

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

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

**For the Fiscal Year Ended June 30, 2017**



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

BOARD OF EDUCATION

Dr. Terrence Ward, President

Ms. Dixie Youngers, Vice President

Dr. Chip Luerding, Treasurer

Mr. Victor Hurlbert, Member

Mr. Terry Stone, Member

Ms. Judy Wartick, Member

Mr. Jay Wilson, Member

Ms. Peggy Cole, Board Secretary

ADMINISTRATIVE LEADERSHIP TEAM \*

Dr. Dan Clemens  
Superintendent of Schools

Mr. Paul Harrell, CPA  
Deputy Superintendent – Operations

Dr. Jill Hackett  
Deputy Superintendent - Academics

Ms. Rochel Daniels  
Executive Director – Organizational Development

Dr. Deborah Delsemme  
Executive Director – Human Resources

Dr. Paul Fregeau  
Assistant Superintendent – Support Services

Mrs. Tammy Henderson  
Executive Director – Community Relations  
Legislative Affairs

Mr. Matthew Fritz  
Executive Director – Finance and Accounting

Dr. J. Michael Pragman  
Executive Director – Data & Accountability

Dr. Chad Sutton  
Assistant to the Superintendent – Pre K-8

Mr. Steve Book  
General Counsel

\* Administrative Leadership Team June 30, 2017.



## 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, 2017, 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, 2017, 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 18 and analysis and other information on pages 72 through 78 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 79 through 93 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 12, 2017, 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.



Marr and Company, P.C.  
Certified Public Accountants

Kansas City, Missouri  
December 12, 2017



## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2017

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, 2017. 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 2016-2017 include the following:

- Beginning fiscal year 2014-2015, 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 Position is \$40.4 million which reflects an increase in Net Position of \$11.1 million.
- The net position increase of \$11.1 million for the year ended June 30, 2017 was comprised of the following elements:

*(dollars in millions)*

	<b>June 30,</b>		<b>\$ Increase/ (Decrease)</b>	<b>% Increase/ (Decrease)</b>
	<b>2017</b>	<b>2016</b>		
Invested in capital assets, net of related debt	\$ 48.4	\$ 82.0	\$ (33.6)	(41.0%)
Restricted for:				
Debt service	70.5	23.2	47.3	203.7%
Capital Projects	117.1	5.2	111.9	2,166.1%
Teachers	-	-	-	
Unrestricted	<u>(195.6)</u>	<u>(81.1)</u>	<u>(114.5)</u>	<u>141.1%</u>
Total Net Position	<u>\$ 40.4</u>	<u>\$ 29.3</u>	<u>\$ 11.1</u>	<u>37.9%</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2017

**Financial Highlights (continued)**

The unrestricted net position decreased \$148.1 million mainly due to changes in the deferred outflows and inflows related to pension plans as well as changes in the actuarially determined pension liability. Debt service increased by \$47.3 million due to issuance of General Obligation and Refunding Bonds in FY17.

- Total assets increased by \$171.4 million attributed to the following elements:

*(dollars in millions)*

	<b>June 30,</b>		<b>\$ Increase/</b>	<b>% Increase/</b>
	<b>2017</b>	<b>2016</b>	<b>(Decrease)</b>	<b>(Decrease)</b>
Cash and investments	\$ 275.1	\$ 120.8	\$ 154.3	127.7%
Receivables	4.6	6.9	(2.3)	(33.1%)
Prepaid expenses and inventory items	1.6	1.6	0.0	0.7%
Capital assets, net of depreciation	318.3	298.9	19.4	6.5%
<b>Total Assets</b>	<b>\$ 599.6</b>	<b>\$ 428.2</b>	<b>\$ 171.4</b>	<b>40.0%</b>

The increase in cash and investments of \$154.3 million is mainly due to the timing of bond proceeds versus capital expenditures and refunding of outstanding bonds. The net increase in capital assets of \$19.4 million is due to construction and remodeling of schools.

- Total liabilities increased by \$202.1 million due to the following items:

	<b>June 30,</b>		<b>\$ Increase/</b>	<b>% Increase/</b>
	<b>2017</b>	<b>2016</b>	<b>(Decrease)</b>	<b>(Decrease)</b>
Accounts payable, salaries and other	\$ 35.8	\$ 35.2	\$ 0.6	1.7%
Current portion of Long-term Debt	64.8	23.0	41.8	181.6%
Noncurrent portion of Long-term Debt	327.1	216.4	110.7	51.1%
<b>Total Liabilities (excluding GASB 68)</b>	<b>\$ 427.7</b>	<b>\$ 274.6</b>	<b>\$ 153.1</b>	<b>55.7%</b>
Share of PSRS/PEERS Pension Liability	195.0	146.0	49.0	33.6%
<b>Total Liabilities</b>	<b>\$ 622.7</b>	<b>\$ 420.6</b>	<b>\$ 202.1</b>	<b>48.0%</b>

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2017

#### Financial Highlights (continued)

The issuance of GO and Refunding bonds in FY17 accounts for the increase in current and noncurrent portions of Long-Term Debt. The current year net pension liability is \$195.0 million which is up \$49.0 million from the prior year net pension liability of \$146.0 million. The share of the Missouri State Pension Liability is a result of the adoption of GASB 68.

Other financial highlights are as follows:

- Total revenues of \$266.9 million consisted of general revenues of \$233.6 million which accounted for 88% of all revenues while program specific revenues (in the form of charges for services and operating grants and contributions) of \$33.3 million accounted for 12% of total revenues.
- The largest source of general revenue for the School District continues to be locally assessed property taxes. In fiscal year 2017, the assessed valuation increased \$79.9 million or 4% to \$2,083.1 million from the prior year. The collection rate, on a full accrual basis of accounting, decreased slightly to 99.4% from 100.1% in the prior year. Total property tax revenue received amounted to \$133.1 million. Property taxes collected, exclusive of all other taxes collected, were \$4.2 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 \$64.7 million from these sources in the current year, an increase of \$4.2 million from the prior year.
- Prop C sales taxes are collected and distributed by the State Department of Revenue. These taxes accounted for \$19.4 million in revenue, an increase of \$0.9 million over the prior year due to increased 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 \$14.5 million in general revenues, an increase of \$0.6 million from the prior year.
- The School District had \$255.8 million in expenses, partially offset by \$33.3 million of program specific charges for services, grants and contributions. General revenues of \$233.6 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, 2017

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

- Among major funds, the General Fund had \$107.1 million in revenues and \$93.2 million in expenditures. A \$7.1 million transfer from the General Fund to the Capital Projects fund was made to finish the 2nd and 3rd floors of the Northland Innovation Center, to continue to service the Apple lease purchase payments, and to acquire land near North Kansas City High School for possible parking lot expansion. A \$1.6 million transfer was made from the General Fund to the Special Revenue fund to cover Special Revenue Fund expenditures. The operating fund balance increased \$5.3 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 \$441,948 due to increased Community Services revenues of \$331,518, increased Food Services revenues of \$148,678, increased Transportation revenues of \$50,114, and decreased Student Activity revenues of \$88,362. The School District received \$4.5 million in revenue from Food Services, \$4.4 million from Community Services, \$2.6 million from Student Activities and \$0.5 million from Transportation. Grants and contributions account for \$20.8 million in program revenues, a decrease of \$0.2 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, 2017

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

Table 1 compares the School District's Net Position as of June 30, 2017 to June 30, 2016.

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

	<u>June 30,</u>		<u>\$ Increase/</u>	<u>% Increase/</u>
	<u>2017</u>	<u>2016</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
<b>ASSETS</b>				
Current Assets	\$ 281.4	\$ 129.4	\$ 152.0	117.52%
Capital Assets – Net	318.2	298.8	19.4	6.49%
Total Assets	<u>599.6</u>	<u>428.2</u>	<u>171.4</u>	<u>40.03%</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Plan Deferred Outflows	<u>104.9</u>	<u>61.4</u>	<u>43.5</u>	<u>70.79%</u>
<b>LIABILITIES</b>				
Other Liabilities	100.6	58.2	42.4	72.92%
Long-Term Liabilities	<u>522.1</u>	<u>362.4</u>	<u>159.7</u>	<u>44.06%</u>
Total Liabilities	<u>622.7</u>	<u>420.6</u>	<u>202.1</u>	<u>48.05%</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Plan Deferred Inflows	<u>41.4</u>	<u>39.6</u>	<u>1.8</u>	<u>4.43%</u>
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	48.4	82.1	(33.7)	(41.09%)
Restricted-Debt Svc	70.5	23.2	47.3	203.72%
Restricted-Capital Projects	117.1	5.2	111.9	2,166.13%
Unrestricted	<u>(195.5)</u>	<u>(81.1)</u>	<u>(114.4)</u>	<u>141.08%</u>
Total Net Position	<u>\$ 40.4</u>	<u>\$ 29.4</u>	<u>\$ 11.0</u>	<u>37.59%</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
For the Year Ended June 30, 2017

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

Table 2 compares the Changes in Net Position for fiscal year ended June 30, 2017 to June 30, 2016.

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

	<u>Year Ended June 30,</u>		<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
	<u>2017</u>	<u>2016</u>		
Program Revenues				
Charges for Services	\$ 12.1	\$ 11.6	\$ 0.5	4.2%
Operating/Capital Grants and Contributions	21.2	20.8	0.4	2.0%
General Revenues:				
Property Taxes	133.2	129.0	4.2	3.2%
Non-restricted Intergovernmental	96.6	91.3	5.3	5.9%
Interest and Investment Earnings	2.1	1.5	0.6	38.6%
Other Miscellaneous Local	1.6	1.6	(0.0)	(1.3%)
Sale/Retirement of Assets	0.1	(1.0)	1.1	(114.7%)
Total Revenues	<u>266.9</u>	<u>254.8</u>	<u>12.1</u>	<u>4.7%</u>
Program Expenses				
Instruction	109.6	117.0	(7.4)	(6.3%)
Student Services	8.5	7.6	0.9	11.5%
Instructional Staff Support	20.7	19.8	0.9	4.8%
Board/Executive and Tech Administration	3.1	2.9	0.2	7.3%
Building Administration	14.7	13.0	1.7	13.1%
General Administration/Central Services	7.8	7.3	0.5	6.4%
Operation of Plant	22.7	19.9	2.8	14.1%
Transportation	11.0	11.1	(0.1)	(0.7%)
Food Service	10.9	10.1	0.8	8.0%
Community Services	5.9	5.3	0.6	11.1%
Facility Acquisition and Construction	28.6	4.0	24.6	619.5%
Interest and Fiscal Charges	12.3	7.5	4.8	63.6%
Total Expenses	<u>255.8</u>	<u>225.5</u>	<u>30.3</u>	<u>13.4%</u>
Increase/(Decrease) in Net Position	<u>\$ 11.2</u>	<u>\$ 29.3</u>	<u>\$ (18.2)</u>	<u>(61.9%)</u>

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2017

#### **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, 2016 was \$255.8 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 \$21.2 million and helped reduce expenses for certain programs. Charges for services offset expenses by \$12.1 million and include items such as tuition reimbursement, activity fees, fees for school lunches 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 \$165.1 million. State aid accounted for \$64.7 million and investment earnings contributed \$18.3 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, 2017

**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, 2017 to June 30, 2016.

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

	Year Ended June 30,			Year Ended June 30,		Year Over		Year Over	
	2017		% of total expenses	2016		Total Cost	Year	Net Cost	Year
	Total Cost of Services	Net Cost of Services		Total Cost of Services	Net Cost of Services	\$ Increase/ (Decrease)	% Increase/ (Decrease)	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Instruction	\$ 109.6	\$ 95.2	42.7%	\$ 117.0	\$ 102.6	\$ (7.4)	(6.3%)	\$ (7.4)	(7.2%)
Student Services	8.5	8.5	3.8%	7.6	7.6	0.9	11.5%	0.9	11.5%
Instructional Staff Support	20.7	20.8	9.3%	19.8	19.8	0.9	4.8%	1.0	5.0%
Board/Executive & Tech Adm	3.1	3.1	1.4%	2.9	2.9	0.2	7.3%	0.2	7.1%
Building Administration	14.7	14.6	6.5%	13.0	13.0	1.7	13.1%	1.6	12.7%
General Adm & Central Svcs	7.8	7.8	3.5%	7.3	7.3	0.5	6.4%	0.5	6.4%
Operation of Plant	22.7	22.6	10.1%	19.9	19.8	2.8	14.1%	2.8	14.2%
Transportation	11.0	8.3	3.7%	11.1	8.4	(0.1)	(0.7%)	(0.1)	(1.0%)
Food Service	10.9	0.2	0.1%	10.1	(0.5)	0.8	8.0%	0.8	(143.4%)
Community Services	5.9	1.2	0.5%	5.3	0.6	0.6	11.1%	0.6	100.6%
Facility Acquisition/Construction	28.6	28.6	12.8%	4.0	4.0	24.6	619.5%	24.6	620.1%
Interest and Fiscal Charges	12.3	12.3	5.5%	7.5	7.5	4.8	63.6%	4.8	64.7%
<b>Total Expenses</b>	<b>\$ 255.8</b>	<b>\$ 223.2</b>	<b>100.0%</b>	<b>\$ 225.5</b>	<b>\$ 193.0</b>	<b>\$ 30.3</b>	<b>13.4%</b>	<b>\$ 30.3</b>	<b>15.7%</b>

*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 Technology Administration.

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, 2017

#### **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 88% 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 \$266.8 million and total expenditures were \$272.8 million. The net change in fund balance for the year in the General Fund was an increase of \$5.3 million. The unrestricted operating fund balance was \$45.3 million at year-end and was 20.2% of total expenditures of the General Fund plus the Special Revenue (Teachers) Fund. This fund balance would exclusively sustain the School District for approximately 52 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 \$1.0 million non-spendable, leaving \$44.3 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, 2017

#### Budgeting Highlights

##### *Operating Funds (General Fund and Special Revenue 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 14, 2016 with amendments being approved on August 30, 2016 and June 30, 2017. 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 2017 the School District amended its operating budget to reflect \$231.6 million for revenue and \$230.7 million for expenditures. Local revenue came in \$1.9 million below budget. With prudent spending and conservative budgeting the actual operating expenditures were \$6.7 million below the final budget.

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

##### *Capital Assets*

As of June 30, 2017, the School District had \$453.9 million invested in land, buildings, furniture and equipment, and vehicles with accumulated depreciation of \$135.7 million, resulting in net investment in capital assets at year-end of \$318.2 million.

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

	<u>June 30,</u>		<u>\$ Increase/</u>	<u>% Increase/</u>
	<u>2017</u>	<u>2016</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Land	\$ 10,183,421	\$ 5,645,472	\$ 4,537,949	80.4%
Construction in Progress (CIP)	11,968,854	24,016,210	(12,047,356)	(50.2%)
Capitalized Interest on CIP	242,753	379,726	(136,973)	(36.1%)
Buildings and Improvements	265,911,147	248,566,855	17,344,292	7.0%
Furniture and Equipment	29,935,031	20,245,191	9,689,840	47.9%
Totals	<u>\$ 318,241,206</u>	<u>\$ 298,853,454</u>	<u>\$ 19,387,752</u>	<u>6.5%</u>

Net capital assets ended at \$318.2 million, an increase of \$19.4 million due to the addition of capital assets of \$25 million partially offset by depreciation expense of \$(5.6) million. In August 2016, the community authorized the School District to issue \$114 million in bonds which allowed the School District to begin building two new elementary schools and remodel and add on to North Kansas City High School in the current year.

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2017

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

##### *Debt Administration*

On June 30, 2017, the School District had \$317.6 million in general obligation bonds, due in varying interest rate charges through the year 2036. These bonds were originally issued for the purpose of capital improvements, building additions, and technology system advancements.

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

	June 30,	
	2017	2016
Series 2016	155,045,000	-
Series 2015	22,155,000	25,645,000
Series 2014	42,105,000	43,740,000
Series 2013	5,250,000	6,315,000
Series 2012	26,250,000	28,950,000
Series 2011	8,945,000	10,235,000
Series 2010	8,340,000	9,685,000
Series 2008	7,570,000	8,140,000
Series 2007	41,955,000	44,345,000
Series 2006	-	2,280,000
Total	<u>\$ 317,615,000</u>	<u>\$ 179,335,000</u>

Missouri statute allows School Districts to incur debt up to an amount equal to 15% of the most current assessed valuation, which includes abated TIF, abated Chapter 135 property, and abated Chapter 353 property. At June 30, 2017, the School District's overall legal debt margin was \$333.7 million, of which \$317.6 million has been issued, offset by a debt service fund balance of \$74.7 million leaving the un-voted debt margin at \$90.8 million.

In August, 2016 the District's community voted overwhelmingly (82%) to approve the issuance of \$114 million in new general obligation debt to fund the construction of two new elementary schools, renovate the 100 year old North Kansas City High School, and provide additional repairs and upgrades throughout the District.

In August, 2016 the District held a Board of Education approved competitive sale to refinance the 2007 and 2008 GO bonds. The refunding received Moody's Aa2 bond rating and lowered the district's average interest rate payable from just over 5% to 1.45% resulting in present value savings of \$7.2 million.

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2017

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

In November, 2016 the District held a voter and Board of Education approved competitive sale to issue \$114 million of new GO Bonds. The result of the competitive sale yielded a true interest cost of 2.72% and keeps the District's promise of a "No Tax Increase" bond issue. The new debt includes bonds with maturity dates ranging from March 1, 2020 through March 1, 2036, Coupons ranging from 2.0% to 4.0%, an average life of approximately 13 years, and on average are priced at \$107.95. The District began making debt service payments March 1, 2017 with a final scheduled payment on March 1, 2036.

Both the Series 2016A refunding and the Series 2016B GO bonds received a rating from Moody's of Aa2. The Aa2 rating reflects the district's large and growing tax base, average wealth indices and modestly growing enrollment. The rating also reflects stable financial performance and reserves, and high yet manageable debt and pension profiles.

The stable outlook reflects an expectation of stable credit fundamentals supported by structurally balanced operations, healthy reserves, no medium term plans for additional debt and conservative management. Additionally, continued growth is expected in the district's tax base given new development and its location within the growing Kansas City, MO metropolitan area.

The rating and the stability demonstrates that the District exhibits strong financial management with a tenured financial staff, multi-year planning and conservative budgeting.

At June 30, 2017, the outstanding balance for the School District on Capital Lease Obligations is \$22.8 million in principal and \$2.6 million in interest for a total of \$25.4 million.

**Table 6**  
**Outstanding Capital Lease Obligations**  
**30-Jun-17**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Apple, Inc. - Student MacBooks	\$ 2,992,766	\$ 44,488	\$ 3,037,253
Apple, Inc. - Staff MacBooks	1,666,502	39,819	1,706,321
CNG Bus Infrastructue	2,207,302	239,332	2,446,635
CNG Buses	10,865,812	1,178,154	12,043,965
CNG Fueling Truck	37,411	1,587	38,998
Navitas Phase IV	4,999,000	1,109,767	6,108,767
	<u>\$ 22,768,793</u>	<u>\$ 2,613,146</u>	<u>\$ 25,381,939</u>

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2017**

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

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. The current year net pension liability is \$195.0 million, an increase of \$49 million dollars. Additionally, the School District recorded deferred outflows related to the pension plan of \$104.9 million dollars and deferred inflows related to pension plans of \$41.4 million dollars. See Notes to Financial Statements for additional details.

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 2017 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 \$7.2 million at June 30, 2017. 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 2016 local assessed property valuation is still near values reported by the Clay County Assessor's office in 2008. The 2016 assessment figures, a non-reassessment year, were based upon 2013 and 2014 home sale values.

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 community support for the School District is strong. In August of 2016 the community voted with a resounding 82% approval of our new money bond issue. 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.

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2017**

#### **Economic Factors and Next Year's Budget (continued)**

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.

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 us at the North Kansas City School District, 2000 NE 46th Street, Kansas City, Missouri, 64116, phone number 816-321-5000.

Matthew 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, 2017

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash & Cash Equivalents	\$ 73,930,126
Investments	136,622,984
Receivables:	
Taxes	608,224
Other Local, net of allowance for uncollectible of \$34,153	657,963
State	1,677,870
Federal	1,703,822
Inventory	742,799
Prepaid Expenses	855,210
Escrowed Cash with Fiscal Agents	64,528,487
Capital Assets:	
Land	10,183,419
Construction in Progress and related Capitalized Interest	12,211,607
Other Capital Assets, net of Accumulated Depreciation	<u>295,846,178</u>
Total Assets	<u>599,568,689</u>
 <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Deferred amounts related to pension plans	<u>104,877,555</u>
 <b><u>LIABILITIES</u></b>	
Accounts Payable	3,760,447
Payroll Withholding	6,872,716
Accrued Wages	11,773,702
Accrued Interest Payable	4,877,641
Retiree Medical Insurance Liability	7,192,500
Compensated Absences	1,317,430
Long-term Liabilities:	
Due within one year	64,767,915
Due in more than one year	<u>522,072,597</u>
Total Liabilities	<u>622,634,948</u>
 <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Deferred amounts related to pension plans	<u>41,406,825</u>
 <b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	48,418,940
Restricted for:	
Debt Service	70,475,841
Bond Capital Projects	117,097,734
Unrestricted	<u>(195,588,044)</u>
Total Net Position	<u>\$ 40,404,471</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, 2017

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
<u>Governmental Activities:</u>		<u>Services &amp;</u>	<u>Grants &amp;</u>	<u>Grants &amp;</u>	<u>Change in</u>
<u>Current:</u>		<u>Sales</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Total</u>
					<u>Governmental</u>
					<u>Activities</u>
Instruction	\$ 109,607,144	\$ 2,601,325	\$ 11,337,318	\$ 73,123	\$ (95,595,378)
Student Services	8,493,089	0	0	0	(8,493,089)
Instructional Staff Support	20,778,483	0	0	0	(20,778,483)
Board/Executive & Tech Admin	3,128,871	0	0	0	(3,128,871)
Building Administration	14,656,768	0	0	0	(14,656,768)
General Admin/Central Services	7,801,393	0	0	0	(7,801,393)
Operation of Plant	22,639,250	0	0	0	(22,639,250)
Transportation	11,026,261	537,884	1,917,850	0	(8,570,527)
Food Services	10,946,068	4,500,202	6,462,801	0	16,935
Community Services	5,870,107	4,438,804	1,446,148	0	14,845
Facilities	28,561,578	0	0	0	(28,561,578)
Interest & Charges	<u>12,324,982</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(12,324,982)</u>
Total Governmental Activities	\$ 255,833,994	\$ 12,078,215	\$ 21,164,117	\$ 73,123	\$(222,518,539)
<u>General Revenues</u>					
Property taxes					133,128,394
Sales tax (Proposition C)					19,423,705
Other local taxes					8,310,353
County taxes and fines					4,226,107
State Aid - Basic formula & Classroom Trust					64,688,661
Interest & Investment Earnings					2,100,845
Miscellaneous Other					<u>1,563,055</u>
Subtotal - General Revenues					<u>233,441,120</u>
Excess of revenues over expenses before special items					10,922,581
Special Items: Gain(Loss) on Sale of Capital Assets					<u>172,165</u>
Change in Net Position					11,094,746
NET POSITION – BEGINNING OF YEAR					<u>29,309,725</u>
NET POSITION – END OF YEAR					\$ <u>40,404,471</u>

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

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**BASIC FINANCIAL STATEMENTS**

*FUND FINANCIAL STATEMENTS*

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017

	General (Incidental) <u>Fund</u>	Special Revenue (Teachers) <u>Fund</u>	Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Totals</u>
<u>ASSETS</u>					
Cash & Cash Equivalents	\$ 12,164,730	\$ 7,519,835	\$ 15,037,939	\$ 39,207,622	\$ 73,930,126
Investments	39,977,443	0	0	96,645,541	136,622,984
Receivables:					
Taxes	263,207	212,084	120,625	12,308	608,224
Local	209,300	0	0	141,290	350,590
State	898,821	763,439	0	15,610	1,677,870
Federal	475,120	1,228,702	0	0	1,703,822
Inventories	631,231	0	0	0	631,231
Prepaid Expenses	386,135	0	0	0	386,135
Escrowed Cash with Fiscal Agent	<u>0</u>	<u>0</u>	<u>59,587,175</u>	<u>0</u>	<u>59,587,175</u>
TOTAL ASSETS	<u>\$ 55,005,987</u>	<u>\$ 9,724,060</u>	<u>\$ 74,745,739</u>	<u>\$ 136,022,371</u>	<u>\$ 275,498,157</u>
 <u>LIABILITIES &amp; FUND BALANCES</u>					
Liabilities:					
Accounts Payable	\$ 700,127	\$ 102,837	\$ 4,700	\$ 2,952,783	\$ 3,760,447
Payroll Withholdings	6,872,716	0	0	0	6,872,716
Accrued Wages	<u>2,152,479</u>	<u>9,621,223</u>	<u>0</u>	<u>0</u>	<u>11,773,702</u>
Total Liabilities	9,725,322	9,724,060	4,700	2,952,783	22,406,865
Fund Balances:					
Nonspendable	1,017,366	0	0	0	1,017,366
Restricted	5,439,977	0	74,741,039	117,097,734	197,278,750
Assigned	0	0	0	15,971,854	15,971,854
Unassigned	<u>38,823,322</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>38,823,322</u>
Total Fund Balances	<u>45,280,665</u>	<u>0</u>	<u>74,741,039</u>	<u>133,069,588</u>	<u>253,091,292</u>
 TOTAL LIABILITIES & FUND BALANCES	 <u>\$ 55,005,987</u>	 <u>\$ 9,724,060</u>	 <u>\$ 74,745,739</u>	 <u>\$ 136,022,371</u>	 <u>\$ 275,498,157</u>

*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, 2017

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$253,091,292

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	\$ 453,869,550	
Accumulated depreciation	(135,628,346)	
		318,241,204
Non-cash donated inventory of food commodities	111,568	
Advance use of short-term medical leave, net of allowance	307,373	
Prepaid insurance premiums	<u>469,075</u>	
		888,016

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

Escrowed cash equivalents with fiscal agent	4,941,312	
Issuance premiums, net of accumulated amortization	(506,077)	
Capital leases – certificates of participation obligation	(22,910,000)	
Capital leases – lease purchase obligation	<u>(22,768,793)</u>	
		(41,243,558)

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	104,877,555	
Deferred inflows for PSRS and PEERS	<u>(41,406,825)</u>	
		63,470,730

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

Accrued interest on long-term debt	(4,877,641)	
Net OPEB obligation for retiree medical insurance	(7,192,500)	
Compensated absences for vacation and comp time	(1,317,430)	
Bond issuance premiums, net of accumulated amortization	(28,061,440)	
Bonds payable obligations	(317,615,000)	
Net pension obligation liability for PSRS and PEERS	<u>(194,979,202)</u>	
		(554,043,213)

TOTAL NET POSITION - GOVERNMENTAL FUNDS \$ 40,404,471

*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, 2017

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Totals</u> <u>Governmental</u> <u>Funds</u>
<b><u>REVENUES</u></b>					
Local	\$ 80,460,813	\$ 65,130,593	\$ 27,233,620	\$ 3,549,242	\$ 176,374,268
County	1,615,539	1,688,077	853,897	68,594	4,226,107
State	15,703,642	55,128,045	0	43,537	70,875,224
Federal	8,433,569	5,862,923	0	2,799	14,299,291
Other	<u>961,285</u>	<u>20,400</u>	<u>0</u>	<u>0</u>	<u>981,685</u>
Total Revenues	107,174,848	127,830,038	28,087,517	3,664,172	266,756,575
<b><u>EXPENDITURES</u></b>					
Current:					
Instruction	11,447,285	86,733,858	0	233,540	98,414,683
Special Education Instruction	8,151,994	19,944,013	0	15,610	28,111,617
Student Services	4,259,346	3,925,178	0	0	8,184,524
Instructional Staff Support	8,208,593	7,462,896	0	4,004,294	19,675,783
Board/Executive & Tech Admin	2,865,336	682,477	0	0	3,547,813
Building Administration	5,496,018	8,624,020	0	0	14,120,038
General Admin & Central Services	5,450,641	994,393	0	74,795	6,519,829
Operation of Plant	20,948,200	0	0	1,221,300	22,169,500
Transportation	11,944,818	0	0	1,300,358	13,245,176
Food Services	9,758,326	0	0	512,245	10,270,571
Community Services	4,624,180	1,054,667	0	0	5,678,847
Facilities Acquisition/Construction	0	0	0	13,263,116	13,263,116
Debt Service:					
Principal	0	0	16,765,000	1,075,000	17,840,000
Interest and Charges	<u>0</u>	<u>0</u>	<u>10,182,087</u>	<u>1,618,916</u>	<u>11,801,003</u>
Total Expenditures	<u>93,154,737</u>	<u>129,421,502</u>	<u>26,947,087</u>	<u>23,319,174</u>	<u>272,842,500</u>
Excess(Deficiency) of Revenues over Expenditures	14,020,111	(1,591,464)	1,140,430	(19,655,002)	(6,085,925)
Other Financing Sources (Uses):					
Sale of District Property	484	0	0	1,798,757	1,799,241
Premium on Bonds Sold	0	0	6,776,883	9,379,381	16,156,264
Proceeds from Sale of Bonds	0	0	0	114,000,000	114,000,000
Proceeds from Refunding Bonds	0	0	41,045,000	0	41,045,000
Transfers In / (Out)	<u>(8,741,253)</u>	<u>1,591,464</u>	<u>0</u>	<u>7,149,789</u>	<u>0</u>
Total Other Financing Sources(Uses)	<u>(8,740,769)</u>	<u>1,591,464</u>	<u>47,821,883</u>	<u>132,327,927</u>	<u>173,000,505</u>
Net Change in Fund Balances	5,279,342	0	48,962,313	112,672,925	166,914,580
FUND BALANCES, JUNE 30, 2016	<u>40,001,323</u>	<u>0</u>	<u>25,778,726</u>	<u>20,396,663</u>	<u>86,176,712</u>
FUND BALANCES, JUNE 30, 2017	\$ <u>45,280,665</u>	\$ <u>0</u>	\$ <u>74,741,039</u>	\$ <u>133,069,588</u>	\$ <u>253,091,292</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, 2017

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 166,914,580

Variations 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>	25,561,302
	<i>Capitalized leases and COPs</i>	(651,577)
	<i>Depreciation expense</i>	(17,822,841)
	<i>Gain on sale, sale proceeds</i>	(1,627,076)
 Federal food commodities are not recorded in funds & inventoried in activities.		
	<i>Commodities received</i>	824,678
	<i>Commodities consumed</i>	(965,008)
 Accounts receivable for employee short-term medical leave.		45,082
 Insurance premiums are expensed in funds and recorded as prepaids in activities.		(37,945)
 The OPEB cost for retiree medical insurance is recorded in activities.		(1,048,100)
 Compensated absences liability is recorded in activities and not in the funds.		(44,788)
 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>	(1,788,154)
 Bond premiums are recognized as other financing sources in funds and capitalized and amortized in activities.	<i>Premium issued</i>	(16,156,264)
	<i>Premium amortization</i>	2,299,182
 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>Bonds paid</i>	16,765,000
	<i>Bonds issued</i>	(155,045,000)
 Certificates of Participation issuance cost, underwriter discount, obligation payments, and amortization of issuance premiums are not reported in the funds.		
	<i>Payment on COPs</i>	1,075,000
	<i>Premium amortization</i>	39,993
 Pension expense (PSRS/PEERS) reported in activities do not require use of current resources, not reported in funds.		<u>(7,243,318)</u>
 <b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b>\$ <u>11,094,746</u></b>

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, 2017

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## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS

June 30, 2017

#### 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 1,481 non-certificated employees, 1,518 certificated, full-time teaching personnel and 138 administrative employees who provide services to 19,505 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, 2017

### 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, 2017, 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, 2017

### 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.

Governmental fund statements are reported using 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, 2017

### 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.

##### Escrowed 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 "Escrowed 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).

##### *Investment Valuation*

The School District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District does not have any investments that are measured using Level 3 inputs.

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity (continued)

Prepaid Items

Payments made to vendors for services that will benefit a period beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which the services are consumed.

Inventory

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

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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, 2017

### 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 2016-2017 school year contracts paid in July and August 2017 was included in accrued salaries and wages at June 30, 2017. 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, 2017

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 Deputy Superintendent of Operations 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, 2017, 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, 2017

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	\$ 631,23	\$ 0	\$ 0	\$ 0	\$ 631,231
Prepaid Expense	<u>386,135</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>386,135</u>
Total Nonspendable	1,017,366	0	0	0	1,017,366
Restricted:					
Activity Funds	1,609,289	0	0	0	1,609,289
Food Service	3,830,688	0	0	0	3,830,688
Debt Service	0	0	74,741,039	0	74,741,039
Bond Projects	<u>0</u>	<u>0</u>	<u>0</u>	<u>117,097,734</u>	<u>117,097,734</u>
Total Restricted	5,439,977	0	74,741,039	117,097,734	197,278,750
Assigned:					
Capital Projects	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,971,854</u>	<u>15,971,854</u>
Total Assigned	0	0	0	15,971,854	15,971,854
Unassigned					
	<u>38,823,322</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>38,823,322</u>
Total Fund Balances	\$ <u>45,280,665</u>	\$ <u>0</u>	\$ <u>74,741,039</u>	\$ <u>133,069,588</u>	\$ <u>253,091,292</u>

Retirement Pension Plans

*Public School and Education Employee Retirement Systems of Missouri*

Financial reporting information pertaining to the School District's participation in the Public School Retirement System of Missouri and the Public Education Employee Retirement System of Missouri (PSRS and PEERS, also referred to as the Systems) is prepared in accordance with GASB No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB 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 and PEERS have been determined on the same basis as they are reported by the Systems. 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 the Systems. Expenses are recognized when the liability is incurred, regardless of when payment is made. Investments are reported at fair value on a trade date basis. The fiduciary net position is reflected in the measurement of the district's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense. A Comprehensive Annual Financial Report ("CAFR") can be obtained at [www.psr-peers.org](http://www.psr-peers.org).



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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity (continued)

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Revenues and Expenditures (continued)

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.

H. Adoption of Governmental Accounting Standards Statements

GASB Statement No. 77

For the year ended June 30, 2017, the School District adopted GASB Statement No. 77, *Tax Abatement Disclosures*. For financial reporting purposes, this statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This statement requires specific information to be disclosed regarding tax abatement agreements. The requirements of this Statement are effective for the School District's fiscal year ended June 30, 2017. The adoption of this statement included the necessary disclosures in these School District's financial statements.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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, 2017, 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 2016 for purposes of local taxation, excluding tax increment financing assessed valuation, and abated Chapter 135 and Chapter 353 properties, as follows.

	<u>Assessed Valuation as of 12/31/2016</u>	<u>Assessment Rate</u>	<u>Estimated Actual Valuation</u>	<u>% of Total Estimated Actual Valuation</u>
Real Property				
Residential	\$1,168,645,662	19.0%	\$6,150,766,642	68.69%
Agricultural	2,736,476	12.0%	22,803,967	0.25%
Commercial	<u>368,003,626</u>	32.0%	<u>1,150,011,331</u>	<u>12.84%</u>
Total Real Property	1,539,385,764		7,323,581,940	81.78%
Personal Property	<u>543,667,764</u>	33.3% <sup>(1)</sup>	<u>1,631,003,292</u>	<u>18.22%</u>
Total Property	<u>\$2,083,053,528</u>		<u>\$8,954,585,232</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, 2017

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 2016 for purposes of local taxation was as follows:

General (Incidental) Fund	\$ 2.7684
Special Revenue (Teachers) Fund	2.2400
Debt Service Fund	1.2900
Capital Projects Fund	<u>0.1300</u>
Total	\$ <u>6.4284</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2017, aggregated 101.0% 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, 2017, 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, 2017, 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, 2017

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, 2017, 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, 2017, the fair market value of the School District's investments was \$136,411,139.

As of June 30, 2017, the School District had the following investments.

<u>Investment Type</u>	<u>Par</u>	<u>Investment Cost</u>	<u>Original Maturities</u>	
			<u>&lt; 1 Year</u>	<u>1-5 Years</u>
Term investment	\$ 27,500,000	\$ 27,500,000	\$ 27,500,000	\$ 0
FDIC insured bank CDs	2,936,000	2,936,000	0	2,936,000
U.S. Treasury bonds, notes	20,630,000	20,820,261	0	20,820,261
Federal agency notes - various	28,170,000	28,218,914	0	28,218,914
Commercial paper - various	<u>57,500,000</u>	<u>57,163,077</u>	<u>57,163,077</u>	<u>0</u>
Totals	\$ <u>136,736,000</u>	\$ <u>136,638,252</u>	\$ <u>84,663,077</u>	\$ <u>51,975,175</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

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

Credit Risk

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

*Concentration of Credit Risk*

The 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, 2017, were as follows:

	Beginning Balance <u>6/30/2016</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>6/30/2017</u>	Due Within <u>One Year</u>
General Obligation Bonds Payable	\$179,335,000	\$155,045,000	\$(16,765,000)	\$317,615,000	\$55,815,000
Unamortized Premium on Bonds	14,204,358	16,156,264	(2,299,182)	28,061,440	3,867,599
Capital Lease Obligation	21,365,037	4,999,000	(3,595,244)	22,768,793	3,665,323
Certificates of Participation (COP)	23,985,000	0	(1,075,000)	22,910,000	1,380,000
Unamortized Premium on COPs	546,070	0	(39,993)	506,077	39,993
Net Pension Plan Liability	<u>146,025,626</u>	<u>84,810,515</u>	<u>(35,856,939)</u>	<u>194,979,202</u>	<u>0</u>
Total Long-term Liabilities	<u>\$385,461,091</u>	<u>\$261,010,779</u>	<u>\$(59,631,358)</u>	<u>\$586,840,512</u>	<u>\$64,767,915</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

B. Long-term Liabilities (continued)

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, 2017, consisted of the following.

General obligation bonds, issue of 2007, due in varying annual installments through March 1, 2027, interest at 4.0% to 5.0%; to be refunded on March 1, 2018 with escrowed proceeds from refunding bonds Series 2016A	\$ 41,955,000
General obligation bonds, issue of 2008, due in varying annual installments through March 1, 2028, interest at 4.0% to 5.5%; to be refunded on March 1, 2019 with escrowed proceeds from refunding bonds Series 2016A	7,570,000
General obligation refunding bonds, issue of 2010, due in varying annual installments through March 1, 2021, interest at 2.0% to 3.5%	8,340,000
General obligation refunding bonds, issue of 2011, due in varying annual installment through March 1, 2023, interest at 2.0% to 4.89%	8,945,000
General obligation refunding bonds, issue of 2012, due in varying annual installments through March 1, 2025, interest at 2.0% to 5.0%	26,250,000
General obligation refunding bonds, issue of 2013, due in varying annual installments through March 1, 2022, interest at 2.0% to 4.25%	5,250,000
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%	42,105,000
General obligation refunding bonds, issue of 2015, due in varying annual installments through March 1, 2022, interest at 2.0% to 5.0%	22,155,000
General obligation refunding bonds, issue of 2016A, due in varying annual installments through March 1, 2028, interest at 2.0% to 5.0%	41,045,000
General obligation building bonds, issue of 2016B, due in varying annual installments through March 1, 2036, interest at 2.0% to 4.0%	<u>114,000,000</u>
Total Bonds Payable	<u>\$ 317,615,000</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

B. Long-term Liabilities (continued)

General Obligation Bonds Payable (continued)

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, 2017, was \$11,487,828.

Debt service requirements as of June 30, 2017, was as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 55,815,000	\$ 12,795,595	\$ 68,610,595
2019	23,650,000	10,173,520	33,823,520
2020	18,570,000	9,053,957	27,623,957
2021	19,455,000	8,396,782	27,851,782
2022	20,670,000	7,695,283	28,365,283
2023 to 2027	93,125,000	25,365,845	118,490,845
2028 to 2032	46,700,000	11,392,020	58,092,020
2033 to 2036	<u>39,630,000</u>	<u>3,175,965</u>	<u>42,805,965</u>
	<u>\$ 317,615,000</u>	<u>\$ 88,048,967</u>	<u>\$ 405,663,967</u>

Article VI, Section 26(b), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a district to 15% of the assessed valuation of a district. The following calculation reflects the addition of tax increment financing (TIF) assessed valuation, and abated Chapter 135 and Chapter 353 properties.

Assessed Valuation as of 12/31/2016	\$ 2,083,053,528	
Add: Abated TIF property	110,990,880	
Add: Abated Chapter 135 property	13,049,360	
Add: Abated Chapter 353 property	<u>17,508,510</u>	
Combined Assessed Valuation	\$ 2,224,602,278	
Constitutional Debt Limit	\$ 333,690,342	(15% of Assessed Val.)
General Obligation Bonds Payable	(317,615,000)	
Amount Available in Debt Service Fund	<u>74,741,039</u>	
Total Legal Debt Margin	<u>\$ 90,816,381</u>	



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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

B. Long-term Liabilities (continued)

Capital Lease Obligation

*Apple MacBook computers*

On March 27, 2012, the Board of Education approved and signed a master lease purchase agreement with Apple Inc. Financial Services (“Apple”) effective April 28, 2012 to purchase new computers through capital lease purchase transactions. The School District signed individual contract agreements with specific funding and repayment schedules for each purchase.

Effective October 23, 2014, the School District purchased 6,200 new MacBook Air laptops for high school students through a lease purchase contract with Apple. 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.

Effective May 20, 2016, an additional lease purchase contract was signed with Apple for 2,000 MacBook Air laptops for staff and 150 MacBook Air laptops for the Northland Innovation Center. Beginning July 2016, the agreement requires four annual payments of \$568,774 due on July 1st of every year totaling \$2,275,095, which includes total interest of \$42,845 and principal of \$2,232,250.

The following is a schedule of future lease expense under the Apple lease purchase agreements.

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,037,959	\$ 49,441	\$ 2,087,400
2019	2,059,224	28,176	2,087,400
2020	<u>562,085</u>	<u>6,690</u>	<u>568,775</u>
	\$ <u>4,659,268</u>	\$ <u>84,307</u>	\$ <u>4,743,575</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

B. Long-term Liabilities (continued)

Capital Lease Obligation (continued)

*Transportation – CNG Buses and Infrastructure*

On March 10, 2015, the Board of Education approved the Transportation Committee’s recommendation and signed a master installment purchase agreement with Mercedes-Benz Financial Services (MBFS) effective April 15, 2015 to purchase new buses and facility infrastructure through a combination of operating leases and capital lease purchase transactions. The School District signed individual contract agreements with specific funding and repayment schedules for each purchase. The three capital lease purchase agreements are outlined below.

Effective April 5, 2016, the School District purchased 94 CNG school buses for a term of 10 years through a lease purchase contract with MBFS. The School District will capitalize the 94 CNG school buses. Beginning July 2016, the agreement requires 10 annual payments of \$1,338,218 due on July 1st of every year totaling \$13,382,184, which includes total interest of \$1,231,833 and principal of \$12,150,351.

Effective April 5, 2016, the School District purchased a CNG fueling truck for a term of five years through a lease purchase contract with MBFS. The School District will capitalize the CNG fueling truck. Beginning July 2016, the agreement requires five annual payments of \$9,750 due on July 1st of every year totaling \$48,748, which includes total interest of \$1,753 and principal of \$46,995.

Effective April 5, 2016, the School District purchased CNG infrastructure and building modifications for a term of 10 years through a lease purchase contract with MBFS. The School District will capitalize the CNG infrastructure and building modifications. Beginning July 2016, the agreement requires 10 annual payments of \$271,848 due on July 1st of every year totaling \$2,718,483, which includes total interest of \$250,237 and principal of \$2,468,246.

The following is a schedule of future lease expense under the MBFS lease purchase agreements.

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,555,067	\$ 64,749	\$ 1,619,816
2018	1,343,363	276,453	1,619,816
2019	1,371,667	248,149	1,619,816
2020	1,400,568	219,248	1,619,816
2021	1,430,078	189,738	1,619,816
2022-2026	<u>7,564,849</u>	<u>485,486</u>	<u>8,050,335</u>
	<u>\$ 14,665,592</u>	<u>\$ 1,483,823</u>	<u>\$ 16,149,415</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

B. Long-term Liabilities (continued)

Capital Lease Obligation (continued)

*Energy Cost Savings Improvements – Phase IV*

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, issued Certificates of Participation (COPs) as noted below in Note 3.B. (Phases I, II, and III). In addition, the District entered into a base lease purchase agreement with Bank of America for energy cost savings improvements in the amount of \$4,999,000 on March 14, 2017. The following is a schedule of future payments related to the lease purchased agreement for Phase IV and related guaranteed energy and operational savings.

Fiscal Year Ending June 30	Lease Payments			Cumulative Total Lease Payments	Total Guaranteed Energy and Operational Savings <sup>(1)</sup>
	Principal	Interest	Total		
2018	\$ 284,000	\$ 123,542	\$ 407,542	\$ 407,542	\$ 154,810
2019	283,000	124,476	407,476	815,018	283,355
2020	290,000	117,005	407,005	1,222,023	416,389
2021	298,000	109,349	407,349	1,629,372	554,072
2022	306,000	101,482	407,482	2,036,854	696,570
2023-2027	1,653,000	381,982	2,034,982	4,071,836	1,487,522
2028-2032	<u>1,885,000</u>	<u>151,932</u>	<u>2,036,932</u>	6,108,768	2,427,460
Total	\$ <u>4,999,000</u>	\$ <u>1,109,768</u>	\$ <u>6,108,768</u>		

<sup>(1)</sup> Includes Annual Energy Savings and Annual Operational Savings, but excludes \$3,314,864 in Future Capital Cost Avoidance Savings, which the parties to the Energy Contract have stipulated will be realized upon completion of Phase IV.

The following is a combined schedule of future lease expense under all agreements.

Year ended June 30,	Principal	Interest	Total
2018	\$ 3,665,323	\$ 449,436	\$ 4,114,759
2019	3,713,891	400,801	4,114,692
2020	2,252,653	342,943	2,595,596
2021	1,728,078	299,088	2,027,166
2022	1,756,460	261,089	2,017,549
2023-2027	7,767,389	707,860	8,475,249
2028-2032	<u>1,885,000</u>	<u>151,932</u>	<u>2,036,932</u>
	\$ <u>22,768,794</u>	\$ <u>2,613,149</u>	\$ <u>25,381,943</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

B. Long-term Liabilities (continued)

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 in the amount of \$5,170,000 on December 1, 2014, Series 2015 in the amount of \$9,175,000 on April 2, 2015 and Series 2015A in the amount of \$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.

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 saving.

Phase I, II & III Projects –  
Financed with Proceeds of the Series 2014, 2015 & 2015A Certificates

Fiscal Year Ending June 30	Lease Payments			Cumulative Total Lease Payments	Total Guaranteed Energy and Operational Savings <sup>(2)</sup>
	Principal	Interest	Total		
2018	\$ 1,380,000	\$ 725,156	\$ 2,105,156	\$ 4,088,313	\$ 4,415,658
2019	1,470,000	676,656	2,146,656	6,234,970	6,060,835
2020	1,490,000	624,881	2,114,881	8,349,851	7,768,840
2021	1,505,000	572,906	2,077,906	10,427,757	9,542,097
2022	1,575,000	523,556	2,098,556	12,526,313	11,383,123
2023-2027	8,785,000	1,823,919	10,608,919	23,135,232	21,700,012
2028-2031	<u>6,705,000</u>	<u>417,959</u>	<u>7,122,959</u>	30,258,192	29,841,461
Total	\$ <u>22,910,000</u>	\$ <u>5,365,035</u>	\$ <u>28,275,035</u>		

<sup>(2)</sup> 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, 2017

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, 2017, were as follows.

	Balance		Increases	Decreases	Balance
	<u>June 30, 2016</u>		<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>
Land	\$ 5,645,472	\$	4,537,947	\$ 0	\$ 10,183,419
Construction in progress, capitalized interest	24,395,936		15,982,554	28,166,883	12,211,607
Buildings	338,997,148		27,122,101	0	366,119,249
Furniture	<u>59,844,504</u>		<u>19,361,948</u>	<u>13,851,177</u>	<u>65,355,275</u>
	428,883,060		67,004,550	42,018,060	453,869,550
Less accumulated depreciation	<u>130,029,606</u>		<u>17,822,841</u>	<u>12,224,101</u>	<u>135,628,346</u>
Net Capital Assets	<u>\$ 298,853,454</u>	\$	<u>49,181,709</u>	\$	<u>29,793,959</u>
					<u>\$ 318,241,204</u>

During the current fiscal year, the School District transferred \$28,166,883 of completed construction in progress projects and related capitalized interest to the furniture and buildings and improvements accounts, resulting in net additions totaling \$38,837,667.

Depreciation expense was charged by function as shown below.

Instruction	\$ 14,354,382
Instructional staff support	750,437
Administration	197,224
Operation of plant	218,018
Transportation	1,883,832
Food service	413,841
Community Service	<u>5,107</u>
	<u>\$ 17,822,841</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

D. Inter-fund Transfers

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

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Those transfers made by the School District at June 30, 2017, 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 Calculation Cost

This is a transfer from the general fund to the capital projects' fund for an amount based on prior year allowable transportation capital outlay expenditures, including school bus and facility depreciation.

“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	\$ (720,154)	\$ 720,154	\$ 0
Student Activities	(21,910)	21,910	0
7% x SAT x WADA	(5,795,789)	5,795,789	0
7% x SAT x WADA	(611,935)	611,935	0
“Zero” Teachers Fund	<u>(1,591,464)</u>	<u>0</u>	<u>1,591,464</u>
	\$ <u>(8,741,252)</u>	\$ <u>7,149,788</u>	\$ <u>1,591,464</u>

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

##### 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.

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, 2017, the estimated amount owed to the School District was \$341,525 of which \$ 34,152 was reserved for uncollectability.

#### NOTE 4: OTHER NOTES

##### A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS)

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

*Plan Description.* Public School Retirement System of Missouri (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.

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

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 4: OTHER NOTES (continued)

A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) (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 was used to calculate benefits for members who have 31 or more years of service. Actuarially age-reduced benefits are available for members with five to 24.9 years of service at age 55. Members who are younger than age 55 and who do not qualify under the "Rule of 80" but have between 25 and 29.9 years of service may retire with a lesser benefit factor. Members that are three years beyond normal retirement can elect to have their lifetime monthly benefits actuarially reduced in exchange for the right to also receive a one-time partial lump sum (PLSO) payment at retirement equal to 12, 24, or 36 times the Single Life benefit amount.

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

Summary Plan Descriptions detailing the provisions of the plans can be found on the Systems' website at [www.psr-peers.org](http://www.psr-peers.org).

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



## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

##### A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) (continued)

*Contributions* . PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2015, 2016, and 2017. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 1% of pay. Contributions for employees of the State of Missouri were made by the state in accordance with the actuarially determined contribution rate needed to fund current costs and prior service costs of state employees as authorized in Section 104.342.8 RSMo.

PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2015, 2016, and 2017. Employers were required to match the contributions made by employees. The contribution rate is set each year by the PSRS Board of Trustees upon the recommendation of the independent actuary within the contribution restrictions set in Section 169.030 RSMo. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay.

The School District's contributions to PSRS and PEERS were \$15,992,248 and \$3,138,407, respectively, for the year ended June 30, 2017.

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

At June 30, 2017, the School District recorded a liability of \$172,184,054 for its proportionate share of PSRS' net pension liability and \$22,795,148 for its proportionate share of PEERS' net pension liability. In total the School District recorded net pension liabilities of \$194,979,202. The net pension liability for the plans in total was measured as of June 30, 2016, 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 paid to PSRS and PEERS of \$15,501,055 and \$3,009,720, respectively, for the year ended June 30, 2016, relative to the actual contributions of \$669,858,142 for PSRS and \$105,934,385 for PEERS from all participating employers. At June 30, 2016, the School District's proportionate share was 2.3141% for PSRS and 2.8411% for PEERS.

For the year ended June 30, 2017, the School District recognized pension expense of \$22,002,117 for PSRS and \$4,373,076 for PEERS, its proportionate share of the total pension expense. The School District also recognized expense of \$5,239 for contributions to PSRS related to employee reciprocity and other service transfers.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 4: OTHER NOTES (continued)

A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) (continued)

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources from the following sources related to PSRS and PEERS pension benefits:

	<b>PSRS</b>		<b>PEERS</b>		<b>District Total</b>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Balance of Deferred Outflows and Inflows Due to:						
Differences between expected and actual experience	\$ 12,388,566	\$ 13,155,927	\$ 659,828	\$ 1,335,997	\$ 13,048,394	\$ 14,491,924
Changes of assumptions	1,947,464	0	1,357,679	0	3,305,143	0
Net difference between projected and actual earnings on pension plan investments	58,509,639	22,829,137	8,286,037	3,089,771	66,795,676	25,918,908
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,343,783	984,447	253,904	11,546	2,597,687	995,993
Employer contributions subsequent to the measurement date	<u>15,992,248</u>	<u>0</u>	<u>3,138,407</u>	<u>0</u>	<u>19,130,655</u>	<u>0</u>
Total	\$ <u>91,181,700</u>	\$ <u>36,969,511</u>	\$ <u>13,695,855</u>	\$ <u>4,437,314</u>	\$ <u>104,877,555</u>	\$ <u>41,406,825</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 4: OTHER NOTES (continued)

A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) (continued)

Amounts reported as deferred outflows of resources resulting from contribution subsequent to the measurement date of June 30, 2016, will be recognized as a reduction to the net pension liability in the year ended June 30, 2017. Other amounts reported as collective deferred (inflows) / outflows of resources are to be recognized in pension expense as follows:

Year Ending June 30,	<u>PSRS</u>	<u>PEERS</u>	<u>District Total</u>
2018	\$ 5,752,974	\$ 1,086,236	\$ 6,839,211
2019	5,752,974	1,166,168	6,919,142
2020	17,167,543	2,406,260	19,573,803
2021	10,725,152	1,461,470	12,186,622
2022	(766,522)	0	(766,522)
Thereafter	<u>(412,180)</u>	<u>0</u>	<u>(412,180)</u>
	<u>\$ 38,219,942</u>	<u>\$ 6,120,134</u>	<u>\$ 44,340,076</u>

Actuarial Assumptions

Actuarial Valuations of the Systems involves estimates of the reported amount and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Board of Trustees adopts actuarial assumptions, each of which individually represents a reasonable long-term estimate of anticipated experience for the Systems, derived from experience studies conducted every fifth year. The most recent comprehensive experience studies were completed in June 2016. All economic and demographic assumptions were reviewed and updated, where appropriate, based on the results of the study and effective with the June 30, 2016 valuation. Significant actuarial assumption and method changes are detailed below. For additional information please refer to the Systems' CAFR. The next experience studies are scheduled for 2021.

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

NOTE 4: OTHER NOTES (continued)

A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) (continued)

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

- Measurement Date		June 30, 2016
- Valuation Date		June 30, 2016
- Expected Return on Investments		7.75% net of investment expenses and including 2.25% inflation
- Inflation		2.25%
- Total Payroll Growth	PSRS	2.75% per annum, consisting of 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.
	PEERS	3.25% per annum, consisting of 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.
- Future Salary Increases	PSRS	3.00% - 9.50%, depending on service and including 2.25% inflation, 0.25% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.25% of real wage growth due to productivity.
	PEERS	4.00% - 11.00%, depending on service and including 2.25% inflation, 0.50% real wage growth due to the inclusion of active health care costs in pensionable earnings, and 0.50% of real wage growth due to productivity.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 4: OTHER NOTES (continued)

A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) (continued)

Actuarial Assumptions (continued)

- Cost-of-Living Increases	PSRS & PEERS	The long-term cost-of-living adjustment (COLA) assumed in the valuation is 1.50% per year, based on the current policy of the Board to grant a 0.00% COLA when annual inflation, as measured by the CPI-U index for a fiscal year, increases between 0.00% and 2.00% and to grant 2.00% when the increase is between 2.00% and 5.00%. The actuarial assumption increases from 1.00% to 1.50% over ten years (from fiscal year 2017 to fiscal year 2027). The COLA applies to service retirements and beneficiary annuities. The COLA does not apply to the benefits for in-service death payable to spouses (where the spouse is over age 60), and does not apply to the spouse with children pre-retirement death benefit, the dependent children pre-retirement death benefit, or the dependent parent death benefit. The total lifetime COLA cannot exceed 80% of the original benefit. PSRS member receive a COLA on the second January after retirement, while PEERS members receive a COLA on the fourth January after retirement.
- Mortality Assumption		
Actives:	PSRS	RP 2006 White Collar Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
	PEERS	RP 2006 Total Dataset Employee Mortality Table, multiplied by an adjustment factor of 0.75 at all ages for both males and females, with static projection using the 2014 SSA Improvement Scale to 2028.
Non-disabled Retirees, Beneficiaries and Survivors:	PSRS	RP-2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
	PEERS	RP-2006 Total Dataset Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

NOTE 4: OTHER NOTES (continued)

A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) (continued)

Actuarial Assumptions (continued)

Disabled Retirees:	PSRS & PEERS	RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
- Changes in Actuarial Assumptions and Methods		An experience study was completed in June 2016 resulting in an update to the following assumptions:
	PSRS & PEERS	The inflation assumption decreased from 2.50% to 2.25% per year.
	PSRS	The payroll growth assumption decreased from 3.50% to 2.75% per year.
		The future salary increase assumption decreased from 4.00%-10.00%, depending on service to 3.00%-9.50%, depending on service.
		The investment return assumption decreased from 8.00% to 7.75% per year.
		The active mortality assumption changed from the RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA to 75% of the RP-2006 White Collar Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
		The non-disabled retiree mortality assumption changed from the RP 2000 Mortality Table set back one year for both males and females, then projected to 2016 using Scale AA to the RP-2006 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.
		The disabled retiree mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to the RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017

NOTE 4: OTHER NOTES (continued)

A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) (continued)

Actuarial Assumptions (continued)

- Changes in Actuarial Assumptions and Methods (continued)

PEERS The payroll growth assumption decreased from 3.75% to 3.25% per year.

The future salary increase assumption decreased from 5.00%-12.00%, depending on service to 4.00%-11.00%, depending on service.

The investment return assumption decreased from 8.00% to 7.75% per year.

The active mortality assumption changed from the RP 2000 Mortality Table set back one year for males and six years for females, then projected to 2016 using Scale AA to 75% of the RP-2006 Total Dataset Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.

The non-disabled retiree mortality assumption changed from the RP 2000 Mortality Table set forward one year for males and no set back/forward for females, then projected to 2016 using Scale AA to the RP-2006 Total Dataset Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale.

The disabled retiree mortality assumption changed from the RP 2000 Disabled Retiree Mortality Table to the RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.

PSRS & PEERS In addition, the Board adopted a new COLA policy during fiscal 2016 resulting in a decrease in the future COLA assumption from 2.00% per year to a variable, increasing assumption of 1.00%-1.50% over ten years beginning January 1, 2018.

- Fiduciary Net Position

The Systems issue a publicly available financial report that can be obtained at [www.psr-peers.org](http://www.psr-peers.org).

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 4: OTHER NOTES (continued)

A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) (continued)

Actuarial Assumptions (continued)

- Expected Rate of Return

The long-term expected rate of return on investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed rate of return. The long-term expected rate of return on the Systems' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of returns (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems' target allocation as of June 30, 2016 are 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.



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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 4: OTHER NOTES (continued)

A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) (continued)

Actuarial Assumptions (continued)

- Expected Rate of Return (continued)

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-term Expected Real Return Arithmetic Basis</u>	<u>Weighted Long- term Expected Real Return Arithmetic Basis</u>
U.S. Public Equity	27.0%	5.16%	1.39%
Public Credit	7.0%	2.17%	0.15%
Hedged Assets	6.0%	4.42%	0.27%
Non-U.S. Public Equity	15.0%	6.01%	0.90%
U.S. Treasuries	16.0%	0.96%	0.15%
U.S. TIPS	4.0%	0.80%	0.03%
Private Credit	4.0%	5.60%	0.22%
Private Equity	12.0%	9.86%	1.18%
Private Real Estate	<u>9.0%</u>	3.56%	<u>0.32%</u>
Total	<u>100.0%</u>		4.61%
		Inflation	<u>2.25%</u>
		Long-term arithmetical nominal return	6.86%
		Effect of covariance matrix	<u>0.89%</u>
		Long-term expected geometric return	<u>7.75%</u>

- Discount Rate

The long-term expected rate of return used to measure the total pension liability was 7.75% as of June, 30, 2016, and is consistent with the long-term expected geometric return on plan investments. The actuarial assumed rate of return was 8.0% from 1980 through fiscal year 2016. The Board of Trustees adopted a new actuarial assumed rate of return of 7.75% based on the actuarial experience studies and asset-liability study conducted during the current year. 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.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 4: OTHER NOTES (continued)

A. Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) (continued)

Actuarial Assumptions (continued)

- Discount Rate Sensitivity

The sensitivity of the School District's net pension liabilities to changes in the discount rate is presented below. The School District's net pension liabilities calculated using the discount rate of 7.75% is presented as well as the net pension liabilities using a discount rate that is 1.0% lower (6.75%) or 1.0% higher (8.75%) than the current rate.

	Discount Rate	1% Decrease <u>(6.75%)</u>	Current Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
PSRS Proportionate share of the Net Pension Liability/(Asset)	\$ 292,103,118	\$ 172,184,055	\$ 72,333,214	
PEERS Proportionate share of the Net Pension Liability/(Asset)	\$ 39,641,559	\$ 22,795,148	\$ 8,656,862	

As of June 30, 2017, the School District reported a payable for legally required contributions of \$343,063 and \$77,625 to PSRS and PEERS, respectively.

B. Post-employment Healthcare Plan

In addition to the pension benefits described in Note 4.A. above, the School District administers the North Kansas City School District Other Post-Employment Benefits Program which is a single-employer 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.

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 every other fiscal year beginning with June 30, 2008.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 4: OTHER NOTES (continued)

B. Post-employment Healthcare Plan (continued)

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, 2015, membership consisted of 2,807 active employees, 242 retired members, and 39 spouses of retirees totaling 3,088.

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	\$ 4,000,016
Retirees/Cobra	1,860,738
School District	<u>15,404,923</u>
	<u>\$ 21,265,677</u>

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

NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

NOTE 4: OTHER NOTES (continued)

B. 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, 2017 is as follows.

Annual required contribution (ARC)	\$ 2,166,300
Interest on net OPEB obligation	230,400
Adjustment to annual required contributions	<u>(242,900)</u>
Annual Net OPEB cost	2,153,800
Contributions made	<u>(1,105,700)</u>
Increase in net OPEB obligation	1,048,100
Net OPEB obligation-Beginning of Year	<u>6,144,400</u>
Net OPEB obligation - End of Year	<u>\$ 7,192,500</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, 2017, were as follows.

<u>Beginning Net Obligation</u>	<u>Annual Net OPEB Cost</u>	<u>Implicit Employer Contribution</u>	<u>% of OPEB Cost Contributed</u>	<u>Ending Net OPEB Obligation</u>
\$ 6,144,400	\$ 2,153,800	\$ 1,105,700	51.3%	\$ 7,192,500

Funding Status and Funding Progress

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

Actuarial Valuation Date	7/1/2015
Actuarial accrued liability	\$ 23,617,400
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability	23,617,400
Covered payroll	\$ 122,810,000
Unfunded actuarial accrued liability as a percentage of covered payroll	19.2%

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, 2017

NOTE 4: OTHER NOTES (continued)

B. 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, 2015
Actuarial cost method	Projected unit credit cost
Amortization method	Closed (selected as of July 1, 2007)
Remaining amortization period	22 years
Asset valuation method	not applicable
Actuarial assumption:	
Discount rate	3.75% per annum
Medical premium inflation rate	8.10% initial rate (adopted July 1, 2013); 4.5% ultimate rate; 58 yrs until ultimate rate (2073)
Payroll inflation	3.00 % per annum
Healthy mortality	RP 2000 mortality tables, using Scale AA

C. 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, 2017

NOTE 4: OTHER NOTES (continued)

D. 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.

E. 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, 2017, 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.

F. 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, 2017, the School District recognized expense related to these agreements totaling \$1,587,825.

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>
2018	\$ 1,579,118
2019	1,196,722
2020	594,947
2021	30,124
2022	20,124
Thereafter	<u>87,253</u>
	<u>\$ 3,508,288</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 4: OTHER NOTES (continued)

G. 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 2017, \$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, 2013, the maintenance fee was recalculated to \$150,000, of which \$75,000 was recorded as prepaid expense. Beginning in fiscal year ending June 30, 2018, the maintenance fee was recalculated to \$175,000.

The following is a schedule of future minimum use payments and maintenance agreements as per agreement.

<u>For the Year Ended June 30,</u>	<u>Usage Fees</u>	<u>Maintenance Fees</u>
2018	\$ 525,000	\$ 175,000
2019	525,000	\$ 175,000
2020	525,000	\$ 175,000
2021	525,000	\$ 175,000
2022	525,000	\$ 175,000
2023-2026	<u>2,100,000</u>	Adjusted
	<u>\$ 4,725,000</u>	

H. 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, 2016	\$1,893,087
Credits sold	<u>0</u>
Balance June 30, 2017	<u>\$1,893,087</u>

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

##### I. Litigation

As of June 30, 2017, 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.

##### J. 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.

##### K. 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.

##### L. Northland CAPS Program

The Northland CAPS (Northland Center for Advanced Professional Studies) program is a partnership with surrounding school districts that started with the 2014-15 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: Excelsior Springs, Kearney, Liberty, North Kansas City, Park Hill, Platte County R-III, and Smithville.

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 320 students during the 2016-17 school year and is reported as an agency fund.



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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 4: OTHER NOTES (continued)

M. 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.L.) 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 commence date of the lease was May 1, 2016. The following is a schedule of the future escalation 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	119,800	1,437,600

The following is a schedule of the future minimum lease payments under the lease agreement.

<u>For the Year Ended June 30,</u>	<u>Amount</u>
2018	\$ 1,080,000
2019	1,080,000
2020	1,080,000
2021	1,098,000
2022	1,188,000
2023-2027	6,078,600
2028-2032	6,686,600
2033-2037	<u>5,510,800</u>
	<u>\$ 25,062,000</u>

N. Tax Abatement

As of the issuance date of this report, the following governmental entities are within or partially within the boundaries of the School District and were likely to enter into tax abatement agreements with individuals or entities including the School District; City of Kansas City, City of Gladstone, City of North Kansas City, and Village of Claycomo. The School District was able to obtain sufficient information in order to adhere to the requirements of GASB Statement 77 from the following governmental entities for the year ended June 30, 2017:

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 4: OTHER NOTES (continued)

N. Tax Abatement (continued)

#### City of Kansas City, Missouri Tax Abatement Programs

The City of Kansas City, Missouri and its component units (collectively the "City") provide tax redirection through the following four programs:

1. Tax Increment Financing (TIF)
2. "Super" TIF
3. Land Bank
4. Various City Council Initiatives

The City also provide tax abatement through the following six programs:

1. Chapter 100 RSMo
2. Chapter 353 RSMo,
3. Missouri Works - Enhanced Enterprise Zones
4. Sale/Leaseback - Land Clearance for Redevelopment Authority (LCRA)
5. Sale/Leaseback - Port KC
6. Urban Renewal Program.

The Tax Increment Financing Commission of Kansas City (TIFC) administers the TIF program which allows for future real property taxes paid in the form of payments in lieu of taxes (PILOTs) and economic activity taxes (EATs) to be utilized to pay for costs of construction, public infrastructure, and other improvements per Sections 99.800 - 99.865 Revised Statutes of Missouri (RSMo). A proposed TIF Plan includes a cost-benefit analysis, a finding that the redevelopment project would not occur "but-for" the assistance of TIF, and a determination that the TIF Plan is a "blighted area," "conservation area," and/or "economic development area." Plans and projects must be approved by the City Council. EATs generated within TIF project areas are calculated annually and compared to the EATs calculated within the project area in the calendar year prior to the adoption of TIF. Fifty percent (50%) off the local incremental EATs (i.e., earnings, sales, use, convention & tourism, and utility taxes) are redirected for up to 23 years to reimburse specific costs related to the TIF project. Taxable assessed value within TIF project area is frozen at the value in place on January 1st of the year TIF is adopted. One hundred percent (100%) of local incremental real property taxes are redirected for up to 23 years to reimburse specific costs related to the TIF project. Minority, Women and Disadvantaged Business Enterprise (MWDBE) utilization goals for TIF projects are set and monitored by the City's Human Relations Department and enforced by the TIFC. The City has made financial commitments related to infrastructure projects which utilize TIF revenues as well as other funding sources. These projects include road and trail construction, floodwater management, land acquisition, and neighborhood housing programs.

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

##### N. Tax Abatement (continued)

###### City of Kansas City, Missouri Tax Abatement Programs (continued)

*Chapter 100 RSMo.* The program provides property tax abatement and sales tax exemption to purchase, construct, improve and equip certain industrial development projects through the issuance of industrial development bonds per Sections 100.010 - 100.200 RSMo. Eligible types of projects include warehouses, distribution facilities, office industries and others listed within Section 100.010 RSMo. The City's policy for the use of Chapter 100 bonds, per Committee Substitute for Resolution No. 041033, requires a minimum issuance of \$5 million for businesses located within Kansas City and \$100 million for businesses relocating to Kansas City. Project improvements and equipment financed with Chapter 100 bonds are deeded to City, and exempt from ad valorem taxes per Section 137.100 RSMo, as long as the bonds are outstanding. Companies commit to operational standards for payroll and investment. Failing to meet those standards may result in the company repaying a portion of the abated taxes. The City received PILOTs in the amount of \$547,000 and \$27,000 of administrative fees during the fiscal year.

*Chapter 353 RSMo.* The program provides property tax abatement to encourage developers to improve and/or remove blight (e.g., renovating abandoned buildings for new uses) per Chapter 353 RSMo. A financial need analysis, proof of a blight study and a plan approved by City Council are required. The program also requires the formation of an Urban Redevelopment Corporation, rezoning to an Urban Revitalization District, compliance with MWDBE and Prevailing Wage requirements, and submission of annual project reports. Developers under this program are normally granted 25 years of property tax abatement on improvements made to real property. Abatements generally occur in two phases (Phase I - 100% abatement of property taxes on the assessed value of the improved property, followed by a Phase II - 50% abatement of property taxes for 15 years). Recapture of abated taxes may occur if the recipient does not fulfill their commitments under the redevelopment plan agreements. The development agreement may also require an annual PILOT during the first phase. The City received PILOTs of approximately \$90,000 during the fiscal year.

The School District's property tax revenues for 2016 were reduced by \$7,480,000 as part of the above mentioned City's Tax Abatement programs.

##### O. Subsequent Events

###### Lease Purchase Agreements

*Custodial Equipment.* On August 8, 2017, the Board of Education approved the purchase of new custodial related equipment through a lease purchase transaction. The agreement is for 131 pieces of equipment, including carpet extractors, floor scrubbers, high and low speed buffers, wet/dry vacuums, sport extractors, and small scrubbers for a term of 3 years (36 monthly payments) commencing September 1, 2017.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 4: OTHER NOTES (continued)

O. Subsequent Events (continued)

Lease Purchase Agreements (continued)

*Custodial Equipment* (continued)

The following is the schedule of future lease payments under this new lease purchase agreement.

Fiscal Year Ending June 30	Principal*	Interest*	Total*
2018	\$ 73,189	\$ 8,432	\$ 81,621
2019	91,353	6,592	97,945
2020	95,360	2,585	97,945
2021	16,295	29	16,324
Total	\$ 276,197	\$ 17,638	\$ 293,836

\* Interest is compoundly monthly, nominal annual rate of 4.300%

*Apple Inc. Computer Hardware.* On August 29, 2017, the Board of Education approved a lease purchase of computer hardware. The lease purchase agreement (Schedule No. 4) is an addendum to the Apple Inc. Master Lease Purchase Agreement dated April 28, 2012. The agreement supports the one-to-one initiative in the School District and includes 15,000 iPads, 2,000 MacBook air 13-inch laptops and 6,000 MacBook air 11-inch laptops for the term of 5 years commencing September 29, 2017 with the first payment due December 1, 2017. In order to enter into Schedule No. 4, the District has sold existing computer hardware and used the proceeds from the sale to pay off the two existing computer hardware leases (see Note 3.B.: Capital Lease Obligation – Apple MacBook computers). Additionally, the initial 2018 payment on the new lease will be funded through the sale of the existing equipment. The following is the schedule of estimated future lease payments under this new lease purchase agreement.

Fiscal Year Ending June 30	Lease Payments
2018	\$ 1,037,846
2019	2,101,539
2020	2,101,539
2021	2,101,539
2022	2,101,539
Total	\$ 9,444,000

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**BUDGETARY COMPARISON SCHEDULE (UNAUDITED)**

*GENERAL FUND*

For the Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over/ (Under) Budget</u>
<b><u>REVENUES</u></b>				
Local	\$ 75,155,155	\$ 76,920,350	\$ 80,460,813	\$ 3,540,463
County	1,638,123	1,636,476	1,615,539	(20,937)
State	10,091,060	11,986,087	15,703,642	3,717,555
Federal	8,936,683	8,970,848	8,433,569	(537,279)
Other	<u>1,210,000</u>	<u>1,317,500</u>	<u>961,285</u>	<u>(356,215)</u>
Total Revenues	97,031,021	\$ 100,831,261	107,174,848	6,343,587
<b><u>EXPENDITURES</u></b>				
Instruction	19,809,523	20,826,724	19,599,279	(1,227,445)
Student Services	4,482,436	4,682,530	4,259,346	(423,184)
Instructional Staff Support	8,875,049	9,038,956	8,208,593	(830,363)
General Admin & Central Services	5,985,118	5,956,776	5,450,641	(506,135)
Board/Executive & Tech Admin	3,157,249	3,285,030	2,865,336	(419,694)
Building Administration	5,840,012	5,917,912	5,496,018	(421,894)
Operation of Plant	21,478,883	21,624,956	20,948,200	(676,756)
Transportation	10,587,530	11,545,258	11,944,818	399,560
Food Services	10,795,444	10,685,013	9,758,326	(926,687)
Community Service	5,141,823	5,247,156	4,624,180	(622,976)
Debt Service	<u>10,000</u>	<u>10,000</u>	<u>0</u>	<u>(10,000)</u>
Total Expenditures	96,163,067	98,820,311	93,154,737	(5,665,574)
Other Financing Sources/(Uses):				
Sale of Assets	0	0	484	484
Transfers From	<u>(4,740,000)</u>	<u>(5,696,075)</u>	<u>(8,741,253)</u>	<u>(3,045,178)</u>
Total Other Financing Sources (Uses)	<u>(4,740,000)</u>	<u>(5,696,075)</u>	<u>(8,740,769)</u>	<u>(3,044,694)</u>
Net Change in Fund Balance	(3,872,046)	(3,685,125)	5,279,342	8,964,467
FUND BALANCE – JUNE 30, 2016	<u>29,912,850</u>	<u>27,296,986</u>	<u>40,001,323</u>	<u>12,704,337</u>
FUND BALANCE – JUNE 30, 2017	\$ <u>26,040,805</u>	\$ <u>23,611,862</u>	\$ <u>45,280,665</u>	\$ <u>21,668,803</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over/ (Under) Budget</u>
<u>REVENUES</u>				
Local	\$ 65,166,498	\$ 66,275,487	\$ 65,130,593	\$ (1,144,894)
County	1,743,116	1,744,124	1,688,077	(56,047)
State	57,278,314	56,504,678	55,128,045	(1,376,633)
Federal	6,195,040	6,264,376	5,862,923	(401,453)
Other	<u>15,000</u>	<u>15,000</u>	<u>20,400</u>	<u>5,400</u>
Total Revenues	130,397,968	130,803,665	127,830,038	(2,973,627)
<u>EXPENDITURES</u>				
Instruction	107,579,946	108,957,658	106,677,871	(2,279,787)
Student Services	4,000,739	3,972,623	3,925,178	(47,445)
Instructional Staff Support	7,738,120	7,653,736	7,462,896	(190,840)
General Admin & Central Services	834,807	1,004,696	994,393	(10,303)
Board/Executive & Tech Admin	683,105	685,118	682,477	(2,641)
Building Administration	8,354,277	8,556,020	8,624,020	68,000
Community Services	<u>1,056,851</u>	<u>1,077,164</u>	<u>1,054,667</u>	<u>(22,497)</u>
Total Expenditures	130,247,845	131,907,015	129,421,502	(2,485,513)
Other Financing Sources (Uses)				
Transfers To	<u>0</u>	<u>956,075</u>	<u>1,591,464</u>	<u>635,389</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>956,075</u>	<u>1,591,464</u>	<u>635,389</u>
Net Change in Fund Balance	150,123	(147,275)	0	147,275
FUND BALANCE – JUNE 30, 2016	<u>67,701</u>	<u>1,350,831</u>	<u>0</u>	<u>(1,350,831)</u>
FUND BALANCE – JUNE 30, 2017	<u>\$ 217,824</u>	<u>\$ 1,203,556</u>	<u>\$ 0</u>	<u>\$ (1,203,556)</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, 2017

#### 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, 2017, 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, 2017

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%	89.34%
6/30/2016	2.2749%	\$131,326,795	\$103,881,210	126.42%	85.78%
6/30/2017	2.3141%	\$172,184,055	\$107,677,795	159.91%	82.18%

\* 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	25.04%	91.33%
6/30/2016	2.7791%	\$14,698,831	\$41,672,178	35.27%	88.28%
6/30/2017	2.8411%	\$22,795,148	\$43,873,529	51.96%	83.32%

\* 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, 2017**

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>
6/30/2014	\$ 14,349,307	\$ 14,349,307	\$0	\$ 100,074,855	14.34%
6/30/2015	14,804,562	14,804,562	0	103,094,163	14.36%
6/30/2016	14,936,534	14,936,534	0	103,881,210	14.38%
6/30/2017	15,501,055	15,501,055	0	107,677,795	14.40%

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>
6/30/2014	\$ 2,680,124	\$ 2,680,124	\$0	\$ 39,068,849	6.86%
6/30/2015	2,783,873	2,783,873	0	40,581,222	6.86%
6/30/2016	2,858,708	2,858,708	0	41,672,178	6.86%
6/30/2017	3,009,720	3,009,720	0	43,873,529	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, 2017

Other Post-Employment Benefits

The School District provides post-employment healthcare benefits to qualified retirees as described in Note 4.B. 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, 2015, the most recent actuarial valuation date, the following information has been provided.

*Schedule of Funding Progress*

	(1)	(2)	(3)	(4)	(5)	(6)
	Actuarial	Projected	Percent	Unfunded	Annual	Unfunded
	Value	Unit	Funded	AAL	Covered	AAL as a
	of Assets	Actuarial	(1) / (2)	(2) - (1)	Payroll	Percentage
<u>Actuarial</u>	<u>Valuation</u>	Liability				of Covered
		(AAL)				Payroll
						(4) / (5)
7/1/2007	\$ 0	\$ 19,887,000	0%	\$ 19,887,000	\$ 118,944,000	16.7%
7/1/2009	0	20,834,000	0%	20,834,000	111,532,000	18.7%
7/1/2011	0	22,468,000	0%	22,468,000	110,542,000	20.3%
7/1/2013	0	23,506,500	0%	23,506,500	117,521,000	20.0%
7/1/2015	0	23,617,400	0%	23,617,400	122,810,000	19.2%

*Schedule of Employer Contribution*

				(4)		
	Annual	Interest on	Adjustment	Annual	Implicit	Net OPEB
	Required	Net OPEB	to the ARC	Net OPEB	Employer	Obligation
	Contribution	Obligation		Cost	Contribution	
<u>Actuarial</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(1)+(2)-(3)</u>	<u>(5)</u>	<u>(4)-(5)</u>
<u>Valuation</u>						
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
6/30/2016	2,139,100	191,300	195,600	2,134,800	1,091,500	6,144,400
6/30/2017	2,166,300	230,400	242,900	2,153,800	1,105,700	7,192,500

Note: These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

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## **SUPPLEMENTARY INFORMATION**

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

**BUDGETARY COMPARISON - MODIFIED ACCRUAL BASIS  
DEBT SERVICE FUND  
For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over/ (Under) Budget</u>
<u>REVENUES</u>				
Local	\$ 19,620,498	\$ 26,958,958	\$ 27,233,620	\$ 274,662
County	<u>761,973</u>	<u>762,554</u>	<u>853,897</u>	<u>91,343</u>
Total Revenues	20,382,471	27,721,512	28,087,517	366,005
<u>EXPENDITURES</u>				
Debt Service - Principal	16,765,000	16,765,000	16,765,000	0
Debt Service - Interest	<u>8,153,902</u>	<u>10,227,121</u>	<u>10,182,087</u>	<u>(45,034)</u>
Total Expenditures	<u>24,918,902</u>	<u>26,992,121</u>	<u>26,947,087</u>	<u>(45,034)</u>
Other Financing Sources/(Uses)				
Refunding bond proceeds	0	41,045,000	41,045,000	0
Premium on refunding bond	<u>6,776,883</u>	<u>6,776,883</u>	<u>6,776,883</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>6,776,883</u>	<u>47,821,883</u>	<u>47,821,883</u>	<u>0</u>
Net Change in Fund Balance	2,240,452	48,551,274	48,962,313	411,039
FUND BALANCE – JUNE 30, 2016	<u>24,858,655</u>	<u>23,237,076</u>	<u>25,778,726</u>	<u>541,650</u>
FUND BALANCE – JUNE 30, 2017	\$ <u>27,099,107</u>	\$ <u>73,788,350</u>	\$ <u>74,741,039</u>	\$ <u>952,689</u>

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

**BUDGETARY COMPARISON - MODIFIED ACCRUAL BASIS  
CAPITAL PROJECTS FUND  
For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over/ (Under) Budget</u>
<b><u>REVENUES</u></b>				
Local	\$ 3,008,797	\$ 3,232,114	\$ 3,549,241	\$ 317,127
County	76,788	76,846	68,594	(8,252)
State	25,078	25,078	43,537	18,459
Federal	<u>0</u>	<u>0</u>	<u>2,799</u>	<u>2,799</u>
Total Revenues	3,110,663	3,334,038	3,664,171	330,133
<b><u>EXPENDITURES</u></b>				
Instruction	287,824	316,001	249,150	(66,851)
Student Services	4,800	4,800	0	(4,800)
Instructional Staff Support	3,804,206	3,860,624	4,004,293	143,669
General Admin/Central Services	108,800	108,800	74,795	(34,005)
Operation of Plant	1,622,826	1,537,448	1,221,300	(316,148)
Transportation	1,848,250	1,354,234	1,300,358	(53,876)
Food Services	540,000	540,000	512,245	(27,755)
Community Services	1,000	1,000	0	(1,000)
Facilities Acquisition & Construction	6,418,103	28,195,498	13,263,116	(14,932,382)
Debt Service – Principal	0	1,075,000	1,075,000	0
Debt Service – Interest	<u>1,034,528</u>	<u>1,604,458</u>	<u>1,618,916</u>	<u>(14,558)</u>
Total Expenditures	<u>15,670,337</u>	<u>38,597,863</u>	<u>23,319,173</u>	<u>(15,278,690)</u>
Other Financing Sources/(Uses):				
Transfer to	4,740,000	4,740,000	7,149,789	2,409,789
Sale of Bonds	0	114,000,000	114,000,000	0
Premium on Bond Sale	0	9,379,380	9,379,381	1
Sale of Assets	<u>1,770,000</u>	<u>1,770,000</u>	<u>1,798,757</u>	<u>28,757</u>
Total Other Financing Sources (Uses)	<u>6,510,000</u>	<u>129,889,380</u>	<u>132,327,927</u>	<u>2,438,547</u>
Net Change in Fund Balance	(6,049,674)	94,625,555	112,672,925	18,047,370
FUND BALANCE – JUNE 30, 2016	<u>7,793,463</u>	<u>1,204,464</u>	<u>20,396,663</u>	<u>19,192,199</u>
FUND BALANCE – JUNE 30, 2017	\$ <u>1,743,789</u>	\$ <u>95,830,019</u>	\$ <u>133,069,588</u>	\$ <u>37,239,569</u>

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

HISTORICAL SCHOOL DATA  
June 30, 2017

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>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>
19,609	19,391	19,253	19,201	18,930

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 December 31,</u>	<u>Assessed Valuation</u>	<u>% Change in Assessed Valuation</u>	<u>Fiscal Year Ended June 30,</u>	<u>Bond Principal Outstanding</u>	<u>Interest on Bonds Outstanding</u>	<u>Total Debt</u>	<u>Bond Principal as % of Assessed Valuation</u>
2016	\$2,083,053,528	4.0%	2017	\$317,615,000	\$99,185,648	\$416,800,648	15.2%
2015	2,003,103,850	4.7%	2016	179,335,000	47,946,944	227,281,944	9.0%
2014	1,912,528,731	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	(3.1%)	2011	225,480,000	90,795,830	316,275,830	11.7%
2009	1,996,928,201	(4.4%)	2010	234,815,000	102,742,324	337,557,324	11.8%
2008	2,088,537,902	N/A	2009	245,355,000	114,357,502	359,712,502	11.7%



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

HISTORICAL SCHOOL DATA  
June 30, 2017

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:

Fiscal Year Ended June 30,	General (Incidental) Fund	Special Revenue (Teacher's) Fund	Capital Projects (Building) Fund	Debt Service Fund	Total Levy
2017	\$2.7684	\$2.2400	\$0.1300	\$1.2900	\$6.4284
2016	2.7733	2.2400	0.1300	1.2900	6.4333
2015	2.8567	2.2400	0.1300	1.2900	6.5167
2014	2.4998	2.2400	0.1300	1.0200	5.8898
2013	2.4998	2.2400	0.1300	1.0200	5.8898
2012	2.4998	2.2400	0.1300	1.0200	5.8898
2011	2.4998	2.2400	0.1300	1.0200	5.8898
2010	2.4998	2.2400	0.1300	1.0200	5.8898
2009	2.4998	2.2400	0.1300	1.0200	5.8898

D. Tax Collection Record

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

Fiscal Year Ended June 30,	Total Levy	Total Taxes Levied	Taxes Collected (Current & Delinquent)		Railroad & Utility Taxes Collected
			Amount	Percent	
2017	\$6.4284	\$133,907,013	\$133,128,394	99.4%	\$3,845,214
2016	6.4333	128,865,680	128,964,416	100.1%	3,784,693
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

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

**SCHEDULE OF BONDED INDEBTEDNESS**  
June 30, 2017

<u>Bonded Indebtedness</u>	<u>Totals</u>	<u>Series 2007</u>	<u>Series 2008</u>	<u>Series 2010</u>	<u>Series 2011</u>	<u>Series 2012</u>	<u>Series 2013</u>	<u>Series 2014</u>	<u>Series 2015</u>	<u>Series 2016A</u>	<u>Series 2016B</u>
Fiscal Year											
2017-18	\$55,815,000	\$41,955,000	\$580,000	\$1,370,000	\$1,345,000	\$2,805,000	\$30,000	\$1,965,000	\$5,765,000	\$ 0	\$ 0
2018-19	23,650,000	0	6,990,000	2,245,000	1,405,000	2,930,000	30,000	2,010,000	4,875,000	3,165,000	0
2019-20	18,570,000	0	0	2,325,000	1,465,000	3,070,000	30,000	1,370,000	5,895,000	3,915,000	500,000
2020-21	19,455,000	0	0	2,400,000	1,520,000	3,205,000	1,010,000	1,425,000	4,305,000	4,090,000	1,500,000
2021-22	20,670,000	0	0	0	1,575,000	3,350,000	4,150,000	1,500,000	1,315,000	4,280,000	4,500,000
2022-23	21,265,000	0	0	0	1,635,000	3,490,000	0	5,915,000	0	4,490,000	5,735,000
2023-24	20,610,000	0	0	0	0	3,630,000	0	6,210,000	0	4,750,000	6,020,000
2024-25	20,875,000	0	0	0	0	3,770,000	0	5,800,000	0	4,985,000	6,320,000
2025-26	16,785,000	0	0	0	0	0	0	4,970,000	0	5,180,000	6,635,000
2026-27	13,590,000	0	0	0	0	0	0	1,185,000	0	5,435,000	6,970,000
2027-28	9,235,000	0	0	0	0	0	0	1,235,000	0	755,000	7,245,000
2028-29	8,820,000	0	0	0	0	0	0	1,285,000	0	0	7,535,000
2029-30	9,175,000	0	0	0	0	0	0	1,335,000	0	0	7,840,000
2030-31	9,540,000	0	0	0	0	0	0	1,390,000	0	0	8,150,000
2031-32	9,930,000	0	0	0	0	0	0	1,450,000	0	0	8,480,000
2032-33	10,240,000	0	0	0	0	0	0	1,505,000	0	0	8,735,000
2033-34	10,550,000	0	0	0	0	0	0	1,555,000	0	0	8,995,000
2034-35	9,275,000	0	0	0	0	0	0	0	0	0	9,275,000
2035-36	<u>9,565,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,565,000</u>
Total	<u>\$317,615,000</u>	<u>\$41,955,000</u>	<u>\$7,570,000</u>	<u>\$8,340,000</u>	<u>\$8,945,000</u>	<u>\$26,250,000</u>	<u>\$5,250,000</u>	<u>\$42,105,000</u>	<u>\$22,155,000</u>	<u>\$41,045,000</u>	<u>\$114,000,000</u>

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

**SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)**

June 30, 2017

<u>Interest Obligation</u>	<u>Totals</u>	<u>Series 2007</u>	<u>Series 2008</u>	<u>Series 2010</u>	<u>Series 2011</u>	<u>Series 2012</u>	<u>Series 2013</u>	<u>Series 2014</u>	<u>Series 2015</u>	<u>Series 2016A</u>	<u>Series 2016B</u>
Fiscal Year											
2017-18	\$12,795,595	\$2,089,275	\$413,388	\$278,200	\$372,825	\$1,127,425	\$221,100	\$1,851,119	\$735,438	\$1,717,400	\$3,989,425
2018-19	10,173,520	0	382,938	243,950	307,075	1,015,225	220,500	1,792,169	504,838	1,717,400	3,989,425
2019-20	9,053,957	0	0	165,375	238,325	868,725	219,900	1,751,969	261,088	1,559,150	3,989,425
2020-21	8,396,782	0	0	84,000	179,725	730,575	219,300	1,697,169	143,188	1,363,400	3,979,425
2021-22	7,695,283	0	0	0	126,975	586,350	176,376	1,640,169	57,088	1,158,900	3,949,425
2022-23	6,869,069	0	0	0	63,975	435,600	0	1,565,169	0	944,900	3,859,425
2023-24	5,915,844	0	0	0	0	296,000	0	1,269,419	0	720,400	3,630,025
2024-25	5,029,344	0	0	0	0	150,800	0	958,919	0	530,400	3,389,225
2025-26	4,136,344	0	0	0	0	0	0	668,919	0	331,000	3,136,425
2026-27	3,415,244	0	0	0	0	0	0	420,419	0	123,800	2,871,025
2027-28	2,980,344	0	0	0	0	0	0	373,019	0	15,100	2,592,225
2028-29	2,626,044	0	0	0	0	0	0	323,619	0	0	2,302,425
2029-30	2,273,244	0	0	0	0	0	0	272,219	0	0	2,001,025
2030-31	1,906,244	0	0	0	0	0	0	218,819	0	0	1,687,425
2031-32	1,606,144	0	0	0	0	0	0	163,219	0	0	1,442,925
2032-33	1,293,744	0	0	0	0	0	0	105,219	0	0	1,188,525
2033-34	959,059	0	0	0	0	0	0	54,421	0	0	904,638
2034-35	612,300	0	0	0	0	0	0	0	0	0	612,300
2035-36	<u>310,862</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>310,862</u>
Total	<u>\$88,048,967</u>	<u>\$2,098,275</u>	<u>\$796,326</u>	<u>\$771,525</u>	<u>\$1,288,900</u>	<u>\$5,210,700</u>	<u>\$1,057,176</u>	<u>\$15,125,975</u>	<u>\$1,701,640</u>	<u>\$10,181,850</u>	<u>\$49,825,600</u>

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

**SCHEDULE OF REVENUES COLLECTED BY SOURCE**  
For the Year Ended June 30, 2017

	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>LOCAL</u></b>					
Current taxes	\$ 56,171,991	\$ 45,450,534	\$ 26,174,638	\$ 2,637,754	\$ 130,434,917
Delinquent Taxes	1,166,519	939,367	533,074	54,517	2,693,477
School District Trust Fund (Prop C)	3,105,079	16,318,626	0	0	19,423,705
Financial Institutions Tax	173,929	140,731	81,046	8,167	403,873
M&M Surcharge Tax	2,817,830	1,960,380	0	113,772	4,891,982
In Lieu of Tax	3,014,497	0	0	0	3,014,497
Tuition	209,397	15,577	0	0	224,974
Transportation from Individuals	435,849	0	0	0	435,849
Earnings on Investments	881,723	289,228	444,863	485,031	2,100,845
Food Services	2,632,119	0	0	0	2,632,119
Food Services Non-Program	1,868,082	0	0	0	1,868,082
Student Activities	2,585,748	0	0	0	2,585,748
Community Services	2,995,239	0	0	0	2,995,239
Other	<u>2,402,810</u>	<u>16,150</u>	<u>0</u>	<u>250,000</u>	<u>2,668,960</u>
Total Local	80,460,812	65,130,593	27,233,621	3,549,241	176,374,267
<b><u>COUNTY</u></b>					
Fines, Escheats	0	380,893	0	0	380,893
State Assessed Utilities	<u>1,615,539</u>	<u>1,307,184</u>	<u>853,897</u>	<u>68,595</u>	<u>3,845,215</u>
Total County	1,615,539	1,688,077	853,897	68,595	4,226,108
<b><u>STATE</u></b>					
Basic Formula	9,271,935	47,774,903	0	0	57,046,838
Transportation Aid	1,917,850	0	0	0	1,917,850
Early Child SPED	2,019,087	987,625	0	15,610	3,022,322
Classroom Trust Fund	1,300,811	6,341,012	0	0	7,641,823
Parents as Teachers	274,329	0	0	0	274,329
Career Ed	11,171	19,300	0	2,935	33,406
Food Services	84,261	0	0	0	84,261
Career Ed Enhancement Grant	26,787	0	0	24,992	51,779
High Needs Fund	642,482	0	0	0	642,482
Other	<u>154,928</u>	<u>5,205</u>	<u>0</u>	<u>0</u>	<u>160,133</u>
Total State	15,703,641	55,128,045	0	43,537	70,875,223

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

**SCHEDULE OF REVENUES COLLECTED BY SOURCE (CONTINUED)**  
For the Year Ended June 30, 2017

	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>FEDERAL</u></b>					
Medicaid	\$ 259,565	\$ 0	\$ 0	\$ 0	\$ 259,565
Perkins-Career Education	100,504	145,618	0	2,799	248,921
Adult Education Literacy	260,300	0	0	0	260,300
Special Ed IDEA/ECSE	113,049	3,520,236	0	0	3,633,285
Food Services	6,378,540	0	0	0	6,378,540
Title I.A – ESEA	1,115,817	1,841,727	0	0	2,957,544
Title III - English Language	149,757	103,095	0	0	252,852
Title II.A – ESEA	55,688	250,272	0	0	305,960
Other	<u>350</u>	<u>1,975</u>	<u>0</u>	<u>0</u>	<u>2,325</u>
Total Federal	8,433,570	5,862,923	0	2,799	14,299,292
<b><u>OTHER</u></b>					
Tuition from Other Districts	859,250	20,400	0	0	879,650
Transportation from Other Districts	<u>102,035</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>102,035</u>
Total Other	961,285	20,400	0	0	981,685
<b><u>OTHER FINANCING SOURCES</u></b>					
Sale of Bonds	0	0	0	114,000,000	114,000,000
Premium on Bonds Sold	0	0	6,776,883	9,379,381	16,156,264
Refunding of Bonds	0	0	41,045,000	0	41,045,000
Sale of School Buses	0	0	0	1,411,000	1,411,000
Sale of Property	<u>484</u>	<u>0</u>	<u>0</u>	<u>387,757</u>	<u>388,241</u>
Total Other Financing Sources	<u>484</u>	<u>0</u>	<u>47,821,883</u>	<u>125,178,138</u>	<u>173,000,505</u>
<b>TOTAL ALL SOURCES</b>	<b><u>\$ 107,175,331</u></b>	<b><u>\$ 127,830,038</u></b>	<b><u>\$ 75,909,401</u></b>	<b><u>\$ 128,842,310</u></b>	<b><u>\$ 439,757,080</u></b>

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

**SCHEDULE OF EXPENDITURES PAID BY OBJECT**  
For the Year Ended June 30, 2017

	<u>General</u> Fund	<u>Special</u> Revenue Fund	<u>Debt</u> Service Fund	<u>Capital</u> Projects Fund	<u>Totals</u> (Memo Only)
Salaries	\$ 43,412,517	\$ 98,245,497	\$ 0	\$ 0	\$ 141,658,014
Retirement	3,489,253	15,646,014	0	0	19,135,267
FICA/Medicare	3,099,851	1,377,854	0	0	4,477,705
Employee Insurance	8,443,863	10,005,892	0	0	18,449,755
Tuition	0	1,133,605	0	0	1,133,605
Professional, audit & legal	706,732	3,012,640	0	0	3,719,372
Technical Services	4,747,625	0	0	0	4,747,625
Property Services	5,058,692	0	0	0	5,058,692
Contracted Transportation	768,438	0	0	0	768,438
Travel	2,159,068	0	0	0	2,159,068
Insurance-property/liability	857,573	0	0	0	857,573
Other Purchased Services	973,643	0	0	0	973,643
General Supplies	10,173,283	0	0	0	10,173,283
Books & Periodicals	638,006	0	0	0	638,006
Warehouse & Food Service	4,030,286	0	0	0	4,030,286
Utilities, Energy Service	4,314,329	0	0	0	4,314,329
Other Supplies	281,577	0	0	0	281,577
Capital Outlay	0	0	0	20,625,258	20,625,258
Debt & Other	<u>0</u>	<u>0</u>	<u>26,947,088</u>	<u>2,693,916</u>	<u>29,641,004</u>
	<u>\$ 93,154,736</u>	<u>\$ 129,421,502</u>	<u>\$ 26,947,088</u>	<u>\$ 23,319,174</u>	<u>\$ 272,842,500</u>



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

SCHEDULE OF SELECTED STATISTICS  
For the Year Ended June 30, 2017

1. Calendar (Sections 160.041 and 171.031, RSMO)

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

Grades K-5	6.4500 SDL
Grades 6-8	6.6500 SDL
Grades 9-12	6.7000 SDL

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

Grades K-5	1,116.75 Hours
Grades 6-8, Antioch MS	1,150.45 Hours
Grades 6-8, all others	1,150.25 Hours
Grades 9-12	1,159.20 Hours

C. 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	8,877.9292	0.4849	8,878.4141
Grades 6-8	4,181.0869	4.8470	4,185.9339
Grades 9-12	<u>5,222.2018</u>	<u>2.3609</u>	<u>5,224.5627</u>
Subtotal Regular Term	18,281.2179	7.6928	18,288.9107
Summer School Subtotal			683.3004
ESY Subtotal			<u>0.9334</u>
Total Regular Term Plus Summer School ADA			<u>18,973.1445</u>

3. September Membership

September Membership FTE Count	<u>Full-time &amp; Part-time</u> <u>19,505.44</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	7,306.01
Reduced	<u>1,963.13</u>
Total	<u>9,269.14</u>

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

SCHEDULE OF SELECTED STATISTICS  
For the Year Ended June 30, 2017

5. <u>Finance</u>		
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>\$877,126</u>
All above "false" answers <u>must</u> be supported by a finding or management letter comment.		
	Finding #	<u>N/A</u>
	Management Letter Comment #	<u>N/A</u>
6. <u>Transportation (Section 163.161, RSMo)</u>		
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, 2017

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>11,552.00</u>
		Ineligible ADT	<u>1,385.00</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.		<u>True</u>
E.	Actual odometer records show the total district-operated <u>and</u> contracted mileage for the year was:		<u>2,533,395</u>
	Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route <u>and</u> disapproved miles (combined) was:		
		Eligible miles	<u>1,969,391</u>
		Ineligible miles (non-route/disapproved)	<u>564,004</u>
F.	Number of days the School District operated the school transportation system during the regular school year.		<u>177</u>

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

Finding #	<u>N/A</u>
Management Letter Comment #	<u>N/A</u>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2017

<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>
<b><u>U.S. Department of Agriculture</u></b>			
<i>Pass-through Missouri Dept. of Elementary &amp; Secondary Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	024-093	\$ 1,536,843
Non-cash Commodity Distribution	10.555	024-093	826,943
National School Snack	10.555	024-093	6,907
National School Lunch Program	10.555	024-093	<u>4,787,544</u>
Total Child Nutrition Cluster			7,158,237
National Fresh Fruits and Veggie Program	10.582	024-093	<u>47,246</u>
Total U.S. Department of Agriculture			<u>7,205,483</u>
<b><u>U.S. Department of Education</u></b>			
<i>Pass-through Missouri Dept. of Elementary &amp; Secondary Education:</i>			
Title I, Part A - Grants for LEAs	84.010A	024-093	2,957,543
Title I, Part A - Career and Technical Education	84.048A	024-093	248,920
Title II, Part A - Improving Teacher Quality	84.367A	024-093	305,961
Title III, Part A - Limited English Proficient (LEP)	84.365A	024-093	252,852
Adult Education & Family Literacy Act	84.002A	024-093	260,300
Grants for State Assessment Substitute Payments	84.369	024-093	1,975
Special Education Cluster (IDEA):			
IDEA, Part B - Special Education	84.027A	024-093	3,189,003
Early Childhood Special Education	84.027A	024-093	<u>444,282</u>
Total Special Education Cluster			3,633,285
<i>Direct from U.S. Department of Education:</i>			
Indian Education Grant	84.060	Direct	<u>350</u>
Total U.S. Department of Education			<u>7,661,186</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>14,866,669</u></b>

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2017

#### NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of North Kansas City School District No. 74 (the "School District") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School District.

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the School District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The Schedule presents both Type A and Type B federal assistance programs administered by the School District. The Uniform Guidance establishes the formula for determining the level of expenditures of disbursements to be used in defining Type A and Type B federal financial assistance programs. For the District, Type A programs are those which exceed \$750,000 in disbursements, expenditures, or distributions. The determination of major and nonmajor programs is based on the risk-based approach outlined in Uniform Guidance.

#### NOTE 3: SUBRECIPIENTS

The School District did not provide funds to subrecipients in the current fiscal year.

#### NOTE 4: INDIRECT COST RATE

The School District elected not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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**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, 2017, 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 12, 2017.

### **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 12, 2017



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

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 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, 2017. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2017.

**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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Marr and Company, P.C.  
Certified Public Accountants

Kansas City, Missouri  
December 12, 2017

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2017**

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  No
  - Significant deficiencies identified that are not considered to be material weaknesses?  
 Yes  No  None Reported
3. Noncompliance material to financial statements noted:  Yes  No

*Federal Awards*

1. Internal control over major programs:
  - Material weakness(es) identified?  Yes  No
  - Significant deficiencies identified that are not considered to be material weakness(es)?  
 Yes  No  None Reported
2. Type of auditor's report issued on compliance for major programs: Unmodified Opinion
3. Any audit findings which are required to be reported under Section 200.516(a) of the Uniform Guidance?  Yes  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
84.010	ESEA Title I, Part A Grants to LEAs

5. Dollar threshold used to distinguish between type A and type B programs: \$750,000
6. Auditee qualified as low-risk auditee specified in Section 200.520 of the Uniform Guidance?  
 Yes  No

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended June 30, 2017**

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, 2017.

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

**SCHEDULE OF RESOLUTIONS OF PRIOR YEAR AUDIT FINDINGS**  
For the Year Ended June 30, 2017

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



## INDEPENDENT ACCOUNTANTS' 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 examined management's assertion, included in its representation letter dated December 12, 2017, that the North Kansas City School District No. 74 (the "School District") complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures, accurate disclosure of the School District's records of average daily attendance and average daily transportation of pupils, and other statutory requirements as listed in the Schedule of Selected Statistics for the year ended June 30, 2017. Management is responsible for its assertion that the School District complied with the aforementioned requirements. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the School District's compliance with specified requirements.

In our opinion, management's assertion that the North Kansas City School District No. 74 complied with the aforementioned requirements included in the Schedule of Selected Statistics for the year ended June 30, 2017, are fairly stated, in all material respects.

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 12, 2017