

## NOTICE OF SALE

**\$50,000,000\***

### **THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI CERTIFICATES OF PARTICIPATION SERIES 2016**

**Bids.** Electronic bids for the purchase of \$50,000,000\* principal amount of Certificates of Participation, Series 2016 (the “**Certificates**”), evidencing proportionate interests in the right to receive rental payments payable pursuant to a Lease Agreement by The School District of Kansas City, Missouri (the “**District**”), herein described, will be received **until 10:00 a.m., Central Daylight Time**, on

**August 10, 2016**

All proposals must be submitted electronically through PARITY® as further described herein. No oral or auction bids will be considered. All bids will be read and evaluated at that time and place, and the award of the Certificates will be made by the Chief Financial Officer of the District no later than 11:00 a.m., Central Daylight Time on August 10, 2016 (the “**Sale Date**”), and ratified by the Board of Directors of the District at its meeting to be held at 6:30 p.m. on the Sale Date.

**Pre-Bid Revisions.** The District reserves the right to issue a Supplemental Notice of Sale not later than 24 hours prior to the sale date through PARITY® and i-Deal Prospectus (“**Supplemental Notice**”). If issued, the Supplemental Notice may modify such terms of this Notice of Sale as the District determines, including the date and time of the sale. Any such modifications will supersede the terms as set forth herein.

**Adjustment of Issue Size.** In order to properly structure the transaction, the District reserves the right, on the date of the award of the Certificates to the successful bidder, in the District’s sole discretion, to increase or decrease the principal amount of any maturity by not more than 10% of the principal amount of such maturity (provided that the total of the aggregate principal amount of the Bonds plus any reoffering premium shall not be greater than \$55,000,000 depending on the interest rates bid and the bid premium or discount, if any. The successful bidder may not withdraw its bid or change the interest rates bid as a result of any changes made to the principal amount as described herein. In the event there is an increase or decrease in the final principal amount per maturity as described above, the successful bidder will be notified on the sale date by telephone, fax or electronic mail of such increases or decreases promptly after the sale and prior to the award of the bid by the District. In the event that the maturity amounts of the Certificates are adjusted, the purchase price will be adjusted to ensure that the percentage net compensation (i.e., the percentage resulting from dividing (i) the aggregate difference between the offering price of the Certificates to the public and the price to be paid to the District by (ii) the principal amount of the Certificates) remains constant.

**Terms of the Certificates.** The Certificates will consist of fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. The Certificates will be dated their date of delivery, and will become due in principal installments on April 1 in the years, subject to adjustment as provided herein, as follows:

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\* Preliminary, subject to change.

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2017	\$1,430,000	2027	\$3,215,000
2018	760,000	2028	3,440,000
2019	755,000	2029	3,680,000
2020	730,000	2030	3,800,000
2021	705,000	2031	3,965,000
2022	685,000	2032	4,120,000
2023	650,000	2033	4,285,000
2024	585,000	2034	4,415,000
2025	535,000	2035	4,545,000
2026	3,015,000	2036	4,685,000

The Certificates will bear interest from the date thereof at rates to be determined when the Certificates are sold as hereinafter provided, which interest will be payable semiannually on April 1 and October 1 in each year, beginning on April 1, 2017.

**Authority, Purpose and Security.** The Certificates are being issued pursuant to the constitution and laws of the State of Missouri for the purpose of providing funds to improve the District's facilities. The Certificates are special obligations of the District, payable solely from the net income and revenues derived by the District.

The Certificates are more particularly described in the Preliminary Official Statement dated the date hereof, available from the District's financial advisor, Piper Jaffray & Co. (the "**Financial Advisor**"). This Notice of Sale contains certain information for quick reference only. It is not, and is not intended to be, a summary of the Certificates. Each bidder is required to read the entire Preliminary Official Statement to obtain information essential to making an informed investment decision.

**Place of Payment.** Principal will be payable upon presentation and surrender of the Certificates by the registered owners thereof at the payment office of BOKF, N.A., Kansas City, Missouri, as Trustee (the "**Trustee**"). Interest shall be paid to the registered owners of the Certificates as shown on the certificate register at the close of business on the record date for such interest (a) by check or draft mailed by the Paying Agent to the address of such registered owners shown on the certificate register, (b) at such other address as is furnished to the Paying Agent in writing by any registered owner or (c) in the case of an interest payment to any registered owner of \$500,000 or more in aggregate principal amount of Certificates, by electronic transfer to such registered owner upon written notice given to the Trustee by such registered owner, not less than 5 days prior to the record date for such interest, containing the electronic transfer instructions including the bank (which shall be in the continental United States), ABA routing number and account name and account number to which such registered owner wishes to have such transfer directed.

**Book-Entry Only System.** The Certificates will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which payments of principal of and interest on the Certificates will be made. Individual purchases of Certificates will be made in book-entry form only. Purchasers will not receive certificates representing their interest in Certificates purchased. It shall be the obligation of the successful bidder to furnish to DTC an underwriters' questionnaire. It shall be the obligation of the successful bidder to qualify the Certificates, if such qualification is necessary, in the jurisdictions in which it intends to reoffer the Certificates.

**Optional Redemption of Certificates Prior to Maturity.** At the option of the District, Certificates may be called for redemption and payment prior to maturity on April 1, 2026 and thereafter, in whole or in part at any time, at the redemption price of 100% of the principal amount thereof, plus

accrued interest thereon to the redemption date. Certificates of less than a single maturity will be selected for redemption by the District in multiples of \$5,000 principal amount.

**Election to Specify Term Certificates.** A bidder may elect to have all or a portion of the Certificates scheduled to mature consecutively issued as one or more term bonds scheduled to mature in the latest of said consecutive years and subject to mandatory redemption requirements consistent with the schedule of serial maturities set forth above, and subject to the bidder making such an election by including such information in the electronic bid submitted via PARITY®. Not less than all the Certificates of a single maturity may be converted to term certificates.

**Conditions of Bids.** Proposals will be received on all of the Certificates bearing such rate or rates of interest as may be specified by the bidders, subject to the following conditions: The same rate shall apply to all Certificates of the same maturity. Each interest rate specified shall be a multiple of 1/20, 1/8 or 1/100 of 1%. No supplemental interest payments will be authorized. The Certificates shall be sold by the District for a price not less than 99% or more than 110% of the total principal amount thereof and no single maturity of the Certificates shall be sold at a premium of more than 125%, priced to the call date. Each bid shall specify the total interest cost during the life of the Certificates on the basis of such bid, the premium or discount, if any, offered by the bidder, and the net interest cost and the true interest cost on the basis of such bid. Each bidder agrees that, if it is awarded the Certificates, it will provide to the District the certification as to initial offering prices described under the caption "Certification as to Offering Prices" in this Notice of Sale.

**Basis of Award.** The Certificates will be awarded to the bidder whose bid will result in the lowest "true interest cost" ("TIC"), determined as follows: the TIC is the discount rate (expressed as a per-annum percentage rate) which, when used in computing the present value of all payments of principal and interest to be paid on the Certificates, from the scheduled payment dates back to the dated date of the Certificates, produces an amount equal to the price bid, including premium or discount, if any, but excluding any interest accrued to the date of delivery. Payments of principal and interest on the Certificates shall be based on the principal amounts set forth in this Notice of Sale and the interest rates specified by each bidder. Present value shall be computed on the basis of semiannual compounding and a 360-day year of twelve 30-day months. No bidder shall be awarded the Certificates unless its bid shall be in compliance with the other terms and conditions of this Notice of Sale. In the event that two or more bidders offer bids at the same lowest TIC, the District shall determine which bid, if any, shall be accepted, and its determination shall be final. Bidders are requested to supply an estimate of the TIC for the Certificates on the Bid Form described in this Notice of Sale, computed as specified herein on the basis of their respective bids, which shall be considered as informative only and not binding on either the bidder or the District. In the event the TIC specified on the Official Bid Form does not correspond to the interest rates specified, the interest rates specified will govern and the TIC will be adjusted accordingly. The District reserves the right to waive irregularities and to reject any or all bids.

**Legal Opinion.** The Certificates will be sold subject to the approving legal opinion of Gilmore & Bell, P.C., Special Tax Counsel, which opinion will be furnished and paid for by the District and printed on the Certificates and delivered to the successful bidder when the Certificates are delivered. Said opinions will also include the opinion of Special Counsel relating to the exclusion of the interest on the Certificates from gross income for federal and Missouri income tax purposes. Reference is made to the Preliminary Official Statement for further discussion of federal and Missouri income tax matters relating to the interest on the Certificates.

**Certification as to Offering Prices.** To provide the District with information necessary for compliance with Section 148 of the Code, the successful bidder will be required to complete, execute and deliver to the District prior to the delivery of the Certificates, a certificate regarding the "issue price" of

the Certificates (as defined in Section 148 of the Code). For Certificates reoffered for sale, this certificate is intended to reflect the initial offering prices (excluding accrued interest and expressed as dollar prices) at which a substantial amount (*i.e.*, 10% or more) of the Certificates of each maturity have been or are expected to be sold to the public. Prior to delivery of the Certificates, the successful bidder will execute and deliver to the District a written certification (the **“Issue Price Certificate”**) containing the following representations (1) the initial offering price and interest rate for each maturity of the Certificates; (2) that all of the Certificates of each maturity were offered to the public in a bona fide public offering at the initial offering prices on the Sale Date, and (3) on the Sale Date the successful bidder reasonably expected that at least 10% of each maturity of the Certificates would be sold to the public at prices not higher than the initial offering prices. For purposes of the preceding sentence “public” means persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers. In the alternative, for Certificates not reoffered for sale, such certificate may instead provide that the successful bidder has purchased the Certificates for its own account in a capacity other than as an underwriter or wholesaler, and currently has no intent to reoffer the Certificates for sale.

At the request of the District, the successful bidder will provide information explaining the factual basis for the successful bidder’s Issue Price Certificate. This agreement by the successful bidder to provide such information will continue to apply after the issue date of the Certificates if (1) the District requests the information in connection with an audit or inquiry by the Internal Revenue Service or the Securities and Exchange Commission or (2) the information is required to be retained by the District pursuant to future regulation or similar guidance from the Internal Revenue Service, the Securities and Exchange Commission or other federal or state regulatory authority.

***In addition, the successful bidder shall provide such issue prices to the District and its Financial Advisor no later than 10:30 on August 10, 2016.***

**Delivery and Payment.** The District will deliver the Certificates, properly prepared, executed and registered, without cost to the successful bidder on or about August 24, 2016 in book-entry form only through the facilities of The Depository Trust Company in New York, New York. The successful bidder will also be furnished with a certified transcript of the proceedings evidencing the authorization and issuance of the Certificates and the usual closing documents, including a certificate that there is no litigation pending or threatened at the time of delivery of the Certificates affecting their validity and a certificate regarding the completeness and accuracy of the Official Statement. Payment for the Certificates shall be made in federal reserve funds, immediately available for use by the District.

**Good Faith Deposit.** The successful bidder (the **“Purchaser”**) is required to submit a good faith deposit in the amount of \$550,000.00 (the **“Deposit”**) to the District in the form of an electronic transfer of federal reserve funds, immediately available for use by the District, as instructed by the District or its Financial Advisor, no later than 2:00 p.m., Central Daylight Time, on the day on which the proposals are received. If the Deposit is not received by such time, the District may abandon its plan to award the Certificates to such Purchaser, and contact the bidder with the next lowest TIC and offer said bidder the opportunity to become the Purchaser. The Deposit of the Purchaser shall constitute a good faith deposit and shall be retained by the District to insure performance of the requirements of the sale by the Purchaser. In the event the Purchaser shall fail to comply with the terms of its bid, the Deposit will be forfeited as full and complete liquidated damages. Upon delivery of the Certificates, the Deposit will be applied to the purchase price of the Certificates or shall be returned to the Purchaser, but no interest shall be allowed thereon. If a bid is accepted but the District fails to deliver the Certificates to the bidder in accordance with the terms and conditions of this Notice of Sale, the Deposit shall be returned to the Purchaser.

**Credit Rating.** S&P Global Ratings is expected to give the Certificates a rating of “A” which reflects its evaluation of the investment quality of the Certificates. Such rating reflects only the view of such rating agency, and an explanation of the significance of such rating may be obtained therefrom. There is no assurance that the rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, by said rating agency if, in its judgment, circumstances warrant. Any such downward revisions or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

**Submission of Bids.** Electronic bids via PARITY<sup>®</sup> must be submitted in accordance with this Notice of Sale. During the electronic bidding, no bidder will see any other bidder’s bid or the status of their bid relative to other bids (i.e. whether their bid is a leading bid). Bidders may modify or cancel their bid at any time up to the end of the bidding. If provisions of this Notice of Sale conflict with those of PARITY<sup>®</sup>, this Notice of Sale shall control. Bids for the Certificates must be received before **10:00 a.m., Central Daylight Time, on Wednesday, August 10, 2016.** The District and the Financial Advisor shall not be responsible for any failure, misdirection, delay or error in the means of transmission selected by the bidder.

**PARITY<sup>®</sup>.** All proposals must be submitted electronically through PARITY<sup>®</sup> and no other proposals will be considered. Information about the electronic bidding services of PARITY<sup>®</sup> may be obtained from i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Phone No. (212) 849-5000 and from the following web site: [www.newissuehome.i-deal.com](http://www.newissuehome.i-deal.com). The District shall not be responsible for proper operation of, or have any liability for, any delays, interruptions, or damages caused by use of the PARITY<sup>®</sup> system. The District is using the PARITY<sup>®</sup> system as a communication mechanism, and not as the District’s agent, to conduct the electronic bidding for the Certificates. The use of the PARITY<sup>®</sup> system shall be at the bidder’s risk and expense, and the District and its agents shall have no liability with respect thereto. The bids must be received as provided herein and by the time specified. The District is not bound by any advice or determination of PARITY<sup>®</sup> to the effect that any particular bid complies with the terms of this Notice of Sale and the bid specifications. An electronic bid made through the facilities of PARITY<sup>®</sup> shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in this Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the District.

**Preliminary Official Statement and Official Statement.** The District has prepared a Preliminary Official Statement, “deemed final” as of its date by the District except for the omission of certain information as provided in Securities and Exchange Commission Rule 15c2-12, copies of which may be obtained from the Financial Advisor as provided herein. Upon the sale of the Certificates, the District will adopt the final Official Statement and will furnish the Purchaser with an electronic copy of the final Official Statement within seven business days of the acceptance of the Purchaser’s proposal in order to comply with Rule 15c2-12(b)(4) of the Securities and Exchange Commission and Rule G-32 of the Municipal Securities Rulemaking Board. The District’s acceptance of the successful bidder’s proposal for the purchase of the Certificates shall constitute a contract between the District and the Purchaser for purposes of said Rules. Paper copies of the Official Statement may be ordered by the Purchaser at its expense.

**Continuing Disclosure.** The District covenants and agrees to enter into a continuing disclosure undertaking to provide ongoing disclosure about the District, for the benefit of the certificate holders on or before the date of delivery of the Certificates as required by Section (b)(5)(i) of Rule 15c2-12 of the Securities and Exchange Commission, which continuing disclosure undertaking shall be in the form as may be agreed to in writing by the Purchaser. Except as disclosed in the Preliminary Official Statement, the District is in compliance with each undertaking previously entered into by the District pursuant to

Rule 15c-2-12. A description of the District's compliance failures are provided in the Preliminary Official Statement.

**CUSIP Numbers.** It is anticipated that CUSIP numbers will be printed on the Certificates and the Purchaser agrees by submitting its bid proposal to pay the cost thereof. In no event will the District, Special Counsel or the Financial Advisor be responsible for the review of or express any opinion that the CUSIP numbers are correct. Incorrect CUSIP numbers on the Certificates shall not be cause for the Purchaser to refuse to accept delivery of the Certificates.

**Additional Information.** Additional information regarding the Certificates may be obtained from the Financial Advisor, Piper Jaffray & Co., 11635 Rosewood Street, Leawood, Kansas, 66211, Attention: Todd Goffoy (913) 345-3373, [a.t.goffoy@pjc.com](mailto:a.t.goffoy@pjc.com) or William Henderson (913) 345-3370, [william.p.henderson@pjc.com](mailto:william.p.henderson@pjc.com).

DATED this 27<sup>th</sup> day of July, 2016.

**THE SCHOOL DISTRICT OF KANSAS  
CITY, MISSOURI**

By: Allan H. Tunis, Chief Financial Officer

**NEW ISSUE**  
**Book-Entry Only**

**S&P RATING: A**  
**See "RATING" herein.**

*In the opinion of Gilmore & Bell, P.C., Special Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the interest component of Rental Payments paid by the District and distributed to the registered owners of the Series 2016 Certificates (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes except as described in this Official Statement, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (2) the interest component of Rental Payments is excludable from income taxation by the State of Missouri, and (3) the District's obligation to pay Rental Payments under the Lease has not been designated as a "qualified tax exempt obligation" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS" herein.*



**\$50,000,000\***  
**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**  
**CERTIFICATES OF PARTICIPATION**  
**SERIES 2016**

**Dated: Date of Issuance**

**Due: April 1, as shown on  
inside cover page**

The Series 2016 Certificates are deliverable only as fully registered certificates, without coupons, in authorized denominations of \$5,000 or any integral multiple thereof. Principal components will be payable each April 1 in the years shown on the inside cover page. Semiannual interest components will be payable on April 1 and October 1, beginning April 1, 2017.

The Series 2016 Certificates evidence the ownership of proportionate interests in, and rights to receive payments under, a Lease Agreement dated as of August 1, 2016 (the "**Lease**") entered into between BOKF, N.A., as lessor, and The School District of Kansas City, Missouri (the "**District**"), as lessee. The Series 2016 Certificates are to be executed and delivered pursuant to a Trust Indenture dated as of August 1, 2016 (the "**Indenture**"), between BOKF, N.A. (the "**Trustee**") and the District.

**Neither the Series 2016 Certificates nor the Lease shall constitute a liability or obligation of the District beyond the Initial Term or Renewal Term in effect at any time. The District is under no obligation to renew the Lease at the end of the initial term or any renewal term. Neither the Series 2016 Certificates nor the Lease will constitute a general obligation or indebtedness of the District within the meaning of any constitutional or statutory debt limitation or restriction. The Trustee will have no financial obligation under the Lease or the Indenture.**

**An investment in the Series 2016 Certificates involves risk. Prospective purchasers should be able to evaluate the risks and merits of an investment in the Series 2016 Certificates before considering a purchase of the Series 2016 Certificates. See "RISK FACTORS AND INVESTMENT CONSIDERATIONS" herein.**

The Series 2016 Certificates are subject to prepayment prior to maturity as more fully described herein.

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**MATURITY SCHEDULE: SEE INSIDE FRONT COVER**

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*The Series 2016 Certificates will be offered when, as and if delivered and approved by the District, subject to prior sale, modification or withdrawal of the offer without sale, and subject to the approval of validity and certain other matters by Gilmore & Bell, P.C., Kansas City, Missouri, Special Counsel, and certain other conditions. Certain legal matters related to the Official Statement will be passed upon by Gilmore & Bell, P.C., Kansas City, Missouri. Certain legal matters will be passed upon for the District by Ray E. Sousley, Chief Legal Counsel to the District. Piper Jaffray & Co., serves as financial advisor to the District. It is expected that the Series 2016 Certificates will be available for delivery in book-entry form through the facilities of DTC in New York, New York on or about August 24, 2016.*

**Bids for the Series 2016 Certificates will only be received electronically through PARITY electronic bid submission system until 10:00 a.m., Central Daylight Time, on Wednesday, August 10, 2016.**

The date of this Official Statement is August \_\_, 2016

\*Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances may this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor may there be any sale of these securities in any jurisdictions in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**\$50,000,000\***  
**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**  
**CERTIFICATES OF PARTICIPATION**  
**SERIES 2016**

**MATURITY SCHEDULE\***

**BASE CUSIP NO.: \_\_\_\_\_<sup>1</sup>**

<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Price or</b>	<b>CUSIP</b>
<b><u>April 1</u></b>	<b><u>Amount*</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Number<sup>1</sup></u></b>
2017	\$1,430,000			
2018	760,000			
2019	755,000			
2020	730,000			
2021	705,000			
2022	685,000			
2023	650,000			
2024	585,000			
2025	535,000			
2026	3,015,000			
2027	3,215,000			
2028	3,440,000			
2029	3,680,000			
2030	3,800,000			
2031	3,965,000			
2032	4,120,000			
2033	4,285,000			
2034	4,415,000			
2035	4,545,000			
2036	4,685,000			

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\* Preliminary; subject to change; subject to change; serial maturities may be aggregated into one or more term bonds with mandatory sinking fund payments per the serial maturity schedule.

<sup>1</sup> Copyright 2015, American Bankers Association. CUSIP data in this Official Statement is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. The CUSIP number is provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such CUSIP.



**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

2901 Troost Avenue  
Kansas City, Missouri 64109  
(816) 418-7000

**Board of Directors**

Melissa Robinson, Chair; Director Sub-District 4  
Pattie Mansur, Vice Chair; Director At-Large  
Matthew Oates, Treasurer; Director Sub-District 2  
Natalie Lewis, Director Sub-District 1  
John Fierro, Director Sub-District 3  
Ajia Morris, Director Sub-District 5  
Carl Evans, Director Sub-District 6  
Amy Hartsfield, Director Member at-large  
Jennifer Wolfsie, Director Member at-large

Sandra Fette, CAP, Secretary

**ADMINISTRATION**

Dr. Mark Bedell, Superintendent  
Allan H. Tunis, Chief Financial Officer  
Darrel Meyer, Chief Operations Officer

**FINANCIAL ADVISOR**

Piper Jaffray & Co.  
Leawood, Kansas

**BOND COUNSEL**

Gilmore & Bell, P.C.  
Kansas City, Missouri

**CERTIFIED PUBLIC ACCOUNTANTS**

RSM US LLP  
Certified Public Accountants  
Kansas City, Missouri

## **REGARDING USE OF THIS OFFICIAL STATEMENT**

No dealer, broker, salesman or other person has been authorized by the District or the Underwriter to give any information or to make any representations with respect to the Series 2016 Certificates other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2016 Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the District and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of that information.

In connection with this offering, the Underwriter may overallocate or effect transactions that stabilize or maintain the market price of the Series 2016 Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Series 2016 Certificates have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended, or under any state securities or “blue sky” laws. The Series 2016 Certificates are offered pursuant to an exemption from registration with the Securities and Exchange Commission.

### **CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT**

Certain statements included in or incorporated by reference in this Official Statement that are not purely historical are “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended, and reflect the District’s current expectations, hopes, intentions, or strategies regarding the future. Such statements may be identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” “intend” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INCLUDED IN SUCH RISKS AND UNCERTAINTIES ARE (i) THOSE RELATING TO THE POSSIBLE INVALIDITY OF THE UNDERLYING ASSUMPTIONS AND ESTIMATES, (ii) POSSIBLE CHANGES OR DEVELOPMENTS IN SOCIAL, ECONOMIC, BUSINESS, INDUSTRY, MARKET, LEGAL AND REGULATORY CIRCUMSTANCES, AND (iii) CONDITIONS AND ACTIONS TAKEN OR OMITTED TO BE TAKEN BY THIRD PARTIES, INCLUDING CUSTOMERS, SUPPLIERS, BUSINESS PARTNERS AND COMPETITORS, AND LEGISLATIVE, JUDICIAL AND OTHER GOVERNMENTAL AUTHORITIES AND OFFICIALS. ASSUMPTIONS RELATED TO THE FOREGOING INVOLVE JUDGMENTS WITH RESPECT TO, AMONG OTHER THINGS, FUTURE ECONOMIC, COMPETITIVE, AND MARKET CONDITIONS AND FUTURE BUSINESS DECISIONS, ALL OF WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT ACCURATELY. FOR THESE REASONS, THERE CAN BE NO ASSURANCE THAT THE FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENTS WILL PROVE TO BE ACCURATE.

UNDUE RELIANCE SHOULD NOT BE PLACED ON FORWARD-LOOKING STATEMENTS. ALL FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT ARE BASED ON INFORMATION AVAILABLE TO THE DISTRICT ON THE DATE HEREOF, AND THE DISTRICT ASSUMES NO OBLIGATION TO UPDATE ANY SUCH FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR OR FAIL TO OCCUR, OTHER THAN AS SET FORTH IN **APPENDIX C**.

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## CERTIFICATE ISSUE SUMMARY

This Certificate Issue Summary is expressly qualified by the entire Official Statement, which is provided for the convenience of potential investors and which should be reviewed in their entirety by potential investors.

District:	The School District of Kansas City, Missouri
Trustee/Lessor:	BOKF, N.A., Kansas City, Missouri
Issue:	\$50,000,000* The School District of Kansas City, Missouri Certificates of Participation, Series 2016, evidencing proportionate interests of the Certificate owners in Rental Payments to be made by the District as Lessee pursuant to a Lease Agreement with the Trustee, as Lessor.
Dated Date:	Original date of delivery
Interest Date:	April 1 and October 1, commencing April 1, 2017
Principal Due:*	The Series 2016 Certificates due on April 1 in 2017 through 2036, as detailed on the inside cover page of this Official Statement.
Prepayment:	Optional prepayment on April 1, 2026 and thereafter, and extraordinary optional prepayment upon certain circumstances as described under <b>“THE SERIES 2016 CERTIFICATES – Prepayment Provisions.”</b>
Authorization:	The Series 2016 Certificates are authorized by a resolution of the Board of Directors of the District and are issued pursuant to a Trust Indenture between the District and the Trustee.
Security:	The Series 2016 Certificates will be payable solely from Rental Payments under the Lease and certain other funds available to the Trustee as described under <b>“SECURITY FOR THE SERIES 2016 CERTIFICATES”</b> herein.
Rating:	S&P Global Ratings has assigned the Series 2016 Certificates the rating shown on the cover page hereof, based on the credit worthiness of the District. See <b>“RATING.”</b>
Purpose:	The Series 2016 Certificates are being issued for the purpose of paying a portion of the costs of improvements to the District’s school facilities described under <b>“PLAN OF FINANCE”</b> herein.
Tax Exemption:	Gilmore & Bell, P.C., Special Counsel, will provide an opinion as to the tax exemption of the interest component of Rental Payments paid by the District and distributed to the registered owners of the Series 2016 Certificates as discussed under <b>“TAX MATTERS”</b> in this Official Statement.
Not Bank Qualified:	The District’s obligation to pay Rental Payments under the Lease has <b>not</b> been designated as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Book-Entry Form:	The Series 2016 Certificates will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ( <b>“DTC”</b> ), New York, New York. DTC will act as securities depository for the Series 2016 Certificates.

\* Preliminary; subject to change.

## OFFICIAL STATEMENT

**\$50,000,000\***  
**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**  
**CERTIFICATES OF PARTICIPATION**  
**SERIES 2016**

### INTRODUCTION

#### General

The purpose of this Official Statement is to furnish information in connection with the offering and sale of \$50,000,000\* principal amount of The School District of Kansas City, Missouri Certificates of Participation, Series 2016 (the **“Series 2016 Certificates”**), representing the proportionate interests of the owners thereof (the **“Registered Owners”**) in rental payments (the **“Rental Payments”**) to be made by The School District of Kansas City, Missouri (also known as Kansas City Public Schools), an urban school district and political subdivision of the State of Missouri (the **“District”**), pursuant to a Lease Agreement dated as of August 1, 2016 (the **“Lease”**), between BOKF, N.A., as Lessor, and the District, as Lessee.

The Series 2016 Certificates are being delivered pursuant to a Trust Indenture dated as of August 1, 2016 (the **“Indenture”**), between BOKF, N.A., Kansas City, Missouri (the **“Trustee”**), for the purpose of providing funds to (1) pay the costs of a project (the **“Project”**) as more fully described under the heading **“The Project”** including construction, improvement, furnishing and equipping school facilities located on (a) certain real property upon which four of the District’s schools are located in Kansas City, Missouri (the real property upon which such four facilities are located is collectively referred to as the **“Project Site”**), and (b) on other real property not comprising part of the Project Site, and (2) paying costs related to the delivery of the Series 2016 Certificates as described herein. The Project Site and all additions, modifications, improvements, replacements and substitutions made thereon and thereto and any additional facilities financed with Additional Certificates (as hereinafter defined) on the Project Site are collectively referred to as the **“Facilities”** as more fully described under the heading **“Facilities.”**

#### Purpose of the Series 2016 Certificates

The Series 2016 Certificates are being issued to finance a portion of the costs of improvements to District facilities (the **“Project”**) more fully described under the heading **“PLAN OF FINANCE.”**

Pursuant to the provisions of Section 177.088 of the Revised Statutes of Missouri, as amended (the **“Act”**), (a) the District will lease the Project Site to the Trustee for a term ending June 30, 2056, pursuant to a Base Lease dated as of August 1, 2016 (the **“Base Lease”**) between the Trustee and the District, and (b) the proceeds of the Series 2016 Certificates will be used to finance the costs of acquiring, constructing, improving, furnishing and equipping the Project. The Trustee, as Lessor, will then lease the Facilities to the District, as Lessee, pursuant to the Lease for an initial term commencing on the date of delivery of the Certificates and terminating on June 30, 2017 (the **“Initial Term”**), the last day of the District’s current fiscal year and, subject to annual renewal and budget appropriations at the option of the District, for one-year renewal terms, provided that the final renewal term does not extend beyond June 30, 2036 (the **“Renewal Terms”**).

Pursuant to the Indenture, the District will pledge and assign rents, revenues and receipts under the Lease and other moneys to the Trustee as security for the payment of the Series 2016 Certificates and the interest components with respect thereto. The Indenture provides for the possible future delivery of additional certificates (**“Additional Certificates”**) which, if delivered, would rank on a parity with the Series 2016

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\* Preliminary; subject to change.

Certificates and any other certificates then outstanding under the Indenture. See **“ADDITIONAL CERTIFICATES”** herein. The Series 2016 Certificates and any future Additional Certificates delivered under the Indenture are hereinafter referred to collectively as the **“Certificates.”**

### **The District**

The District is a political subdivision organized and existing under the laws of the State of Missouri. The District is located wholly within the City of Kansas City, Missouri. See **Appendix A** for additional information regarding the District.

### **Facilities**

The Facilities located on the Project Site are comprised of four of the District’s schools with a combined total insured value of buildings of \$80,862,240, consisting of (1) Central Academy of Excellence, with an insured value of \$33,050,160, (2) Lincoln College Preparatory Academy, with an insured value of \$18,862,800, (3) Foreign Language Academy, with an insured value of \$15,647,640, and (4) the J.A. Rogers Elementary School, with an insured value of \$13,301,640. The Project being financed with proceeds of the Series 2016 Certificates has a total estimated cost of approximately \$52,600,000, with improvements to be made at all four of the Facilities, in addition to other school facilities not located on the Project Site and thus not serving as security for the Series 2016 Certificates. All of the four Facilities are subject to the Base Lease. For a further description of the Facilities, see **“SECURITY FOR THE SERIES 2016 CERTIFICATES – Facilities.”**

### **Risk Factors**

Certain risks could affect the Rental Payments and other payments to be made by the District with respect to the Lease and the Series 2016 Certificates. See **“RISK FACTORS AND INVESTMENT CONSIDERATIONS”** herein.

### **Limited Obligations**

The Series 2016 Certificates will be payable solely from the Rental Payments to be paid by the District under the Lease for the use of the Facilities, from certain proceeds of insurance policies or condemnation awards, from certain reserves and interest earnings on moneys in certain funds held by the Trustee, from money derived from the sale or lease of the Trustee’s interest in the Facilities or portions thereof, and not from any other fund or source of the Trustee. The obligation of the District to pay Rental Payments and Additional Payments is limited to those District funds which are specifically budgeted and appropriated annually by the Board of Directors of the District for such purpose. No reserve fund has or will be established to secure payment of the Rental Payments. Rental Payments under the Lease will be paid by the District from amounts in the District’s Capital Projects Fund. See **“FINANCIAL INFORMATION CONCERNING THE DISTRICT – Missouri School Finance Laws”** in **Appendix A**.

Neither the Series 2016 Certificates, the Lease nor any payments required under the Lease shall constitute a mandatory payment obligation of the District in any year beyond the year during which the District is a lessee under the Lease, or constitute or give rise to a general obligation or other indebtedness of the District. The District is not legally obligated to budget or appropriate moneys for any fiscal year beyond the current fiscal year or any subsequent fiscal year in which the Lease is in effect, and there can be no assurance that the District will appropriate funds to make Rental Payments or renew the Lease after the Initial Term or any Renewal Term of the Lease. The District may terminate its obligations under the Lease on an annual basis. The District will have the option to purchase the Trustee’s interest in the Facilities pursuant to the Lease.

The Series 2016 Certificates shall not constitute a debt or liability of the District or of the State of Missouri or of any political subdivision thereof and shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The delivery of the Series 2016 Certificates shall not obligate the District to levy any form of taxation therefor or to make any appropriation for their payment in any fiscal year subsequent to a fiscal year in which the Lease is in effect. The Trustee has no taxing power and no financial obligation under the Lease or the Indenture.

### **Financial Statements**

The Comprehensive Annual Financial Report of the District, as of and for the year ended June 30, 2015, is included in **Appendix B** to this Official Statement. The financial statements contained therein were audited by RSM US LLP, Kansas City, Missouri, independent certified public accountants, to the extent and for the period indicated in the Independent Auditor's Report.

### **Continuing Disclosure Information**

The District has agreed to provide certain annual financial information and notices of certain events to the Municipal Securities Rulemaking Board via the Electronic Municipal Market Access system ("**EMMA**"), in accordance with Rule 15c2-12 promulgated by the Securities and Exchange Commission. For purposes of consistency in the operating data that the District will update on an annual basis, the District will enter into an Omnibus Continuing Disclosure Undertaking described in **Appendix D**. The prior continuing disclosure undertaking with respect to the District's other outstanding lease obligations will be superseded by the Omnibus Continuing Disclosure Undertaking. See **Appendix D: "Omnibus Continuing Disclosure Undertaking."**

The District has also approved a Tax and Securities Law Compliance Procedure dated July 24, 2012, setting forth policies and procedures to promote compliance with federal tax law and with the District's continuing disclosure undertakings for all tax-exempt and other tax-advantaged obligations of the District after issuance of such bonds and obligations.

### **Compliance with Prior Undertakings Under the Rule**

The District believes it has complied during the past five years with its prior undertakings under the Rule, except the District did not make timely filings of event notices on EMMA relating to rating changes caused by changes to bond insurer ratings. The District believes this information was disseminated or available through other sources.

### **Rating**

The Series 2016 Certificates have received the rating set forth on the cover page from S&P Global Ratings on this issue. See "**RATING**."

### **Definitions and Descriptions; Inspection of Documents**

All capitalized terms used in this Official Statement not defined in the text hereof are defined under the caption "**Definitions of Words and Terms**" set forth in **Appendix C** to this Official Statement. Brief descriptions of the Certificates, the Lease, the Base Lease, the Indenture and certain other matters are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Lease, the Base Lease and the Indenture are qualified in their entirety by reference to such documents, copies of which may be viewed at the offices of the District's Financial Advisor, Piper Jaffray & Co., 11635 Rosewood Street, Leawood, Kansas 66211, or will be provided to any prospective purchasers requesting the same, upon payment by such prospective purchasers of the cost of complying with such request.

All references to the Certificates are qualified in their entirety by the definitive terms thereof and the information with respect thereto included in the Base Lease, the Lease, and the Indenture.

## PLAN OF FINANCE

### The Project

Total cost of the entire project is estimated at \$52,600,000. The improvements will occur at multiple locations (including at the four leased Facilities) and at various District educational facilities and are expected to be comprised as follows:

Project	Cost
<b>Athletics</b>	
Gymnasium Upgrades	\$ 205,000
Track	1,565,000
Locker Rooms	520,000
Athletic Fields	2,650,000
Pools	400,000
	<b>\$5,340,000</b>
<b>Educational Environment</b>	
Classroom Upgrades	\$ 8,625,717
Flooring	2,500,000
Ceiling	1,000,000
Cafeteria Renovations	1,800,000
Restroom Renovations	1,250,000
Locker Repair Upgrade	300,000
Auditorium Upgrades	2,400,000
Window Replacement	819,283
Playgrounds	200,000
Signage	370,000
	<b>\$19,265,000</b>
<b>Safety</b>	
Building Access Control/Security Cameras	\$ 1,600,000
Secure Building Entry	250,000
Elevator Upgrades	3,000,000
Fire Alarm Systems	2,000,000
Fire Suppression - Food Prep Areas	350,000
Fencing	225,000
	<b>\$ 7,425,000</b>
<b>Building Infrastructure</b>	
Building Exteriors Renovations	2,320,000
Concrete	1,500,000
Roof Repair and Replacement	3,250,000
Parking Lot Maintenance & Repair	2,000,000
HVAC Equipment Replacement	5,850,000



<b>Project</b>	<b>Cost</b>
Electrical Maintenance/Upgrades	250,000
	<b>\$15,170,000</b>
<b>Information Technology</b>	<b>5,400,000</b>
<b>PROJECT TOTAL (estimated)</b>	<b>\$52,600,000</b>

The Project is expected to be completed by June 2018.

Those Project costs paid from the Series 2016 Certificates will be paid by the Trustee from the Project Fund upon receipt of written requests for payment submitted by the District. Each written request will be signed by an Authorized District Representative.

Pursuant to the Indenture, the District will pledge and assign rents, revenues and receipts under the Lease and other moneys to the Trustee as security for the payment of the Certificates and the interest components with respect thereto. The Indenture provides for the possible future delivery of additional certificates (“**Additional Certificates**”) which, if delivered, would rank on a parity with the Series 2016 Certificates and any other certificates then outstanding under the Indenture. See “**ADDITIONAL CERTIFICATES**” herein.

#### **Use of Series 2016 Certificate Proceeds**

Following is a summary of the anticipated sources and applications of funds in connection with that portion of the Project being paid for from proceeds of the Series 2016 Certificates:

##### *Sources of Funds:*

Proceeds from sale of Certificates	\$50,000,000*
Original issue premium	
Total	

##### *Uses of Funds:*

Funds Available for the Project
Costs of Issuance
Total

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\* Preliminary; subject to change.

### **THE SERIES 2016 CERTIFICATES**

#### **Authorization**

The Series 2016 Certificates are being delivered pursuant to the Indenture and pursuant to and in full compliance with the Constitution and laws of the State of Missouri, including particularly the Act, and pursuant to proceedings duly had by the District.

#### **Description**

The Series 2016 Certificates will be dated their date of delivery, will mature on April 1 in the years and in the respective principal amounts (subject to prior prepayment as described herein) and shall bear interest at the respective rates per annum, as set forth on the inside cover page hereof. The Series 2016 Certificates

will be delivered in fully registered form in the denominations of \$5,000 or any integral multiple thereof. The principal components and premium, if any, of the Rental Payments represented by the Series 2016 Certificates shall be payable to the Registered Owner thereof at the payment office of the Trustee upon presentation and surrender thereof. Interest components shall be paid each April 1 and October 1, beginning April 1, 2017, to the Registered Owner of each Certificate, determined as of the close of business on the Record Date, which shall be the 15<sup>th</sup> day (whether or not a Business Day) of the calendar month next preceding the month in which an interest payment date occurs, by (a) check or draft mailed to such Registered Owner at the address appearing on the registration books of the Trustee or its successor, as registrar or (b) in the case of the payment of interest components to the Securities Depository or any Registered Owner of \$500,000 or more in aggregate principal amount of Series 2016 Certificates, by electronic transfer to such Registered Owner upon written notice given to the Trustee by such Registered Owner not less than five Business Days prior to the Record Date for such interest components, containing the electronic transfer instructions including the bank (which shall be in the continental United States), ABA routing number and account name and number to which such Registered Owner wishes to have such transfer directed. All such payments shall be made in lawful money of the United States of America.

### **Prepayment Provisions**

***Optional Prepayment.*** The Series 2016 Certificates, including portions thereof, maturing on April 1, 2027, and thereafter, shall be subject to prepayment prior to maturity upon instructions from the District, on and after April 1, 2026, as a whole or in part at any time, at the prepayment price of 100% of the principal amount to be prepaid, plus accrued interest to the prepayment date.

***Extraordinary Optional Prepayment.*** The Series 2016 Certificates shall be subject to prepayment prior to the stated maturity thereof upon instructions from the District, in whole or in part on any date, at a prepayment price of 100% of the principal amount of the Series 2016 Certificates being called for prepayment, plus accrued interest to the prepayment date, upon the occurrence of any of the following conditions or events:

- (1) if title to, or the use for a limited period of, all or substantially all of the Facilities is condemned by any authority having the power of eminent domain (other than the District);
- (2) if title to all or substantially all of the Facilities is found to be deficient or nonexistent to the extent that the efficient utilization of the Facilities by the District is impaired;
- (3) if all or substantially all of the Facilities is damaged or destroyed by fire or other casualty; or
- (4) if as a result of changes in the constitution of the State, or of legislative or administrative action by the State or any political subdivision thereof, or by the United States, or by reason of any action instituted in any court, the Base Lease, the Lease or this Indenture shall become void or unenforceable, or impossible of performance without unreasonable delay, or in any other way, by reason of such change of circumstances, unreasonable burdens or excessive liabilities are imposed on the District or the Trustee with respect to the Base Lease, the Lease or the Indenture.

***Selection of Certificates to Be Prepaid.*** Certificates shall be prepaid only in principal amounts of \$5,000 or any integral multiple thereof. When less than all of the Outstanding Certificates of any series are to be prepaid prior to maturity, such Certificates shall be prepaid from the maturities selected by the District, and Certificates of less than a full maturity shall be selected by the Trustee in \$5,000 units of face value in such equitable manner as the Trustee may determine.

***Notice and Effect of Call for Prepayment.*** Official notice of any prepayment of Certificates shall be given by the Trustee by mailing a copy of an official prepayment notice at least 20 days prior to the date fixed for prepayment by first class mail to the underwriter of the Certificates and the Owner of the Certificate or

Certificates to be prepaid, unless waived by any Owner thereof, at the address shown on the Certificate Register as of the date of the notice, as more fully described in the Indenture.

Upon notice having been given as provided in the Indenture, the Registered Owners of such Certificates or portion of the principal component with respect to the Certificates thus called for prepayment shall no longer be entitled to receive any additional interest component of the Rental Payments after the specified prepayment date, and such Certificates or portion of the principal component with respect to the Certificates thus called for prepayment shall no longer be entitled to the protection, benefit or security of the Indenture and shall not be deemed to be Outstanding under the provisions of the Indenture.

### **CUSIP Numbers**

It is anticipated that CUSIP identification numbers will be printed on the Certificates, but neither the failure to print such numbers on any Certificates, nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and payment for any Certificates.

### **ADDITIONAL CERTIFICATES**

The Trustee may, at the request of the District at any time upon compliance with certain terms and conditions set forth in the Indenture, deliver Additional Certificates for any purpose permitted under the Act without the consent of or notice to the Registered Owners of the Series 2016 Certificates. Any Additional Certificates will be equally and ratably secured by the Indenture on a parity with the Series 2016 Certificates except that the Trustee may deliver Additional Certificates which are not entitled to the benefits and security of reserve accounts, if any, established for each series of the Certificates.

### **SECURITY FOR THE SERIES 2016 CERTIFICATES**

#### **Limited Obligations; Sources of Payment**

The Series 2016 Certificates evidence undivided ownership interests in the right to receive (i) the Rental Payments paid by the District for the lease of the Facilities pursuant to the Lease, and (ii) to the extent received by the Trustee, interest earnings, proceeds of insurance and condemnation awards, and proceeds of any lease or sale of the Trustee's interest in the Facilities. Under the Indenture, the Rental Payments under the Lease and the District's rights in the Lease and the Base Lease are assigned to the Trustee for the benefit of the Owners of the Certificates, as security for the payment of the Certificates and the interest components with respect thereto. The Base Lease provides that the District shall lease the Project Site and any improvements thereon to the Trustee for a Base Lease term ending June 30, 2056. The Project Site includes four of the District's schools located in the City of Kansas City, Missouri, referred to herein as the **"Facilities."** See **"Facilities"** below. The Facilities are being leased by the Trustee to the District pursuant to the Lease. The Indenture provides that the Project Site may be released from the Base Lease and the Lease upon defeasance or final payment of the Certificates.

**Neither the Series 2016 Certificates nor the Lease shall constitute a debt or liability of the District or of the State of Missouri or of any political subdivision thereof and shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The delivery of the Series 2016 Certificates shall not obligate the District to levy any form of taxation therefor or to make any appropriation for their payment in any fiscal year subsequent to a fiscal year in which the Lease is in effect.**

Under the terms of the Lease, if the District elects to renew the Lease at the end of the Initial Term or any Renewal Term, it is obligated to budget, appropriate and set aside a portion of its revenues derived from

property taxes and other sources in the Capital Projects Fund, which appropriation must be sufficient to make the Rental Payments coming due during the ensuing fiscal year. The District is obligated to make Rental Payments to the Trustee during each fiscal year in which the Lease is in effect on or before each certificate payment date, in amounts sufficient to enable the Trustee to pay the principal component, premium, if any, and interest component of the Rental Payments represented by the Series 2016 Certificates becoming due during such fiscal year (but only if the District elects to renew the Lease for each Renewal Term).

Rental Payments under the Lease will be paid by the District from the District's Capital Projects Fund. See **"FINANCIAL INFORMATION CONCERNING THE DISTRICT – Missouri School Finance Laws"** in *Appendix A*.

**THERE CAN BE NO ASSURANCE THAT THE DISTRICT WILL APPROPRIATE FUNDS FOR RENTAL PAYMENTS OR RENEW THE LEASE AFTER THE INITIAL LEASE TERM OR EACH RENEWAL TERM. NEITHER THE SERIES 2016 CERTIFICATES NOR THE LEASE CONSTITUTE A GENERAL OBLIGATION OR OTHER INDEBTEDNESS OF THE DISTRICT, NOR A MANDATORY PAYMENT OBLIGATION IN ANY FISCAL YEAR SUBSEQUENT TO A FISCAL YEAR IN WHICH THE LEASE IS IN EFFECT. THE DISTRICT IS NOT LEGALLY REQUIRED TO BUDGET OR APPROPRIATE MONEYS FOR ANY SUBSEQUENT FISCAL YEAR BEYOND THE CURRENT FISCAL YEAR.**

#### **Facilities**

The Facilities located on the Project Site are comprised of four of the District's schools described as follows:

- **Central Academy of Excellence** – Three story 275,418 square foot structure containing 39 classrooms, 6 science labs, 6 computer labs and 7 specialty classrooms, one full-sized field house/gym, Olympic sized indoor pool and 200 seat auditorium. The building was constructed in 1992. The insured value of the building structure is \$33,050,160, and the personal property contents are insured at a value of \$3,567,207. Total insured value is \$36,617,367.
- **Lincoln College Preparatory Academy** – Three story 157,190 square foot structure containing 33 classrooms, 8 science labs, 4 computer labs, 7 specialty classrooms, an auditorium, library, and football practice field. The building was constructed 1936 on 8.7 acres of land with the POD addition to the south side of the building added in 1967. The insured value of the building structure is \$18,862,800, and the personal property contents are insured at a value of \$1,883,176. Total insured value is \$20,745,976.
- **J.A. Rogers Elementary School** – Three story 110,847 square foot structure containing 30 classrooms, 4 science labs, 2 computer labs, 8 specialty rooms, 1 half-sized room. The facility has a cafeteria/auditorium, one full sized gymnasium, and outside amphitheater, and soccer field. The building was constructed in 1996. The insured value of the building is \$13,301,640, and the personal property contents are insured at a value of \$1,818,336. Total insured value is \$15,119,976.
- **Foreign Language Academy** – Three story 130,397 square foot structure containing 30 classrooms, 4 science labs, 2 computer labs, 5 specialty classrooms and half-sized classrooms. The facility has a separate cafeteria and full size gymnasium, soccer field, two playgrounds, and a grassy open area. The building was constructed in 1955 on 5.23 acres of land. The insured value of the building is \$15,647,640 and the personal property contents are insured at a value of \$1,232,673. Total insured value is 16,880,313.

The Project being financed with proceeds of the Series 2016 Certificates has a total estimated cost of approximately \$52,600,000, with improvements to be made at all four of the Facilities. All of the Facilities are subject to the Base Lease.

### **No Title Insurance**

Neither the Lease nor the Base Lease require the District to obtain a leasehold owner's policy of title insurance for the Trustee's benefit in connection with the execution and delivery of the Lease and the Trustee's delivery of the Series 2016 Certificates. Under the Base Lease, the District represents, warrants and covenants that the District owns fee simple title to the Project Site at the time of delivery of the Series 2016 Certificates free and clear of any liens or encumbrances, except Permitted Encumbrances. In the event that title to, or the temporary use of, all or a portion of the Facilities is challenged or threatened by means of competent legal or equitable action, the District covenants under the Base Lease to cooperate with the Trustee and take all reasonable actions, including where appropriate the lawful exercise of the District's power of eminent domain, in order to quiet title to the Facilities in the District.

Title deficiencies could result in unexpected expenses to the District and could adversely impact the District's ability to make payments on the Certificates. In addition, title deficiencies could delay or inhibit the Trustee's ability to exercise its remedies under the Lease or the Indenture, upon the occurrence of an Event of Nonappropriation or an Event of Default.

### **No Reserve Fund**

No reserve fund has been or will be established to secure payment of the Series 2016 Certificates.

## **RISK FACTORS AND INVESTMENT CONSIDERATIONS**

### **General**

The following is a discussion of certain risks that could affect the Rental Payments and other payments to be made by the District with respect to the Lease and the Series 2016 Certificates. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the Appendices hereto) in order to make a judgment as to whether the Series 2016 Certificates are an appropriate investment. Prospective purchasers of the Series 2016 Certificates should consider carefully all possible factors that may result in a default in the payment of the Principal Component or Interest Component of Rental Payments represented by the Series 2016 Certificates, by the District under the Lease, the prepayment of the Series 2016 Certificates prior to maturity or the determination that the Interest Component of the Rental Payments represented by the Series 2016 Certificates might be includible in gross income for purposes of federal and Missouri income taxation. The following list of possible factors, while not setting forth all the factors that must be considered, contains some of the factors that should be considered prior to purchasing the Series 2016 Certificates. **This discussion of risk factors is not, and is not intended to be, comprehensive or exhaustive.**

### **Limited Obligations**

The Series 2016 Certificates will not constitute an indebtedness or liability of the District, the State of Missouri, or any other political subdivision thereof within the meaning of any state constitutional provision or statutory limitation and will not constitute a pledge of the faith and the credit of the District, the State of Missouri, or any other political subdivision thereof. The issuance of the Series 2016 Certificates will not obligate the District, the State of Missouri, or any political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment in any year subsequent to a year in which the Lease is in effect.

The obligation of the District to pay Rental Payments and Additional Payments is limited to those funds that are specifically budgeted and appropriated annually by the District's Board of Directors for such purpose. **There can be no assurance that the District will appropriate funds for Rental Payments or renew the Lease after the Initial Term or any Renewal Term. Neither the Series 2016 Certificates nor the Lease constitute a general obligation or other indebtedness of the District, nor a mandatory payment obligation in any fiscal year subsequent to a fiscal year in which the Lease is in effect. The District is not legally required to budget or appropriate money for any subsequent fiscal year beyond the current fiscal year.**

### **Termination of the Lease**

The Series 2016 Certificates are payable from Rental Payments due from the District under the Lease, which payments are subject to annual appropriation. The District is not obligated to pay Rental Payments under the Lease in any Fiscal Year for which the Board of Directors has not appropriated such payments. Neither the Rental Payments nor any other payments under the Lease nor any payments on the Series 2016 Certificates constitute a general obligation or other indebtedness of the District or a mandatory payment obligation of the District.

The obligations of the District under the Lease are limited to those funds that have been specifically budgeted and appropriated annually by the Board of Directors for such purpose. Except to the extent payable from the proceeds of the Series 2016 Certificates and income from the investment thereof, the Net Proceeds of certain insurance policies, condemnation awards or proceeds from the sale or sublease of the Trustee's leasehold interest in the Facilities, the Principal Component and Interest Component of the Rental Payments represented by the Series 2016 Certificates are payable solely from Rental Payments during the Initial Term of the Lease and any Renewal Term. The District's obligations under the Lease may be terminated on an annual basis by the District without any penalty, and there is no assurance that the District will continue to make payments under the Lease beyond the Initial Term or any current Renewal Term.

The likelihood that the District will renew the Lease through the term of the Series 2016 Certificates is dependent upon certain factors which are beyond the control of the Owners of the Certificates, including (i) the continuing need of the District for facilities such as the Facilities to provide educational services to students served by the District; (ii) the demographic conditions within the District, including the number of students attending classes in the District; (iii) the ability of the District to generate sufficient funds from property taxes, state aid and other sources to meet its obligations to make Rental Payments under the Lease and other obligations of the District; and (iv) new legislation or judicial interpretations which limit the ability of governmental bodies to increase fees and charges or result in limitations or roll-backs in tax rates or assessment.

### **Results of Nonappropriation**

If the District does not budget and appropriate, specifically with respect to the Lease, moneys sufficient to pay all Rental Payments and all other amounts due under the Lease coming due each Fiscal Year during the term of the Lease and any renewals thereof, the Lease will be deemed to be terminated. The Lease is also subject to termination by the Trustee if any Event of Default has occurred and is continuing. In *Appendix C*, see **"Summary of Certain Provisions of the Lease – Nonappropriation"** and **"Remedies on Default."**

Pursuant to the Base Lease, the District will lease the Project Site to the Trustee, as lessee. The Base Lease is for a term ending June 30, 2056, unless sooner terminated in the event the District makes all payments required by the Lease. If the District terminates the Lease or if an Event of Default or Event of Nonappropriation occurs under the Indenture or the Lease, the Trustee, as assignee of the District, has the right

to possession of the Facilities for the remainder of the term of the Base Lease, and has the right to sublease its interest in the Base Lease upon such terms as it deems prudent.

The Facilities consist of four of the District's schools located on the Project Site. The Facilities may not be reasonably or easily removed (in the case of personal property) or converted to alternative uses. A potential purchaser of the Series 2016 Certificates should not assume that it will be possible to sell or sublease the Trustee's interest in the Facilities after a termination of the Lease for an amount equal to the aggregate Principal Component of the Rental Payments represented by the Series 2016 Certificates then outstanding plus the Interest Component of the Rental Payments represented by the Series 2016 Certificates accrued thereon.

### **Loss of Provisional Accreditation**

As discussed under **"GENERAL AND ECONOMIC INFORMATION CONCERNING THE DISTRICT – School Accreditation,"** in *Appendix A*, the District is currently provisionally accredited by the State Board of Directors and is implementing plans to achieve full, district-wide accreditation. If the District loses provisional accreditation status and becomes unaccredited, the District may be subject to control by DESE and the application of a transfer law that requires unaccredited districts to pay for transportation and tuition of students who choose to transfer to fully-accredited districts in Jackson County and abutting counties. As a result of the aforementioned state laws and other ramifications of becoming unaccredited, the District's financial position may be negatively impacted and the District may be unable to continue making appropriations under the Lease if it becomes unaccredited.

### **Damage or Destruction of the Facilities**

The Lease requires the Facilities to be insured as described in **"SUMMARY OF CERTAIN PROVISIONS OF THE LEASE — Insurance"** in *Appendix C*. If the Facilities are damaged or destroyed and if the District shall determine that rebuilding, repairing, restoring or replacing the Facilities is desirable, the District shall proceed with rebuilding, repairing, restoring or replacing of the property damaged or destroyed so as to place said Facilities in substantially the same condition as existed prior to the event causing such damage or destruction, with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the District and as will not impair the utility of the Facilities. The District and the Trustee will cause the Net Proceeds of any insurance claim to be applied to the prompt repair, restoration, modification or improvement of the Facilities. Any balance of the Net Proceeds remaining after such work has been completed shall be deposited into the Certificate Fund. If said Net Proceeds are not sufficient to pay in full the costs of such replacement, repair, rebuilding or restoration, the District shall nonetheless complete the work thereof and shall, subject to appropriating funds for such purpose, pay that portion of the costs thereof in excess of the amount of said Net Proceeds.

If the District shall determine that rebuilding, repairing, restoring or replacing the Facilities is not practicable and desirable, then, in lieu of rebuilding, repairing, restoring or replacing the Facilities, the District shall promptly purchase the Facilities by paying the Option Purchase Price to the District and any Net Proceeds of casualty insurance received with respect to any such damage or loss to the Facilities shall be applied to such payment.

The District shall not, by reason of its inability to use all or any part of the Facilities during any period in which the Facilities are damaged or destroyed, or are being repaired, rebuilt, restored or replaced, or by reason of the payment of the costs of such rebuilding, repairing, restoring or replacing, be entitled to any reimbursement from the Trustee or the Registered Owners of the Certificates, or any abatement or diminution of the rentals payable by the District under the Lease.

There can be no assurance either as to the adequacy of or timely payment under property damage insurance in effect at that time or that the District will elect to extend the term of the Lease for the next

Renewal Term succeeding such damage or destruction. See “**SUMMARY OF CERTAIN PROVISIONS OF THE LEASE — Damage, Destruction and Condemnation**” in *Appendix C*.

### **Construction Risks**

Weather, labor disputes, availability of materials and supplies, casualty damages, unanticipated subsoil conditions, unanticipated construction difficulties and other “**force majeure**” occurrences or events or financial failure or failure to perform by a contractor, subcontractor or supplier may affect the timely construction of the Project. No assurance can be given that the acquisition, construction and installation of the Project will be completed on schedule, within budget or without material errors and defects. Any such failure could affect the District’s decision to continue appropriations under the Lease.

### **Bankruptcy**

In addition to the limitations on remedies contained in the Indenture and the Lease, the rights and remedies provided in the Indenture and the Lease may be limited by and are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of Missouri.

### **Amendment of the Indenture, Lease and Base Lease**

Certain amendments to the Indenture, the Lease and the Base Lease may be made with consent of the owners of not less than a majority in principal amount of the Certificates (including any Additional Certificates which may be hereafter issued) then outstanding affected by such supplemental indentures or supplemental leases. Such amendments may adversely affect the security of the owners of the Certificates.

### **Factors Affecting the Business Operations of the District**

One or more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the District’s operations and financial performance to an extent that cannot be determined at this time:

1. *Changes in Administration.* Changes in key administrative personnel could affect the capability of management of the District.
2. *Future Economic Conditions.* Increased unemployment or other adverse economic conditions or changes in demographics in the service area of the District or an inability to control expenses in periods of inflation may have an adverse effect on the financial condition or operations of the District.
3. *Enrollment.* No assurance can be given that enrollment will remain at historical levels. A significant decrease in the District’s enrollment could adversely affect the District’s financial position and operations.
4. *State Aid.* A significant portion of the District’s revenues is provided from the State of Missouri. There is no assurance that state aid will remain stable or continue to increase. The budgetary pressures experienced by the State in recent years due to overall declines in the economy and corresponding State tax revenues, coupled with increases in spending in other areas, have resulted in lower State appropriations for the District and many other governmental institutions and agencies in the State than previous years. Future changes in state aid or reductions in state aid, as have occurred in recent years, could adversely affect the District’s financial position and operations.



5. *Organized Labor Efforts.* Efforts to organize employees of the District into collective bargaining units could result in adverse labor actions or increased labor costs.

6. *Environmental Matters.* Legislative, regulatory, administrative or enforcement action involving environmental controls could adversely affect the operation of the facilities of the District.

7. *Natural Disasters.* The occurrence of natural disasters, such as floods, tornadoes or droughts, could damage the facilities of the District, interrupt services or otherwise impair operations and the ability of the District to produce revenues.

### **Effects of Termination of the Lease on the Certificates**

Special Counsel has rendered no opinion with respect to the applicability or inapplicability of the registration requirements of the Securities Act of 1933, as amended, to any Certificate subsequent to termination of the Lease by reason of an Event of Nonappropriation or an Event of Default. If the Initial Term or any Renewal Term is terminated by reason of such events, there is no assurance that the Series 2016 Certificates may be transferred by an Owner thereof without compliance with the registration provisions of the Securities Act of 1933, as amended, or the availability of an exemption therefrom.

### **Delays in Exercising Remedies**

A termination of the District's right of possession of the Facilities under the Lease as a result of an Event of Default or an Event of Nonappropriation or expiration of the term of the Lease at the end of the Initial Term or any Renewal Term without an extension for the next succeeding Renewal Term will give the Trustee the right to possession of, and the right to relet or assign its interest in the Facilities in accordance with the provisions of the Base Lease and the Indenture. However, the enforceability of the Base Lease and the Indenture is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, the exercise of judicial authority by State of Missouri or federal courts and the exercise by the United States of America of the powers delegated to it by the U.S. Constitution.

Further, the Facilities are used by the District for the performance of its governmental functions. Due to the governmental use of the Facilities and the delays inherent in obtaining possession of the Facilities and other judicial remedies, no assurance can be given that (1) a court, in the exercise of judicial discretion, would enforce these remedies in a timely manner, or (2) any money realized by the Trustee upon an exercise of any remedies would be sufficient to pay in full the principal and interest components of Rental Payments with respect to the Certificates. The legal opinions to be delivered with the delivery of the Series 2016 Certificates will be qualified as they relate to the enforceability of the various legal instruments by reference to the limitations on enforceability of those instruments under (1) applicable bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights, (2) general principles of equity, and (3) the exercise of judicial discretion in appropriate cases. If such money is insufficient to pay all outstanding Certificates in full, the Certificates would be paid in part on a *pro rata* basis. Any delays in the ability of the Trustee to obtain possession of the Facilities will, of necessity, result in delays in any payment of principal and interest components of Rental Payments with respect to the Certificates.

### **Loss of Premium from Prepayment**

Any person who purchases a Certificate at a price in excess of its principal amount or who holds such Certificate trading at a price in excess of par should consider the fact that the Series 2016 Certificates are subject to prepayment prior to maturity at the prepayment prices described herein in the event such Series 2016 Certificates are prepaid prior to maturity. See the section herein captioned "**THE CERTIFICATES – Prepayment Provisions.**"

## **Taxability**

Special Counsel's opinions as to the exclusion of the Interest Component of the Rental Payments with respect to the Series 2016 Certificates from gross income for federal income tax purposes and other matters are not a guarantee of result and are not binding on the Internal Revenue Service (the "**Service**"); rather, such opinions represent Special Counsel's legal judgment based upon its review of existing law. Also, events occurring subsequent to execution and delivery of the Series 2016 Certificates may require that the Interest Component of the Rental Payments represented by the Series 2016 Certificates be included in gross income for purposes of federal income taxation and not be exempt from income taxes imposed by the State of Missouri. See "**TAX MATTERS**" herein.

The Series 2016 Certificates are not subject to prepayment, nor is the payment of any additional interest or penalties on the Series 2016 Certificates required, in the event of a determination by the Service or a court of competent jurisdiction that the Interest Component of the Rental Payments paid or to be paid with respect to any Series 2016 Certificate is or will be included in the gross income of the owner of a Series 2016 Certificate for federal income tax purposes. Such determination may, however, result in a breach of the District's tax covenants set forth in the Indenture or the Lease. Likewise, the Indenture does not require the prepayment of the Series 2016 Certificates or the payment of any additional interest or penalty on the Series 2016 Certificates if the Interest Component of the Rental Payments with respect to the Series 2016 Certificates loses its exemption from income taxes imposed by the State of Missouri. It may be that owners would continue to hold their Series 2016 Certificates, receiving Principal Components and Interest Components as and when due, but would be required to pay federal and state income tax on each payment of Interest Component as received or accrued.

Special Counsel expresses no opinion as to the federal or State of Missouri tax exemption of Interest Components on the Series 2016 Certificates in the event of payment thereof (a) if the District fails to budget and appropriate sufficient moneys to pay the Rental Payments under the Lease or (b) the Lease terminates for any reason.

## **Risk of Audit**

The Service has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations should be included in gross income for federal income tax purposes. Owners of the Series 2016 Certificates are advised that, if an audit of the Series 2016 Certificates were commenced, the Service, in accordance with its current published procedures, is likely to treat the District as the taxpayer, and the owners of the Series 2016 Certificates may not have a right to participate in such audit. Public awareness of any audit could adversely affect the market value and liquidity of the Series 2016 Certificates during the pendency of the audit, regardless of the ultimate outcome of the audit.

## **Power of Eminent Domain**

Section 177.041 of the Revised Statutes of Missouri, as amended, grants Missouri school districts the power to condemn property for any purpose for which such districts are authorized to acquire property. There is no assurance that if the District were to condemn the Trustee's interest under the Base Lease that the condemnation award would be sufficient to pay the outstanding principal and interest components with respect to the Series 2016 Certificates. The District has agreed in the Base Lease that, in the event that the whole or any part of the Facilities is taken by eminent domain proceedings, the interest of the Trustee will be recognized. Under the Base Lease, the District and the Trustee have reached an agreement on the terms of the acquisition of the Facilities at the District's option, and to the use of the Facilities. The District has agreed that any acquisition of the Facilities or rights to their use by the District (whether pursuant to the exercise of eminent domain powers or otherwise) shall be pursuant to and in accordance with the Lease, including payment of Rental Payments and the applicable Option Purchase Price (as defined and set forth in the Lease). If the District allows the Lease to expire without exercising its option to purchase, whether by failure to

exercise its option to extend the Lease for a Renewal Term, failure to exercise its option to purchase at the conclusion of the Maximum Lease Term or failure to cure an Event of Default (as such terms are defined in the Lease), the District's failure to exercise the option to purchase shall constitute an irrevocable determination by the District that the Facilities are not required by the District for any public purpose for the term of the Base Lease. The enforceability of the foregoing agreements of the District has not been the subject of judicial interpretation.

### **Investment Ratings and Secondary Market**

The lowering or withdrawal of the investment rating initially assigned to the Series 2016 Certificates could adversely affect the market price for and the marketability of the Series 2016 Certificates. There is no assurance that a secondary market will develop for the purchase and sale of the Series 2016 Certificates. Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and changes in operating performance of the entities operating the facilities subject to the municipal securities. From time to time the secondary market trading in selected issues of municipal securities as a result of the financial condition or market position of the underwriter, prevailing market conditions, or a material adverse change in the operations of that entity, whether or not the subject securities are in default as to principal and interest payments, and other factors which may give rise to uncertainty concerning prudent secondary market practices. Municipal securities are generally viewed as long-term investments, subject to material unforeseen changes in the investor's circumstances, and may require commitment of the investor's funds for an indefinite period of time, perhaps until maturity.

### **Defeasance Risks**

When all Certificates are deemed paid as provided in the Indenture (in *Appendix C*, see **“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Satisfaction and Discharge of the Indenture”** and **“– Certificates Deemed to be Paid”**), the Indenture will be released and terminated and the Facilities encumbered by the Base Lease and the Lease as security for the Certificates will be released. Any Certificate shall be deemed to be paid when (a) payment of the Principal Component of Rental Payments evidenced by such Certificate and premium, if any, thereon and the Interest Component of Rental Payments payable with respect thereto whether such payment is by reason of the stated payment date or upon prepayment as provided in the Indenture either (i) has been made in accordance with the terms of such Certificate (determined assuming the District has appropriated funds to pay all Rental Payments through the final Renewal Term of the Lease or through the Prepayment Date), or (ii) has been provided by irrevocably depositing, in trust and irrevocably set aside exclusively for such payment, (1) cash sufficient to make such payment and/or (2) Defeasance Obligations, maturing as to principal and interest in such amounts and at such time as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee pertaining to such Certificate have been paid or the payment thereof provided for to the satisfaction of the Trustee. Defeasance Obligations include, in addition to cash and obligations pre-refunded with cash, bonds, notes, certificates of indebtedness, treasury bills and other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America. Historically, such United States obligations have been rated in one of the two highest rating categories by the rating agencies. There is no legal requirement in the Indenture, the Base Lease or the Lease that Defeasance Obligations consisting of such United States obligations be or remain rated in one of the two highest rating categories by any rating agency. Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and that could include the rating of Certificates defeased with Defeasance Obligations to the extent the Defeasance Obligations have a change or downgrade in rating.

## THE BOOK-ENTRY ONLY SYSTEM

Ownership interests in the Series 2016 Certificates will be available to purchasers only through a book-entry only system (the “**Book-Entry Only System**”) described in *Appendix E*.

If the Book-Entry Only System is discontinued the following provisions would apply: Each Certificate when issued will be registered by the Trustee in the name of the owner thereof on the Certificate Register. Certificates are transferable only upon the Certificate Register upon presentation and surrender of the Certificate, together with instructions for transfer. Certificates may be exchanged for Certificates in the same aggregate principal component and maturity upon presentation to the Trustee, subject to the terms, conditions and limitations set forth in the Indenture and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, transfer or exchange.

## APPROVAL OF LEGALITY

Legal matters incident to the authorization, delivery and sale of the Series 2016 Certificates are subject to the approving legal opinion of Gilmore & Bell, P.C., Kansas City, Missouri, Special Counsel. Certain matters relating to this Official Statement will also be passed upon by Special Counsel. Certain legal matters will be passed upon for the District by Ray E. Sousley, Chief Legal Counsel to the District. Factual and financial information appearing herein has been supplied and reviewed by various officials of the District.

The legal opinions to be delivered concurrently with the delivery of the Series 2016 Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transactions opined upon or of the future performance of parties to such transaction, and the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

## TAX MATTERS

*The following is a summary of the material federal and State of Missouri income tax consequences of holding and disposing of the Series 2016 Certificates. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2016 Certificates as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers) and, except for the income tax laws of the State of Missouri, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2016 Certificates in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2016 Certificates.*

### Opinions of Special Counsel

In the opinion of Gilmore & Bell, P.C., Special Counsel, under the law existing as of the issue date of the Series 2016 Certificates:

***Federal and Missouri Tax Exemption.*** The interest component of the Rental Payments paid by the District under the Lease Agreement and distributed to the owners of the Series 2016 Certificates (including any

original issue discount properly allocable to an owner thereof) is excludable from gross income for federal and State of Missouri income tax purposes.

***Alternative Minimum Tax.*** The interest component of the Rental Payments paid by the District under the Lease Agreement and distributed to the owners of the Series 2016 Certificates is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

***Bank Qualification.*** The District's obligation to pay Rental Payments under the Lease has not been designated as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code.

Special Counsel's opinions are provided as of the date of the original issue of the Series 2016 Certificates, subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2016 Certificates in order that the interest component be, or continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of the interest component in gross income for federal and State of Missouri income tax purposes retroactive to the date of issuance of the Series 2016 Certificates. Special Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2016 Certificates but has reviewed the discussion under this section "**TAX MATTERS.**"

***Form of Opinion of Special Counsel.*** The proposed form of Special Counsel's opinion is attached as *Appendix F*.

#### **Other Federal Income Tax Consequences**

***Original Issue Discount.*** For federal income tax purposes, original issue discount ("**OID**") is the excess of the stated redemption price at maturity of a Series 2016 Certificate over its issue price. The issue price of a Series 2016 Certificate is the first price at which a substantial amount of the Series 2016 Certificates of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Section 1288 of the Code, OID on tax-exempt obligations accrues on a compound basis. The amount of OID that accrues to an owner of a Series 2016 Certificate during any accrual period generally equals (1) the issue price of that Series 2016 Certificate, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2016 Certificate (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any Interest Component payable on that Series 2016 Certificate during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in that Series 2016 Certificate. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

***Original Issue Premium.*** If a Series 2016 Certificate is issued at a price that exceeds the stated redemption price at maturity of the Series 2016 Certificate, the excess of the purchase price over the stated redemption price at maturity constitutes "premium" on that Series 2016 Certificate. Under Section 171 of the Code, the purchaser of that Series 2016 Certificate must amortize the premium over the term of the Series 2016 Certificate using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Series 2016 Certificate and the amount of tax-exempt Interest Component received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2016 Certificate prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of premium.

***Sale, Exchange or Retirement of Series 2016 Certificates.*** Upon the sale, exchange or retirement (including redemption) of a Series 2016 Certificate, an owner of the Series 2016 Certificate generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series 2016 Certificate (other than in respect of accrued and unpaid Interest Component) and such owner's adjusted tax basis in the Series 2016 Certificate. To the extent a Series 2016 Certificate is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2016 Certificate has been held for more than 12 months at the time of sale, exchange or retirement.

***Reporting Requirements.*** In general, information reporting requirements will apply to certain payments of Principal Component, Interest Component and prepayment premium paid on the Series 2016 Certificates, and to the proceeds paid on the sale of the Series 2016 Certificates, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

***Collateral Federal Income Tax Consequences.*** Prospective purchasers of the Series 2016 Certificates should be aware that ownership of the Series 2016 Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2016 Certificates. Special Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2016 Certificates should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2016 Certificates, including the possible application of state, local, foreign and other tax laws.

#### **Tax Consequences Subsequent to an Event of Default or Event of Nonappropriation**

Special Counsel has rendered no opinion with respect to the income tax consequences applicable to the Series 2016 Certificates subsequent to a termination of the Lease Term by reason of an Event of Nonappropriation or an Event of Default. If the Lease Term is terminated by reason of either such event, there is no assurance that the interest component of the Rental Payments received with respect to the Series 2016 Certificates will remain excludable from gross income for federal income tax purposes.

#### **ABSENCE OF LITIGATION**

There is not now pending or, to the knowledge of the District, threatened, any litigation seeking to restrain or enjoin or in any way limit the approval or the delivery of this Official Statement or the Series 2016 Certificates or the proceedings or authority under which they are to be delivered. There is no litigation pending or, to the knowledge of the District, threatened which in any manner challenges or threatens the powers of the District to enter into or carry out the transactions contemplated by the Indenture, the Lease and the Base Lease.

#### **RATING**

It is anticipated that S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, wholly owned by S&P Global, Inc. ("**S&P**"), will assign the Series 2016 Certificates the rating of "**A**." At

present, S&P maintains four categories of investment grade ratings—AAA, AA, A and BBB. Under S&P criteria, debt rated “A” has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than “AAA”- and “AA”-rated debt. Such rating reflects only the view of S&P at the time such rating is given and an explanation of the significance of such rating may be obtained from S&P Global Ratings, Public Finance Department, 55 Water Street, New York, NY 10041-0003.

The District has furnished the rating agency with certain information and materials relating to the Series 2016 Certificates and the District that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions made by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing such rating, circumstances so warrant. The Underwriter (hereinafter defined) has not undertaken any responsibility to bring to the attention of the holders of the Series 2016 Certificates any proposed revision or withdrawal of the ratings of the Series 2016 Certificates or to oppose any such proposed revision or withdrawal. Pursuant to the Omnibus Continuing Disclosure Undertaking, the District is required to bring to the attention of the holders of the Series 2016 Certificates any revision or withdrawal of the ratings of the Series 2016 Certificates but has not undertaken any responsibility to oppose any such revision or withdrawal. See the section herein captioned “**CONTINUING DISCLOSURE.**” Any such revision or withdrawal of the ratings could have an adverse effect on the market price and marketability of the Series 2016 Certificates.

## **FINANCIAL ADVISOR**

Piper Jaffray & Co, Leawood, Kansas, has acted as Financial Advisor to the District in connection with the sale of the Series 2016 Certificates. The Financial Advisor is a “municipal advisor” as defined in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The Financial Advisor has not independently verified the factual information contained in this Official Statement. The Financial Advisor will not be a manager or a member of any underwriting group submitting a proposal for the purchase of the Series 2016 Certificates.

## **UNDERWRITING**

\_\_\_\_\_ (the “**Underwriter**”) has agreed, subject to certain conditions, to purchase the Series 2016 Certificates from the District at a price of \$\_\_\_\_\_ (equal to the \$\_\_\_\_\_ principal amount of the Series 2016 Certificates, plus a reoffering premium of \$\_\_\_\_\_, minus an underwriting discount of \$\_\_\_\_\_). The Underwriter is purchasing the Series 2016 Certificates from the District for resale in the normal course of the Underwriter’s business activities. The Underwriter may sell certain of the Series 2016 Certificates at a price greater than such purchase price, as shown on the inside cover page hereof. The Underwriter reserves the right to offer any of the Series 2016 Certificates to one or more purchasers on such terms and conditions and at such price or prices as the Underwriter, in its discretion, shall determine. The Underwriter reserves the right to join with dealers and other purchasers in offering the Series 2016 Certificates to the public. The Underwriter may offer and sell Series 2016 Certificates to certain dealers (including dealers depositing Series 2016 Certificates into investment trusts) at prices lower than the public offering prices.

## **CONTINUING DISCLOSURE**

### **Continuing Disclosure Information**

The District has agreed to provide certain annual financial information and notices of certain events to the Municipal Securities Rulemaking Board via the Electronic Municipal Market Access system (“**EMMA**”),

in accordance with Rule 15c2-12 promulgated by the Securities and Exchange Commission. For purposes of consistency in the operating data that the District will update on an annual basis, the District will enter into an Omnibus Continuing Disclosure Undertaking described in *Appendix D*. The prior continuing disclosure undertaking with respect to the District's other outstanding lease obligations will be superseded by the Omnibus Continuing Disclosure Undertaking. See *Appendix D: "Omnibus Continuing Disclosure Undertaking."*

The District has also approved a Tax and Securities Law Compliance Procedure dated July 24, 2012, setting forth policies and procedures to promote compliance with federal tax law and with the District's continuing disclosure undertakings for all tax-exempt and other tax-advantaged obligations of the District after issuance of such bonds and obligations.

### **Compliance with Prior Undertakings Under the Rule**

The District believes it has complied during the past five years with its prior undertakings under the Rule, except the District did not make timely filings of event notices on EMMA relating to rating changes caused by changes to bond insurer ratings. The District believes this information was disseminated or available through other sources.

## **MISCELLANEOUS**

### **Certification and Other Matters Regarding Official Statement**

References herein to the Indenture, the Lease, the Base Lease and certain other matters are brief discussions of certain provisions thereof. Such discussions do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The form of this Official Statement, and its distribution and use by the Underwriter, has been approved by the Trustee and the District; however, the Trustee has made no warranty or representations regarding either the accuracy or sufficiency of any material contained herein. Neither the Trustee nor any of its officers, directors or employees, in either their official or personal capacities, has made any warranties, representations or guarantees regarding the financial condition of the District or the District's ability to make payments required of it under the Lease and the Indenture; and further, neither the Trustee nor its officers, directors or employees assumes any duties, responsibilities or obligations in relation to the delivery of the Series 2016 Certificates other than those either expressly or by fair implication imposed on the Trustee by the Lease and the Indenture.

Information set forth in this Official Statement has been furnished or reviewed by certain officials of the District, certified public accountants and other sources, as referred to herein, which are believed to be reliable. Any statements made in this Official Statement involving matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized.

Simultaneously with the delivery of the Series 2016 Certificates, the President of the Board of Directors of the District, acting on behalf of the District, will furnish to the Underwriter a certificate which shall state, among other things, that to the best knowledge and belief of such officer, this Official Statement (and any amendment or supplement hereto) as of the date of sale and as of the date of delivery of the Series 2016 Certificates does not contain any untrue statement of a material fact or omit to state a material fact



required to be stated therein or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading in any material respect.

The form of this Official Statement, and its distribution and use by the Underwriter, has been approved by the District. Neither the District nor any of its officers, directors or employees, in either their official or personal capacities, has made any warranties, representations or guarantees regarding the financial condition of the District or the District's ability to make payments required of it; and further, neither the District nor its officers, directors or employees assumes any duties, responsibilities or obligations in relation to the issuance of the Series 2016 Certificates other than those either expressly or by fair implication imposed on the District by the Resolution.

#### **Additional Information**

Additional information regarding the District or the Series 2016 Certificates may be obtained from the District, Attention: Al Tunis, Chief Financial Officer, The School District of Kansas City, Missouri, 2901 Troost Avenue, Kansas City, Missouri 64109, (816) 418-7000, [atunis@kcpublicschools.org](mailto:atunis@kcpublicschools.org), or from the Financial Advisor, Piper Jaffray & Co., 11635 Rosewood Street, Leawood, Kansas 66211, Attention: Todd Goffoy at (913) 345-3373, [a.t.goffoy@pjc.com](mailto:a.t.goffoy@pjc.com), or Bill Henderson at (913) 345-3370, [william.p.henderson@pjc.com](mailto:william.p.henderson@pjc.com).

**THE SCHOOL DISTRICT OF KANSAS CITY,  
MISSOURI**

By \_\_\_\_\_  
President of the Board of Directors

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## APPENDIX A

### THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI GENERAL, ECONOMIC AND FINANCIAL INFORMATION

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## GENERAL AND ECONOMIC INFORMATION CONCERNING THE DISTRICT

### Location and Size

The District encompasses approximately 68 square miles and is located primarily within the corporate limits of Kansas City, Missouri in Jackson County (highlighted in map). Kansas City is the largest city and second largest metropolitan area in Missouri.

The major highways serving Kansas City are Interstates 29, 35, 49 and 70. Other major highways include U.S. Highways 40, 71 and 169 and Missouri State Highways 56 and 210.



The District includes the central business district of the City of Kansas City. Major employers located in downtown Kansas City include the federal government, H&R Block (corporate headquarters), UMB Bank, Commerce Bank, DST Systems, Inc. and Kansas City Power & Light Company (a subsidiary of Great Plains Energy). Downtown Kansas City is also the location for a major revitalization project called the Power & Light District, a shopping, dining and entertainment district. The Sprint Center, a large, multi-use indoor arena seating more than 19,000, is located just east of the Power & Light District. Also located in the central business district is Kansas City Convention Center (often referred to as the “Bartle Hall Convention Center” or simply Bartle Hall), a major convention center.

Also located within the District is Crown Center, one of the country’s first mixed-use redevelopments, an 85-acre complex located south of the central business district. Crown Center includes the corporate headquarters of Hallmark Cards, Inc. Further south is the Country Club Plaza, recognized as the nation’s first shopping center. The Country Club Plaza is a 15-block district, with more than 150 shops and dozens of fine restaurants, generally regarded as Kansas City’s premier retail, dining and entertainment destination.

The following table shows population figures for the District, the City of Kansas City, Jackson County and the State of Missouri from the last three decennial censuses and the latest available estimate.

	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2014</u>
District	259,129	240,681	194,438*	196,722
Kansas City	439,397	445,075	463,226	470,816
Jackson County	633,232	654,880	674,158	683,191
State of Missouri	5,117,073	5,595,211	5,988,927	6,063,589

Source: U.S. Census Bureau; Small Area Income and Poverty Estimates

\* As a result of a boundary change approved by the voters of both the District and The School District of the City of Independence, Missouri (the “**Independence District**”) on November 6, 2007, five elementary schools, one middle school and one high school were transferred from the District to the Independence District effective on July 24, 2008. This transfer in schools is at least partially responsible for the decrease in the District’s population from 2000 to 2010.

### Government and Organization

The District is presently governed by a nine-member board of directors (the “**Board of Directors**”), consisting of six directors elected by and representing six sub-districts, and three at-large directors. The six directors representing sub-districts are elected by the voters of each sub-district for staggered four-year terms, with three of the six directors being elected each even-numbered year. The three at-large directors are elected by the voters of the entire District for staggered four-year terms. In alternative election years, one at-large director is elected for a four-year term and two at-large directors are elected for four-year terms. Pursuant to a

statute passed in 2013, the number of sub-districts will be reduced to five no later than November 1, 2018. Beginning with the election in 2019, the number of directors to be elected will be reduced to seven with one each to come from the five sub-districts and two elected as at-large directors, each to serve four-year terms. The law presently does not provide for staggered terms but the District is considering asking the legislature to consider an amendment to the statute to provide for staggered terms.

Each member of the Board of Directors must be a voter of the District, must have resided within the State of Missouri for one year prior to his or her election and must be at least twenty-four years old. After each biennial election, the Board of Directors elects a President, Vice President, Secretary and Treasurer, each of whom holds office for two years. The President and Vice President must be members of the Board of Directors. Members of the Board of Directors serve without compensation.

The Board of Directors is responsible for all policy decisions regarding the District. The Board of Directors appoints the Superintendent of Schools who is the chief administrative officer of the District responsible for carrying out the policies set by the Board of Directors. Additional members of the administrative staff and all other employees are appointed by the Board of Directors upon recommendation by the Superintendent of Schools. The District employs 2,579 teachers, principals and other support staff.

### **Board of Directors**

The current members and officers of the Board of Directors are:

<u>Name</u>	<u>Office</u>	<u>Term Began</u>	<u>Term Expires</u>
Melissa Robinson	Chair; Sub-district 4	2014	2019
Pattie Mansur	Vice Chair; Member at-large	2014	2019
Matthew Oates	Treasurer; Sub-district 2	2015	2019
Natalie Lewis	Sub-district 1	2016	2019
John Fierro	Sub-district 3	2016	2019
Ajia Morris	Sub-district 5	2016	2019
Carl Evans	Sub-district 6	2011	2019
Amy Hartsfield	Member at-large	2014	2019
Jennifer Wolfsie	Member at-large	2016	2019

The Board has appointed Sandra Fette, CAP, to serve as Secretary of the Board of Directors.

### **Superintendent**

Dr. Mark Bedell began serving as the District's Superintendent on July 1, 2016. Dr. Bedell has worked in public education for 16 years as a teacher, assistant principal, principal, school improvement officer and assistant superintendent. He received his bachelor's degree in history and education from Fisk University, his master's degree in educational leadership from Tennessee State University and his doctoral degree in education from Nova Southeastern University.

### **Educational Facilities**

The District operates 38 schools including 26 elementary schools, two middle schools, seven high schools, two alternative schools, one vocational school and two early childhood centers. In recent years, in an effort to better utilize District resources, reduce expenses and improve educational outcomes, the District has evaluated and continues to evaluate its facilities for closure pursuant to the recommendation of the District's Building Closure Committee and subsequent Board of Directors approval. This effort has resulted in the

District consolidating certain schools and selling, disposing of or repurposing some of its facilities. The Board of Directors is authorized to direct the sale and transfer or lease of any of the District's closed facilities.

### History of Enrollment

The following table shows student enrollment in the District as of the last Wednesday in September, for each of the last four and current school years.

<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
15,403	15,708	14,192	14,312	14,665

Over half of the decrease in enrollment in September 2013 school year was attributed to transfers of students to charter schools following the loss of the District's provisional accreditation in 2012. Provisional accreditation was restored to the District in August 2014.

### Other District Statistics

The following table shows additional information about the District compiled by DESE for the last five completed fiscal years.

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Avg. Daily Attendance (ADA)	14,052	13,766	13,418	12,857	14,027
Rate of Attendance	89.1%	91.3%	90.3%	91.6%	91.5%
Current Expenditures per ADA	\$14,556	\$12,991	\$13,399	\$14,972	\$14,853
Students per Teacher	13	14	14	12	13
Students per Classroom Teacher	20	18	19	17	17

The decrease in ADA in 2013-14 was attributed in part to transfers of students to charter schools following the loss of the District's provisional accreditation in 2012 which was restored in August 2014 prior to a significant increase in ADA in 2014-15.

### School Accreditation

The State Board of Education ("SBE") accredits school districts through the Missouri School Improvement Program ("MSIP"), which sets minimum standards for graduation rate, attendance rate, academic achievement, subgroup achievement and college and career readiness. The SBE's accreditation review of Missouri school districts is based on compliance with certain of these standards, grouped into "Resource," "Process" and "Performance" categories.

In October 1999, the SBE voted to withdraw the District's accreditation effective May 2000, due to the District's failure to meet the required MSIP standards during its Second Cycle accreditation review by the Department of Elementary and Secondary Education ("DESE"). The areas reviewed by DESE were Resource, Process and Performance. The District met all the requirements for Resource and Process at an accredited level, but the Performance Standards (as measured by the MAP achievement test) were below the accredited level. Missouri statutes at that time allowed unaccredited school districts two years within which to improve before DESE could assume control of the District. After a January 2002 accreditation review by DESE (applying Second Cycle standards), the SBE voted unanimously on April 17, 2002 to grant the District provisional accreditation, thus lifting the threat of a takeover by DESE.

In the spring of 2008, DESE completed a full review of the District as part of MSIP Cycle 4. At that time, it required the District to complete a two-year accountability plan, the progress of which was reviewed quarterly by a Missouri Regional School Improvement Team ("RSIT"). The plan was approved on January 14, 2009. The District retained provisional accreditation. The District once again met all of the

Resource and Process Standards at an accredited level in fiscal year 2008-09. The District met four of the fourteen Performance Standards—nine were needed for full accreditation.

On September 20, 2011, the SBE voted to rescind the District's provisional accreditation effective January 1, 2012. In fiscal year 2011-12, the District met five of fourteen Performance Standards. The SBE noted the progress but expressed their desire to provide additional support so the District could achieve the necessary points needed to achieve full accreditation. Missouri statutes at that time allowed unaccredited school districts two years within which to improve before DESE could assume control. The Missouri legislature made a significant change to the law in early 2013, and Governor Jay Nixon signed the legislation which became effective on August 28, 2013. The new law authorized DESE to immediately exercise control over an unaccredited school district.

In the fall of 2012, DESE announced that MSIP 4 was being retired and replaced with MSIP 5, a more stringent measure of a school district's progress in meeting Missouri's accreditation standards. Under the new MSIP 5 standards, districts which earn 70% or more of the Annual Performance Report ("APR") points possible are "Accredited," districts that earn 50% or more of the APR point possible but less than 70% are "Provisionally Accredited" and districts that earn less than 50% of the APR points possible are "Unaccredited." In August 2013, MSIP 5 scores for the 2012-13 fiscal year were announced. The District scored 84 of 140 points, falling in the middle of the provisional accreditation range. Shortly after the results were released, DESE officials announced that no school district's accreditation status would be modified until there were 3 years of data available using the MSIP 5 standards and measurements. The District made an appeal to the SBE for immediate provisional accreditation. On October 22, 2013, the SBE declined to award provisional accreditation to the District. The refusal of the SBE to grant provisional accreditation to the District resulted in the District being subject to a "transfer law" which allows students in unaccredited districts to transfer to nearby fully accredited districts. The transfer law requires unaccredited school districts to pay for transportation and tuition. Despite being subject to the transfer law, few District students met the deadline to apply for transfer before the February 1, 2014 deadline.

Approximately 25 students expressed interest in transferring to an accredited school district at a total potential annual cost to the District of about \$250,000. But in early August, 2014, the SBE met at a special meeting and granted the District provisional accreditation, such students were no longer eligible to transfer out of the District. In late August, 2014, DESE announced that District students scored 92.5 points, which had been known by the SBE when it voted to grant provisional accreditation. Provisional accreditation "mooted" the threat of the transfer law as well as the threat of a "state takeover."

On October 23, 2015, DESE released the District's APR showing that the District earned 89.5 points under the new MSIP 5 standards, and will continue to be provisionally accredited. The standards focused on Common Core, resulting in new tests, methods and measures that cannot be compared to previous years' results. However, the Missouri Legislature has enacted legislation abandoning the Common Core standards and DESE is working on developing new standards for the 2016-2017 academic year. Fiscal year 2014-15 also marked the debut of computer-based testing for students in grades three through eight. Both the revised standards and the online exams mean that the fiscal year 2014-15 results set a new baseline for student performance. Test results for the academic year of 2015-2016 have not been released by DESE.

A three-year academic improvement plan and goals for the 2015-16 school year set high standards and expectations to stay on track to reach full district-wide accreditation. The District believes that the scores for 2015-2016 will continue to show improvement and be no lower than the range for provisional accreditation.

## **Charter Schools**

In 1998, the Missouri Legislature authorized the creation of charter schools within the boundaries of the District. The first charter schools in Kansas City opened for the 1999-2000 school year. Charter schools



are issued either a five- or ten-year charter by DESE. The charters are renewable. For the 2015-16 school year, there were 20 charter schools operating within the boundaries of the District and approximately 10,150 students enrolled in such charter schools. While a charter school must have a sponsor, under Missouri law, a charter school is considered an independent legal entity. The 2016-17 academic year will mark the return of the District as a sponsor of one new charter school, Kansas City Neighborhood Academy. Other sponsors of the charter schools within the District are the University of Central Missouri –Warrensburg, the University of Missouri – Kansas City, the University of Missouri – Columbia, and the Missouri Charter School Commission, which was established by the Missouri Legislature in 2015. The District is not financially accountable for any charter schools within its boundaries. Accordingly, the accounts of charter schools are not included in the audited financial statements of the District included in the Comprehensive Annual Financial Report attached hereto as *Appendix C*.

The following table shows additional information about the 20 charter schools located within District compiled by DESE for the last three completed fiscal years:

	<b><u>2012-13</u></b>	<b><u>2013-14</u></b>	<b><u>2014-15</u></b>
Average Daily Attendance (ADA)	9,222.74	10,531.40	10,149.19
Total Current Expenditures	\$106,463,503	\$120,280,983	\$125,479,922
Current Expenditures per ADA	\$11,543.59	\$11,421.18	\$12,363.54

On July 1, 2006, the charter schools within the boundaries of the District became local education agencies (“**LEAs**”) under the Charter Schools Act, Section 160.415(4) of the Revised Statutes of Missouri, as amended. This legislation requires the District indirectly to transfer to the charter schools a portion of its local property tax levy proceeds, along with all other state aid that the District would otherwise receive if students attending the charter schools were enrolled in the District. The State of Missouri uses a funding mechanism whereby DESE withholds from its yearly payments of state aid to the District an amount equal to the per-pupil state aid for all students attending the charter schools, as well as amounts equal to a certain percentage of the District’s local tax revenue.

Charter schools are having a significant impact on the financial condition of the District. The District cannot predict, however, the outcome of changes in the enrollment of charter schools. Accordingly, no estimate of potential loss in revenue as a result of charter schools can be made by the District.

### **Commerce, Industry and Employment**

Employment opportunities for residents of the District are available both within the District and throughout the Kansas City metropolitan area. Listed below are the major employers located in the Kansas City Metropolitan Statistical Area:

<b><u>Employer</u></b>	<b><u>Type of Business</u></b>	<b><u>Number of Employees</u></b>
Public Schools	Education	30,172
Federal Government	Government	30,000
State/County/City Governments	Government	24,616
Cerner Corporation	Health Care IT solutions	10,128
HCA Midwest Health Systems	Health Care Provider	9,753
Saint Luke’s Health System	Health Care Provider	7,550
Children’s Mercy Hospitals & Clinic	Health Care Provider	6,305
Sprint Corp.	Wireless Telecommunications	6,300
University of Kansas Hospital	Acute Care Hospital	6,030
Hallmark Cards, Inc.	Greeting cards & TV Programming	4,600
Garmin International, Inc.	Communication/Navigation Products	3,723
DST Systems	Information Processing/Software	3,500

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
GM Fairfax Assembly Plant	Automobile Assembly	3,500
Truman Medical Centers	Health Care Provider	3,175
University of Kansas Medical Center	Medical/Nursing/Health Professional	3,174
University of Missouri-Kansas City	Public University	3,109
Black & Veatch	Engineering	3,107

Source: *Kansas City Business Journal*: “Top Public-Sector Employers” published on July 24, 2015, and “Top 100 Area Private Sector Employers” published on July 31, 2015. The information was provided by the employers. Ford Motor Company choose not to participate in the survey.

The following table sets forth unofficial employment figures for Jackson County, Missouri:

<u>Average for Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2016*	369,261	350,054	19,207	5.2%
2015	367,142	345,601	21,541	5.9
2014	363,483	338,018	25,465	7.0
2013	352,371	325,412	26,959	7.7
2012	354,922	327,126	27,796	7.8

\*Average – January and February 2015

Source: MERIC (Missouri Economic Research and Information Center)

### **Medical and Health Facilities**

There are numerous medical and osteopathic physicians, chiropractors, dentists, orthodontists, and other specialists maintaining offices in the Kansas City area as well as numerous home health services, and intermediate, residential and skilled nursing facilities. Kansas City and the surrounding metropolitan area have several hospitals to meet the needs of the residents.

### **Recreational Facilities and Attractions**

The Kansas City, Missouri Parks and Recreation Department provides facilities, programs and recreational opportunities for the community. The department operates and maintains close to 12,000 acres of parkland including 220 parks, 29 lakes, 100+ miles of trails and bikeways, hundreds of athletic fields and tennis courts, 61 picnic shelters, five golf courses and four museums.

Kansas City is home to the 2015 World Series Champion Kansas City Royals baseball team. Kansas City also is home to the Kansas City Chiefs (National Football League). FC Kansas City (National Women’s Soccer League), Sporting Kansas City (Major League Soccer known as “MLS”) and the Missouri Mavericks hockey team of the ECHL are located in the Kansas City metropolitan area.

Kansas City has many cultural and art opportunities including The Nelson-Atkins Museum of Art, American Jazz Museum, Kauffman Center for the Performing Arts, Union Station, World War I Museum, the Sprint Center, the Kansas City Zoo and the Kemper Museum of Modern Art. Many music and cultural festivals are held throughout the year in the Kansas City Metropolitan area. First Fridays, named for and held on the first Friday commencing in April and continuing through October, continues to draw large crowds to downtown Kansas City where the “Crossroads” area is filled with art exhibitions, art sales, and eating and drinking opportunities.

## **Municipal Services and Utilities**

The City of Kansas City provides water and sewer services to the City. Electricity is provided by Kansas City Power & Light. The Kansas City Fire Department has 34 fire stations and over 1,200 uniformed and civilian employees. The City's Police Department headquarters were recently renovated in downtown Kansas City.

## **Transportation and Communication Facilities**

The District is served by Kansas City International Airport and the Charles B. Wheeler Downtown Airport. Union Station provides Amtrak passenger service. There are multiple interstate, US and state highways providing easy access to place in Kansas City.

The City has several national TV stations as well as independent stations. There are multiple radio stations in the metropolitan area. The *Kansas City Star* as well as other newspapers are published in the District.

## **Income and Home Values**

The following tables show the latest available per capita personal income and median value of owner-occupied housing units in the area of the District and the State of Missouri:

### **Income (2014 inflation-adjusted dollars)**

	<b>Median Household <u>Family</u></b>	<b>Per <u>Capita</u></b>
District	\$31,959	\$27,745
City of Kansas City	44,173	26,998
Jackson County	45,874	26,444
State of Missouri	48,363	26,126

### **Median Housing Value of Owner-Occupied Housing Units (2014)**

District	\$ 95,500
City of Kansas City	132,300
Jackson County	125,200
State of Missouri	137,000

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Source: Missouri Census Data Center

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## DEBT STRUCTURE OF THE DISTRICT

### Overview

The following table summarizes certain financial information concerning the District. This information should be reviewed in conjunction with the information contained in this section and the financial statements of the District in *Appendix A* hereto.

2015 Assessed Valuation <sup>1</sup>	\$2,850,325,508
2015 Estimated Actual Valuation <sup>2</sup>	\$11,524,415,829
Outstanding General Obligation Bonds (“Direct Debt”)	\$0
Lease Obligations (includes \$50,000,000 principal of the Series 2016 Certificates <sup>3</sup> )	\$109,931,986
Total Direct Debt and Lease Obligations	\$109,931,986
Estimated Population	184,298
Per Capita Direct Debt	\$0.00
Ratio of Direct Debt to Assessed Valuation	0.00%
Ratio of Direct Debt to Estimated Actual Valuation	0.00%
Ratio of Direct Debt and Lease Obligations to Assessed Valuation	3.86%
Ratio of Direct Debt and Lease Obligations to Estimated Actual Valuation	0.95%
Overlapping and Underlying General Obligation and Lease Obligations (“Indirect Debt”) <sup>4</sup>	\$856,309,322
Total Direct, Lease Obligations and Indirect Debt	\$966,241,308
Per Capita Direct, Lease Obligations and Indirect Debt	\$5,242.82
Ratio of Direct, Lease Obligations and Indirect Debt to Assessed Valuation	33.90%
Ratio of Direct, Lease Obligations and Indirect Debt to Estimated Valuation	8.38%

<sup>1</sup> Includes 2015 real and personal property provided by the Jackson County Clerk, excluding state assessed railroad and utility property. For further details see “**PROPERTY TAX INFORMATION CONCERNING THE DISTRICT.**”

<sup>2</sup> Estimated actual valuation is calculated by dividing different classes of property by the corresponding assessment ratio. For a detail of these different classes and ratios see “**PROPERTY TAX INFORMATION CONCERNING THE DISTRICT.**”

<sup>3</sup> Preliminary; subject to change.

<sup>4</sup> For further details see “**DEBT STRUCTURE OF THE DISTRICT - Overlapping or Underlying General Obligations and Lease Obligations.**”

### Current Long-Term General Obligation Indebtedness

The District has no outstanding general obligation indebtedness

### Outstanding Lease Obligations

**Leasehold Revenue Bonds.** The School District of Kansas City, Missouri, Building Corporation (the “**Corporation**”) issued the following two series of bonds to finance certain capital improvements at District facilities: (1) Leasehold Revenue Qualified School Construction Bonds (The School District of Kansas City, Missouri QSCB Project), Series 2009 (Tax Credit Bonds), currently outstanding in the principal amount of \$15,695,000 (the “**Series 2009 Bonds**”), and (2) Leasehold Revenue Qualified School Construction Bonds (The School District of Kansas City, Missouri QSCB Project), Series 2010 (Direct Pay Bonds), currently outstanding in the principal amount of \$14,340,000 (the “**Series 2010 Bonds**”). The Series 2009 Bonds and Series 2010 Bonds (collectively, the “**Leasehold Revenue Bonds**”) are payable from lease payments made by the District under a lease agreement between the Corporation and the District. The lease payments are payable from money in the District’s Capital Projects Fund and are subject to annual appropriation by the Board of Directors.

**Lease Purchase Agreement.** The District entered into an Equipment Lease Purchase Agreement (the “2015 Lease Purchase Agreement”) in the amount of \$27,786,986 on June 23, 2015 for the purpose of the purchase and installation of energy savings equipment. The lease payments are payable from money in the District’s Capital Projects Fund and are subject to annual appropriation by the Board of Directors.

**Summary of Existing Lease Obligations.** The following table shows outstanding principal amounts of the Series 2009 Bonds, the Series 2010 Bonds and the 2015 Lease Purchase Agreement (collectively, the “Existing Lease Obligations”) of the District following principal payment made through June 30, 2016:

<u>Category of Indebtedness</u>	<u>Date of Indebtedness</u>	<u>Amount Outstanding</u>
Leasehold Revenue Qualified School Construction Bonds Series 2009 (Tax Credit Bonds)	12/30/2009	\$15,695,000
Leasehold Revenue Qualified School Construction Bonds Series 2010 (Direct Pay Bonds)	12/9/2010	14,340,000
Equipment Lease Purchase Agreement	6/23/2015	<u>26,295,953</u>
Total		\$56,330,953

The District has never defaulted on the payment of any of its debt obligations.

#### Debt Service Requirements of Lease Obligations

The following schedule shows the yearly lease payments required pursuant to the respective leases to pay the principal of and interest on the Existing Lease Obligations and the Series 2016 Certificates being offered.

<u>Fiscal Year Ended</u>	<u>Outstanding Lease Obligations</u>			<u>COPs Being Offered</u>		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Subsidy</u> <sup>1</sup>	<u>Principal</u> <sup>2</sup>	<u>Interest</u>	<u>Total</u>
2016	\$3,601,033	\$2,334,959	\$(809,326)			
2017	3,712,901	2,247,447	(756,700)	\$1,430,000		
2018	3,885,487	2,095,623	(703,067)	760,000		
2019	4,064,939	1,938,498	(648,629)	755,000		
2020	4,266,322	1,775,747	(593,318)	730,000		
2021	4,474,703	1,606,758	(536,933)	705,000		
2022	4,695,156	1,431,381	(479,541)	685,000		
2023	4,932,752	1,249,414	(421,277)	650,000		
2024	5,187,568	1,060,263	(361,938)	585,000		
2025	5,459,682	863,514	(301,526)	535,000		
2026	3,189,176	673,025	(240,039)	3,015,000		
2027	3,281,135	518,118	(177,479)	3,215,000		
2028	3,375,646	359,236	(113,844)	3,440,000		
2029	3,472,799	196,287	(49,136)	3,680,000		
2030	2,332,688	51,250		3,800,000		
2031				3,965,000		
2032				4,120,000		
2033				4,285,000		
2034				4,415,000		
2035				4,545,000		
2036				4,685,000		
Total	\$59,931,986	\$18,401,519	\$(6,192,751)	\$50,000,000		
Less 2016	(3,601,033)	(2,334,959)	(809,326)	0		
6/30/2016	\$56,330,953	\$16,066,560	\$(5,383,425)	\$50,000,000		

<sup>1</sup> Subsidy Payments expected to be made by the United States Treasury to the District equal to 45% of the amount of each interest payment on the Series 2010 Leasehold Bonds. Under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions in the amounts of subsidy payments have occurred since March 1, 2013. The subsidy payments were reduced by 8.7% for the fiscal year ending September 30, 2013, by 7.2% for the fiscal year ending September 30, 2014, and by 7.3% for the fiscal year ending September 30, 2015, and will be reduced by 6.8% for the fiscal year ending September 30, 2016, as a result of automatic cuts in federal spending commonly referred to as “sequestration.”

<sup>2</sup> Preliminary, subject to change.

## Overlapping or Underlying General Obligations and Lease Obligations

The following table sets forth overlapping and underlying general obligations and lease obligations of political subdivisions with boundaries overlapping the District or lying within the District and the percent attributable (on the basis of assessed valuation) to the District, based on information furnished by the jurisdictions responsible for the debt, and the District has not independently verified the accuracy or completeness of such information. Furthermore, political subdivisions may have ongoing programs requiring the issuance of substantial additional bonds, the amounts of which cannot be determined at this time.

<u>Jurisdiction</u>	<u>Obligations Outstanding</u>	<u>Percent Attributable to the District</u>	<u>Amount Attributable to the District</u>
City of Kansas City, Missouri*	\$1,562,293,283	54.85%	\$856,309,322

\*As of April 30, 2015. Source: City of Kansas City, MO Comprehensive Annual Financial Report for the Fiscal Year Ended April 30, 2015. Consists of \$393,524,000 of general obligation bonds and \$1,168,769,000 of leasehold revenue bonds, lease purchase agreements and limited obligation notes and bonds (net of unamortized premium, discount).

## Legal Debt Capacity

Under Article VI, Section 26(b) of the Constitution of Missouri, the District may incur indebtedness for authorized school district purposes not to exceed 15% of the valuation of taxable tangible property in the District according to the last completed assessment upon the approval of four-sevenths of the qualified voters in the District voting on the proposition at any municipal, primary or general election or two-thirds voter approval on any other election date.

<u>Legal Debt Limitation and Debt Margin</u>	
Constitutional Debt Limitation under Article VI, Section 26(b) (15% of 2015 assessed valuation)	\$427,548,826
Less General Obligation Bonds Outstanding	<u>0</u>
Legal Debt Margin under Article VI, Sections 26(b)	\$427,548,825

The District’s debt margin would be greater if the value attributable to state assessed railroad and utility property were included in the calculation. Because of the manner in which tax collections are distributed to school districts from assessments of state assessed railroad and utility property (see **“PROPERTY TAX INFORMATION CONCERNING THE DISTRICT–Property Valuations–Current Assessed Valuation”**), the cumbersome task of determining the valuation of such property physically located within a school district is not normally undertaken unless, without the value of such property included in the calculation, the district would exceed its legal debt limit.

## FINANCIAL INFORMATION CONCERNING THE DISTRICT

### Accounting, Budgeting and Auditing Procedures

The District is an urban school district and political subdivision of the State of Missouri organized to provide public education for pre-kindergarten through high school-aged students. It is governed by a publicly elected Board of Directors. The District's financial statements include all major funds, account groups, departments, agencies, boards, commissions and other organizations over which the District is financially accountable.

Accounts are organized on the basis of funds, each of which is considered to be a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues, expenditures and expenses. Following are the governmental funds used by the District. For further discussion, see Note 1(c) to the District's audited financial statements contained in the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015 contained in *Appendix C* to this Official Statement.

- **General (Incidental) Fund** - This fund is used to account for general operations and activities of the District, including expenditures for noncertified employees' salary and benefits, supplies, textbooks, repairs and maintenance, utilities and other purchased services.
- **Teachers' (Special Revenue) Fund** - This fund is used to account for revenue sources legally restricted to salary and benefit expenditures for certified employees.
- **Other Special Revenue Fund** - This fund is used to account for accumulation of resources for and payment of employee compensated absences and District contributions to the retirement plan.
- **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 certain 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 and/or construction of major capital assets and lease purchase payments of principal and interest.
- **Non-major Governmental Funds** - The remaining other four governmental funds are combined into a single, aggregated presentation. These funds include the *Child Nutritional Services Fund* (accounts for the operation and administration of the school cafeteria), the *Patron Gift Fund* (accounts for financial activities related to the use of private gifts given to a specific school or program), the *Student Activity Fund* (accounts for fundraising activities for schools and programs) and the *Patron Endowment Fund* (accounts for assets held by the District as a legal trustee in situations requiring that the principal be preserved intact and only the interest be spent as designated).

**Basis of Accounting.** Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The financial statements are presented on the modified accrual basis of accounting, in accordance with U.S. generally accepted accounting principles. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, both measurable and available. "Available" means collected within the current period, or soon enough thereafter to pay current liabilities.

**Budgets and Budgetary Accounting.** In accordance with Chapter 67 of the Revised Statutes of Missouri, as amended, the District adopts a budget for the General Fund, Teachers' (Special Revenue) Fund, and Capital Projects Fund. A preliminary budget is presented to the Board on or before April 1, unless the deadline is modified by the Superintendent with the consent of the Board. Prior to July, the Chief Financial Officer submits to the Board of Directors 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. A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Directors, the budget document is available for public inspection. Prior to July 1, the budget is adopted by a vote of the Board of Directors. Subsequent to its formal approval of the budget, the Board of Directors 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.

The financial records of the District are audited annually by an independent public accounting firm in accordance with generally accepted auditing standards. The most recent annual audit has been performed by RSM US LLP, certified public accountants, Kansas City, Missouri. A copy of the comprehensive annual financial report of the District for the fiscal year ended June 30, 2015 is included in this Official Statement as *Appendix C*. A summary of significant accounting policies of the District is contained in this Official Statement in the Notes accompanying the financial statements in *Appendix C*.

## Sources of Revenue

The District finances its operations through the local property tax levy, state sales tax, State Aid, federal grant programs and miscellaneous sources. Debt service on general obligation bonds is paid from amounts in the District's Debt Service Fund. The primary source of money in the Debt Service Fund is local property taxes derived from a debt service levy. However, the Debt Service Fund may also contain money derived from transfers from the Incidental Fund described under the caption "**Missouri School Finance Laws – Transfers from Incidental Fund to Debt Service Fund and/or Capital Projects Fund,**" from State Aid in the Classroom Trust Fund (discussed below), and from certain other taxes or payments-in-lieu-of-taxes which may be placed in the Debt Service Fund at the discretion of the Board of Education. For the 2014-15 fiscal year, the District's sources of revenue were as follows:

<u>Source</u>	<u>Amount</u>	<u>%</u>
Local Revenue:		
Property Taxes	\$134,714,082	56.77%
Proposition "C" Sales Tax	15,148,583	6.38
Other	17,823,180	7.51
County Revenue:		
Railroad & Utility Property Taxes	3,783,812	1.59
Fines, Forfeitures & Other	1,494,049	0.63
State Revenue	20,085,767	8.46
Federal Revenue	43,013,054	18.13
Other Revenue	<u>1,235,011</u>	<u>0.52</u>
<b>Total Revenue</b>	<b>\$237,297,537</b>	<b>100.00%</b>

## Local Revenue

The primary sources of "local revenue" are (1) taxes upon real and personal property within a district, excluding railroad and utility property taxes, which are more fully described below under the caption "**PROPERTY TAX INFORMATION CONCERNING THE DISTRICT,**" and (2) receipts from a 1% state sales tax (commonly referred to as "**Proposition C revenues**") approved by the voters in 1982.

Proposition C sales tax proceeds are deemed to be "local" revenues for school district accounting purposes. Proposition C revenues are distributed to each school district on a per-pupil basis utilizing the district's weighted average daily attendance (see "**Weighted ADA**" under "**Missouri School Finance Laws**" below). During the 2014-15 fiscal year, each school district received \$921 per 2013-14 Weighted ADA from Proposition C revenues.



## County Revenue

For school taxation purposes, all state assessed railroad and utility property within a county is taxed uniformly at a rate determined by averaging the tax rates of all school districts in the county. No determination is made of the assessed value of the railroad and utility property that is physically located within the boundaries of each school district. Such tax collections for each county are distributed to the school districts within that county according to a formula based in part on total student enrollments in each district and in part on the taxes levied by each district. County revenue also includes certain fines and forfeitures collected with respect to violations within the boundaries of the school district.

## State Revenue

The primary source of state revenue or “State Aid” is provided under a formula enacted under Chapter 163 of the Revised Statutes of Missouri, as amended. In its 2005 regular session, the Missouri General Assembly approved significant changes to the formula by adoption of Senate Bill 287 (“**SB 287**”), which became effective July 1, 2006. The changes to State Aid distribution laws are more fully described below under “**Missouri School Finance Laws.**”

## Federal Revenue

School districts receive certain grants and other revenue from the federal government, which are usually required to be used for the specified purposes of the grant or funding program.

## Missouri School Finance Laws

**State Aid.** The amount of State Aid for school districts in Missouri has typically been calculated using a complex formula. The impact of SB 287 was to transition the State away from a local-tax-rate-based formula to a formula that is primarily student-needs based. The new formula was phased in over a seven-year period which began in the 2006-07 fiscal year and ended with the 2012-13 school year. State Aid is now calculated solely using the student-needs based formula.

**Property Tax Levy Requirements.** The sum of a district’s local property tax levy in its Incidental and Teachers’ Funds must be at least \$2.75 per \$100 assessed valuation in order for the district to receive increases in State Aid above the level of State Aid it received in the 2005-06 fiscal year. Levy reductions required as a result of a “Hancock rollback” will not affect a district’s eligibility for State Aid increases. For a discussion of a court-imposed operating levy specifically applicable to the District, see “**PROPERTY TAX INFORMATION CONCERNING THE DISTRICT – Tax Rates – Operating Levy.**”

**The Formula.** A district’s State Aid is determined by first multiplying the district’s weighted average daily attendance (“**ADA**”) by the state adequacy target (discussed below). This figure may be adjusted upward by a dollar value modifier (discussed below). The product of the weighted ADA multiplied by the state adequacy target multiplied by the dollar value modifier is then reduced by a district’s “local effort” (discussed below) to calculate a district’s final State Aid amount.

**Weighted ADA.** Weighted ADA is based upon regular term ADA plus summer school ADA, with additional weight assigned in certain circumstances for students who qualify for free and reduced lunch, receive special education services, or possess limited English language proficiency. Students receive additional weighted treatment if, categorically, they exceed certain thresholds (based on the percentage of students in each of the categories in “Performance Districts,” as defined below), which thresholds can change every two years. The District’s State Aid revenues would be adversely affected by decreases in its weighted ADA resulting from decreased enrollment generally and, specifically, decreased enrollment of students eligible for free and reduced lunch, special education students, or students with limited English language proficiency.

**State Adequacy Target.** The State Aid formula requires DESE to calculate a “state adequacy target,” which is intended to be the minimum amount of funds a school district needs in order to educate each student. DESE’s calculation of the state adequacy target is based upon amounts spent, excluding federal and state transportation revenues, by certain high performing districts (known as “**Performance Districts**”). DESE recalculates the state adequacy target every two years using the most current list of Performance Districts. The recalculation can never result in a decrease from the previous state adequacy target amount. DESE established the base state adequacy target at \$6,131 per pupil, which was scheduled to increase to \$6,423 for the 2012-13 fiscal year and to \$6,716 in the 2013-14 fiscal year. However, because of a shortfall in education funding, DESE has frozen the state adequacy target at \$6,131 and has prorated cuts to make up for the shortfall in funding.

**Dollar Value Modifier.** The dollar value multiplier (“**DVM**”) is an index of the relative purchasing power of a dollar, calculated as one plus 15% of the difference of the regional wage ratio (the ratio of the regional wage per job divided by the state median wage per job) minus one. The law provides that the DVM can never be less than 1.0. DESE revises the DVM for each district on an annual basis. The DVM for the District for 2015-16 fiscal year is 1.080 and is scheduled to increase to 1.084 for the 2016-17 fiscal year.

**Local Effort.** For the 2006-07 fiscal year, the “local effort” figure utilized in a district’s State Aid calculation was the amount of locally generated revenue that the district would have received in the 2004-05 fiscal year if its operating levy was set at \$3.43. The \$3.43 amount is called the “performance levy.” Since the 2006-07 fiscal year, a district’s “local effort” amount has been frozen at the 2006-07 amount, except for adjustments due to increased locally collected fines or decreased assessed valuation in the district. Growth in assessed valuation and operating levy increases will result in additional local revenue to the district, without affecting State Aid payments.

**Categorical-Source Add-Ons.** In addition to State Aid distributed pursuant to the formula as described above, the formula provides for the distribution of certain categorical sources of State Aid to school districts. These include (1) 75% of allowable transportation costs, (2) the vocational education entitlement, and (3) educational and screening program entitlements.

**Classroom Trust Fund (Gambling Revenue) Distribution.** A portion of the state aid received under the formula will be in the form of a distribution from the “Classroom Trust Fund” in the state treasury containing a portion of the State’s gambling revenues. This money is distributed to school districts on the basis of average daily attendance (versus weighted ADA, which applies to the basic formula distribution). The funds deposited into the Classroom Trust Fund in excess of amounts received in the 2009-10 fiscal year must be placed in the Teachers’ or Incidental Funds. For the 2013-14 fiscal year, each school district was to receive approximately \$414 per pupil based on their 2012-13 ADA.

**Mandatory Deposit and Expenditures of Certain Amounts in the Teachers’ Fund.** The following state and local revenues must be deposited in the Teachers’ Fund: (1) 75% of basic formula State Aid, excluding State Aid distributed from the Classroom Trust Fund (gambling revenues); (2) 75% of one-half of the district’s local share of Proposition C revenues; and (3) 100% of local revenue from fines and escheats based on violations or abandoned property within the district’s boundaries.

In addition to these mandatory deposits, school districts are also required to spend for certificated staff compensation and tuition expenditures each year the amounts described in clauses (1) and (2) of the preceding paragraph. Beginning in the 2007-08 fiscal year, school districts were further required to spend for certificated staff compensation and tuition expenditures each year, per the second preceding year’s weighted ADA, as much as was spent in the previous year from local and county tax revenues deposited in the Teachers’ Fund, plus the amount of any transfers from the Incidental Fund to the Teachers’ Fund that are calculated to be local and county tax sources. This amount is to be determined by dividing local and county tax sources in the Incidental Fund by total revenue in the Incidental Fund. Commencing with the 2006-07 fiscal year, the

formula provides that certificated staff compensation now includes the costs of public school retirement and Medicare for those staff members. These items were previously paid from the Incidental Fund.

Failure to satisfy the deposit and expenditure requirements applicable to the Teachers' Fund will result in a deduction of the amount of the expenditure shortfall from a district's basic formula State Aid for the following year, unless the district receives an exemption from the State Board of Education. In fiscal years 2010-11 through 2012-13, under certain circumstances, school districts were excused from compliance with certain spending requirements for professional development, as well as certain of these fund placement and expenditure requirements.

A school board may transfer any portion of the unrestricted balance remaining in the Incidental Fund to the Teachers' Fund. Any district that uses a transfer from the Incidental Fund to pay for more than 25% of the annual certificated compensation obligation of the district, and has an Incidental Fund balance on June 30 in any year in excess of 50% of the combined Incidental and Teachers' Fund expenditures for the fiscal year just ended, will be required to transfer the excess from the Incidental Fund to the Teachers' Fund.

***Limited Sources of Funds for Capital Expenditures.*** School districts may only pay for capital outlays from the Capital Projects Fund. Sources of revenues in the Capital Projects Fund are limited to: (i) proceeds of general obligation bonds (which are repaid from a Debt Service Fund levy), (ii) revenue from the school district's local property tax levy for the Capital Projects Fund; (iii) certain permitted transfers from the Incidental Fund, and (iv) a portion of the funds distributed to school districts from the Classroom Trust Fund.

***Capital Projects Fund Levy.*** Prior to setting tax rates for the Teachers' and Incidental Funds, each school district must annually set the tax rate for the Capital Projects Fund as necessary to meet the expenditures of the Capital Projects Fund for capital outlays, except that the tax rate set for the Capital Projects Fund may not be in an amount that would result in the reduction of the equalized combined tax rates for the Teachers and Incidental Funds to an amount below \$2.75.

***Transfers from the Incidental Fund to the Capital Projects Fund.*** In addition to money generated from the Capital Projects Fund levy, each school district may transfer money from the Incidental Fund to the Capital Projects Fund for certain purposes, including (1) the amount to be expended for kitchen/food service-related equipment, (2) the amount to be expended for transportation equipment that is considered an allowable cost under the state board of education rules for transportation reimbursements during the current year, (3) current year obligations for lease-purchase obligations entered into prior to January 1, 1997, (4) the amount necessary to repay costs of one or more guaranteed energy savings performance contracts to renovate buildings in the school district, provided that the contract specified that no payment or total of payments shall be required from the school district until at least an equal total amount of energy and energy-related operating savings and payments from the vendor pursuant to the contract have been realized, and (5) to satisfy current year capital project expenditures, an amount not to exceed the greater of (a) \$162,326; or (b) seven percent (7%) of the state adequacy target (which DESE has frozen at \$6,131) times a school district's weighted ADA. The District transferred \$7,195,138 to the Capital Projects Fund under this provision during the 2014-15 fiscal year.

***Transfers from Incidental Fund to Debt Service Fund and/or Capital Projects Fund.*** If a school district is not using the seven percent (7%) or the \$162,326 transfer discussed in the prior paragraph and is not making payments on lease purchases pursuant to Section 177.088, Revised Statutes of Missouri, then the school district may transfer from the Incidental Fund to the Debt Service and/or the Capital Projects Fund the greater of (1) the State Aid received in the 2005-2006 school year as a result of no more than eighteen (18) cents of the sum of the Debt Service Fund levy and Capital Projects Fund levy used in the foundation formula and placed in the Capital Projects Fund or Debt Service Fund, or (2) Five percent (5%) of the state adequacy target (which DESE has frozen at \$6,131) times the district's weighted ADA. Because the District made a

transfer under the provision discussed in the last paragraph, the District was ineligible to make any transfers under this provision during the 2014-15 fiscal year.

### **Fund Balances Summary**

The following Summary Statement of Revenues, Expenditures and Changes in Fund Balances was prepared from the audited financial statements of the District. The statement set forth below should be read in conjunction with the financial statements and notes appertaining hereto set forth in **Appendix A** of this Official Statement and the financial statements on file at the District's office.

#### **Summary Statement of Revenues, Expenditures and Changes in Fund Balances**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b><u>General (Incidental) Fund</u></b>					
Balance--Beginning of Year	\$ 41,492,463	\$ 53,778,539	\$ 65,554,828	\$ 68,816,117	\$ 77,077,859
Revenues	217,179,333	200,686,883	203,682,528	213,941,260	213,405,604
Expenditures	116,963,431	79,892,324	90,127,814	88,289,527	137,219,485
Transfers In (Out)	(87,929,825)	(109,018,270)	(110,293,425)	(117,389,991)	(90,406,146)
Balance--End of Year	\$ 53,778,539	\$ 65,554,828	\$ 68,816,117	\$ 77,077,859	\$ 62,857,833
Restricted Fund Balance	35,000	380,758	592,397	315,000	280,000
Unrestricted Fund Balance	\$ 53,743,539	\$ 65,174,070	\$ 68,223,720	\$ 76,762,859	\$ 62,577,833

#### **Special Revenue (Teachers')**

##### **Fund**

Balance--Beginning of Year	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Revenues	24,236,213	16,439,536	9,843,690	8,634,700	12,133,200
Expenditures	107,166,038	88,817,426	93,008,705	96,912,481	95,344,208
Transfers In (Out)	82,929,825	72,377,890	83,165,015	88,277,781	83,211,008
Balance--End of Year	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

#### **Capital Projects Fund**

Balance--Beginning of Year	\$74,665,710	86,995,624	81,863,331	65,783,302	\$28,177,289
Revenues	34,381,952 <sup>2</sup>	15,341,695	14,463,517	11,388,843	11,758,733
Expenditures	27,052,039	27,988,422	37,506,346	49,006,602	19,025,201
Transfers In (Out)	5,000,000	7,514,434	6,962,799	11,746	7,195,138
Balance--End of Year	\$86,995,624	\$81,863,331	\$65,783,302	\$28,177,289	\$28,105,959
Restricted Fund Balance	0	17,597,143	1,973,875	0	0
Unrestricted Fund Balance	\$86,995,624	\$64,266,188	\$63,809,427	\$28,177,289	\$28,105,959

#### **Total Governmental Type Funds**

Balance--Beginning of Year	\$116,158,174	\$140,774,164	\$147,418,160	\$134,599,419	\$105,255,149
Revenues	275,797,498	232,468,114	227,989,735	233,964,803	237,297,537
Expenditures	251,181,508	196,698,172	220,642,865	234,208,610	251,588,894
Balance--End of Year	\$140,774,163	\$147,418,160	\$134,599,417	\$105,255,148	\$ 90,963,792
Restricted Fund Balances	35,000	17,977,901	2,566,272	315,000	280,000
Unrestricted Fund Balance	\$140,739,163	\$129,440,259	\$132,033,145	\$104,940,148	\$ 90,683,792

#### **Ending Operating Fund <sup>1</sup>**

<b>Balances as Percentage of Expenditures</b>	23.99%	38.86%	37.58%	41.62%	27.03%
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<sup>1</sup> The Operating Fund is defined to be the General Fund and Special Revenue Fund only.

<sup>2</sup> Includes proceeds of the Series 2010 Bonds issued in the principal amount of \$16,274,000 as described on page A-8.

## **Risk Management**

Resources are accumulated in the General Fund for workers' compensation, unemployment, and general liability claims. The District qualifies as a self-insurer under Missouri Workers' Compensation laws and maintains a reserve to cover estimated workers' compensation claims incurred before November 1, 1999. Restricted cash and investments of \$280,000 as of June 30, 2015, are for the self-insured portion of the workers compensation program's reserve requirement. A commercial insurance policy is purchased to cover current and future workers' compensation claims. Pursuant to 288.090:3(1)(a) of the Missouri Revised Statutes, the District participates in the State Employment Security Program on a reimbursable basis and pays claims in lieu of contributions. The District maintains a general liability reserve to cover claims in excess of existing commercial insurance coverage that is funded by contributions from the General Fund.

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District purchases commercial insurance. Claim settlements have not exceeded commercial insurance coverage for each of the past three fiscal years. The claims liability at the end of the 2014-15 fiscal year end was \$1,153,021.

## **Employee Retirement and Pension Plans**

**Plan Description.** The District contributes to the Kansas City Public School Retirement System (KCPSRS), a cost-sharing, multiple-employer and contributory defined benefit pension plan. Substantially all full-time employees of the District, the Kansas City Public Library and charter schools are covered by the plan. The Kansas City Public School Retirement System provides retirement, disability, and death benefits to plan members and beneficiaries. All benefit provisions are established and may be amended by the legislature of the State of Missouri. The general administration and responsibility for the proper operation of the Kansas City Public School Retirement System rests with a board of trustees. Financial statements of the Kansas City Public School Retirement System can be obtained by writing to Kansas City Public School Retirement System, 4600 Paseo Boulevard, Kansas City, Missouri 64106 or by calling (816) 472-5912.

**Benefits provided.** KCPSRS provides retirement, disability, and death benefits. Retirement benefits are determined based on the employee's average final salary and a multiplier based on the years of service. Employees, hired prior to January 1, 2014, are eligible for full retirement at age 60 with at least 5 years of covered employment or when the years of service plus the employee's age equals or exceeds 75 credits. Employees, hired after January 1, 2014, are eligible for full retirement at age 62 with at least 5 years of covered employment, or when the years of service plus the employee's age equals or exceeds 80 credits. Five years of service is required for disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Pre-retirement death benefits, at a minimum, are based on a calculation of the employee's contributions plus interest. Post retirement death benefits, at a minimum, are based on a calculation of accumulated contributions in excess of total benefits received.

**Contributions.** All regular and full-time employees must become members of the Retirement System as a condition of employment. From January 1, 1999 through December 31, 2013, members contributed 7.5% of regular annual compensation. During the 2013 Missouri legislative session, SB223 was passed allowing the Kansas City Public School Retirement System Board (KCPSRS) flexibility to increase the contribution rate in ½% increments annually, to a maximum of 9%. On January 1, 2015 the rate increased to 8.5 percent. The District's contractually required contribution rate for the year ended June 30, 2015, was a blended rate of 8.25 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$8,507,740 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$113,573,271 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating governments. At December 31, 2014, the District's collective proportion was 62.829118 percent, which was a decrease of 1.182092 percent from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$12,376,506. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 15,114,536	—
Changes in proportion and differences between District contributions and proportionate share of contributions	--	(1,090,866)
District contributions subsequent to the measurement date	4,466,136	--
<b>Total</b>	<b><u>\$ 19,580,672</u></b>	<b><u>(1,090,866)</u></b>

\$4,466,136 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The remaining amount of deferred outflows of resources are being amortized over a closed period equal to the average of the expected service lives of all participants as of the beginning of the measurement period, which was 2.63 years. The deferred inflows related to the difference between expected and actual investment earnings is being amortized over a closed 5-year period beginning in the current year. Amounts reported as deferred outflows of resources (other than contributions) and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
2016	\$ 3,778,634	\$ (669,243)
2017	3,778,634	(421,623)
2018	3,778,634	
2019	3,778,634	
<b>Total</b>	<b><u>\$ 5,114,536</u></b>	<b><u>\$(1,090,866)</u></b>

There were no non-employer contributing entities at KCPSRS.

**Actuarial Assumptions.** The total pension liability was determined by an actuarial valuation as of January 1, 2014 rolled forward to December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50 percent
Salary increases	5.00 percent including price inflation
Investment rate of return	8.00 percent compounded annually, net of investment expense and including price inflation

Mortality rates were based on the IRS Prescribed Static Table: RP-2000 Healthy Non-Annuitant Table projected 15 years from valuation date for active members and 7 years for healthy retirees using Scale AA.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.5%	6.55%
International equity	15.0	7.23
Emerging market equity	10.0	9.48
Domestic fixed income- core	10.0	1.56
International (Dev.) fixed income	5.0	0.20
High yield	2.5	4.35
Low volatility alternatives	15.0	3.52
Private equity	5.0	11.53
Commodities	5.0	3.86
Real estate	<u>10.0</u>	4.40
Total	100.0%	

**Discount Rate.** The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts and KC Library will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.** The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

	<b>1% Decrease (7.0%)</b>	<b>Current Discount Rate (8.0%)</b>	<b>1% Increase (9.0%)</b>
District's proportionate share of the net pension liability	162,031,990	113,573,271	71,863,763

***Pension plan fiduciary net position.*** Detailed information about the pension plan's fiduciary net position is available in the separately issued KCPSRS financial report; which can be located at [www.kcpsrs.org](http://www.kcpsrs.org).

**Payable to the pension plan at June 30, 2015:**

The District reported payables in the defined benefit pension plan of \$12,790,636 for legally required employer contributions and \$344,331 for legally required employee contributions which had been withheld from employee wages but not yet remitted to KCPSRS.

***KCPSRS Funded Status***

KCPSRS reported an actuarial funded ratio of 79.9%, as of January 1, 2015, according to the KCPSRS Actuarial Valuation Report as of January 1, 2015 (the "**2015 KCPSRS Actuarial Report**"), which is available on the KCPSRS website at [www.kcpsrs.org](http://www.kcpsrs.org). None of the information available at the KCPSRS website is incorporated by reference into this Official Statement. Funded ratios are intended to estimate the ability of current plan assets to satisfy projected future liabilities. KCPSRS amortizes unfunded actuarial liabilities using an open 30-year method. For additional information about the actuarial methods and assumptions used to determine the actuarial funded ratio, see "**Summary of Actuarial Methods and Assumptions**" in the 2015 KCPSRS Actuarial Report.

The following provides a historical comparison of actual contribution rates to actuarially determined contribution rates and the historical funded status of the KCPSRS plan for the years shown:

**Historical Contribution Rates**

<b>Actuarial Valuation Date</b>	<b>Actuarial Contribution Rate</b>	<b>Actual Contribution Rate</b>	<b>Contribution Shortfall/(Margin)</b>
1/1/2015	19.56%	17.00%	2.56%
1/1/2014	19.68	16.00	3.68
1/1/2013	20.52	15.00	5.52
1/1/2012	18.30	15.00	3.30
1/1/2011	14.64	15.00	(0.36)

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liabilities</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a percentage of Covered Payroll</b>
1/1/2015	\$712,390,611	\$891,543,036	\$179,152,425	79.9%	\$170,845,124	104.9%
1/1/2014	710,828,744	875,451,114	164,622,370	81.2	157,014,537	104.8
1/1/2013	697,028,072	868,663,383	171,635,311	80.2	157,303,005	109.1
1/1/2012	742,279,611	874,286,498	132,006,887	84.9	155,893,016	84.7
1/1/2011	786,297,998	844,232,490	57,934,492	93.1	162,417,257	35.7

Source: Tables 11 and 12 in the 2015 KCPSRS Actuarial Report



## Other Post-Employment Benefits

The Kansas City Public Schools Post-Employment Benefit Plan (OPEB) is a single employer defined benefit health care plan administered by the District that provides medical and dental insurance benefits to eligible retirees. The annual required contribution (ARC) is the basic annual expense recognized under GASB Statement No. 45, though there is no requirement to fund the ARC. The ARC is calculated under the actuarial cost method that was chosen and is made up of the normal cost plus amortization of the unfunded actuarial accrued liability (UAAL - excess of the past service liability over the actuarial value of the assets). The required contribution is based on projected pay-as-you-go financing.

For more information on the District's plan, see Note (4)(b) *Post-Employment Benefits* in the Notes to Basic Financial Statements contained in the District's Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015, in **Appendix B** to this Official Statement.

## Employee Relations

The Administration successfully negotiated new Collective Bargaining Agreements with the teachers, non-certified staff and cafeteria employees/custodial/mechanical personnel that is in effect until June 30, 2017. That agreement includes a modest wage increase commencing on July 1, 2016. The relationship between the Kansas City Federation of Teachers (KCFT) and the Administration is cordial, with open dialogue and an overall positive approach to labor/management relations. The KCFT also represents the non-certified staff (classified), and is the bargaining unit for the majority of District employees. There are no threatened work stoppages, or any known problems with teachers that would negatively impact the business of educating students in the District.

The Service Employees International Union (SEIU) represents the cafeteria employees/custodial/mechanical personnel. Prior to 2015, the SEIU had minimal presence in the Kansas City metropolitan area, but has since added a field office and is more active in the region. The District's administration has worked well with the SEIU in negotiating a new agreement that is also effective through June 30, 2017. Those employees represented by the SEIU received the same modest pay increase as those employees represented by the KCFT. There are no threatened work stoppages, or any known problems with the cafeteria employees/custodial/mechanical personnel that would negatively impact the business of educating students in the District.

## PROPERTY TAX INFORMATION CONCERNING THE DISTRICT

### Property Valuations

**Assessment Procedure.** All taxable real and personal property within the District is assessed annually by the County Assessor. Missouri law requires that personal property be assessed at 33-1/3% of true value and that real property be assessed at the following percentages of true value:

Residential real property .....	19%
Agricultural and horticultural real property.....	12%
Utility, industrial, commercial, railroad and all other real property .....	32%

The assessment ratio for personal property is generally 33-1/3% of true value. However, subclasses of tangible personal property are assessed at the following assessment percentages: grain and other agricultural crops in an unmanufactured condition, 0.5%; livestock, 12%; farm machinery, 12%; historic motor vehicles, 5%; poultry, 12%; and certain tools and equipment used for pollution control, used in retooling for the purpose of introducing new product lines or used for making improvements to existing products by certain types of companies specified by state law, 25%.

A general reassessment of real property occurred statewide in 1985. In order to maintain equalized assessed valuations following this reassessment, the state legislature adopted a maintenance law in 1986. On January 1 in every odd-numbered year, each County Assessor must adjust the assessed valuation of all real property located within the county in accordance with a two-year assessment and equalization maintenance plan approved by the State Tax Commission.

The County Assessor is responsible for preparing the tax roll each year and for submitting the tax roll to the Board of Equalization. The County Board of Equalization has the authority to adjust and equalize the values of individual properties appearing on the tax rolls.

**Current Assessed Valuation.** The following table shows the total assessed valuation and the estimated actual valuation, by category, of all taxable tangible property situated in the District (excluding state assessed railroad and utility property and property subject to tax increment financing described below) according to the assessment for calendar year 2015 for property owned as of January 1, 2015.

<u>Type of Property</u>	<u>Total Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Actual Valuation*</u>	<u>% of Actual Valuation</u>
<b>Real:</b>				
Residential	\$1,263,245,295	19.00%	\$ 6,648,659,447	57.69%
Agricultural	54,332	12.00%	452,767	0.00
Commercial	913,807,778	32.00%	2,855,649,306	24.78
<b>Total Real</b>	<b>\$2,177,107,405</b>		<b>\$ 9,504,761,520</b>	<b>82.47%</b>
<b>Personal</b>	<b>673,218,103</b>	<b>33.33%</b>	<b>2,019,654,309</b>	<b>17.53</b>
<b>Total Real &amp; Personal</b>	<b>\$2,850,325,508</b>		<b>\$11,524,415,829</b>	<b>100.00%</b>

\* The above table assumes all personal property is assessed at 33 1/3%; because certain subclasses of tangible personal property are assessed at less than 33 1/3%, the estimated actual valuation for personal property would likely be greater than that shown above. See “**Assessment Procedure**” discussed above.

For school taxation purposes, all state assessed railroad and utility property within a county is taxed uniformly at a rate determined by averaging the tax rates of all school districts in the county. Such tax collections for each county are distributed to the school districts within that county according to a formula based in part on total student enrollments in each district and in part on the taxes levied by each district. Under this method of distributing tax collections from state assessed railroad and utility property, it is unnecessary to determine the assessed value of such property that is physically located within the bounds of each school district. The District received \$3,783,812 for the fiscal year ended June 30, 2015, from state assessed railroad and utility property taxes.

**History of Property Valuations.** The total assessed valuation of all taxable tangible property situated in the District (**excluding** state assessed railroad and utility property and property subject to tax increment financing described below) according to the assessments of January 1 in each of the following years, has been as follows:

<u>Year</u>	<u>Assessed Valuation</u>	<u>% Change</u>
2015	\$2,850,325,508	4.20%
2014	2,735,470,548	0.52
2013	2,721,421,670	1.16
2012	2,690,140,533	-2.07
2011	2,747,076,379	-1.37

Under Missouri law, tax abatement is available for redevelopers of areas determined by the governing body of a city to be “blighted.” The Land Clearance for Redevelopment Authority Law authorizes ten year tax abatement pursuant to Sections 99.700 to 99.715, Revised Statutes of Missouri, as amended. In lieu of ten year tax abatement, a redeveloper which is an urban redevelopment corporation formed pursuant to Chapter 353, Revised Statutes of Missouri, as amended, may seek real property tax abatement for a total period of 25 years. In addition, the Real Property Tax Increment Allocation Redevelopment Act, Sections 99.800 to 99.865, Revised Statutes of Missouri, as amended, makes available tax increment financing for redevelopment projects in certain areas determined by the governing body of a city to be a “blighted area,” “conservation area,” or “economic development area,” each as defined in such Act.

Currently, certain portions of the District are located in tax increment financing (“**TIF**”) districts. Neither tax abatement nor tax increment financing would diminish the amount of property tax revenues collected by the District in an affected area prior to the establishment of a TIF district, but instead would act to freeze such revenues at current levels and deprive the District of future increases in ad valorem property tax revenues that otherwise would have resulted from increases in assessed valuation in such areas (“**TIF Increment**”) until the tax increment financing obligations issued are repaid or the tax abatement period terminates which is limited by statute to 23 years. According to the Jackson County Assessment Department, the TIF Increment attributable to property within the District was \$290,030,227 for the 2015 tax year.

### **Property Tax Levies and Collections**

Property taxes are levied and collected for the District by the County, for which each County receives a collection fee of approximately 1.5% and an assessment fee of 1.0% of the gross tax collections made.

The District is required by law to prepare an annual budget, which includes an estimate of the amount of revenues to be received from all sources for the budget year, including an estimate of the amount of money required to be raised from property taxes and the tax levy rates required to produce such amounts. The budget must also include proposed expenditures and must state the amount required for the payment of interest, amortization and redemption charges on the District’s debt for the ensuing budget year. Such estimates are based on the assessed valuation figures provided by the County Clerk. The District must fix its ad valorem property tax rates and certify them to the County Clerk not later than September first for entry in the tax books.

The County Clerk receives the county assessment books from the County Assessor, which set forth the assessments of real and personal property. The County Clerk enters the tax rates certified to him by the local taxing bodies in the tax books and assesses such rates against all taxable property in the District as shown in such books. The County Clerk forwards the tax books by October 31 to the County Collector, who is charged with levying and collecting taxes as shown therein. The County Collector extends the taxes on the tax rolls and issues the tax statements in early November. Taxes are due by December 31 and become delinquent if not paid to the County Collector by that time. All tracts of land and city lots on which delinquent taxes are due are charged with a penalty of 18% of each year’s delinquency. All lands and lots on which taxes are delinquent and unpaid are subject to sale at public auction in August of each year.

The County Collector is required to make disbursements of collected taxes to the District each month. Because of the tax collection procedure described above, the District receives the bulk of its moneys from local property taxes in the months of December, January and February.

### **Tax Rates**

**Debt Service Levy.** Once the issuance of general obligation bonds has been approved by the requisite number of the voters voting therefor and bonds are issued, the District is required under Article VI, Section 26(f) of the Missouri Constitution to levy an annual tax on all taxable tangible property therein sufficient to pay the interest and principal of the indebtedness as they fall due and to retire the same within 20 years from the date of issue. The Board of Education may set the tax rate for debt service, without limitation as to rate or

amount, at the level required to make such payments. Because the District has no general obligation bonds outstanding, it has no debt service levy.

**Operating Levy.** The operating tax levy of a school district (consisting of all ad valorem taxes levied except the debt service levy) cannot exceed the “**tax rate ceiling**” for the current year without voter approval. The tax rate ceiling, determined annually, is the rate of levy which, when charged against the district’s assessed valuation for the current year, excluding new construction and improvements, will produce an amount of tax revenues equal to tax revenues for the previous year increased by the lesser of actual assessment growth, 5% or the Consumer Price Index. Without the required percentage of voter approval, the tax rate ceiling cannot at any time exceed the greater of the tax rate in effect in 1980 or the most recent voter-approved tax rate (as adjusted pursuant to the provisions of the Hancock Amendment, more fully explained below).

Under Article X, Section 11(b) of the Missouri Constitution, a school district may increase its operating levy up to \$2.75 per \$100 assessed valuation without voter approval. Any increase above \$2.75, however, must be approved by a majority of the voters voting on the proposition. Further, pursuant to Article X, Section 11(c) of the Missouri Constitution, any increase above \$6.00 must be approved by two-thirds of the voters voting on the proposition. The tax levy for debt service on a school district’s general obligation bonds is exempt from these limitations upon the tax rate ceiling.

In 1987, a federal judge ordered the District to increase its operating levy by \$1.95 (from \$2.05 to \$4.00) per \$100 of assessed valuation to fund capital improvements in the District aimed at remedying the effects of segregation in the District. Subsequent Court Orders provided that future levy amounts should be set by the District’s Board of Directors, subject to reasonable limitations by the Court. In 1990, the District’s Board increased the levy to \$4.96 per \$100 of assessed valuation, which was the rate in effect in 1995. In 1998, Missouri voters approved Article X, Section 11(g) of the Missouri Constitution specifically applicable to the District which provides that “any school district whose operating levy for school purposes for the 1995 tax year was established pursuant to a federal court order may establish the District’s operating levy at a rate that is lower than the court-ordered rate for the 1995 tax year. The rate so established may be changed from year to year by the Board of Directors. Approval by a majority of the voters of the District voting thereon is required for any operating levy for school purposes equal to or greater than the rate established by court order for the 1995 tax year.” For fiscal year 2015-16, the District’s operating levy is \$4.9599 per \$100 of assessed valuation which is equal to the District’s tax rate ceiling for the current fiscal year.

Article X, Section 22(a) of the Missouri Constitution (popularly known as the “**Hancock Amendment**”), approved in 1980, places limitations on total state revenues and the levying or increasing of taxes without voter approval. The Missouri Supreme Court has interpreted the definition of “**total state revenues**” to exclude voter-approved tax increases. The Hancock Amendment also includes provisions for rolling back tax rates. If the assessed valuation of property, excluding the value of new construction and improvements, increases by a larger percentage than the increase in the Consumer Price Index from the previous year (or 5%, if greater), the maximum authorized current levy must be reduced to yield the same gross revenue from existing property, adjusted for changes in the Consumer Price Index, as could have been collected at the existing authorized levy on the prior assessed value. This reduction is often referred to as a “**Hancock rollback**.” The limitation on local governmental units does not apply to taxes levied in the Debt Service Fund for the payment of principal and interest on general obligation bonds.

In 2008, through the enactment of Senate Bill 711 (“**SB 711**”), the Missouri General Assembly approved further limitations on the amount of property taxes that can be imposed by a local governmental unit. Prior to the enactment of SB 711, a Hancock rollback would not necessarily result in a reduction of a district’s *actual* operating tax levy if its current tax levy was less than its current tax levy *ceiling*, due to the district’s voluntary rollback from the maximum authorized tax levy. Under SB 711, in reassessment years (odd-numbered years), the Hancock rollback is applied to a district’s *actual* operating tax levy, regardless of whether that levy is at the district’s tax levy *ceiling*. This further reduction is sometimes referred to as an “**SB 711 rollback**.” In non-reassessment years (even-numbered years), the operating levy may be increased to

the district's tax levy ceiling (as adjusted by the Hancock rollback), only after a public hearing and adoption of a resolution or policy statement justifying the action.

Under the provisions of an initiative petition adopted by the voters of Missouri on November 2, 1982, commonly known as **"Proposition C,"** revenues generated by a 1% state sales tax are credited to a special trust fund for school districts and are deemed to be "local" revenues for school district accounting purposes. Proposition C revenues are distributed to each school district within the State on the basis of per eligible pupils. Under Proposition C, after determining its budget and the levy rate needed to produce required revenues to fund the budget, a school district must reduce the operating levy by an amount sufficient to decrease the revenues it would have received therefrom by an amount equal to approximately 50% of the estimated revenues to be received through Proposition C during the year. School districts may submit propositions to voters to forego all or a part of the reduction in the operating levy which would otherwise be required under terms of Proposition C. Although the District has not submitted a proposal to voters to approve foregoing any or all of the reduction in the operating levy which would otherwise be required under terms of Proposition C, because the District's operating levy is set pursuant to a Court order, the District is not required to reduce its operating levy due to revenue from Proposition C.

### History of Tax Levies

The following table shows the District's tax levies (per \$100 of assessed valuation) for each of the current and the last five completed fiscal years:

<b>Fiscal Year Ended <u>June 30</u></b>	<b>General Incidental <u>Fund</u></b>	<b>Special Revenue Teachers' <u>Fund</u></b>	<b>Debt Service <u>Fund</u></b>	<b>Capital Projects <u>Fund</u></b>	<b>Total <u>Levy</u></b>
2016	\$4.9599	\$0.0000	\$0.0000	\$0.0000	\$4.9599
2015	4.9500	0.0000	0.0000	0.0000	4.9500
2014	4.9500	0.0000	0.0000	0.0000	4.9500
2013	4.8400	0.0000	0.0000	0.1100	4.9500
2012	4.8400	0.0000	0.0000	0.1100	4.9500
2011	4.8400	0.0000	0.0000	0.1100	4.9500

### Tax Collection Record

The following table sets forth tax collection information for the District for the last five years.

<b>Fiscal Year Ended <u>June 30</u></b>	<b>Total <u>Levy</u></b>	<b>Total Taxes <u>Levied</u></b>	<b>Current &amp; Delinquent Taxes Collected</b>	
			<b><u>Amount</u></b>	<b><u>%</u></b>
2015	\$4.9500	\$135,405,792	\$134,714,082	99.49%
2014	4.9500	134,710,373	129,200,917	95.91
2013	4.9500	133,161,956	132,570,141	99.56
2012	4.9500	135,980,281	129,857,945	95.50
2011	4.9500	137,863,177	137,646,289	99.84

### Major Property Taxpayers

The following table sets forth the largest property taxpayers in the District based on the valuation of property owned as of January 1, 2015. The District has not independently verified the accuracy or completeness of such information.

<u>Owner</u>	<u>Type of Use</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
AT&T	Communications	\$ 72,886,907	2.56%
Hallmark	Real estate/retail/hotel	67,082,922	2.35
KC Power & Light	Utilities	51,220,030	1.80
Google Fiber Missouri LLC	Information Technology Services	35,710,735	1.25
Bayer	Agricultural Research and Mfg	27,963,477	0.98
Isle of Capri & Flamingo Hilton	Casino	26,372,860	0.93
Country Club Plaza	Retail shopping center	26,372,500	0.93
Town Pavilion Holdings LLC	Real estate	22,252,269	0.78
Southern Union Co.	Utilities	21,182,188	0.74
Twentieth Century Realty Inc.	Real estate	<u>14,278,288</u>	<u>0.50</u>
Total		\$365,322,176	12.82%

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Source: Jackson County, Missouri Collection Department

**APPENDIX B**

**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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KANSAS CITY  
PUBLIC SCHOOLS



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED  
JUNE 30, 2015



# **KANSAS CITY PUBLIC SCHOOLS**

(The School District of Kansas City, Missouri)

## **Comprehensive Annual Financial Report**

For The Fiscal Year Ended June 30, 2015

(With Independent Auditor's Report Thereon)

Prepared by

Business & Finance Division

# KANSAS CITY PUBLIC SCHOOLS

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# KANSAS CITY PUBLIC SCHOOLS

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December 14, 2015

Board of Directors and Citizens of the District  
School District of Kansas City, Missouri  
1211 McGee Street  
Kansas City, MO 64106

The Board of Directors and Citizens:

Missouri revised statute section 165.111 requires an audit to be performed at least biennially of the financial records of all funds of the District. In compliance with this statute, the Comprehensive Annual Financial Report (CAFR) of the School District of Kansas City, Missouri (the District) for the fiscal year ended June 30, 2015, will be submitted to the Department of Elementary and Secondary Education. In addition, this report provides the Department of Elementary and Secondary Education (DESE), citizens, financial institutions, grantor agencies, and other interested parties with reliable information concerning the financial condition of the District. This letter of transmittal is designed to be read in conjunction with the Management Discussion and Analysis report. Financial highlights and a discussion of the District's financial condition are provided in the Management Discussion and Analysis report. This report is located in the financial section after the independent auditors report and provides an overview of the District's financial condition at the district-wide level and at the fund level. The district-wide level reports on changes in assets and liabilities or net position. The fund level reports provide a more detailed focus on all the funds of the District and demonstrative compliance with Missouri statutes.

District management is responsible for establishing and maintaining internal controls designed to ensure that District resources are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and, 2) the valuation of cost and benefits requires estimates by management. This report was prepared by the Business & Finance Division who is responsible for the accuracy of the data, completeness and fairness of the presentation including all disclosures. RSM US LLP, certified public accountants, has issued an unmodified opinion on the District's financial statements for the year ended June 30, 2015. The independent auditor's report is located in the front of the financial section of this report.

The District is also required to have performed annually an audit in compliance with the U.S. Office of Management and Budget Circular A-133 and *Government Auditing Standards*. Welch & Associates, LLP, certified public accountants, performed this audit. Information related to these audits, which includes the schedule of expenditures of federal awards and related notes, the schedule of findings and questioned costs, and the independent auditors' reports on compliance and internal control over financial reporting, schedule of selected statistics and a schedule of transportation cost eligible for state aid are published under a separate cover.

## **DISTRICT PROFILE**

Kansas City, Missouri is the central city of a growing bi-state metropolitan area with a population of approximately 1.6 million people. The bi-state area consists of 144 municipalities and approximately 4,800 square miles in seven counties of Northwest Missouri and four counties in Northeast Kansas. The District is located within the taxing jurisdiction of Jackson County with a population of approximately 193,837 people. The District covers about 68 square miles within the corporate limits of Kansas City.

The District was originally established in 1867 and currently exists as an urban school district organized and governed by Section 162.461 of the Missouri revised statutes. The District is a political subdivision of the State of Missouri and is governed by an elected nine-member Board of Directors. These financial statements include the District and a component unit described below (See note 1 (a)):

- School District of Kansas City, Missouri Building Corporation – provide financing of capital projects and management of related debt service.

The District operated 7 high schools, 1 vocational school, 2 alternative schools, 2 middle schools, and 25 elementary schools for school year 2014-2015. At all levels, there are comprehensive community and magnet school curriculums. Among the magnet theme curriculums are visual and performing arts, college preparatory, foreign languages, and Montessori. The District serves about 15,258 students (including pre-kindergarten) and employs over 2,300 principals, teachers, and other support staff.

The Board is required to adopt balanced budgets by the end of each fiscal year in compliance with section 67.010 of the Missouri statute. The budgets serve as a financial plan supporting all educational programs. A preliminary budget is required to be presented to the Board on or before April 1, unless this deadline is modified by the Superintendent with the consent of the Board. Budget holders are requested to identify requirements and needs for their schools/department. This information is summarized by cost center by the Budget and Fiscal Planning Department and presented to the Superintendent for review. Recommendations from the Superintendent are summarized and presented to the Board for review. The Board is required to conduct at least one public hearing regarding the budget and taxation rate. The Budget and Fiscal Planning Department conducted a total of 3 public meetings at various school locations across the district and 2 public hearings at the board of education. The budgets are prepared on a modified accrual basis of accounting using a statutory fund structure. The District is required to disclose estimated revenue by fund and source and proposed expenditures by fund, activity and object. The legal level of budgetary control for proposed expenditures is at the fund, activity and object level.

## **ECONOMIC FACTORS**

Local property taxes represent approximately 60.3% of total revenues received by the District. During the fiscal year, the District was entitled to receive approximately \$133.1 million in property taxes for tax year 2014 based on its \$4.95 levy which was a 2.47% increase in property tax revenue when compared to tax year 2013. The increase in property tax revenue was attributed by an increase of \$14.0 million in property assessed valuation. Actual current taxes collected during the fiscal year totaled to \$122.1 million.

The difference between billed and collected is the county retention fee and delinquent taxes. Property tax abatement and tax increment financing limit the District's ability to receive significant increases in property taxes that would be generated as a result of economic growth.

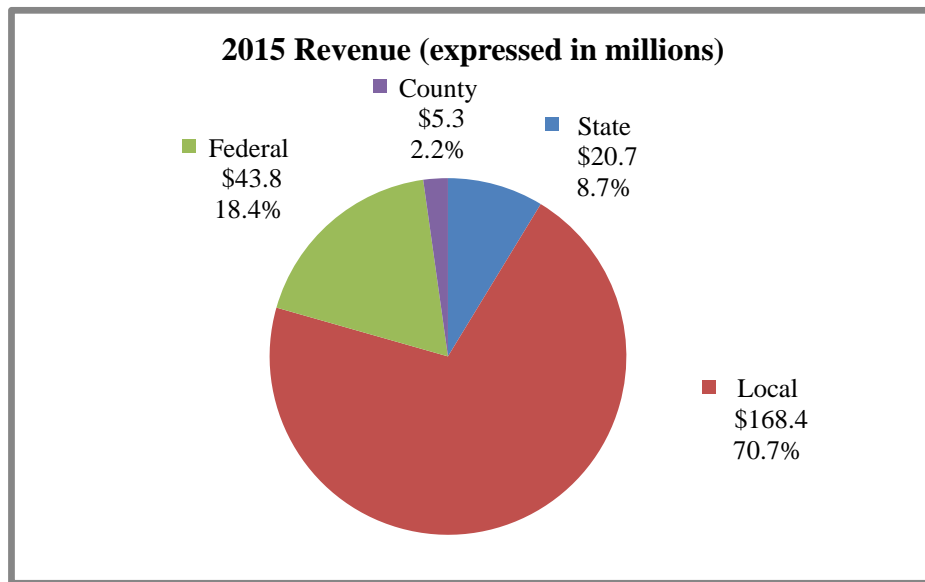
Revenues derived from State sources represent approximately 8.7% of total revenues received by the District. The District received approximately \$12.3 million for state aid, an increase of \$3.7 million or 43.9%. Beginning with fiscal year 2007, DESE implemented a new foundation formula that is based on current expenditures of the school districts meeting all performance standards established by the State Board of Education. The base target funding level is \$6,131 per weighted average daily attendance. This amount is adjusted by a dollar value modifier and the school districts local effort. Under the new formula, the District will receive state aid at least equal to the amount it received for fiscal year 2006. Economic factors that influence the foundation formula are gaming revenue, level of State appropriation, reassessments submitted by the County Assessor, growth (i.e., average daily attendance), and the local property tax levy.

Revenues from federal grants represent about 18.4% of the revenue received by the District. The major federal grant programs are Title I, Title IIA, Head Start, Exceptional Education (I.D.E.A), Early Childhood Special Education (I.D.E.A.), Math & Science, Medicaid and Teacher Incentive. Factors that impact the amount of federal funds the District is entitled to receive include free and reduced lunch eligibility counts and enrollment of exceptional education students. For the current year, 100% of our students were served as eligible for free or reduced lunch under the Community Eligibility Provision (CEP) program started during fiscal year 2014-2015.

Students with disabilities, as defined by the Individuals with Disabilities Education Act (IDEA), are those students who qualify for special education services and who have an Individualized Education Program (IEP) or commonly referred to as the Special Education program (SpEd). Special Education and related services for pre-school age is referred to as early childhood special education (ECSE). For school year 2014-2015, the District served 1,819 SpEd students and 163 ECSE students.

The District provided services to 3,526 LEP (Limited English proficient) and ELL (English Language Learners) during school year 2014-2015.

The graph below shows the four major sources of revenue:



### CASH MANAGEMENT

The District's investment policy is to minimize credit and market risk while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral for bank deposits are held by the Federal Reserve in the depositor's name on behalf of the District. Investments are in repurchase agreements, certificates of deposit and other federal obligations. Approximately \$1.1 million in interest income was earned during the fiscal year.

### ACKNOWLEDGEMENTS

We express our appreciation to the Accounting & Investments staff for their dedicated efforts to prepare for the audit of our accounting records and preparation of this report. Support received from other departments of the Business & Finance Division and other departments of the District (including Legal, Human Resources and Instruction) is very much appreciated.

We acknowledge the Board of Directors of the District and the Building Corporation for their leadership and governance on behalf of the District.

Respectfully,

Allan H. Tunis  
Interim Superintendent of Schools

Elaine Morgan  
Director Finance & Benefit Services





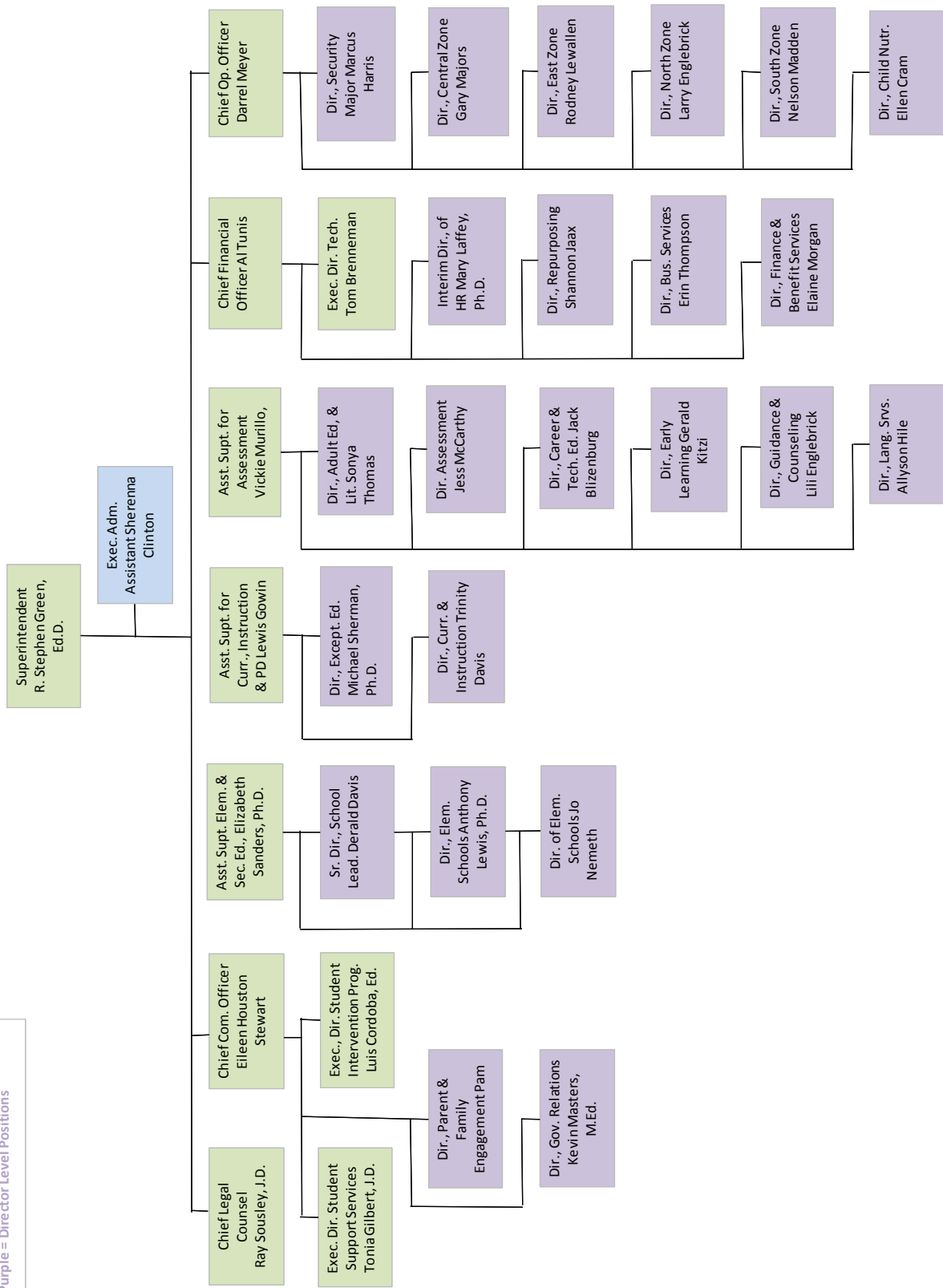
### **Our Vision**

The Kansas City Public Schools (KCPS) envisions its schools as places where every student will develop deep understanding of the knowledge and skills necessary to pursue higher education, obtain family-supporting employment, contribute to the civic well-being of the community, and have the opportunity for a rewarding and fulfilling life.

### **Our Mission**

The mission of the Kansas City Public Schools is to achieve, in a way that is unencumbered by excuses, our vision for education by ensuring that all children benefit from teaching and learning. The school district will do this through:

- Inquiry-based instruction that involves active-learning, and is project-oriented, collaborative, and facilitated by meaningful professional development
- Successful instructional settings where teachers continually coach each child to develop deep understanding and educational proficiency, while meeting all Adequate Yearly Progress goals
- Cooperative planning among principals and teachers to ensure attainment of district goals
- Substantial autonomy to each learning community
- Accountability for executing and achieving the school district's vision, goals, and objectives articulated in the Accountability Plan.



# LIST OF PRINCIPAL OFFICIALS

June 30, 2015

## *BOARD OF EDUCATION*

### *Executive Officers*

Jon Hile, Chair  
Curtis L. Rogers., Vice Chair

*Treasurer*  
Allan Tunis

*Secretary of the Board*  
Sandra Fette

### *Members*

Carl Evans  
Gunnar Hand  
Amy Hartsfield  
Pattie Mansur  
Marisol Montero  
Melissa Robinson  
Airick L. West

## *SENIOR ADMINISTRATORS*

R. Stephen Green, Ed. D., Superintendent  
Lewis Gowin, Asst. Supt. of Curriculum, Instruction and Professional Development  
Eileen Houston-Stewart, Chief Communications and Community Engagement Officer  
Vickie Murillo, Ed. D. Asst. Supt. for Accountability, Assessment and Academic Precision  
Ray E. Sousley, J.D., Chief Legal Counsel  
Ann Sanders, PhD, Asst. Supt. for Elementary and Secondary Education  
Allan Tunis, Chief Finance Officer  
Thomas Brenneman, Executive Director of Technology  
Luis Cordoba, Ed. D. Executive Director of Student Intervention Programs  
Tonia Gilbert, J.D., Executive Director of Student Support and Community Services  
Darrel Meyer, Chief of Operations

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## **Independent Auditor's Report**

RSM US LLP

To the Board of Directors  
The School District of Kansas City, Missouri  
Kansas City, Missouri

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The School District of Kansas City, Missouri (Kansas City Public Schools) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Kansas City Public Schools' basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kansas City Public Schools, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 4.f., Kansas City Public Schools adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension* and GASB Statement No. 71, *Pension Contributions Made Subsequent to the Measurement Date*, which restated beginning net position, net pension liability and deferred outflows of resources of the governmental activities.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 18, the Budgetary Comparison Schedules on pages 57 through 64, the Schedule of Funding Progress on page 66, and the pension information on page 67, 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 Kansas City Public Schools' basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, and the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other schedules, 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory, statistical sections and other schedules, as listed in the table of contents, 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 them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 on our consideration of the Kansas City Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kansas City Public Schools' internal control over financial reporting and compliance.

*RSM US LLP*

## KANSAS CITY PUBLIC SCHOOLS

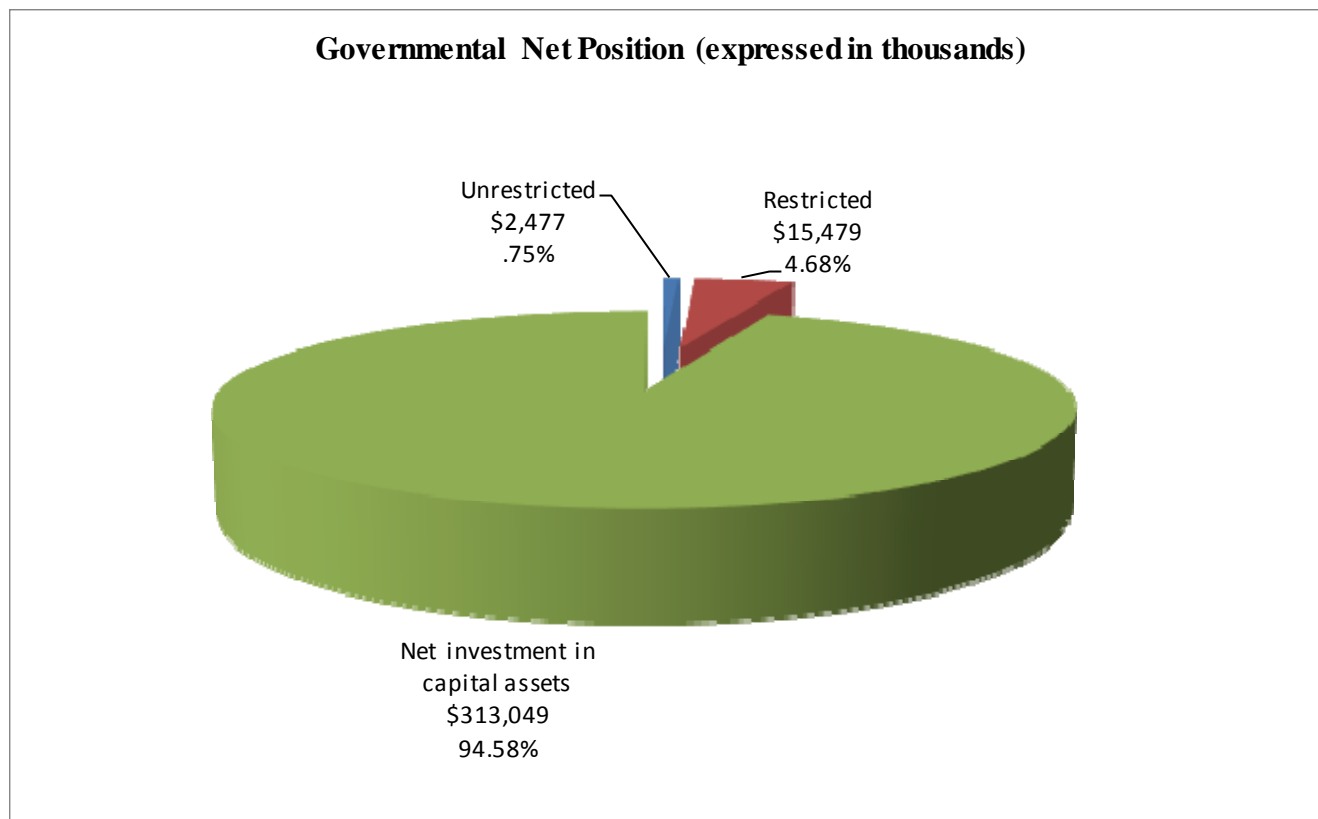
### Management's Discussion and Analysis

June 30, 2015

The Business and Finance Division of the Kansas City Public Schools (the District) is pleased to provide the readers of the District's comprehensive annual financial report this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

#### Financial Highlights

In the statement of net position for governmental activities, the District's assets exceeded its liabilities at the close of the fiscal year by \$331.00 million. Net position is reported in three components as shown in the graph below:



The most significant change in total net position was a decrease of \$102.1 million in unrestricted net position primarily due to the adoption of a new accounting principles *Governmental Accounting Standards Board (GASB) 68 Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 substantially changed the accounting and financial reporting requirements for the Public School Retirement System and the District. Implementing GASB Statement Nos. 68 and 71 resulted in first-time recognition of net pension liability - \$113,573,271; deferred outflows of resources - \$19,580,672; deferred inflows of resources - \$1,090,866; and pension expense - \$4,052,006. The 2014 amounts presented in the management's discussion and analysis have not been restated to reflect the change in the implementation of these standards.

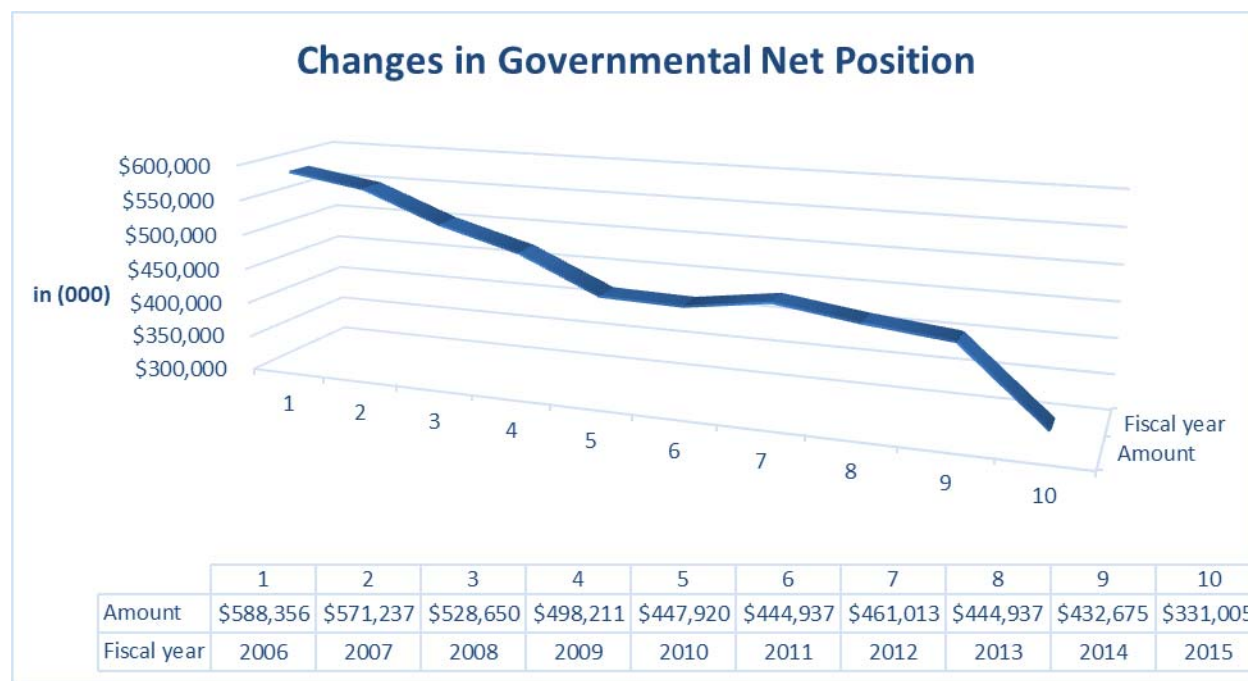
Net investment in capital assets increased \$1.78 million due primarily to a \$2.01 million reduction in debt obligations.

# KANSAS CITY PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2015

The graph below shows the changes in net position and indicates the District's overall financial position decreased in fiscal year 2015 by 23.50% when compared to fiscal year 2014. Total assets decreased \$5.3 million or .81% and total liabilities increased \$109.2 million or 115.05%. The increase in liabilities is primarily attributable to the recognition of the net pension liability of \$113.6 million due to the implementation of GASB Statement No. 68.



The District's governmental funds (summarized in Table 1 below) reported an ending total fund balance of \$102.85 million, a decrease of \$12.32 million in comparison with the prior year. Approximately 55.10% of this amount, \$56.7 million, is available for spending at the District's discretion (unassigned fund balance).

**Table 1—Summary of Governmental Fund Balances**

	FY15	Percentage of total	FY14	Percentage of total	Increase (decrease)	Unassigned portion
General	\$ 57,787,808	56.2%	\$ 73,211,833	63.5%	\$ (15,424,025)	\$ 56,674,670
Capital projects	29,208,927	28.4%	28,177,288	24.5%	1,031,639	—
Nonmajor funds	15,855,275	15.4%	13,781,055	12.0%	2,074,220	—
	<u>\$ 102,852,010</u>	<u>100.0%</u>	<u>\$ 115,170,176</u>	<u>100.0%</u>	<u>\$ (12,318,166)</u>	<u>\$ 56,674,670</u>

Unassigned fund balance for the General Fund was \$56.7 million and represents 24.99% of total General Fund expenditures and transfers. Assigned fund balance in the General Fund for general operating encumbrances was \$.75 million. Restricted fund balance in the General Fund for workers compensation was \$.28 million. Overall, governmental fund balances decreased at June 30 primarily due to the transfer of operating general fund balance to CIP general fund and CIP capital project fund to be used for building renovations and large repair projects spending in the governmental funds; expenditures exceeded revenues in the amounts of \$7,439,177, \$4,122,356 and \$1,422,215 in the General, Capital Projects and Nonmajor funds, respectively.



# KANSAS CITY PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2015

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements in order to provide details on certain funds that may be combined in the basic financial statements.

**Government-wide financial statements**—The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position represents information on all the District's assets, liabilities, and deferred outflows/inflows of resources with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. See Table 2—Net Position.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event causing the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as uncollected property taxes and earned but unused sick and vacation leave.

Government-wide financial statements distinguish functions of the District that are principally supported by property taxes and State funding (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and reimbursements (business-type activities). See Table 3A—Changes in Net Position —Governmental Activities.

The business-type activities of the District include a Community Service Fund used to account for the activities related to the community use of facilities. See Table 3B—Changes in Net Position —Business-Type Activities.

**Fund financial statements**—A fund is a grouping of related accounts that is used to maintain internal control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds**—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

## KANSAS CITY PUBLIC SCHOOLS

### Management's Discussion and Analysis

June 30, 2015

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. As a result, readers of these statements may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds. The major funds are the General Fund and the Capital Projects Fund. Data for the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its General Fund, Teachers' Fund (a sub-fund of the General Fund), a portion of its capital project, and Child Nutritional Services fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with statutory requirements.

**Proprietary funds**—Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the activity recorded in its Community Service Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Community Service Fund, which is a nonmajor fund of the District.

**Fiduciary funds**—Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's K-12 educational programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The District's fiduciary fund consists of the Student Scholarship Fund.

**Notes to the basic financial statements**—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information**—In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budgeted major funds.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

# KANSAS CITY PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2015

### Government-wide Financial Analysis

As discussed earlier, net position may serve over time as a useful indicator of the District's financial position. Table 2—Net Position shows a summary of the District's assets and liabilities compared to the prior year.

**Table 2—Net Position (Expressed in Thousands)**

	Governmental activities			Business-type activities			Total	
	2015 (as restated)	2014 (not restated)	Increase (decrease)	2015 (as restated)	2014 (not restated)	Increase (decrease)	2015 (as restated)	2014 (not restated)
Assets:								
Current and other assets	\$ 307,632	312,710	(5,078)	345	505	(160)	307,977	313,215
Capital assets	345,194	345,430	(236)	—	—	—	345,194	345,430
Total assets	652,826	658,140	(5,314)	345	505	(160)	653,171	658,645
Deferred Outflows of resources	19,581	—	19,581	—	—	—	19,581	—
Liabilities:								
Other liabilities	41,890	45,969	(4,079)	57	4	53	41,947	45,973
Long-term liabilities	162,253	48,959	113,294	—	—	—	162,253	48,959
Total liabilities	204,143	94,928	109,215	57	4	53	204,200	94,932
Deferred Inflows of Resources	137,259	130,537	6,722	—	—	—	137,259	130,537
Net position:								
Net investment in capital assets	313,049	311,276	1,773	—	—	—	313,049	311,276
Restricted	15,479	16,781	(1,302)	—	—	—	15,479	16,781
Unrestricted	2,477	104,618	(102,141)	288	501	(213)	2,765	105,119
Total net position	\$ 331,005	432,675	(101,670)	288	501	(213)	331,293	433,176

Overall, current and other assets decreased by 1.62%. Cash and investments decreased by \$11.69 million or 8.15%, as a result of expenditures in excess of revenue in the general, capital projects and nonmajor governmental funds. Long-term liabilities increased \$113.29 million due to the recognition of \$113.57 million net pension liability (adoption of GASB Statement No. 68), a \$1.10 million increase in the compensated absences balance, and an increase in claims payable of \$.63 million offset by the decrease in the bonds payable balance of \$2.01 million. Improvements to land, buildings and other than building were \$12.28 million; purchases of equipment, furniture, and vehicles (primarily computers and vehicles) were \$.67 million, less depreciation of \$9.82 million and retirements of \$3.37 million, resulting in a nominal change of \$.24 million (decrease).

Unrestricted net position of \$2.48 million includes management commitments, assignments and unassigned fund balances. The Board of Education has authorized management to assign funds for certain obligation that make up 22.49% of net position (excluding the prior period adjustment of \$91.03 million to net position due to the adoption of GASB Statement No. 68).

Fund balance has \$4.8 million in commitments, \$22.9 million in assignments, and \$56.7 million of unassigned fund balance. See footnote 2 for specific purposes within each category.

The changes in net position for the business-type activities primarily relates to the community use of facilities reported in the Community Service Fund. The cost of this service and the reimbursements was accounted for in the Community Service Fund.

# KANSAS CITY PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2015

Table 3A—Changes in Net Position —Governmental Activities highlights the District's revenues and expenses for the 2015 and 2014 fiscal years. The difference between revenues and expenses equals the change in net position. Revenue is divided into two major components, program revenue and general revenue. Program revenue is defined as charges for services, operating and capital grants, and contributions. General revenue is defined as the primary unrestricted funding sources, such as property taxes, sales taxes, and basic state aid.

**Table 3A—Changes in Net Position—Governmental Activities (Expressed in Thousands)**

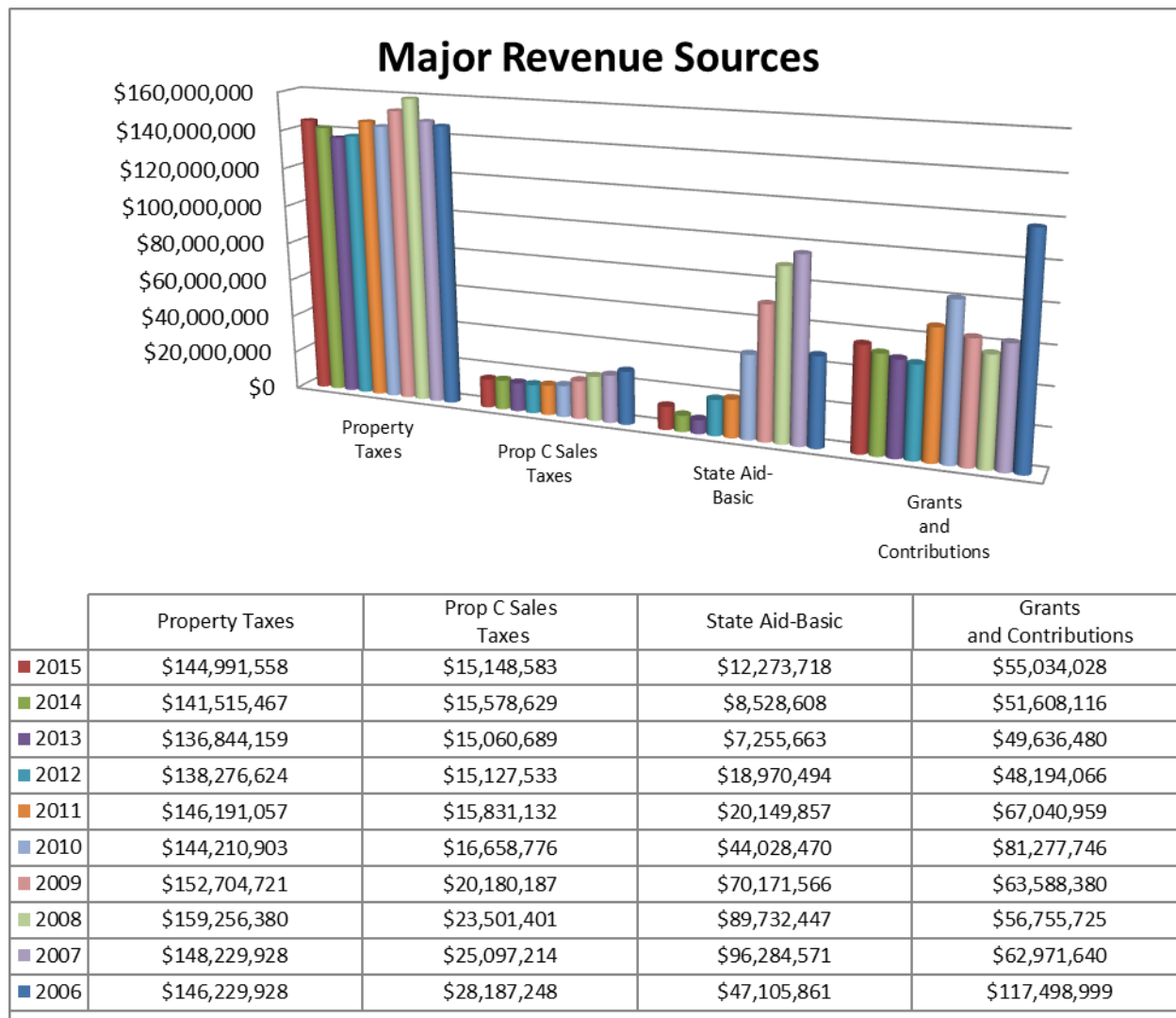
	Governmental activities		
	2015	2014 (not restated)	Increase (decrease)
Program revenues:			
Charges for services	\$ 3,830	2,366	1,464
Operating grants and contributions	52,380	49,715	2,665
Capital grants and contributions	2,654	1,893	761
General revenues:			
Property taxes	144,992	141,515	3,477
Prop C sales tax	15,149	15,579	(430)
Other local revenues	5,559	5,039	520
County governmental contributions	5,284	5,054	230
State aid—basic formula	12,274	8,529	3,745
Grants and entitlements	705	409	296
Sale of capital assets	545	659	(114)
Investment earnings	1,499	2,604	(1,105)
Total revenues	244,871	233,362	11,509
Program expenses:			
Administration	16,326	16,710	(384)
Instruction	118,825	105,802	13,023
Support services	58,340	51,572	6,768
Operation of facilities	34,467	33,744	723
Pupil transportation	12,124	11,443	681
Facilities Improvement and Renovation	2,604	14,637	(12,033)
Community and adult services	10,347	8,951	1,396
Interest on long-term debt	2,597	2,809	(212)
Total expenses	255,630	245,668	9,962
Excess (deficiency) before transfers	(10,759)	(12,306)	1,547
Transfers	121	43	78
Increase (decrease) in net position	(10,638)	(12,263)	1,625
Net position beginning of year, as restated	341,643	444,937	(103,294)
Net position end of year	\$ 331,005	432,674	(101,669)

## KANSAS CITY PUBLIC SCHOOLS

### Management's Discussion and Analysis

June 30, 2015

A graph of major District revenues is shown below.



The most significant changes in revenues were:

State Aid distributed under the basic formula increased by 43.91% or approximately \$3.7 million. This increase is attributable to the approval of the summer school program with various community partners. The FY15 distribution was based on weighted average daily attendance (WADA) of 16,742 compared to WADA of 17,434 for FY14.

Revenues from federal programs (e.g., Title I, II and III) and School Improvement Grants (SIG) decreased by \$4 million or 17.95%; due primarily to timing of reimbursement.

## **KANSAS CITY PUBLIC SCHOOLS**

### **Management's Discussion and Analysis**

June 30, 2015

Reimbursements for meals served under the Child Nutritional Services program increased by \$1.64 million due primarily to an increase in reimbursement rate, and the expansion of a supper and summer feeding program for students.

Property tax revenue increased approximately \$3.5 million due to increases in the collection of real estate and personal property taxes, back taxes and M&M replacement tax of \$4.1 million, \$1.7 million and \$.202 million, respectively. These increases were offset by decreases in railroad and utility taxes, payments in lieu of tax, and M & M replacement back tax of \$.049 million, \$.085 million, and \$.77 million, respectively. In addition, the collection of back taxes during the months of July and August decreased by \$1.3 million in comparison to the same period in the prior year.

The most significant changes in expenses occurred in the following areas:

Instruction – The increase is due primarily to the District's continued implementation of a district-wide "One to One" initiative to put in each students hands laptop devices with educational software/curriculum.

Support services – A \$15.2 million increase due to the adoption of GASB Statement No. 68 of \$4 million and educational software purchases in support of the One to One initiative. An increase in the Child Nutrition Services program from expanding the supper and summer feeding program funded by the Department of Health and Senior Services. These programs send a child home with a prepared meal for their dinner during the school year, and provide breakfast and lunch over the summer.

Pupil transportation – Transportation costs increased as these costs are dependent on operational efficiencies, negotiating lower rates, managing service providers and adjusting school bell times.

Community and adult services – The increase is primarily due to the expansion of the Pre-K program with a Missouri Preschool Project grant. The grant added 11 classrooms, to serve 220 three & four year old children.

Principal on long term debt – Principal costs declined as the prior year payments included the final payment of the 2003 Series B bonds; debt retirements in the prior year were \$5.75 million compared to current year retirements of \$2.01 million.

# KANSAS CITY PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2015

Operation of facilities & facilities improvements and renovation – The increase is due to a continued focus on deferred infrastructure improvements and repair and maintenance projects primarily in school buildings and increased utility costs.

Description	FY15	Project Cost
Energy performance contracting	\$ 115,238	\$ 27,786,986
Building renovations, performed by internal construction crew	2,748,449	2,915,490
Central Middle	3,411,123	10,736,212
Northeast Middle	4,085,042	11,786,163
Roofing	1,325,752	1,874,648
Security systems	849,712	4,374,996
Asphalt and concrete	1,238,242	1,573,431
Heating, ventilation, air conditioning (HVAC)	489,396	1,776,883
Building exteriors	2,121,069	13,518,639
Other/misc	2,529,319	4,158,730
	<u>\$ 18,913,342</u>	

Sufficient reimbursements were collected and/or accrued to cover costs incurred in the Community Service Fund, as shown in Table 3B—Changes in Net Position—Business-type Activities.

**Table 3B—Changes in Net Position—Business-type Activities (Expressed in Thousands)**

	2015	2014	Increase (Decrease)
Community services:			
Charges for services	\$ 301	227	74
Expenses	(393)	(57)	(336)
Revenue over expenditures before transfers	(92)	170	(262)
Investment Interest	-	-	-
Transfers	(121)	(43)	(78)
Increase (decrease) in net position	<u>\$ (213)</u>	<u>127</u>	<u>(340)</u>

The increase in revenue was due primarily to an increase in fees received from the community's use of facilities as well as a new lease agreement executed January 1, 2015 for the State of Missouri to operate various social and support services at a Pre-K center.

## KANSAS CITY PUBLIC SCHOOLS

### Management's Discussion and Analysis

June 30, 2015

Table 4—Cost of Services—Governmental Activities shows the cost of services for governmental activities. The total cost of services column contains all costs related to functions/programs. The net cost of services column shows how much of the total cost is not covered by program revenues. Net costs (or 76.97% of the total cost) are costs that must be covered by unrestricted state funding and local taxes. When compared to the prior year, net cost of services as a percentage of total cost experienced a nominal increase from the prior year percentage of 77.63%. The increase in total expenditures of \$9.96 million was greater than the combined increases of the \$1.46 million in charges for services and \$3.43 million in grants and contributions.

Table 4—Cost of Services—Governmental Activities (Expressed in Thousands)

	<b>Total cost of services</b>	<b>Net cost of services</b>
Administration	\$ 16,326	16,300
Instruction	118,825	81,671
Support services	58,340	42,611
Operation of facilities	34,467	34,467
Pupil transportation	12,124	9,453
Facilities improvements and renovations	2,604	2,604
Community and adult services	10,347	9,106
Interest on long-term debt	2,597	554
Total	<u>\$ 255,630</u>	<u>196,766</u>

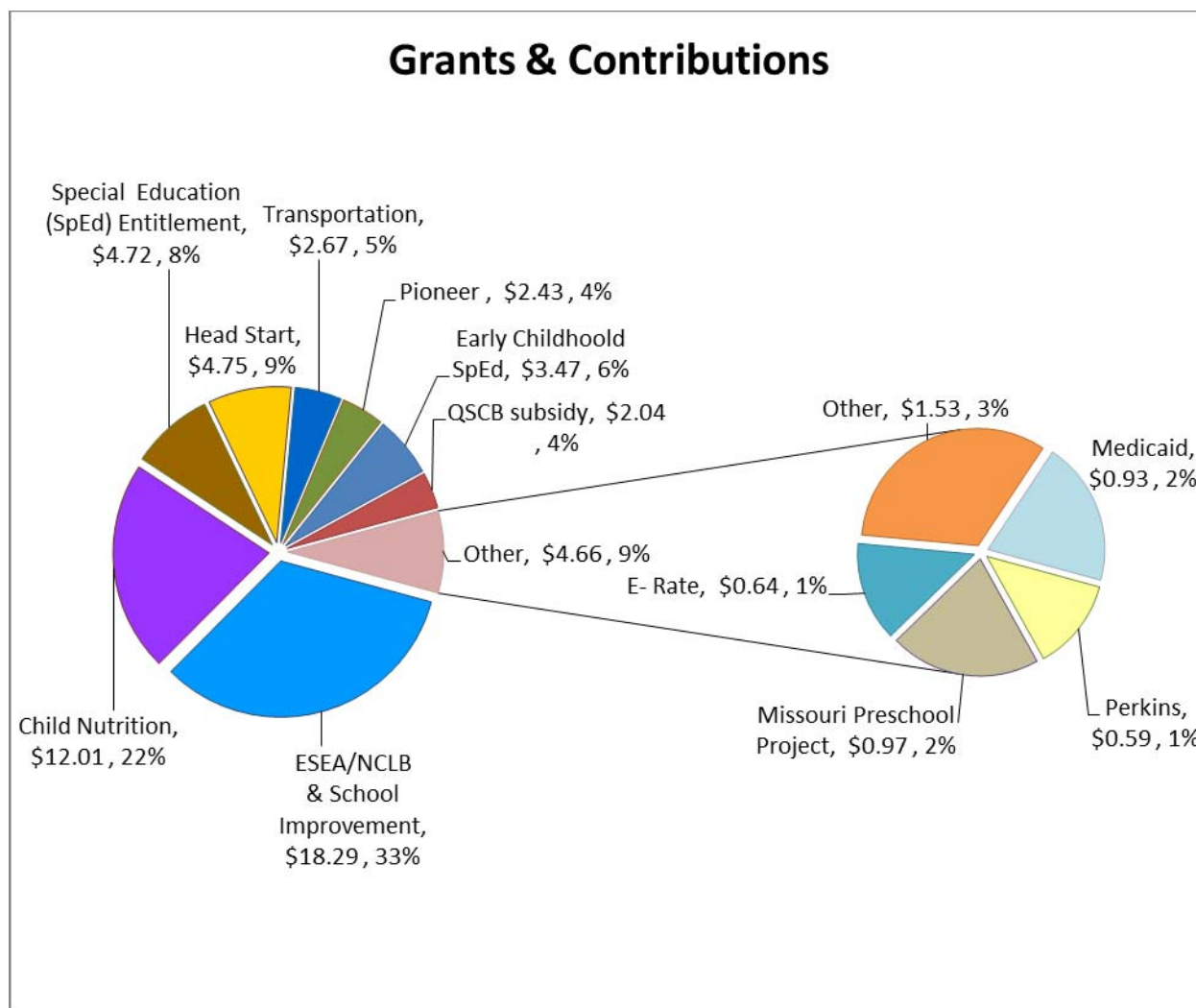


## KANSAS CITY PUBLIC SCHOOLS

### Management's Discussion and Analysis

June 30, 2015

The District received program revenues specifically to offset the cost of certain functions/programs. The major source of this type of revenue, totaled \$55.0 million, is from grants and contributions (operating and capital). Operating and capital grants, and contributions are funds the District receives that are restricted to a particular purpose as show in the graph below.



### Financial Analysis of the District's Funds

**Governmental funds**—The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the unassigned fund balance serves as a useful measure of net resources available for spending at the end of the fiscal year.

## KANSAS CITY PUBLIC SCHOOLS

### Management's Discussion and Analysis

June 30, 2015

The General Fund, and a portion of the Capital Projects Fund make up the District's operating budget. The fund balance in the Capital Projects—Operating Fund is used to cover debt service costs, reducing the required amount to be transferred from the General Fund. At June 30, 2015, the unassigned fund balance of the operating budget funds is shown below:

<u>Operating budget funds</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total fund balance</u>
General-operating	\$ 81,695	280,000	430,056	54,906,911	55,698,662
Capital projects—operating	—	—	15,992,972	—	15,992,972
	<u>\$ 81,695</u>	<u>280,000</u>	<u>16,423,028</u>	<u>54,906,911</u>	<u>71,691,634</u>

As a measure of the operating budget liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total expenditures. The total fund balance represents 32.39% of total operating expenditures and transfers. The total operating fund balance decreased by 7.50% when compared to fiscal year 2014, due to a \$15.99 million transfer of fund balance to the CIP general fund and CIP capital projects fund used for capital improvement projects and district wide building repairs.

At the end of FY13, the district expended the balance of the Qualified School Construction Bonds issued in 2009 & 2010. With the district's commitment to continue necessary building renovation and deferred maintenance projects, Administration with the Board of Director's support, decided to use fund balance. The Board of Directors and Administration are exploring opportunities to seek additional funding to continue needed repairs and improvements.

### Budgetary Highlights

Table 5A- Budget Comparison shows a summary of the major changes in the current year original and final budgets. The difference in revenues between the original and the final budgets is an increase of approximately 16.1%. Based on the final assessed valuation received in September 2014 and collection trends, property taxes revenues were increased by \$5.4 million. The projection for local grants increased by \$2.8 million. Proposition C (sales taxes) and basic formula state aid increased by \$9.1 million due to the approval of 2014 summer school program with various community partners. Additional federal grant awards of \$14.4 million were received after the original budget was approved.

Budgeted expenditures increased by \$32.3 million or 16%. The increase was primarily due to funding school building repairs, student transportation cost, installation of school security systems, and summer school programs. In addition, local, state and federal grant awards for Missouri Pre-School Project, Special Education Entitlement, Pioneer, School Improvement, Partnership grants, Title I & III and Head Start received after the original budget was approved.

When comparing the original budget to the final budget, there was a favorable variance of \$32.5 million for revenues and transfers in, and an unfavorable budgeted variance for expenditure and transfers out of \$32.3 million, without a use of fund balance.

When compared to the prior year (see Table 5B), budgeted revenues and transfers in increased by 5.19% and expenditures and transfers out decreased by 5.17%.

# KANSAS CITY PUBLIC SCHOOLS

## Management's Discussion and Analysis

June 30, 2015

**Table 5A—Budget Comparison, Original to Final Budget, Fiscal Year 2015**

	<u>Revenues and Transfers In</u>	<u>Expenditures and Transfers Out</u>
Original budget	\$ 201,726,801	201,635,268
Final budget	234,206,493	233,906,330
Increase	<u>\$ 32,479,692</u>	<u>32,271,062</u>

**Table 5B—Budget Comparison, Current Year to Prior Year**

	<u>Revenues and transfers in</u>	<u>Expenditures and transfers out</u>
Fiscal year 2015 final budget	\$ 234,206,493	233,906,330
Fiscal year 2014 final budget	222,660,365	222,413,297
Increase (decrease)	<u>\$ 11,546,128</u>	<u>11,493,033</u>
Percentage of change	5.19%	5.17%

### Major Funds—Financial Highlights

When compared to fiscal year 2014, General Fund revenues increased by \$1.18 million or .56%, and expenditures increased by \$15.58 million or 7.67%. The General Fund's ending fund balance is used to balance the operating budget. The level of fund balance in the General Fund is decreased in relation to annual revenues, as shown in the graph below. This ratio is analyzed to determine if there is adequate budgetary carryover to meet unfunded emergencies and other unplanned needs.

The Capital Projects Fund's revenues increased by 8.27%. Other financing sources increased by \$3.07 million due to the combination of a \$.84 million or 8.36% decrease in transfers in, a decrease in realized proceeds and gain on sale of capital assets of \$.16 million, and a decrease in transfers out of \$4.07 million or 46.88%. Expenditures decreased by \$24.85 million or 61.61%; with the completion of two middle school total building renovations early in fiscal year 2015.

## KANSAS CITY PUBLIC SCHOOLS

### Management's Discussion and Analysis

June 30, 2015

Major projects for repairs, paid from the general fund, and facilities improvements and renovations, funded from the capital projects funds included:

Renovated and/or repaired existing space for classrooms, offices and restrooms including ceilings & walls, doors/hardware, lighting, painting, fixtures, flooring totalling \$2,748,449 at twenty-four schools.

Opened two moth-balled middle schools as part of a restructuring of grade levels contained in high school and elementary buildings. Entire buildings were renovated, with total replacement of classroom furniture and equipment. Project costs totaled \$7,496,165.

Projects included Asphalt & Concrete, Building Exteriors, Roof Replacement/Repair and HVAC Equipment Replacement & Temperature Controls totalling \$5,174,459.

Installation of a district-wide comprehensive integrated security system. It includes video security cameras, electronic card door access, intrusion alarms and a visitor management. Project cost during FY15 totalled \$849,712.

Classroom Furniture, Playground & Small Equipment totalling \$1,006,169.

On April 22, 2015, the board approved the designation and transfer of \$7 million of the operating capital projects fund balance to establish funds for the following capital improvement projects through December 2015:

<b>Project</b>	<b>Estimated Cost</b>
<b>Athletics</b>	
Athletics field	\$ 100,000
Gym floors	150,000
<b>Educational Environment</b>	
Summer renovation	400,000
Flooring	250,000
Restrooms	100,000
Miscellaneous	1,515,000
<b>Safety &amp; Security</b>	
Card access, intrusion, video surveillance	3,030,000
Secured entry modification	580,000
School public address/intercom	100,000
<b>Building Infrastructure</b>	
Building exterior	525,000
HVAC	250,000
	<u>\$ 7,000,000</u>

## KANSAS CITY PUBLIC SCHOOLS

### Management's Discussion and Analysis

June 30, 2015

#### Capital Assets and Debt Administration

**Capital assets**—The District's capital assets for its governmental activities as of June 30, 2015 amounts to \$345.2 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, building improvements, improvements other than buildings, impaired buildings, equipment, fixtures and vehicles. Capital assets decreased by \$235,720 during the fiscal year. Table 6 below shows capital asset by function for governmental activities. Also see note 3(c) for additional information.

**Table 6—Capital Assets, Net of Depreciation**

	2015	2014
Land	\$ 30,407,846	30,646,301
Buildings	282,358,276	281,077,850
Improvements other than buildings	14,409,556	14,467,626
Equipment and furniture	2,710,663	2,840,172
Vehicles	117,600	160,010
Buildings-Impaired	14,857,044	14,857,044
Construction in progress	333,519	1,381,221
	<u>\$ 345,194,504</u>	<u>345,430,224</u>

**Long-term debt**— During fiscal year 2010, authorized as part of the American Recovery and Reinvestment Act of 2009, the District was awarded \$17.9 million in Qualified School Construction bonds (QSCB) as one of one hundred school districts across the country. As the results of this award, in December, 2009, the Building Corporation issued, on behalf of the District, \$17.88 million in leasehold revenue bonds. A portion of the interest on the QSCB is paid by the federal government in the form of a quarterly tax credit to the owners of the QSCBs. The federal tax credit rate applicable to the QSCBs is 6.05 %. In addition, owners of the QSCBs are also being paid interest on the principal outstanding at an interest rate of 2.23%. During fiscal year 2011, the District was again awarded Qualified School Construction Bonds (QSCBs). In December, 2010, the Building Corporation issued, on behalf of the District, \$16.27 million in leasehold revenue bonds at an interest rate of 7.120%. The federal government interest subsidy of 5.37%, results in a net interest rate paid by the District of 1.75%. However, as of March 1, 2013, Pursuant to the requirement of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions occurred including a reduction to refundable credits under section 6431 of the Internal Revenue Code applicable to certain qualified bonds. The effect of the sequestration during fiscal year 2015 resulted in a 7.3% reduction. Therefore, the amount of interest subsidy for the quarterly payments was reduced to a net interest rate subsidy of 4.98% and the District's net interest rate of 2.14%. The District is required to make lease payments to the Building Corporation in an amount sufficient to cover principal and interest payments each year. Approximately 1.83% of total District expenditures relate to payments of principal, interest, and bond-related costs. See notes 3(f) and 3(g) for additional information.

## **KANSAS CITY PUBLIC SCHOOLS**

### **Management's Discussion and Analysis**

June 30, 2015

#### **Economic Factors That Impact Fiscal Year 2016 Budgets**

- The fiscal year 2016 comprehensive operating budget was approved by the Board on May 27, 2015. Fiscal year 2016 projected current revenues of approximately \$220.9 million is a decrease of about \$25.7 million or (10.04%) when compared to fiscal year 2015.
  - Local tax revenues are estimated to decrease by \$3.5 million based on preliminary data. Subsequent information received to date indicates there will be an increase in local property tax revenue due to a re-assessment of real property.
  - Proposition C sales taxes increased by \$1.3 million based on the estimated increases in enrollment and per pupil funding rate.
  - Other local revenues including tuition, cafeteria sales and grants are projected to decrease by \$1.9 million.
  - State aid is expected to decline by approximately \$1.6 million as a result of estimated increase in charter schools enrollment.
  - Federal grants projection is a decrease of \$19.9 million pending the actual amount awarded from the government.
  - It is anticipated additional local, state and federal grants will be awarded during the fiscal year.
- Fiscal year 2016 expenditures of approximately \$220.5 million represent a decrease of approximately \$25.7 million (or 10.4%) when compared to the prior year.

#### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for our citizens, taxpayers, investors, banks, and creditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Kansas City Public Schools, 1211 McGee, 6th Floor, Kansas City, Missouri 64106, Attn: Director of Finance and Benefit Services.

## **BASIC FINANCIAL STATEMENTS**

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# KANSAS CITY PUBLIC SCHOOLS

## Statement of Net Position

June 30, 2015

	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and investments	\$ 104,538,219	330,315	104,868,534
Restricted cash and investments	27,233,030	—	27,233,030
Taxes receivable (net of allowance for uncollectibles)	156,163,078	—	156,163,078
Interest receivable	250,159	—	250,159
Due from other governmental units	12,881,525	—	12,881,525
Prepaid expenses	81,695	—	81,695
Other receivables	576,912	14,932	591,844
Supplies inventories	110,930	—	110,930
Property held for sale	2,245,400	—	2,245,400
Other post-employment benefits	3,550,853	—	3,550,853
Capital assets (net of accumulated depreciation):			
Nondepreciable	45,598,409	—	45,598,409
Depreciable	299,596,095	—	299,596,095
Total assets	<u>652,826,305</u>	<u>345,247</u>	<u>653,171,552</u>
<b>Deferred outflows of resources:</b>			
Pension-related amounts	<u>19,580,672</u>	<u>—</u>	<u>19,580,672</u>
<b>Liabilities:</b>			
Accounts payable and other	13,509,271	52,365	13,561,636
Accrued salaries, benefits, and payroll taxes	27,388,060	2,390	27,390,450
Accrued interest payable	59,745	—	59,745
Unearned revenue	932,494	2,100	934,594
Long-term liabilities:			
Due within one year:			
Compensated absences	2,971,291	—	2,971,291
Revenue bonds	2,110,000	—	2,110,000
Due in more than one year:			
Compensated absences	12,410,756	—	12,410,756
Claims payable	1,153,021	—	1,153,021
Revenue bonds	30,035,000	—	30,035,000
Net pension liability	113,573,271	—	113,573,271
Total liabilities	<u>204,142,909</u>	<u>56,855</u>	<u>204,199,764</u>
<b>Deferred inflows of resources:</b>			
Pension-related amounts	1,090,866	—	1,090,866
Property taxes	136,168,423	—	136,168,423
Total deferred inflows of resources:	<u>137,259,289</u>	<u>—</u>	<u>137,259,289</u>
<b>Net position:</b>			
Net investment in capital assets	313,049,504	—	313,049,504
Restricted for:			
Workers' compensation	280,000	—	280,000
Permanent fund, nonexpendable corpus	35,000	—	35,000
Patron gifts	201,350	—	201,350
Compensated absences	12,261,639	—	12,261,639
Other restrictions	2,700,609	—	2,700,609
Unrestricted	2,476,677	288,392	2,765,069
Total net position	<u>\$ 331,004,779</u>	<u>288,392</u>	<u>331,293,171</u>

See accompanying notes to basic financial statements.

# KANSAS CITY PUBLIC SCHOOLS

Statement of Activities

Year ended June 30, 2015

Functions/programs	Expenses	Program revenues			Net revenue (expense) and changes in net position	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities
Governmental activities:						
Administration	\$ 16,325,943	74	26,300	—	(16,299,569)	(16,299,569)
Instruction	118,824,593	64,865	36,633,250	455,883	(81,670,595)	(81,670,595)
Support services	58,339,909	3,715,229	11,863,400	150,462	(42,610,818)	(42,610,818)
Operation of facilities	34,467,296	—	—	—	(34,467,296)	(34,467,296)
Pupil transportation	12,123,547	2,761	2,667,669	—	(9,453,117)	(9,453,117)
Facilities improvements and renovation	2,604,451	—	—	—	(2,604,451)	(2,604,451)
Community and adult services	10,347,372	47,026	1,189,389	4,973	(9,105,984)	(9,105,984)
Interest on long-term debt	2,596,630	—	—	2,042,702	(553,928)	(553,928)
Total governmental activities	255,629,741	3,829,955	52,380,008	2,654,020	(196,765,758)	(196,765,758)
Business-type activities:						
Community services	393,378	301,324	—	—	—	(92,054)
Total	\$ 256,023,119	4,131,279	52,380,008	2,654,020	(196,765,758)	(196,857,812)
General revenues:						
Property taxes					144,991,558	144,991,558
Prop C sales tax					15,148,583	15,148,583
Other local revenues					5,559,310	5,559,310
Intermediate/county					5,284,462	5,284,462
State aid—basic formula					12,273,718	12,273,718
Grants and entitlements not restricted to specific programs					—	—
Transfers					704,845	704,845
Sale of capital assets					120,503	(120,503)
Investment earnings					545,079	—
					1,499,349	1,499,349
Total general revenues and transfers					186,127,407	186,006,904
Change in net position					(10,638,351)	(10,850,908)
Net position—beginning, as restated					341,643,130	342,144,079
Net position—ending					\$ 331,004,779	331,293,171

See accompanying notes to basic financial statements.

# KANSAS CITY PUBLIC SCHOOLS

## Balance Sheet Governmental Funds June 30, 2015

Assets	General	Capital Projects	Nonmajor governmental funds	Total governmental funds
Cash and investments	\$ 74,252,110	27,394,925	2,891,184	104,538,219
Restricted cash and investments	280,000	—	26,953,030	27,233,030
Taxes receivable, net of allowance for uncollectibles	155,552,500	610,578	—	156,163,078
Interest receivable	214,740	—	35,419	250,159
Other receivables	117,505	371,969	87,438	576,912
Prepaid expenses	81,695	—	—	81,695
Due from other governments	11,999,999	381,190	500,336	12,881,525
Property held for sale	—	2,245,400	—	2,245,400
Total assets	\$ 242,498,549	31,004,062	30,467,407	303,970,018
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 12,429,805	962,074	270,404	13,662,283
Accrued salaries, benefits, and payroll taxes	13,088,344	—	14,299,716	27,388,060
Unearned revenue	932,494	—	—	932,494
Total liabilities	26,450,643	962,074	14,570,120	41,982,837
Deferred inflows of resources:				
Unavailable revenue-property taxes	149,505,188	610,578	—	150,115,766
Unavailable revenue-grants and services	8,754,910	222,483	42,012	9,019,405
Total deferred inflows of resources	158,260,098	833,061	42,012	159,135,171
Fund balances:				
Nonspendable	81,695	—	35,000	116,695
Restricted	280,000	2,245,400	15,820,023	18,345,423
Committed	—	4,810,386	252	4,810,638
Assigned	751,443	22,153,141	—	22,904,584
Unassigned	56,674,670	—	—	56,674,670
Total fund balances	57,787,808	29,208,927	15,855,275	102,852,010
Total liabilities, deferred inflows of resources and fund balances	\$ 242,498,549	31,004,062	30,467,407	303,970,018

See accompanying notes to basic financial statements.

## KANSAS CITY PUBLIC SCHOOLS

### Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position

#### Governmental Funds

June 30, 2015

Fund balances—balance sheet	\$ 102,852,010
Amounts reported for governmental activities 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	345,194,504
Other assets which are not a current financial resource of the governmental funds	110,930
Liabilities, including bonds payable and accrued interest payable on bonds, are not due and payable in the current period and, therefore, are not reported in the fund:	
Bonds payable	(32,145,000)
Net pension liability	(113,573,271)
Accrued interest payable	(59,745)
Other post-employment benefits	3,550,853
Compensated absences	(15,229,035)
Claims payable	(1,153,021)
	<u>(158,609,219)</u>
Receivables not collected within 60 days of year-end are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds:	
Deferred inflows of resources—property taxes	13,947,343
Deferred inflows of resources—grants	9,019,405
Pension related deferred outflows and inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:	
Deferred inflows of resources—pension related amounts	(1,090,866)
Deferred outflows of resources—pension related amounts	19,580,672
Net position of governmental activities	<u>\$ 331,004,779</u>

See accompanying notes to basic financial statements.

**KANSAS CITY PUBLIC SCHOOLS**  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances—Governmental Funds  
Year ended June 30, 2015

	<b>General</b>	<b>Capital Projects</b>	<b>Nonmajor governmental funds</b>	<b>Total governmental funds</b>
Revenues:				
Property taxes	\$ 136,177,305	7,897,245	—	144,074,550
Prop C sales tax	11,826,010	—	3,322,572	15,148,582
Other local, including investment income	7,429,985	1,030,554	1,058,255	9,518,794
Intermediate/county	5,284,463	—	—	5,284,463
State aid—basic formula	12,273,718	—	—	12,273,718
Other state	8,305,820	86,259	80,513	8,472,592
Federal	29,611,266	2,345,278	11,810,704	43,767,248
Tuition	361,816	—	—	361,816
Total revenues	<u>211,270,383</u>	<u>11,359,336</u>	<u>16,272,044</u>	<u>238,901,763</u>
Expenditures:				
Current:				
Administration	17,222,596	—	—	17,222,596
Instruction	106,114,330	—	646,067	106,760,397
Support services	38,936,544	—	12,432,145	51,368,689
Operation of facilities	34,354,846	—	—	34,354,846
Pupil transportation	12,116,868	—	6,679	12,123,547
Community and adult services	9,964,376	—	—	9,964,376
Debt service:				
Principal	—	—	2,009,000	2,009,000
Interest and fiscal charges	—	—	2,600,368	2,600,368
Capital outlay:				
Administration	—	4,145	—	4,145
Instruction	—	1,331,262	—	1,331,262
Support services	—	348,756	—	348,756
Operation of facilities	—	131,932	—	131,932
Community and adult services	—	373,739	—	373,739
Facilities improvement and renovation	—	13,291,858	—	13,291,858
Total expenditures	<u>218,709,560</u>	<u>15,481,692</u>	<u>17,694,259</u>	<u>251,885,511</u>
Revenues (under) expenditures	<u>(7,439,177)</u>	<u>(4,122,356)</u>	<u>(1,422,215)</u>	<u>(12,983,748)</u>
Other financing sources (uses):				
Transfers in	120,503	9,218,284	4,609,368	13,948,155
Transfers out	(8,105,351)	(4,609,368)	(1,112,933)	(13,827,652)
Sale of capital assets	—	545,079	—	545,079
Total other financing sources (uses)	<u>(7,984,848)</u>	<u>5,153,995</u>	<u>3,496,435</u>	<u>665,582</u>
Net change in fund balances	<u>(15,424,025)</u>	<u>1,031,639</u>	<u>2,074,220</u>	<u>(12,318,166)</u>
Fund balances, beginning of year	<u>73,211,833</u>	<u>28,177,288</u>	<u>13,781,055</u>	<u>115,170,176</u>
Fund balances, end of year	<u>\$ 57,787,808</u>	<u>29,208,927</u>	<u>15,855,275</u>	<u>102,852,010</u>

See accompanying notes to basic financial statements.

# KANSAS CITY PUBLIC SCHOOLS

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2015

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

Net change in fund balances—total governmental funds	\$ (12,318,166)
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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 and reported as depreciation expense. This is the amount by which capital outlays, which exceeded the capitalization threshold, exceeded depreciation expense in the current period.

Capital outlay additions	13,357,708
Depreciation expense	<u>(11,825,505)</u>
	1,532,203

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.

Proceeds from sale of capital assets	(545,079)
Loss on disposal of capital assets	(1,222,844)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,810,203
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In addition, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal payment on revenue bonds	2,009,000
Accrued interest payable	<u>3,737</u>
	2,012,737

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:

Other post-employment benefits	(660,657)
Pension-related amount, pension expense	(4,052,006)
Compensated absences	(1,107,629)
Claims payable	<u>912,887</u>
	<u>(4,907,405)</u>

Change in net position of governmental activities	<u><u>\$ (10,638,351)</u></u>
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See accompanying notes to basic financial statements.

**KANSAS CITY PUBLIC SCHOOLS**  
Statement of Net Position—Proprietary Fund  
June 30, 2015

	<b>Nonmajor Enterprise Fund</b>
Assets:	
Cash and investments	\$ 330,315
Due from other government	14,932
Total assets	<u>345,247</u>
Liabilities:	
Accrued salaries, benefits, and payroll taxes	2,390
Accounts payable	52,365
Unearned revenue	2,100
Total liabilities	<u>56,855</u>
Net position, unrestricted	\$ <u><u>288,392</u></u>

See accompanying notes to basic financial statements.

# KANSAS CITY PUBLIC SCHOOLS

## Statement of Revenues, Expenses, and Changes in Fund Net Position— Proprietary Fund

Year ended June 30, 2015

	<b>Nonmajor Enterprise Fund</b>
Operating revenues:	
Charges for community support services	\$ 301,324
Total operating revenues	<u>301,324</u>
Operating expenses:	
Salaries, wages, and employee benefits	28,878
Other contractual services	54,063
Supplies and materials	<u>1,948</u>
Total operating expenses	<u>84,889</u>
Income before transfers	216,435
Transfers out	<u>(428,992)</u>
Change in net position	(212,557)
Total net position, beginning of year	<u>500,949</u>
Total net position, end of year	<u><u>\$ 288,392</u></u>

See accompanying notes to basic financial statements.



**KANSAS CITY PUBLIC SCHOOLS**  
Statement of Cash Flows—Proprietary Fund  
Year ended June 30, 2015

	<b>Nonmajor Enterprise Fund</b>
Cash flows from operating activities:	
Receipts from customers and users	\$ 300,485
Payments to suppliers	(4,387)
Payments to employees	(29,382)
Net cash provided by operating activities	<u>266,716</u>
Cash flows from noncapital and related financing activities,	
Transfers to other funds	(428,992)
Net decrease in cash and cash equivalents	<u>(162,276)</u>
Cash and cash equivalents, beginning of year	492,591
Cash and cash equivalents, end of year	<u><u>\$ 330,315</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 216,435
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in due from other government	(2,939)
Increase in unearned revenue	2,100
Increase in accounts payable	51,624
Decrease in accrued salaries, benefits and payroll taxes	(504)
Total adjustments	<u>50,281</u>
Net cash provided by operating activities	<u><u>\$ 266,716</u></u>

See accompanying notes to basic financial statements.

**KANSAS CITY PUBLIC SCHOOLS**

Statement of Fiduciary Net Position

June 30, 2015

	<b>Private Purpose Trust— Student Scholarship Fund</b>
Assets:	
Investments	\$ 81,905
Due from community	2,996
Interest receivable	200
Total assets	<u>85,101</u>
Liabilities:	
Accounts payable	<u>72</u>
Total liabilities	<u>72</u>
Net position:	
Net position held in trust for other purposes	<u><u>\$ 85,029</u></u>

See accompanying notes to basic financial statements.

**KANSAS CITY PUBLIC SCHOOLS**  
Statement of Changes in Fiduciary Net Position  
Year Ended June 30, 2015

	<b>Private Purpose Trust— Student Scholarship Fund</b>
Additions:	
Contributions:	
Private donations	\$ 19,797
Transfer in	308,489
Total contributions	<u>328,286</u>
Investment income:	
Adjustment of investments to fair market value	<u>578</u>
Total investment income	<u>578</u>
Total additions	<u>328,864</u>
Deductions:	
Scholarship awards	<u>328,667</u>
Total deductions	<u>328,667</u>
Net increase in net position	197
Net position, beginning of year	<u>84,832</u>
Net position, end of year	<u>\$ 85,029</u>

See accompanying notes to basic financial statements.

# KANSAS CITY PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2015

### (1) Summary of Significant Accounting Policies

#### (a) *Reporting Entity*

The School District of Kansas City, Missouri, otherwise known as Kansas City Public Schools (the District) is a political subdivision of the State of Missouri and is governed by an elected nine-member board of directors (the Board). Accounting principles generally accepted in the United States of America require that the financial reporting entity include: (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These basic financial statements include the District and its component units. The blended component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

*Blended Component Units*—The School District of Kansas City, Missouri Building Corporation (the Building Corporation) is governed by a nine-member board of directors that is appointed by the District's Board. Although it is legally separate from the District, the Building Corporation is included as if it were a part of the primary government because its purpose is to provide financing for District capital projects and service the related debt through lease agreements with the District. The accounts of the Building Corporation as of and for the year ended June 30, 2015 are included in the basic financial statements as the Debt Service Fund. The Building Corporation does not issue separate financial statements.

*Charter Schools*—Charter schools are established within the boundaries of the District by state statutes as local educational agencies. Twenty charter schools were operating during fiscal year 2015. Under current Missouri statutes, charter schools are allowed to be a Local Education Agency (LEA). All charter schools are currently operating as LEA's. Accordingly, the accounts of these charter schools are not included in these financial statements.

#### (b) *Government-wide and Fund Financial Statements*

The District's basic financial statements consist of government-wide financial statements and governmental, proprietary, and fiduciary fund financial statements. The government-wide financial statements report information on all the non-fiduciary activities of the District and its component units. The government-wide statements include a statement of net position and statement of activities. Governmental activities are supported by taxes, state aid, and intergovernmental revenues and are reported separate from business-type activities. The District has classified activity accounted for in the Community Service Fund as a business-type activity.

The statement of net position reports the financial condition by disclosing the assets and deferred outflows of the District, and the liabilities and deferred inflows of the District.

## KANSAS CITY PUBLIC SCHOOLS

### Notes to Basic Financial Statements

June 30, 2015

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by recipients of the services offered by the program, grants, and contributions that are restricted to meeting the operational and capital requirements of certain programs. Property taxes, state aid, and other revenues not included among program revenues are reported as general revenues. The comparison of direct expenses to program revenues identifies the extent to which each District function is self-supporting or relies on general revenues.

The District maintains separate funds for certain functions or activities for internal accounting and financial reporting and to demonstrate compliance with state statutes. These fund financial statements are designed to present financial information at a more detailed level by identifying each major fund in a separate column and non-major funds aggregated in a single column. The fiduciary fund is reported separately.

**(c) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. All current and noncurrent assets, liabilities and deferred inflows/outflows are disclosed on the statement of net position. On the statement of activities, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met.

Governmental fund financial statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. Generally, only current assets and current liabilities, and associated deferred inflows/outflows of resources, are included on the balance sheet when reporting financial condition. When reporting operating results, only sources and uses related to the current period are disclosed. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, both measurable and available. Available means collectible within the current period, or soon enough thereafter, to pay current liabilities. Unearned revenue arises when assets are recognized before revenue criteria have been satisfied. The primary source of local revenues is property tax. Property tax revenues are recognized in the fiscal year for which the taxes have been levied. Deferred inflows of resources for property taxes arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. For property taxes, available is defined as expected to be received within 60 days of fiscal year-end. Federal, state, and local grant revenues received as reimbursement for specific purposes is recognized when the related reimbursement is received within 60 days of fiscal year-end. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. Expenditures are generally recognized in the accounting period when the related fund liabilities are incurred. Principal and interest on long-term indebtedness, as well as expenditures related to compensated absences, pensions, and claims and judgments, are recorded in the governmental funds when payment is due and payable.

## KANSAS CITY PUBLIC SCHOOLS

### Notes to Basic Financial Statements

June 30, 2015

The District has the following major governmental funds.

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Capital Projects Fund* is used to account for financial resources that are restricted, committed or assigned to be used for the acquisition, construction, or renovation of capital facilities and the purchase of equipment, furniture, and fixtures.

The other governmental funds of the District are considered nonmajor. They are special revenue funds that account for the proceeds of specific revenue sources that are legally restricted for specific purposes and are described below:

The *Other Special Revenue Fund* is used to account for the resources that are restricted for payment of employee compensated absences and District contributions to the retirement plan.

The *Child Nutritional Services Fund* is used to account for the operation and administration of the school cafeterias.

The *Patron Gift Fund* accounts for financial activities related to the use of private gifts given to a specific school or program.

The *Student Activity Fund* accounts for fundraising activities for schools and programs.

The District has one debt service fund, which is a nonmajor fund. This fund accounts for resources that are restricted for payments made for principal and interest on long-term leasehold revenue bonded debt.

The District has one permanent fund, which is a nonmajor fund. This fund accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support a specific school or program.

The *Patron Endowments Fund* accounts for assets held by the District as a legal trustee in situations requiring that the principal be preserved intact and only the interest be spent as designated.

In addition, the District has the following nonmajor enterprise fund:

The *Community Service Fund* is an enterprise fund type and accounts for accumulation and allocation of costs associated with leased land and buildings, and event rental of facilities to the community. This fund is reported as an enterprise fund because it is financed by external parties. Operating expenses are from salaries and fringe benefits.

## KANSAS CITY PUBLIC SCHOOLS

### Notes to Basic Financial Statements

June 30, 2015

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, other government entities, and/or other funds. The District has the following fiduciary fund:

The *Student Scholarship Fund* accounts for private gifts received to benefit students through scholarship awards.

Exchange transactions between funds are reported as program revenues and/or expenditures in the appropriate fund and functional activity. The effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund activity between governmental funds and the enterprise fund has not been eliminated.

**(d) *Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance***

**1. Deposits and Investments**

The District maintains a cash and investment pool that is available for use by all funds except those identified as component units and the student activity fund. Each participating fund's portion of the pool is recorded on the balance sheet or statement of net position as cash and investments. Earnings from such cash and investments are allocated to the funds based on the monthly average fund balance during the year.

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 90 days or less from the date of acquisition. The investment policy allows surplus funds to be invested in securities with maturities not to exceed five years. The policy requires the District to adopt weighted average maturity limitations that do not exceed three years and is consistent with the investment objectives.

All investments are stated at fair value. The value of marketable securities is based on quoted market prices provided by a securities pricing company through the District's financial banking institution.

State statutes authorize the District to invest in open time deposits; certificates of deposit; bonds of the state, of the United States, or of any wholly owned corporation of the United States; and in other short-term obligations of the United States. In accordance with these statutes, the cash and investment pool is invested in certificates of deposit, United States Treasury securities, federal agency obligations, and repurchase agreements collateralized by United States Treasury securities and federal agency obligations. The investments are purchased from Securities and Exchange Commission (SEC) registered brokers, dealers, and banks.

# KANSAS CITY PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2015

The Building Corporation's investments are authorized by the applicable bond trust indentures. It is the opinion of the District and its legal counsel that such investments of the Building Corporation are not subject to state statutes regarding school districts. The Building Corporation adopted a policy substantially similar to the District's investment policy, except in specific cases where the Building Corporation's Board deems such policies inappropriate.

### **2. Restricted Cash and Investments**

In compliance with Missouri Workers' Compensation laws, an escrow account is held by a trustee to cover claims processed under the District's self-insured workers' compensation program. As part of the collective bargaining agreement with employee unions, the District holds funds in the Other Special Revenue major fund to pay vested unused vacation and accumulated paid time off.

### **3. Receivables and Payables**

Within the fund financial statements, activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" or "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". There were no internal balances as of June 30, 2015.

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not in spendable form. There were no advances between funds as of June 30, 2015.

All trade and property tax receivables are shown net of an allowance of approximately \$4.6 million for uncollectible amounts.

Property taxes are recognized as a receivable at the time they become an enforceable legal claim. Property taxes are levied by the county assessor based on the assessed valuation of taxable property as of January 1 of each calendar year (tax lien date). Taxes are billed the following November 1 and become due on or before December 31. Tax bills not collected by December 31 are considered delinquent and the unpaid amount is subject to interest and penalties. The county is responsible for the collection and distribution of property taxes. Assessed values are established by the county's Department of Assessment and reviewed by the County Board of Equalization and the state tax commissioner. The total assessed value at January 1, 2015 for real estate, personal property, merchants and manufacturers, and railroad and utility property was approximately \$2.85 billion.



# KANSAS CITY PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2015

### 4. Inventories

Inventories are stated at cost on the first-in, first-out (FIFO) basis. When individual inventory items are purchased, they are recorded as assets. When they are consumed, they are recorded as expenditures in governmental funds or as expenses in proprietary funds.

Inventories purchased are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at USDA's assigned values, which approximate fair value at the date of receipt. Expenses for food items are recorded when used. The federal government donates surplus commodities to supplement the national school lunch programs. Commodity contributions received by the District are recorded as inventory and revenue at the date of receipt and recognized as an expenditure when consumed (consumption method).

### 5. Capital Assets

Capital assets, which include land, buildings, building improvements, equipment, vehicles, and furniture and fixtures, are reported in the government-wide financial statements. Capital assets are defined as assets with an individual cost over a certain amount (see capitalization level by category) and an estimated useful life of two years or more. Capital assets are capitalized at cost or estimated historical cost. Donated fixed assets are valued at estimated fair market value as of the date received. Major outlays for capital acquisitions and improvements are capitalized as projects are constructed. All capital assets over the capitalization levels are depreciated. The capitalization levels, by category, are:

Land and buildings	\$	100,000
Building improvements		100,000
Equipment and vehicles		5,000

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Useful life/range</u>
Buildings	50 years
Building improvements	20 – 25 years
Improvements other than buildings	25 years
Equipment, furniture, and fixtures	5 – 10 years
Vehicles	4 years

## KANSAS CITY PUBLIC SCHOOLS

### Notes to Basic Financial Statements

June 30, 2015

The Board of Education has declared three closed buildings will no longer be used by the District, but will be held for sale as surplus property. Once the decision is made by the Board to sell the building, it may be sold in compliance with bond covenants and state statutes. The District has recorded property held for sale in the governmental funds at the lower of the carrying value of the property or the estimated fair value. The District also has sixteen closed buildings which are no longer being used by the District, and therefore are not being depreciated. The District has recorded these buildings in the government-wide financial statements at the lower of the carrying value of the property or the estimated fair value.

#### 6. Compensated Absences

District employees earn annual vacation leave at the following rates:

<u>Vacation days</u>	<u>Years of service</u>
10	1 year
12	2 years
14	3 years
16	4 years
18	5 years
20	over 5 years

Vested unused vacation, up to a maximum of 50 days, is payable upon the date of termination or retirement.

District employees accumulate paid time off (PTO) at the rate of one-half day per reporting period. Vested, unused PTO may be accumulated up to a maximum of 200 days. The value of unused PTO is payable upon termination or retirement at a rate of 3% for each year of employment up to a maximum of 75% of total value of sick leave.

Estimated vacation and PTO payments due to employees at June 30, 2015 of \$15.4 million have been recorded in the government-wide financial statements. Of this balance, \$.2 million is recorded as accrued liabilities in the Other Special Revenue Fund as they are considered due, for example, as a result of employee resignations and retirements. Within the governmental funds financial statements, there is a fund balance restriction at June 30, 2015 of \$12.3 million to cover these future payments. Payments of benefits to employees are made from the Other Special Revenue Fund.

#### 7. Interfund Transactions

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as transfers and are reported as other financing sources (uses) in the governmental fund financial statements.

## KANSAS CITY PUBLIC SCHOOLS

### Notes to Basic Financial Statements

June 30, 2015

#### 8. Deferred Inflows/Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows 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 of resources (expense/expenditure) until then. The District only has one item that qualified for reporting in this category. It is the deferred pension related amounts reported in the government-wide statement of net position. The pension-related deferred outflow consists of the unamortized portion of the net difference between projected and actual earnings on pension plan investments. It also consists of contributions made to the pension plan subsequent to the measurement date.

In addition to liabilities, the statement of financial position 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 governmental funds report unavailable revenues from two sources: property taxes and unreimbursed grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The statement of net position reports unavailable revenue for property taxes levied for future years. The statement of net pension also reports pension related deferred inflow, which consists of the unamortized portion of the change in the District's proportionate share of the net pension liability.

#### 9. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations of the District are reported as liabilities in the governmental activities statement of net position. Premiums on bonds, and deferred charge on refunding are amortized over the term of the related debt using a method which approximates the effective interest method. Bond issuance costs are recorded as an expense when incurred.

In the governmental fund financial statements, bond premiums, and issuance costs are recognized in the current period when incurred. The amount of the debt issued is recorded as other financing sources. Premiums received on debt issuances are recorded as other financing sources, while discounts are recorded as other financing uses. Bond issuance costs are recorded as debt service expenditures when incurred.

#### 10. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas City Public School Retirement System (KCPSRS) and additions to/deductions from KCPSRS' fiduciary net position have been determined on the same basis as they are reported by KCPSRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## KANSAS CITY PUBLIC SCHOOLS

### Notes to Basic Financial Statements

June 30, 2015

#### 11. Fund Balance and Net Position

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable: Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end.

Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned: Amounts constrained by the District's intent to use them for a specific purpose. The authority to assign fund balance has been delegated by the Board of Education to the Superintendent, and the Chief Finance Officer.

Unassigned: All amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance.

The District's minimum fund balance policy is to maintain at least \$25 million of unassigned fund balance in the General Fund.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is to pay the expenditure from the restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

In the government-wide financial statements and proprietary fund financial statements, net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance 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 its use, such as bond covenants, grantors, or laws and regulations. Restricted net position consists of assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation as reduced by recorded liabilities which are payable for those assets (except for bonds used to acquire capital assets which are presented as a reduction of net investment in capital assets).

# KANSAS CITY PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2015

Net position restricted through legislation, outside parties or by law through constitutional provisions consist of \$280,000 for worker's compensation, \$35,000 for nonexpendable corpus of permanent fund, \$201,350 for patron gifts, \$12,261,639 for compensated absences, and \$2,700,609 for other restrictions.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

### 12. Use of Estimates

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

### (2) Fund Balances

The details for the District's fund balances are as follows:

Fund Balances:	General	Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable:				
Patron gift	\$ -	-	35,000	35,000
Prepays	81,695	-	-	81,695
Total Nonspendable	81,695	-	35,000	116,695
Restricted:				
Grant restriction	-	-	-	-
Child nutritional services	-	-	2,901,826	2,901,826
Student activities	-	-	326,409	326,409
Patron gift	-	-	201,350	201,350
Property held for sale	-	2,245,400	-	2,245,400
Permanent fund	-	-	128,799	128,799
Compensated absences	-	-	12,261,639	12,261,639
Workers compensation	280,000	-	-	280,000
Total Restricted	280,000	2,245,400	15,820,023	18,345,423
Committed:				
Encumbrances	-	4,810,386	252	4,810,638
Total Committed	-	4,810,386	252	4,810,638
Assigned:				
Encumbrances	751,443	-	-	751,443
Future equipment purchases	-	22,153,141	-	22,153,141
Total Assigned	751,443	22,153,141	-	22,904,584
Unassigned:	56,674,670	-	-	56,674,670
Total fund balances	\$ 57,787,808	29,208,927	15,855,275	102,852,010

# KANSAS CITY PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2015

### (3) Detailed Notes on All Funds

#### (a) *Deposits and Investments*

The District had the following investments at June 30, 2015:

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)</u>
U.S. Treasury obligations	\$ 280,000	.45
Government-sponsored enterprises	95,464,022	2.40
Certificates of deposit	9,988,000	.06
Total fair value	<u>105,732,022</u>	
Portfolio weighted average maturity		2.17

Interest rate risk—The Board approved investment policy requires that the investment portfolio be structured so that securities mature to meet cash requirements for day-to-day operations. Primarily, operating funds are invested in short-term securities with a weighted average maturity of less than 12 months and securities are held to maturity. Investments may mature within no more than 5 years from date of purchase. The policy requires the District to adopt weighted average maturity limitations that do not exceed 3 years and is consistent with the investment objectives. The weighted average maturity for the District's portfolio is 2.17 years.

# KANSAS CITY PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2015

Credit risk—Missouri statutes limits the type of investment securities that can be purchased (as disclosed in note 1(d)(1), primarily, U.S. Treasury obligations and federal agency obligations. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. At June 30, the District's investments in debt securities were rated as follows:

<b>Investment type</b>	<b>Moody's Investors Service</b>	<b>Standard &amp; Poor's</b>
U. S. Treasury Obligations	Aaa	AAA
Government-sponsored enterprises:		
Federal Home Loan Mortgage Corporation	Aaa	AA+
Federal National Mortgage Association	Aaa	AA+
Federal National Mortgage Association Global	Aaa	AA+
Federal Home Loan Banks	Aaa	AA+
Repurchase agreement	Aa3	AA-

Concentration of credit risk—The District's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the District to meet its anticipated cash requirements. At the time the investments are purchased, the District seeks to follow diversification standards published by the Office of Missouri State Treasurer. Those standards allows for no more than 60% of the total investment portfolio to be in U.S. Government agencies and no more than 30% to be in U.S. Government callable agencies. At June 30, the District had 47.14% in callable U.S. Government agencies. At June 30, the District investments in Federal National Mortgage Association constituted approximately 62% of its total investment portfolio.

Collateralized repurchase agreements are limited to 50% of the total investments. At June 30, the District had 20.56% of its investments in collateralized repurchase agreements.

Custodial credit risk—For deposits, this is the risk that, in the event of a bank failure, the District deposits may not be returned. Collateral is required by state statute for demand deposits and certificates of deposit. The fair value of the collateral must equal 100% of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are governed by State Statutes and include United States Government agency bonds and securities; general obligation bonds of any of the 50 states; general obligation bonds of any Missouri county, certain cities, and special districts; and revenue bonds of certain Missouri agencies. For investments, there is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2015, the District had no deposits or investments exposed to custodial credit risk.

# KANSAS CITY PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2015

**(b) Capital Assets**

Capital asset activity as of June 30, 2015 is shown below:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers/ retirements</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 30,646,301	12,826	(251,281)	30,407,846
Construction in progress	1,381,221	333,519	(1,381,221)	333,519
Impairment- closed buildings	14,857,044	—	—	14,857,044
Total capital assets, not being depreciated	<u>46,884,566</u>	<u>346,345</u>	<u>(1,632,502)</u>	<u>45,598,409</u>
Capital assets, being depreciated:				
Buildings and improvements	467,849,653	11,662,465	(1,485,232)	478,026,886
Improvements other than buildings	42,031,266	1,647,498	(194,659)	43,484,105
Equipment and furniture	25,443,695	614,945	(1,270,583)	24,788,057
Vehicles	1,842,171	61,978	(168,481)	1,735,668
Total capital assets being depreciated	<u>537,166,785</u>	<u>13,986,886</u>	<u>(3,118,955)</u>	<u>548,034,716</u>
Less accumulated depreciation for:				
Buildings and improvements	(186,771,803)	(9,440,214)	543,407	(195,668,610)
Improvements other than buildings	(27,563,640)	(1,549,841)	38,932	(29,074,549)
Equipment and furniture	(22,603,523)	(731,062)	1,257,191	(22,077,394)
Vehicles	(1,682,161)	(104,388)	168,481	(1,618,068)
Total accumulated depreciation	<u>(238,621,127)</u>	<u>(11,825,505)</u>	<u>2,008,011</u>	<u>(248,438,621)</u>
Total capital assets, being depreciated, net	<u>298,545,658</u>	<u>2,161,381</u>	<u>(1,110,944)</u>	<u>299,596,095</u>
Governmental activities capital assets, net	<u>\$ 345,430,224</u>	<u>2,507,726</u>	<u>(2,743,446)</u>	<u>345,194,504</u>



# KANSAS CITY PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2015

Within the government-wide financial statements, depreciation expense was charged to functions/programs for governmental activities as shown below:

Elementary schools	\$ 4,644,245
Middle schools	1,442,180
Senior high schools	5,208,438
Special education	5,330
Total instruction	11,300,193
Executive Administration	9,410
Food Service	16,662
Internal Services	5,878
Information technology	186,637
Total support services	218,587
Operation of facilities	67,878
Facilities improvements and renovation	238,847
Total governmental activities depreciation expense	\$ 11,825,505

As of June 30, 2015 the District has eighteen schools with a total carrying value of \$25,034,255 that are idle and considered impaired. Management has determined two of these schools with a carrying value of \$10,177,211 are considered to be temporarily impaired. The remaining sixteen closed schools were accounted for at the lower of carrying value or fair value.

### (c) Transfers

The following transfers were made during the fiscal year:

	General Fund	Capital Projects	Nonmajor Governmental	Private Purpose Trust - Student Scholarship Fund	Total
Transfers from:					
General Fund	\$ —	8,105,351	—	—	8,105,351
Capital Project Fund	—	—	4,609,368	—	4,609,368
Nonmajor governmental Fund	—	1,112,933	—	—	1,112,933
Enterprise fund	120,503	—	—	308,489	428,992
	\$ 120,503	9,218,284	4,609,368	308,489	14,256,644

The above fund transfers are the result of budget appropriations that required fund transfers. The Proprietary fund transferred \$308,489 to the Private Fiduciary Fund, the funds were used to award tuition scholarships to high school students earning dual credit at the local community college.

## KANSAS CITY PUBLIC SCHOOLS

### Notes to Basic Financial Statements

June 30, 2015

(d) **Accrued Salaries**

School-based instructional staff, are compensated over a 12-month period beginning in August. Remaining salaries and related payroll taxes for the fiscal year have been accrued at June 30, 2015.

(e) **Long-term Borrowings**

*Bonds Payable*

Revenue bonds issued by the Building Corporation are supported by the revenue derived from leases with the District in amounts sufficient to provide for estimated administrative and operating expenditures, principal and interest on the bonds, and establishment of bond reserves pursuant to the provisions of the applicable bond resolution. Certain bond issues hold land and buildings as collateral in the event of default by the District. In the event the District sells these assets, the District may be required to pay the difference between fair market value and the selling price to the bond trustee under the bond covenants. All sales of such assets require bond counsel concurrence and Board approval before the District can enter into such transactions.

The 2009 Leasehold Revenue Qualified School Construction Bonds are payable through 2025. The total principal and interest remaining on the debt is \$19,048,571 with annual requirements ranging from \$.4 million to \$2.4 million. For the current year, interest paid by the District was \$.4 million. The amount of tax credits issued to the bondholder from the federal government was \$1.1 million.

The 2010 Leasehold Revenue Qualified School Construction Bonds are payable through 2029. The total principal and interest remaining on the debt is \$23,525,873 with annual requirements ranging from \$1.2 million to \$2.1 million. For the current year, interest paid by the District was \$1.2 million. The amount of interest subsidy reimbursed to the District from the federal government was \$786,249.

Bonds outstanding at June 30, 2015 are as follows:

<u>Purpose</u>	<u>Amount outstanding</u>	<u>Interest rate</u>	<u>Maturity year</u>
Series 2009	\$ 16,830,000	2.23%	2025
Series 2010	15,315,000	7.12%	2029
	<u>\$ 32,145,000</u>		

*Equipment Lease Purchase Agreement*

Equipment lease purchase agreement executed June 23, 2015 in the amount of \$27,786,986 held in an escrow account by the lender, to finance the energy performance contract for the purpose of the purchase and installation of specified energy saving equipment and provision of other services designed to save energy and reduce related costs for identified property and buildings owned by the District. As of June 30, 2015, there were no disbursements from the escrow account.

# KANSAS CITY PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2015

Annual debt service requirements to maturity for leasehold revenue bonds are as follows:

		<b>Leasehold Revenue Bonds</b>	
		<b>Principal</b>	<b>Interest</b>
Year ending June 30:			
2016	\$	2,110,000	1,442,054
2017		2,230,000	1,346,410
2018		2,350,000	1,247,174
2019		2,475,000	1,144,499
2020		2,620,000	1,038,131
2021-2025		15,600,000	3,441,504
2026-2029		4,760,000	769,672
Total	\$	<u>32,145,000</u>	<u>10,429,444</u>

### (f) *Changes in Long-term Liabilities*

Long-term liability activity for the fiscal year was as follows:

		<b>Beginning balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending balance</b>	<b>Due within one year</b>
Governmental activities:						
Leasehold revenue bonds	\$	34,154,000	—	(2,009,000)	32,145,000	2,110,000
Net pension liability		95,311,292	28,346,588	(10,084,609)	113,573,271	—
Compensated absences		<u>14,284,660</u>	<u>3,915,666</u>	<u>(2,818,279)</u>	<u>15,382,047</u>	<u>2,971,291</u>
Long-term liabilities	\$	<u>143,749,952</u>	<u>32,262,254</u>	<u>(14,911,888)</u>	<u>161,100,318</u>	<u>5,081,291</u>

Compensated absences are liquidated by the Other Special Revenue Fund. Net pension liability is liquidated by the General Fund.

### (4) **Other Information**

#### (a) *Risk Management*

Resources are accumulated in the General Fund for workers' compensation, unemployment, and general liability claims. The District qualifies as a self-insurer under Missouri Workers' Compensation laws and maintains a reserve to cover estimated workers' compensation claims incurred before November 1, 1999. Restricted cash and investments of \$280,000 as of June 30, 2015 are for the self-insured portion of the workers compensation program's reserve requirement. A commercial insurance policy is purchased to cover current and future workers' compensation claims. Pursuant to 288.090:3(1)(a) of the Missouri Revised Statutes, the District participates in the State Employment Security Program on a reimbursable basis and pays claims in lieu of contributions. The District maintains a general liability reserve to cover claims in excess of existing commercial insurance coverage that is funded by contributions from the General Fund.

# KANSAS CITY PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2015

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District purchases commercial insurance. Claim settlements have not exceeded commercial insurance coverage for each of the past three fiscal years. Changes for the claims liability for fiscal years 2014 and 2015 are shown below.

	<u>Beginning of fiscal year</u>	<u>Current claims and estimated changes</u>	<u>Claim payments</u>	<u>Balance at fiscal year-end</u>
Fiscal year 2015:				
Claims and judgments	\$ 2,065,908	812,660	1,725,547	1,153,021
	<u>\$ 2,065,908</u>	<u>812,660</u>	<u>1,725,547</u>	<u>1,153,021</u>
Fiscal year 2014:				
Claims and judgments	\$ 912,000	1,412,222	258,314	2,065,908
	<u>\$ 912,000</u>	<u>1,412,222</u>	<u>258,314</u>	<u>2,065,908</u>

### (b) *Post-Employment Benefits*

#### Kansas City Public Schools Post-Employment Benefit Plan (OPEB)

Kansas City Public Schools benefit plan is a single employer defined benefit health care plan administered by the District that provides medical and dental insurance benefits to eligible retirees and their spouses.

Membership in the OPEB comprised the following at July 1, 2014:

Active employees	1,898
Retired participants medical	253
Retired participants spouse medical	39
Retired participants dental	1,263
Retired participants spouse dental	325

The annual required contribution (ARC) is the basic annual expense recognized under GASB Statement No. 45, though there is no requirement to fund the ARC. The ARC is calculated under the actuarial cost method that was chosen and is made up of the normal cost plus amortization of the unfunded actuarial accrued liability (UAAL - excess of the past service liability over the actuarial value of the assets). The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually. For fiscal year 2015, the District contributed \$599,020 to the plan. Plan members receiving benefits from OPEB contributed \$2,694,193.

# KANSAS CITY PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2015

Other Post-employment Benefit cost expense is computed based on the annual required contribution (ARC) of the District. The annual required contribution is an amount of funding, funded on a regular basis, it is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components that make up the District's OPEB Cost for 2015:

Annual Required Contribution	\$1,184,585
Interest on Net OPEB Obligation	(168,460)
Adjustment to ARC	<u>243,552</u>
Annual OPEB Cost (Expense)	<u>1,259,677</u>
Contributions Made	(599,020)
Decrease in net OPEB Obligation (Asset)	660,657
Net OPEB Asset – Beginning of Year	<u>(4,211,510)</u>
Net OPEB Asset – End of Year	<u>\$ (3, 550,853)</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2015, 2014, and 2013 are as follows in the table below:

<u>Fiscal Yr Ended</u>	<u>OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
06/30/15	\$1,259,677	47.6%	\$(3,550,853)
06/30/14	\$1,088,158	183.4%	\$(4,211,510)
06/30/13	\$1,088,158	183.4%	\$(3,304,425)

As of July 1, 2014, the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$12,309,982 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,309,982. The covered payroll (annual payroll of active employees covered by the plan) was \$99,408,171 and the ratio of the UAAL to the covered payroll was 12.38%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution (ARC) of the District 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 multiyear trend information about whether the actuarial value of plan assets is decreasing or increasing over time relative to the actuarial accrued liability for benefits.

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 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.

## KANSAS CITY PUBLIC SCHOOLS

### Notes to Basic Financial Statements

June 30, 2015

In July 1, 2014 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the District's own investments calculated based on the funded level of the plan at the valuation date, and an annual health care cost trend rate of 8.5 percent for medical claims, reduced by decrements to an ultimate rate of 5 percent after eight years. The UAAL is being amortized as a level dollar amount over a period of 30 years.

#### (c) *Status of Accreditation*

The State Board of Education (SBE) accredits school districts through the Missouri School Improvement Program (MSIP), which sets minimum standards for high school graduation, curriculum, student testing, school resources, support services, and other areas of school operations. The SBE's accreditation review of Missouri school districts is based on compliance with certain of these standards, grouped into "Resource," "Process" and "Performance" categories.

In October 1999, the SBE voted to withdraw KCPS's accreditation effective May 2000, due to the District's failure to meet the required MSIP standards during its Second Cycle accreditation review by the Department of Elementary and Secondary Education (DESE). The areas reviewed by DESE were Resource, Process and Performance. KCPS met all the requirements for Resource and Process at an accredited level, but the Performance Standards (as measured by the MAP achievement test) were below the accredited level. After a January 2002 accreditation review by DESE (applying Second Cycle standards), the SBE voted unanimously on April 17, 2002 to grant KCPS provisional accreditation, thus lifting the threat of a state takeover.

In the spring of 2008, DESE completed a full review of KCPS as part of MSIP Cycle 4. At that time, it required KCPS to complete a two-year accountability plan, the progress of which was reviewed quarterly by a Missouri Regional School Improvement Team (RSIT). The plan was approved on January 14, 2009. KCPS retained provisional accreditation. KCPS once again met all of the Resource and Process Standards at an accredited level in fiscal year 2009. KCPS met four of the fourteen Performance Standards. Nine were needed for full accreditation.

On September 20, 2011, the State Board of Education (SBE) voted to rescind the District's provisional accreditation effective January 1, 2012. In fiscal year 2012 KCPS met five of fourteen Performance Standards. The SBE noted the progress but expressed their desire to provide additional support so KCPS could achieve the necessary APR points needed to achieve full accreditation. Missouri statutes at that time allowed unaccredited school districts two years within which to improve before DESE could assume control. The Missouri legislature made a significant change to the law in early 2013, and Governor Jay Nixon signed the legislation which became effective on August 28, 2013. The new law authorized DESE to immediately exercise control over an unaccredited school district.

## KANSAS CITY PUBLIC SCHOOLS

### Notes to Basic Financial Statements

June 30, 2015

In the fall of 2012 DESE announced that MSIP 4 was being retired and replaced with MSIP 5, a more stringent measure of a school district's progress in meeting Missouri's accreditation standards. The new standard defined provisional accreditation as 70 points, and full as 99 points. In August 2013 MSIP 5 scores for the 2013 fiscal year were announced. KCPS scored 84 of 140 points, falling in the middle of the provisional accreditation range. Shortly after the results were released, DESE officials announced that no school district's accreditation status would be modified until there were 3 years of data available using the MSIP 5 standards and measurements. KCPS made an appeal to the SBE for immediate provisional accreditation. On October 22, 2013 the SBE declined to award provisional accreditation to KCPS. The refusal of the SBE to grant provisional accreditation to KCPS resulted in KCPS being subject to the "transfer law" which allows students in unaccredited districts to transfer to fully accredited districts in abutting counties. The transfer law requires unaccredited school districts to pay for transportation and tuition. Despite being subject to the transfer law, few KCPS students met the deadline to apply for transfer before the close of the February 1, 2014 deadline.

Although approximately 25 students applied to transfer to an accredited school district, KCPS staff, students and Administration prevented their ability to transfer by their performance on the MSIP 5 tests. In early August, 2014, the SBE met at a special meeting and granted KCPS provisional accreditation. In late August, 2014, DESE announced that KCPS students scored 92.5 points, which had been known by the SBE when it voted to grant provisional accreditation. Provisional accreditation "mooted" the threat of the transfer law as well as the threat of a "state takeover."

On October 23, 2015, DESE released the District's Annual Progress Report (APR) revealing that KCPS earned 89.5 points under the new MSIP 5 standards, and will continue to be provisionally accredited. The standards now focus on Common Core, which meant new tests, methods and measures that cannot be compared to previous years. Fiscal year 2015 also marked the debut of computer-based testing for students in grades three through eight. Both the revised standards and the online exams mean that the fiscal year 2015 results set a new baseline for student performance. KCPS has thirteen fully accredited and eight provisionally accredited schools.

A three-year academic improvement plan and goals for the 2015-2016 school year set high standards and expectations to stay on track to reach full district-wide accreditation.

#### **(d) Commitments**

On June 24, 2015 the Board approved a one-year agreement for fiscal year 2015 with First Student to provide regular and special education transportation services for an amount not to exceed \$9,324,524. The contract is based on variable pricing dependent on the number of bus routes scheduled.

On May 27, 2015 the Board approved the second of three renewal options of the agreement with US Food to deliver food and general supplies for the child nutrition program for an amount not to exceed \$4,115,000.

## KANSAS CITY PUBLIC SCHOOLS

### Notes to Basic Financial Statements

June 30, 2015

On August 12, 2013 the Board Chairman signed a contract with Pearson Education, Inc. to provide access to its portfolio of digital curriculum programs and training to teachers for use of these programs for the period August 1, 2013 to December 31, 2018. On September 22, 2014 the contract was amended to reflect a total amount of \$7,820,748 over the remaining life of the contract for these products and services.

(e) ***Operating Leases***

The District has entered into operating leases for student laptops and tablets that are below the District's capitalization threshold. Lease expenditures for the current year were \$1,498,277 and the estimated remaining obligation is \$4.1 million through fiscal year 2018.

(f) ***Pension Plan and Retirement Benefits***

As a result of the adoption of GASB Statement Nos. 68 and No. 71, the beginning net position of the governmental activities was restated. The effect on fiscal year 2014 is as follows:

Net position at June 30, 2014, as previously reported	\$	432,674,589
Net pension liability at June 30, 2014		(95,311,292)
Deferred outflows of resources related to to contributions made after June 30, 2013 measurement date		<u>4,279,833</u>
	\$	<u><u>341,643,130</u></u>

**Plan description:** The District contributes to the Kansas City Public School Retirement System (KCPSRS), a cost-sharing, multiple-employer and contributory defined benefit pension plan. Substantially all full-time employees of the District, the Kansas City Public Library and charter schools are covered by the plan. The Kansas City Public School Retirement System provides retirement, disability, and death benefits to plan members and beneficiaries. All benefit provisions are established and may be amended by the legislature of the State of Missouri. The general administration and responsibility for the proper operation of the Kansas City Public School Retirement System rests with a board of trustees. Financial statements of the Kansas City Public School Retirement System can be obtained by writing to Kansas City Public School Retirement System, 4600 Paseo Boulevard, Kansas City, Missouri 64106 or by calling (816) 472-5912.



## KANSAS CITY PUBLIC SCHOOLS

### Notes to Basic Financial Statements

June 30, 2015

**Benefits provided:** KCPSRS provides retirement, disability, and death benefits. Retirement benefits are determined based on the employee's average final salary and a multiplier based on the years of service. Employees, hired prior to January 1, 2014, are eligible for full retirement at age 60 with at least 5 years of covered employment or when the years of service plus the employee's age equals or exceeds 75 credits. Employees, hired after January 1, 2014, are eligible for full retirement at age 62 with at least 5 years of covered employment, or when the years of service plus the employee's age equals or exceeds 80 credits. Five years of service is required for disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Pre-retirement death benefits, at a minimum, are based on a calculation of the employee's contributions plus interest. Post retirement death benefits, at a minimum, are based on a calculation of accumulated contributions in excess of total benefits received.

**Contributions:** All regular and full-time employees must become members of the Retirement System as a condition of employment. From January 1, 1999 through December 31, 2013, members contributed 7.5% of regular annual compensation. During the 2013 Missouri legislative session, SB223 was passed allowing the Kansas City Public School Retirement System Board (KCPSRS) flexibility to increase the contribution rate in ½% increments annually, to a maximum of 9%. January 1, 2015 the rate increased to 8.5 percent. The District's contractually required contribution rate for the year ended June 30, 2015, was a blended rate of 8.25 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$8,507,740 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$113,573,271 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating governments. At December 31, 2014, the District's collective proportion was 62.829118 percent, which was a decrease of 1.182092 percent from its proportion measured as of December 31, 2013.

# KANSAS CITY PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2015

For the year ended June 30, 2015, the District recognized pension expense of \$12,376,506. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 15,114,536	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	(1,090,866)
District contributions subsequent to the measurement date	4,466,136	-
Total \$	<u>19,580,672</u>	<u>(1,090,866)</u>

\$4,466,136 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The remaining amount of deferred outflows of resources are being amortized over a closed period equal to the average of the expected service lives of all participants as of the beginning of the measurement period, which was 2.63 years. The deferred inflows related to the difference between expected and actual investment earnings is being amortized over a closed 5-year period beginning in the current year. Amounts reported as deferred outflows of resources (other than contributions) and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 3,778,634	(669,243)
2017	3,778,634	(421,623)
2018	3,778,634	-
2019	3,778,634	-
Total	<u>\$ 15,114,536</u>	<u>(1,090,866)</u>

There were no non-employer contributing entities at KCPSRS.

## KANSAS CITY PUBLIC SCHOOLS

### Notes to Basic Financial Statements

June 30, 2015

**Actuarial assumptions:** The total pension liability was determined by an actuarial valuation as of January 1, 2014 rolled forward to December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50 percent
Salary increases	5.00 percent including price inflation
Investment rate of return	8.00 percent compounded annually, net of investment expense and including price inflation

Mortality rates were based on the IRS Prescribed Static Table: RP-2000 Healthy Non-Annuitant Table projected 15 years from valuation date for active members and 7 years for healthy retirees using Scale AA.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

# KANSAS CITY PUBLIC SCHOOLS

## Notes to Basic Financial Statements

June 30, 2015

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.5%	6.55%
International equity	15.0	7.23
Emerging market equity	10.0	9.48
Domestic fixed income- core	10.0	1.56
International (Dev.) fixed income	5.0	0.2
High yield	2.5	4.35
Low volatility alternatives	15.0	3.52
Private equity	5.0	11.53
Commodities	5.0	3.86
Real estate	10.0	4.4
Total	100%	

**Discount rate:** The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts and KC Library will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate:** The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
District's proportionate share of the net pension liability	162,031,990	113,573,271	71,863,763

## KANSAS CITY PUBLIC SCHOOLS

### Notes to Basic Financial Statements

June 30, 2015

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued KCPSRS financial report; which can be located at [www.kcpsrs.org](http://www.kcpsrs.org).

#### **Payable to the pension plan at June 30, 2015:**

The District reported payables in the defined benefit pension plan of \$12,790,636 for legally required employer contributions and \$344,331 for legally required employee contributions which had been withheld from employee wages but not yet remitted to KCPSRS.

#### **(g) New Pronouncements**

As of June 30, 2015, the GASB has issued the following statements not yet implemented by the District. The statements which might impact the District are as follows:

GASB Statement No. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the KCPS with its year ending June 30, 2016. This Statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements.

This Statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. The related disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, will be effective for the District beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

## **KANSAS CITY PUBLIC SCHOOLS**

### **Notes to Basic Financial Statements**

**June 30, 2015**

GASB Statement No. 77, *Tax Abatement Disclosures*, issued August 2015, will be effective for KCPS beginning with its fiscal year ending June 30, 2017. This statement requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The disclosures about the government's own tax abatement agreements includes the purpose of the tax abatement program, the tax being abated, the amount of tax being abated, the provisions of recapturing abated taxes, the types of commitments made by tax abatement recipients, and other commitments made by government in tax abatement agreements. The disclosures about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues includes the name of the government entering into the abatement agreement, the tax being abated, and the amount of the reporting government's tax being abated.

The District's management has not yet determined the effect these statements will have on the District's financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**KANSAS CITY PUBLIC SCHOOLS**  
Schedule of Budgetary Comparison—General Fund  
Year ended June 30, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property taxes	\$ 128,666,562	133,800,675	136,177,305	2,376,630
Prop C taxes	9,129,898	9,590,733	9,467,864	(122,869)
Other local	4,310,627	6,679,615	7,649,223	969,608
County	4,368,774	5,055,667	5,010,421	(45,246)
Basic formula	4,208,361	6,762,555	6,800,479	37,924
Other state	2,540,935	7,778,363	7,920,210	141,847
Federal sources	33,995,517	41,858,344	29,291,675	(12,566,669)
Tuition	—	3,890	47,076	43,186
Total revenues	<u>187,220,674</u>	<u>211,529,842</u>	<u>202,364,253</u>	<u>(9,165,589)</u>
Expenditures:				
Current:				
Administration:				
Board of education services:				
Salaries	78,000	78,000	56,050	21,950
Benefits	23,500	23,500	19,897	3,603
Purchased services	263,796	290,596	160,039	130,557
Supplies and materials	8,900	15,700	14,410	1,290
Total Board of education services	<u>374,196</u>	<u>407,796</u>	<u>250,396</u>	<u>157,400</u>
Executive administration:				
Salaries	1,682,092	1,591,581	1,660,680	(69,099)
Benefits	546,971	525,037	441,046	83,991
Purchased services	1,317,678	1,686,914	3,221,265	(1,534,351)
Supplies and materials	43,133	58,033	54,129	3,904
Total executive administration	<u>3,589,874</u>	<u>3,861,565</u>	<u>5,377,120</u>	<u>(1,515,555)</u>
Building level administration:				
Salaries	1,701,394	1,845,583	1,861,535	(15,952)
Benefits	781,835	846,704	805,518	41,186
Purchased services	301,893	296,697	334,687	(37,990)
Supplies and materials	58,194	50,167	53,338	(3,171)
Total building level administration	<u>2,843,316</u>	<u>3,039,151</u>	<u>3,055,078</u>	<u>(15,927)</u>
Total administration	<u>6,807,386</u>	<u>7,308,512</u>	<u>8,682,594</u>	<u>(1,374,082)</u>
Instruction:				
Elementary:				
Salaries	561,048	847,520	678,114	169,406
Benefits	262,178	399,652	279,061	120,591
Purchased services	1,895,273	1,965,817	1,515,061	450,756
Supplies and materials	1,493,591	2,321,003	3,207,926	(886,923)
Total elementary	<u>4,212,090</u>	<u>5,533,992</u>	<u>5,680,162</u>	<u>(146,170)</u>
Middle/junior high:				
Salaries	—	64,533	8,480	56,053
Benefits	—	33,963	110	33,853
Purchased services	60,783	128,564	70,105	58,459
Supplies and materials	15,280	1,477,085	1,594,470	(117,385)
Total middle/junior high	<u>76,063</u>	<u>1,704,145</u>	<u>1,673,165</u>	<u>30,980</u>

**KANSAS CITY PUBLIC SCHOOLS**  
Schedule of Budgetary Comparison—General Fund  
Year ended June 30, 2015

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Senior high:				
Salaries	335,248	264,897	223,229	41,668
Benefits	154,854	110,174	84,666	25,508
Purchased services	460,846	1,255,812	1,233,948	21,864
Supplies and materials	130,015	241,350	2,356,968	(2,115,618)
Total senior high	1,080,963	1,872,233	3,898,811	(2,026,578)
Summer school:				
Salaries	110,000	183,905	79,669	104,236
Benefits	19,358	61,844	8,715	53,129
Purchased services	2,504,000	7,346,884	7,385,621	(38,737)
Supplies and materials	30,000	188,597	44,903	143,694
Total summer school	2,663,358	7,781,230	7,518,908	262,322
Special education:				
Salaries	2,989,460	2,974,122	2,633,900	340,222
Benefits	1,618,292	1,612,714	1,312,095	300,619
Purchased services	3,992,618	5,947,034	5,069,338	877,696
Supplies and materials	684,059	707,949	233,289	474,660
Total special education	9,284,429	11,241,819	9,248,622	1,993,197
Culturally different:				
Salaries	1,436,147	1,362,937	1,239,113	123,824
Benefits	814,638	738,719	654,296	84,423
Purchased services	4,801,399	1,446,181	1,278,542	167,639
Supplies and materials	12,500	3,091,494	3,512,040	(420,546)
Total culturally different	7,064,684	6,639,331	6,683,991	(44,660)
Vocational instruction:				
Salaries	189,136	189,136	175,151	13,985
Benefits	74,903	74,903	60,570	14,333
Purchased services	128,651	121,085	83,933	37,152
Supplies and materials	251,415	309,093	256,949	52,144
Total vocational instruction	644,105	694,217	576,603	117,614
Student activities:				
Salaries	348,223	379,061	622,835	(243,774)
Benefits	87,500	95,726	99,973	(4,247)
Purchased services	236,558	252,340	263,687	(11,347)
Supplies and materials	114,768	160,243	146,954	13,289
Total student activities	787,049	887,370	1,133,449	(246,079)
Tuition to other districts				
Purchased services	300,000	675,513	869,987	(194,474)
Total tuition to other districts	300,000	675,513	869,987	(194,474)
Total instruction	26,112,741	37,029,850	37,283,698	(253,848)
Support services:				
Attendance/placement:				
Salaries	1,078,829	1,163,022	1,125,322	37,700
Benefits	405,971	428,121	390,226	37,895
Purchased services	335,305	536,760	586,809	(50,049)
Supplies and materials	8,070	24,902	20,278	4,624
Total attendance/placement	1,828,175	2,152,805	2,122,635	30,170

**KANSAS CITY PUBLIC SCHOOLS**  
Schedule of Budgetary Comparison—General Fund  
Year ended June 30, 2015

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Guidance/counseling:				
Salaries	—	—	—	—
Benefits	—	—	4,935	(4,935)
Purchased services	10,200	160,007	7,880	152,127
Supplies and materials	—	—	—	—
Total guidance/counseling	10,200	160,007	12,815	147,192
Health, psychology, and speech:				
Salaries	4,139,544	4,089,639	3,247,468	842,171
Benefits	1,556,009	1,512,652	1,108,633	404,019
Purchased services	12,250	12,243	10,236	2,007
Supplies and materials	53,000	47,000	35,725	11,275
Total health, psychology, and speech	5,760,803	5,661,534	4,402,062	1,259,472
Improvement of instruction:				
Curriculum development:				
Salaries	254,565	237,645	183,229	54,416
Benefits	99,991	104,404	80,105	24,299
Purchased services	1,133,475	3,153,308	2,639,811	513,497
Supplies and materials	100,229	326,436	248,236	78,200
Total curriculum development	1,588,260	3,821,793	3,151,381	670,412
Staff training:				
Purchased services	—	77,056	305	76,751
Total staff training	—	77,056	305	76,751
Educational media services:				
Salaries	255,497	118,967	75,578	43,389
Benefits	114,608	62,996	46,342	16,654
Purchased services	30,400	97,430	92,108	5,322
Supplies and materials	681,868	628,836	576,451	52,385
Total educational media services	1,082,373	908,229	790,479	117,750
Financial services:				
Salaries	6,273,112	6,358,713	6,467,123	(108,410)
Benefits	2,115,064	2,117,275	2,040,901	76,374
Purchased services	3,257,170	5,265,547	3,947,263	1,318,284
Supplies and materials	2,711,100	2,526,199	1,886,212	639,987
Total financial services	14,356,446	16,267,734	14,341,499	1,926,235
Internal service:				
Salaries	404,245	404,245	401,395	2,850
Benefits	151,739	151,739	140,364	11,375
Purchased services	92,000	105,000	41,797	63,203
Supplies and materials	47,000	34,000	28,526	5,474
Total internal service	694,984	694,984	612,082	82,902
Planning/research/evaluation:				
Development services:				
Salaries	355,954	304,554	257,352	47,202
Benefits	124,163	99,129	77,895	21,234
Purchased services	334,575	390,697	244,378	146,319
Supplies and materials	9,500	14,577	7,233	7,344
Total development services	824,192	808,957	586,858	222,099

**KANSAS CITY PUBLIC SCHOOLS**  
Schedule of Budgetary Comparison—General Fund  
Year ended June 30, 2015

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Admissions/communication services:				
Salaries	721,146	750,857	714,496	36,361
Benefits	237,028	237,028	206,639	30,389
Purchased services	56,776	202,766	171,374	31,392
Supplies and materials	5,976	15,922	15,847	75
Total admissions/communications	1,020,926	1,206,573	1,108,356	98,217
Human resource services:				
Salaries	880,304	975,397	1,000,265	(24,868)
Benefits	210,320	237,887	299,427	(61,540)
Purchased services	882,501	1,617,712	855,361	762,351
Supplies and materials	60,399	64,473	48,602	15,871
Total personnel services	2,033,524	2,895,469	2,203,655	691,814
Information technology:				
Salaries	1,731,712	1,736,712	1,916,449	(179,737)
Benefits	592,667	591,999	596,949	(4,950)
Purchased services	1,494,635	2,562,560	2,370,290	192,270
Supplies and materials	2,552,600	2,358,428	1,737,249	621,179
Total information technology	6,371,614	7,249,699	6,620,937	628,762
Total support services	35,571,497	41,904,840	35,953,064	5,951,776
Operation of facilities:				
Salaries	9,477,409	11,739,967	11,022,343	717,624
Benefits	3,943,830	4,594,934	4,012,916	582,018
Purchased services	8,181,593	13,057,504	10,108,787	2,948,717
Supplies and materials	142,057	980,030	905,730	74,300
Other purchased services	3,953,425	8,110,263	7,159,831	950,432
Other supplies and materials	1,339,125	2,462,825	2,050,054	412,771
Total operation of facilities	27,037,439	40,945,523	35,259,661	5,685,862
Pupil transportation:				
Purchased services	10,550,177	12,187,913	12,116,868	71,045
Total pupil transportation	10,550,177	12,187,913	12,116,868	71,045
Facility acquisition/asbestos				
Purchased services	800,000	854,244	144,651	709,593
Total facility acquisition/asbestos	800,000	854,244	144,651	709,593
Community and adult services:				
Adult basic education:				
Salaries	549,425	607,982	514,172	93,810
Benefits	177,833	203,102	159,216	43,886
Purchased services	34,399	43,053	26,188	16,865
Supplies and materials	53,637	52,196	48,971	3,225
Total adult basic education	815,294	906,333	748,547	157,786

**KANSAS CITY PUBLIC SCHOOLS**  
Schedule of Budgetary Comparison—General Fund  
Year ended June 30, 2015

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Community services:				
Salaries	\$ 931,445	1,328,652	1,201,858	126,794
Benefits	419,205	595,122	493,755	101,367
Purchased services	499,855	544,107	368,496	175,611
Supplies and materials	7,500	152,552	111,411	41,141
Total community services	1,858,005	2,620,433	2,175,520	444,913
Early Childhood:				
Salaries	1,782,604	4,623,499	3,590,450	1,033,049
Benefits	900,383	2,158,590	1,566,397	592,193
Purchased services	142,846	313,789	124,997	188,792
Supplies and materials	73,122	317,700	202,808	114,892
Total early childhood	2,898,955	7,413,578	5,484,652	1,928,926
Total community and adult services	5,572,254	10,940,344	8,408,719	2,531,625
Total expenditures	112,451,494	151,171,226	137,849,255	13,321,971
Revenues over expenditures	74,769,180	60,358,616	64,514,998	4,156,382
Other financing sources (uses):				
Transfers in	—	—	120,503	(120,503)
Transfers out	(85,714,420)	(88,663,859)	(80,059,526)	(8,604,333)
Total other financing sources	(85,714,420)	(88,663,859)	(79,939,023)	(8,724,836)
Revenues and other financing sources over (under) expenditures	\$ (10,945,240)	(28,305,243)	(15,424,025)	12,881,218
Reconciliation to GAAP Basis:				
Activities reported within the Teachers' Fund (a sub-fund of the General Fund):				
Total revenue			12,133,200	
Total expenditures			(95,344,659)	
Total other financing sources			83,211,459	
Total reconciling items			—	
Revenues and other financing sources over expenditures			(15,424,025)	
Fund balance, beginning of year			73,211,833	
Fund balance, end of year			\$ 57,787,808	

See Note to Required Supplementary Information.

# KANSAS CITY PUBLIC SCHOOLS

## Schedule of Budgetary Comparison—Teachers' Fund (a sub-fund of the General fund)

Year ended June 30, 2015

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Prop C taxes	\$ 5,477,939	5,754,440	5,680,718	(73,722)
County	174,780	237,988	274,042	36,054
Basic formula	—	5,842,207	5,473,239	(368,968)
State	51,360	308,300	385,610	77,310
Federal	303,999	319,591	319,591	—
Total revenues	6,008,078	12,462,526	12,133,200	(329,326)
Expenditures:				
Current:				
Administration:				
Executive administration:				
Salaries	406,423	406,423	694,662	(288,239)
Benefits	111,003	111,003	111,920	(917)
Total executive administration	517,426	517,426	806,582	(289,156)
Building level administration:				
Salaries	6,118,014	6,115,052	6,348,540	(233,488)
Benefits	1,970,928	1,961,420	1,755,799	205,621
Total building level administration	8,088,942	8,076,472	8,104,339	(27,867)
Total administration	8,606,368	8,593,898	8,910,921	(317,023)
Instruction:				
Elementary:				
Salaries	23,542,312	23,549,560	23,123,178	426,382
Benefits	9,040,522	9,028,360	7,769,088	1,259,272
Total elementary	32,582,834	32,577,920	30,892,266	1,685,654
Middle:				
Salaries	1,680,082	1,680,862	1,403,907	276,955
Benefits	635,056	635,135	478,815	156,320
Total middle/junior high	2,315,138	2,315,997	1,882,722	433,275
Senior high:				
Salaries	11,145,413	11,091,483	11,855,796	(764,313)
Benefits	4,222,084	4,201,981	3,814,031	387,950
Total senior high	15,367,497	15,293,464	15,669,827	(376,363)
Other Instruction:				
Salaries	528,000	1,031,480	584,691	446,789
Benefits	77,063	96,664	64,734	31,930
Total summer school	605,063	1,128,144	649,425	478,719
Special education:				
Salaries	9,581,018	9,594,072	9,104,799	489,273
Benefits	3,413,302	3,426,430	2,878,736	547,694
Total special education	12,994,320	13,020,502	11,983,535	1,036,967

**KANSAS CITY PUBLIC SCHOOLS**

Schedule of Budgetary Comparison—Teachers' Fund (a sub-fund of the General fund)

Year ended June 30, 2015

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Culturally different:				
Salaries	4,194,021	5,354,979	5,456,035	(101,056)
Benefits	1,542,525	1,826,569	1,554,806	271,763
Total culturally different	5,736,546	7,181,548	7,010,841	170,707
Vocational instruction:				
Salaries	936,644	938,805	879,926	58,879
Benefits	331,048	340,935	282,156	58,779
Total vocational instruction	1,267,692	1,279,740	1,162,082	117,658
Student activities:				
Salaries	528,750	448,462	535,278	(86,816)
Fringes	70,592	60,824	59,656	1,168
Total student activities	599,342	509,286	594,934	(85,648)
Total instruction	71,468,432	73,306,601	69,845,632	3,460,969
Support services:				
Attendance/placement:				
Salaries	—	22,828	19,518	3,310
Benefits	—	3,739	2,204	1,535
Total attendance/placement	—	26,567	21,722	4,845
Guidance/counseling:				
Salaries	2,253,983	2,429,367	2,370,913	58,454
Benefits	804,139	852,939	742,029	110,910
Total guidance/counseling	3,058,122	3,282,306	3,112,942	169,364
Health, psychology, and speech:				
Salaries	2,140,236	2,116,526	2,060,567	55,959
Benefits	770,759	764,543	675,236	89,307
Total health, psychology, and speech	2,910,995	2,881,069	2,735,803	145,266
Improvement of instruction:				
Current development:				
Salaries	5,408,979	7,332,829	5,321,286	2,011,543
Benefits	1,303,702	1,685,504	1,244,428	441,076
Total current developments	6,712,681	9,018,333	6,565,714	2,452,619
Staff training:				
Salaries	—	—	135,424	(135,424)
Benefits	—	—	18,079	(18,079)
Total staff training	—	—	153,503	(153,503)
Educational media services:				
Salaries	1,566,743	1,581,338	1,603,282	(21,944)
Benefits	541,697	543,279	500,401	42,878
Total educational media	2,108,440	2,124,617	2,103,683	20,934

# KANSAS CITY PUBLIC SCHOOLS

## Schedule of Budgetary Comparison—Teachers' Fund (a sub-fund of the General fund)

Year ended June 30, 2015

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Planning/research/evaluation/ development services:				
Salaries	89,985	111,735	105,905	5,830
Benefits	31,272	34,176	21,784	12,392
Total planning/research/ evaluation/ development services	121,257	145,911	127,689	18,222
Total support services	14,911,495	17,478,803	14,821,056	2,657,747
Community and adult services:				
Adult basic education:				
Salaries	13,432	25,598	26,437	(839)
Benefits	1,793	6,471	7,222	(751)
Total adult basic education	15,225	32,069	33,659	(1,590)
Early Childhood				
Salaries	662,246	1,251,998	1,313,024	(61,026)
Benefits	249,832	463,016	420,367	42,649
Total early childhood	912,078	1,715,014	1,733,391	(18,377)
Total community and adult services	927,303	1,747,083	1,767,050	(19,967)
Total expenditures	95,913,598	101,126,385	95,344,659	5,781,726
Revenues under expenditures	(89,905,520)	(88,663,859)	(83,211,459)	5,452,400
Other financing sources:				
Transfers in	89,905,520	88,663,859	83,211,459	(5,452,400)
Revenues and other financing sources over (under) expenditures	\$ —	—	—	—
Fund balance, beginning of year			—	
Fund balance, end of year			\$ —	

See Note to Required Supplementary Information.



## KANSAS CITY PUBLIC SCHOOLS

### Note to the Required Supplementary Information

June 30, 2015

#### **Budgetary Information**

Budgets are prepared using the modified accrual basis of accounting. For financial reporting purposes, expenditures related to fringe costs are disclosed within the functional expenditure categories. In the GAAP-basis statements, these costs are reclassified as transfers out. Annual budgets are prepared in accordance with Missouri state statutes, which include estimated revenues from all sources, itemized by fiscal year, fund and source and proposed expenditures itemized by fiscal year, fund, function and object. The legal level of budgetary control is at the object level. The Board adopts annual appropriations for the following funds:

Major funds:

General

Teachers' fund (a sub-fund of the General fund)

Capital Projects

Nonmajor funds:

Child Nutritional Services

In the GAAP-basis financial statements, the Teachers' Fund does not qualify as a special revenue fund, as defined by GASB Statement No. 54. Therefore, it is reported with the District's General Fund. Since the Board adopts an annual budget for the Teachers' Fund separately from the General Fund, a separate budgetary-basis schedule is presented.

The capital project (life-to-date) included in the Capital Project Fund activity is not appropriated annually, but as projects are established.

Budgets are not adopted for certain other nonmajor funds that include the Debt Service, Other Special Revenue, Student Activity, Patron Gift and Patron Endowments.

Appropriations are encumbered upon issuance of a purchase order for budget compliance. At year-end, unencumbered appropriations lapse, and encumbered appropriations are generally re-appropriated in the following year. Encumbrances outstanding at year-end are reported as a reservation of fund balance in the governmental fund statements.

In the governmental fund financial statements, certain fringe benefit costs are classified as a transfer out and transfers into the Other Special Revenue Fund. In the budgetary comparison schedules, these fringe costs are recorded as expenditures.

The Board must approve expenditures in excess of appropriations at the fund level. Budgeted expenditure amendments approved by the Board during the fiscal year resulted in a 36.3% increase in the General Fund, 5.4% in the Teachers Fund, and 310.6% in the Capital Projects Fund.

# KANSAS CITY PUBLIC SCHOOLS

## Other Post-Employment Benefits Required Supplementary Information

### Schedule of Funding Progress

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
6/30/13	7/1/12	\$ -	\$ 12,731,277	\$ 12,731,277	0%	\$ 98,114,215	12.98%
6/30/14	7/1/12	\$ -	\$ 12,731,277	\$ 12,731,277	0%	\$ 98,114,215	12.98%
6/30/15	7/1/14	\$ -	\$ 12,309,982	\$ 12,309,982	0%	\$ 99,408,171	12.38%

The information presented as required supplementary information was determined as part of the July 1, 2014 actuarial valuation. The projected credit method was used. The actuarial assumptions include a 4% investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 8.5% for fiscal year ending 6/30/15 and for medical claims, reduced by decrements to an ultimate rate of 5% after eight years. The UAAL is being amortized as a level dollar amount over a period of 30 years.

# KANSAS CITY PUBLIC SCHOOLS

## Net Pension Liability Required Supplementary Information

Fiscal Year	Plan fiduciary net position as a % of the total liability	District's proportion of the net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered payroll	District's proportionate share of the net pension liability (asset) as a % of covered payroll
2015	79.44%	62.829118%	\$ 113,573,271	\$ 207,940,266	54.62%
2014	n/a	64.01121	95,311,292	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a
2009	n/a	n/a	n/a	n/a	n/a
2008	n/a	n/a	n/a	n/a	n/a
2007	n/a	n/a	n/a	n/a	n/a
2006	n/a	n/a	n/a	n/a	n/a

NOTE: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

## Schedule of Employer Contributions Required Supplementary Information

Fiscal Year	Statutory required contribution	Contributions in relation to the required contribution	Contribution deficiency (excess)	Contribution as a % of district's covered payroll
2015	\$ 8,324,500	8,324,500	-	4.00%
2014	7,719,216	7,719,216	-	n/a
2013	7,104,617	7,104,617	-	n/a
2012	9,593,660	9,593,660	-	n/a
2011	11,382,658	11,382,658	-	n/a
2010	12,335,504	12,335,504	-	n/a
2009	12,583,497	12,583,497	-	n/a
2008	12,591,876	12,591,876	-	n/a
2007	12,323,052	12,323,052	-	n/a
2006	12,519,761	12,519,761	-	n/a

## **NONMAJOR FUND FINANCIAL STATEMENTS AND SCHEDULES**

**NONMAJOR GOVERNMENTAL FUNDS**

**KANSAS CITY PUBLIC SCHOOLS**  
Nonmajor Governmental Funds—Combining Balance Sheet  
June 30, 2015

Assets	Special revenue				Permanent fund patron endowments	Total nonmajor governmental funds
	Child Nutritional services	Student activity	Other Special Revenue	Patron gift		
Cash and investments	\$ 2,551,922	339,262	—	—	—	2,891,184
Restricted cash and investments	—	—	26,588,913	200,725	163,392	26,953,030
Interest receivable	—	—	34,387	625	407	35,419
Other receivables	87,177	261	—	—	—	87,438
Due from other governments	500,336	—	—	—	—	500,336
Total assets	\$ 3,139,435	339,523	26,623,300	201,350	163,799	30,467,407
<b>Liabilities, Deferred Inflows of Revenues and Fund Balance</b>						
Liabilities:						
Accounts payable	\$ 104,530	12,862	153,012	—	—	270,404
Accrued salaries, benefits and payroll taxes	91,067	—	14,208,649	—	—	14,299,716
Total liabilities	195,597	12,862	14,361,661	—	—	14,570,120
Deferred inflows of resources						
Unavailable revenue - grants and services	42,012	—	—	—	—	42,012
Total deferred inflows of resources	42,012	—	—	—	—	42,012
Fund balance:						
Nonspendable	—	—	—	—	35,000	35,000
Restricted	2,901,826	326,409	12,261,639	201,350	128,799	15,820,023
Committed	—	252	—	—	—	252
Total fund balance	2,901,826	326,661	12,261,639	201,350	163,799	15,855,275
Total liabilities, deferred inflows of resources and fund balance	\$ 3,139,435	339,523	26,623,300	201,350	163,799	30,467,407

**KANSAS CITY PUBLIC SCHOOLS**  
Nonmajor Governmental Funds—  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year ended June 30, 2015

		Special revenue				Permanent fund patron endowments	Total nonmajor governmental funds
	Debt Service	Child Nutritional services	Student activity	Other Special Revenue	Patron gift		
Revenues:							
Prop C sales tax	\$ —	—	—	3,322,572	—	—	3,322,572
Local, including investment income	—	238,437	623,165	192,662	2,419	1,572	1,058,255
Other state	—	80,513	—	—	—	—	80,513
Federal	—	11,780,809	—	29,895	—	—	11,810,704
Total revenues	—	12,099,759	623,165	3,545,129	2,419	1,572	16,272,044
Expenditures:							
Current:							
Instruction	—	—	646,067	—	—	—	646,067
Support services	—	10,670,266	—	1,761,879	—	—	12,432,145
Transportation	—	—	6,679	—	—	—	6,679
Debt Service							
Principal	2,009,000	—	—	—	—	—	2,009,000
Interest & fiscal charges	2,600,368	—	—	—	—	—	2,600,368
Total expenditures	4,609,368	10,670,266	652,746	1,761,879	—	—	17,694,259
Revenues over (under) expenditures	(4,609,368)	1,429,493	(29,581)	1,783,250	2,419	1,572	(1,422,215)
Other financing sources (uses):							
Transfers in	4,609,368	—	—	—	—	—	4,609,368
Transfers out	—	(1,112,933)	—	—	—	—	(1,112,933)
Total other financing sources (uses)	4,609,368	(1,112,933)	—	—	—	—	3,496,435
Revenues over (under) expenditures and other financing sources (uses)	—	316,560	(29,581)	1,783,250	2,419	1,572	2,074,220
Fund balances, beginning of year	—	2,585,266	356,242	10,478,389	198,931	162,227	13,781,055
Fund balances, end of year	\$ —	2,901,826	326,661	12,261,639	201,350	163,799	15,855,275

# KANSAS CITY PUBLIC SCHOOLS

## Child Nutritional Services Fund— Schedule of Revenues, Expenditures, and Changes in Fund Balance— Budget and Actual

Year ended June 30, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Local	\$ 459,959	538,413	238,437	(299,976)
State	—	—	80,513	80,513
Federal	10,156,172	11,904,807	11,780,809	(123,998)
Total revenues	<u>10,616,131</u>	<u>12,443,220</u>	<u>12,099,759</u>	<u>(343,461)</u>
Expenditures:				
Current:				
Support services:				
Salaries	2,931,002	3,271,860	3,174,722	97,138
Benefits	1,506,380	1,639,591	2,003,976	(364,385)
Purchased services	342,464	618,769	269,436	349,333
Supplies and materials	5,836,285	6,780,564	5,222,132	1,558,432
Total expenditures	<u>10,616,131</u>	<u>12,310,784</u>	<u>10,670,266</u>	<u>1,640,518</u>
Revenues over expenditures	<u>—</u>	<u>132,436</u>	<u>1,429,493</u>	<u>1,297,057</u>
Other financing sources (uses):				
Transfers out	<u>—</u>	<u>—</u>	<u>(1,112,933)</u>	<u>(1,112,933)</u>
Total other financing (uses)	<u>—</u>	<u>—</u>	<u>(1,112,933)</u>	<u>(1,112,933)</u>
Revenues over expenditures and other financing uses	<u>\$ —</u>	<u>132,436</u>	<u>316,560</u>	<u>184,124</u>
Fund balance, beginning of year			<u>2,585,266</u>	
Fund balance, end of year			<u>\$ 2,901,826</u>	



# KANSAS CITY PUBLIC SCHOOLS

## Capital Projects Fund— Schedule of Revenues, Expenditures, and Changes in Fund Balance— Budget and Actual

Year ended June 30, 2015

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Revenues:				
Property taxes	\$ 7,654,376	7,896,161	7,897,245	1,084
Other local	80,290	516,753	1,030,554	513,801
State	—	87,187	86,259	(928)
Federal	763,383	1,714,024	2,345,278	631,254
Total revenues	8,498,049	10,214,125	11,359,336	1,145,211
Expenditures:				
Capital outlay:				
Administration:				
Board of education services	2,000	2,000	—	2,000
Executive administration	—	159	—	159
Building level administration	—	—	4,145	(4,145)
Total administration	2,000	2,159	4,145	(1,986)
Instruction:				
Elementary	894,955	1,141,142	252,465	888,677
Middle/junior high	—	20,000	20,000	—
Senior high	—	2,966	4,445	(1,479)
Culturally different	—	613,533	946,958	(333,425)
Vocational instruction	40,500	266,057	104,641	161,416
Student activities	10,000	22,270	2,753	19,517
Total instruction	945,455	2,065,968	1,331,262	734,706
Support services:				
Health/psychology/speech/audiology	1,500	3,000	2,328	672
Improvement of instruction:				
Curriculum development	—	3,642	—	3,642
Educational media services	836	7,296	5,060	2,236
Finance/support services	1,500	24,097	24,096	1
Food service	—	406,122	160,427	245,695
Planning/research/development services	—	2,000	1,853	147
Admissions/communication services	3,250	2,000	—	2,000
Human resource services	—	1,853	1,852	1
Information technology service	—	230,549	153,140	77,409
Total support services	7,086	680,559	348,756	331,803
Operation of facilities	—	211,943	131,932	80,011
Community and adult services:				
Adult basic education	—	5,300	4,973	327
Community services	—	2,000	1,568	432
Early childhood	—	348,908	367,198	(18,290)
Total community and adult services	—	356,208	373,739	(17,531)
Facilities improvement and renovation:				
Capital outlay	—	24,439,791	13,291,858	11,147,933
Total facilities improvement and renovation	—	24,439,791	13,291,858	11,147,933

**KANSAS CITY PUBLIC SCHOOLS**

Capital Projects Fund—  
Schedule of Revenues, Expenditures, and Changes in Fund Balance—  
Budget and Actual

Year ended June 30, 2015

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Debt service:				
Principal	6,009,000	6,008,999	2,009,000	3,999,999
Interest	1,534,508	1,534,509	2,600,368	(1,065,859)
Total debt service	7,543,508	7,543,508	4,609,368	2,934,140
Total expenditures	8,498,049	35,300,136	20,091,060	15,209,076
Revenues under expenditures	—	(25,086,011)	(8,731,724)	16,354,287
Other financing sources (uses):				
Transfers in	—	—	9,218,284	9,218,284
Sale of capital assets	—	—	545,079	545,079
Total other financing sources	—	—	9,763,363	9,763,363
Revenues and other financing sources over expenditures and other financing sources	\$ —	(25,086,011)	1,031,639	26,117,650
Fund balance, beginning of year			28,177,288	
Fund balance, end of year			29,208,927	

# KANSAS CITY PUBLIC SCHOOLS

Capital Projects Fund—  
Schedule of Revenues, Expenditures and Changes in Fund Balance—by Project  
Year ended June 30, 2015

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Child Nutrition Capital Projects	Total Capital Projects funds
Revenues:				
Property taxes	\$ —	7,897,245	—	7,897,245
Other local	—	1,030,554	—	1,030,554
State	—	86,259	—	86,259
Federal	—	2,194,816	150,462	2,345,278
Total revenues	—	11,208,874	150,462	11,359,336
Expenditures:				
Administration:				
Executive administration	—	4,145	—	4,145
Total administration	—	4,145	—	4,145
Instruction:				
Elementary schools	—	252,465	—	252,465
Middle schools	20,000	—	—	20,000
High schools	—	4,445	—	4,445
Culturally different	—	946,958	—	946,958
Vocational instruction	—	104,641	—	104,641
Student activities	—	2,753	—	2,753
Total instruction	20,000	1,311,262	—	1,331,262
Support services:				
Health/psychology/speech/audiology	—	2,328	—	2,328
Educational media services	—	5,060	—	5,060
Financial services	—	24,096	—	24,096
Food service	—	—	160,427	160,427
Planning/research/evaluation/ development services	—	1,853	—	1,853
Human resource services	—	1,852	—	1,852
Information technology services	153,140	—	—	153,140
Total support services	153,140	35,189	160,427	348,756
Operation of plant:				
Plant services	131,932	—	—	131,932
Total operation of plant	131,932	—	—	131,932
Community and adult services:				
Community services	—	373,739	—	373,739
Total community and adult services	—	373,739	—	373,739

# KANSAS CITY PUBLIC SCHOOLS

Capital Projects Fund—  
Schedule of Revenues, Expenditures and Changes in Fund Balance—by Project  
Year ended June 30, 2015

<b>Function</b>	<b>Capital Projects L-T-D Fund</b>	<b>Operating Capital Projects</b>	<b>Child Nutrition Capital Projects</b>	<b>Total Capital Projects funds</b>
Capital outlay:				
Operation of facilities	13,291,858	—	—	13,291,858
Total capital outlay	13,291,858	—	—	13,291,858
Total expenditures	13,596,930	1,724,335	160,427	15,481,692
Revenues over (under) expenditures	(13,596,930)	9,484,539	(9,965)	(4,122,356)
Other financing sources (uses):				
Transfers in	4,806,212	4,402,107	9,965	9,218,284
Transfer out	—	(4,609,368)	—	(4,609,368)
Sale of capital assets	32,000	513,079	—	545,079
Total financing sources (uses)	4,838,212	305,818	9,965	5,153,995
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	(8,758,718)	9,790,357	—	1,031,639
Fund balances – beginning of year	21,974,673	6,202,615	—	28,177,288
Fund balances – end of year	\$ 13,215,955	15,992,972	—	29,208,927

# KANSAS CITY PUBLIC SCHOOLS

## Capital Projects Fund— Schedule of Revenues, Expenditures and Changes in Fund Balance- by Project June 30, 2015

<b>Function</b>	<b>Capital Projects L-T-D Fund</b>	<b>Operating Capital Projects</b>	<b>Child Nutrition Capital Projects</b>	<b>Total Capital Projects funds</b>
Fund balance:				
<b>Restricted</b>				
Property held for sale	\$ 2,245,400	—	—	2,245,400
<b>Total Restricted</b>	<u>2,245,400</u>	<u>—</u>	<u>—</u>	<u>2,245,400</u>
<b>Committed</b>				
Encumbrances-cornerstone	4,810,386	—	—	4,810,386
<b>Total Committed</b>	<u>4,810,386</u>	<u>—</u>	<u>—</u>	<u>4,810,386</u>
<b>Assigned</b>				
Future equipment purchases	6,160,169	15,992,972	—	22,153,141
<b>Total Assigned</b>	<u>6,160,169</u>	<u>15,992,972</u>	<u>—</u>	<u>22,153,141</u>
Total fund balance	\$ <u>13,215,955</u>	<u>15,992,972</u>	<u>—</u>	<u>29,208,927</u>

# KANSAS CITY PUBLIC SCHOOLS

## General Fund— Schedule of Revenues, Expenditures and Changes in Fund Balance Year ended June 30, 2015

Function	Operating General	C-I-P General	Total General funds
Revenues:			
Property taxes	\$ 136,177,305	—	136,177,305
Prop C sales tax	11,826,010	—	11,826,010
Other local, including investment income	7,429,985	—	7,429,985
Intermediate/county	5,284,463	—	5,284,463
State aid—basic formula	12,273,718	—	12,273,718
Other state	8,265,176	40,644	8,305,820
Federal	29,611,266	—	29,611,266
Tuition	361,816	—	361,816
Total revenues	<u>211,229,739</u>	<u>40,644</u>	<u>211,270,383</u>
Expenditures:			
Current:			
Administration	17,222,456	140	17,222,596
Instruction	104,568,231	1,546,099	106,114,330
Support services	35,827,748	3,108,796	38,936,544
Operation of facilities	29,399,457	4,955,389	34,354,846
Pupil transportation	12,116,868	—	12,116,868
Community and adult services	9,964,376	—	9,964,376
Total expenditures	<u>209,099,136</u>	<u>9,610,424</u>	<u>218,709,560</u>
Revenues over (under) expenditures	<u>2,130,603</u>	<u>(9,569,780)</u>	<u>(7,439,177)</u>
Other financing sources (uses):			
Transfers in	120,503	7,014,590	7,135,093
Transfers out	(15,119,941)	—	(15,119,941)
Total other financing sources (uses)	<u>(14,999,438)</u>	<u>7,014,590</u>	<u>(7,984,848)</u>
Net change in fund balances	<u>(12,868,835)</u>	<u>(2,555,190)</u>	<u>(15,424,025)</u>
Fund balances, beginning of year	68,567,497	4,644,336	73,211,833
Fund balances, end of year	<u>\$ 55,698,662</u>	<u>2,089,146</u>	<u>57,787,808</u>

## **CAPITAL ASSETS**

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# KANSAS CITY PUBLIC SCHOOLS

## Capital Assets Used in the Operation of Governmental Funds by Source

June 30, 2015

(with comparative totals for June 30, 2014)

	<b>Total</b>	
	<b>2015</b>	<b>2014</b>
Capital assets (gross):		
Land	\$ 30,407,846	30,646,301
Buildings	478,026,886	467,849,653
Improvements other than buildings	43,484,105	42,031,266
Impairment-closed buildings	14,857,044	14,857,044
Equipment, furniture, and vehicles	26,523,725	27,285,866
Construction in progress	333,519	1,381,221
Total	<u>\$ 593,633,125</u>	<u>584,051,351</u>
Investment in capital assets by source:		
General fund	\$ 291,953	291,953
Capital projects	593,105,923	583,388,285
Special revenue	169,226	305,090
Trust and agency	13,127	13,127
Donations	52,896	52,896
Total	<u>\$ 593,633,125</u>	<u>584,051,351</u>

# KANSAS CITY PUBLIC SCHOOLS

## Schedule of Changes of Capital Assets Used in the Operation of Governmental Funds by Function and Activity

Year Ended June 30, 2015

<b>Classification</b>	<b>Beginning balance July 1, 2014</b>	<b>Adjustments</b>	<b>Additions</b>	<b>Retirements</b>	<b>Construction- in-progress transfers</b>	<b>Ending balance June 30, 2015</b>
High schools	\$ 244,958,616	(255,426)	2,707,222	(532,169)	—	246,878,243
Middle schools	94,524,905	177,226	7,650,408	(15,560)	—	102,336,979
Elementary schools	216,663,007	135,397	2,462,542	(613,135)	—	218,647,811
Administration	26,523,602	(57,197)	1,179,540	(2,209,372)	—	25,436,573
Construction in progress	1,381,221	—	333,519	(1,381,221)	—	333,519
Total	\$ 584,051,351	—	14,333,231	(4,751,457)	—	593,633,125

**KANSAS CITY PUBLIC SCHOOLS**

Capital Assets Used in the Operation of Governmental Funds by Function and Activity  
June 30, 2015

<b>Classification</b>		<b>Land</b>	<b>Buildings</b>	<b>Improvements other than buildings</b>	<b>Impaired assets</b>	<b>Equipment, furniture, vehicles</b>	<b>Construction- in-progress</b>	<b>Total</b>
High schools	\$	10,640,126	206,174,930	19,423,219	3,353,086	7,286,882	—	246,878,243
Middle schools		5,330,985	89,546,377	5,198,659	680,000	1,580,959	—	102,336,980
Elementary schools		11,834,452	170,080,482	16,943,884	10,823,958	8,965,036	—	218,647,812
Administration		2,602,283	12,225,097	1,918,343	—	8,690,848	—	25,436,571
Construction-in-progress		—	—	—	—	—	333,519	333,519
Total	\$	<u>30,407,846</u>	<u>478,026,886</u>	<u>43,484,105</u>	<u>14,857,044</u>	<u>26,523,725</u>	<u>333,519</u>	<u>593,633,125</u>

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## **STATISTICAL SECTION**

## Statistical Section

This section provides detail information to enable the reader to gain a better understanding of the District's financial statements, note disclosures and required supplementary information.

### **Contents**

**Financial Trends** – These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Table 1 – Table 4

**Revenue Capacity** – These schedules contain information to help the reader assess the District's most significant local revenue sources, the property tax.

Table 5 – Table 8

**Debt Capacity** – These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Table 9 – Table 11

**Demographic And Economic Information** – These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Table 12 – Table 13

**Note:** Personal income data is currently not available.

**Operating Information** – These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

Table 14

**Sources:** Unless otherwise noted, the information in these schedules comes from the comprehensive annual report for the relevant year.

**Table 1**

**KANSAS CITY PUBLIC SCHOOLS**  
Net Position by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)  
(unaudited)

Classification	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities:										
Net investment in capital assets	\$ 313,050	\$ 311,276	\$ 296,176	\$ 325,699	\$ 320,182	\$ 331,473	\$ 371,354	\$ 351,989	\$ 373,750	\$ 367,206
Restricted	15,479	16,781	25,587	24,503	25,484	10,594	12,489	60,705	61,244	80,562
Unrestricted	<u>2,477</u>	<u>104,618</u>	<u>123,174</u>	<u>110,811</u>	<u>99,271</u>	<u>105,853</u>	<u>114,368</u>	<u>115,956</u>	<u>136,244</u>	<u>139,480</u>
Total governmental activities, net of position	<u>\$ 331,005</u>	<u>\$ 432,675</u>	<u>\$ 444,937</u>	<u>\$ 461,013</u>	<u>\$ 444,937</u>	<u>\$ 447,920</u>	<u>\$ 498,211</u>	<u>\$ 528,650</u>	<u>\$ 571,238</u>	<u>\$ 587,248</u>
Business-type activities:										
Unrestricted	\$ 288	\$ 501	\$ 374	\$ 178	\$ 39	\$ 180	\$ 522	\$ 1,426	\$ 1,829	\$ 1,108
Total business-type activities, net of position	<u>\$ 288</u>	<u>\$ 501</u>	<u>\$ 374</u>	<u>\$ 178</u>	<u>\$ 39</u>	<u>\$ 180</u>	<u>\$ 522</u>	<u>\$ 1,426</u>	<u>\$ 1,829</u>	<u>\$ 1,108</u>
Primary government:										
Net investment in capital assets	\$ 313,050	\$ 311,276	\$ 296,176	\$ 325,699	\$ 320,182	\$ 331,473	\$ 371,354	\$ 351,989	\$ 373,750	\$ 367,206
Restricted	15,479	16,781	25,587	24,503	25,484	10,594	12,489	60,705	61,244	80,562
Unrestricted	<u>2,765</u>	<u>105,119</u>	<u>123,548</u>	<u>110,990</u>	<u>99,310</u>	<u>106,033</u>	<u>114,890</u>	<u>117,382</u>	<u>138,073</u>	<u>140,588</u>
Total primary government, net of position	<u>\$ 331,293</u>	<u>\$ 433,176</u>	<u>\$ 445,311</u>	<u>\$ 461,192</u>	<u>\$ 444,976</u>	<u>\$ 448,100</u>	<u>\$ 498,734</u>	<u>\$ 530,076</u>	<u>\$ 573,067</u>	<u>\$ 588,356</u>

The District adopted GASB Statement Nos. 68 and 71 in 2015, which restated beginning net position of governmental activities.  
Prior years have not been restated.

Table 2

**KANSAS CITY PUBLIC SCHOOLS**  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)  
(unaudited)

Classification	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Expenses</b>										
Governmental activities:										
Administration	\$ 16,326	\$ 16,710	\$ 11,521	\$ 13,150	\$ 20,646	\$ 20,874	\$ 25,512	\$ 23,464	\$ 25,502	\$ 24,876
Instruction	118,825	105,802	100,639	101,298	116,388	149,927	175,175	193,545	193,304	174,168
Support services	58,340	51,572	51,372	46,820	52,810	67,768	76,835	79,253	77,738	93,921
Operation of facilities	34,467	33,744	52,366	28,746	29,462	41,589	40,936	44,578	40,000	38,682
Pupil transportation	12,124	11,443	11,847	12,102	12,863	15,258	17,211	18,703	22,132	23,988
Facilities improvements and renovation	2,604	14,638	3,829	2,123	15,724	225	7,909	1,413	403	612
Community and adult services	10,347	8,951	8,706	9,194	11,748	9,644	8,478	11,557	6,226	6,237
Interest on long-term debt	2,597	2,809	2,989	3,716	2,044	1,990	2,791	3,902	4,982	6,023
Total governmental activities expenses	<u>\$ 255,630</u>	<u>\$ 245,667</u>	<u>\$ 243,269</u>	<u>\$ 217,149</u>	<u>\$ 261,685</u>	<u>\$ 307,276</u>	<u>\$ 354,846</u>	<u>\$ 376,416</u>	<u>\$ 370,287</u>	<u>\$ 368,507</u>
Business-type activities										
Community services	\$ 393	\$ 57	\$ 57	\$ 151	\$ 29	\$ 32	\$ 194	\$ 389	\$ 693	\$ 121
Total governmental activities expenses	<u>393</u>	<u>57</u>	<u>57</u>	<u>151</u>	<u>29</u>	<u>32</u>	<u>194</u>	<u>389</u>	<u>693</u>	<u>121</u>
Total primary government expenses	<u>\$ 256,023</u>	<u>\$ 245,725</u>	<u>\$ 243,326</u>	<u>\$ 217,300</u>	<u>\$ 261,714</u>	<u>\$ 307,308</u>	<u>\$ 355,040</u>	<u>\$ 376,805</u>	<u>\$ 370,980</u>	<u>\$ 368,628</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
Administration	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Instruction	65	28	165	3	—	34	—	20	—	50
Support services	3,715	1,947	2,931	766	935	685	1,992	3,763	3,741	3,596
Operation of facilities	—	6	—	6	41	49	61	69	65	70
Pupil transportation	3	94	203	79	32	19	4	—	13	7
Community and adult services	47	291	—	—	2	25	156	88	—	60
Operating grants and contributions										
Administration	26	20	—	—	183	43	—	—	10	10
Instruction	36,633	33,449	32,774	30,402	45,623	56,153	37,711	34,431	37,816	84,511
Support services	11,863	11,694	10,476	9,440	16,901	18,018	18,068	12,807	14,884	16,113
Operation of facilities	—	—	—	—	—	7	—	—	—	55
Pupil transportation	2,668	2,354	2,405	2,910	3,057	5,496	6,405	7,104	8,297	8,421
Community and adult services	1,189	2,198	1,626	2,398	971	528	670	895	1,227	2,714



**KANSAS CITY PUBLIC SCHOOLS**  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)  
(unaudited)

Classification	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Capital grants and contributions										
Administration	—	—	—	—	10	—	—	—	—	—
Instruction	456	—	15	813	111	804	37	620	82	51
Support services	150	—	6	25	1	—	—	37	617	5,362
Operation of facilities	—	—	198	249	183	230	189	—	40	11
Pupil transportation	—	—	—	—	—	—	—	—	—	—
Facilities improvements and renovation	—	—	—	—	—	—	495	—	—	251
Community and adult services	5	—	—	—	—	—	12	861	—	—
Interest on long-term debt	2,043	1,893	2,136	1,956	—	—	—	—	—	—
Total governmental activities program revenue	<u>58,864</u>	<u>53,975</u>	<u>52,935</u>	<u>49,049</u>	<u>68,050</u>	<u>82,090</u>	<u>65,801</u>	<u>60,695</u>	<u>66,792</u>	<u>121,282</u>
Business-type activities:										
Charges for services	301	227	253	291	46	97	287	728	1,240	146
Total business-type activities program revenues	<u>301</u>	<u>227</u>	<u>253</u>	<u>291</u>	<u>46</u>	<u>97</u>	<u>287</u>	<u>728</u>	<u>1,240</u>	<u>146</u>
Total primary governmental program revenues	<u>\$ 59,166</u>	<u>\$ 54,201</u>	<u>\$ 53,188</u>	<u>\$ 49,340</u>	<u>\$ 68,097</u>	<u>\$ 82,187</u>	<u>\$ 66,088</u>	<u>\$ 61,423</u>	<u>\$ 68,032</u>	<u>\$ 121,428</u>
Net (expense)/revenue										
Governmental activities	\$ (196,766)	\$ (191,693)	\$ (190,333)	\$ (168,100)	\$ (193,635)	\$ (225,186)	\$ (289,045)	\$ (315,721)	\$ (303,495)	\$ (247,225)
Business-type activities	(92)	170	196	139	17	64	93	339	547	25
Total primary government net expense	<u>\$ (196,858)</u>	<u>\$ (191,523)</u>	<u>\$ (190,137)</u>	<u>\$ (167,961)</u>	<u>\$ (193,617)</u>	<u>\$ (225,122)</u>	<u>\$ (288,952)</u>	<u>\$ (315,382)</u>	<u>\$ (302,948)</u>	<u>\$ (247,200)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	\$ 144,992	\$ 141,515	\$ 136,844	\$ 138,277	\$ 146,191	\$ 144,211	\$ 152,705	\$ 159,256	\$ 146,230	\$ 146,230
Prop C Sales tax	15,149	15,579	15,061	15,128	15,831	16,659	20,180	23,051	28,187	28,187
Other local revenues	5,559	5,039	7,256	6,067	3,363	2,249	3,600	2,100	1,935	1,935
County governmental contributions	5,284	5,054	5,284	4,287	3,489	3,295	4,209	4,025	6,356	6,356
State aid-basic formula	12,274	8,529	10,148	18,970	20,150	44,028	70,172	89,732	47,106	47,106
Grants and entitlements not restricted to specific programs	705	409	427	441	561	328	821	1,051	1,820	1,820
Gain on sale of capital assets	545	659	—	—	—	—	—	—	—	—
Investment earnings	1,499	2,604	(763)	1,007	906	1,753	4,500	10,486	9,747	9,747
Special item	—	—	—	—	—	(38,038)	—	—	—	—
Extraordinary item	—	—	—	—	161	—	1,419	(17,319)	—	—
Transfers	120	43	—	—	—	410	1,000	750	(1,004)	(1,004)
Total governmental activities	<u>186,127</u>	<u>179,431</u>	<u>174,257</u>	<u>184,177</u>	<u>190,652</u>	<u>174,895</u>	<u>258,606</u>	<u>273,133</u>	<u>240,377</u>	<u>240,377</u>

**KANSAS CITY PUBLIC SCHOOLS**  
Changes in Net Position  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)  
(unaudited)

Classification	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Business-type activities:										
Investment earnings	—	—	—	—	2	4	3	8	—	—
Transfers	(120)	(43)	—	—	(161)	(410)	(1,000)	(750)	1,004	1,004
Total business-type activities	<u>(120)</u>	<u>(43)</u>	<u>—</u>	<u>—</u>	<u>(159)</u>	<u>(406)</u>	<u>(997)</u>	<u>(742)</u>	<u>1,004</u>	<u>1,004</u>
Total primary government	\$ <u>186,007</u>	\$ <u>179,388</u>	\$ <u>174,257</u>	\$ <u>184,176</u>	\$ <u>190,493</u>	\$ <u>174,489</u>	\$ <u>257,610</u>	\$ <u>272,391</u>	\$ <u>241,381</u>	\$ <u>241,381</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (10,639)	\$ (12,262)	\$ (16,076)	\$ 16,076	\$ (2,983)	\$ (50,291)	\$ (30,439)	\$ (42,587)	\$ (63,118)	\$ (6,848)
Business-type activities	<u>(212)</u>	<u>127</u>	<u>196</u>	<u>139</u>	<u>(141)</u>	<u>(342)</u>	<u>(904)</u>	<u>(403)</u>	<u>1,551</u>	<u>1,029</u>
Total primary government	\$ <u>(10,851)</u>	\$ <u>(12,135)</u>	\$ <u>(15,880)</u>	\$ <u>16,215</u>	\$ <u>(3,125)</u>	\$ <u>(50,633)</u>	\$ <u>(31,343)</u>	\$ <u>(42,990)</u>	\$ <u>(61,567)</u>	\$ <u>(5,819)</u>

Table 3

**KANSAS CITY PUBLIC SCHOOLS**  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified accrual basis of accounting)  
(Amounts expressed in thousands)  
(unaudited)

Classification	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Nonspendable	\$ 82	\$ 1,223	\$ —	\$ —	\$ —	\$ 520	\$ —	\$ —	\$ —	\$ —
Restricted	280	3,027	301	837	289	816	—	—	—	—
Assigned	751	3,997	479	1,467	897	2,256	—	—	—	—
Unassigned	56,675	64,965	64,782	61,504	51,236	37,255	—	—	—	—
Reserved				—	—	—	1,853	5,243	2,565	701
Unreserved:										
Designated:										
Grant activity	—	—	—	—	—	—	2,742	4,041	2,394	9,946
Reserve for contingency	—	—	—	—	—	—	5,000	—	—	—
Undesignated	—	—	—	—	—	—	37,701	35,593	57,919	55,034
Total general fund	<u>\$ 57,788</u>	<u>\$ 73,212</u>	<u>\$ 65,562</u>	<u>\$ 63,808</u>	<u>\$ 52,422</u>	<u>\$ 40,847</u>	<u>\$ 47,296</u>	<u>\$ 44,877</u>	<u>\$ 62,878</u>	<u>\$ 65,681</u>
All other governmental funds										
Nonspendable	\$ 35	\$ 35	\$ 2,074	\$ 2,619	\$ 2,567	\$ 1,675	\$ —	\$ —	\$ —	\$ —
Restricted	18,065	16,348	28,802	45,336	56,904	46,043	—	—	—	—
Committed	4,811	19,373	31,770	45,742	34,655	25,781	—	—	—	—
Assigned	22,153	6,203	17,544	3,785	7,904	15,126	—	—	—	—
Unassigned	—	—	—	(759)	—	—	—	—	—	—
Reserved										
Debt service funds	—	—	—	—	—	—	11,968	60,171	58,093	71,484
Capital projects funds	—	—	—	—	—	—	10,075	4,381	3,522	4,424
Nonmajor funds	—	—	—	—	—	—	239	382	733	1,133
Unreserved, reported in:										
Designated:										
Long-term building maintenance	—	—	—	—	—	—	11,299	9,588	15,275	14,167
Transition period funding	—	—	—	—	—	—	—	—	—	1,120
Technology plan	—	—	—	—	—	—	2,784	7,008	8,901	9,947
CIP escrow	—	—	—	—	—	—	12,600	—	—	—
Compensated absences	—	—	—	—	—	—	21,138	21,814	22,318	22,528
E-Rate/E-Rate support	—	—	—	—	—	—	1,848	1,835	1,821	1,510
Undesignated:										
Special revenue funds	—	—	—	—	—	—	(110)	372	(727)	(393)
Capital projects funds	—	—	—	—	—	—	6,964	17,110	22,436	26,261
Permanent funds	—	—	—	—	—	—	124	121	148	139
Total all other governmental funds	<u>\$ 45,064</u>	<u>\$ 41,959</u>	<u>\$ 80,190</u>	<u>\$ 96,723</u>	<u>\$ 102,029</u>	<u>\$ 88,625</u>	<u>\$ 83,906</u>	<u>\$ 122,782</u>	<u>\$ 132,520</u>	<u>\$ 152,320</u>

The District implemented GASB54 in fiscal year 2011.

Table 4

**KANSAS CITY PUBLIC SCHOOLS**  
Changes in Fund Balances of Governmental Funds, and Debt Service Ratio  
Last Ten Fiscal Years  
(Modified accrual basis of accounting)  
(Amounts expressed in thousands)  
(unaudited)

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues</b>										
Property taxes	\$ 144,075	\$ 139,195	\$ 142,138	\$ 138,391	\$ 147,293	\$ 144,986	\$ 149,926	\$ 157,679	\$ 147,941	\$ 147,931
Prop C Sales tax	15,149	15,579	15,061	15,128	15,831	16,659	20,180	23,051	25,097	28,187
Other local revenues	9,519	11,055	8,702	8,647	5,581	5,375	11,836	15,527	20,324	14,871
County governmental contributions	5,284	5,054	5,284	4,287	3,489	3,295	4,209	4,025	3,433	6,357
State aid-basic formula	12,274	8,529	10,148	18,225	20,150	44,028	70,172	89,732	96,285	47,106
At risk										30,485
Other state	8,473	5,790	6,009	8,981	6,981	8,504	10,999	12,176	13,258	25,447
Federal	43,767	48,576	38,782	39,441	60,751	74,338	48,797	41,699	48,866	62,072
Tuition	362	5	283	25	10	52	13	4	77	37
Total revenues	238,902	233,783	226,407	233,126	260,086	297,236	316,132	343,893	355,281	362,493
<b>Expenditures</b>										
Administration	17,227	15,659	15,526	14,359	16,012	20,811	25,643	24,011	27,364	23,081
Instruction	108,092	95,329	91,352	92,571	105,754	136,551	160,407	176,156	178,472	164,151
Support services	51,717	54,967	51,560	45,983	54,740	73,343	75,984	74,219	74,311	84,975
Operation of facilities	34,487	34,296	29,478	27,624	29,569	41,205	41,286	44,483	39,375	39,552
Pupil transportation	12,124	11,443	11,847	12,102	12,863	15,258	17,211	18,703	22,133	23,985
Community and adult services	10,338	8,943	8,697	9,198	11,732	9,625	8,553	11,578	6,139	6,235
Facilities improvements and renovations	13,292	36,447	22,764	12,351	6,241	7,290	17,736	5,166	2,376	1,378
Debt service										
Principal	2,009	5,750	7,555	9,770	10,875	10,385	9,945	22,130	22,100	21,380
Interest	2,600	2,928	3,287	3,773	3,755	2,352	3,244	4,351	5,428	6,467
Total expenditures	251,886	265,763	242,066	227,730	251,541	316,822	360,009	380,797	377,698	371,204
Excess of revenues under expenditures	(12,984)	(31,980)	(15,659)	5,396	8,545	(19,586)	(43,877)	(36,904)	(22,417)	(8,711)
<b>Other financing sources (uses)</b>										
Transfers in	13,948	18,779	19,300	21,691	25,348	112,411	176,079	144,715	144,715	191,837
Transfers out	(13,828)	(18,736)	(19,300)	(21,691)	(25,188)	(112,002)	(157,909)	(149,288)	(149,288)	(202,418)
Issuance of long term debt	—	—	—	—	16,274	17,880	—	—	—	—
Payment to refunded debt	—	—	—	—	—	—	(13,977)	—	—	—
Capital Leases	—	—	—	—	—	—	—	1,527	1,527	—
Unrealized proceeds - surplus assets	—	—	—	620	—	—	1,826	3,294	3,294	—
Unrealized loss on surplus assets	—	—	(920)	(904)	—	(595)	—	—	—	—
Sales of capital assets	545	1,356	1,798	968	—	161	1,401	161	—	328
Total other financing sources (uses)	666	1,399	878	684	16,435	17,856	7,420	409	248	(10,253)
Net change in fund balances	\$ (12,318)	\$ (30,581)	\$ (14,781)	\$ 6,080	\$ 24,979	\$ (1,730)	\$ (36,457)	\$ (36,495)	\$ (22,169)	\$ (18,964)
Debt service as a percentage of noncapital expenditures	1.9%	3.8%	5.0%	6.3%	6.2%	4.2%	3.8%	6.2%	6.2%	6.1%

Table 5

**KANSAS CITY PUBLIC SCHOOLS**  
Assessed and Estimated Actual Value of Taxable Property (1)  
Last Ten Calendar Years

Tax levy year	Real property (2)		Personal property (2)		Total		Ratio of
	Value	Actual value	Value	Actual value	Value	Actual value	total assessed Actual value
2014	2,097,556,838	9,145,085,488	637,913,712	1,913,932,529	2,735,470,550	11,059,018,017	25 %
2013	2,099,953,272	9,147,153,397	621,468,398	1,864,591,653	2,721,421,670	11,011,745,050	25
2012	2,084,828,732	9,066,836,031	605,311,801	1,816,117,315	2,690,140,533	10,882,953,346	25
2011	2,089,006,959	9,094,590,836	658,069,420	1,974,405,701	2,747,076,379	11,068,996,537	25
2010	2,136,547,926	9,227,817,390	648,566,756	1,945,894,857	2,785,114,682	11,173,712,247	25
2009	2,134,968,810	9,215,327,571	656,797,975	1,970,590,984	2,791,766,785	11,185,918,555	25
2008	2,270,379,857	9,881,307,807	688,862,166	2,066,793,177	2,959,242,023	11,948,100,985	25
2007	2,458,068,509	10,743,151,553	742,016,617	2,226,272,478	3,200,085,126	12,969,424,602	25
2006	2,211,529,159	11,639,627,153	674,138,810	2,022,618,692	2,885,667,969	13,662,245,845	21
2005	2,198,143,237	9,726,019,934	677,475,726	2,032,630,441	2,875,618,963	11,758,650,375	24

(1) Source: Assessed valuations were made by the Jackson County Assessment Department. Section 137.115 of the Missouri Revised Statutes classifies real property to one of three categories when assigning assessed value as a percentage of actual; Agriculture at 11%; residential at 19%; or commercial at 32%. Personal property is assessed at 33.33% of actual value.

(2) Locally assessed railroad and utility property is included in either real or personal property; merchants' and manufacturers' equipment is included in personal property.

Table 6

**KANSAS CITY PUBLIC SCHOOLS**  
Property Tax Rates (1)—Direct and Overlapping Governments  
Last Ten Fiscal Years

<b>Fiscal year ended</b>	<b>City of Kansas City</b>	<b>City of Independence (3)</b>	<b>State of Missouri</b>	<b>Jackson County</b>	<b>Metropolitan Community Colleges</b>	<b>City of Sugar Creek (3)</b>	<b>Kansas City, Missouri Public Library</b>	<b>School District</b>	<b>Total (2)</b>
2015	\$ 1.5997	\$ —	\$ 0.03	\$ 0.514	\$ 0.2374	\$ —	\$ 0.5000	\$ 4.95	7.83
2014	1.5932	—	0.03	0.053	0.2329	—	0.5000	4.95	7.36
2013	1.5679	—	0.03	0.543	0.2329	—	0.5000	4.95	7.82
2012	1.5294	—	0.03	0.543	0.2329	—	0.5000	4.95	7.79
2011	1.5294	—	0.03	0.543	0.2329	—	0.5000	4.95	7.79
2010	1.4678	—	0.03	0.543	0.2266	—	0.4991	4.95	7.72
2009	1.4678	—	0.03	0.570	0.2143	—	0.4731	4.95	7.71
2008	1.4632	0.65	0.03	0.570	0.2100	1.07	0.4500	4.95	9.39
2007	1.5055	0.66	0.03	0.570	0.2200	1.07	0.4700	4.95	9.48
2006	1.5055	0.69	0.03	0.570	0.2200	1.07	0.4700	4.95	9.51

(1) Source: Tax rates per \$100 assessed valuation as confirmed directly by taxing authorities.

(2) The District's boundaries are not wholly contained in Kansas City, Missouri, but overlap other cities. Consequently, the total does not represent the actual tax burden of individual taxpayers. The total is presented only as an indicator of the change in property tax rates.

(3) On November 6, 2007, voters approved a boundary change that eliminated District school sites located in the City of Independence and the City of Sugar Creek.

Table 7

## KANSAS CITY PUBLIC SCHOOLS

## Principal Property Taxpayers

June 30, 2015

Taxpayers	Type of Business	2014			2005		
		Assessed value(1)	Rank	Percentage of total assessed value	Assessed value(1)	Rank	Percentage of total assessed value
Hallmark & Crown Power	Real Estate/Retail/Hotel	\$ 62,296,067	1	2.3%	70,887,106	1	2.5%
Kansas City Power and Light	Utility	43,305,742	2	1.6	32,980,657	2	1.1
A T & T	Communications	37,028,912	3	1.4	10,477,350	9	0.4
J C Nichols & Highwoods Realty	Real Estate	26,827,301	4	1.0	27,542,641	3	1.0
Town Pavilion Holdings LLC	Real Estate	22,252,269	5	0.8			
Southern Union Co	Utility	21,182,188	6	0.8	13,987,743	7	0.5
Bayer & Mobay	Agricultural Research and Mfg	21,456,107	7	0.8	21,899,264	4	0.8
Google Fiber Missouri LLC	Information Technology Services	20,968,091	8	0.8			
Twentieth Century Realty Inc	Real Estate	14,164,528	9	0.5	10,447,868	10	0.4
1200 Chiefs Owner LLC		12,800,000	10	0.5			
DST, Inc.	Information Technology Services				15,287,588	5	0.5
Southwestern Bell	Communications				14,950,994	6	0.5
IBM Credit Corporation	Finance				11,218,241	8	0.4
		<u>\$ 282,281,205</u>		<u>10.5%</u>	<u>229,679,452</u>		<u>8.1%</u>

Note: Total assessed value for 2014 was \$2,850,325,508 and 2005 was \$2,875,618,963

(1) Based on calendar year ended December 31, 2013 and December 31, 2004.

Source: Jackson County, Division of Finance, Collection Department reports.

Table 8

**KANSAS CITY PUBLIC SCHOOLS**  
Property Tax Levies and Collections (1)  
Last Ten Calendar Years

<b>Tax levy year</b>		<b>Current tax levy (2)</b>	<b>Current tax collections</b>	<b>Percentage of levy collected</b>		<b>Delinquent tax collections</b>	<b>Total tax collections</b>	<b>Total collections as a percent of current levy (3)</b>		<b>Outstanding delinquent taxes (4)</b>	<b>Outstanding delinquent taxes as a percentage of current levy</b>
2014	\$	135,405,792	130,008,627	96.0%	\$	11,587,460	\$ 141,596,087	104.6%	\$	5,397,165	4%
2013		136,480,977	129,727,584	95.1%		7,921,094	137,648,678	100.9%		6,753,393	5%
2012		130,100,895	120,106,398	92.3%		12,883,252	132,989,650	102.2%		9,994,497	8%
2011		137,909,659	126,060,394	91.4%		9,641,611	135,702,005	98.4%		11,849,265	9%
2010		140,337,926	129,688,746	92.4%		13,048,624	142,737,370	101.7%		10,649,180	8%
2009		139,616,489	127,958,778	91.7%		11,173,379	139,132,157	99.7%		11,657,711	8%
2008		149,109,674	136,280,928	91.4%		11,310,642	147,591,570	99.0%		12,828,746	9%
2007		159,347,626	144,632,799	90.8%		9,125,735	153,758,534	96.5%		14,714,827	9%
2006		144,314,419	134,518,579	93.2%		10,018,326	144,536,905	100.2%		9,795,840	7%
2005		143,862,828	134,077,148	93.2%		11,644,108	145,721,256	101.3%		9,785,680	7%

(1) Table includes General Fund, Teachers' Fund, and Capital Projects Fund. While taxes are levied on a calendar-year basis, collections are reported on a fiscal-year basis.

(2) Includes real estate, personal property, and replacement merchants and manufacturers taxes, net of assessment and collection fees retained by Jackson County.

(3) Percentage includes collection of delinquent taxes.

(4) Includes protested taxes held by the county and all delinquent taxes outstanding at the end of the current tax levy year.

(5) Source: Jackson County, Division of Finance, Collection Department reports.



Table 9

**KANSAS CITY PUBLIC SCHOOLS**

Outstanding Debt by Type

Governmental Activities

Last Ten Fiscal Years

<b>Fiscal year ended June 30</b>		<b>Leasehold Revenue Bonds</b>	<b>Capital Leases</b>	<b>Total Primary Government</b>
2015	\$	32,125,000	—	32,125,000
2014		34,154,000	—	34,154,000
2013		39,904,000	—	39,904,000
2012		47,459,000	—	47,459,000
2011		57,229,000	—	57,229,000
2010		51,830,000	—	51,830,000
2009		44,335,000	—	44,335,000
2008		67,185,000	495,408	67,680,408
2007		89,315,000	967,387	90,282,387
2006		110,855,000	—	110,855,000

**Table 10**

**KANSAS CITY PUBLIC SCHOOLS**

Computation of Overlapping Debt

June 30, 2015

<b>Jurisdiction</b>	<b>General obligation bonds outstanding (2)</b>	<b>Percentage applicable to District (1)</b>	<b>Amount applicable to District</b>
City of Kansas City, Missouri	\$ 376,445,000	93%	\$ 350,093,850

(1) Source: Jackson County, Division of Finance, Collection Department reports KCMSD is composed of three cities within its boundaries, of which the City of Kansas City, Missouri is 93%.

(2) Source: City of Kansas City, Missouri Tax Administration Department.

**Table 11****KANSAS CITY PUBLIC SCHOOLS**

## Computation of Legal Debt Margin

June 30, 2015

Total assessed value, tax levy year 2014 (1)	\$ 2,735,470,548
Legal debt margin—15% of assessed value (2)	410,320,582

(1) See Table 5.

(2) The bonded indebtedness of the District is limited by Section 26(b) of the Missouri Constitution, Article VI, to 15% of the value of the taxable tangible property as shown by the last completed assessment for state and county purposes. The District had no outstanding general bonded debt at June 30, 2014.

Note: The District has not had outstanding general bonded debt for the last ten years. Therefore, the debt limit amount, total net debt applicable to the limit, legal debt margin amount and the ratio of either the legal debt margin to the debt limit or total debt applicable to the debt limit are not applicable.

Table 12

## KANSAS CITY PUBLIC SCHOOLS

Demographic Statistics

Last Ten Fiscal Years

<b>Fiscal year ended June 30</b>	<b>District population</b>	<b>September school membership</b>	<b>Ratio of membership to population</b>	<b>Regular school year average daily attendance</b>	<b>Ratio of attendance to membership</b>
2015	\$ 193,837	14,312	7 %	12,942	90.4 %
2014	193,837	14,192	7	12,833	90.4
2013	193,837	15,708	8	13,317	84.8
2012	193,837	15,403	8	13,732	89.2
2011	193,837	15,854	7	13,890	87.6
2010	193,837	17,104	7	15,451	90.3
2009	239,451	17,892	7	16,051	89.7
2008	239,451	22,429	9	19,381	86.4
2007	239,451	24,358	10	21,133	86.8
2006	239,451	25,750	11	22,633	88.0

Source: Estimated District population is based on the 2001 census for 2001 through 2009 provided by the City Development Department; the City Planning Division provided the estimates for years from 2010 and after from the 2010 census data.

Note: Average daily attendance includes summer school attendance. Ratio of attendance to membership reflects average daily attendance of regular school year to September school membership.

**Table 13****KANSAS CITY PUBLIC SCHOOLS**

## Property Value and Construction Costs

Last Ten Fiscal Years

<b>Fiscal year ended June 30</b>	<b>Estimated actual property value (1)</b>	<b>Nonresidential construction (in millions)</b>	<b>Residential construction (in millions)</b>
2015	\$ 11,059,018,018	34.9	26.4
2014	11,011,745,050	24.7	44.8
2013	10,822,953,045	24.4	14.0
2012	11,068,996,537	26.3	15.5
2011	11,173,712,247	49.1	38.4
2010	11,185,918,555	27.1	51.3
2009	11,948,100,985	32.8	53.9
2008	12,969,424,032	47.2	63.9
2007	11,639,627,153	32.3	61.6
2006	11,758,650,375	13.2	36.3

(1) See Table 6.

Source: Assessed valuations were made by the Jackson County Assessment Department. Estimated actual property values were calculated using percentages set forth in Section 137.115 of the Missouri Revised Statutes.

Table 14

## KANSAS CITY PUBLIC SCHOOLS

## Per-Pupil Costs

## Last Ten Fiscal Years

<b>Fiscal year ended June 30</b>	<b>Average daily attendance (2)</b>	<b>Eligible pupils (2)</b>	<b>Current expenditures per eligible pupil (1)</b>	<b>K-12 September enrollment</b>	<b>Pre-K 94</b>
2015	14,028	15,114	\$ 13,305	14,312	1,030
2014	12,857	12,977	15,496	14,192	1,111
2013	13,417	13,517	14,877	15,708	1,388
2012	13,816	13,900	14,467	15,403	1,376
2011	14,067	14,244	14,117	15,854	1,483
2010	16,573	17,345	15,021	17,104	1,989
2009	17,384	18,186	16,570	17,892	2,139
2008	21,138	22,107	14,629	22,429	2,615
2007	23,087	24,144	13,275	24,358	2,494
2006	24,569	25,725	12,193	25,750	2,533

- (1) Current expenditures as defined by the State of Missouri Department of Elementary and Secondary Education. For fiscal years 2013- 2015, expenditures include the General and Child Nutrition funds total instruction and support services expenditures net of food service revenues, divided by the total number of pupils. For fiscal years 2006-2012, expenditures include the General, Teachers' Grant Activity and Child Nutrition funds total instruction and support services expenditures net of food service revenues, divided by the total number of pupils.
- (2) Average daily attendance and Eligible pupil counts include K-12 students.

## APPENDIX C

### DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF DOCUMENTS

#### Definitions of Words and Terms

*In addition to the words and terms defined elsewhere in the Official Statement, the following words and terms used in the Official Statement shall have the following meanings:*

**“Act”** means Section 177.088 of the Revised Statutes of Missouri, as amended.

**“Additional Certificates”** means any additional parity Certificates delivered pursuant to the Indenture.

**“Additional Payments”** means the additional payments described in the Lease.

**“Authorized District Representative”** means the President or the Vice President of the Board of Directors of the District, the Treasurer of the District, the Superintendent or Assistant Superintendent of the District, or such other person at the time designated to act on behalf of the District as evidenced by a written certificate furnished to the Trustee containing the specimen signature of such persons and signed on behalf of the District by the President or the Vice President of the Board of Directors.

**“Base Lease”** means the Base Lease dated as of August 1, 2016, between the District and the Trustee, as from time to time amended and supplemented in accordance with the provisions thereof and of the Indenture.

**“Business Day”** means any day other than (a) a Saturday or Sunday or legal holiday or a day on which banks located in the city in which the corporate trust office of the Trustee are required or authorized by law to remain closed or (b) a day on which the Securities Depository is closed.

**“Cede & Co.”** means Cede & Co., as nominee name of The Depository Trust Company, New York, New York, and any successor nominee of the Securities Depository with respect to the Certificates.

**“Certificate Fund”** means the “Certificate Fund” created in the Indenture.

**“Certificate Payment Date”** means any date on which any amount representing the Principal Component or the Interest Component with respect to any Certificates is payable.

**“Certificate Register”** means the registration books kept by the Trustee to evidence the registration, transfer and exchange of Certificates.

**“Certificates”** means the Series 2016 Certificates and any Additional Certificates delivered pursuant to the Indenture.

**“Code”** means the Internal Revenue Code of 1986, as amended, and the applicable regulations of the United States Treasury Department promulgated thereunder.

**“Completion Certificate”** means the certificate delivered to the Trustee pursuant to the Lease and the Indenture evidencing substantial completion of the Project, and acceptance of the Project by the District.

**“Completion Date”** means the date of completion of the acquisition, construction, improvement, furnishing and equipping of the Project established as such pursuant to the Lease.

**“Construction Contracts”** means all architect’s and general contractor’s contracts and all prime subcontractor’s contracts and purchase orders for any equipment which have been or will be entered into by the District and which will incorporate the Plans and Specifications related to the Project.

**“Construction Period”** means the period from the beginning of construction of the Project to the Completion Date.

**“Contractor”** means any contractor for the Project selected by the District, and its successors and assigns.

**“Counsel”** means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for either the District or the Trustee.

**“Defeasance Obligations”** means any of the following obligations:

- (a) Cash.
- (b) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – “SLGS”).
- (c) Direct obligations of the Treasury which have been stripped by the Treasury itself.
- (d) The interest component of Resolution Funding Corporation (REFCORP) strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form.
- (e) Pre-refunded municipal bonds pre-refunded with cash or United States Government Obligations.

**“District”** means The School District of Kansas City, Missouri, a school district and political subdivision organized and existing under the laws of the State, and its successors and assigns

**“Event of Default”** means (a) with respect to the Indenture, an Event of Default as described under the caption **“SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE–Events of Default,”** and (b) with respect to the Lease, an Event of Default as described under the caption **“SUMMARY OF CERTAIN PROVISIONS OF THE LEASE–Events of Default.”**

**“Event of Nonappropriation”** means a nonrenewal of the Lease by the District determined by the failure of the District to appropriate and budget, or the election of the District not to so appropriate and budget, on or before the date required by the laws of the State during the Initial Term or any Renewal Term, moneys sufficient to pay the Rental Payments and reasonably expected Additional Payments due and payable during the next Renewal Term.

**“Facilities”** means the Project Site and all additions, modifications, improvements, replacements and substitutions made thereon and thereto, and any additional facilities financed with Additional Certificates on the Project Site made pursuant to the Lease, as they may at any time exist.

**“Fiscal Year”** means the fiscal year adopted by the District for accounting purposes, which as of the execution of the Indenture commences on July 1 of each year and ends on June 30 of the following year.



**“Full Insurable Value”** means the actual replacement cost of the Facilities less physical depreciation and exclusive of land, excavations, footings, foundations and parking lots, but in no event shall such value be less than the aggregate stated principal amount of the Certificates at the date of calculation then Outstanding.

**“Indenture”** means the Trust Indenture dated as of August 1, 2016, between the Trustee and the District, as from time to time amended and supplemented by Supplemental Indentures in accordance with the provisions of the Indenture.

**“Initial Term”** means the initial term of the Lease, which begins on the effective date of the Lease and ends on the last day of the Fiscal Year in which such effective date occurs.

**“Interest Component”** means the Interest Component of Rental Payments as provided by the Lease.

**“Lease”** means the Lease Agreement dated as of August 1, 2016, between the Trustee, as lessor, and the District, as lessee, as from time to time amended and supplemented in accordance with the provisions of the Lease and the Indenture.

**“Lease Term”** means the period from the effective date of the Lease until the expiration thereof which includes the Initial Term and any Renewal Term or Terms as provided in the Lease.

**“Lessee”** means the District when acting as the lessee under the Lease.

**“Lessor”** means the Trustee when acting as the lessor under the Lease.

**“Maximum Lease Term”** means the Initial Term and all Renewal Terms through the Renewal Term ending June 30, 2036 (unless otherwise provided in a Supplemental Lease).

**“Moody’s”** means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the District by notice to the Trustee.

**“Net Proceeds”** means the gross proceeds from any insurance or condemnation award with respect to the Facilities, less the payment of all expenses (including attorneys’ fees and expenses, Trustee’s fees, costs, charges and expenses, including any extraordinary expenses of the Trustee) incurred in the collection of such gross proceeds.

**“Omnibus Continuing Disclosure Undertaking”** means the Omnibus Continuing Disclosure Undertaking of the District dated as of the date of issuance of the Series 2016 Certificates, as it may be subsequently adopted in connection with the issuance of Additional Certificates.

**“Option Purchase Price”** means the price as specified in the Lease which the District may elect to pay to the Trustee to purchase the Facilities from the Trustee on the Optional Prepayment Date immediately following such Optional Purchase Date prior to the scheduled payment of all sums to be paid for the Facilities, all as is more particularly specified in the Lease and as may be revised in accordance with the Indenture in connection with the partial prepayment of Certificates. In the event of a partial prepayment of the Certificates as provided in the Indenture, the Option Purchase Price is required to be recalculated by the Trustee and provided to and binding upon the District as more fully set forth in the Indenture and the Lease.

**“Optional Prepayment Date”** means any optional prepayment date established pursuant to the Indenture.

**“Optional Purchase Date”** means any date during the Lease Term as specified in the Lease upon which the District may elect to purchase the Facilities for the then applicable Option Purchase Price.

**“Outstanding”** means, when used with reference to Certificates, as of any particular date of determination, all Certificates theretofore authenticated and delivered under the Indenture, except the following Certificates:

- (a) Certificates theretofore canceled by the Trustee or delivered to the Trustee for cancellation;
- (b) Certificates paid or deemed to be paid in accordance with the provisions of the Indenture;
- (c) Certificates alleged to have been mutilated, destroyed, lost or stolen which have been paid as provided in the Indenture;
- (d) Certificates in exchange for or in lieu of which other Certificates have been authenticated and delivered pursuant to the Indenture; and
- (e) for purposes of any consent or other action to be taken by the Registered Owners of a specified percentage of Certificates under the Indenture or the Lease, Certificates held by or for the account of the District or any person controlling, controlled by or under common control with any of them.

**“Participants”** means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

**“Paying Agent”** means the Trustee and any other bank or trust company designated pursuant to the Indenture as paying agent for any series of Certificates and at which the principal, premium, if any, and interest on any such Certificates shall be payable.

**“Permitted Encumbrances”** means, as of any particular time (a) liens for ad valorem taxes and special assessments not then delinquent or if delinquent are being contested in accordance with the Lease, (b) the Indenture, (c) the Lease, (d) the Base Lease, (e) any and all Uniform Commercial Code Financing Statements executed to perfect any security interest created in connection with the delivery of the Certificates, (f) utility, access and other easements and rights-of-way, street dedications, mineral rights, restrictions, exceptions and encumbrances that the District certifies in writing will not materially interfere with or impair the operations being conducted on the Project Site or easements granted to the Trustee, (g) such minor defects, irregularities, encumbrances, easements, mechanic’s liens, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Facilities and as do not in the aggregate materially impair the property affected thereby for the purpose for which it was acquired or is held by the Trustee or the District, and (h) items affecting the Project Site that are agreed to in writing by the Trustee and the District.

**“Permitted Investments”** means any of the following securities and obligations, if and to the extent the same are at the time legal for investment by the District:

- (a) United States Government Obligations.
- (b) bonds, notes or other obligations of the State of Missouri, or any political subdivision of the State of Missouri, that at the time of their purchase are rated in either of the two highest rating categories by a nationally recognized rating service.

- (c) repurchase agreements with any bank, bank holding company, savings and loan association, trust company, or other financial institution organized under the laws of the United States or any state, that are continuously and fully secured by any one or more of the securities described in clause (a), (b) or (d) and have a market value at all times at least equal to the principal amount of such repurchase agreement and are held in a custodial or trust account for the benefit of the District.
- (d) obligations of Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Corporation, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks and Farmers Home Administration.
- (e) certificates of deposit or time deposits, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of the United States or any state, provided that such certificates of deposit or time deposits shall be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by such securities as are described above in clauses (a) through (d) above, inclusive, which shall have a market value at all times at least equal to the principal amount of such certificates of deposit or time deposits.
- (f) any other securities or investments that are lawful for the investment of moneys held in such funds or accounts under the laws of the State of Missouri.

**“Person”** means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

**“Plans and Specifications”** means the plans and specifications prepared for and showing the Project, as amended by the District from time to time prior to the Completion Date, the same being duly certified by the Authorized District Representative, which plans and specifications are on file at the principal office of the District and shall be available for reasonable inspection by the Trustee and its duly appointed representatives.

**“Prime Rate”** means that rate of interest which has most recently been established by Commerce Bank, at its principal office in Kansas City, Missouri, as its prime rate, such Prime Rate to be adjusted on the effective date of any change thereof as announced from time to time by Commerce Bank

**“Principal Component”** means the Principal Component of Rental Payments as provided for by the Lease.

**“Project”** means the acquisition, construction, improvement, furnishing and equipping of school facilities as described in the Indenture or any Supplemental Indenture, pursuant to the Lease, paid for in whole or in part from the proceeds of Certificates, and all replacements thereof and substitutions therefor made pursuant to the Lease, and all additions, alterations, modifications and improvements thereof made pursuant to the Lease, including, upon the issuance of Additional Certificates, including Project Additions financed with Additional Certificates.

**“Project Additions”** means all additions, improvements, extensions, alterations, expansions or modifications of the Facilities or any part thereof financed with the proceeds of Additional Certificates delivered pursuant to **Section 209** of the Indenture.

**“Project Costs”** means all costs of acquisition, construction, improvement, furnishing and equipping of the Project, including the following:

(a) fees and expenses of architects, appraisers, surveyors and engineers for estimates, surveys, soil borings and soil tests and other preliminary investigations and items necessary to the commencement of construction, preparation of plans, drawings and specifications and supervision of construction, as well as for the performance of all other duties of architects, appraisers, surveyors and engineers in relation to the construction of the Project or the delivery of the Certificates;

(b) all costs and expenses of every nature incurred with respect to the Project, including the actual cost of labor and materials, as payable to contractors, builders, suppliers, vendors and materialmen in connection with the acquisition, construction, improvement, furnishing and equipping of the Project;

(c) the cost of insurance policies referred to in Article VI of the Lease and any insurance or performance and payment bonds maintained during the Construction Period in accordance with the Lease;

(d) expenses of administration, supervision and inspection properly chargeable to the Project, underwriting expenses, legal fees and expenses, fees and expenses of accountants and other consultants, publication and printing expenses, and initial fees and expenses of the Trustee and the Paying Agent to the extent that said fees and expenses are necessary or incident to the delivery and sale of the Certificates or the acquisition, construction, improvement, furnishing and equipping of the Project;

(e) all other items of expense not elsewhere specified in this definition as may be necessary or incident to: (i) the authorization, delivery and sale of the Certificates; (ii) the acquisition, construction, improvement, furnishing and equipping of the Project; and (iii) the financing thereof (including capitalized interest, if any); and

(f) reimbursement to the District or those acting for it for any of the above enumerated costs and expenses incurred and paid by them before or after the execution of the Lease as permitted by the Code..

**“Project Fund”** means the “Project Fund” created in the Indenture.

**“Project Site”** means the real estate described in the Indenture.

**“Purchaser”** means the original purchaser of each series of the Certificates.

**“Rebate Fund”** means the “Rebate Fund” created in the Indenture.

**“Record Date”** means the 15<sup>th</sup> day (whether or not a Business Day) of the calendar month next preceding the month in which each Certificate Payment Date occurs.

**“Registered Owner,” “Owner” or “Certificate Owner”** when used with respect to any Certificate means the Person in whose name such Certificate is registered on the Certificate Register.

**“Renewal Term”** means the optional renewal terms of the Lease, each being a duration of one year and a term co-extensive with the District’s Fiscal Year.

**“Rental Payment Date”** means during the Lease Term, any day on or prior to each Certificate Payment Date, and any other date on which any Rental Payments are payable pursuant to the Lease.

**“Rental Payments”** means the payments described in the Lease.

**“Replacement Certificates”** means Certificates delivered to the beneficial owners of the Certificates in accordance with **Section 212(b)** of this Indenture.

**“S&P” or “Standard & Poor’s”** means means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, wholly owned by S&P Global Inc., its successors and assigns, and if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee.

**“Securities Depository”** means, initially, The Depository Trust Company, New York, New York, and its successors and assigns.

**“Special Counsel”** means Gilmore & Bell, P.C., or any other attorney or firm of attorneys (which is mutually acceptable to the District and the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**“State”** means the State of Missouri.

**“Supplemental Indenture”** means any indenture supplemental or amendatory to the Indenture entered into by the Trustee and the District pursuant to the Indenture.

**“Tax Compliance Agreement”** means the Tax Compliance Agreement between the District and the Trustee, entered into in connection with the issuance of each series of Certificates for which the interest component of Rental Payments paid by the District and distributed to the registered owners of the Certificates is excluded from gross income for federal income tax purposes, as from time to time amended in accordance with the provisions thereof.

**“Trust Estate”** means the Trust Estate described in the Granting Clauses of this Indenture and in the Granting Clauses of any Supplemental Indenture.

**“Trustee”** means BOKE, N.A., Kansas City, Missouri, and its successor or successors and any other corporation which at the time may be substituted in its place pursuant to and at the time serving as Trustee under the Indenture.

**“United States Government Obligations”** means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, and such obligations are held in a custodial or trust account for the benefit of the District.

## **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

*The following is a summary of certain provisions contained in the Indenture. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Indenture for a complete recital of the terms thereof.*

### **Trust Estate**

In order to secure the payment of the Principal Component, premium, if any, and Interest Component of the Rental Payments represented by the Certificates Outstanding under the Indenture from time to time

according to their tenor and effect, and to secure the performance and observance by the District of all the covenants, agreements and conditions in the Indenture, the Base Lease and the Lease, the District transfers in trust, pledges, assigns and grants a security interest to the Trustee and its successors and assigns forever in, the property described below (said property being called the “Trust Estate”):

(a) all right, title and interest of the District in, to and under the Base Lease and the Lease, including all Rental Payments and other payments, revenues and receipts derived by the Trustee under and pursuant to and subject to the provisions of the Lease (except for the rights of the Trustee to receive money for its own account and to indemnify under the Lease and any amounts required under Section 148(f) of the Code to be paid to the United States); and

(b) all money and securities from time to time held by the Trustee under the terms of the Indenture, and any and all other real or personal property of every kind and nature from time to time, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security under the Indenture by or on behalf of the District, or with its written consent, to the Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms.

### **Additional Certificates**

Additional Certificates may be delivered under and be equally and ratably secured by the Indenture on a parity with the Series 2016 Certificates and any other Additional Certificates Outstanding, at any time and from time to time, upon compliance with the provisions of the Indenture, for any of the following purposes:

(1) To provide funds to pay the costs of completing the Project, the total of such costs to be evidenced by a certificate signed by an Authorized District Representative;

(2) To provide funds to pay all or any part of the costs of repairing, replacing or restoring the Project in the event of damage, destruction or condemnation thereto or thereof, but only to the extent that such costs exceed the Net Proceeds of the insurance or condemnation awards out of which such costs are to be paid pursuant to Article VIII of the Lease;

(3) To provide funds to pay all or any part of the costs of acquisition, construction, furnishing and equipping of Project Additions or other facilities, all as the District may deem necessary or desirable;

(4) To provide funds for refunding all or any portion of the Certificates of any series then Outstanding, including the payment of any premium thereon and interest to accrue to the designated prepayment date and any expenses in connection with such refunding; or

(5) Any other purpose permitted under the Act, all as provided in the Act.

The principal amount of any Additional Certificates may include an amount sufficient to pay the costs and expenses of delivery, any required funding of a reserve fund, if applicable, and such capitalized amounts as are permitted by the Act.

### **Creation of Funds**

The following special trust funds are created and ordered to be established in the name of the District under the Indenture, to be designated as follows:

(a) Certificate Fund;

- (b) Project Fund; and
- (c) Rebate Fund.

### **Deposits into the Project Fund**

The following moneys shall be paid over to and deposited by the Trustee in the Project Fund, as and when received:

- (a) The proceeds from the sale of the Series 2016 Certificates, to the extent required by the Indenture;
- (b) The proceeds from the sale of Additional Certificates (except Additional Certificates delivered to refund Outstanding Certificates), to the extent provided in the Supplemental Indenture authorizing such Additional Certificates;
- (c) The Net Proceeds of casualty insurance, title insurance or condemnation awards required to be deposited into the Project Fund pursuant to the Lease;
- (d) All payment and performance and labor and material bond payments and any and all payments from any contractors or other suppliers by way of breach of contract, refunds or adjustments required to be deposited into the Project Fund pursuant to the Lease; and
- (e) Except as otherwise provided in the Indenture or in the Lease, any other moneys received by or to be paid to the Trustee from any other source for the acquisition, construction, improvement, furnishing and equipping of the Project, to the extent directed by the District to be deposited into the Project Fund.

### **Disbursements from the Project Fund**

So long as no Event of Default or Event of Nonappropriation has occurred and is continuing, the moneys in the Project Fund shall be disbursed by the Trustee for the payment of Project Costs upon receipt of requisition certificates in substantially the form attached to the Lease, completed and accompanied by appropriate documentation, if required, and signed by an Authorized District Representative.

### **Disposition upon Completion of the Project**

The completion of the Project and payment of all costs and expenses incidental thereto shall be evidenced by the filing with the Trustee by the Authorized District Representative of the Completion Certificate required by the Lease. As soon thereafter as practicable, any balance remaining in the Project Fund (other than amounts retained by the Trustee as specified in said certificate) shall without further authorization be deposited in the Certificate Fund and applied by the Trustee as directed by the District solely (i) to pay amounts representing Principal Component or premium, if any, with respect to the Certificates upon the payment or prepayment thereof at the earliest date permissible under the terms of the Indenture, or (ii) at the option of the District, to purchase Certificates at such earlier date or dates as the District may elect. From time to time as the proper disposition of the amounts retained by the Trustee and specified in said certificate shall be determined, to the extent that such amounts are not paid out by the Trustee, the District shall so notify the Trustee by one or more certificates as aforesaid and amounts from time to time no longer to be so retained by the Trustee shall be so deposited in the Certificate Fund and applied by the Trustee as aforesaid.

### **Disposition upon Acceleration**

If the Certificates shall have become due and payable pursuant to the Indenture, upon the date of payment by the Trustee of any money due as provided in the Indenture, any balance remaining in the Project

Fund, other than amounts required to be transferred to the Rebate Fund pursuant to the Indenture, shall without further authorization be deposited in the Certificate Fund by the Trustee with written notice to the District of such action.

### **Deposits in the Rebate Fund**

There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Compliance Agreement. All amounts on deposit at any time in the Rebate Fund shall be held by the Trustee in trust to the extent required to pay rebatable arbitrage to the United States of America, and neither the District nor the Owner of any Certificates shall have any rights in or claim to such money.

The Trustee shall remit from moneys in the Rebate Fund all rebate installments and a final rebate payment to the United States required by the Tax Compliance Agreement. The Trustee shall not have any obligation to pay any amounts required to be rebated pursuant to the Indenture and the Tax Compliance Agreement, other than from moneys held in the Rebate Fund as provided in the Indenture or from other moneys provided to it by the Institution. Any moneys remaining in the Rebate Fund after redemption and payment of all of the Certificates and payment and satisfaction of any rebatable arbitrage shall be withdrawn and paid to the Institution.

The obligation to pay arbitrage rebate to the United States and to comply with all other requirements of the Indenture and the Tax Compliance Agreement shall survive the defeasance or payment in full of the Certificates until all rebatable arbitrage shall have been paid.

### **Investment of Moneys in Funds**

Money in the Funds held by the Trustee under the Indenture shall, pursuant to the District's direction given by the Authorized District Representative, confirmed in writing, and subject to the Tax Compliance Agreement, be separately invested and reinvested by the Trustee in Permitted Investments which mature or are subject to redemption by the holder prior to the date when such money will be needed. After the Trustee has notice pursuant to the Indenture of the existence of an Event of Default or an Event of Nonappropriation, the Trustee shall direct the investment of money in the Funds held by it. The Trustee shall sell and reduce to cash a sufficient amount of such Permitted Investments whenever the cash balance in any Fund is insufficient for the purposes of such Fund. The Trustee may make any and all investments permitted by the provisions of this paragraph through its own bond department or any affiliate or short-term investment department. The Trustee shall be entitled to rely on any written investment direction of an Authorized District Representative as to the suitability and legality of such directed investment and, if the Interest Component of Rental Payments is excluded from gross income for federal income tax purposes, that such written investment direction complies with the requirements of the Tax Compliance Agreement.

Any Permitted Investments shall be held by or under the control of the Trustee and will be deemed at all times to be a part of the Fund in which such money is originally held. The interest earnings and any profit realized from Permitted Investments in any Fund hereunder shall be credited to the applicable subaccount of the Certificate Fund. However, prior to the Completion Date, the District may, in its sole discretion, direct the Trustee to deposit all interest earnings and profit realized from Permitted Investments to the applicable subaccount of the Project Fund. Any loss resulting from Permitted Investments shall be charged to the applicable Fund.

In determining the balance in any Fund, investments in such Fund shall be valued at the lower of their original cost or their fair market value as of the most recent Certificate Payment Date. Investments in the Funds under the Indenture shall be valued on such dates required by the Indenture.



## **Events of Default**

If any of the following events occur, it is hereby defined as and declared to be and to constitute an Event of Default under the Indenture:

(a) Default in the due and punctual payment of any amount representing Interest Components with respect to any Certificate;

(b) Default in the due and punctual payment of any amount representing Principal Components or premium, if any, with respect to any Certificate, whether at maturity, upon prepayment or otherwise;

(c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the District in the Indenture or in the Certificates contained (other than a default described in (a) or (b) above) or in any other document or instrument that secures or otherwise relates to the obligations hereby secured, and the continuance thereof for a period of 30 days after written notice thereof shall have been given to the District by the Trustee, or to the Trustee (which notice of default the Trustee shall be required to accept) and the District by the Registered Owners of not less than 25% in aggregate principal amount of Certificates then Outstanding; provided, however, if any default shall be such that it cannot be corrected within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the District within such period and diligently pursued until the default is corrected, so long as said default is corrected within 60 days after written notice thereof was first given as hereinabove provided; or

(d) An Event of Default as specified in the Lease shall have occurred.

## **Acceleration of Maturity**

If an Event of Default or an Event of Nonappropriation shall have occurred and be continuing, (1) the Trustee may and (2) the Trustee shall (i) if an Event of Default resulting from nonpayment of amounts representing Interest Components or Principal Component with respect to any Certificate or failure by the Lessee to pay any Rental Payment required under the Lease has occurred and has continued for a period of 30 days, or (ii) at the written direction of the Registered Owners of not less than 25% in aggregate principal amount of Certificates then Outstanding, by notice in writing delivered to the District, declare the Rental Payments and Additional Payments payable during the current Lease Term immediately due and payable, and such Rental Payments and Additional Payments shall thereupon become and be immediately due and payable, anything in the Indenture or in the Certificates to the contrary notwithstanding.

If, at any time after such declaration, but before the Certificates shall have matured by their terms, all overdue installments representing Principal and Interest Components with respect to the Certificates, together with the reasonable and proper costs, charges, fees and expenses of the Trustee, and all other sums then payable by the District under the Indenture either have been paid or provision satisfactory to the Trustee for such payment has been made, then and in every such case the Trustee shall, upon the written request of the Registered Owners of not less than a majority in aggregate Principal Components of the Certificates Outstanding, rescind such declaration and annul such default in its entirety. In such event, the Trustee shall rescind any declaration of acceleration of installments of Rental Payments as provided in the Lease.

In case of any rescission, then and in every such case the District and the Trustee and the Registered Owners shall be restored to their former position and rights respectively, but no such rescission shall extend to any subsequent or other default or Event of Default or Event of Nonappropriation or impair any right consequent thereon.

## **Application of Moneys in Event of Default or Event of Nonappropriation**

All moneys received by the Trustee upon an occurrence of an Event of Default or Event of Nonappropriation shall, after payment of the costs, fees, charges, and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Certificate Fund. All moneys so deposited in the Certificate Fund shall be applied as follows:

(1) Unless any of the Principal Components with respect to the Certificates shall have become or shall have been declared due and payable, all such moneys shall be applied:

First — To the payment to the persons entitled thereto of all installments of amounts representing Interest Components then due and payable with respect to the Certificates, in the order in which such interest installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such Interest Component installment, to the persons entitled thereto, without any discrimination or privilege; and

Second — To the payment to the persons entitled thereto of the unpaid amounts representing Principal Components with respect to any of the Certificates which have become due and payable (other than Certificates called for prepayment for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full amounts representing Principal Components due with respect to Certificates on any particular date, then to the payment, ratably, according to the amount of Principal Components due on such date, to the persons entitled thereto without any discrimination or privilege.

(2) If any of the Principal Component of the Rental Payments represented by all the Outstanding Certificates has become due or been declared due and payable, all such moneys shall be applied to the payment of the amounts then due and unpaid with respect to all of the Certificates, without preference or priority of Principal Component over or of Interest Component or of Interest Component over Principal Component or of any installment of Interest Component over any other installment of Interest Component or of any Certificate over any other Certificate, ratably, according to the amounts due respectively for the Principal Component and Interest Component, to the persons entitled thereto, without any discrimination or privilege.

(3) If the Principal Component of the Rental Payments represented by any of the Outstanding Certificates has been declared due and payable, and if such declaration thereafter has been rescinded and annulled under the provisions of the Indenture, then, subject to the provisions of paragraph (2) above in the event that the Principal Component with respect to any of the Outstanding Certificates later becomes due or is declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (1) above.

Whenever moneys are to be applied as described in the foregoing paragraphs, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available and which may become available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be a Certificate Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Registered Owner of any unpaid Certificate until such Certificate shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all amounts representing Principal and Interest Components with respect to all Outstanding Certificates have been paid and all expenses and charges of the Trustee and the Paying Agents have been paid, any balance remaining in the Certificate Fund shall be paid to the District.

### **Remedies Cumulative**

No remedy conferred upon or reserved to the Trustee or to the Registered Owners under the Indenture is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or the Registered Owners under the Indenture or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right, power or remedy accruing upon any Event of Default or Event of Nonappropriation shall impair any such right, power or remedy or shall be construed to be a waiver of any such Event of Default or Event of Nonappropriation or acquiescence therein; and every such right, power or remedy may be exercised from time to time and as often as may be deemed expedient. No waiver of any Event of Default or Event of Nonappropriation, whether by the Trustee or the Registered Owners, shall extend to or shall affect any subsequent Event of Default or Event of Nonappropriation or shall impair any rights or remedies consequent thereon.

### **Waivers of Event of Default or Event of Nonappropriation**

Except as provided in the Indenture, the Trustee may waive any Event of Default or any Event of Nonappropriation thereunder and its consequences and rescind any declaration of maturity of Rental Payments and Additional Payments, and shall do so upon the written request of the Owners of at least a majority in aggregate principal amount of all Certificates then Outstanding. In case of any such waiver or rescission, or in case any proceedings taken by the Trustee under the Indenture on account of any such Event of Default or Event of Nonappropriation are discontinued or abandoned for any reason, or are determined adversely, then and in every such case the Trustee and the Registered Owners shall be restored to their former positions, rights and obligations under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been undertaken.

### **Acceptance of the Trusts**

The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts as a corporate trustee ordinarily would perform said trusts under a corporate indenture, but only upon and subject to the express terms and conditions contained in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee.

### **Resignation of the Trustee**

The Trustee and any successor Trustee may at any time resign from the trusts created by the Indenture by giving 30 days' written notice to the District and the Registered Owners whose names and addresses are on file with the Trustee, and such resignation shall take effect upon the earlier of (i) the end of such 30 days or (ii) the appointment of a successor Trustee by the District or by the Owners of at least a majority in aggregate stated Principal Components represented by the Certificates then Outstanding in accordance with the Indenture; provided, however, that in no event shall the resignation of a Trustee or successor Trustee become effective until such time as a successor Trustee has been appointed and has accepted the appointment. If at any time the Trustee shall cease to be eligible to act as trustee in accordance with the provisions of the Indenture, the Trustee shall immediately resign in the manner provided by the Indenture. In the event that the District or the Registered Owners of at least a majority in aggregate Principal Components represented by the Certificates then Outstanding fail to appoint a successor Trustee within 30 days after notice of resignation has been given by the Trustee, the Trustee shall have the right to petition a court to appoint a successor Trustee.

## **Removal of the Trustee**

The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered (a) to the Trustee and the District and signed by the Registered Owners of not less than a majority in aggregate Principal Components represented by the Certificates then Outstanding, (b) to the Trustee and the Registered Owners and signed by the District (so long as no Event of Default or Event of Nonappropriation shall have occurred and being continuing) subsequent to any breach of the trusts set forth in the Indenture. In no event shall the removal of a Trustee or successor Trustee become effective until such time as a successor Trustee has been appointed and has accepted such appointment. In the event that the District or the Registered Owners of at least a majority in aggregate principal amount of Bonds then Outstanding fail to appoint a successor Trustee within 30 days after said instrument or concurrent instruments removing the Trustee are delivered to the Trustee, the Trustee shall have the right to petition a court to appoint a successor Trustee.

## **Appointment of Successor Trustee**

In case the Trustee shall resign or be removed, or shall otherwise become incapable of acting, or in case it shall be taken under the control of any public officer or officers or of a receiver appointed by a court, a successor Trustee may be appointed by the Registered Owners of a majority in aggregate principal amount of Certificates then Outstanding, by an instrument or concurrent instruments in writing; provided, nevertheless, that in case of such vacancy and so long as no Event of Default or Event of Nonappropriation under the Indenture shall have occurred and be continuing, the District, by an instrument executed and signed by its President and attested by its Secretary under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Registered Owners or the District in the manner above provided; and any such temporary Trustee so appointed by the District shall immediately and without further act be superseded by the successor Trustee so appointed by such Registered Owners. Every such Trustee appointed pursuant to the provisions of the Indenture shall warrant at the time of accepting such trust and exercising the powers of the Trustee under the Indenture that (i) it is a trust company or bank in good standing located in or incorporated under the laws of one of the states of the United States of America, (ii) it is duly authorized to exercise trust powers and is qualified to accept such trust, (iii) it is subject to examination by a federal or state authority, (iv) it shall maintain a reported capital and surplus of not less than \$75,000,000. If such institution publishes reports of conditions at least annually pursuant to law or regulation, then for the purposes of the Indenture the capital and surplus of such institution shall be deemed to be its capital and surplus as set forth in its most recent report of condition so published.

## **Supplemental Indentures Not Requiring Consent of Registered Owners**

The District and the Trustee may from time to time, subject to the provisions of the Indenture, without the consent of or notice to any of the Registered Owners, enter into a Supplemental Indenture or Supplemental Indentures not inconsistent with the terms and provisions of the Indenture, for any one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission in the Indenture or make any other change which in the judgment of the Trustee is not prejudicial to the Trustee or materially adverse to the security of the Registered Owners;

(b) To grant to or confer upon the Trustee for the benefit of the Registered Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Registered Owners or the Trustee or either of them;

(c) To more precisely identify the Facilities or the Trust Estate or to add property thereto or to substitute property or to release property so long as such release is not materially adverse to the security of the Registered Owners;

- (d) In connection with the final payment or defeasance of a series of Certificates, to release the Facilities financed by proceeds of such series of Certificates being paid or defeased;
- (e) To subject to the Indenture additional revenues, properties or collateral;
- (f) To comply with the arbitrage rebate requirements of Section 148(f) of the Code; and
- (g) To deliver Additional Certificates as provided in the Indenture.

#### **Supplemental Indentures Requiring Consent of Registered Owners.**

Exclusive of Supplemental Indentures described under the above caption **“Supplemental Indentures Not Requiring Consent of Registered Owners”** and subject to the terms and provisions contained in the Indenture, and with the prior written consent of the Registered Owners of not less than a majority in aggregate Principal Components represented by the Certificates then Outstanding, the District and the Trustee shall have the right, from time to time, anything contained in the Indenture to the contrary notwithstanding, to consent to and approve the execution by the District and the Trustee of such other Supplemental Indenture or Supplemental Indentures as shall be deemed necessary and desirable by the District for the purpose of modifying, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, however, that nothing in the Indenture shall permit or be construed as permitting without the consent of the Registered Owners of 100% in aggregate Principal Components represented by the Certificates then Outstanding (1) an extension of the maturity or mandatory prepayment date of any installment representing Principal or Interest Components with respect to any Certificate delivered under the Indenture, (2) a reduction in the Principal Component represented by any Certificate or the rate of interest with respect thereto, (3) a privilege or priority of any Certificate or Certificates over any other Certificate or Certificates, or (4) a reduction in the aggregate Principal Components represented by the Certificates without the consent of the Registered Owners of 100% in aggregate Principal Components represented by the Certificates then Outstanding.

If at any time the District requests the Trustee to enter into any such Supplemental Indenture for any of the purposes of the Indenture, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed to each Registered Owner as shown on the Certificate Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection. If within 60 days or such longer period as may be prescribed by the District following the mailing of such notice, the Registered Owners of not less than a majority in aggregate Principal Components represented by the Certificates Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as provided in the Indenture, no Registered Owner of any Certificate shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the District from executing the same or from taking any action pursuant to the provisions thereof.

#### **Amendments to the Base Lease or the Lease Not Requiring Consent of Registered Owners**

The District and the Trustee shall, without the consent of or notice to any of the Registered Owners, consent to any amendment, change or modification of the Base Lease or the Lease as may be required (a) by the provisions of the Base Lease, the Lease or the Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission in the Base Lease, the Lease or in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or materially adverse to the security for the Registered Owners, (c) so as to more precisely identify the Facilities or add property thereto or to substitute or to release property so long as such release is not materially adverse to the security for the Registered Owners, (d) in connection with the final payment or defeasance of a series of Certificates, to release the Facilities

financed by proceeds of such series of Certificates being paid or defeased, or (e) in connection with the delivery of Additional Certificates.

#### **Amendments to the Base Lease or the Lease Requiring Consent of Registered Owners**

Except for the amendments, changes or modifications described under the above caption **“Amendments to the Base Lease or the Lease Not Requiring Consent of Registered Owners,”** neither the District nor the Trustee shall consent to any other amendment, change or modification of the Base Lease or the Lease without the giving of notice and the obtaining of the written approval or consent of the Registered Owners of not less than a majority in aggregate Principal Components represented by the Certificates at the time Outstanding given and obtained as provided in the Indenture with respect to Supplemental Indentures. If at any time the District shall request the consent of the Trustee to any such proposed amendment, change or modification of the Base Lease and/or the Lease, the Trustee shall cause notice of such proposed amendment, change or modification to be given in the same manner as provided in the Indenture with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the same are on file at the principal corporate trust office of the Trustee for inspection by all Certificate Owners.

#### **Satisfaction and Discharge of the Indenture**

When the Principal Components, premium, if any, and Interest Components with respect to all the Certificates shall have been paid in accordance with their terms or provision has been made for such payment, as provided in the next paragraph, and provision has also been made for paying all other sums payable thereunder, including the fees, costs, charges and expenses of the Trustee and the Paying Agent to the date of retirement of the Certificates and all sums payable under the Lease, then the right, title and interest of the Trustee under the Indenture shall thereupon cease, determine and be void, and thereupon the Trustee shall cancel, discharge and release the Indenture and shall execute, acknowledge and deliver to the District such instruments of satisfaction and discharge or release as shall be requisite to evidence such release and the satisfaction and discharge of the Indenture, and shall assign and deliver to the District any property at the time subject to the Indenture which may then be in the Trustee’s possession, except funds or securities in which such moneys are invested and held by the Trustee for the payment of the Principal Component, premium, if any, and Interest Component of the Rental Payments represented by the Certificates.

#### **Certificates Deemed to be Paid**

Certificates or any portion thereof shall be deemed to be paid within the meaning of the Indenture when payment of the Principal Component, premium, if any, and Interest Component of the Rental Payments represented by the Certificates to the due date thereof (whether such due date is by reason of maturity or upon prepayment as provided in the Indenture, or otherwise), either (1) shall have been made or caused to be made in accordance with the terms of the Indenture, or (2) provision therefor shall have been made by depositing with the Trustee or other duly authorized escrow agent, in trust and irrevocably setting aside exclusively for such payment, (i) moneys sufficient to make such payment or (ii) Defeasance Obligations maturing as to principal and interest, without reinvestment, in such amount and at such times as will ensure the availability of sufficient moneys to make such payment. At such time as a Certificate shall be deemed to be paid, such Certificate shall no longer be secured by or be entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Defeasance Obligations.

## **SUMMARY OF CERTAIN PROVISIONS OF THE BASE LEASE**

*The following is a summary of certain provisions of the Base Lease. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Base Lease for a full recital of the provisions thereof.*

### **Lease**

Under the Base Lease, the District has leased the Project Site to the Trustee, and the Trustee has leased the Project Site from the District, subject to Permitted Encumbrances, on the terms and conditions set forth in the Base Lease.

### **Term**

The term of the Base Lease shall commence as of the date of the delivery thereof and shall end on June 30, 2056, unless such term is sooner terminated as provided in the Base Lease.

### **Rental**

As and for rental and in consideration for the leasing of the Project Site to the Trustee, the Trustee shall:

- (a) cause the Series 2016 Certificates to be delivered to the purchasers thereof having such terms as set forth in the Indenture; and
- (b) deposit the proceeds of the sale of the Series 2016 Certificates as provided in the Indenture.

### **Eminent Domain**

In the event the whole or any part of the Project Site or the Project is taken by eminent domain proceedings, the interest of the Trustee shall be recognized. The proceeds of said condemnation shall be applied as provided in the Lease. The Trustee and the District have reached an agreement on the terms of the acquisition of the Facilities at the District's option, and to the use of the Project, all as set forth in the Lease. Any acquisition of the Facilities or rights to their use by the District (whether pursuant to the exercise of eminent domain powers or otherwise) shall be pursuant to and in accordance with the Lease, including payment of Rental Payments and the applicable Option Purchase Price as set forth in the Lease. If the District allows the Lease to expire without exercising its option to purchase (whether by failure to exercise its option to extend the Lease for a Renewal Term, failure to exercise its option to purchase at the conclusion of the Maximum Lease Term or failure to cure an Event of Default under the Lease), that action shall constitute an irrevocable determination by the District that the Facilities are not required by it for any public purpose for the term of the Base Lease.

### **Assignments, Subleases and Mortgage**

Simultaneously with the delivery of the Base Lease, the Trustee is subleasing the Facilities to the District pursuant to the Lease, but subject to the Indenture and the reservation of certain rights under the Base Lease.

The Trustee may not mortgage or otherwise assign its rights under the Base Lease or sublet the Facilities without the written consent of the District except (a) the sublease and lease of the Facilities pursuant to the Lease, (b) the assignment pursuant to the Indenture of its rights under the Base Lease and the Lease, (c) if the Lease is terminated for any reason and the Base Lease is not otherwise terminated as provided under the Base Lease, or (d) if an Event of Default or an Event of Nonappropriation under the Lease has occurred.

Except with respect to Permitted Encumbrances and as otherwise provided in the Base Lease, the Lease or the Indenture, neither the Trustee nor the District shall, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Facilities.

### **Termination**

The Base Lease shall terminate upon the completion of the Base Lease term specified in the Base Lease; provided, however, in the event (i) the District pays all Rental Payments and Additional Payments required by the Lease during the Maximum Lease Term, or exercises the option to purchase the remaining Base Lease term of the Trustee under the Base Lease and pays the then applicable Purchase Price as provided in the Lease, and (ii) the Indenture has been discharged in accordance with its terms, then the Base Lease shall be considered assigned to the District and terminated through merger of the leasehold interest with the fee interest if the District is the owner of the fee interest and elects to terminate the leasehold interest so acquired from the Trustee. The Trustee agrees, upon such assignment and termination of the Base Lease term, to quit and surrender the Facilities as they then exist to the District free and clear of encumbrances, except Permitted Encumbrances.

### **Default by the District**

If an Event of Default or an Event of Nonappropriation under the Lease occurs for any reason, or if the District terminates the Lease and fails to purchase the Trustee's interest in the Facilities as provided in the Lease, the Trustee, or its assignee, shall have the right to possession of the Facilities for the remainder of the Base Lease term and shall have the right to sublease the same or sell its interest in the Base Lease upon whatever terms and conditions it deems prudent. In such event, the Trustee shall obtain the same insurance coverage with respect to the Facilities as the District is required to obtain under the Lease for the remainder of the Base Lease term and will furnish the District with evidence thereof. In the event that the Trustee shall receive a payment for the sale of its interest or total rental payments for subleasing that are, after the payment of the Trustee's expenses in connection therewith including fees and expenses of the Trustee, in excess of the purchase price applicable at the time of termination or default plus interest thereon at the interest rate per annum borne by the Certificates (which must be an amount sufficient to pay the Principal Component, premium, if any, and Interest Component with respect to the Certificates, or to provide for the payment thereof as provided in the Indenture, with amounts so received to be credited first to such Interest Component and then to Principal Component), then such excess shall be paid to the District by the Trustee, its assigns or its sublessee.

### **Default by the Trustee**

Notwithstanding any default by the Trustee under the Base Lease, the District shall not have the right to exclude the Trustee from the Facilities or to take possession thereof (except pursuant to the Lease) or to terminate the Base Lease prior to the termination of the Base Lease term; except that if, upon exercise of the option to purchase the Trustee's interest in the Facilities under the Lease granted to the District in the Lease and after the payment of the purchase price specified therein and the other sums payable under the Lease, the Trustee fails to convey its interest therein to the District pursuant to said option, then the District shall have the right to terminate the Base Lease, such termination to be effective 30 days after delivery of written notice of such termination to the Trustee and the Trustee. However, in the event of any default by the Trustee, the District may maintain an action for damages or, if permitted in equity, for specific performance. In no event shall the Trustee be liable for consequential or punitive damages.



## SUMMARY OF CERTAIN PROVISIONS OF THE LEASE

*The following is a summary of certain provisions of the Lease. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Lease for a full recital of the provisions thereof.*

### **Lease of Facilities**

The Lessor hereby rents, leases and lets the Facilities to the Lessee, and the Lessee hereby rents, leases and hires the Facilities from the Lessor, for the rentals and upon and subject to the terms and conditions set forth in the Lease.

### **Lease Term**

The Lease shall become effective upon its delivery, and subject to earlier termination pursuant to the provisions of the Lease, shall have an Initial Term terminating on the last day of the Lessee's current Fiscal Year.

The Lease Term may be extended, solely at the option of the Lessee, at the end of the Initial Term or any Renewal Term for an additional Renewal Term up to the Maximum Lease Term.

The Lessee's option to renew or not to renew the Lease may not be exercised at any time during which an Event of Default has occurred and is then continuing under any of the terms of the Lease; provided, however, that if such Event of Default (money payments excepted) is of such nature that the same is curable but not within the period allowed for curing such Event of Default, then the right of the Lessee to exercise the option to renew shall not be suspended if the Lessee shall have promptly commenced within such period to comply with the provisions hereof which shall have been breached by it and if so long as the Lessee shall, with diligence and continuity, proceed to cure such Event of Default.

The terms and conditions during any Renewal Term shall be the same as the terms and conditions during the Initial Term, except that the Rental Payments and the Option Purchase Price shall be as provided in the schedules attached to the Lease, as such schedules may be revised as provided in the Indenture.

### **Termination of the Lease Term**

The Lease Term will terminate, and all of the Lessee's right, title and interest in and to the Lease (except to the extent of any conveyance as a result of the Lessee's exercise of its option to purchase the Facilities) and its obligations thereunder shall terminate without penalty upon the earliest to occur of any of the following events:

- (a) the expiration of the Initial Term or any Renewal Term and the nonrenewal of the Lease Term resulting from an Event of Nonappropriation pursuant to the Lease (which is not thereafter waived by the Lessor);
- (b) the exercise by the Lessee of the option to purchase the Facilities pursuant to the Lease;
- (c) an Event of Default and the Lessor's election to terminate the Lease;
- (d) the payment by the Lessee of all Rental Payments and Additional Payments authorized or required to be paid by the Lessee under the Lease during the Maximum Lease Term; or
- (e) June 30, 2036 (unless otherwise provided in a Supplemental Lease).

## **Rental Payments**

The Lessee has agreed in the Lease to make Rental Payments, exclusively from legally available funds, in lawful money of the United States of America, to the Lessor during the Initial Term and each Renewal Term, in the amounts and on or before each Certificate Payment Date set forth in the Lease (or on any other date a Rental Payment is due with respect to the Facilities whether at stated maturity, upon prepayment or declaration of acceleration or otherwise), in funds which will be immediately available to the Lessor in the Certificate Fund on the due dates. Each semiannual Rental Payment shall be in consideration for the use of the Facilities by the Lessee for the period from the effective date of the Lease or the immediately preceding Rental Payment Date. All Rental Payments shall be paid by the Lessee directly to the Lessor for the account of the Lessor and shall be deposited in accordance with the provisions of the Indenture into the Certificate Fund. The amounts deposited in the Certificate Fund shall be used and applied by the Lessor in the manner and for the purposes set forth in the Indenture.

A portion of each Rental Payment is to be paid as, and represents the payment of, interest on an obligation of the Lessee (the **“Interest Component”**). The Rental Payments and Option Purchase Price are to be recalculated by the Lessor and the Rental Payment Schedule attached to the Lease shall be revised from time to time in the event of a partial prepayment of Certificates (other than mandatory prepayments pursuant to the Indenture). The Lessee has agreed in the Lease to pay the Rental Payments in accordance with the Rental Payment Schedule as it may be revised from time to time by such amounts as are necessary to reflect the prepayment of the Principal Component represented by certain Certificates. Each Rental Payment shall be applied first as a payment of the Interest Component and then as a payment of the Principal Component and reduction of the Option Purchase Price.

If the Lessee fails to make any portion of the Rental Payments which are due under the Lease, the Lessee will immediately quit and vacate the Facilities, and the Rental Payments (except for Rental Payments which have been theretofore appropriated and then available for such purpose) shall thereupon cease, it being understood between the parties that neither the Lessee nor any agency or political subdivision thereof is obligated to make any Rental Payments which are due to the Lessor or the Option Purchase Price except as provided in the Lease. Should the Lessee fail to pay any portion of the required Rental Payments or Additional Payments and then fail to immediately quit and vacate the Facilities, the Lessor in accordance with the Indenture may immediately bring legal action to evict the Lessee from the Facilities (and the Lessee shall, to the extent permitted by law, pay as damages for its failure to quit and vacate the Facilities upon termination of the then current term of the Lease in violation of the terms thereof an amount equal to the Rental Payments and Additional Payments otherwise payable during such term prorated on a daily basis) and commence proceedings to exercise available rights and remedies under the Lease or the Base Lease. No judgment may be entered against the Lessee for failure to make any Rental Payments, Additional Payments or the Option Purchase Price, except to the extent that the Lessee has theretofore incurred liability to make any such payments through its actual use and occupancy of the Facilities, or through its exercise of an option that renews the Lease for an additional Renewal Term for which moneys have been appropriated, or is otherwise obligated to make such payments pursuant to the Lease.

## **Additional Payments**

The Lessee shall pay as Additional Payments the following amounts:

(a) All fees, charges and expenses reasonably incurred, including agent and counsel fees and expenses, of the Lessor and the Paying Agent incurred under the Indenture and this Lease, and in connection with the performance of the Lessor's obligations under this Lease, the Base Lease or the Indenture, as and when the same become due.

(b) All costs incident to the payment of the Principal Component, premium, if any, and Interest Component represented by the Certificates as the same become due and payable, including all costs and expenses in connection with the call, prepayment and payment of Certificates.

(c) All expenses incurred in connection with the enforcement of any rights under this Lease, the Base Lease or the Indenture by the Lessor or the Registered Owners.

(d) All arbitrage rebate required to be paid to the United States, if any, as provided in the Indenture and the Tax Compliance Agreement.

(e) All other payments of whatever nature which the Lessee has agreed to pay or assume under the provisions of this Lease, the Indenture or the Base Lease.

If the Lessee fails to pay any Additional Payments required by the Lease, the Lessor may (but shall be under no obligation to) pay such Additional Payments, which Additional Payments, together with interest thereon at the Prime Rate plus 2%, are to be reimbursed to the Lessor, by the Lessee upon demand therefor, subject to the availability of sufficient legally available funds for such purpose.

### **Event of Nonappropriation**

In the event that the Board of Directors of the Lessee shall not budget and appropriate, specifically with respect to the Lease, on or before the end of each Fiscal Year, moneys sufficient to pay all Rental Payments and the reasonably estimated Additional Payments coming due for the then current Renewal Term, an Event of Nonappropriation shall be deemed to have occurred. In the event that during the Initial Term or any Renewal Term, any Additional Payments shall become due which were not included in the Lessee's current budget, or which exceeded the amounts which were included therefor in the Lessee's current budget, then, in the event that moneys are not specifically budgeted and appropriated to pay such Additional Payments within 30 days subsequent to the date upon which such Additional Payments are due, an Event of Nonappropriation shall be deemed to have occurred.

If an Event of Nonappropriation occurs, the Lessee shall not be obligated to make payment of the Rental Payments or Additional Payments or any other payments provided for in the Lease (other than with respect to indemnification of the Lessor and the Lessor thereunder) which accrue after the last day of the Initial Term or Renewal Term during which such Event of Nonappropriation shall occur.

### **Maintenance, Repairs and Utilities**

The Lessee covenants and agrees that throughout the Lease Term and at its own expense it will maintain, preserve and keep the Facilities and all parts thereof in good repair, working order and condition, and will from time to time make all repairs, replacements and improvements necessary to keep the Facilities and all parts thereof in safe condition and free from filth, nuisance or conditions unreasonably increasing the danger of fire or other casualty. The Lessor shall have no responsibility for any of these repairs, replacements or improvements.

The Lessee shall contract in its own name and pay for all utilities and utility services used by the Lessee in, on or about the Facilities, and the Lessee, shall, at its sole cost and expense, procure any and all permits, licenses or authorizations necessary in connection therewith.

### **Property and Casualty Insurance**

The Lessee shall, at its sole cost and expense, maintain or cause to be maintained at all times throughout the Lease Term, a policy or policies of insurance, or shall demonstrate pursuant to the Lease that adequate self-insurance is provided, to keep the Facilities insofar as the same may be of an insurable nature

constantly insured against loss or damage by fire, lightning and all other risks covered by the all risk extended coverage insurance endorsement then in use in the State in an amount equal to the Full Insurable Value of the Facilities (subject to reasonable loss deductible clauses specified in the Lease); provided, however, that during the Construction Period, if the Contractor under the Construction Contracts maintains in full force and effect a policy or policies of Builder's Risk-Completed Value Form Insurance insuring the Project against fire, lightning and all other risks covered by the extended coverage endorsement then in use in the State to the Full Insurable Value of the Project (subject to reasonable loss deductible clauses specified in the Lease) then the insurance required by the paragraph (a) shall not be required for such Construction Period with respect to the Project while the Project is so covered by such other insurance. The Full Insurable Value of the Project shall be determined once in every three Fiscal Year commencing with the year ending June 30, 2017, by an architect, contractor, appraiser, appraisal company or one of the insurers, to be selected and paid by the Lessee and a report of such determination shall be filed with the Lessor, the Lessee and the Lessor within 180 days after the end of such third Fiscal Year. The insurance required pursuant to the paragraph shall be maintained at the Lessee's sole cost and expense. Such insurance may be maintained through the Missouri United School Insurance Council or with a generally recognized responsible insurance company or companies authorized to do business in the State as may be selected by the Lessee. All such policies of insurance, and all renewals thereof, shall name the Lessee and the Lessor as insureds as their respective interests may appear, and shall contain a provision that such insurance may not be canceled by the issuer thereof without at least 30 days advance written notice to the Lessee and the Lessor and shall be payable to the Lessor.

### **Public Liability Insurance**

The Lessee shall, at its sole cost and expense, maintain or cause to be maintained at all times during the Lease Term general accident and public liability insurance (including but not limited to coverage for all losses whatsoever arising from the ownership, maintenance, operation or use of any automobile, truck or other motor vehicle), or shall demonstrate, pursuant to the Lease, that adequate self-insurance is provided, under which the Lessee and the Lessor shall be named as insureds, properly protecting and indemnifying the Lessee and the Lessor, in amounts equal to Lessee's customary insurance practice for bodily injury including death) but in no event less than the limitation on awards for liability in effect from time to time under Section 537.610, RSMo, and for property damage arising out of or in any way relating to the condition or the operation of the Facilities (subject to reasonable loss deductible clauses specified in the Lease). Each insurance policy provided for in this paragraph shall contain a provision to the effect that the insurance company may not cancel or materially modify the policy without first giving at least 30 days advance written notice to the Lessee and the Lessor. Such policies or copies or certificates thereof shall be furnished to the Lessor.

In the event of a public liability occurrence, the Net Proceeds of liability insurance carried pursuant to this paragraph or self-insurance program of the Lessee shall be applied toward the extinguishment or satisfaction of the liability with respect to which such proceeds have been paid.

### **Workers' Compensation Insurance**

The Lessee shall maintain or cause to be maintained workers' compensation insurance required by the laws of the State covering all of its employees, or shall demonstrate, pursuant to the Lease, that adequate self-insurance is provided, and shall require any other person or entity working for or on behalf of the Lessee to carry such coverage, and will furnish to the Lessor certificates evidencing such coverage throughout the Lease Term.

### **Blanket Insurance, Self-Insurance and Modifications**

The Lessee may satisfy any of the insurance requirements set forth in the Lease by using blanket policies of insurance which cover not only the Facilities but other properties, provided that the Lessee complies with each and all of the requirements and specifications of the Lease respecting insurance.

Without the consent of the Registered Owners, the Lessee may, upon the recommendation of an insurance consultant that the Lessee will be adequately insured, make modifications to the insurance coverage, including for the Lessee to be self-insured, in whole or in part, for any such coverage, taking into account the cost and availability of insurance and the effect of the terms and rates of such insurance upon the Lessee's costs and charges for its services.

### **Additions, Modifications and Improvements to the Facilities**

The Lessee shall have and is given the right pursuant to the Lease, at its sole cost and expense, to make such additions, modifications and improvements in and to any part of the Facilities as the Lessee from time to time may deem necessary or desirable for its purposes; provided, however, the Lessee shall not make any additions, modifications or improvements which will in any way damage the Facilities or substantially reduce the value of the Facilities. All additions, modifications and improvements made by the Lessee shall (i) be made in a workmanlike manner and in strict compliance with all laws and ordinances applicable thereto, (ii) when commenced, be prosecuted to completion with due diligence, and (iii) when completed, be deemed a part of the Facilities except as otherwise provided in the Lease.

No addition, modification or improvement to the Facilities shall entitle the Lessee to any reimbursement of any Rental Payments or Additional Payments from the or the Registered Owners, nor shall the Lessee be entitled to any abatement or diminution in Rental Payments or Additional Payments under the Lease, except such diminution as results from prepayment of the Principal Component of Rental Payments represented by the Certificates pursuant to the Indenture.

### **Additional Improvements on the Project Site**

The Lessee has the right, at its sole cost and expense, to construct on portions of the Project Site not theretofore occupied by buildings or improvements such additional buildings and improvements as the Lessee from time to time may deem necessary or desirable for its business purposes. All additional buildings and improvements constructed on the Project Site by the Lessee shall become a part of the Facilities and subject to the terms and conditions contained in the Lease and the Base Lease. The Lessee covenants and agrees (a) to make any repairs and restorations required to be made to the Facilities because of the construction of, addition to, alteration or removal of said additional buildings or improvements, (b) to keep and maintain said additional buildings and improvements in good condition and repair, ordinary wear and tear excepted, and (c) to promptly and with due diligence either raze and remove from the Project Site in a good workmanlike manner, or repair, replace or restore any of said additional buildings and improvements as may from time to time be damaged by fire or other casualty.

### **Taxes, Assessments and Other Governmental Charges**

The parties to the Lease contemplate that the Facilities will be used for a governmental or proprietary purpose of the Lessee and, therefore, that the Facilities will be exempt from all taxes presently assessed and levied with respect to real or personal property. In the event that the use, possession or acquisition of the Facilities is found to be subject to taxation in any form (except for income taxes of Lessor), the Lessee will pay during the Lease Term, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Facilities and any facilities, equipment or other property acquired by the Lessee in substitution for, as a renewal or replacement of, or a modification, improvement or addition to the Facilities as well as all gas, water, steam, electricity, heat, power, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Facilities; provided that, with respect to any governmental charge that may lawfully be paid in installments over a period of years, the Lessee shall be obligated to pay only such installments as are accrued during such time as the Lease is in effect.

## **Damage and Destruction**

If during the Lease Term, the Facilities are damaged or destroyed, in whole or in part, by fire or other casualty, to such extent that the claim for loss (including any deductible amount pertaining thereto) resulting from such damage or destruction is greater than \$100,000, the Lessee shall promptly notify the Lessor in writing as to the nature and extent of such damage or loss and whether it is practicable and desirable to rebuild, repair, restore or replace such damage or loss.

If the Lessee shall determine that such rebuilding, repairing, restoring or replacing is practicable and desirable, the Lessee shall proceed promptly with and complete with reasonable dispatch such rebuilding, repairing, restoring or replacing of the property damaged or destroyed so as to place said Facilities in substantially the same condition as existed prior to the event causing such damage or destruction, with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Lessee and as will not impair the utility of the Facilities. The Lessee and the Lessor will cause the Net Proceeds of any insurance claim to be applied to the prompt repair, restoration, modification or improvement of the Facilities. Any balance of the Net Proceeds remaining after such work has been completed shall be deposited into the Certificate Fund. If the Net Proceeds of casualty insurance required by the Lease and received with respect to any such damage or loss to the Project exceeds \$100,000, such Net Proceeds shall be paid to the Lessor and shall be deposited into a separate account to be established in the Project Fund and shall be used and applied in accordance with the disbursement requirements of the Indenture for the purpose of paying the cost of such rebuilding, repairing, restoring or replacing such damage or loss. Any amount remaining in the Project Fund after completion of such rebuilding, repairing, restoring or replacing shall be deposited into the Certificate Fund which completion shall be evidenced by a certificate reasonably satisfactory to the Lessor signed by an Authorized Lessee Representative and filed with the Lessor. If said Net Proceeds are not sufficient to pay in full the costs of such replacement, repair, rebuilding or restoration, the Lessee shall nonetheless complete the work thereof and shall, subject to the appropriation of available funds therefor, pay that portion of the costs thereof in excess of the amount of said Net Proceeds.

If the Lessee shall determine that rebuilding, repairing, restoring or replacing the Facilities is not practicable and desirable, then, in lieu of rebuilding, repairing, restoring or replacing the Facilities, the Lessee shall promptly purchase the Facilities by paying the Option Purchase Price to the Lessor and any Net Proceeds of casualty insurance required by the Lease hereof and received with respect to any such damage or loss to the Facilities shall be applied to such payment. Any balance of the Net Proceeds remaining after paying the Option Purchase Price to the Lessor shall belong to the Lessee. The Lessee agrees that any acquisition of the Facilities or rights to their use by the Lessee shall be pursuant to and in accordance with the Lease, including payment of Rental Payments and the applicable Option Purchase Price.

The Lessee shall not, by reason of its inability to use all or any part of the Facilities during any period in which the Facilities are damaged or destroyed, or are being repaired, rebuilt, restored or replaced, or by reason of the payment of the costs of such rebuilding, repairing, restoring or replacing, be entitled to any reimbursement from the Lessor or the Registered Owners of the Certificates, or any abatement or diminution of the rentals payable by the Lessee under the Lease or of any other obligations of the Lessee under the Lease except as expressly provided in the Lease.

## **Condemnation or Deficiency of Title**

Any Net Proceeds of title insurance or other award from a challenge or threat of legal or equitable action related to the title or use of the Facilities shall be deposited with the Lessor and paid into the Certificate Fund and shall be used to redeem Certificates pursuant to the Indenture at the earliest possible date.

If during the Lease Term title to, or the temporary use of, all or part of the Facilities is condemned by any authority having the power of eminent domain, the condemnation proceeds shall be deposited with the Lessor and paid into the Certificate Fund and shall be used by the Lessor to redeem Certificates pursuant to the

Indenture. The Lessee agrees that any acquisition of the Facilities or rights to their use by the Lessee (whether pursuant to the exercise of its eminent domain powers or otherwise) shall be pursuant to and in accordance with the Lease, including payment of Rental Payments and the applicable Option Purchase Price. This paragraph shall survive the termination of the Lease for any reason.

The Lessor shall cooperate fully with the Lessee in the handling and conduct of any prospective or pending condemnation proceedings with respect to the Facilities or any part thereof, and shall, to the extent the Lessor may lawfully do so, permit the Lessee to litigate in any such proceeding in the name and on behalf of the Lessor. In no event will the Lessor voluntarily settle or consent to the settlement of any prospective or pending condemnation proceedings with respect to the Facilities or any part thereof without the written consent of the Lessee.

### **Option to Purchase the Facilities**

At the option and request of the Lessee, the Lessor's estate in the Facilities will be transferred, conveyed and assigned to the Lessee and the Lease shall terminate:

(a) at any time occurring on or after April 1, 2026, upon payment by the Lessee of the then applicable Option Purchase Price plus all Rental Payments and Additional Payments payable up to and including the date of purchase; or

(b) at any time in the event (i) title to, or the temporary or permanent use of, all or substantially all of the Facilities or the estate or interest of the Lessor, the Lessee or the Lessor in the Facilities shall be taken in any condemnation proceeding brought by any authority exercising the power of eminent domain; (other than the Lessee or any entity controlled by or otherwise affiliated with the Lessee); (ii) title to all or substantially all of the Facilities is found to be deficient or nonexistent to the extent that the Facilities are untenable or the efficient utilization of the Facilities by the Lessee is impaired; (iii) all or substantially all of the Facilities is damaged or destroyed by fire or other casualty; or (iv) the Indenture, the Lease or the Base Lease shall become void or unenforceable, or impossible of performance without unreasonable delay, or unreasonable burdens or excessive liabilities are imposed on the Lessor or the Lessee, in each case, upon payment by the Lessee of the then applicable Option Purchase Price plus all Rental Payments, Additional Payments and accrued interest on the Certificates up to and including the date of purchase; or

(c) at any time upon payment or providing for the payment of all Rental Payments represented by the Certificates, all Additional Payments and the Option Purchase Price (assuming the Lessee renews the Lease until the end of the Lease Term or the Renewal Term in which the Optional Prepayment Date occurs).

To exercise such option the Lessee shall give written notice to the Lessor, if any of the Certificates shall then be unpaid or provision for their payment shall not have been made in accordance with the provisions of the Indenture, and shall specify therein the date of closing such purchase, which date shall be not less than 20 nor more than 60 days from the date when such notice is mailed, and in case of a prepayment of the Certificates in accordance with the provisions of the Indenture, the Lessee shall make arrangements satisfactory to the Lessor for the giving of the required notice of prepayment.

Payment of the final Rental Payments and Additional Payments shall constitute exercise of the option granted without further action by the Lessee.

### **Determination of Fair Purchase Price; Acquisition of the Facilities**

The Lessee agrees and determines that the Rental Payments under the Lease during the Initial Term and any Renewal Term represent the fair value of the use of the Facilities and that the amount required to exercise the Lessee's option to purchase the Lessor's interest in the Facilities pursuant to the Lease represents, as of the purchase date, the fair purchase price of the Facilities. The Lessee determines that the Rental

Payments do not exceed a reasonable amount so as to place the Lessee under an economic practical compulsion to renew the Lease or to exercise its option to purchase the Facilities under the Lease. In making such determinations, the Lessee and the Lessor have given consideration to the Project Costs, the uses and purposes for which the Facilities will be employed by the Lessee, the benefit to the Lessee by reason of the acquisition, construction, equipping and installation of the Project and the use and occupancy of the Facilities pursuant to the Lease and Lessee's option to purchase the Facilities.

The Lessee is entering into the Lease to acquire the use of the Facilities during the Lease Term, and with the current intent of acquiring the Facilities in accordance with the Lease for its public purposes. Any acquisition of the Facilities or rights to their use by the Lessee (whether pursuant to the exercise of eminent domain powers or otherwise) shall be pursuant to and in accordance with the Lease, including payment of Rental Payments and the applicable Option Purchase Price. If the Lessee allows the Lease to expire without exercising its option to purchase (whether by failure to exercise its option to extend the Lease for a Renewal Term, failure to exercise its option to purchase at the conclusion of the Maximum Lease Term or failure to cure an Event of Default), that action shall constitute an irrevocable determination by the Lessee that the Facilities are not required by it for any public purpose for the term of the Base Lease. This Section shall survive the termination of the Lease for any reason.

### **Events of Default**

If any one or more of the following events shall occur and be continuing, it is hereby defined as and declared to be and to constitute an "Event of Default" under the Lease:

(a) Failure by the Lessee to pay any Rental Payment required to be paid under the Lease at the time specified; or

(b) Failure by the Lessee to pay any Additional Payment or to observe or perform any other covenant, agreement, obligation or provision of this Lease on its part to be observed or performed, and such failure shall continue for 30 days after the Lessor has given the Lessee written notice specifying such failure or such longer period (but not to exceed 60 days unless the Lessor shall otherwise consent) as shall be reasonably required to cure such default; provided that (1) the Lessee has commenced such cure within said 30-day period, and (2) the Lessee diligently prosecutes such cure to completion; or

(c) Failure by the Lessee to vacate the Facilities within 30 days after the occurrence of an Event of Nonappropriation; or

(d) An Event of Default under the Indenture shall have occurred and be continuing.

### **Remedies on the Occurrence of an Event of Default or an Event of Nonappropriation**

If an Event of Default or an Event of Nonappropriation shall have occurred and be continuing, then the Lessor may at the Lessor's election (subject, however, to any restrictions contained in the Indenture against acceleration of the maturity of the Certificates or termination of the Lease), then or at any time thereafter, and while such Event of Default or Event of Nonappropriation shall continue, take any one or more of the following actions:

(a) With or without terminating the Lease take possession of the Facilities, in which event the Lessee shall take all actions necessary to authorize, execute and deliver to the Lessor all documents necessary to vest in the Lessor for the remainder of the Lease Term, all of the Lessee's interest in and to the Facilities, and sell the Lessor's (or its assignee's) interest in the Lease, or lease or sublease the Facilities and collect the rentals therefor, for all or any portion of the remainder of its leasehold term upon such terms and conditions as it may deem satisfactory in its sole discretion, with the Lessee remaining liable, subject to the appropriation of available funds, for the difference between (i) the Rental Payments and Additional Payments payable by the



Lessee to the end of the current Lease Term and (ii) the net proceeds or any purchase price, rents or other amounts paid by the new purchaser, lessee or sublessee of such Facilities, and, provided further, that, in such event, if the Lessor shall receive a payment for sale of its interest or total subrentals for sublease that are, after payment of the Lessor's expenses in connection therewith, in excess of the principal amount of Certificates then Outstanding and the interest due and to become due thereon and all other Additional Payments, then such excess shall be paid to the Lessee either by the Lessor, its assigns, or its sublessee; or

(b) By written notice to the Lessee, declare all Rental Payments and Additional Payments payable for the remainder of the current Lease Term to be immediately due and payable and the same shall thereupon become immediately due and payable; or

(c) Give the Lessee written notice of intention to terminate the Lease on a date specified in such notice, which date may be the earlier of 30 days after such notice is given or the end of the current Lease Term, and if all defaults have not then been cured, on the date so specified, the Lessee's rights to possession of the Facilities shall cease and the Lease shall thereupon be terminated, and the Lessor may re-enter and take possession of the Facilities; or

(d) Exercise any of the rights of a secured party under the Uniform Commercial Code of Missouri, as then in effect, with respect to property which is covered by such Code, including without limitation, the right to take possession of any personal property or fixtures subject to the lien granted pursuant to the Lease and to take such other measures as the Lessor may deem as necessary for the care, protection, preservation and marketing of said personal property and fixtures. The Lessor may require the Lessee to assemble any such personal property or fixtures and make the same available to the Lessor at a place to be designated by the Lessor which is reasonably convenient to the Lessor and the Lessee. It is agreed that a commercially reasonable manner of disposition of personal property includes, without limitation, disposition of the Facilities in the manner provided in the Lease; or

(e) Take whatever action at law or in equity may appear necessary or desirable to collect the Rental Payments and Additional Payments then due and thereafter to become due during the Lease Term and to enforce its rights under the Lease and the performance and observance of any obligation, agreement or covenant of the Lessee under the Lease.

If, in accordance with any of the foregoing provisions, the Lessor shall have the right to elect to re-enter and take possession of the Facilities, the Lessor may enter and expel the Lessee and those claiming through or under the Lessee and remove the property and effects of both or either without being guilty of any manner of trespass and without prejudice to any remedies for arrears of rent or for breach of covenant. The Lessor may take whatever action at law or in equity which may appear necessary or desirable to collect rent then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Lessee under the Lease.

\* \* \*

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## APPENDIX D

### OMNIBUS CONTINUING DISCLOSURE UNDERTAKING

This **OMNIBUS CONTINUING DISCLOSURE UNDERTAKING** dated as of August 10, 2016 (this “*Undertaking*”), is executed and delivered by **THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI** (the “*District*”).

#### RECITALS

1. This Undertaking is executed and delivered by the District in connection with the issuance of Certificates of Participation, Series 2016 (the “*Certificates*”), pursuant to a Resolution adopted by the Board of Directors of the District (the “*Resolution*”).

2. The District is executing this Undertaking for the benefit of the Beneficial Owners of the Certificates and other Bonds (as hereinafter defined) and in order to assist each Participating Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission (the “*Rule*”). The District is the only “obligated person” (as defined by the Rule) with responsibility for continuing disclosure hereunder.

3. This Undertaking, with respect to any series of Bonds issued prior to the effective date hereof, consolidates and supersedes, in their entirety, the Prior Undertakings entered into by the District in connection with the issuance of each series of Bonds.

In consideration of the foregoing, the District covenants and agrees as follows:

#### **Section 1. Definitions.**

In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report filed by the District pursuant to, and as described in, **Section 2** of this Undertaking.

“*Beneficial Owner*” means, with respect to a series of Bonds, any registered owner of any Bonds of such series and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds of such series (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds of such series for federal income tax purposes.

“*Bonds*” means all bonds or certificates of participation of all series identified on **Schedule 1** as such schedule may be supplemented and amended and, as context may require, the Bonds of any particular series identified on **Schedule 1**. The District may make future series of Bonds subject to this Undertaking by executing the Adoption Agreement attached as **Exhibit B** or by other action of the Board of Directors of the District.

“*Business Day*” means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any city in which the principal corporate trust office or designated payment office of the trustee, any paying agent or a Dissemination Agent, as applicable, is located are required or authorized by law to remain closed, or (c) a day on which the Securities Depository or the New York Stock Exchange is closed.

“EMMA” means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at <http://www.emma.msrb.org/>.

“Fiscal Year” means the **12-month** period beginning on **July 1** and ending on **June 30** or any other **12-month** period selected by the District as its Fiscal Year for financial reporting purposes.

“Material Events” means any of the events listed in **Section 3** of this Undertaking.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the Rule.

“Participating Underwriter” means each of the original underwriters of a series of Bonds required to comply with the Rule in connection with the offering of Bonds of that series.

“Prior Undertakings” means the prior continuing disclosure undertakings of the District with respect to the Bonds listed on **Schedule 1**.

“Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

## **Section 2.        *Provision of Annual Reports.***

- (a) The District shall, not later than December 31 of each year (or the final day of the sixth month following the end of the District’s Fiscal Year), file with the MSRB, through EMMA, the following financial information and operating data (the “Annual Report”):
  - (1) The audited financial statements of the District for the prior Fiscal Year prepared in accordance with the accounting principles described in the notes to those audited financial statements contained in the final Official Statement. If audited financial statements are not available by the time the Annual Report is required to be filed pursuant to this Section, the Annual Report shall include unaudited financial statements or the Annual Secretary of the Board Report (ASBR) for the prior Fiscal Year which contains unaudited financial information, and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available.
  - (2) Updates as of the end of the Fiscal Year of certain financial information and operating data contained in tables located in the following described sections in **Appendix A** to the final Official Statement, which information may be contained in the audited financial statements of the District or any schedules supplemental thereto, with such modifications to the formatting and general presentation thereof as deemed appropriate by the District:

### **GENERAL AND ECONOMIC INFORMATION CONCERNING THE DISTRICT: History of Enrollment**

### **DEBT STRUCTURE OF THE DISTRICT: Current Long-Term General Obligation Indebtedness History of General Obligation Indebtedness**

### **FINANCIAL INFORMATION CONCERNING THE DISTRICT: Sources of Revenue**

**PROPERTY TAX INFORMATION CONCERNING THE DISTRICT:**

**Property Valuations:**

*Current Assessed Valuation*

*History of Property Valuations*

**History of Tax Levies**

**Tax Collection Record**

Any substantive change to information provided shall be effected only in accordance with **Section 6** hereof.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the District is an “obligated person” (as defined by the Rule), which have been filed with the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB on EMMA. The District shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event under **Section 3**.

- (b) In addition to the foregoing requirements of this Section, the District agrees to provide copies of the most recent Annual Report to any requesting Beneficial Owner or prospective Beneficial Owner, but only after the same has been filed with the MSRB on EMMA.

**Section 3.      *Reporting of Material Events.***

No later than **10** Business Days after the occurrence of any of the following events, the District shall give, or cause to be given, to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Bonds (“*Material Events*”):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the District (which shall be deemed to occur as provided in the Rule);

- (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material.

If the District has not submitted the Annual Report to the MSRB by the date required in **Section 2(a)**, the District shall send a notice to the MSRB of the failure of the District to file on a timely basis the Annual Report, which notice shall be given by the District in accordance with this **Section 3**.

#### ***Section 4. Termination of Reporting Obligation.***

The District's obligations under this Undertaking for a particular series of Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of that series of Bonds. If the District's obligations under this Undertaking are assumed in full by some other entity, such entity shall be responsible for compliance with this Undertaking in the same manner as if it were the District, and the District shall have no further responsibility hereunder. If such assumption occurs prior to the final maturity of such Bonds, the District shall give notice of such assumption in the same manner as for a Material Event under **Section 3**.

#### ***Section 5. Dissemination Agent.***

The District may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Undertaking (the "*Dissemination Agent*"), and may discharge any such agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign as Dissemination Agent hereunder at any time upon **30** days prior written notice to the District. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Annual Report) prepared by the District pursuant to this Undertaking.

#### ***Section 6. Bonds Subject to this Undertaking; Amendment; Waiver.***

(a) All outstanding Bonds as of the date of this Undertaking shown on **Schedule 1** are hereby made subject to this Undertaking, and all Prior Undertakings are governed by the terms of this Undertaking. The District may make any future series of Bonds subject to this Undertaking by delivering the Adoption Agreement attached as **Exhibit A** to the Dissemination Agent.

(b) All references to the "Bonds" in this Undertaking shall apply separately to each series of Bonds that are or become subject to this Undertaking, without further amendment hereto.

(c) Notwithstanding the provisions of **subsection (d)** of this Section or anything else contained in this Undertaking to the contrary, in conjunction with the public offering of any series of Bonds, the District may amend the categories of operating data to be updated on an annual basis as set forth in **Section 2** to conform to the operating data included in the final official statement for such series of Bonds, in conformance with the requirements and interpretations of the Rule as of the date of such final official statement, without further amendment to this Undertaking. Thereafter, the annual operating data to be filed by the District with the MSRB with respect to the Bonds (and all other series of Bonds then subject to this Undertaking) shall be deemed to be amended to reflect the requirements of the revised Undertaking for the new series of Bonds.

(d) Except as otherwise provided in **subsection (c)** of this Section, the District may amend this Undertaking and any provision of this Undertaking may be waived, provided that Bond Counsel or other counsel experienced in federal securities law matters provides the District with its written opinion that the undertaking of the District contained herein, as so amended or after giving effect to such waiver, is in

compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to this Undertaking; provided, however, that this Undertaking, including **Schedule 1** hereto, may be amended for the purpose of (i) extending the coverage of this Undertaking to any additional series of Bonds or (ii) removing reference to any series of Bonds for which the District's reporting obligations have terminated in accordance with **Section 4** hereof, each without the provision of a written opinion as otherwise required by this paragraph.

(e) If a provision of this Undertaking is amended or waived with respect to a series of Bonds pursuant to **subsection (d)** of this Section, the District shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event under **Section 3**, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

#### ***Section 7. Additional Information.***

Nothing in this Undertaking shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the District chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by this Undertaking, the District shall have no obligation under this Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

#### ***Section 8. Default.***

If the District fails to comply with any provision of this Undertaking, with respect to a series of Bonds, any Participating Underwriter or any Beneficial Owner of the Bonds of such series may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an event of default under the Resolution or the Bonds, and the sole remedy under this Undertaking if there is any failure of the District to comply with this Undertaking shall be an action to compel performance.

#### ***Section 9. Beneficiaries.***

This Undertaking shall inure solely to the benefit of the District, each Participating Underwriter, and Beneficial Owners from time to time with respect to a series of Bonds, and shall create no rights in any other person or entity.

#### ***Section 10. Severability.***

If any provision in this Undertaking, the Resolution or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of this Undertaking shall not in any way be affected or impaired thereby.

#### ***Section 11. Electronic Transactions.***

The arrangement described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original documents

shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

***Section 12.*      Governing Law.**

This Undertaking shall be governed by and construed in accordance with the laws of the State of Missouri.

**IN WITNESS WHEREOF**, the District has caused this Undertaking to be executed as of the day and year first above written.

**THE SCHOOL DISTRICT OF KANSAS CITY,  
MISSOURI**

By: \_\_\_\_\_  
Title: Chair of the Board of Directors

By: \_\_\_\_\_  
Title: Chief Financial Officer



**SCHEDULE 1**  
**TO OMNIBUS CONTINUING DISCLOSURE AGREEMENT**

**THE BONDS**

**SERIES 2009 BONDS**

<b>Issuer</b>	School District of Kansas City, Missouri, Building Corporation
<b>Issue Name</b>	Leasehold Revenue Qualified School Construction Bonds (The School District of Kansas City, Missouri QSCB Project) Series 2009 (Tax Credit Bonds)
<b>Obligated Person</b>	The School District of Kansas City, Missouri
<b>Date of Issuance</b>	December 30, 2009

**SERIES 2010 BONDS**

<b>Issuer</b>	School District of Kansas City, Missouri, Building Corporation
<b>Issue Name</b>	Leasehold Revenue Qualified School Construction Bonds (The School District of Kansas City, Missouri QSCB Project) Series 2010 (Direct Pay Bonds)
<b>Obligated Person</b>	The School District of Kansas City, Missouri
<b>Date of Issuance</b>	December 9, 2010

**SERIES 2016 BONDS**

<b>Issuer</b>	The School District of Kansas City, Missouri
<b>Issue Name</b>	Certificates of Participation, Series 2016
<b>Obligated Person</b>	The School District of Kansas City, Missouri
<b>Date of Issuance</b>	August __, 2016

**EXHIBIT A**  
**TO OMNIBUS CONTINUING DISCLOSURE AGREEMENT**

**ADOPTION AGREEMENT**

**relating to**

**OMNIBUS CONTINUING DISCLOSURE UNDERTAKING**

This Adoption Agreement (the “*Adoption Agreement*”) dated as of \_\_\_\_\_, 20\_\_, relating to that certain Omnibus Continuing Disclosure Undertaking dated as of August 10, 2016, as supplemented and amended to date (the “*Disclosure Undertaking*”), is executed and delivered by **THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI** (the “*District*”). Capitalized terms not otherwise defined in this Adoption Agreement have the meanings given those terms in the Disclosure Undertaking.

**WHEREAS**, the Disclosure Undertaking was executed and delivered by the District for the benefit of the Beneficial Owners of the outstanding Bonds (the “*Prior Bonds*”) with respect to which the District is an obligated person within the meaning of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “*Rule*”) and governs the continuing disclosure obligations of the District with respect to all future Bonds with respect to which the District is an obligated person within the meaning of the Rule after the date of the Disclosure Undertaking;

**WHEREAS**, the District has determined to issue its [Type of Bonds], Series 20\_\_ in the aggregate principal amount of \$\_\_\_\_\_ (the “*Series 20\_\_ Bonds*”), which Series 20\_\_ Bonds have been offered pursuant to an Official Statement dated \_\_\_\_\_, 20\_\_; and

**WHEREAS**, the District has determined that, in order to assist the underwriter[s] of the Series 20\_\_ Bonds in complying with the Rule, it will reaffirm the applicability of the Disclosure Undertaking to the Series 20\_\_ Bonds in all respects through this Adoption Agreement;

**NOW, THEREFORE**, the District covenants and agrees for the benefit of the Beneficial Owners of the Series 20\_\_ Bonds, that the applicability of the Disclosure Undertaking to the Series 20\_\_ Bonds is hereby affirmed in all respects.

**THIS ADOPTION AGREEMENT** is entered into by the District as of the day and year first above written.

**THE SCHOOL DISTRICT OF KANSAS CITY,  
MISSOURI**

By: \_\_\_\_\_  
Title: Chair of the Board of Directors

By: \_\_\_\_\_  
Title: Superintendent

## APPENDIX E

### THE BOOK-ENTRY ONLY SYSTEM

The Series 2016 Certificates are available in book-entry only form and beneficial ownership interests therein may be purchased in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Series 2016 Certificates will not receive certificates representing their interests in the Series 2016 Certificates.

The following information concerning The Depository Trust Company, New York, New York and DTC's book-entry system has been obtained from sources the District believes to be reliable. However, the District takes no responsibility as to the accuracy or completeness thereof and neither the Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

**General.** The Depository Trust Company ("**DTC**"), New York, New York, will act as securities depository for the Series 2016 Certificates. The Series 2016 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Series 2016 Certificates, in the aggregate principal amount of such issue, and will be deposited with DTC.

**So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2016 Certificates, the Beneficial Owners of the Series 2016 Certificates will not receive or have the right to receive physical delivery of the Series 2016 Certificates, and references herein to the Certificate owners or registered owners of the Series 2016 Certificates shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2016 Certificates.**

**DTC and its Participants.** DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at <http://www.dtcc.com>.

**Purchase of Ownership Interests.** Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written

confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Series 2016 Certificates is discontinued.

***Transfers.*** To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

***Notices.*** Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Certificates, such as prepayments, defaults, and proposed amendments to the related documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Series 2016 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them. Prepayment notices shall be sent to DTC. If less than all of the Series 2016 Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

***Voting.*** Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

***Payments with Respect to the Series 2016 Certificates.*** So long as any Certificate is registered in the name of DTC's nominee, all payments of principal components, prepayment premium, if any, and interest components with respect to such Certificate will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

***Discontinuation of Book Entry System.*** DTC may discontinue providing its services as depository with respect to the Series 2016 Certificates at any time by giving reasonable notice to the District or the

Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered. The District, may decide to discontinue using the book-entry transfer system through DTC (or a successor securities depository). If the District discontinues use of the system, Certificates will be printed and delivered.

*None of the Underwriter, the Trustee nor the District will have any responsibility or obligations to any Direct Participants or Indirect Participants or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or any such Direct Participant or Indirect Participant; (ii) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal components, premium, if any, or interest components with respect to the Series 2016 Certificates; (iii) the delivery by any such Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Indenture to be given to owners of the Series 2016 Certificates; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial prepayment of the Series 2016 Certificates; or (v) any consent given or other action taken by DTC as owner of the Series 2016 Certificates.*

*The information above concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the District, the Trustee or the Underwriter. The District, the Trustee and the Underwriter make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners will act in accordance with the procedures described above or in a timely manner.*

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## APPENDIX F

### FORM OF OPINION OF SPECIAL COUNSEL

The School District of Kansas City, Missouri  
Kansas City, Missouri

BOKF, N.A., as Trustee  
Kansas City, Missouri

**Re:     \$50,000,000 Certificates of Participation (The School District of Kansas City, Missouri,  
Series 2016**

Ladies and Gentlemen:

We have acted as special counsel in connection with the above-captioned Certificates of Participation (collectively the **“Certificates”**), evidencing interests of the owners thereof in Rental Payments to be made by The School District of Kansas City, Missouri (the **“District”**), under a Lease Agreement dated as of August 1, 2016 (the **“Lease Agreement”**), between BOKF, N.A., as lessor, and the District, as lessee. As such, we have examined (a) the Base Lease dated as of August 1, 2016 (the **“Base Lease”**), between the District and BOKF, N.A., as Trustee (the **“Trustee”**), (b) the Lease Agreement, (c) the Trust Indenture dated as of August 1, 2016 (the **“Trust Indenture”**), between the District and the Trustee, (d) certifications of officers and officials of the District and others, and (e) the forms of the Certificates.

Unless otherwise expressly provided herein, capitalized terms herein shall have the meanings assigned to them in the Trust Indenture.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the representations of the District in the Base Lease and the Lease Agreement and the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1.       The Lease Agreement, the Base Lease and the Indenture have been duly authorized, executed and delivered by the District and are valid and legally binding agreements of the District enforceable against the District in accordance with the respective provisions thereof except that with respect to the Lease, it is enforceable only during the Initial Term of the Lease Agreement and during any Renewal Term.

2.       The Certificates have been duly authorized, executed and delivered in accordance with the Indenture, are entitled to the benefits and security of the Indenture and evidence interests in the right to receive Rental Payments under the Lease Agreement on a parity with all Additional Certificates issued pursuant to the Indenture, which rights are enforceable against the District in accordance with the terms of the Certificates, the Indenture and the Lease Agreement.

3.       The Interest Component of the Rental Payments paid by the District under the Lease Agreement and distributed to the registered owners of the Certificates (including any original issue discount

properly allocable to the registered owners thereof) (i) is excludable from gross income for federal and State of Missouri income tax purposes, and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the execution and delivery of the Lease Agreement in order that the Interest Component of Rental Payments thereunder be, or continue to be, excluded from gross income for federal and State of Missouri income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of the Interest Component of Rental Payments in gross income for federal and State of Missouri income tax purposes retroactive to the date of execution and delivery of the Lease Agreement. The District’s obligation to pay Rental Payments under the Lease Agreement has not been designated as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Code.

4. We express no opinion regarding (a) other federal or State of Missouri tax consequences arising with respect to the Rental Payments or the Certificates, (b) the treatment for federal or State of Missouri income tax purposes of any moneys received by registered owners of the Certificates, other than payments by the District made pursuant to the Lease Agreement, upon an Event of Nonappropriation or an Event of Default or (c) the title to or the description of the property subject to the Base Lease or the Lease Agreement.

The rights of the registered owners of the Certificates and the enforceability of the Lease Agreement, the Base Lease and the Trust Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent applicable and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

Very truly yours,

GILMORE & BELL, P.C.