%.
Cost-of-living increases	2.0% compounded annually, beginning on the fourth January after retirement and capped at 80% lifetime increase.
Mortality assumptions:	
Actives	RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
Non-disabled retirees, beneficiaries and survivors	RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.
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, 2014 valuation.
Fiduciary net position	PEERS issues 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 PEERS' 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 weighing 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 PEERS' target allocation as of June 30, 2014 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 cashflows.

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, 2014, and is consistent with the long-term expected geometric return on plan 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 pension plan's 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.

	1.0% Decrease (7.00%)	Current Rate (8.00%)	1.0% Increase (9.00%)
Discount rate			
Proportionate share of the Net Pension Liability / (Asset)	\$ 6,602,599	\$ 2,751,525	\$ (501,831)

As of June 30, 2015, the District reported \$19,828 payable to the PEERS 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, 2015 were \$753,468. 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:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Unpaid claims, beginning of year	\$ 476,894	\$ 424,987
Incurred claims (including IBNRs)	4,457,325	5,200,353
Claim payments	<u>(4,434,761)</u>	<u>(5,148,446)</u>
Total	<u>\$ 499,458</u>	<u>\$ 476,894</u>

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

As of June 30, 2015, the District has outstanding commitments totaling approximately \$5.6 million for the construction and rehabilitation of buildings of which approximately \$2.5 million has been paid subsequent to June 30, 2015.

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, 2015, 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, 2015:

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

Annual Required Contribution	\$ 1,241,000
Interest on net OPEB obligation	75,000
Adjustment to annual required contribution	(76,000)
Annual OPEB cost	<u>1,240,000</u>
Contributions made *	<u>(720,000)</u>
Increase in net OPEB obligation	520,000
Net OPEB obligation - beginning of year	<u>2,002,000</u>
Net OPEB obligation - end of year	<u><u>\$ 2,522,000</u></u>

* Contribution related to implicit rates subsidy.

Three Year Trend Information

Plan Year Ended June 30,	Annual Required OPEB Cost	Percentage of ARC Contributed	Net OPEB Obligation
2015	\$ 1,240,000	58.1%	\$ 2,522,000
2014	1,225,000	54.2%	2,002,000
2013	1,009,000	64.6%	1,441,000

Funded Status and Funding Progress

As of June 30, 2014, the most recent actuarial valuation date, the plan was not prefunded. The actuarial accrued liability for benefits was approximately \$15.5 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$15.5 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%.

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.

KIRKWOOD SCHOOL DISTRICT R-7

Notes to Basic Financial Statements (continued)

In the June 30, 2014 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 amortization period of the unfunded Actuarial Accrued Liability AAL is 30 years. The remaining amortization period at June 30, 2015, was 24 years using a closed group projection.

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 February 2015, the GASB approved Statement No. 72 "Fair Value Measurement and Application." This statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for determining fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015.

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 June 2015, the GASB approved Statement No. 76 "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." The objective of this Statement is to identify in the context of the current governmental financial reporting environment the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015.

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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Local	\$ 18,165,590	\$ 20,076,447	\$ 20,688,778	\$ 612,331
County	142,000	146,723	158,270	11,547
State	3,099,030	1,266,830	1,354,392	87,562
Federal	749,500	755,633	779,771	24,138
Total Revenues	22,156,120	22,245,633	22,981,211	735,578
EXPENDITURES:				
Current:				
Instruction	4,509,814	4,702,114	4,849,040	(146,926)
Attendance	-	-	-	-
Guidance	239,814	186,329	177,047	9,282
Health services	580,959	507,607	494,373	13,234
Improvement of instruction	245,072	244,538	231,887	12,651
Professional development	16,781	15,175	15,175	-
Media services	3,028,984	3,071,536	2,937,290	134,246
Board of Education services	149,337	193,492	193,283	209
Executive administration	950,856	999,175	991,910	7,265
Building level administration	2,737,037	2,482,514	2,439,899	42,615
Business, fiscal and internal services	1,035,425	1,000,478	986,123	14,355
Operation of plant	7,096,661	7,191,161	7,240,292	(49,131)
Security services	471,986	512,223	509,673	2,550
Pupil transportation	1,012,518	1,024,865	1,020,405	4,460
Food service	1,365,033	1,365,033	1,321,814	43,219
Community services	3,555,783	3,473,843	3,258,594	215,249
Capital outlay	400,000	400,000	-	400,000
Total Expenditures	27,396,060	27,370,083	26,666,805	703,278
NET CHANGE IN FUND BALANCE	(5,239,940)	(5,124,450)	(3,685,594)	1,438,856
FUND BALANCE, BEGINNING OF YEAR	22,248,087	22,248,087	22,248,087	-
FUND BALANCE, END OF YEAR	\$ 17,008,147	\$ 17,123,637	\$ 18,562,493	\$ 1,438,856

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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Local	\$ 43,019,653	\$ 42,079,680	\$ 41,444,154	\$ (635,526)
County	685,000	644,430	628,808	(15,622)
State	1,346,000	3,398,272	3,277,342	(120,930)
Federal	569,000	506,547	477,030	(29,517)
Total Revenues	45,619,653	46,628,929	45,827,334	(801,595)
EXPENDITURES:				
Current:				
Instruction	39,029,063	38,856,691	38,334,965	521,726
Guidance	2,225,064	2,255,368	2,218,265	37,103
Improvement of instruction	256,627	248,011	243,744	4,267
Professional development	76,103	98,159	98,159	-
Media services	989,288	1,062,556	1,038,630	23,926
Executive administration	524,806	526,150	526,151	(1)
Building level administration	2,437,396	2,584,390	2,541,173	43,217
Community services	81,306	142,718	142,490	228
Total Expenditures	45,619,653	45,774,043	45,143,577	630,466
NET CHANGE IN FUND BALANCE	-	854,886	683,757	(171,129)
FUND BALANCE, BEGINNING OF YEAR	-	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ 854,886	\$ 683,757	\$ (171,129)

KIRKWOOD SCHOOL DISTRICT R-7

**NOTES TO BUDGETARY COMPARISON INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 9, 2014.

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	\$ (3,685,594)	\$ 683,757	\$ 52,034	\$ (2,077,928)
Taxes and other receivables	952,262	1,468,998	158,154	1,696,187
Inventory	310,596	-	-	-
Prepaid items	518,481	-	-	-
Accrued expenses, salaries				
taxes and compensated absences	(299,248)	(67,731)	-	-
Accounts payable	(658,714)	(1,881,384)	(194)	(2,222,244)
Medical and dental benefits	(499,458)	-	-	-
Unearned revenue	(181,856)	-	-	-
Deferred tax revenue	(256,825)	(937,091)	(114,013)	(124,945)
Early retirement incentive	(64,000)	(568,000)	-	-
Unrealized gain (loss) on investments	-	-	4,335	-
Inception of capital lease	-	-	-	(341,827)
Reclassification of held checks to				
accounts payable	83,855	1,846,729	-	191,816
Reverse June 30, 2014 accruals	749,559	586,220	9,044	3,406,504
Excess of Revenues Over (Under)				
Expenditures, Modified Accrual Basis	<u>\$ (3,030,942)</u>	<u>\$ 1,131,498</u>	<u>\$ 109,360</u>	<u>\$ 527,563</u>

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, 2015**

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%	89.30%

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, 2015**

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
2013	\$ 4,933,431	\$ 4,933,431	\$ -	\$ 34,459,013	14.32%
2014	\$ 5,247,145	\$ 5,247,145	\$ -	\$ 36,708,343	14.29%
2015	\$ 5,588,148	\$ 5,588,148	\$ -	\$ 39,097,637	14.29%

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, 2015**

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	25.0%	91.3%

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, 2015**

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
2013	\$ 725,211	\$ 725,211	\$ -	\$ 10,571,582	6.86%
2014	\$ 753,797	\$ 753,797	\$ -	\$ 10,988,276	6.86%
2015	\$ 765,690	\$ 765,690	\$ -	\$ 11,161,662	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, 2015**

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
06/30/14	\$ -	\$ 15,503,400	\$ 15,503,400	0%	\$ 45,623,478	34%
07/01/11	\$ -	\$ 12,377,100	\$ 12,377,100	0%	\$ 41,505,080	30%
07/01/09	\$ -	\$ 8,474,900	\$ 8,474,900	0%	\$ 40,559,055	21%

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, 2015**

	Kirkwood School District	Kirkwood School District Educational Facilities Authority	Total
-- ASSETS --			
ASSETS:			
Cash and investments	\$ 4,670,512	\$ -	\$ 4,670,512
Receivables:			
Taxes	157,755	-	157,755
Interest and other	399	-	399
TOTAL ASSETS	\$ 4,828,666	\$ -	\$ 4,828,666
-- LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES --			
LIABILITIES:			
Accounts payable	\$ 194	\$ -	\$ 194
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - property taxes	114,013	-	114,013
FUND BALANCES:			
Restricted for debt service	4,714,459	-	4,714,459
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,828,666	\$ -	\$ 4,828,666

KIRKWOOD SCHOOL DISTRICT R-7

**COMBINING BALANCE SHEET -
CAPITAL PROJECTS FUND BY COMPONENT UNIT
JUNE 30, 2015**

	Kirkwood School District	Kirkwood School District Educational Facilities Authority	Total
-- ASSETS --			
ASSETS:			
Cash and investments	\$ 4,233,552	\$ -	\$ 4,233,552
Cash and investments - restricted	-	13	13
Receivables:			
Taxes	172,882	-	172,882
Interest and other	1,523,305	-	1,523,305
TOTAL ASSETS	\$ 5,929,739	\$ 13	\$ 5,929,752
-- LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES --			
LIABILITIES:			
Accounts payable	\$ 2,222,244	\$ -	\$ 2,222,244
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - property taxes	124,945	-	124,945
FUND BALANCES:			
Fund balances:			
Restricted for:			
Capital projects	-	13	13
Maintenance	1,177,353	-	1,177,353
Assigned to capital projects	2,405,197	-	2,405,197
Total Fund Balances	3,582,550	13	3,582,563
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,929,739	\$ 13	\$ 5,929,752

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, 2015**

	Kirkwood School District	Kirkwood School District Educational Facilities Authority	Eliminations	Total
REVENUES:				
Local	\$4,497,083	\$ -	\$ -	\$ 4,497,083
County	114,996	-	-	114,996
Federal	455,861	-	-	455,861
Lease/purchase payments from the District	-	2,470,157	(2,470,157)	-
Total Revenues	5,067,940	2,470,157	(2,470,157)	5,067,940
EXPENDITURES:				
Debt service:				
Principal retirements	3,510,000	1,615,000	-	5,125,000
Interest	1,447,918	855,157	-	2,303,075
Other charges	662	-	-	662
Total Expenditures	4,958,580	2,470,157	-	7,428,737
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	109,360	-	(2,470,157)	(2,360,797)
OTHER FINANCING SOURCES:				
Transfers in	-	-	2,470,157	2,470,157
NET CHANGE IN FUND BALANCES	109,360	-	-	109,360
FUND BALANCES, BEGINNING OF YEAR	4,605,099	-	-	4,605,099
FUND BALANCES, END OF YEAR	\$4,714,459	\$ -	\$ -	\$ 4,714,459

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, 2015**

	School District			Total
	Kirkwood School District	Educational Facilities Authority	Eliminations	
REVENUES:				
Local	\$ 12,045,502	\$ 58	\$ -	\$ 12,045,560
County	103,741	-	-	103,741
State	45,153	-	-	45,153
Federal	15,000	-	-	15,000
Total Revenues	12,209,396	58	-	12,209,454
EXPENDITURES:				
Capital outlay	9,102,042	2,662,395	-	11,764,437
Debt service:				
Lease/purchase payments to the Authority	2,470,157	-	(2,470,157)	-
Principal retirements	107,348	-	-	107,348
Interest	2,286	-	-	2,286
Total Expenditures	11,681,833	2,662,395	(2,470,157)	11,874,071
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	527,563	(2,662,337)	2,470,157	335,383
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(2,470,157)	(2,470,157)
Inception of capital lease	341,827	-	-	341,827
Total Other Financing Sources (Uses)	341,827	-	(2,470,157)	(2,128,330)
NET CHANGE IN FUND BALANCES	869,390	(2,662,337)	-	(1,792,947)
FUND BALANCES, BEGINNING OF YEAR	2,713,160	2,662,350	-	5,375,510
FUND BALANCES, END OF YEAR	\$ 3,582,550	\$ 13	\$ -	\$ 3,582,563

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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local	\$4,514,300	\$4,528,755	\$4,439,757	\$ (88,998)
County	90,000	90,000	114,996	24,996
Federal	448,735	448,735	455,861	7,126
Total Revenues	<u>5,053,035</u>	<u>5,067,490</u>	<u>5,010,614</u>	<u>(56,876)</u>
EXPENDITURES:				
Debt Services:				
Principal retirements	3,510,000	3,510,000	3,510,000	-
Interest	1,447,918	1,447,918	1,447,918	-
Other charges	3,500	3,500	662	2,838
Total Expenditures	<u>4,961,418</u>	<u>4,961,418</u>	<u>4,958,580</u>	<u>2,838</u>
NET CHANGE IN FUND BALANCE	91,617	106,072	52,034	(54,038)
FUND BALANCE, BEGINNING OF YEAR	<u>4,620,143</u>	<u>4,620,143</u>	<u>4,620,143</u>	-
FUND BALANCE, END OF YEAR	<u>\$4,711,760</u>	<u>\$4,726,215</u>	<u>\$4,672,177</u>	<u>\$ (54,038)</u>

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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local	\$15,742,765	\$15,765,175	\$10,558,268	\$(5,206,907)
County	98,000	99,916	103,741	3,825
State	-	46,284	45,153	(1,131)
Federal	-	15,000	15,000	-
Total Revenues	15,840,765	15,926,375	10,722,162	(5,204,213)
EXPENDITURES:				
Current:				
Instruction	91,512	295,416	309,681	(14,265)
Guidance	2,500	2,250	1,027	1,223
Health services	4,000	4,000	3,476	524
Improvement of instruction	7,970	7,170	408	6,762
Media services	585,263	465,470	314,773	150,697
Executive administration	5,500	7,703	7,228	475
Building level administration	40,860	24,703	22,535	2,168
Business, fiscal and internal services	20,725	8,800	8,731	69
Operation of plant	77,335	33,113	274,347	(241,234)
Security services	-	765	412	353
Capital outlay	16,540,835	17,037,662	9,278,845	7,758,817
Debt services:				
Lease payments to facilities authority	-	-	2,470,157	(2,470,157)
Principal retirements	1,691,500	1,722,348	107,348	1,615,000
Interest	859,557	856,286	1,122	855,164
Other charges	3,000	5,946	-	5,946
Total Expenditures	19,930,557	20,471,632	12,800,090	7,671,542
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,089,792)	(4,545,257)	(2,077,928)	2,467,329
NET CHANGE IN FUND BALANCE	(4,089,792)	(4,545,257)	(2,077,928)	2,467,329
FUND BALANCE, BEGINNING OF YEAR	5,340,180	5,340,180	5,340,180	-
FUND BALANCE, END OF YEAR	\$ 1,250,388	\$ 794,923	\$ 3,262,252	\$ 2,467,329

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, 2015**

County District Number 096-092

1. Calendar (Sections 160.041 and 171.031, RSMo)

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

Kindergarten - A.M.	-	Hours	Grades	<u>6 - 8</u>	1,061.05	Hours
Kindergarten - Full-day	<u>1,142.35</u>	Hours	Grades	<u>9 - 12</u>	<u>1,100.55</u>	Hours
Grades 1 - 5	<u>1,142.35</u>	Hours				

B. 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	<u>1 - 5</u>	176	Days
Kindergarten - P.M.	-	Days	Grades	<u>6 - 8</u>	176	Days
Kindergarten - Full-day	<u>176</u>	Days	Grades	<u>9 - 12</u>	<u>176</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>382.507</u>	-	5.980	<u>388.487</u>	-
Grades <u>1 - 5</u>	1,964.914	-	31.091	1,996.005	-
Grades <u>6 - 8</u>	1,109.740	-	51.690	1,161.430	-
Grades <u>9 - 12</u>	1,456.646	-	89.728	1,546.374	-
Subtotal Regular Term	<u>4,913.807</u>	-	178.489	<u>5,092.296</u>	-
		<u>Resident</u>	<u>Deseg In</u>	<u>Total</u>	
Summer School Subtotal		<u>21.185</u>	<u>2.194</u>	<u>23.379</u>	-
	Total Regular Term Plus Summer School ADA			<u>5,115.675</u>	-

Notes: _____

KIRKWOOD SCHOOL DISTRICT R-7

Schedule of Selected Statistics (continued)

3. September Membership

	Full-Time & Part-Time	Deseg In	Total	Deseg Out
September Membership FTE Count	<u>5,201.73</u>	<u>196.51</u>	<u>5,398.24</u>	<u>14.00</u>

Notes: _____

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

		Full-Time & Part-Time	Deseg In	Total
State FTE Total	Free	<u>593.01</u>	<u>144.23</u>	<u>737.24</u>
	Reduced	<u>107.29</u>	<u>10.00</u>	<u>117.29</u>
	Total	<u>700.30</u>	<u>154.23</u>	<u>854.53</u>

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: \$15,175

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 #1,488.5
- Ineligible ADT #48

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: #187,780

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

- Eligible Miles #124,987
- Ineligible Miles (Non-Route/Disapproved) #62,793

F. Number of days the District operated the school transportation system during the regular school year: 176

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, 2015, and have issued our report thereon dated October 23, 2015.

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, 2015. 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, 2015. 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, 2015.

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
October 23, 2015

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Federal Compliance Section



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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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 23, 2015.

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
October 23, 2015



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2015. 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 requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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.

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, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
October 23, 2015

KIRKWOOD SCHOOL DISTRICT R-7

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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	\$ 420,619
ESEA Title II A	84.367	096-092	142,984
ESEA Title III	84.365	096-092	13,402
Early Childhood Special Education	84.173	096-092	241,046
Passed through Special School District of St. Louis County:			
Carl Perkins Career and Technical Education	84.048	096-092	<u>40,086</u>
Total U.S. Department of Education			<u>858,137</u>
<u>U.S. Department of Agriculture:</u>			
Passed through Missouri Department of Elementary and Secondary Education:			
National School Breakfast	10.553	096-092	123,416
National School Lunch	10.555	096-092	386,340
Food Distribution	10.555	096-092	<u>60,044</u>
Subtotal CFDA 10.555			<u>446,384</u>
Total Child Nutrition Cluster			<u>569,800</u>
Passed through Missouri Department of Health and Senior Services:			
Child and Adult Care Food Program	10.558	ERS46110992	<u>25,174</u>
Total U.S. Department of Agriculture			<u>594,974</u>
TOTAL			<u><u>\$ 1,453,111</u></u>

KIRKWOOD SCHOOL DISTRICT R-7

Schedule of Expenditures of Federal Awards (continued)

Note 1 - Significant Accounting Policies

The District prepares its Schedule of Expenditures of Federal Awards on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liabilities are incurred.

Note 2 - Food Distribution

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

Note 3 - Insurance

The District did not have any federal insurance in effect during the fiscal year ended June 30, 2015.

Note 4 - Loans/Loan Guarantees

The District did not have any loans or loan guarantees outstanding as of June 30, 2015.

KIRKWOOD SCHOOL DISTRICT R-7

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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
Circular A-133, Section .510(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: \$300,000

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.