

## NOTICE OF BOND SALE

**\$114,000,000\***

**NORTH KANSAS CITY SCHOOL DISTRICT 74, CLAY COUNTY, MISSOURI  
GENERAL OBLIGATION IMPROVEMENT BONDS  
(MISSOURI DIRECT DEPOSIT PROGRAM)  
SERIES 2016B**

**Bids.** Electronic bids for the purchase of \$114,000,000\* principal amount of General Obligation Improvement Bonds (Missouri Direct Deposit Program), Series 2016B (the “Bonds”), of North Kansas City School District 74, Clay County, Missouri (the “District”), herein described, will be received **until 10:00 A.M., Central Daylight Time**, on

**TUESDAY, NOVEMBER 1, 2016**

(the “Sale Date”). 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 Bonds, if any, to the successful bidder (the “Successful Bidder”) will be approved by the District on that date.

**Pre-Bid Revisions.** The District reserves the right to issue a Supplemental Notice of Bond 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 Bond Sale as the District determines, including the date and time of the sale. Any such modifications will supersede the terms as set forth herein.

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

<u>Year</u>	<u>Principal Amount*</u>
2020	\$ 500,000
2021	1,500,000
2022	4,500,000
2023	5,735,000
2024	6,020,000
2025	6,320,000
2026	6,635,000
2027	6,970,000
2028	7,245,000
2029	7,535,000
2030	7,840,000
2031	8,150,000
2032	8,480,000
2033	8,735,000
2034	8,995,000
2035	9,275,000
2036	9,565,000

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

**Adjustment of Issue Size.** The District reserves the right to decrease the total principal amount of the Bonds and increase or decrease the principal amount of any maturity, depending on the purchase price and interest

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\* Preliminary, subject to change.

rates bid and the offering prices specified by the Successful Bidder. Such adjustments to the principal amounts may be made by the District in order to properly size the Bond issue for the improvements to be financed and in order to meet tax rate considerations. The Successful Bidder may not withdraw its bid for the Bonds or change the interest rates bid as a result of any changes made to the total principal amount of the Bonds or principal of any maturity thereof as described herein, provided that the total principal amount of the Bonds will not be decreased by more than 5%, and that the principal amount of any maturity will not be increased or decreased by more than 15% or \$100,000, whichever is greater, without the consent of the Successful Bidder. If there is a decrease in the final total principal amount of the Bonds or a change in the schedule of principal payments thereof as described above, the District will notify the Successful Bidder of the Bonds by means of telephone or facsimile transmission, subsequently confirmed in writing, no later than 11:30 A.M., Central Daylight Time on the Sale Date. The net production as a percentage of the par amount of the Bonds generated from the bid of the Successful Bidder will not be decreased as a result of any change in the total principal amount of the Bonds or in the principal amount per maturity.

**Optional Redemption of Bonds Prior to Maturity.** At the option of the District, the Bonds maturing on March 1, 2027, and thereafter may be called for redemption and payment prior to maturity on March 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. Bonds shall be redeemed only in the principal amount of \$5,000 or any integral multiple thereof. When less than all of the Outstanding Bonds are to be redeemed, such Bonds shall be redeemed from the Stated Maturities selected by the District, and Bonds of less than a full Stated Maturity shall be selected by the Paying Agent in \$5,000 units of principal amount by lot or in such other equitable manner as the Paying Agent may determine.

**Election to Specify Term Bonds.** A bidder may elect to have all or a portion of the Bonds 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 Bonds of a single maturity may be converted to term bonds.

**Submission of Bids.** Electronic bids must be submitted via PARITY® in accordance with its Rules of Participation and this Notice of Bond Sale. If provisions of this Notice of Bond Sale conflict with those of PARITY®, this Notice of Bond Sale shall control. Bids for the Bonds must be received before **10:00 A.M. Central Daylight Time on the Sale Date.** 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®.** All proposals must be submitted electronically through PARITY®, and no other proposals will be considered. Information about the electronic bidding services of PARITY® 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 the use of the PARITY® system. The District is using the PARITY® system as a communication mechanism, and not as the District's agent, to conduct the electronic bidding for the Bonds. The use of the PARITY® 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® to the effect that any particular bid complies with the terms of this Notice of Bond Sale and the bid specifications. An electronic bid made through the facilities of PARITY® shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Notice of Bond Sale, and such bid shall be binding upon the bidder as if made by a signed and sealed bid delivered to the District.

**Conditions of Bids.** Proposals will be received on all of the Bonds bearing such rate or rates of interest as may be specified by the bidders, subject to the following conditions: (a) the same rate shall apply to all Bonds of the same maturity; (b) each interest rate specified shall be a multiple of 1/8 or 1/20 of 1%, with no zero coupon bonds allowed; (c) no supplemental interest payments will be authorized; (d) the Bonds shall be sold by the District for a price not less than 105% or more than 108.50% of the total principal amount thereof; (e) no single maturity of the Bonds shall be sold at a dollar price of more than 130%, priced to the call date; and (f) the Underwriter's Discount may not exceed 1.50% of the aggregate principal amount of the Bonds. Each bid shall specify the total interest cost during the life of the Bonds on the basis of such bid, the premium or discount, if any, offered by the bidder, the net

interest cost (expressed in dollars) on the basis of such bid and the TIC (as hereinafter defined) on the basis of such bid. Each bidder agrees that, if it is awarded the Bonds, 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 Bond Sale.

**Basis of Award.** The Bonds 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) that, when used in computing the present value of all payments of principal and interest to be paid on the Bonds, from the scheduled payment dates back to the dated date of the Bonds, produces an amount equal to the price bid, including premium or discount, if any. Payments of principal and interest on the Bonds shall be based on the principal amounts set forth in this Notice of Bond 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 Bonds unless its bid shall be in compliance with the other terms and conditions of this Notice of Bond Sale. The District or its Financial Advisor will verify the TIC based on the bids received. 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. In the event the TIC specified in the bid does not correspond to the bid price and the interest rates specified, the bid price and 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.

**Good Faith Deposit.** The Successful Bidder (the "Purchaser") is required to submit a good faith deposit in the amount of \$1,140,000 (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 the proposals are received. If the Deposit is not received by such time, the District may terminate its proposed award of the Bonds to such Purchaser, and the District may 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 Bonds, the Deposit will be applied to the purchase price of the Bonds 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 Bonds to the bidder in accordance with the terms and conditions of this Notice of Bond Sale, the Deposit shall be returned to the Purchaser.

**Certification as to Offering Prices.** To provide the District with information necessary for compliance with Section 148 of the Code, the Purchaser will be required to complete, execute and deliver to the District prior to the delivery of the Bonds, a certificate regarding the "issue price" of the Bonds (as defined in Section 148 of the Code). For Bonds 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 Bonds of each maturity have been or are expected to be sold to the public. Prior to delivery of the Bonds, the Purchaser will execute and deliver to the District a written certification (the "Issue Price Certificate") containing the following (1) the initial offering price and interest rate for each maturity of the Bonds; (2) that all of the Bonds 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 Purchaser reasonably expected that at least 10% of each maturity of the Bonds 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 Bonds not reoffered for sale, such certificate may instead provide that the Purchaser has purchased the Bonds for its own account in a capacity other than as an underwriter or wholesaler, and currently has no intent to reoffer the Bonds for sale.

At the request of the District, the Purchaser will provide information explaining the factual basis for the Purchaser's Issue Price Certificate. This agreement by the Purchaser to provide such information will continue to apply after the issue date of the Bonds 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.

***The Purchaser shall provide such initial offering prices to the District and its Financial Advisor no later than 10:30 A.M., Central Daylight Time, on the Sale Date.***

**Delivery and Payment.** The District will deliver the Bonds, properly prepared, executed and registered, without cost to the Purchaser on or about November 17, 2016, in book-entry form only through the facilities of The Depository Trust Company in New York, New York. The Purchaser will also be furnished with a certified transcript of the proceedings evidencing the authorization and issuance of the Bonds and the usual closing documents, including a certificate that there is no litigation pending or threatened at the time of delivery of the Bonds affecting their validity and a certificate regarding the completeness and accuracy of the Official Statement. Payment for the Bonds shall be made in federal reserve funds, immediately available for use by the District.

**Legal Opinion.** The Bonds will be sold subject to the approving legal opinion of Gilmore & Bell, P.C., Bond Counsel, which opinion will be furnished and paid for by the District and printed on the Bonds and delivered to the Successful Bidder when the Bonds are delivered. Said opinion will also include the opinion of Bond Counsel relating to the exclusion of the interest on the Bonds 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 Bonds.

**Bond Ratings.** Moody's Investors Service, Inc. is expected to give the Bonds a program rating of "Aa1" and Standard & Poor's Ratings Services is expected to give the Bonds a program rating of "AA+," which ratings are conditioned upon the execution and delivery of the Direct Deposit Agreement. Moody's Investors Service, Inc. is expected to give the Bonds an underlying rating of "Aa2," which reflects its evaluation of the investment quality of the Bonds without regard to the Direct Deposit Agreement. Any explanation as to the significance of the ratings may be obtained only from the rating agencies. Ratings are not recommendations to buy, sell, or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of a rating may adversely affect the market price of the Bonds.

**Authority, Purpose and Security.** The Bonds are being issued for the purpose of providing funds to acquire land and acquire, construct, repair, improve, extend, remodel, renovate, furnish and equip new and existing school facilities under the authority of and in full compliance with the Constitution and laws of the State of Missouri, and pursuant to an election duly held in the District and a resolution duly passed by the governing body of the District. The Bonds and the interest thereon will constitute general obligations of the District, payable from ad valorem taxes that may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the District.

The Bonds 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 Bond Sale contains certain information for quick reference only. It is not, and is not intended to be, a summary of the Bonds. Each bidder is required to read the entire Preliminary Official Statement to obtain information essential to making an informed investment decision.

**Direct Deposit of State Aid Payments.** Pursuant to Section 360.111 et seq. of the Revised Statutes of Missouri and related statutes (the "Deposit Law"), the State of Missouri (the "State") and the District may agree to transfer to a Missouri bank, as direct deposit trustee (the "Deposit Trustee"), a portion of the District's State aid payments and distributions normally used for operational purposes ("State Aid") in order to provide for payment of debt service on the Bonds. On the date of issuance of the Bonds, the District will enter into a Direct Deposit Agreement (the "Direct Deposit Agreement") with the office of the Treasurer of the State of Missouri, the Department of Elementary and Secondary Education of the State of Missouri ("DESE"), the Health and Educational Facilities Authority of the State of Missouri (the "Authority") and the Deposit Trustee. Under the Direct Deposit Agreement, the District will pledge a portion of its State Aid to the payment of the Bonds. The Direct Deposit Agreement will provide that, beginning in December 2016, one-third (1/3) of the debt service to be paid on the Bonds during the bond year ending March 1, 2017, will be deposited with the Deposit Trustee in each of December 2016 through February 2017; and beginning with March 2017, one-tenth (1/10) of the debt service to be paid on the Bonds during the bond year ending March 1, 2018, will be deposited with the Deposit Trustee in each of the ten months of March 2017 through September 2017 and December 2017 through February 2018, and in each succeeding ten (10) similar months (i.e., March through September and December through February) for each bond year thereafter. Amounts of State Aid to the District in excess of the monthly deposit will not be deposited with the Deposit Trustee but will be transferred directly to the District as has historically been the case with all State Aid. See the section

caption “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Direct Deposit of State Aid Payments” in the Preliminary Official Statement.

**Place of Payment.** Principal will be payable upon presentation and surrender of the Bonds by the registered owners thereof at the payment office of Commerce Bank, Kansas City, Missouri (the “Paying Agent”). Interest shall be paid to the registered owners of the Bonds as shown on the bond register at the close of business on the record date for such interest by check or draft mailed by the Paying Agent to the address of such registered owners shown on the bond register or by electronic transfer to such registered owner.

**Book-Entry Only System and Blue Sky.** The Bonds 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 Bonds will be made. Individual purchases of Bonds will be made in book-entry form only. Purchasers will not receive certificates representing their interest in Bonds purchased. It shall be the obligation of the Successful Bidder to furnish to DTC an underwriter’s questionnaire. It shall be the obligation of the Successful Bidder to qualify the Bonds, if such qualification is necessary, in the jurisdictions in which it intends to reoffer the Bonds.

**Preliminary Official Statement and Official Statement.** The District has prepared a Preliminary Official Statement dated October 21, 2016, “deemed final” by the District except for the omission of certain information as provided by Securities and Exchange Commission Rule 15c2-12, electronic copies of which may be obtained from the Financial Advisor as provided herein. Upon the sale of the Bonds, 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 (collectively, the “Rules”). The District’s acceptance of the Successful Bidder’s proposal for the purchase of the Bonds, including electronic acceptance through Parity<sup>®</sup>, shall constitute a contract between the District and the Purchaser for purposes of said Rules.

**Continuing Disclosure.** The District covenants and agrees to enter into a continuing disclosure agreement to provide ongoing disclosure about the District for the benefit of the bondholders on or before the date of delivery of the Bonds as required by Section (b)(5)(i) of Rule 15c2-12 of the Securities and Exchange Commission. See the Preliminary Official Statement for statements about the District’s compliance with undertakings previously entered into by the District pursuant to Rule 15c-2-12 and for the form of such continuing disclosure agreement.

**CUSIP Numbers.** CUSIP numbers will be assigned to and printed on the Bonds at the expense of the District. In no event will the District, Bond 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 Bonds shall not be cause for the Purchaser to refuse to accept delivery of the Bonds.

**Additional Information.** Additional information regarding the Bonds may be obtained from the Financial Advisor, Piper Jaffray & Co., 11635 Rosewood Street, Leawood, Kansas, 66211, Attention: Todd Goffoy, Office: (913) 345-3373, Mobile: (913) 201-3270, Email: [a.t.goffoy@pjc.com](mailto:a.t.goffoy@pjc.com), or Matt Courtney, Office: (913) 345-3355, Email: [Matthew.T.Courtney@pjc.com](mailto:Matthew.T.Courtney@pjc.com).

DATED this 21<sup>st</sup> day of October, 2016.

**NORTH KANSAS CITY SCHOOL DISTRICT  
74, CLAY COUNTY, MISSOURI**

By: Dr. Terry Ward  
President of the Board of Directors

**PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 21, 2016**

<b>New Issue</b>	<b>PROGRAM RATINGS:</b>	<b>Moody's:</b>	<b>"Aa1"</b>
<b>Book-Entry Only</b>		<b>Standard &amp; Poor's:</b>	<b>"AA+"</b>
	<b>UNDERLYING RATING:</b>	<b>Moody's:</b>	<b>"Aa2"</b>
		<b>See "BOND RATINGS" herein.</b>	

*In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), (1) the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (2) the interest on the Bonds is exempt from Missouri income taxation by the State of Missouri and (3) the Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS" in this Official Statement.*

**\$114,000,000\***  
**NORTH KANSAS CITY SCHOOL DISTRICT 74, CLAY COUNTY, MISSOURI**  
**GENERAL OBLIGATION IMPROVEMENT BONDS**  
**(MISSOURI DIRECT DEPOSIT PROGRAM)**  
**SERIES 2016B**

**Dated: Date of Issuance**

**Due: March 1, as shown below**

The General Obligation Improvement Bonds (Missouri Direct Deposit Program), Series 2016B, will be issued as fully registered bonds and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. The Bonds will be available for purchase in denominations of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. DTC will receive all payments with respect to the Bonds from Commerce Bank, Kansas City, Missouri, as paying agent for the Bonds (the "Paying Agent"). DTC is required to remit such payments to DTC Direct Participants (hereinafter defined) for subsequent disbursement to the Beneficial Owners (hereinafter defined) of the Bonds. Semiannual interest will be payable on March 1 and September 1, beginning on March 1, 2017.

The Bonds and the interest thereon will constitute general obligations of the District, payable from ad valorem taxes, which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the District.

**THE BONDS ARE SUBJECT TO CERTAIN RISKS. SEE THE SECTION CAPTIONED "RISK FACTORS" HEREIN.**

**MATURITY SCHEDULE\***

<u>Maturity</u> <u>March 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP</u>	<u>Maturity</u> <u>March 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>CUSIP</u>
2020	\$ 500,000				2029	\$7,535,000			
2021	1,500,000				2030	7,840,000			
2022	4,500,000				2031	8,150,000			
2023	5,735,000				2032	8,480,000			
2024	6,020,000				2033	8,735,000			
2025	6,320,000				2034	8,995,000			
2026	6,635,000				2035	9,275,000			
2027	6,970,000				2036	9,565,000			
2028	7,245,000								

*The Bonds are offered when, as and if issued by the District, subject to the approval of legality by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel. It is expected that the Bonds will be available for delivery in book-entry form through DTC, New York, New York, on or about November 17, 2016.*

The date of this Official Statement is November \_\_\_\_, 2016.

\* Preliminary, subject to change.

**NORTH KANSAS CITY SCHOOL DISTRICT 74, CLAY COUNTY, MISSOURI**

2000 N.E. 46th Street  
Kansas City, Missouri 64116  
Tel. No. 816-413-5000

**BOARD OF DIRECTORS**

Dr. Terry Ward, President  
Ms. Dixie Youngers Vice President  
Dr. Jeffrey “Chip” Luerding, Treasurer  
Mr. Joe Jacobs  
Mr. Victor Hurlbert  
Ms. Judy Wartick  
Mr. Jay Wilson

Ms. Peggy Cole, Secretary

**ADMINISTRATIVE OFFICERS**

Dr. Daniel Clemens – Superintendent of Schools  
Mr. Paul G. Harrell - Deputy Superintendent Operations  
Dr. Jill Hackett – Deputy Superintendent Academics  
Dr. Paul Fregeau – Assistant Superintendent for Support Services  
Dr. Deborah Delsemme – Executive Director - Human Resources  
Mr. Matthew Fritz – Executive Director – Finance and Accounting  
Ms. Tammy Henderson – Executive Director – Community Relations

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**FINANCIAL ADVISOR**

Piper Jaffray & Co.  
Leawood, Kansas

**BOND COUNSEL**

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

**CERTIFIED PUBLIC ACCOUNTANTS**

Marr and Company, P.C.  
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 Bonds 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 Bonds 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 over allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Bonds 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 Bonds 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**.



## TABLE OF CONTENTS

<u>Page</u>	<u>Page</u>
<b>INTRODUCTION .....</b>	<b>TAX MATTERS.....</b>
Purpose of the Official Statement.....	Opinion of Bond Counsel .....
The District .....	Other Tax Consequences .....
The Bonds.....	<b>BOND RATINGS.....</b>
Security and Source of Payment .....	<b>CONTINUING DISCLOSURE .....</b>
Other Outstanding Obligations Payable.....	<b>MISCELLANEOUS .....</b>
Financial Statements .....	Underwriting.....
Continuing Disclosure Information .....	Financial Advisor.....
Bond Ratings .....	Certification and Other Matters Regarding Official
<b>PLAN OF FINANCING.....</b>	Statement.....
Authorization and Purpose of Bonds .....	Additional Information .....
Sources and Uses of Funds .....	
<b>THE BONDS.....</b>	
General Description .....	
Redemption Provisions .....	
<b>BOOK-ENTRY ONLY SYSTEM.....</b>	
Registration, Transfer and Exchange of Bonds	
Upon Discontinuance of Book-Entry Only	
System.....	
CUSIP Numbers .....	
<b>SECURITY AND SOURCES OF PAYMENT FOR</b>	
<b>THE BONDS.....</b>	
General Obligations .....	
Direct Deposit of State Aid Payments .....	
<b>RISK FACTORS.....</b>	
Ad Valorem Property Taxes .....	
Secondary Market Prices and Liquidity.....	
No Reserve Fund or Credit Enhancement.....	
Ratings .....	
Bankruptcy.....	
State Aid and Direct Deposit Agreement.....	
Amendment of the Bond Resolution.....	
Loss of Premium from Redemption.....	
Tax-Exempt Status and Risk of Audit .....	
Defeasance Risks .....	
<b>LEGAL MATTERS.....</b>	
Legal Proceedings.....	
Approval of Legality.....	
	<b>APPENDIX A – General, Economic and Financial</b>
	<b>Information concerning the</b>
	<b>District</b>
	<b>APPENDIX B – Accountants’ Report and Audited</b>
	<b>Financial Statements for fiscal</b>
	<b>year ended June 30, 2015</b>
	<b>APPENDIX C – Form of Continuing Disclosure</b>
	<b>Agreement</b>
	<b>APPENDIX D – Form of Opinion of Bond</b>
	<b>Counsel</b>

## BOND ISSUE SUMMARY

This Bond 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 its entirety by potential investors.

District:	North Kansas City School District 74, Clay County, Missouri.
Issue:	\$114,000,000* General Obligation Improvement Bonds (Missouri Direct Deposit Program), Series 2016B.
Dated Date:	Date of Delivery.
Interest Payment Dates:	March 1 and September 1, commencing March 1, 2017.
Principal Due:	Annually on March 1, as detailed on the cover page of this Official Statement.
Redemption:	The Bonds are subject to optional redemption prior to their Stated Maturity. See the section captioned <b>“THE BONDS – Redemption Provisions”</b> herein.
Authorization:	The Bonds are authorized by a resolution of the Board of Directors of the District pursuant to and in full compliance with the Constitution and statutes of the State of Missouri, including particularly Article VI, Section 28 of the Missouri Constitution and Chapters 108 and 164 of the Revised Statutes of Missouri, as amended, and an election duly held in the District on August 2, 2016.
Security:	The Bonds are general obligations of the District and are payable from ad valorem taxes which may be levied without limitations as to rate or amount upon all taxable property, real and personal, within the territorial limits of the District. See the section captioned <b>“SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - General Obligations”</b> herein.
Credit Ratings:	<i>Program Ratings.</i> S&P and Moody’s will assign the Bonds the ratings shown on the cover page hereof conditioned upon the execution and delivery of the Direct Deposit Agreement described under the section captioned <b>“SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Direct Deposit of State Aid Payments.”</b> <i>Underlying Rating.</i> Moody’s has given the Bonds the underlying rating shown on the cover page hereof reflecting the investment quality of the Bonds without regard to the Direct Deposit Agreement. See the section captioned <b>“BOND RATINGS”</b> herein.
Purpose:	Proceeds of the Bonds will be used to (i) pay the costs of acquiring land and acquiring, constructing, repairing, improving, extending, remodeling, renovating, furnishing and equipping new and existing school facilities and (ii) pay the costs of issuing the Bonds. The Bonds are being issued pursuant to a resolution adopted by the Board of Directors, the governing body of the District. See the section captioned <b>“INTRODUCTION – The Bonds”</b> herein.
Tax Exemption:	Gilmore & Bell, P.C., Bond Counsel, will provide an opinion as to the tax exemption of the Bonds as discussed under the section captioned <b>“TAX MATTERS”</b> in this Official Statement.
Bank Qualification:	The Bonds have <b>not</b> been designated “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Paying Agent:	Commerce Bank, Kansas City, Missouri (the <b>“Paying Agent”</b> ).
Book-Entry Form:	The Bonds 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 of the Bonds.

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\* Preliminary, subject to change.

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## OFFICIAL STATEMENT

**\$114,000,000\***

**NORTH KANSAS CITY SCHOOL DISTRICT 74, CLAY COUNTY, MISSOURI  
GENERAL OBLIGATION IMPROVEMENT BONDS  
(MISSOURI DIRECT DEPOSIT PROGRAM)  
SERIES 2016B**

### INTRODUCTION

*This introduction is only a brief description and summary of certain information contained in this Official Statement and is qualified in its entirety by reference to more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement.*

#### **Purpose of the Official Statement**

The purpose of this Official Statement is to furnish information relating to (1) North Kansas City School District 74, Clay County, Missouri (the “**District**”), and (2) the General Obligation Improvement Bonds (Missouri Direct Deposit Program), Series 2016B (the “**Bonds**”), of the District being issued in the principal amount of \$114,000,000.\*

#### **The District**

The District is an urban school district and political subdivision organized and existing under the laws of the State of Missouri. See the section captioned “**GENERAL AND ECONOMIC INFORMATION CONCERNING THE DISTRICT**” in **Appendix A** hereto.

#### **The Bonds**

The Bonds are being issued to pay the costs of acquiring land and acquiring, constructing, repairing, improving, extending, remodeling, renovating, furnishing and equipping new and existing school facilities and have been authorized by the required majority of the qualified voters of the District at an election held on August 2, 2016. The Bonds are being issued pursuant to a resolution (the “**Bond Resolution**”) passed by the Board of Directors of the District. See the sections captioned “**PLAN OF FINANCING**” and “**THE BONDS**” herein.

#### **Security and Sources of Payment**

The Bonds will be general obligations of the District and will be payable from ad valorem taxes which may be levied without limitations as to rate or amount upon all taxable property, real and personal, within the territorial limits of the District. See the section captioned “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - General Obligations**” herein. In addition, the District will enter into a Direct Deposit Agreement (hereinafter defined), whereby the District will pledge its State Aid (hereinafter defined) to the payment of the Bonds. The Direct Deposit Agreement will require that a portion of the District’s State Aid payments be transferred directly to the Deposit Trustee (hereinafter defined) which will, in turn, transfer amounts as needed to Paying Agent (hereinafter defined) for the Bonds in order to provide for payment of debt service on the Bonds. See the section captioned “**SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Direct Deposit of State Aid Payments**” herein.

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\* Preliminary, subject to change.

## **Other Outstanding Obligations Payable**

In addition to the Bonds, the District is obligated to pay from ad valorem taxes the principal and interest on the District's other general obligation bonds as set forth under the section captioned **"DEBT STRUCTURE OF THE DISTRICT - Current Indebtedness of the District"** in **Appendix A** attached to this Official Statement. The District is also obligated on an annually renewable basis to make certain lease payments under lease purchase financings described under the section captioned **"DEBT STRUCTURE OF THE DISTRICT – Other Obligations of the District"** in **Appendix A** attached to this Official Statement. The lease payments are payable solely from available money in the District's Capital Projects Fund and not from moneys in the District's Debt Service Fund, which is available solely to make payments on the District's general obligation bonds.

## **Financial Statements**

Audited financial statements of the District, as of and for the year ended June 30, 2015, are included in **Appendix B** to this Official Statement. The financial statements have been audited by Marr and Company, P.C., certified public accountants, to the extent and for the period indicated in their report which is also included in **Appendix B** hereto.

## **Continuing Disclosure Information**

The District has agreed to provide to the Municipal Securities Rulemaking Board ("**MSRB**") via the MSRB's Electronic Municipal Market Access website ("**EMMA**") the audited financial statements and certain operating data of the District. The District will also provide notices of certain material events in compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission. See the section captioned **"CONTINUING DISCLOSURE"** herein.

## **Bond Ratings**

The District is expected to receive the ratings on this issue set forth on the cover page. See the section captioned **"BOND RATINGS"** herein.

## **PLAN OF FINANCING**

### **Authorization and Purpose of Bonds**

The Bonds are authorized pursuant to and in full compliance with the Constitution and statutes of the State of Missouri, including particularly Article VI, Section 26 of the Missouri Constitution and Chapters 164 and 108 of the Revised Statutes of Missouri, as amended, and are being issued pursuant to the 2016 Election and the Bond Resolution for the purpose of (1) paying the costs of acquiring land and acquiring, constructing, repairing, improving, extending, remodeling, renovating, furnishing and equipping new and existing school facilities, as authorized by the proposition approved by the voters on August 2, 2016, and (2) paying the costs of issuing the Bonds. Specific projects expected to be financed with the proceeds of the Bonds include remodeling and upgrading of North Kansas City High School and construction of two elementary schools.

The Bonds constitute the entire amount of the \$114,000,000 general obligation bonds authorized at an election held in the District on August 2, 2016, at which 81.9% (14,555 to 3,209) of the qualified voters of the District approved the bond proposition.

## Sources and Uses of Funds

The following table summarizes the estimated sources of funds, including the proceeds from the sale of the Bonds, and the expected uses of such funds, in connection with the plan of financing:

### *Sources of Funds:*

Proceeds of the Bonds	\$ _____
Net reoffering premium/discount	_____
Total	<u>\$ _____</u>

### *Uses of Funds:*

Deposit to Capital Projects Fund	\$ _____
Costs of issuance for the Bonds, including Underwriter's discount	_____
Total	<u>\$ _____</u>

## THE BONDS

*The following is a summary of certain terms and provisions of the Bonds. Reference is hereby made to the Bonds and the provisions with respect thereto in the Bond Resolution for the detailed terms and provisions thereof.*

### General Description

The Bonds will be issued in the principal amount shown on the cover page, will be dated the date of their issuance, and will consist of fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. The Bonds will mature on March 1 in the years and in the principal amounts shown on the cover page of this Official Statement. Interest on the Bonds will be payable semiannually on March 1 and September 1 in each year, beginning on March 1, 2017.

Interest will be paid to the registered owners of the Bonds as shown on the registration books maintained by Commerce Bank, Kansas City, Missouri (the “**Paying Agent**”) at the close of business on the “**Record Date**” for payment of such interest, which Record Date is the 15<sup>th</sup> day (whether or not a business day) of the calendar month next preceding an interest payment date, by check or draft mailed by the Paying Agent to the address of such registered owners shown on the registration books of the Paying Agent, or by wire transfer to such registered owner. While the Bonds remain in book-entry only form, payments to Beneficial Owners (as defined herein) are governed by the rules of DTC as described under the section captioned “**BOOK-ENTRY ONLY SYSTEM**” herein. If DTC ceases to act as securities depository for the Bonds, payment may be made as described in the Bond Resolution.

### Redemption Provisions

***Optional Redemption.*** The Bonds maturing on March 1, 2027, and thereafter are subject to optional redemption on March 1, 2026, and thereafter in whole or in part, at any time, at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date. When less than all Bonds are to be redeemed, such Bonds shall be redeemed from maturities selected by the District, and Bonds of less than a full maturity shall be selected by the Paying Agent in multiples of \$5,000 principal amount.

***Selection of Bonds to be Redeemed.*** When less than all Bonds are to be redeemed, such Bonds shall be redeemed from maturities selected by the District, and Bonds of less than a full maturity shall be selected by the Paying Agent in multiples of \$5,000 principal amount by lot or in such other equitable manner as the Paying Agent may determine.

***Notice and Effect of Call for Redemption.*** Unless waived by any Registered Owner of Bonds to be redeemed, official notice of any redemption shall be given by the Paying Agent on behalf of the District by mailing a copy of an official redemption notice by first class mail at least 30 days but not more than 60 days prior to the Redemption Date to the State Auditor of Missouri, the Underwriter and each Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall become due and payable on the redemption date, at the redemption price therein specified, and from and after the redemption date (unless the District defaults in the payment of the redemption price) such Bonds or portion of Bonds shall cease to bear interest. The failure of any Registered Owner to receive the foregoing notice or any defect therein shall not invalidate the effectiveness of the call for redemption.

So long as DTC is effecting book-entry transfers of the Bonds, the Paying Agent shall provide the notices specified above to DTC. It is expected that DTC will, in turn, notify the DTC Direct Participants (hereinafter defined) and that the DTC Direct Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of DTC or a DTC Direct Participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Paying Agent, a DTC Direct Participant or otherwise) to notify the Beneficial Owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

### **BOOK-ENTRY ONLY SYSTEM**

The Bonds are available in book-entry only form. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Ownership interests in the Bonds will be available to purchasers only through a book-entry system (the **“Book-Entry System”**) maintained by The Depository Trust Company, New York, New York.

**The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.**

The Depository Trust Company (**“DTC”**), New York, New York, will act as securities depository for the Bonds. The Bonds 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 Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, 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 [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("**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 Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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.

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity 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 redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions of principal and interest payments on the Bonds 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 Paying Agent, on the payment 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, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions of principal and interest 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 Paying 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.



DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

### **Registration, Transfer and Exchange of Bonds Upon Discontinuance of Book-Entry Only System**

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

### **CUSIP Numbers**

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bonds, 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 Bonds.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **General Obligations**

The Bonds will constitute general obligations of the District and will be payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the District.

***Pledge of Full Faith and Credit.*** The full faith, credit and resources of the District are irrevocably pledged under the Bond Resolution for the prompt payment of the principal of and interest on the Bonds as the same become due.

***Levy and Collection of Annual Tax.*** Under the Bond Resolution, there is levied upon all of the taxable tangible property within the District a direct annual tax sufficient to produce the amounts necessary for the payment of the principal of and interest on the Bonds as the same become due and payable in each year. Such taxes shall be extended upon the tax rolls in each year, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the District are levied and collected. The proceeds derived from said taxes shall be deposited in the Debt Service Fund, shall be kept separate and apart from all other funds of the District and shall be used, except as discussed herein under the section captioned **“Direct Deposit of State Aid Payments,”** solely for the payment of the principal of and interest on the Bonds as and when the same become due and the fees and expenses of the Paying Agent.

### **Direct Deposit of State Aid Payments**

Pursuant to Sections 360.106 and 360.111 to 360.118 of the Revised Statutes of Missouri and related statutes (the **“Deposit Law”**), the State of Missouri (the **“State”**) will transfer to a Missouri bank, as direct deposit trustee (the **“Deposit Trustee”**), a portion of the District’s State aid payments and distributions normally used for operational purposes (**“State Aid”**) in order to provide for payment of debt service on the Bonds. On the date of issuance of the Bonds, the District will enter into a Direct Deposit Agreement (the **“Deposit Agreement”**) with the Office of the Treasurer of the State of Missouri (**“Treasurer’s Office”**), the Department of Elementary and Secondary Education of the State of Missouri (**“DESE”**), the Health and Educational Facilities Authority of the State of Missouri (the **“Authority”**) and the Deposit Trustee. Under the

Deposit Agreement, the District will pledge its State Aid to the payment of the Bonds. The Deposit Agreement will provide for payment of one-third ( $1/3^{\text{rd}}$ ) of the debt service due in the bond year ending March 1, 2017, to be paid in each of the three (3) months of December 2016 through February 2017. In the next bond year and each succeeding bond year while the Bonds are outstanding, one-tenth ( $1/10^{\text{th}}$ ) of the annual debt service in each of the ten (10) months during said bond year, commencing in March, but excluding October and November, will be deposited with the Deposit Trustee. Amounts of State Aid to the District in excess of the amounts required to be deposited with the Deposit Trustee will be transferred directly to the District as has historically been the case with all State Aid.

Each month, pursuant to the terms of the Deposit Agreement, DESE will advise the Treasurer's Office of the amount of the District's State Aid to be deposited with the Deposit Trustee for the purpose of paying the Bonds, as specified in the Deposit Agreement. If there is a shortfall in a monthly payment, it is to be made up in the succeeding monthly payment of State Aid. Following receipt of the deposits, the Deposit Trustee will invest the amounts for the benefit of the District in legally permitted investments. The Deposit Trustee will transfer to the Paying Agent the amount necessary for payment of debt service on the Bonds not later than the business day prior to each payment date with respect to the Bonds. The District remains obligated to provide funds to the Paying Agent for debt service on the Bonds if the amounts of State Aid transferred are not sufficient to pay the Bonds when due.

Nothing in the Deposit Law or the Deposit Agreement relieves the District of its obligation to make payments of principal and interest on the Bonds, or to impose any debt service levy sufficient to retire the Bonds. Moneys of the District which would otherwise be used to pay the Bonds on each payment date will be transferred to the District's operational funds to replace State Aid funds used to pay the Bonds. The State has not committed pursuant to the Deposit Law, the Deposit Agreement or otherwise to maintain any particular level of State Aid on behalf of the District, and the State is not obligated in any manner, contractually or morally, to make payments of debt service on the Bonds, other than its obligation to make transfers to the Deposit Trustee as described above. No assurance can be made that the amount of annual State Aid to the District will not in the future drop below that of the annual debt service requirements on the Bonds.

## **RISK FACTORS**

The following is a discussion of certain risks that could affect the payments to be made by the District with respect to the Bonds. Prospective purchasers of the Bonds should consider carefully all possible factors that may result in a default in the payment of the Bonds, the redemption of the Bonds prior to maturity or a determination that the interest on the Bonds might be deemed taxable for purposes of federal income taxation. **This discussion of risk factors is not, and is not intended to be, comprehensive or exhaustive.**

### **Ad Valorem Property Taxes**

The Bond Resolution levies a direct annual tax on all taxable tangible property within the District sufficient to produce amounts necessary for the payment of the principal of and interest on the Bonds each year. Declining property values in the District, whether caused by national or global financial crises, natural disasters, local economic downturns, or other reasons, may require higher levy rates which may increase the burden on local taxpayers and affect certain taxpayers' willingness or ability to continue timely paying property taxes. See the section captioned "**PROPERTY TAX INFORMATION CONCERNING THE DISTRICT – Property Valuations – History of Property Valuations**" in **Appendix A** attached to this Official Statement. In addition, the issuance of additional general obligation bonds by the District or other indebtedness by other political subdivisions in the District would increase the tax burden on taxpayers in the District. See the section captioned "**DEBT STRUCTURE OF THE DISTRICT – Overlapping and Underlying Indebtedness**" in **Appendix A** attached to this Official Statement. Missouri law limits the amount of general obligation debt issuable by the District to 15% of the assessed valuation of taxable tangible property in the District. See the section captioned "**DEBT STRUCTURE OF THE DISTRICT – Legal Debt Capacity**" in **Appendix A** attached to this Official Statement. Other political subdivisions in the District are subject to similar limitations on general obligation debt imposed by Missouri law, including cities and

counties, which are limited to general obligation debt to 20% and 10% of assessed valuation of taxable tangible property, respectively.

Concentration of property ownership in the District would expose the District's ability to collect ad valorem property taxes to the financial strength and ability and willingness of major taxpayers to pay property taxes. See the section captioned "**PROPERTY TAX INFORMATION CONCERNING THE DISTRICT – Major Property Taxpayers**" in **Appendix A** attached to this Official Statement.

### **Secondary Market Prices and Liquidity**

The Underwriter will not be obligated to repurchase any of the Bonds, and no representation is made concerning the existence of any secondary market for the Bonds. No assurance is given that any secondary market will develop following the completion of the offering of the Bonds and no assurance is given that the initial offering price for the Bonds will continue for any period of time.

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 the operating performance or tax collection patterns of issuers. Particularly, prices of outstanding municipal securities should be expected to decline if prevailing market interest rates rise. Municipal securities are generally viewed as long-term investments, subject to material unforeseen changes in the investor's or the issuer's circumstances, and may require commitment of the investor's funds for an indefinite period of time, perhaps until maturity.

### **No Reserve Fund or Credit Enhancement**

No debt service reserve fund will be funded and no financial guaranty insurance policy, letter of credit or other credit enhancement will be issued to insure payment of the Bonds. Accordingly, any potential purchaser of the Bonds should consider the financial ability of the District to pay the Bonds. As described under "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**" in this Official Statement, the District has irrevocably pledged its full faith, credit and resources for the prompt payment of the Bonds and levied a direct annual tax, without limitation, sufficient to pay principal and interest on the Bonds on all taxable tangible property in the District.

### **Ratings**

Standard & Poor's Ratings Services, a division of McGraw Hill Financial, Inc. ("**S&P**"), and Moody's Investors Service, Inc. ("**Moody's**") have assigned the Bonds the program ratings set forth under the section captioned "**MISCELLANEOUS – Bond Ratings – Program Ratings**" and Moody's has assigned the District the underlying rating set forth under the section captioned "**MISCELLANEOUS – Bond Ratings – Underlying Ratings**" herein. Such ratings reflect only the views of such rating agencies, and an explanation of the significance of such ratings may be obtained therefrom. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised, either downward or upward, or withdrawn entirely, by said rating agencies if, in their judgment, circumstances warrant. Any such downward revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

### **Bankruptcy**

In addition to the limitations on remedies contained in the Bond Resolution, the rights and remedies provided by the Bonds may be limited by and are subject to (i) bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws affecting creditors' rights, (ii) the application of equitable principles, and (iii) the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against political subdivisions in the State of Missouri. The District, like all other Missouri political subdivisions, is specifically authorized by Missouri law to institute proceedings under Chapter 9 of the Federal Bankruptcy Code. Such proceedings, if commenced, are likely to have an adverse effect on the market price of the Bonds.

## **State Aid and Direct Deposit Agreement**

Approximately 26% of the District's revenue is derived from State Aid. See the sections captioned **"FINANCIAL INFORMATION CONCERNING THE SCHOOL DISTRICT – Sources of Revenue"** and **"– Missouri School Finance Laws"** in **Appendix A** attached to this Official Statement. A portion of the District's State Aid is currently pledged to the payment of the Bonds and will be directly deposited by the State with the Deposit Trustee for payment of the Bonds. See the section captioned **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Direct Deposit Agreement"** herein. Reductions in State Aid could occur in the future if, for example, the State of Missouri faces fiscal problems in the future similar to those currently affecting the neighboring states of Illinois and Kansas, or the District experiences a decline in enrollment. Reductions in State Aid could force the District to make budget cuts or operational adjustments and may adversely affect the rating on the Bonds or the market price of the Bonds.

## **Amendment of the Bond Resolution**

Certain amendments, effected by resolution of the District, to the Bonds and the Bond Resolution may be made with consent of the owners of not less than a majority in principal amount of the Bonds then outstanding. Such amendments may adversely affect the security of the owners of the Bonds.

## **Loss of Premium from Redemption**

Any person who purchases the Bonds at a price in excess of their principal amount or who holds such Bonds trading at a price in excess of par should consider the fact that the Bonds are subject to redemption prior to maturity at the redemption prices described herein in the event such Bonds are redeemed prior to maturity. See the section captioned **"THE BONDS – Redemption Provisions"** herein.

## **Tax-Exempt Status and Risk of Audit**

The failure of the District to comply with certain covenants set forth in the Bond Resolution could cause the interest on the Bonds to become included in federal gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Bonds. The Bond Resolution does not provide for the payment of any additional interest, redemption premium or penalty if the interest on the Bonds becomes included in gross income for federal income tax purposes. See the section captioned **"TAX MATTERS"** herein.

The Internal Revenue Service (the **"IRS"**) 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 Bonds are advised that, if an audit of the Bonds were commenced, the IRS, in accordance with its current published procedures, is likely to treat the District as the taxpayer, and the owners of the Bonds 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 Bonds during the pendency of the audit, regardless of the ultimate outcome of the audit.

## **Defeasance Risks**

When all Bonds are deemed paid and discharged as provided in the Bond Resolution, the requirements contained in the Bond Resolution and the pledge of the District's faith and credit thereunder and all other rights granted thereby will terminate with respect to the Bonds or scheduled interest payments thereon so paid and discharged. Bonds or scheduled interest payments thereon shall be deemed to have been paid and discharged within the meaning of the Bond Resolution if there has been deposited with the Paying Agent, or other commercial bank or trust company moneys and/or Defeasance Obligations (as defined in the Bond Resolution) that, together with the interest to be earned on any such Defeasance Obligations, will be sufficient for the payment of the Bonds to the stated maturity or prior redemption date. There is no legal requirement in the Bond Resolution that Defeasance Obligations be rated in the highest rating category 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 Bonds defeased with Defeasance Obligations to the extent the Defeasance Obligations have a change or downgrade in rating.

## LEGAL MATTERS

### Legal Proceedings

As of the date hereof, there is no controversy, suit or other proceeding of any kind pending or threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the District or its boundaries, or the right or title of any of its officers to their respective offices, or the legality of any official act in connection with the authorization, issuance and sale of the Bonds, or the constitutionality or validity of the Bonds or any of the proceedings had in relation to the authorization, issuance or sale thereof, or the levy and collection of a tax to pay the principal and interest thereof, or which might affect the District's ability to meet its obligations to pay the Bonds.

### Approval of Legality

All legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Kansas City, Missouri, as bond counsel ("**Bond Counsel**"). The form of Bond Counsel's opinion is attached hereto as **Appendix D**. Bond Counsel has participated in the preparation of this Official Statement, but the factual and financial information appearing herein has been supplied or reviewed by certain officials of the District and certified public accountants, as referred to herein, and Bond Counsel expresses no opinion as to the accuracy or sufficiency thereof except for the matters appearing in the sections of this Official Statement captioned "**THE BONDS**" (excluding the section captioned "**BOOK-ENTRY ONLY SYSTEM**"), "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS,**" "**LEGAL MATTERS-Approval of Legality**" and "**TAX MATTERS.**"

## TAX MATTERS

*The following is a summary of the material Federal and State of Missouri income tax consequences of holding and disposing of the Bonds. 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 Bonds 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 Bonds 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 Bonds.*

### Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under the law existing as of the issue date of the Bonds:

**Federal and Missouri Tax Exemption.** The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Missouri.

**Alternative Minimum Tax.** Interest on the Bonds 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 Bonds have not been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code.

Bond Counsel’s opinions are provided as of the date of the original issue of the Bonds, subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon 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 interest on the Bonds in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds but has reviewed the discussion under the heading “**TAX MATTERS.**”

### **Other 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 Bond over its issue price. The issue price of a Bond is the first price at which a substantial amount of the Bonds 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 bonds accrues on a compound basis. The amount of OID that accrues to an owner of a Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Bond (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 payable on that Bond 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 Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

***Original Issue Premium.*** If a Bond is issued at a price that exceeds the stated redemption price at maturity of the Bond, the excess of the purchase price over the stated redemption price at maturity constitutes “premium” on that Bond. Under Section 171 of the Code, the purchaser of that Bond must amortize the premium over the term of the Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Bond and the amount of tax-exempt interest 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 Bond 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 bond premium.

***Sale, Exchange or Retirement of Bonds.*** Upon the sale, exchange or retirement (including redemption) of a Bond, an owner of the Bond 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 Bond (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Bond. To the extent a Bond 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 Bond 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, interest and premium paid on the Bonds, and to the proceeds paid on the sale of the Bonds, 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 Bonds should be aware that ownership of the Bonds 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 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds 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 Bonds, including the possible application of state, local, foreign and other tax laws.

## **BOND RATINGS**

***Program Ratings.*** The Bonds have been qualified for the program ratings set forth on the cover page hereof by Standard & Poor's Ratings Services, a division of McGraw Hill Financial, Inc. ("**S&P**"), and by Moody's Investors Service, Inc. ("**Moody's**"), both of said ratings being conditioned upon the execution and delivery of the Direct Deposit Agreement described herein under the caption "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS-Direct Deposit of State Aid Payments.**"

***Underlying Rating.*** In addition, Moody's has given the Bonds the underlying rating set forth on the cover page hereof which reflects Moody's evaluation of the investment quality of the Bonds without regard to the Direct Deposit Agreement.

Such ratings reflect only the view of the rating agencies at the time such ratings are given, and the District and the Underwriter make no representation as to the appropriateness of such ratings or that such ratings will not be changed, suspended or withdrawn.

## **CONTINUING DISCLOSURE**

Pursuant to a Continuing Disclosure Agreement with Commerce Bank, as Dissemination Agent, the District has agreed to provide to the Municipal Securities Rulemaking Board (the "**MSRB**"), through its EMMA website, not later than the **December 31<sup>st</sup>** after the end of each fiscal year, commencing with the fiscal year ended June 30, 2016, certain financial and operating data of the District. The District has also agreed to provide prompt notice to the MSRB of the occurrence of certain material events with respect to the Bonds. See the "**FORM OF CONTINUING DISCLOSURE AGREEMENT**" attached hereto as **Appendix C**.

The District has entered into prior undertakings under Rule 15c2-12 (the "**Rule**"). The District has not fully complied with its prior undertakings under the Rule during the past five years and believes such instances of noncompliance include the following:

1. The District did not timely file certain operating data in the form required to be provided pursuant to prior undertakings under the Rule for the fiscal years ended June 30, 2011, 2012 and 2013.
2. The District timely submitted its audited financial statements required to be provided pursuant to prior undertakings under the Rule for the fiscal year ended June 30, 2013, with its Dissemination Agent; however, due to the Dissemination Agent's clerical error, the audited financials were filed late on EMMA.

3. The District timely filed its audited financial statements for the fiscal years ended June 30, 2011 and 2012 but the information was not filed under all applicable CUSIP numbers for prior bond issues of the District that were subject to continuing disclosure undertakings under the Rule.

While the District had the filing deficiencies referred to above (1-3), it issued general obligation bonds in 2011, 2012 and 2013. The official statements for the Series 2011, 2012 and 2013 Bonds were filed on EMMA, but were not incorporated by reference in the filings made by the District with respect to one or more series of then outstanding general obligation bonds. The District subsequently filed or incorporated by reference such audited financial statements and operating data with the MSRB through its EMMA website.

## **MISCELLANEOUS**

### **Underwriting**

The underwriter named on the cover page hereof (the “**Underwriter**”) has agreed, subject to certain conditions, to purchase the Bonds from the District at a purchase price of \$\_\_\_\_\_ (equal to the par amount of the Bonds plus/minus a net original issue premium/discount of \$\_\_\_\_\_, less an underwriting discount of \$\_\_\_\_\_). The Underwriter is purchasing the Bonds from the District for resale in the normal course of the Underwriter’s business activities. The Underwriter will sell certain of the Bonds at a price greater than such purchase price, as shown on the cover hereof. The Underwriter reserves the right to offer any of the Bonds to one or more purchasers on such terms and conditions and at such price or prices as the Underwriter, in its discretion, shall determine.

### **Financial Advisor**

Piper Jaffray & Co., Leawood, Kansas, is employed as Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing in connection with the issuance of the Bonds. The Financial Advisor has read and participated in the preparation of certain portions of this Official Statement and has supervised the compilation and editing thereof. The Financial Advisor has not, however, independently verified the factual and financial information contained in this Official Statement and, accordingly, expresses no view as to the sufficiency or accuracy thereof.

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

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 Bonds, 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 Bonds 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 Bonds 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 Bonds may be obtained from Paul G. Harrell, Chief Financial Officer, North Kansas City School District 74, Clay County, Missouri, 2000 N.E. 46th Street, Kansas City, Missouri 64116 (816-413-5000), or the Financial Advisor, Piper Jaffray & Co., 11635 Rosewood Street, Leawood, Kansas 66211, Attention: Todd Goffoy (913-345-3373).

**NORTH KANSAS CITY SCHOOL DISTRICT 74,  
CLAY COUNTY, MISSOURI**

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

**APPENDIX A**

**NORTH KANSAS CITY SCHOOL DISTRICT 74,  
CLAY COUNTY, MISSOURI**

**GENERAL, ECONOMIC AND FINANCIAL INFORMATION  
CONCERNING THE DISTRICT**

## TABLE OF CONTENTS

**Page A-**

<b>GENERAL AND ECONOMIC INFORMATION CONCERNING THE DISTRICT .....</b>	<b>1</b>
Location and Size.....	1
Government and Organization .....	1
Educational Facilities .....	2
History of Enrollment .....	2
Other District Statistics .....	2
School Rating and Accreditation .....	2
General and Demographic Information .....	3
Mayor Employers.....	4
<b>DEBT STRUCTURE OF THE DISTRICT .....</b>	<b>4</b>
Overview .....	4
Current Indebtedness of the District .....	5
History of Indebtedness .....	5
Debt Service Requirements.....	6
Overlapping and Underlying Indebtedness.....	6
Other Obligations of the District.....	7
<b>FINANCIAL INFORMATION CONCERNING THE DISTRICT .....</b>	<b>10</b>
Budgetary Process.....	10
Accounting Principles.....	10
Fund Balances Summary .....	11
Sources of Revenue.....	12
Local Revenue .....	12
County Revenue.....	12
State Revenue.....	13
Federal Revenue.....	13
Missouri School Finance Laws .....	13
Pension and Employee Retirement Plans.....	16
Post-employment Healthcare Plan .....	18
Employee Relations .....	19
<b>PROPERTY TAX INFORMATION CONCERNING THE DISTRICT .....</b>	<b>19</b>
Property Valuations .....	19
Property Tax Levies and Collections .....	21
Tax Rates .....	21
History of Tax Levies .....	23
Tax Collection Record .....	23
Major Property Taxpayers .....	24

## GENERAL AND ECONOMIC INFORMATION CONCERNING THE DISTRICT

### Location and Size

The District is located in the Kansas City Metropolitan Area north of the Missouri River, west and south of Interstate 435 and east of Highway 169. The District encompasses 82 square miles and includes all or a portion of the cities of Kansas City, North Kansas City, Gladstone, Claycomo, Pleasant Valley and Avondale. The District lies almost entirely within Clay County, Missouri. A small portion (62 acres) of the District lies within Platte County. In 2014, the population of the District was estimated at 129,877, which constitutes approximately 56% of the population of Clay County.

### Government and Organization

The District was initially organized in June of 1913 and currently exists as an urban school district organized and governed pursuant to Sections 162.461 *et seq.* of the Revised Statutes of Missouri, as amended. The District is governed by a seven-member Board of Directors, all of whom are elected on an at-large basis. A portion of the Board (3 members, 2 members and 2 members, on a rotating basis) is elected each year in April. Members of the Board each serve for three years.

Each Member 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 April election, the Board of Directors elects a President, Vice President, Secretary and Treasurer, each of whom holds office for one year. The President and Vice President must be members of the Board of Directors. Members serve without compensation.

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.

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

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Terry Ward	President and Member	4/2019
Dixie Youngers	Vice President and Member	4/2017
Jeffrey “Chip” Luerding	Treasurer and Member	4/2018
Victor S. Hurlbert	Member	4/2018
Joe Jacobs	Member	4/2017
Judy Wartick	Member	4/2019
Jay Wilson	Member	4/2018

Margaret “Peggy” Cole serves as Secretary of the Board of Directors.

Dr. Daniel Clemens is the Superintendent of Schools for the District. On July 1, 2016, Dr. Clemens officially took over the position of Superintendent from Dr. Paul Kinder, who served as interim Superintendent from July 2015 to June 30, 2016. Prior to serving as Superintendent of the District, Dr. Clemens held the position of Assistant Superintendent of Administrative Services for the District and served in that capacity from 2009 until July 1, 2016. Prior to serving as Assistant Superintendent of Administrative Services for the District, Dr. Clemens received his bachelor’s degree in Physical Education/Health Teaching and Coaching from Missouri Western State University in 1994, his master’s degree in Administration and School Supervision from Northwest Missouri State University in 1997 and his Doctorate of Education from Nova Southeastern University in 2006.

## Educational Facilities

The District is the fourth largest school district in Missouri and serves over 19,000 students who live in 12 municipalities across southern Clay County, Missouri, and operates 32 educational sites, including 4 high schools, 5 middle schools, 21 elementary schools and an early childhood center. The District also offers several alternative education programs.

## History of Enrollment

The following table shows the total student enrollment as of the last Wednesday in September for the each of the last five school years:

<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
18,674	18,930	19,201	19,253	19,380

Source: Department of Elementary and Secondary Education.

## Other District Statistics

The following table show 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>
Average Daily Attendance (ADA)	17,639.07	17,893.07	18,202.78	18,501.29	18,553.36
Current Expenditures per ADA	\$9,508.00	\$9,725	\$9,929	\$10,086.27	\$10,218.03
Students per Teacher	14	14	13	15	14
Students per Classroom Teacher	19	18	18	18	18

Source: Department of Elementary and Secondary Education.

## School Rating and Accreditation

DESE administers the Missouri School Improvement Program (“MSIP”) the state’s school accountability system for reviewing and accrediting public school districts in Missouri. Since MSIP was established in 1990, four review cycles have been completed, each cycle lasting from five to six years. The fifth cycle, referred to as MSIP 5, began in the 2012-13 school year.

DESE computes an Annual Performance Report (APR) for every public school district and charter local education agency and for each school. This overall score is comprised of scores for each of the MSIP 5 performance standards: (1) Academic Achievement (percent proficient or advanced in English language arts, mathematics, science and social studies), (2) Subgroup Achievement (percent proficient or advanced in English language arts, mathematics, science and social studies for students in certain super subgroups (Hispanic, Black, FRL (free/reduced price lunch eligible), IEP (Individualized Education Program for child with disability), ELL (English Language Learners), (3) High School Readiness (K-8 districts) or College and Career Readiness (K-12 districts) based on certain test scores, (4) Attendance Rate, and (5) Graduation Rate (K-12 districts). Status, progress and growth (where applicable) are used to calculate a comprehensive score used to determine the accreditation level of a school district.

Under MSIP 5, there are four levels of school accreditation: (1) Accredited With Distinction, for districts with equal to or greater than 90% of the points possible on the APR and meeting other criteria yet to be determined by the State Board of Education, (2) Accredited, for districts with scoring equal to or greater than 70% of the points possible on the APR, (3) Provisional, for districts with equal to or greater than 50% but less than 70% of the points possible on the APR, and (4) Unaccredited, for districts scoring less than 50% of

the points possible on the APR. In the District's 2015 APR, the District earned 97.9% of the points possible, placing the District in the "Accredited" category.

The MSIP classification is not a bond or debt rating, but is solely an evaluation made by DESE.

## General and Demographic Information

### *Population*

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2015</u> <sup>(1)</sup>
District	96,413	107,234	112,954	123,781	129,877 <sup>(2)</sup>
Clay County	136,488	153,411	184,006	221,939	235,637
State of Missouri	4,916,776	5,117,073	5,595,211	5,988,927	6,083,672

Source: U.S. Census Bureau.

(1) Estimated July 1, 2015.

(2) Estimated July 1, 2014.

### *Employment Statistics*

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u> <sup>(1)</sup>
<b>Clay County</b>					
Total Labor Force	120,160	126,449	130,479	133,448	134,452
Unemployed	7,730	7,684	6,995	6,023	5,254
Unemployment Rate	6.1%	6.1%	5.4%	4.5%	3.9%
<b>State of Missouri</b>					
Total Labor Force	3,018,211	3,011,601	3,058,118	3,113,760	3,136,937
Unemployed	210,415	202,199	186,901	155,584	142,286
Unemployment Rate	7.0%	6.7%	6.1%	5.0%	4.5%

Source: MERIC (Missouri Economic Research and Information Center).

(1) Average of January through May.

### *Income Statistics*

	<u>2014 Per Capita Income</u>	<u>2014 Median Family Income</u>
District	\$26,985	\$68,368
Clay County	29,014	73,816
State of Missouri	26,126	61,299

Source: U.S. Census Bureau, 2014 American Community Survey.

### *Housing*

	<u>2014 Owner- Occupied Housing Units</u>	<u>2014 Median Value of Owner- Occupied Units</u>
District	\$ 31,862	\$134,400
Clay County	60,278	153,900
State of Missouri	1,575,626	138,500

Source: U.S. Census Bureau, 2014 American Community Survey.

## Major Employers

The proximity of the School District to the Kansas City Metropolitan Area offers its citizens a wide range of employment opportunities. The following table indicates major employers located within Clay County.

<u>Employers</u>	<u>Product/Service</u>	<u>Approximate Number Employed</u>
Cerner Corporation	Health care information systems	8,000
Ford Motor Company	Manufacturing	4,000
North Kansas City School District	Education	3,131
North Kansas City Hospital	Health care	3,000
Worlds of Fun/Oceans of Fun	Amusement parks	2,200
Harrah's North Kansas City Casino	Entertainment and hospitality	1,500
Liberty Hospital	Health care	1,400
Hallmark Cards Inc.	Greeting card distribution	1,300
Ameristar Casino	Entertainment and hospitality	800
VML	Digital marketing	550
Musician's Friend	Warehouse and distribution center	450

Source: Missouri Department of Economic Development (2015).

## DEBT STRUCTURE OF THE DISTRICT

### Overview

2016 Assessed Valuation (as of August 2016) <sup>(1)</sup>	\$2,090,536,554
2016 Estimated Actual Valuation (as of August 2016) <sup>(2)</sup>	\$8,977,199,672
Outstanding General Obligation Bonds, including the Bonds (" <b>Direct Debt</b> ")	\$289,325,000*
Estimated Population (2014)	129,887
Per Capita Direct Debt	\$2,227.51*
Ratio of Direct Debt to Assessed Valuation	13.84%*
Ratio of Direct Debt to Estimated Actual Valuation	3.22%*
Overlapping and Underlying General Obligation and Lease Indebtedness (" <b>Indirect Debt</b> ") <sup>(3)</sup>	\$386,036,495
Total Direct Debt and Indirect Debt	\$675,361,494*
Per Capita Direct Debt and Indirect Debt	\$4,860.85
Ratio of Direct Debt and Indirect Debt to Assessed Valuation	32.31%
Ratio of Direct Debt and Indirect Debt to Estimated Actual Valuation	7.52%

<sup>(1)</sup> 2016 real and personal property assessed valuation as provided by the Clay County Clerk and Platte County Clerk as of August 2016 after Board of Equalization adjustments. Amount excludes abated TIF property, abated Chapter 135 property and Chapter 353 property and state assessed railroad and utility real property. For further details see "**PROPERTY TAX INFORMATION CONCERNING THE DISTRICT – Current Assessed Valuation.**"

<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> For further details see "**DEBT STRUCTURE OF THE DISTRICT - Overlapping and Underlying Indebtedness.**"

\* Preliminary, subject to change.

## Current Indebtedness of the District

The following table sets forth all of the outstanding general obligation indebtedness of the District following the issuance of the Bonds:

### Outstanding Long-Term General Obligation Indebtedness

<u>Issue Name</u>	<u>Issue Date</u>	<u>Amount Outstanding</u>
Series 2006	September 6, 2006	\$ 2,280,000
Series 2007	November 1, 2007	5,700,000
Series 2008	November 20, 2008	1,730,000
Series 2010	September 1, 2010	9,685,000
Series 2011	September 1, 2011	10,235,000
Series 2012	April 25, 2012	28,950,000
Series 2013	December 11, 2013	6,315,000
Series 2014	June 10, 2014	43,740,000
Series 2015	May 19, 2015	25,645,000
Series 2016A	August 18, 2016	41,045,000
Series 2016B	November __, 2016	<u>114,000,000*</u>
TOTAL		<u>\$289,325,000*</u>

## History of Indebtedness

The following table sets forth the total outstanding bonded indebtedness of the District as of the end of each of the last five fiscal years:

<u>Fiscal Year Ended June 30</u>	<u>Amount Outstanding</u>	<u>Debt as % of Assessed Valuation</u> <sup>(1)</sup>
2016	\$179,335,000	8.92%
2015	195,750,000	10.24
2014	210,530,000	11.58
2013	205,905,000	11.00
2012	215,930,000	11.61

<sup>(1)</sup> Assessed valuation figures used do not include abated TIF property, abated Chapter 135 property and Chapter 353 property or state assessed railroad and utility real property.

The District has never defaulted in the payment of interest on or principal of its general obligation indebtedness, or any other obligation.

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\* Preliminary, subject to change.



## Debt Service Requirements

The following schedule shows the annual principal and interest requirements for all outstanding general obligation indebtedness of the District, including the Bonds:

<b>Fiscal Year</b>	<b>Outstanding Bonds</b>	<b>Bonds Being Offered</b>		
<b>Ending</b>	<b>Total Debt Service</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>June 30</b>				
2017	\$ 20,627,059.38 <sup>(1)(2)</sup>			
2018	25,258,768.76 <sup>(2)</sup>			
2019	23,188,993.76 <sup>(2)</sup>			
2020	23,134,531.26			
2021	22,372,356.26			
2022	19,915,856.26			
2023	18,539,643.76			
2024	16,875,818.76			
2025	16,195,118.76			
2026	11,149,918.76			
2027	7,164,218.76			
2028	2,378,118.76			
2029	1,608,618.76			
2030	1,607,218.76			
2031	1,608,818.76			
2032	1,613,218.76			
2033	1,610,218.76			
2034	1,609,425.00			
<b>TOTAL</b>	<b><u>\$216,457,922.04</u></b>			

<sup>(1)</sup> Excludes interest payments on outstanding bonds that were paid on September 1, 2016.

<sup>(2)</sup> Excludes interest on the District's Series 2016A Bonds which are being paid from an established escrow fund.

## Overlapping and Underlying Indebtedness

The following table sets forth overlapping and underlying general obligation and lease obligation indebtedness of political subdivisions with boundaries overlapping the District or lying within the District following the issuance of the Bonds, and the percent attributable (on the basis of assessed valuation) to the District, based on information furnished by the jurisdictions responsible for the debt. 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.

<b>Taxing</b>	<b>Outstanding General</b>	<b>Percent Applicable</b>	<b>Amount Applicable</b>
<b>Jurisdiction</b>	<b>Obligation and</b>	<b>to the</b>	<b>to the</b>
	<b>Lease Obligation Indebtedness</b>	<b>School District</b>	<b>School District</b>
City of Kansas City	\$1,539,672,628 <sup>(1)</sup>	23.12% <sup>(2)</sup>	\$355,972,312
City of Avondale	90,000	100.00% <sup>(3)</sup>	90,000
City of Gladstone	29,270,000	100.00% <sup>(3)</sup>	29,270,000
Clay County	1,315,000	53.55% <sup>(3)</sup>	704,183
<b>TOTAL</b>			<b><u>\$386,036,495</u></b>

<sup>(1)</sup> Data as of April 30, 2015, available from Kansas City, Missouri. Includes general obligation bonds of \$378,785,000 and leasehold revenue bonds, lease purchase agreements, and limited obligation notes and bonds of \$1,160,887,628.

<sup>(2)</sup> Based upon assessed valuation figures for calendar year ended December 31, 2014.

<sup>(3)</sup> Based upon assessed valuation figures for calendar year ended December 31, 2015.

## Legal Debt Capacity

Assessed Valuation (as of August 2016 after Board of Equalization adjustments) <sup>(1)</sup>	\$2,090,536,554
Plus: Abated TIF Property	110,990,880
Plus: Abated Ch. 135 Property	13,049,360
Plus: Abated Ch. 353 Property	<u>17,508,510</u>
Adjusted Assessed Valuation	\$2,232,085,304
Constitutional Debt Limit (15% of Adjusted Assessed Valuation)	\$ 334,812,796
General Obligation Indebtedness, (including the Bonds)	<u>(289,325,000)</u>
Legal Debt Margin <sup>(1)</sup>	<u>\$ 45,487,796</u>

<sup>(1)</sup> Excludes state assessed railroad and utility real property.

## Other Obligations of the District

**Energy Savings Lease Purchase Financings.** The District has issued three separate issues of certificates of participation for the purpose of acquiring and installing certain energy cost savings measures in existing buildings of the District. The first series of certificates of participation, the Certificates of Participation (Energy Improvements Project), Series 2014, were issued on November 11, 2014, in the principal amount of \$5,170,000 (the “**Series 2014 Certificates**”). The second series of certificates of participation, the Certificates of Participation (Energy Improvements Project), Series 2015, were issued on March 10, 2015, in the principal amount of \$9,175,000 (the “**Series 2015 Certificates**”). The third series of certificates of participation, the Certificates of Participation (Energy Improvements Project), Series 2015A, were issued on September 30, 2015, in the principal amount of \$9,840,000 (the “**Series 2015A Certificates**,” and together with the Series 2014 Certificates and the Series 2015 Certificates, the “**Certificates**”).

The Certificates represent the proportionate interests of the owners thereof in basic rent payments (“**Basic Rent Payments**”) to be made by the District pursuant to certain Lease Purchase Agreements entered into between Commerce Bank, as lessor and trustee, and the District, for each respective series of Certificates. In connection with the issuance of each series of Certificates, the District entered into an Energy Savings Performance Contract (the “**Energy Contract**”) with Navitas, LLC (the “**Guarantee Provider**”) as authorized under Section 8.231 of the Revised Statutes of Missouri, as amended. Each respective Energy Contract includes a written guarantee of the Guarantee Provider that either the energy savings (“**Energy Savings**”) or operational savings (the “**Operation Savings**”), or both, achieved by the District will meet or exceed amounts specified in each respective Energy Contract on an annual basis for a specified period of years from the first day of the month following the final acceptance of each respective energy improvement project (the “**Guarantee Period**”). With respect to each Energy Contract, the Guarantee Provider has promised to reimburse the District for any shortfall in Energy Savings, on an annual basis during the Guarantee Period, subject to certain limitations in the respective Energy Contracts.

Set forth below are the remaining basic rent payments, with respect to each series of Certificates, distributable to the owners of each respective series of Certificates:

<b>Series 2015A Certificates - Basic Rent Payments</b>			
<b>Fiscal Year</b>			
<b><u>Ended</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
<b><u>June 30</u></b>	<b><u>Portion</u></b>	<b><u>Portion</u></b>	
2017	\$ 465,000.00	\$ 175,650.00 <sup>(1)</sup>	\$ 640,650.00
2018	650,000.00	332,700.00	982,700.00
2019	700,000.00	306,700.00	1,006,700.00
2020	675,000.00	278,700.00	953,700.00
2021	655,000.00	251,700.00	906,700.00
2022	685,000.00	225,500.00	910,500.00
2023	700,000.00	198,100.00	898,100.00
2024	730,000.00	170,100.00	900,100.00
2025	750,000.00	140,900.00	890,900.00
2026	780,000.00	120,650.00	900,650.00
2027	750,000.00	97,250.00	847,250.00
2028	700,000.00	74,750.00	774,750.00
2029	800,000.00	52,000.00	852,000.00
2030	<u>800,000.00</u>	<u>26,000.00</u>	<u>826,000.00</u>
<b>TOTAL</b>	<b><u>\$9,840,000.00</u></b>	<b><u>\$2,450,700.00</u></b>	<b><u>\$12,290,700.00</u></b>

<sup>(1)</sup> Excludes Interest Portion of Rental Payment already paid on 09/01/2016.

<b>Series 2015 Certificates – Basic Rent Payments</b>			
<b>Fiscal Year</b>			
<b><u>Ended</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
<b><u>June 30</u></b>	<b><u>Portion</u></b>	<b><u>Portion</u></b>	
2017	-- <sup>(1)</sup>	\$ 123,400.00 <sup>(1)</sup>	\$ 123,400.00
2018	\$520,000.00	239,000.00	759,000.00
2019	540,000.00	223,100.00	763,100.00
2020	555,000.00	206,675.00	761,675.00
2021	570,000.00	189,800.00	759,800.00
2022	590,000.00	175,350.00	765,350.00
2023	600,000.00	162,700.00	762,700.00
2024	615,000.00	148,646.88	763,646.88
2025	625,000.00	133,531.26	758,531.26
2026	645,000.00	117,253.13	762,253.13
2027	660,000.00	98,887.50	758,887.50
2028	680,000.00	78,787.50	758,787.50
2029	700,000.00	57,650.00	757,650.00
2030	720,000.00	35,462.50	755,462.50
2031	<u>745,000.00</u>	<u>12,106.25</u>	<u>757,106.25</u>
<b>TOTAL</b>	<b><u>\$8,765,000.00</u></b>	<b><u>\$2,002,350.02</u></b>	<b><u>\$10,767,350.02</u></b>

<sup>(1)</sup> Excludes Principal Portion and Interest Portion of Rental Payment already paid on 09/01/2016.

**Series 2014 Certificates – Basic Rent Payments**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>Ended June 30</b>	<b>Portion</b>	<b>Portion</b>	
2017	-- <sup>(1)</sup>	\$ 78,303.13 <sup>(1)</sup>	\$ 78,303.13
2018	\$210,000.00	153,456.26	363,456.26
2019	230,000.00	146,856.26	376,856.26
2020	260,000.00	139,506.26	399,506.26
2021	280,000.00	131,406.26	411,406.26
2022	300,000.00	122,706.26	422,706.26
2023	330,000.00	113,256.26	443,256.26
2024	350,000.00	103,056.26	453,056.26
2025	385,000.00	88,181.26	473,181.26
2026	415,000.00	72,331.26	487,331.26
2027	450,000.00	59,075.01	509,075.01
2028	485,000.00	44,162.51	529,162.51
2029	515,000.00	27,590.63	542,590.63
2030	<u>560,000.00</u>	<u>9,450.00</u>	<u>569,450.00</u>
<b>TOTAL</b>	<b><u>\$4,770,000.00</u></b>	<b><u>\$1,289,337.62</u></b>	<b><u>\$6,059,337.62</u></b>

<sup>(1)</sup> Excludes Principal Portion and Interest Portion of Rental Payment already paid on 09/01/2016.

**Facilities Use Agreement.** In September, 2005, the District entered into an agreement with the City of Gladstone for the use of the City’s water-related recreational facilities (Natatorium). The District has agreed to pay a user’s fee of \$525,000 per year, in addition to a maintenance fee, currently in the amount of \$150,000, through February 2026. Beginning in 2018, the maintenance fee will be adjusted.

**Equipment Lease.** On October 23, 2014, the District entered into a lease purchase agreement (the “Lease Agreement”) with Apple Inc. Financial Services for 6,200 new MacBook computers for high school students. The Lease requires annual payments of \$1,518,627 on each July 5<sup>th</sup>, with the final lease payment scheduled for July 5, 2018.

**Other Capital Lease Obligations.** On April 15, 2015, the District entered into a Master Installment Purchase Agreement with Mercedes-Benz Financial Services Group (the “Lender”), in order to finance the acquisition of school buses for the District as shown below. In April 2016, the District entered into a series of four escrow agreements with Bank of America, the Servicing Agent for the Lender in order to finance the acquisition, as needed, of certain buses and a fueling truck for the District, together with supporting infrastructure. Payback will be through a series of lease purchase agreements over the next 3, 5 and 10 years. The financed property is as follows:

<b>Description of Financed Property</b>	<b>Total Purchase Price</b>	<b>Annual Principal and Interest Payment</b>	<b>Commencement Date</b>	<b>Final Payment Date</b>
Lease Purchase – 26 units	\$2,246,950.00	\$ 284,634.00 <sup>(1)</sup>	04/15/2015	07/01/2018
3 Yr – CNG Leased Buses – 30 units	3,912,240.00	559,819.82 <sup>(2)</sup>	04/15/2016	07/01/2019
10 Yr – Lease Purchase – 94 units	12,150,351.00	1,338,218.38	04/15/2016	07/01/2025
5 Yr – Lease Purchase – 1 fueling truck	46,995.00	9,749.49	04/15/2016	07/01/2020
10 Yr – Lease Purchase - infrastructure	2,468,246.00	271,848.29	04/15/2016	07/01/2025

<sup>(1)</sup> Final principal and interest payment will be \$1,490,445.

<sup>(2)</sup> Final principal and interest payment will be \$2,381,995.

Although the lease agreements provide for cancellation of the leases at the District's option each year, the District does not foresee exercising such option.

## **FINANCIAL INFORMATION CONCERNING THE DISTRICT**

### **Budgetary Process**

An annual budget of estimated receipts and disbursements for the coming July 1 to June 30 fiscal year is prepared in April by the Associate Superintendent for Finance and Operations, under the direction of the Superintendent of Schools. The budget is presented to the Board of Directors of the District at the Board's first meeting in May for approval. The budget lists estimated receipts by funds and sources and shows estimated expenditures by funds and purposes. The budget as approved in May is used to begin purchasing services and supplies in July. In August, after finalized property valuation information is available, the District conducts a tax-rate hearing to fix the tax rates and the budget is then amended.

### **Accounting Principles**

The financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The more significant accounting policies established in GAAP and used by the District are discussed in the notes to the financial statements attached hereto as **Appendix A**.

Government-Wide Financial Statements. The statement of net assets and statement of activities display information about the District as a whole.

Fund Financial Statements. Fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. The governmental fund types of the District are as follows:

General (Incidental) Fund  
Special Revenue (Teachers') Fund  
Capital Projects Fund  
Debt Service Fund

Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenues and in the presentation of expenses versus expenditures.

The Treasurer of the District is responsible for handling all moneys of the District and administering the above funds. All moneys received by the District from whatever source are credited to the appropriate fund. Moneys may be disbursed from such funds by the Treasurer only for the purpose for which they are levied, collected or received and all checks must be signed by the President and the Treasurer.

The audited financial statements of the School District for the fiscal year ended June 30, 2015, with the report of Marr and Company, P.C., certified public accountants, with respect thereto, is included in this Official Statement at **Appendix B**.

Audited financial statements for the earlier years are available for examination in the District's office.

## Fund Balances Summary.

The following Summary Statement of Cash Receipts, Disbursements and Changes in Fund Balances was prepared from the District's audited financial statements for fiscal years ended June 30, 2012 through 2015 and from the District's *unaudited* Annual Secretary of Board Report for fiscal year ended June 30, 2016, filed with the Department of Elementary and Secondary Education. The statement set forth below should be read in conjunction with the other 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 Receipts, Disbursements And Changes In Fund Balances<sup>(1)</sup>

	Years Ended June 30				
	2012 <u>(audited)</u>	2013 <u>(audited)</u>	2014 <u>(audited)</u>	2015 <u>(audited)</u>	2016 <sup>(2)</sup> <u>(unaudited)</u>
<b><u>General (Incidental) Fund</u></b>					
Balance-Beginning of Year	\$43,597,545	\$42,999,715	\$40,057,876	\$33,378,656	\$35,701,177
Cash Receipts	80,822,233 <sup>(3)</sup>	80,756,519 <sup>(3)</sup>	80,577,442	98,981,424 <sup>(3)</sup>	96,717,485
Cash Disbursements	78,461,704	81,969,339	83,952,257	86,343,472	88,139,536
Transfers In (Out)	<u>(2,958,359)</u>	<u>(1,729,019)</u>	<u>(3,304,405)</u>	<u>(10,315,431)</u>	<u>(4,277,803)</u>
Balance-End of Year	\$42,999,715	\$40,057,876	\$33,378,656	\$35,701,177	\$40,001,323
<b><u>Special Revenue (Teachers') Fund</u></b>					
Balance-Beginning of Year	\$ 2,075,442	\$ 744,762	\$ 829,228	\$ 0	\$0
Cash Receipts	110,976,641	116,090,121	118,831,045	118,099,712	125,833,897
Cash Disbursements	112,307,321	116,005,655	120,652,898	121,937,671	125,918,793
Transfers In (Out)	<u>0</u>	<u>0</u>	<u>992,625</u>	<u>3,837,959</u>	<u>84,896</u>
Balance-End of Year	\$ 744,762	\$ 829,228	\$ 0	\$ 0	\$0
<b><u>Debt Service Fund</u></b>					
Balance-Beginning of Year	\$23,613,100	\$25,011,963	\$25,144,631	\$21,624,157	\$23,406,493
Cash Receipts	27,045,205	19,798,297	58,906,104 <sup>(3)</sup>	55,669,547 <sup>(3)</sup>	26,924,348
Cash Disbursements	70,911,342	19,665,629	62,426,578	53,887,211	24,552,116
Transfers In (Out)	<u>45,265,000<sup>(3)</sup></u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance-End of Year	\$25,011,963	\$25,144,631	\$21,624,157	\$23,406,493	\$25,778,725
<b><u>Capital Projects Fund</u></b>					
Balance-Beginning of Year	\$25,418,276	\$19,968,563	\$13,444,031	\$33,694,981	\$28,566,780
Cash Receipts	5,021,003 <sup>(3)</sup>	2,726,326	24,622,316 <sup>(3)</sup>	3,405,691 <sup>(3)</sup>	5,813,183 <sup>(3)</sup>
Cash Disbursements	13,429,075	10,989,511	6,683,146	15,011,364	18,176,207
Transfers In (Out)	<u>2,958,359</u>	<u>1,738,653<sup>(3)</sup></u>	<u>2,311,780</u>	<u>6,477,472</u>	<u>4,192,907</u>
Balance-End of Year	\$19,968,563	\$13,444,031	\$33,694,981	\$28,566,780	\$20,396,663
<b><u>Total Funds</u></b>					
Balance-Beginning of Year	\$ 94,704,363	\$ 88,725,003	\$ 79,475,766	\$ 88,697,794	\$ 87,674,450
Cash Receipts	269,130,082 <sup>(3)</sup>	219,380,897 <sup>(3)</sup>	282,936,907 <sup>(3)</sup>	276,156,374 <sup>(3)</sup>	255,288,913 <sup>(3)</sup>
Cash Disbursements	<u>275,109,442</u>	<u>228,630,134</u>	<u>273,714,879</u>	<u>277,179,718</u>	<u>256,786,653</u>
Balance-End of Year	\$ 88,725,003	\$ 79,475,766	\$ 88,697,794	\$ 87,674,450	\$ 86,176,711

Source: District's audited financial (fiscal years ended June 30, 2011 – 2015); District's unaudited Annual Secretary of the Board Report for fiscal year ended June 30, 2016.

(1) See Note 1 of Notes to Financial Statements for a Summary of Significant Accounting Policies followed by the District.

(2) Figures for fiscal year ended June 30, 2016, derived from District's *unaudited* Annual Secretary of the Board Report.

(3) Includes sale of assets and/or proceeds from the sale of bonds.

## 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 Directors.

For the 2016-17 fiscal year, the District's budgeted sources of revenue are as follows:

<u>Source</u>	<u>Budgeted Amount</u>	<u>Percent</u>
Local Revenue		
Property Taxes	\$130,367,170	50.2%
Proposition "C" Sales Tax	19,232,245	7.4%
Other	20,128,416	7.8%
County Revenue		
Railroad & Utility Property Taxes	3,800,000	1.5%
Fines, Forfeitures & Other	420,000	0.2%
State Revenue	67,394,451	26.0%
Federal Revenue	15,131,723	5.8%
Other Revenue	<u>2,995,000</u>	<u>1.1%</u>
Total Revenue	\$259,469,005	100.0%

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Source: District's 2016-17 Budget.

## 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**").

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). Historically, each school district has received from \$750 to \$800 per pupil per year from Proposition C revenues. For the 2015-16 fiscal year, each school district received approximately \$948 per 2014-15 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 the section captioned “**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.** Senate Bill 287, which was passed by the Missouri General Assembly in its 2005 regular session, transitioned the State away from a local tax rate based formula to a formula that is primarily student-needs based. The formula was phased in over a seven-year period that started with the 2006-07 fiscal year and ended with the 2012-13 school year. During the phase-in period, State Aid for each school district was based on a percentage of both the old local tax rate based formula (determined as a percentage of the 2005-06 State Aid Payments), and the new student-needs based formula. Since the 2013-14 school year, State Aid has been calculated solely using the student-needs based formula.

**Property Tax Levy Requirements.** The sum of a district’s local property tax levies 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” or a “SB 711 rollback” (see the section captioned “**Tax Rates**” herein) will not affect a district’s eligibility for State Aid increases.

**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 price 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 price 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**”). Every two years, using the most current list of Performance Districts, DESE will recalculate the State Adequacy Target. The recalculation can never result in a decrease from the State Adequacy Target as calculated for fiscal years 2017 and 2018 and any State Adequacy Target figure calculated subsequent to fiscal year 2018. For fiscal years 2017 and 2018, the State Adequacy Target is \$6,241 per pupil; however, because education funding is not expected to be fully funded, the State Adequacy Target will be at an adjusted level



(according to DESE, for budgeting purposes, the most accurate figure to use for the State Adequacy Target is \$6,110 per pupil).

***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. DESE’s calculation for 2016-17 for the District is 1.084.

***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.” For all subsequent years, 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 are not earmarked for a particular fund or expense and may be spent at the discretion of the local school district, except that all proceeds of the Classroom Trust Fund in excess of amounts received in the 2009-10 fiscal year must be placed in the Teachers’ or Incidental Funds. Classroom Trust Fund dollars do not increase the amount of State Aid.

***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. In addition, school districts are 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. The formula provides that certificated staff compensation includes the costs of public school retirement and Medicare for those staff members.

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.

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 Incidental Fund to 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 under the following limited circumstances:

- (1) 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;
- (2) Current year obligations for lease-purchase obligations entered into prior to January 1, 1997;
- (3) 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
- (4) 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 (currently \$6,110) times the district's weighted ADA.

**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 (as discussed above) and is not making payments on lease purchases pursuant to Section 177.088 of the 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 (currently \$6,110) times the district's weighted ADA.

### Pension and Employee Retirement Plans

The District contributes to two cost-sharing multiple-employer defined benefit pension plans on behalf of its employees: (i) The Public School Retirement System of Missouri (“**PSRS**”), which provides retirement, disability and death benefits to full-time (and certain part-time) certificated employees of school districts in Missouri and employees of certain related employers; and (ii) The Public Education Employee Retirement System of Missouri (“**PEERS**”), which provides retirement and disability benefits to employees of school districts in Missouri and of certain related employers who work 20 or more hours per week and do not contribute to PSRS. Benefit provisions relating to both PSRS and PEERS are set forth in Chapter 169 of the Revised Statutes of Missouri, as amended. The statutes assign responsibility for the administration of both plans to a seven member Board of Trustees of PSRS (the “**PSRS Board**”). PSRS and PEERS had 535 and 532 contributing employers, respectively, during the fiscal year ended June 30, 2015.

PSRS and PEERS issue a publicly available financial report that includes financial statements and required supplementary information. The PSRS/PEERS Systems’ Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015 (the “**2015 PSRS/PEERS CAFR**”), the comprehensive financial report for the plans, is available at [www.psr-peers.org/Investments/Annual-Report.html](http://www.psr-peers.org/Investments/Annual-Report.html). The link to the 2015 PSRS/PEERS CAFR is provided for general background information only, and the information in the 2015 PSRS/PEERS CAFR is not incorporated by reference herein. The 2015 PSRS/PEERS CAFR provides detailed information about PSRS and PEERS, including their respective financial positions, investment policy and performance information, actuarial information and assumptions affecting plan design and policies, and certain statistical information about the plans.

*PSRS and PEERS Contributions.* Employees who contribute to PSRS are not eligible to make Social Security contributions, except in limited circumstances. For the fiscal year ended June 30, 2015, PSRS contributing employees were required to contribute 14.5% of their annual covered salary and their employers, including the District, were required to contribute a matching amount of 14.5% of each contributing employee’s covered salary. The contribution requirements of members and the District are established (and may be amended) by the PSRS Board based on the recommendation of an independent actuary. State statute prohibits the PSRS Board from approving an increase greater than 1.0% in aggregate of PSRS contributing member covered pay of the previous year.

Employees who contribute to PEERS are eligible to make Social Security contributions. For the fiscal year ended June 30, 2015, PEERS contributing employees were required to contribute 6.86% of their annual covered salary and their employers, including the District, were required to contribute a matching amount of 6.86% of each contributing employee’s covered salary. The contribution requirements of members and the District are established (and may be amended) by the PSRS Board based on the recommendation of an independent actuary. State statute prohibits the PSRS Board from approving an increase greater than 0.5% in aggregate of pay of PEERS contributing member covered pay of the previous year.

The District’s contributions to PSRS and PEERS for the years shown were as follows:

Year Ended June 30	<b>District Contributions to PSRS and PEERS</b>			
	<b>PSRS</b>		<b>PEERS</b>	
	<b>Annual Contribution *</b>	<b>Contribution (% of Payroll)</b>	<b>Annual Contribution *</b>	<b>Contribution (% of Payroll)</b>
2015	\$14,936,017	14.5%	\$2,858,208	6.86%
2014	14,804,562	14.5	2,783,873	6.86
2013	14,349,307	14.5	2,680,124	6.86

Source: Audited financial statements of the District.

\* The annual contributions equaled the amounts required by the PSRS Board for each year.

The District's contribution to PSRS and PEERS during the fiscal year ended June 30, 2015, constituted approximately 6.42% of the District's total expenditures during the fiscal year. The District will be required to contribute 14.5% of covered payroll for PSRS contributing employees and 6.86% of covered payroll for PEERS contributing employees during the fiscal year ending June 30, 2017, equal to the contribution percentages for the fiscal year ended June 30, 2016.

*PSRS and PEERS Funded Status.* PSRS and PEERS reported funded ratios of 83.9% and 86.8%, respectively, as of June 30, 2015, according to the 2015 PSRS/PEERS CAFR. Funded ratios are intended to estimate the ability of current plan assets to satisfy projected future liabilities. The PSRS and PEERS funded ratios are determined by dividing the smoothed actuarial value of plan assets by the plan's actuarial accrued liability determined under the entry age normal cost method with normal costs calculated as a percentage of payrolls, along with certain actuarial assumptions based on an experience study conducted in 2011. PSRS and PEERS amortize unfunded actuarial liabilities using a closed 30-year method. Additional assumptions and methods used to determine the actuarial funded status of PSRS and PEERS are set forth in the Actuarial Section of the 2015 PSRS/PEERS CAFR. The funding objective of each plan, as stated in each plan's Actuarial Funding Policy, is to achieve a funded ratio of 100% over a closed 30-year period from fiscal year 2011 through fiscal year 2040.

The following provides a historical comparison of actual employer contributions to actuarially determined contributions and the historical funded status for the plans for the years shown:

<b><u>Schedule of Employer Contributions</u></b>						
<b>Year Ended June 30,</b>	<b>PSRS</b>			<b>PEERS</b>		
	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contributions</b>	<b>Contribution Excess/ (Deficiency)</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contributions</b>	<b>Contribution Excess/ (Deficiency)</b>
2015	\$666,438,984	\$656,924,899	\$ (9,514,085)	\$105,739,092	\$103,624,310	\$ (2,114,782)
2014	608,459,393	643,989,869	35,530,476	98,497,846	100,699,735	2,201,889
2013	507,232,268	634,040,335	126,808,067	87,013,816	97,059,313	10,045,497
2012	720,303,976	620,214,231	(100,089,745)	95,094,785	95,094,785	-
2011	684,366,766	594,732,137	(89,634,629)	90,816,155	90,816,155	-

Source: "Schedules of Employer Contributions" in the Financial Section of the 2015 PSRS/PEERS CAFR.

<b><u>Schedule of Funding Progress</u></b> <i>(Dollar amounts in thousands)</i>						
<b>Year Ended June 30,</b>	<b>PSRS</b>			<b>PEERS</b>		
	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Funded Ratio</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Funded Ratio</b>
2015	\$34,073,415	\$40,610,540	83.9%	\$3,915,199	\$4,512,317	86.8%
2014	31,846,599	38,483,184	82.8	3,584,719	4,211,489	85.1
2013	29,443,147	36,758,165	80.1	3,237,200	3,967,619	81.6
2012	29,013,002	35,588,030	81.5	3,090,880	3,746,347	82.5
2011	29,387,486	34,383,430	85.5	3,028,757	3,549,348	85.3

Source: "Schedule of Funding Progress" in the Actuarial Section of the 2015 PSRS/PEERS CAFR.

*Estimated Proportionate Share of PSRS/PEERS Liability.* The District has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, for the fiscal year ended June 30, 2015. This Statement requires the District to record its proportional share of the net pension liability of PSRS and PEERS. PSRS and PEERS have implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*. Accordingly, PSRS

and PEERS are required annually to provide each contributing Missouri school district reports estimating each district's proportional share of the net pension liability of PSRS and PEERS as of the end of the prior fiscal year. The estimate is computed for each district by multiplying the net pension liability of a plan (calculated by determining the difference between the plan's total pension liability and fiduciary net position) by a percentage reflecting the district's proportionate share of contributions to the plan during the fiscal year. At June 30, 2015 (measured as of June 30, 2014), the District's proportionate share of the net pension liability of PSRS and PEERS was \$94,318,208 and \$10,162,203, respectively, as determined by PSRS and PEERS on an accrual basis of accounting. In accordance with GASB Statement No. 68, the District's audited financial statements for the fiscal year ended June 30, 2015, reflect a liability in those respective amounts for its proportionate share of the net pension liability of PSRS and PEERS. PSRS and PEERS determined the proportionate share of PSRS and PEERS participating employers based on the actual share of contributions to PSRS and PEERS, respectively, relative to the actual contributions of all participating employers for PSRS and PEERS plan year ended June 30, 2014. At June 30, 2014, the District's proportion was 2.2990% of PSRS and 2.7829% of PEERS. Detailed information about the calculation of the net pension liability of the plans, including information about the assumptions used, is available in Note 5 of the 2015 PSRS/PEERS CAFR.

The net pension liability of PSRS and PEERS is based on an 8.0% discount rate, which is also the current assumed investment rate of return for the plans. PSRS and PEERS advised the District that its proportionate share of the net pension liability using a 1% higher or lower discount rate as of June 30, 2015 (measured as of June 30, 2014) would be as follows:

	<b><u>Proportionate Share of Net Pension Liability Sensitivity</u></b>		
	<b>1.0% Decrease (7.0%)</b>	<b>Current Discount Rate (8.0%)</b>	<b>1.0% Increase (9.0%)</b>
District's proportionate share of PSRS net pension liability	\$199,719,752	\$94,318,208	\$5,910,044
District's proportionate share of PEERS net pension liability / (asset)	\$24,385,364	\$10,162,203	\$(1,853,411)

For additional information regarding the District's pensions and employee retirement plans, see Note 4 to the District's audited financial statements for fiscal year ended June 30, 2015 included in **Appendix B** to this Official Statement. For additional information regarding PSRS and PEERS, see the 2015 PSRS/PEERS CAFR.

### **Post-employment Healthcare Plan**

*Plan Description.* The District provides post-employment medical benefits to eligible retirees. To be eligible for benefits, an employee must qualify for retirement under one of the state retirement plans for public employees and be covered under the School District's plan the last year of active status. Retirees can enroll in the School District's plan up to one year after they retire, after which their eligibility for benefits ceases. The District makes no contribution to the retirees' premiums other than allowing them to participate through the District's benefit plans.

Further detail regarding the District's Other Post-Employment Benefits can be found in the District's audited financial statements for fiscal year ended June 30, 2015, attached to this Official Statement as **Appendix B**.

## Employee Relations

Teachers in the District belong to either the Missouri State Teachers Association, the Missouri NEA, Missouri AFT or are not affiliated. The Board makes the final decisions on all matters of policy, salaries and working conditions without fact finding, mediation or arbitration.

## 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 except for certain railroad and utility property that is assessed by the State. 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%

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 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%; and poultry, 12%.

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.

*[Remainder of this page intentionally left blank.]*

**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 within Clay County according to the August 2016 assessment, after Board of Equalization adjustments, provided by Clay County. The table does not include the assessed valuation or estimated actual valuation of any taxable tangible property situated in the District within Platte County (according to the August 2016 assessment, after Board of Equalization adjustments, provided by the Platte County Clerk the total assessed valuation of all property situated in the District within Platte County amounted to \$41,037). Excluded from the table is (a) property on which the taxes have been abated due to its location within a tax increment financing district (“**TIF property**”), (b) industrial and commercial property exempt from taxes due to the property being located in an enterprise zone pursuant to Section 135.200 et seq., RSMo (“**Chapter 135 property**”) or due to title being held by an urban redevelopment corporation pursuant to Chapter 353 (“**Chapter 353 property**”) and (c) state assessed railroad and utility real property.

<u>Type of Property</u>	<u>Total Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Total Estimated Actual Valuation</u>	<u>% of Actual Valuation</u>
Real Property:				
Residential	\$1,168,630,650	19.00%	\$6,150,687,631	68.52%
Agricultural	2,730,950	12.00%	22,757,917	0.25
Commercial <sup>(1)</sup>	<u>368,003,580</u>	32.00%	<u>1,150,011,188</u>	<u>12.81</u>
Total Real Property	1,539,365,180		7,323,456,736	81.58
Personal Property	<u>551,130,337</u>	33.33% <sup>(3)</sup>	<u>1,653,556,366</u>	<u>18.42</u>
TOTAL PROPERTY	<u>\$2,090,495,517</u> <sup>(2)</sup>		<u>\$8,977,013,102</u>	<u>100.00%</u>

<sup>(1)</sup> Includes locally assessed railroad and utility property.

<sup>(2)</sup> Total only includes assessed value of tangible taxable property, real and personal, located in the District within Clay County (does not include assessed value of property located in the District within Platte County). As of the August 2016 assessment provided by the Platte County Clerk (after Board of Equalization adjustments) the total assessed valuation of all property situated in the District within Platte County amounted to \$41,037.

<sup>(3)</sup> Assumes all personal property is assessed at 33 1/3%; because certain subclasses of tangible personal property are assessed at less than 33 1/3%, the estimated actual valuation for personal property would likely be greater than that shown above. 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 for the county assessor to determine the assessed value of such property that is physically located within the bounds of each school district. According to the District’s unaudited Annual Secretary of the Board report for fiscal year ended June 30, 2016, the District received \$3,784,692.67 for fiscal year ending June 30, 2016, from state assessed railroad and utility property taxes.

*[Remainder of this page intentionally left blank.]*

**History of Property Valuations.** The total assessed valuation of all taxable tangible property situated in the District (excluding TIF property, Chapter 135 property, Chapter 353 property and state assessed railroad and utility real property) according to the assessments for each of the following years has been as follows:

<u>Year</u>	<u>Assessed Valuation</u> <sup>(1)</sup>	<u>Percent Change</u>
2016	\$2,090,536,554	+4.0%
2015	2,009,984,252	+5.1
2014	1,912,528,731	+5.2
2013	1,818,344,563	-2.8
2012	1,871,506,546	N/A

Source: Clay County Clerk and Platte County Clerk

<sup>(1)</sup> Includes assessed valuation in both Clay County and Platte County.

## Property Tax Levies and Collections

**Property Assessment and Tax Collection Procedure.** The officers of each county are responsible for the assessment of taxable property within the county and the levy and collection of property taxes for the county and all political subdivisions having territory within the county, for which the county receives a collection fee in an amount determined by state law.

The County Assessor begins preparation of assessments of real and personal property within the County on January 1 of each year. The County Clerks of Clay and Platte Counties receive the assessment book for all property within each County by May 31 of each year and prepare an abstract of the assessment book for each political subdivision for delivery to each governing body no later than July 1. Based upon the budget for the forthcoming fiscal year and the abstract received from the County Clerks, the Board of Directors of the District conducts a hearing on the proposed tax rates. On or before September 1, the Board of Directors of the District files the approved tax rates with the County Clerks. The County Clerks extend the rates upon the assessment books for all political subdivisions by October 31 and deliver the tax books to the County Collector. The County Collector immediately prepares and mails statements of taxes to all property owners. All taxes become delinquent on January 1.

The Collector remits payment of all taxes collected each month (less the fee described above) by the 15th of the following month. Delinquent taxes are charged a penalty of 2% per month, not exceeding 18% per year.

As a result of the tax collection procedure described above, the District receives the bulk of its revenues from local property taxes in December, January and February.

## Tax Rates

**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. 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 and SB 711, more fully explained below). The tax levy for debt service on a school district's general obligation bonds is exempt from these limitations upon the tax rate ceiling.

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 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 50% of the revenues received through Proposition C during the prior 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.

The District's operating levy for fiscal year ending June 30, 2017, is \$5.1433 per \$100 of assessed valuation which is equal to the District's tax rate ceiling for the current fiscal year.

**Debt Service Levy.** The current debt service levy of the School District is \$1.29 per \$100 of assessed valuation. Once indebtedness has been approved by the voters of a school district voting therefor and bonds are issued, the School 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 of such school district may set the tax rate for debt service, without limitation as to rate or amount, at the level required to make such payments.

The tax levy for debt service on the District's general obligation bonds is exempt from the calculations of and limitations upon the tax rate ceiling.

State law permits school districts to submit propositions to voters to forego all or a part of the reduction in the total operating levy which would otherwise be required under terms of Proposition C.

### History of Tax Levies

The following table shows the District's tax levies (per \$100 of assessed valuation) for each of the following years:

<b>Fiscal Year Ended <u>June 30</u></b>	<b>Special Revenue (Teachers') <u>Fund</u></b>	<b>General (Incidental) <u>Fund</u></b>	<b>Capital Projects (Building) <u>Fund</u></b>	<b>Debt Service <u>Fund</u></b>	<b>Total <u>Levy</u></b>
2016	\$2.2400	\$2.7733	\$0.1300	\$1.2900	\$6.4333
2015	2.2400	2.8567	0.1300	1.2900	6.5167
2014	2.2400	2.4998	0.1300	1.0200	5.8898
2013	2.2400	2.4998	0.1300	1.0200	5.8898
2012	2.2400	2.4998	0.1300	1.0200	5.8898

### Tax Collection Record

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

<b>Fiscal Year Ended <u>June 30</u></b>	<b>Total <u>Levy</u></b>	<b>Total Taxes <u>Levied</u><sup>(1)</sup></b>	<b>Current &amp; Delinquent <u>Taxes Collected</u></b>		<b>State Railroad &amp; Utility Taxes <u>Collected</u></b>
			<b><u>Amount</u></b>	<b><u>Percent</u></b>	
2016	\$6.4333	\$129,308,317	\$ 128,964,417 <sup>(2)</sup>	99.7%	\$3,784,693 <sup>(2)</sup>
2015	6.5167	124,634,537	124,121,001	99.6	3,567,253
2014	5.8898	107,096,858	107,539,203	100.4	2,914,010
2013	5.8898	110,227,993	109,235,187	99.1	3,075,312
2012	5.8898	109,555,002	109,609,569	100.0	2,924,133

Source: District's Audited Financial Statements for fiscal years ended June 30 2012 through 2015; District's Annual Secretary of the Board Reports filed with DESE for fiscal years ended June 30, 2012 through 2016.

(1) Excludes state assessed railroad and utility real property, abated TIF property and exempt Chapter 135 property and Chapter 353 property.

(2) Figures derived solely from District's unaudited Annual Secretary of Board Report filed with DESE for fiscal year ended June 30, 2016. District's audited financial statements for fiscal year ended June 30, 2016 are not yet available

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## Major Property Taxpayers

The following table sets forth the ten largest taxpayers owning real and personal property with the greatest amount of assessed valuation within the District based on the valuation of real and personal property owned as of August 2016 after Board of Equalization adjustments. The District has not independently verified the accuracy or completeness of such information.

<u>Owner</u>	<u>Type of Use</u>	<u>2016 Assessed Valuation<sup>(1)</sup></u>	<u>% of Total Assessed Valuation</u>
Ford Motor Company	Auto manufacturing	\$116,592,112	5.7%
Ameristar Casino Kansas City	Entertainment	43,109,902	2.1
Promus Co, Inc. (Harrah's)	Entertainment	31,167,576	1.5
Google Fiber Missouri, LLC	Cable and internet provider	29,217,045	1.4
Northtown Devco	Property management	17,592,860	0.9
Cerner Corp.	Software design	16,079,672	0.8
Hunt Midwest Real Estate	Real estate development	12,010,200	0.6
Worlds of Fun, LLC (Cedar Fair, LP)	Entertainment	10,439,715	0.5
Laclede Gas Company	Natural gas distributor	9,497,349	0.5
W.W. Grainger	Equipment distributor	<u>9,099,735</u>	<u>0.4</u>
TOTAL		\$273,748,633	14.4%

Source: Clay County Assessor (assessed valuation as of August 2016 after Board of Equalization Adjustments).

<sup>(1)</sup> Amounts exclude state assessed railroad and utility real property, abated TIF property and exempt Chapter 135 property and Chapter 353 property.

\* \* \*

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR  
ENDED JUNE 30, 2015, WITH REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

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

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

**For the Fiscal Year Ended June 30, 2015**

## TABLE OF CONTENTS

---

List of Board of Education and Administration.....	1
Independent Auditors' Report.....	2-4
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis.....	5-17
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position.....	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet.....	22
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities.....	23
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds.....	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	25
Notes to Financial Statements.....	26-66
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund.....	68
Budgetary Comparison Schedule - Special Revenue Fund.....	69
Notes to Required Supplementary Information.....	70
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios.....	71
Schedule of Employer Contributions – PSRS & PEERS.....	72
Other Post-Employment Benefits.....	73
SUPPLEMENTARY INFORMATION	
Budgetary Comparison - Debt Service Fund.....	75
Budgetary Comparison - Capital Projects Fund.....	76
Historical School Data:	
A. History of Student Enrollment.....	77
B. History of Assessed Valuations and Corresponding Debt Outstanding.....	77
C. History of Tax Levies.....	77
D. Tax Collection Record.....	78
Schedule of Bonded Indebtedness.....	79-80
Schedule of Revenues Collected by Source.....	81-82
Schedule of Expenditures Paid by Object.....	83
Schedule of Selected Statistics.....	84-86
Schedule of Expenditures of Federal Awards.....	87
Notes to the Schedule of Expenditures of Federal Awards.....	88

## **TABLE OF CONTENTS**

---

### **INTERNAL CONTROL AND COMPLIANCE SECTION**

Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards.....	90-91
Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular No. A-133.....	92-93
Schedule of Findings and Questioned Costs.....	94-95
Schedule of Resolutions of Prior Years Audit Findings.....	96
Independent Auditor's Report on Management's Assertions About Compliance with Specific Requirements of Missouri Laws and Regulations.....	97



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

### **BOARD OF EDUCATION**

Mr. Joe Jacobs, President

Mr. Terry Stone, Vice President

Dr. Chip Luerding, Treasurer

Dr. Terry Ward, Member

Ms. Dixie Youngers, Member

Mr. Jay Wilson, Member

Mr. Victor Hurlbert, Member

Ms. Peggy Cole, Board Secretary

### **ADMINISTRATIVE LEADERSHIP TEAM**

Dr. Todd White \*  
Superintendent of Schools

Mr. Paul G. Harrell, CPA  
Chief Financial Officer

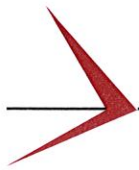
Dr. Dan Clemens  
Asst. Superintendent - Administrative Services

Dr. Paul Fregeau  
Asst. Superintendent - Student Services

Mrs. Tammy Henderson  
Chief Communications & Community Affairs Officer

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

\* Dr. Todd White, Superintendent of Schools, retired June 30, 2015. He was replaced by Dr. Paul Kinder as interim Superintendent.



## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the North Kansas City School District No. 74 (the "School District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School District, as of June 30, 2015, and the respective change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 5 through 17 and analysis and other information on pages 68 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The supplementary information as listed in the table of contents on pages 75 through 88 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Marr and Company". The script is cursive and fluid, with the "M" and "C" being particularly prominent.

Marr and Company, P.C.  
Certified Public Accountants

Kansas City, Missouri  
December 7, 2015

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2015

Management's Discussion and Analysis (MD&A) of the North Kansas City School District No. 74's (School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The purpose of this MD&A is to communicate the overall financial performance of the School District including how the School District has performed in the past, the School District's current financial condition, and its outlook for the future. The MD&A, in combination with the financial statements, provides the opportunity for the School District to communicate the effectiveness of management's stewardship of resources, and, further, progress towards the School District's and the Board of Education's stated strategic objectives. Readers should also review the financial statements and the accompanying notes to the financial statements to enhance their understanding of the School District's financial performance.

The MD&A is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999.

### Financial Highlights

Key financial highlights for the Fiscal Year 2014-2015 include the following:

- Beginning Net Position was restated from \$122.4 million to a Net Deficit of \$(25.9) million, a decrease of \$(148.3) million, of which, \$(146.3) million was due to the implementation of GASB 68 and \$(2.0) million was due to the implementation of GASB 65. GASB 68 requires the School District to recognize the School District's portion of the state-wide pension liability associated with the Public School & Education Employee Retirement Systems of Missouri (PSRS & PEERS) and GASB 65 requires the School District to recognize debt issuance costs as an expense in the period incurred. The School District's ending Net Deficit is \$(65.6) thousand which reflects an increase in Net Position of \$25.8 million.
- The net position increase of \$25.8 million for the year ended June 30, 2015 was comprised of the following elements:

(dollars in millions)

	<u>June 30,</u>		<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
	<u>2015</u>	<u>2014</u>		
Invested in capital assets, net of related debt	\$ 56.3	\$ 59.5	\$ (3.3)	(5.5%)
Restricted for:				
Debt service	20.8	19.1	1.7	9.0%
Capital Projects	12.3	12.7	(0.3)	(2.6%)
Unrestricted	(89.5)	(117.2)	27.7	23.6%
Total Net Position	<u>\$ (0.1)</u>	<u>\$ (25.9)</u>	<u>\$ 25.8</u>	<u>99.7%</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2015

### Financial Highlights (continued)

The unrestricted net position increased \$24.4 million due to operating revenues exceeding operating expenditures by \$8.8 million in the General and Special Revenue Funds. Operating increases are representative of the School District's commitment to fiscal responsibility. Additionally, the remaining increase is due to a net increase of the deferred outflows and inflows related to the implementation of GASB 68 of \$13.1 million and a prior year adjustment related to GASB 65 of \$2.0 million.

The net investment in capital assets decreased \$(3.3) million as a result of capital asset additions offset by increased accumulated depreciation and increased capital lease obligations.

- Total assets increased by \$26.5 million attributed to the following elements:

*(dollars in millions)*

	<b>June 30,</b>		<b>\$ Increase/</b>	<b>% Increase/</b>
	<b>2015</b>	<b>2014</b>	<b>(Decrease)</b>	<b>(Decrease)</b>
Cash and investments	\$ 122.4	\$ 102.9	\$ 19.6	19.0%
Receivables	4.8	4.5	0.3	6.9%
Prepaid expenses and inventory items	2.0	1.8	0.2	9.7%
Capital assest, net of depreciation	276.0	269.5	6.5	2.4%
<b>Total Assets</b>	<b>\$ 405.2</b>	<b>\$ 378.7</b>	<b>\$ 26.5</b>	<b>7.0%</b>

The increase in cash and investments of \$19.6 million is mainly due to the timing of payments made on current liabilities. The net increase in capital assets of \$6.5 million is due to current year additions of \$16.8 million, partially offset by increased depreciation expense of \$10.3.

- Total liabilities decreased by \$45.6 million due to the following items:

*(dollars in millions)*

	<b>June 30,</b>		<b>\$ Increase/</b>	<b>% Increase/</b>
	<b>2015</b>	<b>2014</b>	<b>(Decrease)</b>	<b>(Decrease)</b>
Accounts payable, salaries and other	\$ 40.1	\$ 27.3	\$ 12.8	46.9%
Current portion of Long-term Debt	19.7	17.9	1.8	10.0%
Noncurrent portion of Long-term Debt	212.3	213.1	(0.8)	(0.4%)
<b>Total Liabilities (excluding GASB 68)</b>	<b>\$ 272.1</b>	<b>\$ 258.3</b>	<b>\$ 13.8</b>	<b>5.3%</b>
Share of PSRS/PEERS Pension Liability	104.5	163.9	(59.4)	(36.2%)
<b>Total Liabilities</b>	<b>\$ 376.5</b>	<b>\$ 422.2</b>	<b>\$ (45.6)</b>	<b>(10.8%)</b>

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)** **For the Year Ended June 30, 2015**

#### **Financial Highlights (continued)**

The share of the Missouri State Pension Liability is a result of the adoption of GASB 68 and prior year is shown as restated. Accounts payable increased as a result of capital projects in process at year end and timing of payments made related to payroll withholdings. Long term liabilities decreased \$(60.2) million as restated due mainly to GASB 68. The current year net pension liability is \$104.5 million which is down \$(59.4) million from the prior year net pension liability of \$163.9 million. All other long term liabilities decreased \$(0.8) million.

Other financial highlights are as follows:

- General revenues of \$213.9 million accounted for 87% of all revenues while program specific revenues of \$31.8 million accounted for 13% of total revenues of \$245.4 million. Program specific revenues in the form of charges for services and operating grants and contributions of \$31.8 million accounted for 13% of total revenues of \$245.7 million.
- The largest source of general revenue for the School District continues to be locally assessed property taxes. In fiscal year 2015, the assessed valuation increased \$94.1 million or 5.2% to \$1,912.5 million from the prior year. The collection rate, on a full accrual basis of accounting, decreased slightly to 99.6% from 100.4% in the prior year. Total property tax revenue received amounted to \$124.1 million. Property taxes collected, exclusive of all other taxes collected, were \$16.6 million higher than the prior year.
- The second largest source of general revenue for the School District comes from Missouri State Aid including the Missouri K-12 Foundation Formula and the Classroom Trust Fund. The School District received \$56.7 million from these sources in the current year, an increase of \$3.4 million from the prior year. The increase is due mainly to the increased appropriation adjustment percentage applied to the estimated state formula payment, up 3.59% to 96.86%.
- Prop C sales taxes are collected and distributed by the State Department of Revenue. These taxes accounted for \$18.1 million in revenue, an increase of \$1.1 million over the prior year due to increase retail sales.
- Other local tax revenues, such as surtax, financial institution taxes and railroad and utility taxes are collected and distributed by the Clay County Department of Revenue and accounted for \$13.6 million in general revenues, an increase of \$1.9 million from the prior year.
- The School District had \$219.5 million in expenses, partially offset by \$31.8 million of program specific charges for services, grants and contributions. General revenues of \$213.9 million were adequate to provide for these programs.

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

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

For the Year Ended June 30, 2015

#### **Financial Highlights (continued)**

- Among major funds, the General Fund had \$99.0 million in revenues and \$86.3 million in expenditures. A \$6.5 million transfer from the General Fund to the Capital Projects fund was made to cover the Apple MacBook lease payments and to provide funding for the Northland Innovation Campus currently under construction. A \$3.8 million transfer was made from the General Fund to the Special Revenue fund to cover Special Revenue Fund expenditures. The operating fund balance increased \$2.3 million as the School District worked to keep operating expenditures in line with operating revenues in order to meet the Board of Education's fund balance goal of 16% of operating expenditures.
- Program revenue offsets costs associated with operations and is made up of Charges for services and grants and contributions. Charges for services revenues increased \$405,390 due to increased Community Services revenues of \$408,557 and increased Food Services revenues of \$64,198, partially offset by a decrease in Transportation revenue of \$15,348 and Student Activity revenue of \$52,017. The School District received \$4.3 million in revenue from Food Services, \$3.7 million from Community Services, \$2.4 million from Student Activities and \$0.5 million from Transportation. Grants and contributions account for \$21.0 million in program revenues, an increase of \$0.8 million from the prior year.

#### **The School District as a Whole**

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

The Statement of Net Position and the Statement of Activities present an aggregate view of the School District's financial standing as well as a more in depth view of the School District's current financial standing than would normally be seen in the Governmental Fund Type statements. These statements include all assets and liabilities using the full accrual basis of accounting. Accrual basis of accounting recognizes revenues when earned and expenses when incurred regardless of when the School District physically receives funds or writes checks for goods and services.

These two statements report the School District's year ended net position and changes in that net position during the year. The change in net position helps readers determine whether the financial condition of the School District has improved or diminished over the course of the year. The change in net position may be the result of both financial and non-financial factors. Non-financial factors include the School District's property tax base, current property tax laws in Missouri, student enrollment, facility conditions and required educational programs for which little or no funding is provided.

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operations and maintenance of buildings, pupil transportation and extracurricular activities. The School District does not have any business-type activities.



# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2015

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

Table 1 compares the School District's Net Position as of June 30, 2015 to June 30, 2014(restated).

**TABLE 1**  
**Statement of Net Position**  
*(dollars in millions)*

	<b>June 30,</b>		<b>\$ Increase/</b>	<b>Increase/</b>
	<b>2015</b>	<b>2014</b>	<b>(Decrease)</b>	<b>(Decrease)</b>
<b>ASSETS</b>				
Current Assets	\$ 129.2	\$ 109.2	\$ 20.1	18.37%
Capital Assets – Net	276.0	269.5	6.5	2.40%
Total Assets	405.2	378.7	26.5	7.00%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Plan Deferred Outflows	23.0	17.6	5.4	30.81%
<b>LIABILITIES</b>				
Other Liabilities	59.7	45.2	14.6	32.26%
Long-Term Liabilities	316.8	377.0	(60.2)	(15.97%)
Total Liabilities	376.5	422.2	(45.6)	(10.81%)
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Plan Deferred Inflows	51.7	-	51.7	N/A
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	56.3	59.5	(3.3)	(5.47%)
Restricted-Debt Svc	20.8	19.1	1.7	8.98%
Restricted-Capital Projects	12.3	12.7	(0.3)	(2.63%)
Unrestricted	(89.5)	(117.2)	27.7	(23.63%)
Total Net Position	\$ (0.1)	\$ (25.9)	\$ 25.8	(99.75%)

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2015

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

Table 2 compares the Changes in Net Position for fiscal year ended June 30, 2015 to June 30, 2014.

**TABLE 2**  
**Change in Net Position**  
*(dollars in millions)*

	<u>Year Ended June 30,</u>		<u>\$ Increase/</u>	<u>% Increase/</u>
	<u>2015</u>	<u>2014</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Program Revenues				
Charges for Services	\$ 10.8	\$ 10.4	\$ 0.4	3.9%
Operating/Capital Grants and Contributions	21.0	20.2	0.8	4.1%
General Revenues:				
Property Taxes	124.1	107.5	16.6	15.4%
Non-restricted Intergovernmental	87.1	81.5	5.7	7.0%
Interest and Investment Earnings	1.4	1.3	0.1	4.5%
Other Miscellaneous Local	1.2	0.7	0.6	86.9%
Sale/Retirement of Assets	(0.3)	0.0	(0.3)	(3,352.8%)
Total Revenues	<u>245.4</u>	<u>221.6</u>	<u>23.8</u>	<u>10.7%</u>
Program Expenses				
Instruction	113.7	122.9	(9.2)	(7.5%)
Student Services	7.0	7.5	(0.5)	(6.7%)
Instructional Staff Support	19.4	17.0	2.4	13.8%
Board/Executive and Tech Administration	3.4	3.4	0.0	0.3%
Building Administration	12.2	12.7	(0.4)	(3.3%)
General Administration/Central Services	6.8	7.4	(0.5)	(7.3%)
Operation of Plant	19.5	20.7	(1.2)	(5.7%)
Transportation	10.7	11.1	(0.4)	(3.5%)
Food Service	9.7	9.5	0.3	3.0%
Community Services	5.0	5.0	(0.1)	(1.5%)
Facility Acquisition and Construction	4.3	4.2	0.1	3.0%
Interest and Fiscal Charges	7.8	9.6	(1.8)	(18.5%)
Total Expenses	<u>219.5</u>	<u>230.8</u>	<u>(11.3)</u>	<u>(4.9%)</u>
Increase/(Decrease) in Net Position	<u>\$ 25.8</u>	<u>\$ (9.2)</u>	<u>\$ 35.1</u>	<u>(379.7%)</u>

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)** **For the Year Ended June 30, 2015**

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

##### *Fund Financial Statements*

The School District's financial statements for major funds provide more in depth information about the School District's financial position and results of operations. The School District uses numerous funds to account for a multitude of financial transactions, however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General (Incidental) Fund, Special Revenue (Teachers) Fund, Debt Service Fund, and Capital Projects Fund.

##### *Governmental Funds*

Most of the School District's activities are reported in governmental funds format. This format focuses on how money flows in and out of these funds and provides the reader with remaining fiscal year-end balances available for future use. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a short-term view of the School District's general governmental operations and the basic services the School District provides. Governmental fund information helps the reader determine the changes in financial resources in order to understand what can be spent in the near future. The relationship between governmental activities (as reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

##### *Governmental Activities*

As reported in the Statement of Activities, the cost of the School District's governmental activities for the year ended June 30, 2015 was \$219.5 million. The Statement of Activities shows the cost of program services, the charges for services and the operating grants and contributions offsetting some of these services. Grants and contributions totaled \$21.0 million and helped reduce expenses for certain programs. Charges for services offset expenses by \$10.8 and include items such as tuition reimbursement, activity fees, school lunch fees, and facility use charges. The remaining program expenses are financed primarily by the taxpayers of the School District through property tax, sales tax, and other ad valorem tax revenue totaling \$154.6 million. State aid accounted for \$56.7 million and investment earnings contributed \$1.4 million. The "net cost" statement, on the following page, determines the remaining cost of the various categories and informs the reader how much each program is funded by proceeds other than charges for services and operating grants and contributions.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2015

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

#### *Governmental Activities (continued)*

Table 3 compares the Total and Net Costs of Governmental Activities for Fiscal Year ended June 30, 2015 to June 30, 2014.

**TABLE 3**  
**Net Cost of Government Activities**  
*(dollars in millions)*

	Year Ended June 30,				Year Over	Year Over
	2015		2014		Year	Year
	Total Cost	Net Cost	Total Cost	Net Cost	Total Cost	Net Cost
	of Services	of Services	of Services	of Services	% Increase/ (Decrease)	% Increase/ (Decrease)
Instruction	\$ 113.7	\$ 99.6	\$ 122.9	\$ 109.0	(7.5%)	(8.6%)
Student Services	7.0	7.0	7.5	7.5	(6.7%)	(6.7%)
Instructional Staff Support	19.4	19.4	17.0	17.0	13.8%	13.8%
Board/Executive & Tech Adm	3.4	3.4	3.4	3.4	0.3%	0.3%
Building Administration	12.2	12.2	12.7	12.7	(3.3%)	(3.3%)
General Adm & Central Svcs	6.8	6.8	7.4	7.4	(7.3%)	(7.3%)
Operation of Plant	19.5	19.5	20.7	20.7	(5.7%)	(5.7%)
Transportation	10.7	7.6	11.1	8.4	(3.5%)	(9.5%)
Food Service	9.7	(0.7)	9.5	(0.8)	3.0%	(15.9%)
Community Services	5.0	0.7	5.0	1.2	(1.5%)	(42.7%)
Facility Acquisition/Construction	4.3	4.3	4.2	4.2	3.0%	3.0%
Interest and Fiscal Charges	7.8	7.8	9.6	9.6	(18.5%)	(18.6%)
Total Expenses	<u>\$ 219.5</u>	<u>\$ 187.7</u>	<u>\$ 230.8</u>	<u>\$ 200.2</u>	<u>(4.9%)</u>	<u>(6.3%)</u>

*Note: Net Cost of Services is computed by taking the Total Cost of Services and subtracting Charges for Services and Grants and Contributions*

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Student Services include guidance and counseling, health services, as well as the cost of student attendance reporting.

Instructional Staff Support includes the activities involved with assisting staff with the content and process of teaching to pupils.

Board/Executive and Tech Administration includes office of the superintendent, Board of Education and beginning July 1, 2011, Technology Administration is also included in this function.

Building Administration includes the cost of salaries and benefits for building level principals and office support staff.

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

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

For the Year Ended June 30, 2015

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

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

General Administration and Central Services includes expenses associated with administrative and financial supervision of the School District. It also includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public. Operation of Plant involves keeping the school grounds, buildings, and equipment in an effective working condition.

Transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Food Service includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities.

Community Services includes expense related to parents as teachers, adult literacy education, adult continuing education, community education programs, and school age childcare program.

Facility Acquisition and Construction includes remodeling buildings; the construction of buildings and additions to buildings; initial installation and extensions of service systems and other built-in equipment; acquisition of land and buildings and improvements to sites.

Interest and Fiscal Charges involves the transactions associated with the payment of interest and other related charges to debt of the School District.

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

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

##### *School District Funds*

The School District's funds are accounted for using the modified accrual basis of accounting. Governmental funds total revenues were \$245.7 million and total expenditures were \$277.2 million. The net change in fund balance for the year in the General Fund was an increase of \$2.3 million. The unrestricted operating fund balance was \$35.7 million at year-end and was 17.1% of total expenditures of the General Fund plus the Special Revenue (Teachers) Fund. This fund balance would exclusively sustain the School District for approximately 44 days of operations. The School District has implemented GASB 54 as required. See Note 1 to the financial statements for details. The Operating Fund balance consisted of \$1.2 million non-spendable, leaving \$34.5 million operating fund balance unassigned and assigned.

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2015

#### Budgeting Highlights

##### *General Fund Budgeting Highlights*

The School District's budget is prepared according to Missouri law and is based on accounting for certain transactions on the modified accrual basis recognizing cash receipts, disbursements, and encumbrances. During the course of the fiscal year, the School Board has the opportunity to approve budget adjustments on two separate occasions, once in the fall and again in the spring. Missouri Revised Statute 67.030 permits budget amendments to the expenditure budget as long as the changes do not exceed estimated revenues to be received during the year plus the unencumbered balance at the beginning of the fiscal year. The original budget for the School District was adopted June 24, 2014 with amendments being approved on August 26, 2014 and June 23, 2015. The most significant budgeted fund is the General Fund, followed by the Special Revenue Teachers Fund.

The School District uses site-based budgeting and the budgeting systems are designed to tightly control the overall site budget but also provide some flexibility for site administration within program functions.

During the fiscal year 2015, the School District amended its operating budget to reflect \$214.0 million for revenue and \$215.7 million for expenditures. Local revenue came in \$2.6 million over budget. With prudent spending and conservative budgeting the actual expenditures were \$7.5 million below the final budget.

#### Capital Assets and Long-term Liabilities Administration

##### *Capital Assets*

As of June 30, 2015, the School District had \$396.1 million invested in land, buildings, furniture and equipment, and vehicles with accumulated depreciation of \$120.1 million, resulting in net investment in capital assets at year-end of \$276.0 million.

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

	<b>June 30,</b>		<b>\$ Increase/</b>	<b>% Increase/</b>
	<b>2015</b>	<b>2014</b>	<b>(Decrease)</b>	<b>(Decrease)</b>
Land	\$ 5,645,472	\$ 5,645,472	\$ -	-
Construction in Progress (CIP)	10,802,754	1,060,986	9,741,768	918.2%
Capitalized Interest on CIP	21,863	1,140	20,723	1,817.8%
Buildings and Improvements	237,674,458	241,091,870	(3,417,412)	(1.4%)
Furniture and Equipment	21,823,657	21,713,882	109,775	0.5%
Totals	<u>\$ 275,968,204</u>	<u>\$ 269,513,350</u>	<u>\$ 6,454,854</u>	<u>2.4%</u>

Net capital assets ended at \$276.0 million, an increase of \$6.5 million due to the addition of capital assets of \$16.8 million partially offset by depreciation expense of \$(10.3) million. In April 2014 the community authorized the School District to issue \$20 million in bonds which allowed the School District to make needed improvements and upgrades to facilities in the current year.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2015

### Capital Assets and Long-term Liabilities Administration (continued)

#### *Long-term Liabilities Administration*

On June 30, 2015, the School District had \$195.8 million in general obligation bonds, due in varying interest rate charges through the year 2034. These bonds were originally issued for the purpose of capital improvements, building additions, and technology system advancements.

**Table 5**  
**Outstanding General Obligation Bonds**

	<b>June 30,</b>	
	<b>2015</b>	<b>2014</b>
Series 2015	\$ 28,310,000	\$ -
Series 2014	44,240,000	44,940,000
Series 2013	7,420,000	8,500,000
Series 2012	31,195,000	31,370,000
Series 2011	11,075,000	12,245,000
Series 2010	11,000,000	12,290,000
Series 2008	8,700,000	8,700,000
Series 2007	46,575,000	48,475,000
Series 2006	7,235,000	29,190,000
Series 2005	-	14,820,000
Total	<u>\$ 195,750,000</u>	<u>\$ 210,530,000</u>

Missouri statute allows School Districts to incur debt up to an amount equal to 15% of the most current assessed valuation. At June 30, 2015, the School District's overall legal debt margin was \$286.9 million, of which \$195.8 million has been issued, offset by a debt service fund balance of \$23.4 million leaving the un-voted debt margin at \$114.5 million.

At June 30, 2015, the outstanding balance for the School District on a Capital Lease Obligation with Apple, Inc. for 6,200 MacBook computers is \$5.9 million in principal and \$130 thousand in interest for a total of \$6.1 million. See notes for additional information on leases.

The School District implemented Governmental Accounting Standards Board (GASB) Statement No. 68 Accounting and Financial Reporting for Pensions commencing with the fiscal year ending June 30, 2015. The School District is required to address accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts and must recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to such pension plans. In 2015 the School District restated the beginning net position to a net deficit of \$(25.9) million by recording a prior period net pension liability of \$163.9 million. The current year net pension liability is \$104.5 million a decrease of \$(59.4) million dollars. Additionally, the School District recorded deferred outflows related to the pension plan of \$17.6 million dollars and deferred inflows related to pension plans of \$51.7 million dollars. See Notes to Financial Statements for additional details.

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)** **For the Year Ended June 30, 2015**

#### **Capital Assets and Debt Administration (continued)**

##### *Long-term Liabilities Administration (continued)*

The School District implemented Governmental Accounting Standards Board (GASB) Statement No. 45 Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions (OPEB) commencing with the fiscal year ending June 30, 2008. The School District is required to provide a systematic, accrual-basis measurement of an annual OPEB Cost. In 2015 the Annual required contribution was \$2.2 million offset by \$1.1 million implicit employer contributions (excess premiums) which resulted in a \$1.1 million increased obligation for the current year and a cumulative Net OPEB obligation of \$5.1 million at June 30, 2015. See Notes to Financial Statements for additional details.

#### **Economic Factors and Next Year's Budget**

The North Kansas City School District No. 74 is financially stable; however, we must continually monitor the national, state, and local economic trends in order to maintain that stability. As our nation continues to slowly recover from the recession that began in 2008, the School District has begun to see a slight increase in local property values and corresponding tax revenues. Our 2014 local assessed property valuation is still below values reported by the Clay County Assessor's office in 2005. The 2014 assessment figures, a non-reassessment year, were based upon 2011 and 2012 home sale values.

The School District has been able to partially offset the loss of local property tax revenue through increased State revenues sources in order to maintain the current overall financial position. In 2005, the State of Missouri adopted Senate Bill 287 (SB 27) a new method of distributing state funds to local School Districts from which our School District has benefited.

As part of the normal budgeting process, long-range projections are developed and continually updated. This process allows the School District to determine how much of the available resources can be used for on-going projects, such as new programs or initiatives, versus one-time projects, such as facility repairs.

In addition to balancing the revenue and expenditure budgets, School District policy sets beginning of the fiscal year minimum cash requirements. Based upon parameters established by the Board of Education, the year-end operating fund balance must be equal to 16% of the operating expenditure budget plus or minus 2%. Due to the cyclical nature of School District revenues and expenditures, this reserve is designed to cover cash flow needs during the period of October thru December, just prior to the collection of property tax revenues in late December and January, eliminating the need to utilize short-term borrowing to cover School District cash requirements.

The School District is proud of the community support for public schools. As the preceding information shows, the School District continues to provide quality educational programming, while simultaneously making necessary improvements to facilities to serve a growing student enrollment.

The North Kansas City School District No. 74 has committed itself to financial excellence for many years as demonstrated by our consistently strong financial performance. In addition, the School District's system of financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**For the Year Ended June 30, 2015**

This report is designed to provide our citizens, taxpayers, investors and creditors with a full and complete disclosure of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional copies, they can be obtained by contacting the following people at the North Kansas City School District, 2000 NE 46th Street, Kansas City, Missouri, 64116, phone number 816-321-5000

Paul Harrell  
Chief Financial Officer

Matt Fritz  
Executive Director – Finance & Accounting

## **BASIC FINANCIAL STATEMENTS**

### *GOVERNMENT-WIDE FINANCIAL STATEMENTS*

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash & Cash Equivalents	\$ 61,558,229
Investments	42,170,232
Receivables:	
Taxes	535,110
Other Local, net of allowance for uncollectible of \$31,322	374,675
State	2,052,756
Federal	1,858,841
Inventory	1,058,462
Prepaid Expenses	915,653
Escrowed Cash with Fiscal Agents	18,694,386
Capital Assets:	
Land	5,645,472
Construction in Progress and related Capitalized Interest	10,824,617
Other Capital Assets, net of Accumulated Depreciation	<u>259,498,115</u>
Total Assets	<u>405,186,548</u>
 <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Deferred amounts related to pension plans	<u>23,008,275</u>
 <b><u>LIABILITIES</u></b>	
Accounts Payable	2,988,582
Payroll Withholding	14,959,991
Accrued Wages	10,888,915
Stop-gap Liability	2,135,902
Accrued Interest Payable	2,759,052
Retiree Medical Insurance Liability	5,101,100
Compensated Absences	1,227,446
Long-term Liabilities:	
Due within one year	19,682,289
Due in more than one year	<u>316,801,562</u>
Total Liabilities	<u>376,544,839</u>
 <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Deferred amounts related to pension plans	<u>51,715,546</u>
 <b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	56,288,193
Restricted for:	
Debt Service	20,847,477
Bond Capital Projects	12,323,220
Unrestricted	<u>(89,524,452)</u>
Total Net Position	<u>\$ (65,562)</u>

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

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## STATEMENT OF ACTIVITIES For the Year Ended June 30, 2015

Functions/Programs:	Expenses	Program Revenue			Net (Expense)
		Charges for Services & Sales	Operating Grants & Contributions	Capital Grants & Contributions	Revenue and Change in Net Position
Governmental Activities:					Total Governmental Activities
Current:					
Instruction	\$ 113,690,181	\$ 2,400,934	\$ 11,605,671	\$ 99,746	\$ (99,583,830)
Student Services	6,990,622	0	0	0	(6,990,622)
Instructional Staff Support	19,399,290	0	0	0	(19,399,290)
Board/Executive & Tech Admin	3,367,601	0	0	0	(3,367,601)
Building Administration	12,238,709	0	0	0	(12,238,709)
General Admin/Central Svcs.	6,834,366	0	0	0	(6,834,366)
Operation of Plant	19,503,559	0	0	0	(19,503,559)
Transportation	10,671,194	472,842	2,573,980	0	(7,624,372)
Food Services	9,729,918	4,279,486	6,142,857	0	692,426
Community Services	4,956,147	3,651,837	600,838	0	(703,472)
Facilities	4,315,046	0	0	0	(4,315,046)
Interest & Charges	<u>7,828,881</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(7,828,881)</u>
Total Governmental Activities	<u>\$ 219,525,514</u>	<u>\$ 10,805,099</u>	<u>\$ 20,923,346</u>	<u>\$ 99,746</u>	<u>(187,697,323)</u>

### General Revenues

Property taxes	124,121,001
Sales tax (Proposition C)	18,084,468
Other local taxes	8,456,545
County taxes and fines	3,929,026
State Aid - Basic formula & Classroom Trust	56,670,004
Interest & Investment Earnings	1,367,118
Miscellaneous Other	<u>1,236,390</u>
Subtotal - General Revenues	<u>213,864,552</u>
Excess of revenues over expenses before special items	26,167,229
Special Items: Gain(Loss) on Sale of Capital Assets	<u>(329,543)</u>
Change in Net Position	25,837,686
NET POSITION – BEGINNING OF YEAR (RESTATED)	<u>(25,903,248)</u>
NET POSITION – END OF YEAR	\$ <u>(65,562)</u>

### Restatement of Net Position:

Net Position – Beginning of Year	\$ 122,446,494
Less:	
Bond issuance cost previously amortized	(2,052,849)
Pension liability and related deferred outflows recognized	<u>(146,296,893)</u>
Net Position – Beginning of Year (as restated)	\$ <u>(25,903,248)</u>

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

## **BASIC FINANCIAL STATEMENTS**

### *FUND FINANCIAL STATEMENTS*

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2015

	General (Incidental) <u>Fund</u>	Special Revenue (Teachers) <u>Fund</u>	Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Totals</u>
<b><u>ASSETS</u></b>					
Cash & Cash Equivalents	\$ 24,909,537	\$ 3,930,990	\$ 14,162,001	\$ 18,555,701	\$ 61,558,229
Investments	26,934,328	3,010,083	0	12,225,821	42,170,232
Receivables:					
Taxes	247,331	178,885	98,512	10,382	535,110
Local	91,443	135	0	1,200	92,778
State	1,901,433	151,323	0	0	2,052,756
Federal	654,167	1,164,291	0	40,383	1,858,841
Inventories	805,480	0	0	0	805,480
Prepaid Expenses	423,155	0	0	0	423,155
Escrowed Cash with Fiscal Agent	0	0	9,151,259	0	9,151,259
<b>TOTAL ASSETS</b>	<b>\$ 55,966,874</b>	<b>\$ 8,435,707</b>	<b>\$ 23,411,772</b>	<b>\$ 30,833,487</b>	<b>\$ 118,647,840</b>
 <b><u>LIABILITIES &amp; FUND BALANCES</u></b>					
Liabilities:					
Accounts Payable	\$ 614,948	\$ 101,648	\$ 5,279	\$ 2,266,707	\$ 2,988,582
Payroll Withholdings	14,959,991	0	0	0	14,959,991
Accrued Wages	2,554,856	8,334,059	0	0	10,888,915
Stop-gap Liability	<u>2,135,902</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,135,902</u>
Total Liabilities	20,265,697	8,435,707	5,279	2,266,707	30,973,390
Fund Balances:					
Nonspendable	1,228,635	0	0	0	1,228,635
Restricted	3,783,061	0	23,406,493	12,323,220	39,512,774
Assigned	0	0	0	16,243,560	16,243,560
Unassigned	<u>30,689,481</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,689,481</u>
Total Fund Balances	<u>35,701,177</u>	<u>0</u>	<u>23,406,493</u>	<u>28,566,780</u>	<u>87,674,450</u>
 TOTAL LIABILITIES & FUND BALANCES	 \$ 55,966,874	 \$ 8,435,707	 \$ 23,411,772	 \$ 30,833,487	 \$ 118,647,840

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

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

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES**

June 30, 2015

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 87,674,450

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

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

Capital assets, cost	\$396,058,607	
Accumulated depreciation	<u>(120,090,403)</u>	275,968,204
Non-cash donated inventory of food commodities	252,982	
Advance use of short-term medical leave, net of allowance	281,897	
Prepaid insurance premiums	<u>492,498</u>	1,027,377

The assets and liabilities related to the capital leases from Certificates of Participation (COPs) are included in the governmental activities and are not reported in the governmental funds.

Escrowed cash equivalents with fiscal agent	9,543,127	
Issuance premiums, net of accumulated amortization	(181,988)	
Capital leases – certificates of participation obligation	<u>(14,345,000)</u>	(4,983,861)

Deferred inflows and outflows of resources for pension plans are reported in the governmental activities that are not reported in the governmental funds:

Deferred outflows for PSRS and PEERS	23,008,275	
Deferred inflows for PSRS and PEERS	<u>(51,715,546)</u>	(28,707,271)

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

Accrued interest on long-term debt	(2,759,052)	
Net OPEB obligation for retiree medical insurance	(5,101,100)	
Compensated absences for vacation and comp time	(1,227,446)	
Bond issuance premiums, net of accumulated amortization	(15,781,592)	
Bonds payable and lease obligations	(201,694,651)	
Net pension obligation liability for PSRS and PEERS	<u>(104,480,620)</u>	(331,044,461)

TOTAL NET POSITION - GOVERNMENTAL FUNDS \$ (65,562)

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

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES For the Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals Governmental Funds
<b><u>REVENUES</u></b>					
Local	\$ 75,350,657	\$ 60,382,201	\$ 24,806,955	\$ 2,937,070	\$ 163,476,883
County	1,546,464	1,574,387	773,398	34,777	3,929,026
State	13,280,049	49,909,240	0	19,046	63,208,335
Federal	8,258,768	6,217,384	0	40,383	14,516,535
Other	<u>545,464</u>	<u>16,500</u>	<u>0</u>	<u>0</u>	<u>561,964</u>
Total Revenues	98,981,402	118,099,712	25,580,353	3,031,276	245,692,743
<b><u>EXPENDITURES</u></b>					
Current:					
Instruction	17,564,692	100,248,199	0	278,162	118,091,053
Student Services	3,736,122	3,777,270	0	1,590	7,514,982
Instructional Staff Support	7,569,609	7,503,958	0	3,725,430	18,798,997
Board/Executive & Tech Admin	5,336,532	766,025	0	12,149	6,114,706
Building Administration	2,830,967	485,912	0	0	3,316,879
General Admin & Central Services	5,000,505	8,155,835	0	0	13,156,340
Operation of Plant	19,623,549	0	0	1,227,906	20,851,455
Transportation	10,544,117	0	0	423,803	10,967,920
Food Services	9,774,105	0	0	4,450	9,778,555
Community Services	4,345,697	998,613	0	0	5,344,310
Facilities Acquisition/Construction	0	0	0	9,310,871	9,310,871
Debt Service:					
Principal	0	0	43,090,000	0	43,090,000
Interest and Charges	<u>17,577</u>	<u>1,859</u>	<u>10,797,211</u>	<u>27,003</u>	<u>10,843,650</u>
Total Expenditures	86,343,472	121,937,671	53,887,211	15,011,364	277,179,718
Other Financing Sources (Uses):					
Transfers To	0	3,837,959	0	6,477,472	10,315,431
Transfers From	(10,315,431)	0	0	0	(10,315,431)
Refunding Bonds	0	0	28,310,000	0	28,310,000
Premium on Refunding Bonds	0	0	1,779,194	0	1,779,194
Sale of Assets	<u>22</u>	<u>0</u>	<u>0</u>	<u>374,415</u>	<u>374,437</u>
Total Other Financing Sources (Uses)	<u>(10,315,409)</u>	<u>3,837,959</u>	<u>30,089,194</u>	<u>6,851,887</u>	<u>30,463,631</u>
Net Change in Fund Balances	2,322,521	0	1,782,336	(5,128,201)	(1,023,344)
FUND BALANCES, JUNE 30, 2014	<u>33,378,656</u>	<u>0</u>	<u>21,624,157</u>	<u>33,694,981</u>	<u>88,697,794</u>
FUND BALANCES, JUNE 30, 2015	\$ <u>35,701,177</u>	\$ <u>0</u>	\$ <u>23,406,493</u>	\$ <u>28,566,780</u>	\$ <u>87,674,450</u>

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



# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

TOTAL NET CHANGE IN FUND BALANCES - *GOVERNMENTAL FUNDS* \$ (1,023,344)

Variances in the reporting amounts of assets, deferred inflows and outflows, liabilities between the governmental activities & the governmental funds create variances in the reporting amounts of revenues & expenditures which follows:

Net capital asset purchases and disposals are expensed in funds but are capitalized & depreciated in activities.	<i>Capitalized assets</i> 6,125,303
	<i>Capitalized leases and COPs</i> 8,004,235
	<i>Depreciation expense</i> (14,673,611)
	<i>Gain on sale, sale proceeds</i> (703,980)
Federal food commodities are not recorded in funds & inventoried in activities.	
	<i>Commodities received</i> 696,663
	<i>Commodities consumed</i> (598,691)
Accounts receivable for employee short-term medical leave.	(45,436)
Insurance premiums are expensed in funds and recorded as prepaids in activities.	11,169
The OPEB cost for retiree medical insurance is recorded in activities.	(1,084,900)
Compensated absences liability is recorded in activities and not in the funds.	5,701
Long-term obligation interest is expensed as paid in the funds and expensed or capitalized in the appropriate period for funds.	
	<i>Accrued interest</i> (236,638)
Bond premiums are recognized as other financing sources in funds and capitalized and amortized in activities.	
	<i>Premium on refunded bonds</i> (1,779,194)
	<i>Premium amortization</i> 3,468,602
General obligation bonds and notes payable are recorded as other financing sources in the year of received and expensed in year of payment in funds and recorded as liabilities in activities.	
	<i>Refunding bond proceeds</i> (28,310,000)
	<i>Bonds paid</i> 43,090,000
Certificates of Participation issuance cost and amortization of issuance premiums are not reported in the funds.	
	<i>Issuance cost for COPs</i> (223,372)
	<i>Premium amortization</i> 6,177
Pension expense (PSRS/PEERS) reported in activities do not require use of current resources, not reported in funds.	<u>13,109,002</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 25,837,686

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

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

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

### **INDEX**

#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Entity
- B. Principles Used to Determine Scope of Entity
- C. Basis of Presentation
- D. Measurement Focus and Basis of Accounting
- E. Assets, Liabilities and Equity
- F. Revenues and Expenditures
- G. Use of Estimates
- H. Adoption of Governmental Accounting Standards Statements

#### **NOTE 2: COMPLIANCE AND ACCOUNTABILITY**

- A. Uninsured and Uncollateralized Deposits
- B. Property Tax Requirements
- C. Net Position/Fund Balance Restrictions
- D. Budgetary Law

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

- A. Custodial Credit Risk - Deposits and Investments
- B. Long-term Liabilities
- C. Capital Assets
- D. Inter-fund Transfers
- E. Short-term Medical Leave Policy
- F. Stop-gap Liability

#### **NOTE 4: OTHER NOTES**

- A. Public School Retirement System of Missouri (PSRS)
- B. Public Education Employee Retirement System of Missouri (PEERS)
- C. Post-employment Healthcare Plan
- D. Deferred Compensation Plan
- E. Section 125 Cafeteria Plan and Health Savings Account
- F. Claims and Adjustments
- G. Lease - Operating
- H. Facilities Use Agreement
- I. Impact Fee Credits
- J. Litigation
- K. Risk Management
- L. North Kansas City School District Foundation
- M. Northland CAPS Program
- N. Northland Innovation Campus
- O. Subsequent Events

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS

June 30, 2015

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Entity

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

The School District, located in Clay County, serves an area of approximately 82 square miles. It is staffed by 1,484 non-certificated employees, 1,490 certificated, full-time teaching personnel and 130 administrative employees who provide services to 19,253 students and other community members. The School District currently operates 21 elementary schools (grades K-5), five middle schools (grades 6-8), four high schools (grades 9-12) and six other education centers.

##### B. Principles Used to Determine Scope of Entity

The School District has implemented Governmental Accounting Standards Board ("GASB") Statement No. 39, *Determining Whether Certain Organizations are Component Units*. GASB Statement No. 39, which amended GASB Statement No. 14, provides specific criteria which must be met in order for an organization to be included in the School District's financial statements.

The School District has developed criteria to determine whether outside agencies with activities which benefit the citizens of the School District, including joint agreements which serve students from numerous school districts, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the School District exercises oversight responsibility, which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters, scope of public service and special financing relationships.

The School District has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the School District's financial statements. In addition, the School District is not aware of any entity which could exercise such oversight which would result in the School District being considered a component unit of the entity.

##### C. Basis of Presentation

The School District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The GASB is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) (when applicable) that do not conflict with or contradict GASB pronouncements.

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

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

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

##### **C. Basis of Presentation (continued)**

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information. Both the government-wide and fund-financial statements categorize primary activities as either governmental or business type. For the year ended June 30, 2015, all of the School District's activities are classified as governmental type.

##### **Government-Wide Financial Statements**

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

The statement of net position presents the financial condition of the governmental activities of the School District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirement of a particular program and interest earned on grants that is required to be used to support a particular program.

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

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. An emphasis is placed on major funds within the governmental categories. In accordance with the State law, the School District has designated all of the following funds as major funds.

##### ***Governmental Fund Types***

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the School District's governmental fund types.

##### **General (Incidental) Fund**

Accounts for general activities of the School District, including student activities, transportation, community activities and food service which are not required to be accounted for in a separate fund.

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

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

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

#### **C. Basis of Presentation (continued)**

##### **Special Revenue (Teacher's) Fund**

Accounts for expenditures for certified employees who are involved in administration and instruction. It includes revenues restricted by the state and local tax levy for the payment of teacher salaries and certain employee benefits.

##### **Debt Service Fund**

Accounts for the accumulation of resources for, and the payment of, principal, interest and fiscal charges on long-term debt.

##### **Capital Projects (Building) Fund**

Accounts for the proceeds of bond issues, taxes and other revenue restricted for acquisition or construction of major capital assets.

#### **D. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, recording of deferred revenue, presentation of expenses versus expenditures, and recording of long-term liabilities. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources' measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of related cash flows.

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School District considers revenues to be available if they are collected within 30 days after the end of the current fiscal period. Property taxes, state and federal grants and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Expenditures are recorded when the liability is incurred, except for claims and judgments, compensated absences and interest on long-term debt which are recorded when normally expected to be liquidated with expendable available financial resources. Proceeds from issuance of long-term debt are recognized when received and payment of long-term debt principal is reported as an expenditure when paid. Capital asset purchases are recorded as expenditures and depreciation is not recognized.

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

##### D. Measurement Focus and Basis of Accounting (continued)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenues from property taxes are recognized in the period for which the taxes are levied. Revenues from grants, entitlements and donations are recognized when all eligibility requirements imposed by the provider have been satisfied.

Eligibility requirements include timing requirements, which specify the year the resources require use, or the year when use is first permitted, matching requirements and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from nonexchange transactions must also be available before they are recognized.

##### E. Assets, Liabilities and Equity

###### Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, except for the debt service fund, are maintained in this pool. Individual fund integrity is maintained through School District records. (State law requires that all deposits of the Debt Service Fund be kept separate and apart from all other funds of the School District.) Each fund type's portion of this pool is displayed in these financial statements as "Cash and Cash Equivalents" under each fund's caption.

###### Cash with Fiscal Agents

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "Cash with Fiscal Agents" and represents deposits.

###### Investments

The School District's investment policy allows the purchase of any investments allowed by the Missouri State Treasurer. These include obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than five years from the date of purchase; repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity; or commercial paper issued by U.S. or domestic corporations and have two of the highest ratings issued from Moody's Investor Services, Inc. (Moody's), Standard and Poor's Corporation (S&P) or Fitch Group (Fitch).

###### Prepaid Items

Payments made to vendors for services that will benefit a period beyond June 30, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

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

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

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

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

##### **Inventory**

On government-wide financial statements, inventories are presented using the average cost basis and are expensed when used. On fund-financial statements, inventories of governmental funds are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

##### **Capital Assets**

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund-financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000.

The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except for land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	25-50 years
Furniture and Equipment	5-20 years
Vehicles	8-15 years

##### **Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of financial position and the governmental funds balance sheet will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position / fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the Statement of Net Position can also report a separate section for deferred inflows of resources. This separate element, Deferred Inflows of Resources, represents an acquisition of net position / fund balance that applies to a future period and so will not be recognized as revenue until then.

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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

###### Bond Premium / Discount and Bond Issuance Cost

Initial issue bond premiums and discounts are capitalized and amortized over the life of the related debt issues using the straight-line method, which approximates the effective interest method. Bond premiums are reported with long-term liabilities net of the unamortized portion of applicable premium or discount in the government-wide financial statements. Amortization of bond premiums or discounts is included in interest expense and reported as debt service expenditures. In the governmental funds, the bond premiums are recognized as other financing sources in the period when the bonds were issued. Issuance costs, including underwriters' discount, are expensed when incurred.

###### Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that, once incurred, are paid on a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. The general obligation bonds, the notes payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

###### Accrued Salaries - Wages

Payroll expense for 2014-2015 school year contracts paid in July and August 2015 was included in accrued salaries and wages at June 30, 2015. The option to receive the July and August payment in June was not offered to the employee in the current year.

###### Accrued Vacation and Comp Time

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

###### Net Position

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for acquisition, construction or improvement of those assets including the unamortized premiums of the borrowings. Net position balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position amounts are available.



## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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

###### Fund Balance Reporting

The School District has implemented GASB 54 with the intention to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the School District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

For committed fund balances (as defined in GASB 54), the School District's highest level of decision-making authority is the Board of Education. The Board delegates the authority to assign amounts for specific purpose(s) to either the Chief Financial Officer or the Superintendent. The following is a list of classifications of fund balances and definitions as described in GASB 54.

###### *Nonspendable Fund Balance*

Represents amounts that cannot be spent due to form (such as inventory) or are required to be maintained intact.

###### *Restricted Fund Balance*

Represents amounts constrained for a specific purpose (restricted expenditure use).

###### *Committed Fund Balance*

Represents amounts designated for a special purpose by a government using its highest level of decision-making authority. The Board would make the commitment and only the Board can remove such a commitment. As of June 30, 2015, the School District did not have fund balances classified as committed.

###### *Assigned Fund Balance*

For all governmental funds other than the general fund. The amount reported as assigned should not result in a deficit in unassigned fund balance.

###### *Unassigned Fund Balance*

Represents only the general fund and all remaining fund balances not classified in the first four levels.

In addition, the order of spending is as follows: 1) when restricted, committed, assigned and unassigned funds are available for expenditure, restricted funds should be spent first (if applicable); 2) committed funds (if applicable) should be spent second; 3) assigned funds (if applicable) third; and 4) unassigned funds last.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2015

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

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

##### Fund Balance Reporting (continued)

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

	<u>General</u>	<u>Special Revenue (Teachers)</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Nonspendable:					
Inventory	\$ 805,480	\$ 0	\$ 0	\$ 0	\$ 805,480
Prepaid Expense	<u>423,155</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>423,155</u>
Total Nonspendable	1,228,635	0	0	0	1,228,635
Restricted:					
Debt Service	0	0	23,406,493	0	23,406,493
Bond Projects	0	0	0	12,323,220	12,323,220
Activity Funds	1,454,621	0	0	0	1,454,621
Food Service	<u>2,328,440</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,328,440</u>
Total Restricted	3,783,061	0	23,406,493	12,323,220	39,512,774
Assigned:					
Capital Projects	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,243,560</u>	<u>16,243,560</u>
Total Assigned	0	0	0	16,243,560	16,243,560
Unassigned	<u>30,689,481</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,689,481</u>
Total Fund Balances	\$ <u>35,701,177</u>	\$ <u>0</u>	\$ <u>23,406,493</u>	\$ <u>28,566,780</u>	\$ <u>87,674,450</u>

##### Retirement Pension Plans

###### *Public School Retirement System of Missouri ("PSRS")*

Financial reporting information pertaining to the School District's participation in PSRS is prepared in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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

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

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

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

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

##### **Retirement Pension Plans (continued)**

###### *Public Education Employee Retirement System of Missouri ("PEERS")*

Financial reporting information pertaining to the School District's participation in PEERS is prepared in accordance with GASB Statement No. 68 as amended by GASB Statement No. 71.

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

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

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

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the School District provides healthcare benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid by the insured monthly for the next period's coverage. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the School District under this program.

#### **F. Revenues and Expenditures**

Revenues are classified by their source.

##### **Local Revenues**

Includes property taxes that are levied and collected at the county level for the School District, a percentage sales tax collected by local merchants and collections for services provided to students and patrons.

##### **County Revenues**

The county by law collects and passes through to the School District specified revenues.

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

##### F. Revenues and Expenditures (continued)

###### State Revenues

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

###### Federal Revenues

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

###### Investment Income

Interest earned on invested funds is a material amount annually.

###### Other Sources

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

###### Program Receipts

Amounts reported as program receipts include 1) charges to students or others for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. All other governmental receipts are reported as general receipts. All taxes are classified as general receipts even if restricted for a specific purpose.

Expenditures are classified by their use.

###### Instruction

This category includes the payment of salaries to and benefits for all instructional staff along with needed supplies and aides.

###### Support Services

This category includes all the services that are provided for the support of the students and/or teachers, the management team, the facilities' expenses and the transporting of students.

###### Acquisition/Construction

This category represents the expenditures of major new construction or furnishing and the upgrading of existing facilities.

###### Debt Service

The payment of principal and interest on bonds payable or long-term capital leases.

##### G. Use of Estimates

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

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

#### H. Adoption of Governmental Accounting Standards Statements

##### GASB Statement No. 65

For the year ended June 30, 2015, the School District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement provides more guidance for the items listed in GASB Statement 63, and adds additional changes. It requires that financial statements avoid the use of the word “deferred” except as it relates to items that are deferred outflows or are deferred inflows. It addresses the calculation of a deferred outflow or inflow for the refunding of debt. For non-exchange transactions like grants, amounts received before the time period of eligibility are treated as deferred inflows. This Statement also requires debt issuance costs to be expensed in the period that the debt was issued. In the past, subsequent to the implementation of GASB Statement 34, these costs were amortized over the life of the issue. The effects of this change are required to be disclosed on the statements in the period it is implemented. Losses on debt refunding issuances are not expenses, but rather, treated as deferred outflows. When an asset is recorded in governmental fund statements, but the revenue is not available until a future period, a deferred inflow is reported until the revenue becomes available.

##### GASB Statement No. 68 as amended by GASB Statement No. 71

For the year ended June 30, 2015, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of these statements is to revise and establish new financial reporting requirements for most governments that provide their employees with pension benefits. At transition, a government must recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

As a result of adopting these new statements, the net position for the year ended June 30, 2014 has been restated as follows:

#### Government-Wide Financial Statements – Governmental Activities:

Net Position as previously reported at June 30, 2014:		\$ 122,446,494
<u>Prior period adjustment:</u>		
GASB No. 65: Bond issuance cost previously amortized		(2,052,849)
GASB No. 68: To record the Net Pension Liability		
PSRS (measurement date as of June 30, 2013)	\$ (145,781,978)	
PEERS (measurement date as of June 30, 2013)	(18,103,350)	
GASB No. 71: To record the Deferred Outflows:		
Contributions made during year ended June 30, 2014		
PSRS	14,804,562	
PEERS	<u>2,783,873</u>	
		(146,296,893)
Net Position as restated at June 30, 2014		\$ <u>(25,903,248)</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### NOTE 2: COMPLIANCE AND ACCOUNTABILITY

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

#### A. Uninsured and Uncollateralized Deposits

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. government governmental agency securities and certain state or political subdivision debt obligations. At June 30, 2015, all School District funds were covered with FDIC insurance or acceptable collateral.

#### B. Property Tax Requirements

Property taxes attach as an enforceable lien on the property each year as of January 1. Taxes are levied on November 1 and payable by December 31. The county collects the property tax and remits it to the School District on a monthly basis.

The School District also receives sales tax collected by the state and remitted based on prior year weighted average daily attendance. The state requires the School District to reduce its property tax levy by one-half the amount of sales tax estimated to be received in the subsequent calendar year. However, in April 1994 the voters of the School District approved a Prop C rollback waiver.

The assessed valuation of the tangible property for calendar year 2014 for purposes of local taxation, excluding tax increment financing assessed valuation, follows.

	Assessed Valuation as of <u>12/31/2014</u>	Assessment <u>Rate</u>	Estimated Actual <u>Valuation</u>	% of Total Estimated <u>Actual Valuation</u>
Residential	\$ 1,040,538,482	19.0%	\$ 5,476,518,326	67.16%
Agricultural	2,217,703	12.0%	18,480,858	0.23%
Commercial	<u>402,490,866</u>	32.0%	<u>1,257,783,956</u>	<u>15.42%</u>
Total Real Property	1,445,247,051		6,752,783,141	82.81%
Personal Property	<u>467,293,610</u>	33.3% <sup>(1)</sup>	<u>1,402,021,032</u>	<u>17.19%</u>
Total Property	\$ <u>1,912,540,661</u>		\$ <u>8,154,804,173</u>	100.00%

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

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

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

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

#### **B. Property Tax Requirements (continued)**

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2014 for purposes of local taxation was as follows.

General (Incidental) Fund	2.8567
Special Revenue (Teachers) Fund	2.2400
Debt Service Fund	1.2900
Capital Projects Fund	<u>0.1300</u>
Total	<u>6.5167</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2015, aggregated 101.2% of the current assessment computed on the basis of the levy as shown above.

#### **C. Net Position/Fund Balance Restrictions**

State law prohibits the creation of a deficit fund balance in any individual fund. For the year ended June 30, 2015, the School District incurred no fund balance deficits in any individual fund.

#### **D. Budgetary Law**

State law requires that expenditures not exceed final budgeted expenditures as approved by the Board of Education. For the fiscal year ended June 30, 2015, no budgets had been exceeded.

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

The following information is presented to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenditures/expenses.

#### **A. Custodial Credit Risk - Deposits and Investments**

##### **Deposits**

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. The funds of the School District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the School District's agent bank in an amount sufficient to protect the School District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (the "FDIC") insurance.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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

##### Deposits (continued)

###### *Custodial Credit Risk*

Custodial credit risk for deposits is the risk that in the event of a failure of a depository financial institution, the School District's deposits may not be returned or the School District will not be able to recover collateral securities in the possession of an outside party. The School District's policy required deposits to be 100% secured by collateral valued at market less the amount covered by the FDIC. As of June 30, 2015, none of the School District's bank balances with financial institutions was exposed to custodial credit risk.

##### Investments

###### *Authorized Investments*

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

###### *Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the School District's investment policy requires operating funds to be invested to coincide with projected cash flow needs, thereby avoiding the need to sell securities on the open market prior to maturity. At June 30, 2015, the fair market value of the School District's investments was \$30,480,826.

As of June 30, 2015, the School District had the following investments.

<u>Investment Type</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Investment Maturities</u>	
			<u>&lt; 1 Year</u>	<u>1-5 Years</u>
Fed Home Loan Mort Corp	\$ 3,000,000	\$ 3,010,219	\$ 0	\$ 3,010,219
Fed Nat Mort Assoc	27,655,000	27,714,013	0	27,714,013
Cert. of Deposit - various	<u>3,735,000</u>	<u>3,735,000</u>	<u>3,735,000</u>	<u>0</u>
Totals	\$ <u>34,390,000</u>	\$ <u>34,459,232</u>	\$ <u>3,735,000</u>	\$ <u>30,724,232</u>

##### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.



# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2015

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

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

##### Credit Risk (continued)

##### *Concentration of Credit Risk*

The School District's investment policy is to apply the prudent-person rule: Investments will be made with judgment and care, under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering probable safety of their capital as well as the probable income to be derived.

The School District also has deposits and investments held by the Missouri Direct Deposit Program and the Missouri Securities Investment Program. These investments and deposits are not classified by credit risk category.

#### B. Long-term Liabilities

Long-term liability balances and activity for the year ended June 30, 2015, were as follows:

	Beginning Balance <u>6/30/2014</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>6/30/2015</u>	Due Within <u>One Year</u>
General Obligation Bonds Payable	\$210,530,000	\$28,310,000	(\$43,090,000)	\$195,750,000	\$16,415,000
Unamortized Premium on Bonds	17,471,000	1,779,194	(3,468,602)	15,781,592	1,577,235
Capital Lease Obligation	3,008,410	5,944,651	(3,008,410)	5,944,651	1,477,456
Certificates of Participation (COP)	0	14,345,000	0	14,345,000	200,000
Unamortized Premium on COPs	0	188,165	(6,177)	181,988	12,598
Net Pension Plan Liability	<u>163,885,328</u>	<u>4,685,223</u>	<u>(64,089,931)</u>	<u>104,480,620</u>	<u>0</u>
Total Long-term Liabilities	<u>\$394,894,738</u>	<u>\$55,252,233</u>	<u>\$(113,663,120)</u>	<u>\$336,483,851</u>	<u>\$19,682,289</u>

##### General Obligation Bonds Payable

The School District issues general obligation (GO) bonds to provide for acquisition and construction of new buildings and improvements, repair and renovation of existing buildings, and furnishing and equipping the facilities. In addition, the School District issues GO bonds to refund previously issued GO bonds. Bonds payable at June 30, 2015, consisted of the following.

General obligation refunding bonds, issue of 2006, due in varying annual installments through March 1, 2026, interest at 4.0% to 5.0% \$ 7,235,000

General obligation bonds, issue of 2007, due in varying annual installments through March 1, 2021, interest at 4.0% to 5.0% 46,575,000

General obligation bonds, issue of 2008, due in varying annual installments through March 1, 2028, interest at 4.0% to 5.5% 8,700,000

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2015

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

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

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

General obligation refunding bonds, issue of 2010, due in varying annual installments through March 1, 2021, interest at 2.0% to 3.5%	\$ 11,000,000
General obligation refunding bonds, issue of 2011, due in varying annual installment through March 1, 2023, interest at 2.0% to 4.89%	11,075,000
General obligation refunding bonds, issue of 2012, due in varying annual installments through March 1, 2025, interest at 2.0% to 5.0%	31,195,000
General obligation refunding bonds, issue of 2013, due in varying annual installments through March 1, 2022, interest at 2.0% to 4.25%	7,420,000
General obligation refunding and improvement bonds, issue of 2014, due in varying annual installments through March 1, 2034, interest at 2.0% to 5.0%	44,240,000
General obligation refunding bonds, issue of 2015, due in varying annual installments through March 1, 2022, interest at 2.0% to 5.0%	<u>28,310,000</u>
Total Bonds Payable	\$ <u>195,750,000</u>

The School District is participating in the Missouri School District Direct Deposit Program ("Direct Deposit Program") for all of the outstanding series bonds. This program provides for the School District to pledge its state aid, except for state aid for gifted and exceptional pupils and remedial reading, for payment of bonds and for the State of Missouri to directly deposit a portion of the School District's state aid monies into a Direct Deposit Program account. The principal and interest payments on the bonds are paid directly from this account when due. General obligation bond interest expense during the year ended June 30, 2015, was \$10,551,918.

Debt service requirements as of June 30, 2015, was as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 16,415,000	\$ 8,123,767	\$ 24,538,767
2017	16,765,000	7,724,119	24,489,119
2018	17,170,000	7,088,770	24,258,770
2019	17,545,000	6,396,445	23,941,445
2020	18,405,000	5,612,670	24,017,670
2021 to 2025	80,845,000	17,480,447	98,325,447
2026 to 2030	22,705,000	3,102,821	25,807,821
2031 to 2035	<u>5,900,000</u>	<u>541,678</u>	<u>6,441,678</u>
	\$ <u>195,750,000</u>	\$ <u>56,070,717</u>	\$ <u>251,820,717</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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

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

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a district to 15% of the assessed valuation of a district including state-assessed railroads and utilities.

Constitutional Debt Limit	\$ 286,881,099	(15% of Assessed Val.)
General Obligation Bonds Payable	(195,750,000)	
Amount Available in Debt Service Fund	<u>23,406,493</u>	
Total Legal Debt Margin	\$ <u>114,537,592</u>	

##### Capital Lease Obligation

On September 23, 2014, the Board of Education approved the pay-off of an existing lease purchase agreement with Apple Inc. Financial Services for 6,000 MacBook computers and obtained title to the computers. School District payments on this lease in the current fiscal year totaled \$3,034,514 made up of \$3,008,410 in principal and \$26,104 in interest. The associated computers were previously used for high school students and were transferred for use by middle school students. Subsequently, the District entered into a new lease purchase agreement effective October 23, 2014 with Apple Inc. Financial Services for 6,200 new MacBook computers for high school students. Beginning July 2015, the agreement requires four annual payments of \$1,518,627 due on July 5th of every year totaling \$6,074,507, which includes total interest of \$129,856 and principal of \$5,944,651. The following is a schedule of future lease expense under this new lease purchase agreement.

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

##### Certificates of Participation (COPs)

On November 11, 2014, the Board of Education approved entry into an Energy Savings Performance Contract with Navitas, LLC as authorized under Section 8.231 of the Revised Statutes of Missouri, as amended. The contract includes a written guarantee from Navitas, LLC that either the energy savings or operational savings, or both, achieved by the School District will meet or exceed amounts specified in the contract on an annual basis for a period of 15 years. The School District, in agreement with the contract, entered into a series of leases through the issuance of Certificates of Participation (COPs). The School District issued the COPs Series 2014 totaling \$5,170,000 on December 1, 2014, Series 2015 in the amount of \$9,175,000 on April 2, 2015 and subsequent to the current fiscal year end Series 2015A totaling \$9,840,000 on September 30, 2015. The proceeds received from the sale of the COPs will be used to pay costs of acquiring and installing energy cost savings measures in existing buildings of the School District and to pay certain costs related to the execution and delivery of the COPs.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2015

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

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

##### Certificates of Participation (COPs) (continued)

The following is a schedule of future lease expense related to the issuance of COPs series 2014, 2015, and 2015A and the related guaranteed energy and operational savings.

<u>Phases I, II, &amp; III - Financed with Proceeds of the Series 2014, 2015 &amp; 2015A Certificates</u>					Cumulative
					Total
Fiscal				Cumulative	Guaranteed
Year				Total	Energy and
Ending	<u>Lease Payments</u>			Lease	Operational
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Payments</u>	<u>Savings (1)</u>
2016	\$ 200,000	\$ 435,885	\$ 635,885	635,885	1,170,932
2017	1,075,000	908,157	1,983,157	2,619,042	2,830,977
2018	1,380,000	725,156	2,105,156	4,724,198	4,415,658
2019	1,470,000	676,656	2,146,656	6,870,855	6,060,835
2020	1,490,000	624,881	2,114,881	8,985,736	7,768,840
2021	1,505,000	572,906	2,077,906	11,063,642	9,542,097
2022	1,575,000	523,556	2,098,556	13,162,198	11,383,123
2023	1,630,000	474,056	2,104,056	15,266,255	13,294,535
2024	1,695,000	421,803	2,116,803	17,383,058	15,279,051
2025	1,760,000	362,613	2,122,613	19,505,670	17,339,495
2026	1,840,000	310,234	2,150,234	21,655,905	19,478,800
2027	1,860,000	255,213	2,115,213	23,771,117	21,700,012
2028	1,865,000	197,700	2,062,700	25,833,817	24,006,300
2029	2,015,000	137,241	2,152,241	27,986,058	26,400,953
2030	2,080,000	70,913	2,150,913	30,136,970	28,887,389
2031	<u>745,000</u>	<u>12,106</u>	<u>757,106</u>	30,894,077	29,841,461
Total	<u>\$ 24,185,000</u>	<u>\$ 6,709,077</u>	<u>\$ 30,894,077</u>		

- (1) Includes Annual Energy Savings and Annual Operational Savings, but excludes \$9,489,947 in Future Capital Cost Avoidance Savings, which the parties to the Energy Contract have stipulated will be realized upon completion of Phase I, II & III.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2015

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

#### C. Capital Assets

Capital asset balances of the School District's governmental activities for the year ended June 30, 2015, were as follows.

	Balance <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2015</u>
Land	\$ 5,645,472	\$ 0	\$ 0	\$ 5,645,472
Construction in progress, capitalized interest	1,062,126	12,132,435	2,369,944	10,824,617
Buildings	314,717,998	4,692,741	0	319,410,739
Furniture	<u>57,841,830</u>	<u>7,377,213</u>	<u>5,041,264</u>	<u>60,177,779</u>
	379,267,426	24,202,389	7,411,208	396,058,607
Less accumulated depreciation	<u>109,754,076</u>	<u>14,673,611</u>	<u>4,337,284</u>	<u>120,090,403</u>
Net Capital Assets	<u>\$ 269,513,350</u>	<u>\$ 9,528,778</u>	<u>\$ 3,073,924</u>	<u>\$ 275,968,204</u>

During the current fiscal year, the School District transferred \$2,369,944 of completed construction in progress projects and related capitalized interest to the furniture and buildings and improvements accounts, resulting in net additions totaling \$21,832,445.

Depreciation expense was charged by function as shown below.

Instruction	\$ 11,831,252
Instructional staff support	1,255,742
Administration	181,812
Operation of plant	194,683
Transportation	762,409
Food service	442,605
Community Service	<u>5,107</u>
	<u>\$ 14,673,611</u>

#### D. Inter-fund Transfers

Exchange transactions between funds are reported as receipts in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2015

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

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

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Those transfers made by the School District at June 30, 2015, are as follows.

##### Food Service

The School District transferred from the general fund food service revenue the amount spent for food service equipment to the capital projects fund.

##### Student Activities

This is a transfer from the general fund to the capital projects' fund for capital projects' expenses pertaining to student activities.

##### 7% x State Adequacy Target x Prior Year Weighted Average Daily Attendance

This is a legal transfer from the general fund to the capital projects fund for specified projects as approved by the board of education. The amount transferred is less than the maximum amount calculated on the state formula.

##### Transportation Calculated Cost

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

##### "Zero" Teachers' Fund

This fund allows the School District to transfer from the general fund an amount necessary to bring a negative special revenue fund balance to "zero".

The following is a detail of the transfers.

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Special Revenue Fund</u>
Food Service	\$ (4,450)	\$ 4,450	\$ 0
Student Activities	(35,432)	35,432	0
7% x SAT x WADA	(6,063,870)	6,063,870	0
Transportation Calculation Cost	(373,720)	373,720	0
"Zero" Teachers Fund	<u>(3,837,959)</u>	<u>0</u>	<u>3,837,959</u>
	\$ <u>(10,315,431)</u>	\$ <u>6,477,472</u>	\$ <u>3,837,959</u>

#### E. Short-term Medical Leave Policy

This policy allows employees to continue to be paid up to thirty days for approved specified approved paid leave conditions after the employee has exhausted all available approved paid leave and vacation. The policy states that the employee will reimburse the School District by forfeiting four days annual approved paid leave (AAPL) and one half of any unused AAPL days at the end of each year until the employee has repaid short-term leave days.

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

##### E. Short-term Medical Leave Policy (continued)

If the employee leaves employment for other than permanent disability or death, the amount due to the School District is collected from their final paychecks. As of June 30, 2015, the estimated amount owed to the School District was \$313,219 of which \$ 31,322 was reserved for uncollectability.

##### F. Stop-gap Liability

The School District began offering a qualified high-deductible plan (QHDP) as an alternative to the traditional HMO plan by entering into a modified cost-plus agreement with Blue Cross and Blue Shield of Kansas City beginning October 1, 2014. The modified cost-plus agreement provides the School District the advantage of a partially self-funded plan. The agreement's maximum terminal liability obligation at June 30, 2015, totaled \$2,173,873. A portion of the first two months of insurance premiums were recorded as stop gap liability totaling \$2,135,902 as of June 30, 2015 that will become due at the termination of the contract agreement with Blue Cross and Blue Shield.

#### NOTE 4: OTHER NOTES

##### A. Public School Retirement System of Missouri (PSRS)

###### General Information about the Pension Plan

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

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

##### A. Public School Retirement System of Missouri (PSRS) (continued)

###### General Information about the Pension Plan (continued)

*Benefits Provided.* PSRS is a defined benefit plan providing retirement, disability, and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. Individuals who (a) are at least age 60 and have a minimum of 5 years of service, (b) have 30 years of service, or (c) qualify for benefits under the “Rule of 80” (service and age total at least 80) are entitled to a monthly benefit for life, which is calculated using a 2.5% benefit factor. Beginning July 1, 2001, and ending July 1, 2014, a 2.55% benefit factor is used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the “Rule of 80” but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at [www.psrs-peers.org](http://www.psrs-peers.org). Since the prior valuation date, the benefit provisions were amended to make permanent an early retirement benefit allowing members to retire at any age after 25 years of service.

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

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

The School District's contributions to PSRS were \$14,936,017 for the year ended June 30, 2015.



# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2015

### NOTE 4: OTHER NOTES (continued)

#### A. Public School Retirement System of Missouri (PSRS) (continued)

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

At June 30, 2015, the School District recorded a liability of \$94,318,208 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2014 and determined by an actuarial valuation as of that date. The School District's proportionate share of the total net pension liability was based on the ratio of its actual contributions of \$14,804,562 paid to PSRS for the year ended June 30, 2014 relative to the actual contributions of \$643,964,894 from all participating employers. At June 30, 2014, the district's proportionate share was 2.2990%. For the year ended June 30, 2015, the School District recognized a pension expense of \$3,499,631, its proportionate share of the total pension expense.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance of Deferred Outflows and Inflows Due to:		
Differences between expected and actual experience	\$ 4,394,112	\$ 0
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	45,360,343
Changes in proportion and differences between Employer contributions and proportionate share of contributions	807,583	0
Employer contributions and proportionate share of contributions	<u>14,936,017</u>	<u>0</u>
Total	\$ <u>20,137,711</u>	\$ <u>45,360,343</u>

\$20,137,711 reported as deferred outflows of resources to pensions resulting from contribution subsequent to the measurement date of June 30, 2014 will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as collective deferred (inflows)/outflows of resources to be recognized in pension expense:

Year Ending June 30,	
2016	\$ 4,560,995
2017	(10,375,022)
2018	(10,375,022)
2019	(10,375,022)
2020	965,064
Thereafter	<u>376,375</u>
	\$ <u>(25,222,632)</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### NOTE 4: OTHER NOTES (continued)

#### A. Public School Retirement System of Missouri (PSRS) (continued)

##### Actuarial Assumptions

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

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

- Measurement Date	June 30, 2014
- Valuation Date	June 30, 2014
- Expected Return on Investments	8.00% net of investment expenses and including 2.5% inflation
- Inflation	2.50%
- Total Payroll Growth	3.50% per annum, consisting of 2.50% inflation, 0.50% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.
- Future Salary Increases	4.00%-10.00%, depending on service and including 2.50% inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.00% to 7.00%.
- Cost-of-Living Increases	2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increase.
- Mortality Assumption	
Actives:	RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
Non-disabled Retirees, Beneficiaries and Survivors:	RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.
Disabled Retirees:	RP 2000 Disable Mortality Table
- Changes in Actuarial Assumptions and Methods	There were no changes in actuarial assumptions or methods for the June 30, 2014 valuation.
- Fiduciary Net Position	PSRS issues a publicly available financial report that can be obtained at <a href="http://www.psrs-peers.org">www.psrs-peers.org</a>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### NOTE 4: OTHER NOTES (continued)

#### A. Public School Retirement System of Missouri (PSRS) (continued)

##### Actuarial Assumptions (continued)

##### - Expected Rate of Return

The long-term expected rate of return on PSRS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PSRS' target allocation as of June 30, 2014 is summarized below along with the long term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cashflows.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Return Arithmetic Basis</u>	<u>Weighted Long-term Expected Real Return Arithmetic Basis</u>
U.S. Public Equity	27.0%	5.85%	1.58%
Public Credit	12.0%	2.44%	0.29%
Hedged Assets	6.0%	5.22%	0.31%
Non-U.S. Public Equity	15.0%	6.64%	1.00%
U.S. Treasuries	16.0%	1.01%	0.16%
U.S. TIPS	4.0%	1.12%	0.04%
Private Credit	2.0%	7.61%	0.15%
Private Equity	10.5%	8.61%	0.90%
Private Real Estate	<u>7.5%</u>	4.60%	<u>0.35%</u>
Total	<u>100.0%</u>		4.78%
		Inflation	<u>2.50%</u>
		Long-term arithmetical nominal return	7.28%
		Effect of covariance matrix	<u>0.81%</u>
		Long-term expected geometric return	<u>8.09%</u>

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

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

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

#### **A. Public School Retirement System of Missouri (PSRS) (continued)**

##### **Actuarial Assumptions (continued)**

###### **- Discount Rate**

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014, and is consistent with the long-term expected geometric return on plan investments. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members

###### **- Discount Rate Sensitivity**

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

Discount Rate	<u>1% Decrease 7%</u>	<u>Current Rate 8%</u>	<u>1% Increase 9%</u>
Proportionate share of the Net Pension Liability/(Asset)	\$199,719,752	\$94,318,208	\$5,910,044

As of June 30, 2015, the School District reported \$343,265 payable to the PSRS for legally required contributions.

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

##### B. Public Education Employee Retirement System of Missouri (PEERS)

###### General Information about the Pension Plan

*Plan Description.* PEERS is a mandatory cost-sharing multiple employer retirement system for all public school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators, and community college employees (except the Community College of St. Louis). Employees of covered districts who work 20 or more hours per week on a regular basis and who are not contributing members of the Public School Retirement System of Missouri (PSRS) must contribute to PEERS. Employees of PSRS who do not hold Missouri educator certificates also contribute to PEERS. PEERS was established as a trust fund by an Act of the Missouri General Assembly effective October 13, 1964. Statutes governing the System are found in Sections 169.600 – 169.715 and Sections 169.560-169.595 RSMo. The statutes place responsibility for the operation of PEERS on the Board of Trustees of the Public School Retirement System of Missouri. A Comprehensive Annual Financial Report (“CAFR”) can be obtained at [www.psr-peers.org](http://www.psr-peers.org).

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

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

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

The School District’s contributions to PSRS were \$2,858,208 for the year ended June 30, 2015.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 4: OTHER NOTES (continued)

B. Public Education Employee Retirement System of Missouri (PEERS ) (continued)

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

At June 30, 2015, the School District recorded a liability of \$10,162,203 for its proportionate share of the net pension liability. The net pension liability for the plan in total was measured as of June 30, 2014 and determined by an actuarial valuation as of that date. The School District's proportionate share of the total net pension liability was based on the ratio of its actual contributions of \$2,783,873 paid to PEERS for the year ended June 30, 2014 relative to the actual contributions of \$100,035,580 from all participating employers. At June 30, 2014, the School District's proportionate share was 2.7829%.

For the year ended June 30, 2015, the School District recognized a pension expense of \$1,185,592, its proportionate share of the total pension expense.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Balance of Deferred Outflows and Inflows Due to:		
Differences between expected and actual experience	\$ 0	\$ 302,249
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	0	6,052,954
Changes in proportion and differences between Employer contributions and proportionate share of contributions	12,356	0
Employer contributions and proportionate share of Contributions	<u>2,858,208</u>	<u>0</u>
Total	\$ <u>2,870,564</u>	\$ <u>6,355,204</u>

\$2,870,564 reported as deferred outflows of resources to pensions resulting from contribution subsequent to the measurement date of June 30, 2014 will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as collective deferred (inflows)/outflows of resources to be recognized in pension expense:

Year Ending June 30,	
2016	\$ 1,252,941
2017	(1,605,269)
2018	(1,605,269)
2019	(1,527,043)
2020	0
Thereafter	<u>0</u>
	\$ <u>(3,484,640)</u>

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

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

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

#### **B. Public Education Employee Retirement System of Missouri (PEERS ) (continued)**

##### **Actuarial Assumptions**

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

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

- Measurement Date	June 30, 2014
- Valuation Date	June 30, 2014
- Expected Return on Investments	8.00% net of investment expenses and including 2.5% inflation
- Inflation	2.50%
- Total Payroll Growth	3.75% per annum, consisting of 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and 0.50% of real wage growth.
- Future Salary Increases	5.00%-12.00%, depending on service and including 2.50% inflation, 0.75% additional inflation due to the inclusion of health care costs in pension earnings, and real wage growth of 1.75% to 8.75%.
- Cost-of-Living Increases	2.0% compounded annually, beginning on the second January after retirement and capped at 80% lifetime increase.
- Mortality Assumption	
Actives:	RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA.
Non-disabled Retirees, Beneficiaries and Survivors:	RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA.
Disabled Retirees:	RP 2000 Disable Mortality Table
- Changes in Actuarial Assumptions and Methods	There were no changes in actuarial assumptions or methods for the June 30, 2014 valuation.
- Fiduciary Net Position	PEERS issues a publicly available financial report that can be obtained at <a href="http://www.psr-peers.org">www.psr-peers.org</a>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2015

### NOTE 4: OTHER NOTES (continued)

#### B. Public Education Employee Retirement System of Missouri (PEERS ) (continued)

##### Actuarial Assumptions (continued)

##### - Expected Rate of Return

The long-term expected rate of return on PEERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PEERS' target allocation as of June 30, 2014 is summarized below along with the long-term geometric return. Geometric return (also referred to as the time weighted return) is considered standard practice within the investment management industry. Geometric returns represent the compounded rate of growth of a portfolio. The method eliminates the effects created by cashflows

<u>Asset Class</u>	<u>Target Asset Allocation</u>	Long-term Expected Real Return Arithmetic <u>Basis</u>	Weighted Long-term Expected Real Return <u>Arithmetic Basis</u>
U.S. Public Equity	27.0%	5.85%	1.58%
Public Credit	12.0%	2.44%	0.29%
Hedged Assets	6.0%	5.22%	0.31%
Non-U.S. Public Equity	15.0%	6.64%	1.00%
U.S. Treasuries	16.0%	1.01%	0.16%
U.S. TIPS	4.0%	1.12%	0.04%
Private Credit	2.0%	7.61%	0.15%
Private Equity	10.5%	8.61%	0.90%
Private Real Estate	<u>7.5%</u>	4.60%	<u>0.35%</u>
Total	<u>100.0%</u>		4.78%
		Inflation	<u>2.50%</u>
		Long-term arithmetical nominal return	7.28%
		Effect of covariance matrix	<u>0.81%</u>
		Long-term expected geometric return	<u>8.09%</u>



# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### NOTE 4: OTHER NOTES (continued)

#### B. Public Education Employee Retirement System of Missouri (PEERS ) (continued)

##### Actuarial Assumptions (continued)

###### - Discount Rate

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014, and is consistent with the long-term expected geometric return on plan investments. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with assumptions and methods stated in the funding policy adopted by the Board of Trustees, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current payments of current plan members

###### - Discount Rate Sensitivity

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

Discount Rate	<u>1% Decrease 7%</u>	<u>Current Rate 8%</u>	<u>1% Increase 9%</u>
Proportionate share of the Net Pension Liability/(Asset)	\$24,385,364	\$10,162,203	\$(1,853,411)

As of June 30, 2015, the School District reported \$73,279 payable to the PEERS for legally required contributions.

#### C. Post-employment Healthcare Plan

In addition to the pension benefits described in Notes 4A and 4B above, the School District administers the North Kansas City School District Other Post-Employment Benefits Program which is a single-employee defined benefit OPEB plan.

As mandated by Section 169.590 of the Missouri Revised Statutes, the School District's qualified retirees and current employees are insured together as a group. The premiums paid by the retirees may be lower than they would have been if the retirees were insured separately. This is called an implicit rate subsidy. The School District's active employees' share for healthcare premiums is greater than it would be without the retirees being a part of the group plan.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### NOTE 4: OTHER NOTES (continued)

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

The School District recognizes the cost of post-employment healthcare in the year the services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the School District's cash flows.

Recognition of the liability accumulated from prior years will be amortized over 30 years, the first period commencing with the fiscal year June 30, 2008. The School District engaged Milliman, Inc. to perform an actuarial evaluation of their post-employment healthcare liability for the fiscal years ended June 30, 2008, 2010, 2012, and 2014.

#### Plan Description

The School District provides post-employment medical benefits to eligible retirees. To be eligible for benefits, an employee must qualify for retirement under one of the state retirement plans for public employees and be covered under the School District's plan the last year of active status. Retirees can enroll in the School District's plan up to one year after they retire, after which their eligibility for benefits ceases.

All medical benefits are provided through the School District's selected medical and dental care plans. The benefit levels are the same as those afforded to active employees. Upon a retiree reaching age 65 and qualifying for Medicare, the retiree and related dependents may continue School District coverage as a secondary insurance. As of the most recent actuarial calculation dated July 1, 2013, membership consisted of 2,743 active employees, 258 retired members, and 36 spouses of retirees totaling 3,037.

#### Funding Policy

The plan's premium rates are determined by the Board of Education in their selection of benefit plan proposals submitted by various benefit providing entities. The current plan offers four different types of plans, each with a different premium. The retirees' contribution is 100% of the premium of the plan in which they participate. The School District makes no contribution to the retirees' premiums other than allowing them to participate through the School District's benefit plans.

By providing retirees with access to the School District's healthcare plans based on the same rates as charged to active employees, the School District is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree healthcare costs are higher than active employee healthcare costs. By the School District not contributing anything toward this plan in advance, the School District employs a pay-as-you-go method through paying the higher rate for active employees each year.

The current year cost, by payer, is as follows.

Active employee	\$ 3,724,286
Retirees/Cobra	1,791,617
School District	<u>15,805,028</u>
	<u>\$ 21,320,931</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2015

### NOTE 4: OTHER NOTES (continued)

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

##### Annual OPEB Costs and Net OPEB Obligation

The School District's other annual post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employee (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The School District's annual OPEB cost for the current year and the related information for each plan at June 30, 2015 is as follows.

Annual required contribution (ARC)	\$ 2,179,500
Interest on net OPEB obligation	150,600
Adjustment to annual required contributions	<u>(158,800)</u>
Annual Net OPEB cost	2,171,300
Contributions made	<u>(1,086,400)</u>
Increase in net OPEB obligation	1,084,900
Net OPEB obligation-Beginning of Year	<u>4,016,200</u>
Net OPEB obligation - End of Year	<u>\$ 5,101,100</u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for year ending June 30, 2015, were as follows.

	<u>Annual Net OPEB Cost</u>	<u>Implicit Employer Contribution</u>	<u>% of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	\$ 1,886,400	\$ 1,132,300	60.0%	\$ 2,885,800
June 30, 2014	2,149,900	1,019,500	47.4%	4,016,200
June 30, 2015	2,171,300	1,086,400	50.0%	5,101,100

##### Funding Status and Funding Progress

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

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

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

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

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

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

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

##### **Actuarial Methods and Assumptions**

Projections of benefits are based on the substantive plan (the plan understood by the employer and plan participants) and include the type of benefits in force at the valuation date and the pattern of sharing benefits between the School District and the plan participants at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant method and assumptions used for this valuation year was as follows.

Actuarial valuation date	July 1, 2013
Actuarial cost method	Projected unit credit cost
Amortization method	Closed
Remaining amortization period	24 years
Asset valuation method	not applicable
Actuarial assumption:	
Discount rate	3.75% per annum
Medical inflation rate	8.10% initial rate; 4.5% ultimate rate; 70 yrs until ultimate rate
Payroll inflation	4% per annum
Healthy mortality	RP 2000 mortality tables

#### **D. Deferred Compensation Plan**

The School District has a deferred compensation plan under the provision of Internal Revenue Code Section 457B (Deferred Compensation Plans with Respect to Service for State and Local Governments). Those employees electing to defer a portion of their salary avoided paying income taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

The deferred compensation plans of these employees are administered by unrelated financial institutions. Under the terms of IRC Section 457 Deferred Compensation Plan, all deferred compensation amounts held by these financial institutions, until paid or made available to the employee or beneficiary, are the property of the School District and subject to the claims of the School District's general creditors. In addition, the participant in the plan has rights equal to those of the general creditors of the School District and each participant's rights are equal to his or her share of the fair market value of the plan assets.

The School District believes that it is unlikely that plan assets will be needed to satisfy claims of general creditors that might arise. As part of a fiduciary role, the School District has an obligation of due care in selecting the third party administrator.

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

## **NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

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

#### **E. Section 125 Cafeteria Plan and Health Savings Account**

The School District has a Section 125 Cafeteria Plan that includes the Health Savings Account (HSA) option. Under the Plan, School District employees may elect to withhold from their payroll amounts which can be used to pay for various medical and dependent care expenses not covered by insurance. Any balance that remains in the employee account at September 30 of each year (plan year-end) is not carried over to the subsequent plan year. The employee forfeits all rights with respect to the balance, and the forfeited balance reverts to the School District.

As of October 1, 2013, the School District began offering a Qualified-High Deductible Plan (QHDP) with a HSA for pre-tax contributions. Under the QHDP Plan, School District employees may elect to withhold from their payroll amounts which can be used to pay for various medical and dependent care expenses not covered by insurance and the School District contributes \$50 per month to each account. Any balance remaining in the employee's HSA account at the end of any plan year will be carried forward and used to fund such benefits in any subsequent plan year.

#### **F. Claims and Adjustments**

The School District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulation, the School District may be required to reimburse the grantor government. As of June 30, 2015, disbursements have not been audited by grantor governments, but the School District believes that disallowed disbursements, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall position of the School District.

#### **G. Lease - Operating**

The School District has entered into various operating leases for the use of passenger school buses, parking facilities, office space and equipment. Each lease contains separate and varying provisions with regard to cancellation and renewal. For the year ended June 30, 2015, the School District recognized expense related to these agreements totaling \$628,837.

The following is a schedule of the future minimum lease payments under the lease (assuming noncancellation).

<u>For the Year Ended June 30,</u>	<u>Amount</u>
2016	\$ 840,781
2017	819,038
2018	753,810
2019	466,176
2020	455,421
Thereafter	<u>16,250</u>
	<u>\$ 3,351,476</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015

### NOTE 4: OTHER NOTES (continued)

#### H. Facilities Use Agreement

In September 2005, the School District entered into an agreement with the City of Gladstone, Missouri. The City agreed to finance the planning, development and construction of a water-related recreational facility (Natatorium) and to operate the facility after completion. The School District agreed to use the Natatorium and pay a user fee of \$525,000 per year commencing in February 2007 and lasting through February 2026. In February 2015, \$525,000 was paid to the City of which \$306,250 was recorded as prepaid expense.

The School District also agreed to pay the City \$125,000 per year for the first five years for maintenance usage. These maintenance usage fees will be recalculated every five years during the lease term. Beginning in fiscal year ending June 30, 2015, the maintenance fee was recalculated to \$150,000, of which \$75,000 was recorded as prepaid expense. The following is a schedule of future minimum use payments and maintenance agreements as per agreement.

<u>For the Year Ended June 30,</u>	<u>Usage Fees</u>	<u>Maintenance Fees</u>
2016	\$ 525,000	\$ 150,000
2017	525,000	150,000
2018	525,000	Adjusted
2019	525,000	Adjusted
2020	525,000	Adjusted
2021-2025	2,625,000	Adjusted
2026	<u>525,000</u>	Adjusted
	<u>\$ 5,775,000</u>	

#### I. Impact Fee Credits

New construction within the city limits of Kansas City, Missouri, require specified fees be paid to Kansas City. As the project is completed, benefitting the City, the City issues credits which have value and can be used in the future for fees on construction projects or sold if a willing buyer can be located. Through the years, the School District has accumulated, used and sold these credits. Even though the City assigns a value to these credits, a fair value can never be easily estimated as there is very little market for such credits. Therefore, the School District has never booked a value for such credits. The following is the summary of the current year's transactions of impact fee credits at City value.

Balance June 30, 2014	\$1,893,087
Credits sold	<u>0</u>
Balance June 30, 2015	<u>\$1,893,087</u>

#### J. Litigation

As of June 30, 2015, the School District had several unsettled claims of various natures. These claims are at various stages of litigation and at this time, outcomes cannot be predicted. The School District is vigorously defending against each claim.

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

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

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

##### **K. Risk Management**

The School District is exposed to various risks of loss from torts, theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

##### **L. North Kansas City School District Foundation**

The North Kansas City School District Foundation is a 501(c)(3) corporation that was organized to provide support to the School District through classroom grants to teachers and scholarships to students graduated from the School District. The Foundation has a separate board of directors to include School District management and has the final approval on the distribution of funds. The Foundation is not controlled by the Board of Education and therefore not considered a component unit by management.

##### **M. Northland CAPS Program**

The Northland CAPS (Northland Center for Advanced Professional Studies) program is a partnership with surrounding school districts that started with the 2013-14 school year. Each district is required to pay tuition for their students to attend the program. The program operates with its own Board of Directors and the North Kansas City School District serves as the fiscal agent.

Participating school districts include; North Kansas City, Kearney, Liberty, Park Hill, Platte County R-III, Smithville. Excelsior Springs School District is the newest member and joined the partnership with the start of the 2014-15 school year.

The program provides high school students the opportunity to deeply explore professions of interest through a profession-based, inquiry learning method. Local and global business partners participate with highly skilled instructors to provide authentic exposure and skill acquisition in high demand/high skill 21st century professions.

The program served 219 students during the 2014-15 school year and is reported as an agency fund.

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

##### N. Northland Innovation Center

On October 7, 2014, the School District entered into a lease agreement with the CBC Real Estate Group (“CBC”) based on a development agreement between the City of Gladstone, Missouri and the CBC to finance the planning, development and construction of a 90,000 square foot office building (Northland Innovation Center, the “Center”). CBC will be the landlord for the facility upon completion. The School District agreed to use 60,000 square feet of the Center for educational purposes, including the location for the Northland CAPS program (see Note 4.M.) and the Gifted and Talented program. The base rent has an escalator every 60 months beginning with \$90,000 per month commencing 90 days from the completion of the building. The following is a schedule of future minimum payments as per agreement.

<u>Lease term month</u>	<u>Per Rentable Square Foot</u>	<u>Monthly Base Rent</u>	<u>Annual Base Rent</u>
1 to 60 months	\$ 18.00	\$ 90,000	\$ 1,080,000
61 to 120 months	19.80	99,000	1,188,000
121 to 180 months	21.78	108,900	1,306,800
181 to 240 months	23.96	<u>119,800</u>	<u>1,437,600</u>
			\$ <u>5,012,400</u>

##### O. Subsequent Events

##### Transportation Department – Compressed Natural Gas (CNG) School Buses and Infrastructure

On March 10, 2015, the Board of Education approved the Transportation Committee’s recommendation to purchase new buses through a combination of operating leases and lease purchase transactions. The fleet renewal will be achieved through a 10-year Performa that incorporates 26 diesel school buses (RFP No. 2015-01) and 124 CNG school buses with facility improvements to support a CNG fleet (RFP No. 2015-02). The approved agreement includes commitments to enter into two (2) operating lease agreements and three (3) lease purchase agreements outlined below.

##### *Operating Lease Agreements*

The agreement includes an operating lease for 26 diesel school buses for a term of 3 years commencing July 1, 2015. At the conclusion of the initial 3 year term, the District will have the option to enter into a new lease agreement with new buses or return the leased buses and explore other transportation options. The District entered into the lease on April 15, 2015. The amounts for future lease expense under this new lease agreement have been included in operating lease schedule at Note 4.G.



# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2015

### NOTE 4: OTHER NOTES (continued)

#### O. Subsequent Events (continued)

##### Transportation Department – CNG School Buses and Infrastructure (continued)

##### *Operating Lease Agreements* (continued)

The agreement includes an operating lease for 30 CNG school buses for a term of 3 years commencing July 1, 2016. At the conclusion of the initial 3 year term, the District will have the option to enter into a new lease agreement with new buses or return the leased buses and explore other transportation options. The following is a schedule of estimated future lease expense under this new lease purchase agreement and certain assumptions were made regarding future rates and terms.

Fiscal Year Ending June 30	<u>Principal *</u>	<u>Interest *</u>	<u>Total *</u>
2017	\$ 541,418	\$ 13,582	\$ 555,000
2018	500,390	54,610	555,000
2019	<u>508,606</u>	<u>46,394</u>	<u>555,000</u>
Total	\$ <u>1,550,414</u>	\$ <u>114,586</u>	\$ <u>1,665,000</u>

\* Assume effective annual rate of 1.642%

##### *Lease Purchase Agreements*

The agreement includes a lease purchase agreement for 94 CNG school buses for a term of 10 years commencing July 1, 2016. The District will capitalize the 94 CNG school buses. The following is an estimate of future lease payments under this new lease purchase agreement and certain assumptions were made regarding future rates and terms.

Fiscal Year Ending June 30	<u>Principal *</u>	<u>Interest *</u>	<u>Total *</u>
2017	\$ 1,285,741	\$ 65,744	\$ 1,351,485
2018	1,076,960	274,525	1,351,485
2019	1,104,477	247,009	1,351,485
2020	1,132,697	218,789	1,351,486
2021	1,161,637	189,849	1,351,485
2022	1,191,316	160,169	1,351,485
2023	1,221,755	129,731	1,351,485
2024	1,252,970	98,515	1,351,485
2025	1,284,984	66,502	1,351,485
2026	<u>1,317,815</u>	<u>33,670</u>	<u>1,351,485</u>
Total	\$ <u>12,030,351</u>	\$ <u>1,484,503</u>	\$ <u>13,514,854</u>

\* Assume effective annual rate of 2.555%

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2015

### NOTE 4: OTHER NOTES (continued)

#### O. Subsequent Events (continued)

##### Transportation Department – CNG School Buses and Infrastructure (continued)

##### *Lease Purchase Agreements* (continued)

The agreement includes a lease purchase agreement for a CNG fueling truck for a term of 5 years commencing July 1, 2016. The District will capitalize the CNG fueling truck. The following is an estimate of future lease payments under this new lease purchase agreement and certain assumptions were made regarding future rates and terms.

Fiscal Year Ending June 30	<u>Principal *</u>	<u>Interest *</u>	<u>Total *</u>
2017	\$ 9,583	\$ 171	\$ 9,754
2018	9,118	636	9,754
2019	9,273	481	9,754
2020	9,430	323	9,754
2021	<u>9,591</u>	<u>163</u>	<u>9,754</u>
Total	\$ <u>46,995</u>	\$ <u>1,773</u>	\$ <u>48,768</u>

\* Assume effective annual rate of 1.699%

The agreement includes a lease purchase agreement for CNG infrastructure and building modifications for a term of 10 years commencing July 1, 2016. The District will capitalize the CNG infrastructure and building modifications. The following is an estimate of future lease payments under this new lease purchase agreement and certain assumptions were made regarding future rates and terms.

Fiscal Year Ending June 30	<u>Principal *</u>	<u>Interest *</u>	<u>Total *</u>
2017	\$ 248,931	\$ 13,287	\$ 262,219
2018	206,756	55,463	262,219
2019	212,288	49,931	262,219
2020	217,968	44,251	262,219
2021	223,800	38,419	262,219
2022	229,788	32,431	262,219
2023	235,936	26,283	262,219
2024	242,249	19,970	262,219
2025	248,731	13,488	262,219
2026	<u>255,386</u>	<u>6,833</u>	<u>262,219</u>
Total	\$ <u>2,321,833</u>	\$ <u>300,354</u>	\$ <u>2,622,187</u>

\* Assume effective annual rate of 2.676%

## **REQUIRED SUPPLEMENTARY INFORMATION**

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## BUDGETARY COMPARISON SCHEDULE (UNAUDITED) GENERAL FUND

For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
<b><u>REVENUES</u></b>				
Local	\$ 70,029,379	\$ 72,785,539	\$ 75,350,657	\$ 2,565,118
County	1,244,739	1,271,261	1,546,464	275,203
State	7,598,955	8,397,688	13,280,049	4,882,361
Federal	9,229,256	8,405,816	8,258,768	(147,048)
Other	<u>882,000</u>	<u>787,000</u>	<u>545,464</u>	<u>(241,536)</u>
Total Revenues	88,984,329	91,647,304	98,981,402	7,334,098
<b><u>EXPENDITURES</u></b>				
Instruction	18,407,162	18,584,862	17,564,692	(1,020,170)
Student Services	3,745,875	3,761,119	3,736,122	(24,997)
Instructional Staff Support	7,933,423	8,072,211	7,569,609	(502,602)
General Admin & Central Services	5,631,578	5,899,949	5,336,532	(563,417)
Board/Executive & Tech Admin	2,874,914	2,887,158	2,830,967	(56,191)
Building Administration	5,049,730	5,180,342	5,000,505	(179,837)
Operation of Plant	20,113,982	20,664,474	19,623,549	(1,040,925)
Transportation	10,485,675	10,818,757	10,544,117	(274,640)
Food Services	10,972,514	11,100,580	9,774,105	(1,326,475)
Community Service	4,841,824	4,920,688	4,345,697	(574,991)
Debt Service	<u>20,000</u>	<u>17,578</u>	<u>17,577</u>	<u>(1)</u>
Total Expenditures	90,076,677	91,907,718	86,343,472	(5,564,246)
Other Financing Sources/(Uses):				
Sale of Assets	0	0	22	22
Transfers From	<u>(283,600)</u>	<u>(3,305,515)</u>	<u>(10,315,431)</u>	<u>(7,009,916)</u>
Total Other Financing Sources (Uses)	<u>(283,600)</u>	<u>(3,305,515)</u>	<u>(10,315,409)</u>	<u>(7,009,894)</u>
Net Change in Fund Balance	(1,375,948)	(3,565,929)	2,322,521	5,888,450
FUND BALANCE – JUNE 30, 2014	<u>31,675,150</u>	<u>33,378,656</u>	<u>33,378,656</u>	<u>0</u>
FUND BALANCE – JUNE 30, 2015	\$ <u>30,299,202</u>	\$ <u>29,812,727</u>	\$ <u>35,701,177</u>	\$ <u>5,888,450</u>

*See Accompanying Independent Auditors' Report and Notes to the Required Supplementary Information.*

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## BUDGETARY COMPARISON SCHEDULE (UNAUDITED) SPECIAL REVENUE FUND For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over/ (Under) Budget</u>
<b><u>REVENUES</u></b>				
Local	\$ 61,214,389	\$ 60,397,274	\$ 60,382,201	\$ (15,073)
County	1,325,296	1,311,824	1,574,387	262,563
State	54,351,924	54,362,150	49,909,240	(4,452,910)
Federal	5,790,625	6,241,975	6,217,384	(24,591)
Other	<u>34,600</u>	<u>34,600</u>	<u>16,500</u>	<u>(18,100)</u>
Total Revenues	122,716,834	122,347,823	118,099,712	(4,248,111)
<b><u>EXPENDITURES</u></b>				
Instruction	100,778,046	101,892,042	100,248,199	(1,643,843)
Student Services	3,801,262	3,782,577	3,777,270	(5,307)
Instructional Staff Support	7,516,705	7,578,618	7,503,958	(74,660)
General Admin & Central Services	873,472	782,298	766,025	(16,273)
Board/Executive & Tech Admin	465,344	465,344	485,912	20,568
Building Administration	8,200,413	8,222,683	8,155,835	(66,848)
Community Services	1,008,891	1,032,867	998,613	(34,254)
Debt Service	<u>5,000</u>	<u>1,859</u>	<u>1,859</u>	<u>0</u>
Total Expenditures	122,649,133	123,758,288	121,937,671	(1,820,617)
Other Financing Sources (Uses)				
Transfers To	<u>0</u>	<u>2,021,915</u>	<u>3,837,959</u>	<u>1,816,044</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>2,021,915</u>	<u>3,837,959</u>	<u>1,816,044</u>
Net Change in Fund Balance	67,701	611,450	0	(611,450)
FUND BALANCE – JUNE 30, 2014	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE – JUNE 30, 2015	\$ <u><u>67,701</u></u>	\$ <u><u>611,450</u></u>	\$ <u><u>0</u></u>	\$ <u><u>(611,450)</u></u>

*See Accompanying Independent Auditors' Report and Notes to the Required Supplementary Information.*

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

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

#### **BUDGETARY COMPARISON SCHEDULES**

For the Year Ended June 30, 2015

#### **BUDGETARY ACCOUNTING**

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

1. In accordance with Chapter 67, RSMo, the School District adopts a budget for each major fund.
2. Prior to June 30, the superintendent, who serves as the budget officer, submits to the Board of Education a proposed budget for the fiscal year beginning on the following July 1. The proposed budget includes estimated revenues, proposed expenditures and transfers for all School District governmental type funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Education, the budget document is available for public inspection.
4. Prior to July 1, the budget is legally enacted by a vote of the Board of Education.
5. Subsequent to its formal approval of the budget, the Board of Education has the authority to make necessary adjustments to the budget by formal vote of the board. Adjustments made during the year are reflected in the budget information included in these financial statements. Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Education.
6. The School District prepares its budget for all governmental funds on the modified accrual basis of accounting. This basis is consistent with the basis of accounting used in preparing and presenting the governmental fund statements. The financial statements include a reconciliation between the modified accrual basis of accounting and the accrual basis of accounting.
7. Actual expenditures may not legally exceed the budgeted expenditures in any budgeted fund. For the fiscal year ended June 30, 2015, no budgets had been exceeded using the modified accrual basis of accounting.

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

## **SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS**

For the Year Ended June 30, 2015

### Public School Retirement System (PSRS)

<u>Year Ended*</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Actual Covered Member Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
6/30/2015	2.2990%	\$94,318,208	\$103,094,163	91.49%	89.30%

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

### Public Education Employee Retirement System (PEERS)

<u>Year Ended*</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Actual Covered Member Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
6/30/2015	2.7829%	\$10,162,203	\$40,581,222	25.0%	91.3%

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

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

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

## **SCHEDULE OF EMPLOYER CONTRIBUTIONS**

For the Year Ended June 30, 2015

### Public School Retirement System (PSRS)

<u>Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess/(Deficiency) (Deficiency)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions As a Percentage of Covered Payroll</u>
6/30/2013	\$ 14,349,307	\$ 14,349,307	\$0	\$ 100,074,855	14.34%
6/30/2014	14,804,562	14,804,562	0	103,094,163	14.36%
6/30/2015	14,936,017	14,936,017	0	101,264,990	14.75%

### Public Education Employee Retirement System (PEERS)

<u>Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Excess/(Deficiency) (Deficiency)</u>	<u>Actual Covered Member Payroll</u>	<u>Contributions As a Percentage of Covered Payroll</u>
6/30/2013	\$ 2,680,124	\$ 2,680,124	\$0	\$ 39,068,849	6.86%
6/30/2014	2,783,873	2,783,873	0	40,581,222	6.86%
6/30/2015	2,858,208	2,858,208	0	41,664,892	6.86%

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.



# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## OTHER POST-EMPLOYMENT BENEFITS For the Year Ended June 30, 2015

### Other Post-Employment Benefits

The School District provides post-employment healthcare benefits to qualified retirees as described in Note 4B of these financial statements. The retirees and current employees are insured together as a group. This is a single-employer defined benefit OPEB plan. As of July 1, 2014, the most recent actuarial valuation date, the following information has been provided.

### *Schedule of Funding Progress*

Actuarial Valuation	(1) Actuarial Value of Assets	(2) Projected Unit Actuarial Accrued Liability (AAL)	(3) Percent Funded (1) / (2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4) / (5)
7/1/2007	\$ 0	\$ 19,887,000	0%	\$ 19,887,000	\$ 118,944,000	17.0%
7/1/2009	0	20,834,000	0%	20,834,000	78,800,000	26.0%
7/1/2011	0	22,468,000	0%	22,468,000	80,500,000	28.0%
7/1/2013	0	23,506,500	0%	23,506,500	80,706,000	29.1%

### *Schedule of Employer Contribution*

Actuarial Valuation	Annual Required Contribution (1)	Interest on Net OPEB Obligation (2)	Adjustment to the ARC (3)	(4) Annual Net OPEB Cost (1)+(2)-(3)	Implicit Employer Contribution (5)	Net OPEB Obligation (4)-(5)
6/30/2008	\$ 1,273,400	\$ 0	\$ 0	\$ 1,273,400	\$ 966,100	\$ 307,300
6/30/2009	1,305,700	13,800	9,900	1,309,600	1,055,300	561,600
6/30/2010	1,459,900	25,300	17,000	1,468,200	1,019,000	1,010,800
6/30/2011	1,493,200	45,500	32,600	1,506,100	1,114,000	1,402,900
6/30/2012	1,835,400	63,100	50,100	1,848,400	1,119,600	2,131,700
6/30/2013	1,869,000	95,900	78,500	1,886,400	1,132,300	2,885,800
6/30/2014	2,152,400	108,200	110,700	2,149,900	1,019,500	4,016,200
6/30/2015	2,179,500	150,600	158,800	2,171,300	1,086,400	5,101,100

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

## **SUPPLEMENTARY INFORMATION**

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

**BUDGETARY COMPARISON - MODIFIED ACCRUAL BASIS**  
**DEBT SERVICE FUND**  
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over/ (Under) Budget</u>
<b><u>REVENUES</u></b>				
Local	\$ 24,942,342	\$24,857,231	\$24,806,955	\$ (50,276)
County	<u>586,332</u>	<u>574,064</u>	<u>773,398</u>	<u>199,334</u>
Total Revenues	25,528,674	25,431,295	25,580,353	149,058
<b><u>EXPENDITURES</u></b>				
Debt Service - Principal	14,895,000	43,090,000	43,090,000	0
Debt Service - Interest	<u>8,920,000</u>	<u>10,885,000</u>	<u>10,797,211</u>	<u>(87,789)</u>
Total Expenditures	23,815,000	53,975,000	53,887,211	(87,789)
Other Financing Sources/(Uses)				
Premium on Refunding Bonds	0	1,779,195	1,779,194	(1)
Refunding Bond Proceeds	<u>0</u>	<u>28,310,000</u>	<u>28,310,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	0	30,089,195	30,089,194	(1)
Net Change in Fund Balance	1,713,674	1,545,490	1,782,336	236,846
FUND BALANCE – JUNE 30, 2014	<u>21,420,562</u>	<u>21,624,157</u>	<u>21,624,157</u>	<u>0</u>
FUND BALANCE – JUNE 30, 2015	\$ <u>23,134,236</u>	\$ <u>23,169,647</u>	\$ <u>23,406,493</u>	\$ <u>236,846</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## BUDGETARY COMPARISON - MODIFIED ACCRUAL BASIS CAPITAL PROJECTS FUND For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Actual Over/ (Under) Budget
<b><u>REVENUES</u></b>				
Local	\$ 2,684,781	\$ 2,954,563	\$ 2,937,070	\$ (17,493)
County	58,633	57,851	34,777	(23,074)
State	16,000	20,364	19,046	(1,318)
Federal	<u>0</u>	<u>40,383</u>	<u>40,383</u>	<u>0</u>
Total Revenues	2,759,414	3,073,161	3,031,276	(41,885)
<b><u>EXPENDITURES</u></b>				
Instruction	240,500	328,538	278,162	(50,376)
Student Services	5,600	2,100	1,590	(510)
Instructional Staff Support	2,085,788	3,706,483	3,725,429	18,946
General Admin/Central Services	42,000	26,300	12,149	(14,151)
Operation of Plant	1,436,450	1,334,295	1,227,907	(106,388)
Transportation	464,700	424,300	423,803	(497)
Food Services	120,000	39,550	4,450	(35,100)
Community Services	1,000	1,000	0	(1,000)
Facilities Acquisition & Construction	9,221,740	13,441,454	9,310,871	(4,130,583)
Debt Service – Interest	<u>0</u>	<u>46,126</u>	<u>27,004</u>	<u>(19,122)</u>
Total Expenditures	13,617,778	19,350,146	15,011,365	(4,338,781)
Other Financing Sources/(Uses):				
Transfer to	283,600	1,283,600	6,477,473	5,193,873
Sale of Assets	<u>10,000</u>	<u>375,825</u>	<u>374,415</u>	<u>(1,410)</u>
Total Other Financing Sources (Uses)	<u>293,600</u>	<u>1,659,425</u>	<u>6,851,888</u>	<u>5,192,463</u>
Net Change in Fund Balance	(10,564,764)	(14,617,560)	(5,128,201)	9,489,359
FUND BALANCE – JUNE 30, 2014	<u>30,416,908</u>	<u>33,694,981</u>	<u>33,694,981</u>	<u>0</u>
FUND BALANCE – JUNE 30, 2015	\$ <u>19,852,144</u>	\$ <u>19,077,421</u>	\$ <u>28,566,780</u>	\$ <u>9,489,359</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## HISTORICAL SCHOOL DATA June 30, 2015

### A. History of Student Enrollment

The following table shows the total student enrollment as of the last Wednesday in September for each of the last five school years:

<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>	<u>2011-12</u>	<u>2010-11</u>	<u>2009-10</u>
19,389	19,201	18,930	18,674	18,529	18,288

### B. History of Assessed Valuations and Corresponding Debt Outstanding

Assessed valuation figures used are as of December 31 of the preceding calendar year and do not include abated TIF property, abated Chapter 135 property and Chapter 353 property or state-assessed railroad and utility real property.

<u>As of</u> <u>December 31,</u>	<u>Assessed</u> <u>Valuation</u>	<u>% Change</u> <u>in Assessed</u> <u>Valuation</u>	<u>Fiscal</u> <u>Year</u> <u>Ended</u> <u>June 30,</u>	<u>Bond</u> <u>Principal</u> <u>Outstanding</u>	<u>Interest on</u> <u>Bonds</u> <u>Outstanding</u>	<u>Total Debt</u>	<u>Bond Principal</u> <u>as % of</u> <u>Assessed</u> <u>Valuation</u>
2014	\$1,912,540,661	5.2%	2015	\$195,750,000	\$56,070,710	\$251,820,710	10.2%
2013	1,818,344,563	(2.8%)	2014	210,530,000	67,284,164	277,814,164	11.6%
2012	1,871,506,546	0.6%	2013	205,905,000	67,872,590	273,777,590	11.0%
2011	1,860,080,168	(3.8%)	2012	215,930,000	77,507,869	293,437,869	11.6%
2010	1,934,246,117	1.1%	2011	225,480,000	90,795,830	316,275,830	11.7%
2009	1,913,428,229	(3.1%)	2010	234,815,000	102,742,324	337,557,324	12.3%
2008	1,974,428,131	N/A	2009	245,355,000	114,357,502	359,712,502	12.4%

### C. History of Tax Levies

The following table shows the District's tax levies (per \$100 of assessed valuation) for each of the following year:

<u>Fiscal</u> <u>Year</u> <u>Ended</u> <u>June 30,</u>	<u>Special</u> <u>Revenue</u> <u>(Teacher's)</u> <u>Fund</u>	<u>General</u> <u>(Incidental)</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>(Building)</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total Levy</u>
2015	\$2.2400	\$2.8567	\$0.1300	\$1.2900	\$6.5167
2014	2.2400	2.4998	0.1300	1.0200	5.8898
2013	2.2400	2.4998	0.1300	1.0200	5.8898
2012	2.2400	2.4998	0.1300	1.0200	5.8898
2011	2.2400	2.4998	0.1300	1.0200	5.8898
2010	2.2400	2.4998	0.1300	1.0200	5.8898
2009	2.2400	2.4998	0.1300	1.0200	5.8898

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

**HISTORICAL SCHOOL DATA**  
June 30, 2015

**D. Tax Collection Record**

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

Fiscal Year			Taxes Collected		Railroad &
Ended	Total	Total Taxes	(Current & Delinquent)		Utility Taxes
<u>June 30,</u>	<u>Levy</u>	<u>Levied</u>	<u>Amount</u>	<u>Percent</u>	<u>Collected</u>
2015	\$6.5167	\$124,634,537	\$124,121,001	99.6%	\$3,567,253
2014	5.8898	107,096,858	107,539,203	100.4%	2,914,010
2013	5.8898	110,227,993	109,235,187	99.1%	3,075,312
2012	5.8898	109,555,002	109,609,569	100.0%	2,924,133
2011	5.8898	113,923,227	112,627,534	98.9%	2,465,226
2010	5.8898	117,901,628	117,387,000	99.6%	2,124,104
2009	5.8898	118,361,839	121,211,120	102.4%	2,400,575

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF BONDED INDEBTEDNESS

June 30, 2015

Bonded Indebtedness	Totals	Series 2006	Series 2007	Series 2008	Series 2010	Series 2011	Series 2012	Series 2013	Series 2014	Series 2015
Fiscal Year										
2015-16	\$ 16,415,000	\$ 4,955,000	\$ 2,230,000	\$ 560,000	\$ 1,315,000	\$ 840,000	\$ 2,245,000	\$ 1,105,000	\$ 500,000	\$ 2,665,000
2016-17	16,765,000	2,280,000	2,390,000	570,000	1,345,000	1,290,000	2,700,000	1,065,000	1,635,000	3,490,000
2017-18	17,170,000	0	3,310,000	580,000	1,370,000	1,345,000	2,805,000	30,000	1,965,000	5,765,000
2018-19	17,545,000	0	3,470,000	580,000	2,245,000	1,405,000	2,930,000	30,000	2,010,000	4,875,000
2019-20	18,405,000	0	3,645,000	605,000	2,325,000	1,465,000	3,070,000	30,000	1,370,000	5,895,000
2020-21	18,310,000	0	3,835,000	610,000	2,400,000	1,520,000	3,205,000	1,010,000	1,425,000	4,305,000
2021-22	16,550,000	0	4,030,000	630,000	0	1,575,000	3,350,000	4,150,000	1,500,000	1,315,000
2022-23	15,925,000	0	4,235,000	650,000	0	1,635,000	3,490,000	0	5,915,000	0
2023-24	15,010,000	0	4,455,000	715,000	0	0	3,630,000	0	6,210,000	0
2024-25	15,050,000	0	4,730,000	750,000	0	0	3,770,000	0	5,800,000	0
2025-26	10,720,000	0	4,970,000	780,000	0	0	0	0	4,970,000	0
2026-27	7,275,000	0	5,275,000	815,000	0	0	0	0	1,185,000	0
2027-28	2,090,000	0	0	855,000	0	0	0	0	1,235,000	0
2028-29	1,285,000	0	0	0	0	0	0	0	1,285,000	0
2029-30	1,335,000	0	0	0	0	0	0	0	1,335,000	0
2030-31	1,390,000	0	0	0	0	0	0	0	1,390,000	0
2031-32	1,450,000	0	0	0	0	0	0	0	1,450,000	0
2032-33	1,505,000	0	0	0	0	0	0	0	1,505,000	0
2033-34	<u>1,555,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,555,000</u>	<u>0</u>
	<u>\$ 195,750,000</u>	<u>\$ 7,235,000</u>	<u>\$ 46,575,000</u>	<u>\$ 8,700,000</u>	<u>\$ 11,000,000</u>	<u>\$ 11,075,000</u>	<u>\$ 31,195,000</u>	<u>\$ 7,420,000</u>	<u>\$ 44,240,000</u>	<u>\$ 28,310,000</u>

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# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)

June 30, 2015

Interest Obligation	Totals	Series 2006	Series 2007	Series 2008	Series 2010	Series 2011	Series 2012	Series 2013	Series 2014	Series 2015
Fiscal Year										
2015-16	\$ 8,123,767	\$ 325,576	\$ 2,308,325	\$ 472,712	\$ 338,125	\$ 441,225	\$ 1,325,225	\$ 286,200	\$ 1,926,519	\$ 699,860
2016-17	7,724,119	102,600	2,196,825	443,312	311,825	424,425	1,235,425	253,050	1,916,519	840,138
2017-18	7,088,770	0	2,089,275	413,388	278,200	372,825	1,127,425	221,100	1,851,119	735,438
2018-19	6,396,445	0	1,929,750	382,938	243,950	307,075	1,015,225	220,500	1,792,169	504,838
2019-20	5,612,670	0	1,756,250	351,038	165,375	238,325	868,725	219,900	1,751,969	261,088
2020-21	4,947,232	0	1,574,000	319,275	84,000	179,725	730,575	219,300	1,697,169	143,188
2021-22	4,254,933	0	1,382,250	285,725	0	126,975	586,350	176,376	1,640,169	57,088
2022-23	3,496,569	0	1,180,750	251,075	0	63,975	435,600	0	1,565,169	0
2023-24	2,749,744	0	969,000	215,325	0	0	296,000	0	1,269,419	0
2024-25	2,031,969	0	746,250	176,000	0	0	150,800	0	958,919	0
2025-26	1,313,419	0	509,750	134,750	0	0	0	0	668,919	0
2026-27	773,519	0	261,250	91,850	0	0	0	0	420,419	0
2027-28	420,045	0	0	47,026	0	0	0	0	373,019	0
2028-29	323,619	0	0	0	0	0	0	0	323,619	0
2029-30	272,219	0	0	0	0	0	0	0	272,219	0
2030-31	218,819	0	0	0	0	0	0	0	218,819	0
2031-32	163,219	0	0	0	0	0	0	0	163,219	0
2032-33	105,219	0	0	0	0	0	0	0	105,219	0
2033-34	54,421	0	0	0	0	0	0	0	54,421	0
	<u>\$ 56,070,717</u>	<u>\$ 428,176</u>	<u>\$ 16,903,675</u>	<u>\$ 3,584,414</u>	<u>\$ 1,421,475</u>	<u>\$ 2,154,550</u>	<u>\$ 7,771,350</u>	<u>\$ 1,596,426</u>	<u>\$ 18,969,013</u>	<u>\$ 3,241,638</u>



# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF REVENUES COLLECTED BY SOURCE For the Year Ended June 30, 2015

	General (Incidental) <u>Fund</u>	Special Revenue (Teachers) <u>Fund</u>	Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Totals</u>
<u>LOCAL</u>					
Current taxes	\$ 53,135,115	\$ 41,663,739	\$ 23,993,649	\$ 2,418,153	\$ 121,210,656
Delinquent Taxes	1,235,234	1,106,858	504,016	64,237	2,910,345
School District Trust Fund (Prop C)	2,566,408	15,518,060	0	0	18,084,468
Financial Institutions Tax	61,503	48,225	27,772	2,799	140,299
M&M Surcharge Tax	3,046,510	1,682,397	2,461	96,754	4,828,122
In Lieu of Tax	3,488,125	0	0	0	3,488,125
Tuition	142,804	6,600	0	0	149,404
Transportation from Individuals	379,378	0	0	0	379,378
Earnings on Investments	682,578	329,031	273,557	81,952	1,367,118
Food Services	2,434,548	0	0	0	2,434,548
Food Services Non-Program	1,844,938	0	0	0	1,844,938
Student Activities	2,394,333	0	0	0	2,394,333
Community Services	2,839,022	0	0	0	2,839,022
Other	<u>1,100,161</u>	<u>27,291</u>	<u>5,500</u>	<u>273,175</u>	<u>1,406,127</u>
Total Local	75,350,657	60,382,201	24,806,955	2,937,070	163,476,883
<u>COUNTY</u>					
Fines, Escheats	0	361,772	0	0	361,772
State Assessed Utilities	<u>1,546,464</u>	<u>1,212,615</u>	<u>773,398</u>	<u>34,777</u>	<u>3,567,254</u>
Total County	1,546,464	1,574,387	773,398	34,777	3,929,026
<u>STATE</u>					
Basic Formula	6,763,771	42,739,142	0	0	49,502,913
Transportation Aid	2,573,980	0	0	0	2,573,980
Early Child SPED	1,901,433	1,154,679	0	1,382	3,057,494
Classroom Trust Fund	1,190,235	5,976,856	0	0	7,167,091
Parents as Teachers	218,851	0	0	0	218,851
Career Ed	0	29,568	0	0	29,568
Food Services	84,335	0	0	0	84,335
Adult Education Literacy	78,668	0	0	0	78,668
Career Ed Enhancement Grant	40,317	0	0	17,664	57,981
High Needs Fund	316,035	0	0	0	316,035
Other	<u>112,424</u>	<u>8,995</u>	<u>0</u>	<u>0</u>	<u>121,419</u>
Total State	13,280,049	49,909,240	0	19,046	63,208,335

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# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF REVENUES COLLECTED BY SOURCE (CONTINUED) For the Year Ended June 30, 2015

	General (Incidental) Fund	Special Revenue (Teachers) Fund	Debt Service Fund	Capital Projects Fund	Totals
<b><u>FEDERAL</u></b>					
Medicaid	\$ 186,628	\$ 0	\$ 0	\$ 0	\$ 186,628
Perkins-Career Education	55,392	133,928	0	40,383	229,703
Adult Education Literacy	213,675	0	0	0	213,675
Special Ed IDEA/ECSE	51,891	4,039,788	0	0	4,091,679
Food Services	6,058,522	0	0	0	6,058,522
Title I.A – ESEA	1,353,975	1,632,196	0	0	2,986,171
Title III - English Language	171,063	115,202	0	0	286,265
Title II.A – ESEA	164,036	294,915	0	0	458,951
Other	<u>3,586</u>	<u>1,355</u>	<u>0</u>	<u>0</u>	<u>4,942</u>
Total Federal	8,258,768	6,217,384	0	40,383	14,516,535
<b><u>OTHER</u></b>					
Tuition from Other Districts	452,000	16,500	0	0	468,500
Transportation from Other Districts	<u>93,464</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>93,464</u>
Total Other	545,464	16,500	0	0	561,964
<b><u>OTHER FINANCING SOURCES</u></b>					
Sale of Bonds	0	0	0	0	0
Premium on Bonds Sold	0	0	1,779,194	0	1,779,194
Refunding of Bonds	0	0	28,310,000	0	28,310,000
Sale of Property	<u>22</u>	<u>0</u>	<u>0</u>	<u>374,415</u>	<u>374,437</u>
Total Other Financing Sources	<u>22</u>	<u>0</u>	<u>30,089,194</u>	<u>374,415</u>	<u>30,463,631</u>
<b>TOTAL ALL SOURCES</b>	<b>\$ <u>98,981,424</u></b>	<b>\$ <u>118,099,712</u></b>	<b>\$ <u>55,669,547</u></b>	<b>\$ <u>3,405,691</u></b>	<b>\$ <u>276,156,374</u></b>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF EXPENDITURES PAID BY OBJECT For the Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals (Memo Only)
Salaries	\$ 40,205,205	\$ 92,101,575	\$ 0	\$ 0	\$ 132,306,780
Retirement	3,241,866	14,592,700	0	0	17,834,566
FICA/Medicare	2,886,065	1,287,610	0	0	4,173,675
Employee Insurance	7,706,636	9,011,087	0	0	16,717,723
Tuition	0	2,239,811	0	0	2,239,811
Professional, audit & legal	656,534	2,703,029	0	0	3,359,563
Technical Services	4,479,929	0	0	0	4,479,929
Property Services	2,869,292	0	0	0	2,869,292
Contracted Transportation	623,135	0	0	0	623,135
Travel	1,772,172	0	0	0	1,772,172
Insurance-property/liability	979,217	0	0	0	979,217
Other Purchased Services	3,799,332	0	0	0	3,799,332
General Supplies	6,999,562	0	0	0	6,999,562
Books & Periodicals	398,340	0	0	0	398,340
Warehouse & Food Service	4,294,707	0	0	0	4,294,707
Utilities, Energy Service	5,162,862	0	0	0	5,162,862
Other Supplies	251,042	0	0	0	251,042
Capital Outlay	0	0	0	14,984,361	14,984,361
Debt & Other	<u>17,577</u>	<u>1,859</u>	<u>53,887,211</u>	<u>27,004</u>	<u>53,933,651</u>
	<u>\$ 86,343,473</u>	<u>\$ 121,937,671</u>	<u>\$ 53,887,211</u>	<u>\$ 15,011,365</u>	<u>\$ 277,179,720</u>

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

**SCHEDULE OF SELECTED STATISTICS**  
For the Year Ended June 30, 2015

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

1. Calendar (Sections 160.041 and 171.031, RSMO)

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

Grades K-5	1,118.75
Grades 6-8, Antioch MS	1,152.45
Grades 6-8, all others	1,152.25
Grades 9-12	1,161.20

- B. The number of days classes were in session and pupils were under the direction of teachers during this school year was 177 days for grades K-12.

2. Average Daily Attendance (ADA)

	<u>Full-time/ Part-time</u>	<u>Remedial</u>	<u>Totals</u>
Regular Term:			
Grades K-5	8,660.6624	0.3811	8,661.0435
Grades 6-8	4,158.8429	1.4478	4,160.2907
Grades 9-12	<u>5,157.3513</u>	<u>8.4746</u>	<u>5,165.8259</u>
Subtotal Regular Term	17,976.8566	10.3035	17,987.1601
Summer School Subtotal			565.7453
ESY Subtotal			<u>0.4598</u>
Total Regular Term Plus Summer School ADA			<u>18,553.3652</u>

3. September Membership

	<u>Full-time &amp; Part-time</u>
September Membership FTE Count	<u>19,179.51</u>

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

	<u>Full-time &amp; Part time</u>
State FTE Total:	
Free	7,267.82
Reduced	<u>1,957.64</u>
Total	<u>9,225.46</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF SELECTED STATISTICS For the Year Ended June 30, 2015

### 5. Finance

- |    |   |                  |
|----|---|------------------|
| A. | As required by Section 162.401, RSMo, a bond was purchased for the School District's treasurer in the total amount of   | <u>\$100,000</u> |
| B. | The School District's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo.  | <u>True</u>      |
| C. | The School District maintained a separate bank account for the Debt Service Fund in accordance with Section 165.011, RSMo.  | <u>True</u>      |
| D. | Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records.   | <u>True</u>      |
| E. | If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the board approved a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken. | <u>N/A</u>       |
| F. | The School District published a summary of the prior year's audit report within 30 days of the receipt of the audit pursuant to Section 165.121, RSMo.  | <u>True</u>      |
| G. | The district has a professional development committee plan adopted by the board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment.                       | <u>True</u>      |
| H. | The amount spent for approved professional development committee plan activities was:   | <u>\$874,631</u> |

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

Finding #	<u>N/A</u>
Management Letter Comment #	<u>N/A</u>

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

- |    |   |             |
|----|---|-------------|
| A. | The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.  | <u>True</u> |
| B. | The District's school transportation ridership records are maintained in a manner to accurately disclose in all material respects the average number of regular riders transported. | <u>True</u> |

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

**SCHEDULE OF SELECTED STATISTICS**  
**For the Year Ended June 30, 2015**

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

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

Eligible ADT	<u>10,968.00</u>
Ineligible ADT	<u>1,432.50</u>

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

True

- E. Actual odometer records show the total district-operated and contracted mileage for the year was:

2,324,980

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

Eligible miles	<u>1,808,242</u>
Ineligible miles (non-route/disapproved)	<u>516,738</u>

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

177

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

Finding #	<u>N/A</u>
Management Letter Comment #	<u>N/A</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2015

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass- thru Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
<i>Pass-through Missouri Dept. of Elementary &amp; Secondary Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	024-093	\$ 1,550,983
National School Lunch Program	10.555	024-093	<u>5,166,258</u>
Total Child Nutrition Cluster			<u>6,717,241</u>
National Fresh Fruits and Veggie Program	10.582	024-093	<u>38,107</u>
Total U.S. Department of Agriculture			6,755,348
<u>U.S. Department of Education</u>			
<i>Pass-through Missouri Dept. of Elementary &amp; Secondary Education:</i>			
Title I, Part A - Grants for LEAs	84.010A	024-093	2,933,205
Title I, Part A - School Improvement	84.010A	024-093	23,231
Title I, Part A - Career and Technical Education	84.048A	024-093	229,703
Title II, Part A - Improving Teacher Quality	84.367A	024-093	458,951
Title III, Part A - Limited English Proficient (LEP)	84.365A	024-093	286,265
Adult Education & Family Literacy Act	84.002A	024-093	213,675
Missouri Assistive Technology	84.027A	024-093	4,838
Special Education Cluster (IDEA):			
IDEA, Part B - Special Education	84.027A	024-093	3,365,712
Early Childhood Special Education	84.027A	024-093	<u>694,227</u>
Total Special Education Cluster			4,059,939
<i>Direct from U.S. Department of Education:</i>			
Indian Education Grant	84.060	Direct	<u>3,941</u>
Total U.S. Department of Education			8,213,748
<u>U.S. Department of Health and Human Services</u>			
<i>Pass-through Missouri Dept. of Elementary &amp; Secondary Education:</i>			
Youth Risk Behavior Survey	93.079	024-093	<u>1,000</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>14,970,096</u></b>

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2015

#### NOTE 1: GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the North Kansas City School District No. 74. The District School Board reporting entity is defined in Note 1 to the school board's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

#### NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1-E to the school board's financial statements.

#### NOTE 3: RELATIONSHIP TO FINANCIAL STATEMENTS

Federal awards are reported in the school board's financial statements as follows.

	<u>Federal Sources</u>
General Fund	\$ 8,258,768
Special Revenue/Teachers Fund	6,217,384
Capital Projects Fund	<u>40,383</u>
	<u>\$ 14,516,535</u>

#### NOTE 4: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States.

#### NOTE 5: MATCHING REVENUES

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

#### NOTE 6: NON-CASH PROGRAMS

The commodities received, which are noncash revenues, are valued using prices provided by the United States Department of Agriculture. The total value included in the National School Lunch Program was \$696,826 for the year ended June 30, 2015.



## **INTERNAL CONTROL AND COMPLIANCE SECTION**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the North Kansas City School District No. 74 (the "School District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 7, 2015.

**Internal Control Over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

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

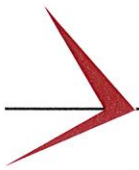
### **Purpose of this Report**

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



Marr and Company, P.C.  
Certified Public Accountants

Kansas City, Missouri  
December 7, 2015



## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR NO. A-133

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

### **Report on Compliance for Each Major Federal Program**

We have audited the North Kansas City School District No. 74's (the "School District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2015. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### *Opinion on Each Major Federal Program*

In our opinion, the School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.



### **Report on Internal Control Over Compliance**

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Marr and Company, P.C.  
Certified Public Accountants

Kansas City, Missouri  
December 7 2015

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2015

Summary of Auditor's Results

*Financial Statements*

1. Type of auditor's report issued: Unmodified Opinion
2. Internal control over financing reporting:
  - Material weakness(es) identified?        Yes   X   No
  - Significant deficiencies identified that are not considered to be material weaknesses?  
       Yes        No   X   None Reported
3. Noncompliance material to financial statements noted:        Yes   X   No

*Federal Awards*

1. Internal control over major programs:
  - Material weakness(es) identified?        Yes   X   No
  - Significant deficiencies identified that are not considered to be material weakness(es)?  
       Yes        No   X   None Reported
2. Type of auditor's report issued on compliance for major programs: Unmodified Opinion
3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?        Yes   X   No
4. The School District's major federal programs were:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.367	ESEA Title II, Part A Improving Teacher Quality
84.027, 84.173	IDEA Special Education Cluster

5. Dollar threshold used to distinguish between type A and type B programs: \$449,103
6. Auditee qualified as low-risk auditee?   X   Yes        No

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended June 30, 2015**

**Financial Statement Findings**

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

**Federal Award Findings and Questioned Costs**

There were no audit findings related to internal control, compliance, questioned costs or fraud that related to federal awards for the year ended June 30, 2015.

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

**SCHEDULE OF RESOLUTIONS OF PRIOR YEAR AUDIT FINDINGS**  
For the Year Ended June 30, 2015

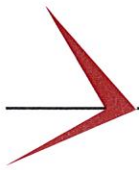
There were no findings or questioned costs in the prior year's audit findings to be resolved.



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# MARR AND COMPANY, P.C.

Certified Public Accountants



Employee Benefit Plan Audit  
Quality Center Member

Government Audit  
Quality Center Member

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

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

We have audited the basic financial statements of the North Kansas City School District No. 74 as of and for the year ended June 30, 2015, and have issued our report, which was unmodified on December 7, 2015.

As required by the Revised Statutes of the State of Missouri, we have performed auditing procedures to test compliance with the requirements governing budgets (Chapter 67 RSMo) and the methods of maintaining pupil attendance and pupil transportation records (Chapter 165.121.3(7) RSMo). The management of the School District is responsible for the School District's compliance with those requirements and have so acknowledged in a representation letter dated December 7, 2015. Our responsibility is to express an opinion on the School District's compliance with those requirements based on our audit.

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

In our opinion, the School District's budgetary and disbursement procedures were in compliance with the budgetary statute (Chapter 67 RSMo). It is further our opinion that the pupil attendance and pupil transportation records are so maintained as to accurately disclose, in all material respects, the average daily attendance, resident membership on the last Wednesday of September, average daily transportation of pupils and mileage and allowable cost for pupil transportation in compliance with state and administrative rules.

This report is intended for the information and use of the Board of Education, School District management, the Missouri Department of Elementary and Secondary Education and other audit agencies and is not intended to be and should not be used by anyone other than these specified parties.

Marr and Company, P.C.  
Certified Public Accountants

Kansas City, Missouri  
December 7 2015

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**APPENDIX C**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

This **CONTINUING DISCLOSURE AGREEMENT** dated as of October 4, 2016 (the “Continuing Disclosure Agreement”), is executed and delivered by the **NORTH KANSAS CITY SCHOOL DISTRICT 74, CLAY COUNTY, MISSOURI** (the “**District**”) and **COMMERCE BANK**, Kansas City, Missouri, as Dissemination Agent (the “**Dissemination Agent**”).

**RECITALS**

1. This Continuing Disclosure Agreement is being executed and delivered in connection with the delivery by the District of \$114,000,000\* principal amount of General Obligation Improvement Bonds (Missouri Direct Deposit Program), Series 2016B (the “**Bonds**”), pursuant to a resolution adopted by the governing body of the District (the “**Resolution**”).

2. The District and the Dissemination Agent are entering into this Continuing Disclosure Agreement for the benefit of the Beneficial Owners of the Bonds and in order to assist the 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.

In consideration of the mutual covenants and agreements herein, the District and the Dissemination Agent covenant and agree as follows:

**Section 1. Definitions.** In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Continuing Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms have the following meanings:

“**Annual Report**” means any Annual Report filed by the District pursuant to, and as described in, **Section 2** of this Continuing Disclosure Agreement.

“**Beneficial Owner**” means any registered owner of any Bonds 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 (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“**Business Day**” means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any District in which the payment office of the Paying Agent or the Dissemination Agent 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.

“**Dissemination Agent**” means Commerce Bank, Kansas City, Missouri, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District.

“**EMMA**” means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at [www.emma.msrb.org](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 the Fiscal Year of the District for financial reporting purposes.

“**Material Events**” means any of the events listed in **Section 3(a)** of this Continuing Disclosure Agreement.

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\* Preliminary, subject to change.

“**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 any of the original underwriter(s) of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“**Rule**” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

## **Section 2. Provision of Annual Reports.**

- (a) The District shall, or shall cause the Dissemination Agent to, not later than **December 31<sup>st</sup>** after the end of each Fiscal Year, commencing with the year ending June 30, 2016, file, or cause to be filed, 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 generally accepted accounting principles. 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 contain unaudited financial statements in a format similar to the financial information contained in the final Official Statement relating to the Bonds, 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 the final Official Statement, as described in **Exhibit A**, in substantially the same format contained in the final Official Statement.

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 and is available through EMMA 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) Not later than the date specified in subsection (a) for providing the Annual Report to the MSRB, the District shall either (1) provide the Annual Report to the Dissemination Agent, with the Annual Report Checklist and Instructions in the form attached as **Exhibit B** hereto, providing written instructions to file the Annual Report as specified in subsection (a), or (2) provide written notice to the Dissemination Agent that the District has provided the Annual Report to the MSRB (or will do so prior to the deadline specified in subsection (a)). The District shall provide the Annual Report as a searchable portable document file (pdf) or in such other format as is prescribed by the MSRB.
- (c) The Dissemination Agent shall file a notice with the MSRB in substantially the form attached as **Exhibit C**, if the Dissemination Agent has not received either an Annual Report with filing instructions or a written notice from the District that it has provided an Annual Report to the MSRB by the date required in subsection (a).

(d) The Dissemination Agent shall:

(1) notify the District each year, not later than 90 days prior to the date for providing the Annual Report to the MSRB, send the District the form of Annual Report Checklist and Instructions (**Exhibit B** hereto), along with notification of the date on which the Annual Report must be provided to the Dissemination Agent or the MSRB (provided, however, that the failure of the Dissemination Agent to deliver such notification will not excuse the District from any obligation under this Agreement); and

(2) promptly following receipt of the Annual Report and Annual Report Checklist and Instructions required in subsection (b) above, unless the District has stated that the Annual Report has already been filed with the MSRB, file the Annual Report with the MSRB through EMMA, and provide the District with written evidence that the Annual Report has been filed pursuant to this Continuing Disclosure Agreement, stating the date it was filed with the MSRB.

### **Section 3. Reporting of Material Events.**

(a) 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 Guarantee 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;
- (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 paying agent or the change of name of the paying agent, if material.

(b) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any event that it believes may constitute a Material Event, contact the District's finance officer or his or her designee, or such other person as the District shall designate in writing to the Dissemination Agent from time to time, inform such person of the event, and request that the District promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (d). If in response to a request under this subsection (b), the District determines that such event would not constitute a Material Event, the District shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent whether or not to report the occurrence pursuant to subsection (d).

(c) Whenever the District obtains knowledge of the occurrence of a Material Event, because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the District shall promptly notify and instruct the Dissemination Agent in writing to report the occurrence pursuant to subsection (d).

(d) If the Dissemination Agent receives written instructions from the District to report the occurrence of a Material Event, the Dissemination Agent shall promptly file a notice of such occurrence with the MSRB, with a copy to the District. Notwithstanding the foregoing, notice of Material Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the registered owners of affected Bonds pursuant to the Resolution.

**Section 4. Termination of Reporting Obligation.** The District's obligations under this Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the District's obligations under this Continuing Disclosure Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Continuing Disclosure Agreement in the same manner as if it were the District, and the District shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the District shall give notice of such termination or substitution 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 successor Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, 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 Continuing Disclosure Agreement. The initial Dissemination Agent is Commerce Bank.

**Section 6. Amendment; Waiver.** Notwithstanding any other provision of this Continuing Disclosure Agreement, the District and the Dissemination Agent may amend this Continuing Disclosure Agreement (and the execution of such amendment by the Dissemination Agent so requested by the District shall not be unreasonably withheld) and any provision of this Continuing Disclosure Agreement may be waived, provided that Special Counsel or other counsel experienced in federal securities law matters provides the District and the Dissemination Agent 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 Continuing Disclosure Agreement.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Agreement, 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 Continuing Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement 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 Continuing Disclosure Agreement. 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 Continuing Disclosure Agreement, the District shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

**Section 8. Default.** In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Continuing Disclosure Agreement, the Participating Underwriter or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District or the Dissemination Agent, as the case may be, to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement shall not be deemed an event of default under the Resolution or the Bonds, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the District or the Dissemination Agent to comply with this Continuing Disclosure Agreement shall be an action to compel performance.

**Section 9. Duties and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Continuing Disclosure Agreement, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The District shall pay the fees, charges and expenses of the Dissemination Agent in connection with its administration of this Continuing Disclosure Agreement.

**Section 10. Notices.** Any notices or communications to or among any of the parties to this Continuing Disclosure Agreement may be given by registered or certified mail, return receipt requested, or by confirmed facsimile or electronic mail, or delivered in person or by overnight courier, and will be deemed given on the second day following the date on which the notice or communication is so mailed, as follows:

<b>To the District:</b>	<b>North Kansas City School District 74, Clay County, Missouri</b> 2000 N.E. 46 <sup>th</sup> Street Kansas City, Missouri 64116 Attention: Chief Financial Officer Telephone: 816-413-5000 E-mail: <a href="mailto:pharrell@nkcschools.org">pharrell@nkcschools.org</a>
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<b>To the Dissemination Agent:</b>	<b>Commerce Bank</b> 922 Walnut, 10 <sup>th</sup> Floor Kansas City, Missouri 64106 Attention: Corporate Trust Department E-mail: <a href="mailto:Shannon.Floyd@commercebank.com">Shannon.Floyd@commercebank.com</a>
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Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

**Section 11. Beneficiaries.** This Continuing Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**Section 12. Severability.** If any provision in this Continuing Disclosure Agreement, the Resolution or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**Section 13. Counterparts.** This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 14. 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 15. Governing Law.** This Continuing Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of Missouri.

**IN WITNESS WHEREOF**, the District and the Dissemination Agent have caused this Continuing Disclosure Agreement to be executed as of the day and year first above written.

**NORTH KANSAS CITY SCHOOL DISTRICT 74,  
CLAY COUNTY, MISSOURI**

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

**COMMERCE BANK,**  
as Dissemination Agent

By: \_\_\_\_\_  
Title: Authorized Officer or Signatory

## **EXHIBIT A**

### **FINANCIAL INFORMATION AND OPERATING DATA TO BE INCLUDED IN ANNUAL REPORT**

The financial information and operating data contained in the tables under the following described headings contained in **APPENDIX A** of the final Official Statement:

#### **GENERAL AND ECONOMIC INFORMATION CONCERNING THE DISTRICT:**

**History of Enrollment**

#### **DEBT STRUCTURE OF THE DISTRICT:**

**Current Indebtedness of the District**

**History of Indebtedness**

#### **PROPERTY TAX INFORMATION CONCERNING THE DISTRICT:**

**Property Valuations:**

*Current Assessed Valuation*

*History of Property Valuations*

**History of Tax Levies**

**Tax Collection Record**

## EXHIBIT B

### ANNUAL REPORT CHECKLIST AND INSTRUCTIONS

(Must be submitted electronically, in a searchable pdf.)

**TO:** Commerce Bank  
Attention: \_\_\_\_\_  
E-mail: \_\_\_\_\_  
Telephone: \_\_\_\_\_

**RE:** Submission of Annual Report Pursuant to the Continuing Disclosure Agreement dated as of October 4, 2016 (the "Agreement"), Between North Kansas City School District 74, Clay County, Missouri and Commerce Bank, as Dissemination Agent, as supplemented and amended, relating to \$114,000,000\* General Obligation Improvement Bonds (Missouri Direct Deposit Program), Series 2016B.

Pursuant to the above-referenced Agreement, the undersigned hereby submits to you an Annual Report for the fiscal year ended June 30, \_\_\_\_\_, which Annual Report is required to be filed with the MSRB no later than December 31<sup>st</sup> next following the end of such fiscal year.

This Annual Report includes the below-listed items, in *searchable pdf electronic files*.

**1. Financial Statements:** (*check applicable box*)

- ☐ Audited financial statements
- ☐ (*If audited financial statements are not yet available*) -- Unaudited financial statements

**2. Updated Final Information and Operating Data:**

Updates of the information contained in the tables contained under the following headings in Appendix A of the final Official Statement for the most recent issue of Bonds:

- ☐ GENERAL AND ECONOMIC INFORMATION CONCERNING THE DISTRICT
  - History of Enrollment
- ☐ DEBT STRUCTURE OF THE DISTRICT
  - Current Indebtedness of the District
  - History of Indebtedness
- ☐ PROPERTY TAX INFORMATION CONCERNING THE DISTRICT
  - Property Valuations
    - Current Assessed Valuations
    - History of Assessed Valuations
  - History of Tax Levies
  - Tax Collection Record

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\* Preliminary, subject to change.

**3. Instructions for Filing:** *(check applicable box)*

- ☐ **Filing is Required by Dissemination Agent.** *(check this box if the above-listed information has not already been filed with the MSRB through EMMA).* The Dissemination Agent is hereby instructed to file the attached information with the MSRB through EMMA, as required under Section 2(a) of the Agreement.
- ☐ **No Filing is Required by Dissemination Agent.** *(check this box if the above-listed information has already been filed with the MSRB through EMMA)* The above-listed information has been filed with the MSRB through EMMA, as required under Section 2(a) of the Agreement. *Evidence of filing is attached.*

Date submitted: \_\_\_\_\_

**NORTH KANSAS CITY SCHOOL DISTRICT 74,  
CLAY COUNTY, MISSOURI**

By: \_\_\_\_\_

Name:

Title:

## EXHIBIT C

### NOTICE OF FAILURE TO FILE ANNUAL REPORT

**Name of Issuer:** North Kansas City School District 74, Clay County, Missouri

**Name of Issue:** \$114,000,000\* General Obligation Improvement Bonds (Missouri Direct Deposit Program), Series 2016B (the “**Bonds**”)

**Name of Obligated Person:** North Kansas City School District 74, Clay County, Missouri

**Date of Issuance:** November 17, 2016

**NOTICE IS HEREBY GIVEN** that North Kansas City School District 74, Clay County, Missouri, has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of October 4, 2016, between the North Kansas City School District 74, Clay County, Missouri, and Commerce Bank, as Dissemination Agent. [The Obligated Person has informed the Dissemination Agent that the Obligated Person anticipates that the Annual Report will be filed by \_\_\_\_\_.]

**Dated:** \_\_\_\_\_, \_\_\_\_\_.

**COMMERCE BANK**, as Dissemination Agent on behalf  
of the **NORTH KANSAS CITY SCHOOL  
DISTRICT 74, CLAY COUNTY, MISSOURI**

cc: North Kansas City School District 74, Clay County, Missouri

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\* Preliminary, subject to change.

## APPENDIX D

### FORM OF OPINION OF BOND COUNSEL

North Kansas City School District 74, Clay County, Missouri  
Kansas City, Missouri

[Underwriter]

\_\_\_\_\_, \_\_\_\_\_

Re: \$114,000,000\* North Kansas City School District 74, Clay County, Missouri, General  
Obligation Improvement Bonds (Missouri Direct Deposit Program), Series 2016B

Ladies and Gentlemen:

We have acted as bond counsel to North Kansas City School District 74, Clay County, Missouri (the **“District”**), in connection with the issuance by the District, of the above-captioned bonds (the **“Bonds”**).

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 certified proceedings and other certifications of public officials 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 Bonds are valid and legally binding general obligations of the District, payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the District.

2. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (i) is excludable from gross income for federal income tax purposes, (ii) is exempt from income taxation by the State of Missouri, and (iii) 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. The opinions set forth in this paragraph are subject to the condition that the District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Bonds to be included in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b) of the Code.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

The rights of the owners of the Bonds and the enforceability thereof 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.

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\* Preliminary, subject to change.

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,