

**PRELIMINARY OFFICIAL STATEMENT DATED JULY 14, 2020**

**New Issue  
Book-Entry Only**

<b>PROGRAM RATINGS:</b>	<b>Moody's</b>	<b>"Aa1"</b>
	<b>S&amp;P Global Ratings:</b>	<b>"AA+"</b>
<b>UNDERLYING RATING:</b>	<b>Moody's:</b>	<b>"Aa2"</b>
	<b>See "BOND RATINGS" herein.</b>	

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

**\$95,000,000\***  
**NORTH KANSAS CITY SCHOOL DISTRICT 74, CLAY COUNTY, MISSOURI**  
**GENERAL OBLIGATION IMPROVEMENT BONDS**  
**(MISSOURI DIRECT DEPOSIT PROGRAM)**  
**SERIES 2020**

**Dated: Date of Issuance**

**Due: March 1, as shown on the inside cover page**

The General Obligation Improvement Bonds (Missouri Direct Deposit Program), Series 2020, will be issued as fully registered bonds and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. The Bonds will be available for purchase in denominations of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. DTC will receive all payments with respect to the Bonds from UMB Bank, N.A., Kansas City, Missouri, as paying agent for the Bonds (the "Paying Agent"). DTC is required to remit such payments to DTC Direct Participants (hereinafter defined) for subsequent disbursement to the Beneficial Owners (hereinafter defined) of the Bonds. Semiannual interest will be payable on March 1 and September 1, beginning on March 1, 2021.

The Bonds and the interest thereon will constitute general obligations of the District, payable from ad valorem taxes, which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the District. See the section captioned "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

The Bonds are subject to optional redemption and payment prior to maturity as set forth herein. See the section "THE BONDS – Redemption Provisions" herein.

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

**See inside cover for maturities, principal amounts, interest rates, yields and CUSIP numbers.**

*The Bonds are offered when, as and if issued by the District, subject to the approval of legality by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel to the District. Certain matters relating to this Official Statement will be passed upon by Gilmore & Bell, P.C., as disclosure counsel to the District. Piper Sandler & Co. has been engaged by the District to serve as its financial advisor in connection with the issuance, sale and delivery of the Bonds. It is expected that the Bonds will be available for delivery in book-entry form through DTC, New York, New York, on or about August 12, 2020.*

**Bids for the Bonds will only be received electronically through PARITY electronic bid submission system until 9:30 A.M., Central Time, on Tuesday, July 28, 2020.**

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\* Preliminary, subject to change.

**\$95,000,000\***  
**NORTH KANSAS CITY SCHOOL DISTRICT 74, CLAY COUNTY, MISSOURI**  
**GENERAL OBLIGATION IMPROVEMENT BONDS**  
**(MISSOURI DIRECT DEPOSIT PROGRAM)**  
**SERIES 2020**

**MATURITY SCHEDULE\***

**Base CUSIP: 660266**

**Serial Bonds**

<b><u>Stated Maturity (March 1)</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield</u></b>	<b><u>CUSIP</u></b>
2021	\$2,000,000			
2022	1,200,000			
2023	1,630,000			
2024	2,250,000			
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2026	4,730,000			
2027	4,870,000			
2028	5,020,000			
2029	5,175,000			
2030	5,330,000			
2031	5,495,000			
2032	5,660,000			
2033	5,835,000			
2034	6,010,000			
2035	6,195,000			
2036	6,380,000			
2037	6,575,000			
2038	6,745,000			
2039	6,880,000			
2040	7,020,000			

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\* Preliminary, subject to change.

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

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

**BOARD OF EDUCATION**

Ms. Jan Kauk, President  
Mr. Paul Harrell, Vice President  
Dr. Terry Ward, Treasurer  
Ms. Jane Rinehart  
Mr. Terry Stone  
Ms. Judy Wartick  
Ms. Karee Gleason-Miller  
  
Ms. Peggy Cole, Secretary

**ADMINISTRATIVE OFFICERS**

Dr. Daniel Clemens – Superintendent of Schools  
Mr. Matthew Fritz - Chief Financial Officer  
Dr. Chad Sutton– Deputy Superintendent - Academics  
Dr. Rochel Daniels – Assistant Superintendent - Organizational Development  
Dr. Jenni Gaddie – Assistant Superintendent - Human Resources  
Dr. Chad Evans – Assistant Superintendent - Operations  
Dr. Perry Hilvitz – Assistant Superintendent - Student Services  
Ms. Tammy Henderson – Executive Director – Community Relations & Legislative Affairs

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**FINANCIAL ADVISOR**

Piper Sandler & Co.  
Leawood, Kansas

**BOND COUNSEL AND DISCLOSURE COUNSEL**

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

**PAYING AGENT**

UMB Bank, N.A.  
Kansas City, Missouri

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

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

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

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

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

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

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

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

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

## TABLE OF CONTENTS

<u>Page</u>	<u>Page</u>
<b>INTRODUCTION .....</b>	<b>1</b>
Purpose of the Official Statement .....	1
The District .....	1
The Bonds .....	1
Security and Source of Payment .....	1
Other Outstanding Obligations Payable .....	2
Financial Statements .....	2
Continuing Disclosure Information .....	2
Bond Ratings .....	2
Description of Documents .....	2
<b>PLAN OF FINANCING .....</b>	<b>2</b>
Authorization and Purpose of Bonds .....	2
Sources and Uses of Funds .....	4
<b>THE BONDS .....</b>	<b>4</b>
General Description .....	4
Redemption Provisions .....	5
Book-Entry Only System .....	6
Registration Transfer and Exchange of Bonds Upon Discontinuance of Book-Entry Only System .....	6
CUSIP Numbers .....	6
<b>SECURITY AND SOURCES OF PAYMENT FOR THE BONDS .....</b>	<b>7</b>
General Obligations .....	7
Direct Deposit of State Aid Payments .....	7
<b>RISK FACTORS .....</b>	<b>8</b>
Ad Valorem Property Taxes .....	8
Secondary Market Prices and Liquidity .....	10
No Reserve Fund or Credit Enhancement .....	10
Ratings .....	10
Bankruptcy .....	10
Pensions and Other Postemployment Benefits .....	11
State Aid and Direct Deposit Agreement .....	11
Enrollment .....	11
Amendment of the Bond Resolution .....	11
Loss of Premium from Redemption .....	12
Tax-Exempt Status and Risk of Audit .....	12
Defeasance Risks .....	12
Cybersecurity Risks .....	12
Potential Risks Relating to COVID-19 .....	8
<b>LEGAL MATTERS .....</b>	<b>13</b>
Legal Proceedings .....	13
Approval of Legality .....	13
<b>TAX MATTERS .....</b>	<b>13</b>
<b>BOND RATINGS .....</b>	<b>15</b>
<b>CONTINUING DISCLOSURE .....</b>	<b>15</b>
<b>MISCELLANEOUS .....</b>	<b>16</b>
Underwriting .....	16
Financial Advisor .....	16
Certification and Other Matters Regarding Official Statement .....	16
Additional Information .....	17
<b>APPENDIX A – General, Economic and Financial Information concerning the District</b>	
<b>APPENDIX B – Accountants’ Report and Audited Financial Statements for fiscal year ended June 30, 2019</b>	
<b>APPENDIX C – Form of Continuing Disclosure Undertaking</b>	
<b>APPENDIX D – Book-Entry Only System</b>	
<b>APPENDIX E – Form of Opinion of Bond Counsel</b>	

## BOND ISSUE SUMMARY

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

District:	North Kansas City School District 74, Clay County, Missouri.
Issue:	\$95,000,000* General Obligation Improvement Bonds (Missouri Direct Deposit Program), Series 2020.
Dated Date:	Date of Delivery.
Interest Payment Dates:	March 1 and September 1, commencing March 1, 2021.
Principal Due:	Annually on March 1, as detailed on the inside cover page of this Official Statement.
Redemption:	The Bonds are subject to optional redemption prior to their Stated Maturity. See the section captioned <b>“THE BONDS – Redemption Provisions”</b> herein.
Authorization:	The Bonds are authorized by a resolution of the Board of Education of the District pursuant to and in full compliance with the Constitution and statutes of the State of Missouri, including particularly Article VI, Section 26 of the Missouri Constitution and Chapters 108 and 164 of the Revised Statutes of Missouri, as amended, and an election duly held in the District on June 2, 2020.
Security:	The Bonds are general obligations of the District and are payable from ad valorem taxes which may be levied without limitations as to rate or amount upon all taxable property, real and personal, within the territorial limits of the District. See the section captioned <b>“SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - General Obligations”</b> herein.
Credit Ratings:	<p><b>Program Ratings.</b> S&amp;P Global Ratings and Moody’s Investors Service, Inc., will assign the Bonds the ratings shown on the cover page hereof conditioned upon the execution and delivery of the Direct Deposit Agreement described under the section captioned <b>“SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Direct Deposit of State Aid Payments.”</b></p> <p><b>Underlying Rating.</b> Moody’s Investors Service, Inc., has given the Bonds the underlying rating shown on the cover page hereof reflecting the investment quality of the Bonds without regard to the Direct Deposit Agreement. See the section captioned <b>“BOND RATINGS”</b> herein.</p>
Purpose:	Proceeds of the Bonds will be used to (i) pay the costs of acquiring land and acquiring, constructing, repairing, improving, extending, remodeling, renovating, furnishing and equipping new and existing school facilities, including acquiring buildings, improvements, furnishings and equipment now leased to the District, and acquiring school buses and other transportation equipment and (ii) pay the costs of issuing the Bonds. The Bonds are being issued pursuant to a resolution adopted by the Board of Education, the governing body of the District. See the section captioned <b>“INTRODUCTION – The Bonds”</b> herein.
Tax Exemption:	Gilmore & Bell, P.C., Bond Counsel, will provide an opinion as to the tax exemption of the interest on the Bonds as discussed under the section captioned <b>“TAX MATTERS”</b> in this Official Statement.
Bank Qualification:	The Bonds have <u>not</u> been designated “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.
Paying Agent:	UMB Bank, N.A., Kansas City, Missouri (the <b>“Paying Agent”</b> ).
Book-Entry Form:	The Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ( <b>“DTC”</b> ), New York, New York. DTC will act as securities depository of the Bonds.

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\* Preliminary, subject to change.

## OFFICIAL STATEMENT

**\$95,000,000\***

**NORTH KANSAS CITY SCHOOL DISTRICT 74, CLAY COUNTY, MISSOURI  
GENERAL OBLIGATION IMPROVEMENT BONDS  
(MISSOURI DIRECT DEPOSIT PROGRAM)  
SERIES 2020**

### INTRODUCTION

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

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

The purpose of this Official Statement is to furnish information relating to (1) North Kansas City School District 74, Clay County, Missouri (the “**District**”), and (2) the General Obligation Improvement Bonds (Missouri Direct Deposit Program), Series 2020 (the “**Bonds**”), of the District being issued in the principal amount of \$95,000,000.\*

#### **The District**

The District is a seven-director school district and political subdivision organized and existing under the laws of the State of Missouri. See the section captioned “**GENERAL AND ECONOMIC INFORMATION CONCERNING THE DISTRICT**” in *Appendix A* to this Official Statement

#### **The Bonds**

The Bonds are being issued to pay the costs of acquiring land and acquiring, constructing, repairing, improving, extending, remodeling, renovating, furnishing and equipping new and existing school facilities, including acquiring buildings, improvements, furnishings and equipment now leased to the District, and acquiring school buses and other transportation equipment and have been authorized by the required majority of the qualified voters of the District at an election held on June 2, 2020. The Bonds are being issued pursuant to a resolution (the “**Bond Resolution**”) expected to be passed by the Board of Education of the District on July 28, 2020. See the sections captioned “**PLAN OF FINANCING**” and “**THE BONDS**” herein.

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

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

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\* Preliminary, subject to change.

## **Other Outstanding Obligations Payable**

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

## **Financial Statements**

Audited financial statements of the District, as of and for the year ended June 30, 2019, are included in *Appendix B* to this Official Statement. The financial statements have been audited by Marr and Company, P.C., certified public accountants, to the extent and for the period indicated in their report which is also included in *Appendix B* hereto.

## **Continuing Disclosure Information**

The District will enter into a Continuing Disclosure Undertaking dated as of the date of issuance of the Bonds (the **"Continuing Disclosure Undertaking"**), to provide certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events relating to the Bonds. The financial information, operating data and notice of events will be filed in compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission. See the section herein captioned **"CONTINUING DISCLOSURE UNDERTAKING"** and the form of Continuing Disclosure Undertaking included as *Appendix C* hereto.

## **Bond Ratings**

The District is expected to receive the program ratings set forth on the cover page of this Official Statement from S&P Global Ratings, a division of Standard & Poor's Financial Services, LLC (**"S&P"**) and Moody's Investors Service, Inc. (**"Moody's"**)(collectively, the **"Rating Agencies"**), respectively, conditioned upon the execution and delivery of the Direct Deposit Agreement described under the section captioned **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Direct Deposit of State Aid Payments"** in this Official Statement. The District has received the underlying rating set forth on the cover page of this Official Statement from Moody's based upon the underlying creditworthiness of the District. See also the section captioned **"BOND RATINGS"** herein.

## **Description of Documents**

Brief descriptions of the Bonds, the security for the Bonds and certain other matters are included in this Official Statement. Such information, summaries and descriptions do not purport to be comprehensive or definitive. All references herein to the Bonds and the Bond Resolution are qualified in their entirety by reference to such documents.

## **PLAN OF FINANCING**

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

The Bonds are authorized pursuant to and in full compliance with the Constitution and statutes of the State of Missouri, including particularly Article VI, Section 26 of the Missouri Constitution and Chapters 164 and 108 of the Revised Statutes of Missouri, as amended, the general obligation bond proposition approved by the voters of the District on June 2, 2020 (the **"2020 Election"**) and the Bond Resolution. The 2020 Election



(held on June 2, 2020) was originally scheduled to be held on April 7, 2020; however, due to the recent outbreak of COVID-19, the Governor of the State of Missouri executed Executive Order 20-03 on March 18, 2020, ordering all Missouri municipal elections previously scheduled for April 7, 2020, to be held on June 2, 2020. At the 2020 Election, the qualified voters of the District voting on the general obligation bond proposition approved by 78.71% (9,566 voting “yes” to 2,588 voting “no”) the proposition authorizing the District to issue general obligation bonds in the amount of \$155,000,000 for the purpose of acquiring land and acquiring, constructing, repairing, improving, extending, remodeling, renovating, furnishing and equipping new and existing school facilities, including acquiring buildings, improvements, furnishings and equipment now leased to the District, and acquiring school buses and other transportation equipment (collectively, the **“Project”**).

Specific portions of the Project expected to be financed with the proceeds of the Bonds include the following:

- Improvements to Staley High School
- Additions and improvements to Oak Park High School buildings and athletic facilities
- Improvements to Winnetonka High School athletic facilities.
- Acquire certain land and two buildings located thereon currently being leased by the District pursuant to an existing Lease Purchase Agreement dated as of February 15, 2020 (**“2020 Lease”**), between Capital One Public Funding, LLC, as lessor, and the District, as lessee, through the prepayment of the remaining principal portions of the rental payments scheduled to become due under the 2020 Lease plus the interest portions of such rental payments attributable thereto accrued to September 1, 2020, the prepayment date of the 2020 Lease (the **“Prepayment of the 2020 Lease”**). The District will also use proceeds of the Bonds to renovate and convert said buildings into an early childhood center for the District.

On the date of delivery of the Bonds, a portion of the proceeds of the Bonds in the amount of \$[\_\_\_\_\_] will be transferred to Capital One Public Funding, LLC, as lessor under the 2020 Lease, to pay the remaining principal portions of the rental payments scheduled to become due under the 2020 Lease plus the interest portions of such rental payments attributable thereto accrued to September 1, 2020, the prepayment date of the 2020 Lease. On the date of delivery of the Bonds, the remaining portion of the proceeds of the Bonds will be deposited in the District’s Capital Projects Fund and used to pay the other portions of the Project.

The Bonds constitute the first installment of the total \$155,000,000 general obligation bonds authorized at the 2020 Election. After the issuance the Bonds, the District will have the authority to issue the remaining \$60,000,000\* aggregate principal amount of general obligation bonds approved by the voters at the 2020 Election. Currently, the District intends to issue the remaining \$60,000,000\* in general obligation bonds authorized at the 2020 Election in the spring of 2021.

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\* Preliminary, subject to change.

## Sources and Uses of Funds

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

### *Sources of Funds:*

Principal amount of the Bonds	\$95,000,000.00*
[Net] reoffering premium	_____
Total	<u>\$ _____</u>

### *Uses of Funds:*

Prepayment of 2020 Lease	\$ _____
Deposit to Capital Projects Fund	_____
Costs of issuance for the Bonds, including Underwriter's discount	_____
Total	<u>\$ _____</u>

## THE BONDS

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

### General Description

The Bonds are being issued in the aggregate principal amount of \$95,000,000\*. The Bonds are dated as of the date of original delivery of and payment for such Bonds and the principal is payable on March 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement, subject to redemption and payment prior to maturity upon the terms and conditions described under the section below captioned **“Redemption Provisions.”** Interest on the Bonds is calculated at the rates per annum set forth on the inside cover page hereof, computed on the basis of a 360-day year of twelve 30-day months. The Bonds shall consist of fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds is payable from the date thereof or the most recent date to which said interest has been paid and is payable semiannually on March 1 and September 1 in each year, beginning March 1, 2021.

Payment of the interest on the Bonds will be made to the person in whose name such Bond is registered on the registration books (the **“Bond Register”**) at the close of business on the 15th day (whether or not a business day) of the calendar month next preceding an interest payment date (the **“Record Date”**). Interest on the Bonds will be paid to the Registered Owners thereof by check or draft mailed by UMB Bank, N.A., Kansas City, Missouri (the **“Paying Agent”**), to each Registered Owner at the address shown on the Bond Register or at such other address as is furnished to the Paying Agent in writing by such Registered Owner, or by electronic transfer to such Registered Owner upon written notice signed by such Registered Owner and given to the Paying Agent not less than 15 days prior to the Record Date for such interest payment, containing the electronic transfer instructions including the name and address of the bank (which shall be in the continental United States), the ABA routing number and the account number to which such Owner wishes to have such transfer directed and an acknowledgement that an electronic transfer fee may be applicable.

Principal of the Bonds will be paid by check or draft to the Registered Owner of such Bond at the maturity of such Bond or otherwise, upon presentation and surrender of such Bond at the designated payment office of the Paying Agent.

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\* Preliminary, subject to change.

While the Bonds remain in book-entry only form, payments to Beneficial Owners (as defined in *Appendix D* hereto) are governed by the rules of DTC as described in *Appendix D* attached to this Official Statement. If DTC ceases to act as securities depository for the Bonds, payment may be made as described in the Bond Resolution.

## **Redemption Provisions**

***Optional Redemption.*** At the option of the District, the Bonds or portions thereof maturing on March 1, 2029\*, and thereafter may be called for redemption and payment prior to maturity on March 1, 2028\*, and thereafter, in whole or in part, at any time at the redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date.

***Selection of Bonds to be Redeemed.*** Bonds shall be redeemed only in the principal amount of \$5,000 or any integral multiple thereof. When less than all of the Outstanding Bonds are to be redeemed, such Bonds shall be redeemed from Stated Maturities selected by the District, and Bonds of less than a full Stated Maturity shall be selected by the Paying Agent in \$5,000 units of principal amount by lot or in such other equitable manner as the Paying Agent may determine.

In the case of a partial redemption of Bonds, when Bonds of denomination greater than \$5,000 are Outstanding, then for all purposes in connection with such redemption each \$5,000 of face value shall be treated as though it were a separate Bond of the denomination of \$5,000. If it is determined that one or more, but not all, of the \$5,000 units of face value represented by any Bond are selected for redemption, then upon notice of intention to redeem such \$5,000 unit or units, the Registered Owner of such Bond or the Registered Owner's duly authorized agent shall present and surrender such Bond to the Paying Agent (1) for payment of the price which such Bonds are to be redeemed (the "**Redemption Price**") and interest to the date fixed for redemption (the "**Redemption Date**") of such \$5,000 unit or units of face value called for redemption, and (2) for exchange, without charge to the Registered Owner thereof, for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Bond. If the Registered Owner of any such Bond fails to present such Bond to the Paying Agent for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the redemption date to the extent of the \$5,000 unit or units of face value called for redemption (and to that extent only).

***Notice and Effect of Call for Redemption.*** Unless waived by any Registered Owner of Bonds to be redeemed, official notice of any redemption shall be given by the Paying Agent on the District's behalf by mailing a copy of an official redemption notice by first class mail at least 30 days prior to the Redemption Date to the State Auditor of Missouri and each Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register. All official notices of redemption shall be dated and shall contain the following information: (1) the Redemption Date; (2) the Redemption Price; (3) if less than all Outstanding Bonds of a maturity are to be redeemed, the identification, number and Stated Maturity (and, in the case of partial redemption of any Bonds, the respective principal amounts), of the Bonds to be redeemed; (4) a statement that on the Redemption Date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after the Redemption Date; (5) the place where such Bonds are to be surrendered for payment of the Redemption Price, which shall be the principal payment office of the Paying Agent; and (6) if applicable, that the proposed redemption is conditioned upon there being on deposit with the Paying Agent on the Redemption Date sufficient money to pay the full Redemption Price of the Bonds to be prepaid.

With respect to optional redemptions, such notice may be conditioned upon moneys being on deposit with the Paying Agent on or prior to the Redemption Date in an amount sufficient to pay the Redemption Price on the Redemption Date. If such notice is conditional and either the Paying Agent receives written notice from the District that moneys sufficient to pay the Redemption Price will not be on deposit on the Redemption Date, or such moneys are not received on the Redemption Date, then such notice shall be of no force and effect, the Paying Agent shall not redeem such Bonds and the Paying Agent shall give notice, in the same manner in

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\* Preliminary, subject to change.

which the notice of redemption was given, that such moneys were not or will not be so received and that such Bonds will not be redeemed.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall become due and payable on the Redemption Date, at the Redemption Price therein specified, and from and after the Redemption Date (unless the District defaults in the payment of the Redemption Price) such Bonds or portion of Bonds shall cease to bear interest.

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

The failure of any Registered Owner to receive the foregoing notice or any defect therein shall not invalidate the effectiveness of the call for redemption.

### **Book-Entry Only System**

Ownership interests in the Bonds will be available to purchasers only through a book-entry only system (the “**Book-Entry Only System**”) described in *Appendix D* attached hereto. If, however, the Book-Entry Only System has been discontinued and a Direct Participant has elected to withdraw its Bonds from DTC (or such successor securities depository), Bond certificates may be delivered to Beneficial Owners in the manner described herein under the caption “**Registration, Transfer and Exchange of Bonds**” below.

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

Bonds may be transferred and exchanged only on the Bond Register as provided in the Bond Resolution. Upon surrender of any Bond at the principal payment office of the Paying Agent or such other office designated by the Paying Agent, the Paying Agent shall transfer or exchange such Bond for a new Bond or Bonds in any authorized denomination of the same Stated Maturity and in the same aggregate principal amount as the Bond that was presented for transfer or exchange. Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Paying Agent, duly executed by the Registered Owner thereof or by the Registered Owner’s duly authorized agent. The District shall pay the reasonable fees and expenses of the Paying Agent for the registration, transfer and exchange of Bonds provided for by the Bond Resolution and the reasonable cost of printing a reasonable supply of registered bond blanks. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Paying Agent, are the responsibility of the Registered Owners of the Bonds. If any Registered Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against such Registered Owner sufficient to pay any governmental charge required to be paid as a result of such failure. In compliance with Section 3406 of the Code, such amount may be deducted by the Paying Agent from amounts otherwise payable to such Registered Owner under the Bond Resolution or under the Bonds.

### **CUSIP Numbers**

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

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### General Obligations

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

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

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

### Direct Deposit of State Aid Payments

Pursuant to Sections 360.106 and 360.111 to 360.118 of the Revised Statutes of Missouri and related statutes (the “**Deposit Law**”), the State of Missouri (the “**State**”) will transfer to a Missouri bank, as direct deposit trustee (the “**Deposit Trustee**”), a portion of the District’s State aid payments and distributions normally used for operational purposes (“**State Aid**”) in order to provide for payment of debt service on the Bonds. On the date of issuance of the Bonds, the District will enter into a Direct Deposit Agreement (the “**Deposit Agreement**”) with the Office of the Treasurer of the State of Missouri (“**Treasurer’s Office**”), the Department of Elementary and Secondary Education of the State of Missouri (“**DESE**”), the Health and Educational Facilities Authority of the State of Missouri (the “**Authority**”) and the Deposit Trustee. Under the Deposit Agreement, the District will pledge its State Aid to the payment of the Bonds. The Deposit Agreement will provide that (a) one-fourth (1/4<sup>th</sup>) of the annual debt service to be paid on the Bonds during the bond year ending March 1, 2021, will be deposited with the Deposit Trustee in each of the four (4) months of September 2020 (*excluding* October 2020 and November 2020) and in December 2020 through February 2021, (b) one-tenth (1/10<sup>th</sup>) of the annual debt service to be paid on the Bonds in the bond year ending March 1, 2022, will be deposited with the Deposit Trustee in each of the ten (10) months of March 2021 through September 2021 (*excluding* October 2021 and November 2021) and in December 2021 through February 2022 and (c) for each bond year thereafter, one-tenth (1/10<sup>th</sup>) of the annual debt service to be paid on the Bonds will be deposited with the Deposit Trustee in each of the ten similar months of March through September (*excluding* October and November) and December through February for each bond year after the Bonds are issued as long as the Bonds are outstanding. Amounts of State Aid to the District in excess of the amounts required to be deposited with the Deposit Trustee will be transferred directly to the District as has historically been the case with all State Aid.

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

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

## **RISK FACTORS**

*The following is a discussion of certain risks that could affect the payments to be made by the District with respect to the Bonds. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including its appendices) in order to make a judgment as to whether the Bonds are an appropriate investment. Prospective purchasers of the Bonds should consider carefully all possible factors that may result in a default in the payment of the Bonds, the redemption of the Bonds prior to maturity, a determination that the interest on the Bonds might be deemed taxable for purposes of federal and Missouri income taxation, or that may affect the market price or liquidity of the Bonds. This discussion of risk factors is not, and is not intended to be, comprehensive or exhaustive.*

### **Ad Valorem Property Taxes**

The Bond Resolution levies a direct annual tax on all taxable tangible property within the District sufficient to produce amounts necessary for the payment of the principal of and interest on the Bonds each year. Declining property values in the District, whether caused by national or global financial crises, natural disasters, local economic downturns, or other reasons, may require higher levy rates, which may increase the burden on local taxpayers and affect certain taxpayers' willingness or ability to continue timely paying property taxes. See the section captioned **"PROPERTY TAX INFORMATION CONCERNING THE DISTRICT – Property Valuations – History of Property Valuations"** in *Appendix A* to this Official Statement. In addition, the issuance of additional general obligation bonds by the District or by other political subdivisions in the District would increase the tax burden on taxpayers in the District. See the section captioned **"DEBT STRUCTURE OF THE DISTRICT – Overlapping or Underlying General Obligation Indebtedness"** in *Appendix A* to this Official Statement. Missouri law limits the amount of general obligation debt issuable by the District to 15% of the assessed valuation of taxable tangible property in the District. See the section captioned **"DEBT STRUCTURE OF THE DISTRICT – Legal Debt Capacity"** in *Appendix A* to this Official Statement. Other political subdivisions in the District are subject to similar limitations on general obligation debt imposed by Missouri law, including cities, counties and certain other political subdivisions, which are limited to general obligation debt of 20%, 10% and 5% of assessed valuation of taxable tangible property, respectively.

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

### **Potential Risks Relating to COVID-19**

In December 2019, a novel strain of coronavirus (which leads to the disease known as **"COVID-19"**), was discovered in Wuhan, China. Since that date, the virus has spread throughout the world and has been characterized by the World Health Organization as a pandemic. The impact of the COVID-19 pandemic on the U.S. economy is expected to be broad based and to negatively impact national, state and local economies. In response to such expectations, President Trump on March 13, 2020, declared a "national emergency,"

which, among other effects, allows the executive branch to disburse disaster relief funds to address the COVID-19 pandemic and related economic dislocation. On March 13, 2020, the Governor of the State signed an Executive Order declaring a state of emergency in the State in response to COVID-19. On April 24, 2020, the Governor signed another Executive Order extending the state of emergency in the State through June 15, 2020. On June 11, 2020, the Governor signed another Executive Order extending the state of emergency in the State through December 30, 2020. The stated purpose of the Executive Orders is to allow more flexibility in utilizing resources and deploying them around the State where they are most appropriate, including allowing the Governor to waive certain State laws and regulations where necessary. On April 3, 2020, the Governor of the State issued a “stay at home order” for all Missouri residents, which began on April 6, 2020, and ended on May 4, 2020, requiring all Missourians to avoid leaving their residences unless necessary and to practice social distancing when they need to travel outside their homes to work, access foods, prescriptions, health care, and other necessities, or to engage in an outdoor activity. Although the “stay at home order” required all school districts in the State to remain closed through the duration of the State Order, the Governor announced on April 9, 2020 that all school districts in the State, including the District, were required to remain closed through the remainder of the 2019-2020 school year. On April 27, 2020, the Missouri Department of Health and Senior Services (“DHS”) issued the “Show Me Strong Recovery Order,” which went into effect on May 4, 2020 and remained in effect through May 31, 2020. On May 28, 2020, DHS issued the “Economic Reopening Order,” which went into effect on June 1, 2020 and is to remain in effect until June 15, 2020. Both DHS orders provide guidelines for individuals and businesses in Missouri to gradually reopen economic and social activity. The DHS Order issued May 28, 2020 permits school districts to proceed with summer school and other on-campus activities under guidelines set forth by DESE. On June 16, 2020, the DHS orders expired and the State is not currently under a statewide public health order. Despite the expiration of statewide orders, cities and counties have the ability, and continue, to impose local public health orders restricting economic activities within the State.

To slow the spread of COVID-19, the District decided to voluntarily discontinue in-person classes beginning March 17, 2020; however, in accordance with the Governor’s announcement on April 9, 2020, the District discontinued in-person classes through the remainder of the 2019-2020 school year. On March 13, 2020, DESE released a memorandum to all Missouri school administrators which stated that the timing of a school district’s State Aid payments was not expected to be affected by closure of a school or interruption of state employees’ operations. On March 27, 2020, DESE released an additional memorandum to all Missouri school district administrators to address how school district closures resulting from the COVID-19 outbreak may impact student attendance reporting and the average daily attendance and weighted average daily attendance metrics used to calculate the distribution of Proposition C revenues (as defined in *Appendix A* to this Official Statement), Classroom Trust Fund moneys (as defined in *Appendix A* to this Official Statement) and State Aid to each school district. See the also the sections captioned “**FINANCIAL INFORMATION CONCERNING THE DISTRICT - Local Revenue**” and “**- State Revenue – Weighted ADA,**” “**-State Adequacy Target**” and “**-Classroom Trust Fund (Gambling Revenues) Distributions**” in *Appendix A* to this Official Statement for further details on the possible impact COVID-19 may have on the District’s State Aid payment calculations and distributions of Proposition C revenues and Classroom Trust Fund moneys.

The proliferation of COVID-19 throughout the State may adversely affect the State’s revenues which could negatively impact the availability of State Aid distributed to the District for payment of debt service on the Bonds under the Direct Deposit Agreement and may impact the amount of property tax revenues available to fund the District’s operations if the economic ramifications of the spread of COVID-19 have a lasting impact on the economy in and around the State or the District. On June 1, 2020, the Governor of Missouri announced a total of \$131.3 million in restrictions for State Aid distributions to school districts in June 2020. Additionally, due to further State revenue declines resulting from COVID-19, on June 30, 2020, the Governor of Missouri announced \$123.4 million in restrictions for State Aid foundation formula payments to school districts for the current 2020-2021 fiscal year, which will result in a decrease from the \$3,553,211,885 in foundation formula State Aid payments originally budgeted and approved by the Missouri General Assembly for the 2020-2021 fiscal year to approximately \$3,429,853,210 in foundation formula State Aid payments for the 2020-2021 fiscal year. According to an Administrative Memo from DESE dated June 30, 2020, as a result of the total \$123 million in restrictions for State Aid in the 2020-2021 fiscal year “school districts will receive a reduced July payment of State Aid to reflect the \$123.4 million spending restriction and any shortfall in Classroom Trust Fund revenue.” Other developments regarding COVID-19 continue to occur on a daily basis

and the extent to which COVID-19 will impact the District in the future is highly uncertain and cannot be predicted. Factors impacting the calculation of State Aid, including the recently announced restrictions for the June 2020 State Aid payments and the 2020-2021 State Aid payments, and adjustment of the District's property tax rates are discussed in the following sections of *Appendix A* to this Official Statement: **"FINANCIAL INFORMATION CONCERNING THE DISTRICT"** and **"PROPERTY TAX INFORMATION CONCERNING THE DISTRICT – Property Tax Levies and Collections – Tax Rates."** Also see the section of this Official Statement captioned, **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Direct Deposit of State Aid Payments."** It should be noted that the District remains obligated to provide funds to the Paying Agent for debt service on the Bonds if the amounts of State Aid transferred are not sufficient to pay the Bonds when due.

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

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

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

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

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

### **Ratings**

S&P and Moody's have each assigned the Bonds the program ratings set forth on the cover page of this Official Statement and Moody's has assigned the District the underlying rating set forth on the cover page of this Official Statement. Such ratings reflect only the views of such Rating Agencies, and an explanation of the significance of such ratings may be obtained therefrom. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised, either downward or upward, or withdrawn entirely, by said Rating Agencies if, in their judgment, circumstances warrant. Any such downward revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds. See also the section captioned **"BOND RATINGS"** herein.

### **Bankruptcy**

In addition to the limitations on remedies contained in the Bond Resolution, the rights and remedies provided by the Bonds may be limited by and are subject to (i) bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws affecting creditors' rights, (ii) the application of equitable principles, and (iii) the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against political subdivisions in the State of Missouri. Section 108.180 of the Revised Statutes of Missouri, as amended, requires that any interest and sinking fund moneys only be used to pay principal and interest on the Bonds. The District, like all other Missouri political subdivisions, is specifically authorized by



Missouri law to institute proceedings under Chapter 9 of the Federal Bankruptcy Code. Such proceedings, if commenced, are likely to have an adverse effect on the market price of the Bonds.

### **Pensions and Other Postemployment Benefits**

The District contributes to two cost-sharing multiple-employer defined benefit pension plans on behalf of its employees: (i) The Public School Retirement System of Missouri and (ii) The Public Education Employee Retirement System of Missouri. See the section captioned **“FINANCIAL INFORMATION CONCERNING THE SCHOOL DISTRICT – Pension and Employee Retirement Plans”** in *Appendix A* to this Official Statement. The District also provides other postemployment healthcare benefits as part of the total compensation offered to attract and retain the services of qualified employees. See the section captioned **“FINANCIAL INFORMATION CONCERNING THE SCHOOL DISTRICT – Post-Employment Healthcare Plan”** in *Appendix A* to this Official Statement. Future required contribution increases beyond the current fiscal year may require the District to increase its revenues, reduce its expenditures, or some combination thereof, which may impact the District’s operations or limit the District’s ability to generate additional revenues in the future.

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

Approximately 27.2% of the District’s revenue for the fiscal year ended June 30, 2019 was derived from moneys provided by the State of Missouri as State Aid. See the sections captioned **“FINANCIAL INFORMATION CONCERNING THE SCHOOL DISTRICT “Sources of Revenue,” “– State Revenue”** and **“– Missouri School Finance Laws”** in *Appendix A* of this Official Statement. A portion of the District’s State Aid is currently pledged to the payment of the Bonds and will be directly deposited by the State with the Deposit Trustee for payment of the Bonds. See the section captioned **“SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Direct Deposit of State Aid Payments”** in this Official Statement. Reductions in State Aid could occur in the future if, for example, the State of Missouri faces fiscal problems in the future or the District experiences a decline in enrollment. Reductions in State Aid could force the District to make budget cuts or operational adjustments and may adversely affect the rating on the Bonds or the market price of the Bonds.

### **Enrollment**

Significant portions of the revenue the District receives are directly affected by the District’s enrollment. A significant decrease in enrollment could reduce the amount of future revenue the District receives, which may adversely affect the District’s financial position and results of operations. No assurance can be given that economic, social, legislative and other factors beyond the control of the District will not negatively impact student enrollment and revenues dependent thereon. Increased competition from other educational facilities, including virtual facilities and charter schools, which may offer comparable programs at lower prices, could adversely affect the ability of the District to maintain enrollment, or could adversely affect the ability of the District to attract faculty and other staff. Under the Missouri Course Access and Virtual School Program, eligible students may enroll in virtual courses, and the school district will have to pay for that course if certain criteria are met. Charter schools are allowed in certain limited areas of Missouri provided certain criteria are met; there are or may be pending in the General Assembly of Missouri legislative proposals that, if enacted, could expand the prevalence of charter schools. It cannot be predicted whether or in what form any proposed legislation might be enacted or whether, if enacted, it would negatively impact the District’s enrollment, financial position or operations. For information about the historical enrollment of the District, see **“THE DISTRICT – History of Enrollment”** in *Appendix A* of this Official Statement.

### **Amendment of the Bond Resolution**

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

## **Loss of Premium from Redemption**

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

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

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

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

## **Defeasance Risks**

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

## **Cybersecurity Risks**

The District relies on its information systems to provide security for processing, transmission and storage of confidential personal, health-related, credit and other information. It is possible that the District’s security measures will not prevent improper or unauthorized access or disclosure of personally identifiable information resulting from cyber-attacks. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches can create disruptions or shutdowns of the District and the services it provides, or the unauthorized disclosure of confidential personal, health-related, credit and other information. If personal or otherwise protected information is improperly accessed, tampered with or distributed, the District may incur significant costs to remediate possible injury to the affected persons, and the District may be subject to sanctions and civil penalties if it is found to be in violation of federal or state laws or regulations. Any failure to maintain proper functionality and security of information systems could interrupt the District’s operations, delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations.

## LEGAL MATTERS

### Legal Proceedings

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

### Approval of Legality

Legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Kansas City, Missouri, as Bond Counsel to the District ("**Bond Counsel**"). The form of Bond Counsel's opinion is attached hereto as **Appendix E**. Certain matters relating to this Official Statement will also be passed upon by Gilmore & Bell, P.C., as disclosure counsel to the District.

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

## TAX MATTERS

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

### Opinion of Bond Counsel

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

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

**Alternative Minimum Tax.** The interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

**Bank Qualification.** The Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

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

## **Other Tax Consequences**

***Original Issue Discount.*** For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Bond over its issue price. The issue price of a Bond is generally the first price at which a substantial amount of the Bonds of that maturity have been sold to the public. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in that Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.

***Original Issue Premium.*** For federal income tax purposes, premium is the excess of the issue price of a Bond over its stated redemption price at maturity. The issue price of a Bond is generally the first price at which a substantial amount of the Bonds of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt bonds amortizes over the term of the Bond using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the owner's basis in the Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

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

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

***Collateral Federal Income Tax Consequences.*** Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers,

including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

## BOND RATINGS

***Program Ratings.*** The Bonds have been qualified for the program ratings set forth on the cover page hereof by S&P and by Moody’s, both of said ratings being conditioned upon the execution and delivery of the Direct Deposit Agreement described herein under the section captioned “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS-Direct Deposit of State Aid Payments**” herein.

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

Such ratings reflect only the view of such Rating Agencies at the time such ratings are given, and an explanation of the significance of such ratings may be obtained therefrom. There is no assurance that the ratings will remain in effect for any given period of time or that such ratings will not be revised, either downward or upward, or withdrawn entirely, by the Rating Agencies if, in its judgment, circumstances warrant. Any such downward revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

The District has furnished the Rating Agencies with certain information and materials relating to the Bonds and the District that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions made by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing such rating, circumstances so warrant. The Underwriter has not undertaken any responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the rating of the Bonds or to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of the ratings could have an adverse effect on the market price and marketability of the Bonds.

## CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Undertaking to be entered into by the District in accordance with Rule 15c2-12 of the Securities and Exchange Commission (the “**Rule**”), the District has agreed to provide to the Municipal Securities Rulemaking Board (the “**MSRB**”), *via* the EMMA system, not later than **December 31<sup>st</sup>** after the end of each fiscal year, commencing with the fiscal year ended June 30, 2020, (1) the audited financial statements of the District for that fiscal year and (2) certain operating data of the District (the “**Annual Report**”). The financial statements of the District are audited by the District’s independent certified public accountants. The District has also agreed to provide prompt notice of the occurrence of certain enumerated events with respect to the Bonds. See “**FORM OF CONTINUING DISCLOSURE UNDERTAKING**” attached as *Appendix C* hereto.

The District has entered into prior undertakings under the Rule, and the District believes it has complied in all material respects during the past five years with its prior undertakings under the Rule.

## MISCELLANEOUS

### **Underwriting**

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

### **Financial Advisor**

Piper Sandler & Co., Leawood, Kansas, is employed as Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing in connection with the planning, structuring and issuance of the Bonds and various other debt related matters (the “**Financial Advisor**”). The Financial Advisor will not be a manager or a member of any purchasing group submitting a proposal for the purchase of the Bonds.

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

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

Simultaneously with the delivery of the Bonds, the President of the Board of Education of the District, acting on behalf of the District, will furnish to the Underwriter a certificate which shall state, among other things, that to the best knowledge and belief of such officer, this Official Statement (and any amendment or supplement hereto) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading in any material respect.

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

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**Additional Information**

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

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

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

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**APPENDIX A**

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

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

## TABLE OF CONTENTS

**Page A-**

<b>GENERAL AND ECONOMIC INFORMATION CONCERNING THE DISTRICT .....</b>	<b>1</b>
Location and Size.....	1
Government and Organization.....	1
School Facilities.....	2
Educational Facilities.....	2
Educational Facilities.....	3
History of Enrollment .....	3
Other District Statistics.....	3
School Rating and Accreditation .....	3
General and Demographic Information .....	4
Mayor Employers .....	5
<b>DEBT STRUCTURE OF THE DISTRICT .....</b>	<b>6</b>
Overview.....	6
Current Indebtedness of the District .....	7
History of Indebtedness .....	7
Debt Service Requirements.....	8
Overlapping and Underlying General Obligation Indebtedness .....	9
Legal Debt Capacity .....	9
Capital Lease Obligations of the District.....	9
Operating Leases and Other Obligations of the District.....	14
<b>FINANCIAL INFORMATION CONCERNING THE DISTRICT .....</b>	<b>16</b>
Budgetary Process.....	16
Accounting Principles.....	16
Fund Balances Summary .....	17
Sources of Revenue .....	18
Local Revenue .....	19
County Revenue.....	20
State Revenue .....	21
Federal Revenue .....	24
Certain Permitted Fund Transfers.....	25
Risk Management .....	26
Pension and Employee Retirement Plans.....	26
Post-Employment Healthcare Plan .....	27
Employee Relations .....	28
<b>PROPERTY TAX INFORMATION CONCERNING THE DISTRICT .....</b>	<b>28</b>
Property Valuations .....	28
Property Tax Levies and Collections.....	29
Tax Abatement and Tax Increment Financing.....	30
Tax Rates .....	31
History of Tax Levies .....	32
Tax Collection Record.....	33
Major Property Taxpayers .....	34

## GENERAL AND ECONOMIC INFORMATION CONCERNING THE DISTRICT

### Location and Size

The District is located in the Kansas City Metropolitan Area north of the Missouri River, west and south of Interstate 435 and east of Highway 169. The District encompasses approximately 82 square miles and includes all or a portion of the cities of Kansas City, North Kansas City, Gladstone, Claycomo, Pleasant Valley and Avondale. The District lies almost entirely within Clay County, Missouri. A small portion (62 acres) of the District lies within Platte County. In 2018, the population of the District was estimated at 137,366, which constitutes approximately 55% of the population of Clay County.

### Government and Organization

The District was initially organized in June of 1913 and currently exists as an urban school district organized and governed pursuant to Sections 162.211 *et seq.* of the Revised Statutes of Missouri, as amended. The District is governed by a seven-member Board of Education, all of whom are elected on an at-large basis. A portion of the Board (3 members, 2 members and 2 members, on a rotating basis) is elected each year in April. Members of the Board each serve for three years.

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

The Board of Education appoints the Superintendent of Schools who is the chief administrative officer of the District responsible for carrying out the policies set by the Board of Education. Additional members of the administrative staff and all other employees are appointed by the Board of Education upon recommendation by the Superintendent.

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

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Jan Kauk	President and Member	4/2021
Paul Harrell	Vice President and Member	4/2021
Dr. Terry Ward	Treasurer and Member	4/2022
Terry Stone	Member	4/2023
Judy Wartick	Member	4/2022
Karee Gleason-Miller	Member	4/2023
Jane Rinehart	Member	4/2021

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

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

The District has a total of 287 employees, including 14 administrative personnel, 176 teachers and 97 non-certificated employees.

### **School Facilities**

The District operates 33 schools as described below.

<u><b>Name of School</b></u>	<u><b>Grades</b></u>
North Kansas City High	9-12
Oak Park High	9-12
Staley High	9-12
Winnetonka High	9-12
Antioch Middle School	7-8
Maple Park Middle	7-8
New Mark Middle	7-8
North Gate Middle	7-8
Eastgate Middle	6
Gateway 6th Grade Center	6
Rising Hill Elementary	K-5
Bell Prairie Elementary	PK-5
Briarcliff Elementary	K-5
Chapel Hill Elementary	K-5
Chouteau Elementary	PK-5
Northview Elementary	K-5
Clardy Elementary	K-5
Crestview Elementary	K-5
Davidson Elementary	K-5
Fox Hill Elementary	K-5
Gashland Elementary	PK-1
Gracemor Elementary	PK-5
Lakewood Elementary	K-5
Linden West Elementary	PK-5
Maplewood Elementary	PK-5
Meadowbrook Elementary	K-5
Nashua Elementary	K-5
Oakwood Manor Elementary	PK-5
Ravenwood Elementary	K-5
Topping Elementary	PK-5
West Englewood Elementary	PK-5
Winnwood Elementary	PK-5
Pleasant Valley Early Childhood	PK

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*Source:* Missouri Department of Elementary and Secondary Education.

### **Professional Staff**

The average teacher employed by the District has 12.5 years of teaching experience, equal to the statewide average of 12.5 years, and 62.1% of the District's teachers hold advanced degrees. For the 2018-2019 school year, the average salary for all teaching staff was \$57,442 compared to a statewide average salary for teaching staff of \$51,213.

## Educational Facilities

The District is the fourth largest school district in Missouri and serves over 20,000 students who live in 12 municipalities across southern Clay County, Missouri, and operates 33 educational sites, including 4 high schools, 6 middle schools, 22 elementary schools and an early childhood center. The District also offers several alternative education programs.

## History of Enrollment

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

<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
19,391	19,604	19,712	20,096	20,435

*Source:* Missouri Department of Elementary and Secondary Education.

## Other District Statistics

The following table show additional information about the District compiled by DESE for the last five completed fiscal years for which data is available (fiscal years ended June 30, 2015 through June 30, 2019).

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Average Daily Attendance (ADA)	18,553.36	18,867	18,973	19,116	19,493
Proportional Rate of Attendance <sup>(1)</sup>	88.7%	89.1%	88.9%	90.4%	89.8%
Current Expenditures per ADA	\$10,215.87	\$10,327.42	\$10,665.97	\$10,977.63	-- <sup>(2)</sup>
Students per Teacher	14	15	14	14	14
Students per Classroom Teacher	18	18	18	18	18

*Source:* Missouri Department of Elementary and Secondary Education.

<sup>(1)</sup> Reflects the overall percentage of District students who had an individual attendance rate of 90% or higher.

<sup>(2)</sup> Data not available from Missouri Department of Elementary and Secondary Education for school year 2018-19.

## School Rating and Accreditation

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

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

Under MSIP 5, there are four levels of school accreditation: (1) Accredited With Distinction, for districts with equal to or greater than 90% of the points possible on the APR and meeting other criteria yet to be determined by the State Board of Education (a resolution to adopt criteria was considered but withdrawn in

September 2014 and no further attempt to adopt criteria has been made making the achievement of the status Accredited with Distinction impossible until criteria have been adopted), (2) Accredited, for districts with scoring equal to or greater than 70% of the points possible on the APR, (3) Provisional, for districts with equal to or greater than 50% but less than 70% of the points possible on the APR, and (4) Unaccredited, for districts scoring less than 50% of the points possible on the APR.

In the District's 2018 APR, the District earned 97.4% of the points possible, placing the District in the "Accredited" category. The District also received the "Accredited" category with respect to its 2019 APR (as stated above, no placement in the Accredited with Distinction Category is currently possible).

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

## General and Demographic Information

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

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018 - 2019</u>
District	96,413	107,234	112,954	123,781	137,366 <sup>(1)</sup>
Clay County	136,488	153,411	184,006	221,939	249,948 <sup>(2)</sup>
State of Missouri	4,916,776	5,117,073	5,595,211	5,988,927	6,137,428 <sup>(2)</sup>

Source: U.S. Census Bureau.

<sup>(1)</sup> Estimated July 1, 2018.

<sup>(2)</sup> Estimated July 1, 2019.

**Employment Statistics.** The following table sets forth employment figures for the Clay County and the State of Missouri.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020<sup>(1)</sup></u>
<b>Clay County</b>					
Total Labor Force	134,971	134,872	134,903	136,610	136,670
Unemployed	5,229	4,885	3,904	3,909	9,480
Unemployment Rate	3.9%	3.6%	2.9%	2.9%	6.9%
<b>State of Missouri</b>					
Total Labor Force	3,080,850	3,061,441	3,052,386	3,083,245	\$3,073,912
Unemployed	140,536	115,101	97,578	101,557	192,690
Unemployment Rate	4.6%	3.8%	3.2%	3.3%	6.3%

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

<sup>(1)</sup> Average of January through May 2020.

The unemployment information for April and May 2020 reflects the initial impact of the COVID\_19 public health crisis on employment in Clay County through May 2020. Data for June and the following months in 2020 are not currently available, but general news reports reflect growing unemployment claims, particularly, in May 2020, with gradual improvements in business prospects and employment as the State of Missouri began phased reopening in June 2020.

**Income Statistics.** The following table presents per capita personal income<sup>(1)</sup> and median household income for Clay County and the State of Missouri based upon the 5-year estimate 2014-2018, the latest date for which such information is available:.

	<b>2014 - 2018 Estimates</b>	
	<b>Per</b>	<b>Median</b>
	<b><u>Capita Income</u><sup>(1)</sup></b>	<b><u>Household Income</u></b>
District	\$31,782	\$62,229
Clay County	33,342	68,367
State of Missouri	29,537	53,560

*Source:* Missouri Census Data Center, American Community Survey, 5-year estimates (2014-2018).

<sup>(1)</sup> Per Capita Personal Income is the annual total personal income of residents divided by resident population as of July 1. “**Personal Income**” is the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income and transfer payments. “**Net Earnings**” is earnings by place of work — the sum of wage and salary disbursements (payrolls), other labor income and proprietors’ income — less personal contributions for social insurance, plus an adjustment to convert earnings by place of work to a place-of-residence basis. Personal Income is measured before the deduction of personal income taxes and other personal taxes and is reported in current dollars (no adjustment is made for price changes).

**Housing.** The following table presents the number of owner-occupied housing units and the median value of owner-occupied housing units in the District, Clay County and the State of Missouri.

	<b>2014 - 2018 Estimates</b>	
	<b>No. of Owner-Occupied</b>	<b>Median</b>
	<b><u>Housing Units</u></b>	<b><u>Value of Owner-Occupied Units</u></b>
District	33,013	\$166,722
Clay County	62,389	191,330
State of Missouri	1,601,845	151,600

*Source:* Missouri Census Data Center, American Community Survey, 5-year estimates (2014-2018).

## Major Employers

The proximity of the District to the Kansas City Metropolitan Area offers its citizens a wide range of employment opportunities. Listed below are several major employers located in Clay County and throughout the Kansas City Metropolitan Area.

<b><u>Employers</u></b>	<b><u>Product/Service</u></b>	<b><u>Approximate Number Employed (FTE)</u></b>
Federal Government	Government	20,846
Cerner Corporation	Health care information systems	14,000
Saint Luke’s Health System	Health care	9,700
Children’s Mercy Hospital	Health care	7,189
Ford Kansas City Assembly Plant	Manufacturing	6,600
North Kansas City School District	Education	3,290
North Kansas City Hospital	Health care	2,810
Hallmark Cards Inc.	Manufacturing; Crown Media, Crown Center	5,200
Truman Medical Centers	Health care	3,575
Black & Veatch	Engineering, construction, consultation	2,981
Burns & McDonnell	Engineering, architecture, construction	2,924

*Source:* Kansas City Business Journal (July 2019).

## DEBT STRUCTURE OF THE DISTRICT

### Overview

2019 Assessed Valuation (after Board of Equalization adjustments) <sup>(1)</sup>	\$2,406,226,746
2019 Estimated Actual Valuation (after Board of Equalization adjustments) <sup>(2)</sup>	\$10,546,414,539
Outstanding General Obligation Bonds, including the Bonds ( <b>“Direct Debt”</b> ) <sup>(3)</sup>	\$314,580,000*
Estimated Population (July 1, 2018)	137,366
Per Capita Direct Debt	\$2,290.09*
Ratio of Direct Debt to Assessed Valuation	13.07%*
Ratio of Direct Debt to Estimated Actual Valuation	2.98%*
Overlapping and Underlying General Obligation Indebtedness ( <b>“Indirect Debt”</b> ) <sup>(4)</sup>	\$69,026,313
Total Direct Debt and Indirect Debt	\$383,606,313*
Per Capita Direct Debt and Indirect Debt	\$2,792.59*
Ratio of Direct Debt and Indirect Debt to Assessed Valuation	15.94%*
Ratio of Direct Debt and Indirect Debt to Estimated Actual Valuation	3.64%*

- <sup>(1)</sup> 2019 real and personal property assessed valuation as provided by the Clay County Clerk and Platte County Clerk as finally adjusted. Amount excludes assessed valuation in the amount of \$165,364,310 attributable to the TIF Increment (defined herein) over the established assessed valuation base within TIF Redevelopment Areas (defined herein) located within the District, abated Chapter 135 property and abated Chapter 353 property and state assessed railroad and utility real property. For further details see the section **“PROPERTY TAX INFORMATION CONCERNING THE DISTRICT – Current Assessed Valuation”** herein.
- <sup>(2)</sup> Estimated actual valuation is calculated by dividing different classes of property by the corresponding assessment ratios. For a detail of these different classes and ratios see the section **“PROPERTY TAX INFORMATION CONCERNING THE DISTRICT”** herein.
- <sup>(3)</sup> Reflects the outstanding principal amount of all the District’s general obligation bonds as of the date of issuance of the Bonds (expected August 12, 2020\*), which includes the principal amount of the Bonds (\$95,000,000\*), the principal amount of the District’s other outstanding general obligation bonds (\$219,580,000), but excludes authorized but unissued bonds in the amount of \$60,000,000\*, which the District expects to issue in calendar year 2021.
- <sup>(4)</sup> For further details see the section **“DEBT STRUCTURE OF THE DISTRICT - Overlapping and Underlying General Obligation Indebtedness”** herein.

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\* Preliminary, subject to change.



## Current Indebtedness of the District

The following table sets forth all of the outstanding general obligation indebtedness of the District following the issuance of the Bonds (August 12, 2020\*):

<u>Issue Name</u>	<u>Issue Date</u>	<u>Amount Outstanding</u>
General Obligation Refunding Bonds (Missouri Direct Deposit Program), Series 2010	09/01/2020	\$ 2,400,000
General Obligation Refunding Bonds (Missouri Direct Deposit Program), Series 2011	09/01/2011	4,730,000
General Obligation Refunding Bonds (Missouri Direct Deposit Program), Series 2012	04/25/2012	17,445,000
General Obligation Refunding Bonds (Missouri Direct Deposit Program), Series 2013	12/11/2013	5,160,000
General Obligation Refunding and Improvement Bonds (Missouri Direct Deposit Program), Series 2014	06/10/2014	36,760,000
General Obligation Refunding Bonds (Missouri Direct Deposit Program), Series 2015	05/19/2015	5,620,000
General Obligation Refunding Bonds (Missouri Direct Deposit Program), Series 2016A	08/18/2016	33,965,000
General Obligation Improvement Bonds (Missouri Direct Deposit Program), Series 2016B	11/17/2016	113,500,000
General Obligation Improvement Bonds (Missouri Direct Deposit Program), Series 2020	08/12/2020*	<u>95,000,000*</u>
<b>TOTAL</b>		<b><u>\$314,580,000*</u></b>

## History of Indebtedness

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

<u>Fiscal Year Ended June 30</u>	<u>Amount Outstanding</u>	<u>Debt as % of Assessed Valuation<sup>(1)</sup></u>
2020	\$219,580,000	9.13%
2019	238,150,000	10.65
2018	255,390,000	11.84
2017	272,560,000	13.08
2016	179,335,000	8.95

Source: The District.

<sup>(1)</sup> The assessed valuation used is the assessed valuation of the District as adjusted through December 31 of the calendar year prior to the fiscal year shown. Assessed valuation excludes state assessed railroad and utility real property, the assessed valuation of the TIF Increment (defined herein) over the established assessed valuation base within TIF Redevelopment Areas (defined herein), abated Chapter 135 property and abated Chapter 353 property located within the District. If state assessed railroad and utility real property, the assessed value of the TIF Increment (defined herein) over the established assessed valuation base within TIF Redevelopment Areas, abated Chapter 135 property and abated Chapter 353 property were taken into account, the debt as a percentage of total assessed valuation would be lower than the percentages shown. For more information, see “DEBT STRUCTURE OF THE DISTRICT – Legal Debt Capacity.”

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

\* Preliminary, subject to change.

## Debt Service Requirements

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

<b>Fiscal Year Ending June 30</b>	<b>Outstanding Bonds Total Debt Service</b>	<b>Bonds Being Offered</b>		<b><u>Total</u></b>
		<b><u>Principal*</u></b>	<b><u>Interest</u></b>	
2021	\$27,851,781.26	\$ 2,000,000.00		
2022	28,365,281.26	1,200,000.00		
2023	28,134,068.76	1,630,000.00		
2024	26,525,843.76	2,250,000.00		
2025	25,904,343.76	0.00		
2026	20,921,343.76	4,730,000.00		
2027	17,005,243.76	4,870,000.00		
2028	12,215,343.76	5,020,000.00		
2029	11,446,043.76	5,175,000.00		
2030	11,448,243.76	5,330,000.00		
2031	11,446,243.76	5,495,000.00		
2032	11,536,143.76	5,660,000.00		
2033	11,533,743.76	5,835,000.00		
2034	11,509,062.50	6,010,000.00		
2035	9,887,300.00	6,195,000.00		
2036	9,875,862.50	6,380,000.00		
2037	--	6,575,000.00		
2038	--	6,745,000.00		
2039	--	6,880,000.00		
2040	--	7,020,000.00		
<b>TOTAL</b>	<b><u>\$275,605,893.88</u></b>	<b><u>\$95,000,000.00*</u></b>		

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

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\* Preliminary, subject to change.

## Overlapping and Underlying General Obligation Indebtedness

The following table sets forth overlapping and underlying general obligation indebtedness of political subdivisions with boundaries overlapping the District as of July 1, 2020, unless otherwise noted, and the percent attributable (on the basis of assessed valuation figures for calendar year 2019) to the District. The table was compiled from publicly available information furnished by the jurisdictions responsible for the debt and the District has not independently verified the accuracy or completeness of such information. Furthermore, political subdivisions may have ongoing programs requiring the issuance of substantial additional bonds or other long-term obligations such as leases, the amounts of which may be unknown to the District at this time.

<b><u>Taxing Jurisdiction</u></b>	<b><u>Outstanding General Obligation Indebtedness</u></b>	<b><u>Percent Applicable to the School District</u></b>	<b><u>Amount Applicable to the School District</u></b>
City of Kansas City	\$368,875,000	18.55%	\$68,426,313
City of Gladstone	600,000	100.00%	<u>600,000</u>
<b>TOTAL</b>			<b><u>\$69,026,313</u></b>

*Source:* State Auditor of Missouri – Bond Registration Reports; State Auditor of Missouri – 2019 Property Tax Rate Report; most recent information available from the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system.

## Legal Debt Capacity

Under Article VI, Section 26(b) of the Constitution of Missouri, the District may incur indebtedness for authorized school purposes not to exceed 15% of the valuation of taxable tangible property in the District according to the last completed assessment upon the approval of four-sevenths of the qualified voters in the District voting on the proposition at any general municipal, primary or general election held in even-numbered years or two-thirds voter approval on any other election date. The legal debt limitation and debt margin of the District are as follows:

Assessed Valuation (as of August 2019 after Board of Equalization adjustments) <sup>(1)</sup>	\$2,406,226,746
Plus: assessed valuation of TIF Increment within TIF Redevelopment Areas	165,364,310
Plus: abated assessed valuation of Ch. 135 Property	8,738,370
Plus: abated assessed valuation of Ch. 353 Property	<u>8,577,890</u>
Adjusted Assessed Valuation	\$2,588,907,316
Constitutional Debt Limitation (15% of Adjusted Assessed Valuation)	\$388,336,097
General Obligation Indebtedness (including the Bonds and voter authorized but unissued bonds)	<u>(374,580,000)</u>
<b>Legal Debt Margin</b>	<b><u>\$13,756,097</u></b>

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

<sup>(2)</sup> Includes the outstanding principal amount of all the District’s general obligation bonds as of the date of issuance of the Bonds (expected August 12, 2020\*), which includes the principal amount of the Bonds (\$95,000,000\*), *plus* principal amount of the District’s other outstanding general obligation bonds (\$219,580,000), *plus* the remaining \$60,000,000\* of the general obligation bonds authorized by the voters of the District at the 2020 Election (which the District expects to issue in calendar year 2021).

## Capital Lease Obligations of the District

**Energy Savings Lease Purchase Financings.** The District (1) has issued three separate issues of certificates of participation in November 2014, March 2015 and September 2015 and (2) has entered into a lease purchase transaction directly with a lender in March 2017, each for the purpose of acquiring and installing certain energy cost savings measures in existing buildings of the District.

The first series of certificates of participation, the Certificates of Participation (Energy Improvements Project), Series 2014, were issued on November 11, 2014, in the principal amount of \$5,170,000 (the “**Series 2014 Certificates**”). The second series of certificates of participation, the Certificates of Participation (Energy Improvements Project), Series 2015, were issued on March 10, 2015, in the principal amount of \$9,175,000 (the “**Series 2015 Certificates**”). The third series of certificates of participation, the Certificates of Participation (Energy Improvements Project), Series 2015A, were issued on September 30, 2015, in the principal amount of \$9,840,000 (the “**Series 2015A Certificates**,” and together with the Series 2014 Certificates and the Series 2015 Certificates, the “**Certificates**”). The District also entered into a direct Lease Purchase Agreement (Energy Project), dated as of March 1, 2017 (the “**2017 Direct Energy Lease**”) in the original principal amount of \$4,999,000 between the District, as lessee, and Bank of America, National Association, as lessor.

The Certificates represent the proportionate interests of the owners thereof in basic rent payments (“**Basic Rent Payments**”) to be made by the District pursuant to certain Lease Purchase Agreements entered into between Commerce Bank, as lessor and trustee, and the District, for each respective series of Certificates. In connection with the issuance of each series of Certificates and the 2017 Direct Energy Lease, the District entered into an Energy Savings Performance Contract (the “**Energy Contract**”) with Navitas, LLC (the “**Guarantee Provider**”) as authorized under Section 8.231 of the Revised Statutes of Missouri, as amended. Each respective Energy Contract includes a written guarantee of the Guarantee Provider that either the energy savings (“**Energy Savings**”) or operational savings (the “**Operation Savings**”), or both, achieved by the District will meet or exceed amounts specified in each respective Energy Contract on an annual basis for a specified period of years from the first day of the month following the final acceptance of each respective energy improvement project (the “**Guarantee Period**”). With respect to each Energy Contract, the Guarantee Provider has promised to reimburse the District for any shortfall in Energy Savings, on an annual basis during the Guarantee Period, subject to certain limitations in the respective Energy Contracts.

Set forth below are the remaining basic rent payments, with respect to each series of Certificates, distributable to the owners of each respective series of Certificates, which are subject to annual appropriation by the District:

<b>Series 2015A Certificates - Basic Rent Payments</b>			
<b>Fiscal Year</b>			
<b><u>Ended</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
<b><u>June 30</u></b>	<b><u>Portion</u></b>	<b><u>Portion</u></b>	
2021	\$655,000.00	\$251,700.00	\$906,700.00
2022	685,000.00	225,500.00	910,500.00
2023	700,000.00	198,100.00	898,100.00
2024	730,000.00	170,100.00	900,100.00
2025	750,000.00	140,900.00	890,900.00
2026	780,000.00	120,650.00	900,650.00
2027	750,000.00	97,250.00	847,250.00
2028	700,000.00	74,750.00	774,750.00
2029	800,000.00	52,000.00	852,000.00
2030	800,000.00	26,000.00	826,000.00
<b>TOTAL</b>	<b>\$7,350,000.00</b>	<b>\$1,356,950.00</b>	<b>\$8,706,950.00</b>

**Series 2015 Certificates – Basic Rent Payments**

<b>Fiscal Year</b>			
<b>Ended</b>	<b>Principal</b>	<b>Interest</b>	
<b><u>June 30</u></b>	<b><u>Portion</u></b>	<b><u>Portion</u></b>	<b><u>Total</u></b>
2021	\$570,000.00	\$189,800.00	\$759,800.00
2022	590,000.00	175,350.00	765,350.00
2023	600,000.00	162,700.00	762,700.00
2024	615,000.00	148,646.88	763,646.88
2025	625,000.00	133,531.26	758,531.26
2026	645,000.00	117,253.13	762,253.13
2027	660,000.00	98,887.50	758,887.50
2028	680,000.00	78,787.50	758,787.50
2029	700,000.00	57,650.00	757,650.00
2030	720,000.00	35,462.50	755,462.50
2031	745,000.00	12,106.25	757,106.25
<b>TOTAL</b>	<b>\$7,150,000.00</b>	<b>\$1,210,175.02</b>	<b>\$8,360,175.02</b>

**Series 2014 Certificates – Basic Rent Payments**

<b>Fiscal Year</b>			
<b>Ended</b>	<b>Principal</b>	<b>Interest</b>	
<b><u>June 30</u></b>	<b><u>Portion</u></b>	<b><u>Portion</u></b>	<b><u>Total</u></b>
2021	\$280,000.00	\$131,406.26	\$411,406.26
2022	300,000.00	122,706.26	422,706.26
2023	330,000.00	113,256.26	443,256.26
2024	350,000.00	103,056.26	453,056.26
2025	385,000.00	88,181.26	473,181.26
2026	415,000.00	72,331.26	487,331.26
2027	450,000.00	59,075.01	509,075.01
2028	485,000.00	44,162.51	529,162.51
2029	515,000.00	27,590.63	542,590.63
2030	560,000.00	9,450.00	569,450.00
<b>TOTAL</b>	<b>\$4,070,000.00</b>	<b>\$771,215.71</b>	<b>\$4,841,215.71</b>

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

Set forth below are the remaining rental payments payable by the District under the 2017 Direct Energy Lease, which are subject to annual appropriation by the District:

<b>Series 2017 Direct Energy Lease – Rental Payments</b>			
<b>Fiscal Year</b>			
<b><u>Ended</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
<b><u>June 30</u></b>	<b><u>Portion</u></b>	<b><u>Portion</u></b>	
2021	\$298,000.00	\$109,348.80	\$407,348.80
2022	306,000.00	101,481.60	407,481.60
2023	314,000.00	93,403.20	407,403.20
2024	322,000.00	85,113.60	407,113.60
2025	330,000.00	76,612.80	406,612.80
2026	339,000.00	67,900.80	406,900.80
2027	348,000.00	58,951.20	406,951.20
2028	357,000.00	49,764.00	406,764.00
2029	367,000.00	40,339.20	407,339.20
2030	377,000.00	30,650.40	407,650.40
2031	387,000.00	20,697.60	407,697.60
2032	397,000.00	10,480.80	407,480.80
<b>TOTAL</b>	<b>\$4,142,000.00</b>	<b>\$744,744.00</b>	<b>\$4,886,744.00</b>

**2020 Equipment Lease for Computers.** On July 10, 2020, the District entered into a lease purchase agreement (the “**2020 Computer Lease**”) with Apple Inc. Financial Services for 16,600 iPads and 9,300 MacBook laptops. The 2020 Computer Lease has a stated interest rate of 1.350% and requires the first rental payment to be made on January 1, 2021, with the remaining rental payments due on July 15 of each year, beginning July 15, 2021, with the final rental payment scheduled for July 15, 2024, subject to annual appropriation by the District. Set forth below are the remaining rental payments scheduled to become due on the 2020 Computer Lease, subject to annual appropriation by the District:

<b>Fiscal Year</b>			
<b><u>Ended</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
<b><u>June 30</u></b>	<b><u>Portion</u></b>	<b><u>Portion</u></b>	
2021	\$2,200,963	--	\$2,200,962
2022	2,500,000	--	2,500,000
2023	2,500,000	--	2,500,000
2024	2,500,000	--	2,500,000
2025	2,500,000	--	2,500,000
<b>TOTAL</b>	<b>\$12,200,963</b>	<b>--</b>	<b>\$12,200,963</b>

**2017 Equipment Lease for Computers.** On September 29, 2017, the District entered into a lease purchase agreement (the “**2017 Computer Lease**”) with Apple Inc. Financial Services for 15,000 iPads and 6,000 MacBook Air laptops for students and 2,000 MacBook Air laptops for staff. The 2017 Computer Lease has a stated interest rate of 1.940% and requires annual rental payments due on July 15, which are subject to annual appropriation by the District, with the final rental payment scheduled for July 15, 2022. Set forth below are the remaining rental payments scheduled to become due on the 2017 Computer Lease, subject to annual appropriation by the District:

<b>Fiscal Year Ended June 30</b>	<b>Principal Portion</b>	<b>Interest Portion</b>	<b>Total</b>
2021 <sup>(1)</sup>	\$2,022,312	\$79,227	\$2,101,539
2022	2,061,545	39,994	2,101,539
<b>TOTAL</b>	<b>\$4,083,857</b>	<b>\$119,221</b>	<b>\$4,203,078</b>

<sup>(1)</sup> District rental payment due during fiscal year ended June 30, 2021, was paid on July 16, 2020.

**Equipment Lease for Custodial Equipment.** On August 8, 2017, the District entered into a lease purchase transaction (the “**Custodial Equipment Lease**”) to finance the acquisition of new custodial related equipment. The Custodial Equipment Lease has a stated interest rate of 4.30% and requires monthly rental payments consisting of both a principal portion and an interest portion, which are subject to annual appropriation by the District, due on the first day of each month, with a final rental payment scheduled for August 1, 2021. Set forth below are the remaining rental payments scheduled to become due on the Custodial Equipment Lease, subject to annual appropriation by the District:

<b>Fiscal Year Ended June 30</b>	<b>Principal Portion</b>	<b>Interest Portion</b>	<b>Total</b>
2021	\$95,360.00	\$2,585.00	\$97,945.00
2022	16,295.00	29.00	16,324.00
<b>TOTAL</b>	<b>\$111,655.00</b>	<b>\$2,614.00</b>	<b>\$114,269.00</b>

**2020 Real Property Lease with Capital One.** On March 5, 2020, the District entered into a lease purchase agreement (the “**2020 Lease**”) with Capital One Public Funding, LLC, as lessor, in the original principal amount of \$4,755,000 in order to pay or reimburse the costs of acquiring land and two buildings located within the District to be renovated into an early childhood center for the District. A portion of the proceeds of the Bonds will be used to prepay the 2020 Lease on September 1, 2020, as authorized by the voters at the 2020 Election in order to acquire said land and buildings currently encumbered under the 2020 Lease.

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

Description of Financed Property	Total Purchase Price	Annual Principal and Interest Payment	Commencement Date	Final Payment Date
3 Yr – CNG Leased Buses – 30 units	\$3,912,240.00	\$559,820 <sup>(1)</sup>	04/15/2016	07/01/21
10 Yr – Lease Purchase – 94 units	12,150,351.00	1,338,218	04/15/2016	07/01/2025
10 Yr – Lease Purchase - infrastructure	2,468,246.00	271,848	04/15/2016	07/01/2025

<sup>(1)</sup> The District refinanced the master equipment lease purchase agreement on June 25, 2020. The principal and interest payment due on July 16, 2020, was equal to \$559,820; however, the final principal and interest payment will be equal to \$1,343,048.

### Operating Leases and Other Obligations of the District

**Northland Innovation Center Use Agreement.** On October 7, 2014, the 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”). Upon completion, CBC was the landlord for the facility. The District agreed to use 60,000 square feet of the Center for educational purposes, including the location for the Northland CAPS program and the Gifted and Talented program. The base rent has an escalator every 60 months beginning with \$90,000 per month commencing May 1, 2016. For the year ended June 30, 2019, the District recognized \$1,080,000 in lease expense.

The following is a schedule of the future escalation payments as per CBC lease agreement.

Lease Term Period	Per Rentable Square Foot	Monthly Base Rent	Annual Base Rental
May 2016 to April 2021	\$18.00	\$90,000	\$1,080,000
May 2016 to April 2021	19.80	99,000	1,188,000
May 2016 to April 2021	21.78	108,900	1,306,800
May 2016 to April 2021	23.96	119,800	1,437,600

**Passenger School Buses.** The District entered into multiple leases for the use of passenger school buses. Each lease contains separate and varying provisions with regard to cancellation and renewal. For the year ended June 30, 2019, the District recognized expense related to these agreements totaling \$946,280.

**Konica Copier Equipment.** The District entered into multiple leases for the use of office copier equipment throughout the school buildings and with administration buildings. Each lease contains separate and varying provisions with regard to cancellation and renewal. For the year ended June 30, 2019, the District recognized expense related to these agreements totaling \$630,779.

**Parking and Office Facilities.** The District entered into multiple leases for the use of parking facilities and office space. Each lease contains separate and varying provisions with regard to cancellation and renewal. For the year ended June 30, 2019, the District recognized expense related to these agreements totaling \$93,175.



The following is a schedule of the future minimum lease payments under the operating lease agreements listed under this section captioned “**Other Operating Lease Obligations of the District**” (assuming noncancellation).

<b>Fiscal Ended June 30</b>	<b>Northland Innovation Center</b>	<b>Passenger School Buses</b>	<b>Konica Copier Equipment</b>	<b>Parking &amp; Office Facilities</b>	<b>Total</b>
2021	\$1,098,000	-	\$24,001	\$6,123	\$1,128,124
2022	1,188,000	\$386,460	14,001	6,123	1,594,584
2023	1,188,000	-	-	6,123	1,194,123
2024	1,188,000	-	-	6,123	1,194,123
2025-2029	6,316,200	-	-	30,616	6,346,816
2030-2034	6,948,200	-	-	30,616	6,978,816
2035-2037	2,635,600	-	-	13,777	2,649,377
<b>TOTAL</b>	<b>\$20,562,000</b>	<b>\$386,460</b>	<b>\$38,002</b>	<b>\$99,501</b>	<b>\$21,085,963</b>

See also *Note 4.F.* to the District’s audited financial statements for fiscal year ended June 30, 2019, attached as *Appendix B* for a further discussion of the District’s operating lease obligations.

**Facilities Use Agreement - City of Gladstone, Missouri.** In September 2005, the District entered a facilities use agreement (the “**Facilities Use Agreement**”) with the City of Gladstone, Missouri (the “**City**”). Under the Facilities Use Agreement, 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 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 2019, \$525,000 was paid to the City of which \$306,250 was recorded as prepaid expense as of June 30, 2019. The District also agreed to pay the City an annual payment for maintenance usage. These maintenance usage fees will be recalculated every five years during the lease term. Beginning in fiscal year ending June 30, 2018 through fiscal year ending June 30, 2022, the maintenance fee was recalculated to \$175,000. In January 2019, \$175,000 was paid to the City of which \$87,500 was recorded as prepaid expense as of June 30, 2019.

The following is a schedule of future minimum use payments and maintenance agreements as per the Facilities Use Agreement.

<b>Fiscal Ended June 30</b>	<b>Usage Fees</b>	<b>Maintenance Fees</b>
2021	\$525,000	\$175,000
2022	525,000	175,000
2023	525,000	Adjusted
2024	525,000	Adjusted
2025-2026	1,050,000	Adjusted
<b>TOTAL</b>	<b>\$3,150,000</b>	

See also *Note 4.G.* to the District’s audited financial statements for fiscal year ended June 30, 2019, attached as *Appendix B* for a further discussion of the Facilities Use Agreement

## FINANCIAL INFORMATION CONCERNING THE DISTRICT

### Budgetary Process

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

### Accounting Principles

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

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

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

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

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

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

The audited financial statements of the District for the fiscal year ended June 30, 2019, with the report of Marr and Company, P.C., certified public accountants, with respect thereto, is included in this Official Statement at *Appendix B*.

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

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## Fund Balances Summary.

The following Summary Statement of Cash Receipts, Disbursements and Changes in Fund Balances was prepared from the District's audited financial statements for fiscal years ended June 30, 2015 through 2019. The statement set forth below should be read in conjunction with the other financial statements and notes appertaining hereto set forth in **Appendix A** of this Official Statement and the financial statements on file at the District's office.

	Fiscal Years Ended June 30				
	2015	2016	2017	2018	2019
<b><u>General (Incidental) Fund</u></b>					
Balance-Beginning of Year	\$33,378,656	\$35,701,177	\$40,001,323	\$45,280,665	\$49,935,798
Cash Receipts <sup>(1)</sup>	98,981,424	97,322,630	107,175,332	108,612,118	113,179,899
Cash Disbursements	86,343,472	88,744,681	93,154,737	97,618,628	103,904,561
Transfers In (Out)	(10,315,431)	(4,277,803)	(8,741,253)	(6,338,357)	(10,726,589)
Balance-End of Year	\$35,701,177	\$40,001,323	\$45,280,665	\$49,935,798	\$48,484,547
<b><u>Special Revenue (Teachers') Fund</u></b>					
Balance-Beginning of Year	\$0	\$0	\$0	\$0	\$0
Cash Receipts	118,099,712	125,833,897	127,830,038	132,242,946	136,796,249
Cash Disbursements	121,937,671	125,918,793	129,421,502	132,958,618	137,328,808
Transfers In (Out)	3,837,959	84,896	1,591,464	715,672	532,559
Balance-End of Year	\$0	\$0	\$0	\$0	\$0
<b><u>Debt Service Fund</u></b>					
Balance-Beginning of Year	\$21,624,157	\$23,406,493	\$25,778,726	\$74,741,039	\$35,307,741
Cash Receipts	55,669,547 <sup>(2)</sup>	26,924,349	75,909,400 <sup>(3)</sup>	29,194,346	29,760,838
Cash Disbursements	53,887,211	24,552,116	26,947,087	68,627,644	33,834,569
Transfers In (Out)	0	0	0	0	0
Balance-End of Year	\$23,406,493	\$25,778,726	\$74,741,039	\$35,307,741	\$31,234,010
<b><u>Capital Projects Fund</u></b>					
Balance-Beginning of Year	\$33,694,982	\$28,566,781	\$20,396,664	\$133,069,589	\$66,480,877
Cash Receipts <sup>(1)</sup>	3,405,691	5,813,183	128,842,310 <sup>(4)</sup>	9,867,784	4,429,567
Cash Disbursements	15,011,364	18,176,207	23,319,174	82,079,181	47,242,304
Transfers In (Out)	6,477,472	4,192,907	7,149,789	5,622,685	10,194,030
Balance-End of Year	\$28,566,781	\$20,396,664	\$133,069,589	\$66,480,877	\$33,862,170
<b><u>Total Funds</u></b>					
Balance-Beginning of Year	\$88,697,794	\$87,674,450	\$86,176,712	\$253,091,292	\$151,724,415
Cash Receipts	276,156,374	255,894,059	439,757,080	279,917,194	284,166,553
Cash Disbursements	277,179,718	257,391,797	272,842,500	381,284,071	322,310,242
Balance-End of Year	\$87,674,450	\$86,176,712	\$253,091,292	\$151,724,415	\$113,580,726

Source: District's audited financial for fiscal years ended June 30, 2015 – 2019.

(1) Includes proceeds received from the sale of District Property.

(2) Includes proceeds received from the sale of the District's General Obligation Refunding Bonds (Missouri Direct Deposit Program), Series 2015.

(3) Includes proceeds received from the sale of the District's General Obligation Refunding Bonds (Missouri Direct Deposit Program), Series 2016A

(4) Includes proceeds received from the sale of the District's General Obligation Improvement Bonds (Missouri Direct Deposit Program), Series 2016B

## Sources of Revenue

The District finances its operations through the local property tax levy, state sales tax, State Aid (as defined below), federal grant programs and miscellaneous sources, including without limitation State Aid for transportation, a state sales tax on cigarettes and a pro rata share of interest income from the counties in which each school district operates. Debt service on general obligation bonds is paid from amounts in the District's Debt Service Fund. The primary source of money in the Debt Service Fund is local property taxes derived from a debt service levy. As discussed below, the Debt Service Fund may, however, also contain money derived from transfers from the Incidental Fund, from State Aid in the Classroom Trust Fund, and from certain other taxes or payments-in-lieu-of-taxes that may be placed in the Debt Service Fund at the discretion of the Board. See **"Missouri School Finance Laws – Transfers from Incidental Fund to Debt Service Fund and/or Capital Projects Fund."**

State and federal revenue, as well as "Proposition C" sales tax revenue (included in the **"Local Revenue"** category below), are received on a continuous monthly basis throughout the fiscal year. Local taxes, however, are received primarily in January, over six months into a district's fiscal year. Districts that receive a smaller percentage of revenue from state and federal aid and depend more on local revenues will typically carry a larger fund balance than other districts that may be receiving a larger percent of its revenue from state and federal aid amounts rather than local taxes.

**Current.** For the District's fiscal year ended June 30, 2020, the *estimated* approximate sources of revenue for the District, based upon the District's unaudited internal financial data, were as follows:

<u>Source</u>	<u>Amount</u>	<u>%</u>
Local Revenue:		
Property Taxes	\$145,153,553	49.63%
Proposition C Sales Tax	20,590,092	7.04
Other	22,509,139	7.70
County Revenue:		
Railroad & Utility Property Taxes	4,542,245	1.55
Fines, Forfeitures & Other	299,992	0.10
State Revenue	81,037,371	27.71
Federal Revenue	16,901,368	5.78
Other Revenue	1,415,378	0.48
<b>Total Revenue</b>	<b>\$292,449,138</b>	<b>100.00%</b>

*Source:* District's preliminary budget for fiscal year ending June 30, 2021, which included actual year to date plus projected revenues for the District's fiscal year ended June 30, 2020, as of June 11, 2020. These figures are preliminary and subject to change.

**Historical.** The table below shows the allocation of revenues received by the District for the past five fiscal years:

<u>Source</u>	<u>Fiscal Years Ended June 30</u>				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Local Revenue	\$163,476,883	\$169,270,186	\$176,374,267	\$182,885,393	\$185,568,290
County Revenue	3,929,026	4,205,585	4,226,107	4,376,305	4,556,949
State Revenue	63,208,336	66,965,379	70,875,224	70,866,763	77,337,634
Federal Revenue	14,516,535	14,537,877	14,299,291	15,500,566	15,445,996
Other Revenue <sup>(1)</sup>	936,401	915,032	2,780,926	6,288,167	1,257,684
<b>Total</b>	<b>\$246,067,181</b>	<b>\$255,894,059</b>	<b>\$268,555,815</b>	<b>\$279,917,194</b>	<b>\$284,166,553</b>

*Source:* District's audited financial statements for fiscal year ended June 30, 2019.

<sup>(1)</sup> Excludes any proceeds received from the sale of general obligation bonds.

### **Local Revenue**

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

Proposition C revenues are deemed to be "local" revenues for school district accounting purposes. Proposition C revenues are distributed to each school district based on the district's weighted average daily attendance (see "**Weighted ADA**" under "**State Revenue**" below). Proposition C payments vary each month due to cash availability, which is based on sales taxes paid during the second preceding month. For the 2018-2019 fiscal year, each school district received approximately \$1,006 per pupil from Proposition C revenues based upon each district's 2017-2018 Weighted ADA according to the final payment calculation information provided by DESE in their June 2019 School Finance Memo. For the 2019-2020 fiscal year, each school district was expected to receive approximately \$1,036 per pupil from Proposition C revenues based upon each district's 2018-2019 Weighted ADA; however, due to the impact the COVID-19 public health crises on sales tax beginning March 2020 (as further discussed below), the Proposition C revenues did not reach appropriated levels. As a result, according to DESE's June 2020 School Finance Memo, each school district received approximately \$1,005 per pupil from Proposition C revenues for the final June 2020 payment of the 2019-2020 fiscal year.

The recent outbreak of COVID-19 has caused all school districts in the State of Missouri (the "**State**"), including the District, to voluntarily discontinue in-person classes for indefinite periods of time and caused numerous counties and municipalities across the State to enact "stay-in-place" orders which require individuals in those areas to remain in their residences, except to procure "essential services", and businesses in those areas, other than those deemed to be "essential businesses", to cease operations. In order to further control the spread of COVID-19 across the State, on April 3, 2020, the Governor of the State issued a statewide "Stay Home Missouri" order for all State residents (the "**State Order**"), which began on April 6, 2020, and ended on May 4, 2020, requiring all State residents to avoid leaving their residences unless necessary and to practice social distancing when they need to travel outside their residences to work, access groceries, prescriptions, health care, and other necessities, or to engage in an outdoor activity. On April 27, 2020, the Missouri Department of Health and Senior Services ("**DHS**") issued the "Show Me Strong Recovery Order," which went into effect on May 4, 2020 and remained in effect through May 31, 2020. On May 28, 2020, DHS issued the "Economic Reopening Order," which went into effect on June 1, 2020 and remained in effect until June 15, 2020. Both DHS orders provide guidelines for individuals and businesses in Missouri to gradually reopen economic and social activity. The DHS Order issued May 28, 2020 permits school districts to proceed with summer school and other on-campus activities under guidelines set forth by DESE. Although the State Order required all school districts in the State to remain closed through the duration of the State Order, the Governor announced on April 9, 2020, that all school districts in the State, including the District, were required to remain closed through the remainder of the 2019-2020 school year. The COVID-19

pandemic and the restrictions imposed by the State and various local governmental entities across the State to combat the spread of COVID-19 are expected to negatively impact the State economy and, therefore, have decreased the amount of Proposition C revenues, Classroom Trust Fund moneys, and State Aid distributed to school districts during the months April, May and June 2020 during the 2019-2020 fiscal year, will likely result in a decrease in such revenues and State Aid distributed to school district in the 2020-2021 fiscal year and in future fiscal years. On June 1, 2020, the Governor of Missouri announced a total of \$131.3 million in restrictions for State Aid distributions to school districts in June 2020. Additionally, due to further State revenue declines resulting from COVID-19, on June 30, 2020, the Governor of Missouri announced restrictions for State Aid distributions to school districts that will be approximately \$123 million less than originally anticipated for the current 2020-2021 fiscal year. See the section below captioned “**State Revenue.**”

On March 27, 2020, DESE released Administrative Memo FAS-20-002 (the “**Administrative Memo**”) to address how school district closures resulting from the COVID-19 outbreak may impact student attendance reporting and the average daily attendance (“**ADA**”) and Weighted ADA metrics used to calculate the distribution of Proposition C revenues, Classroom Trust Fund moneys and State Aid to each school district. According to the Administrative Memo, DESE will not require school districts to make-up school hours lost during the 2019-2020 fiscal year due to school district closures caused by COVID-19, and DESE will consider those lost school hours as “not-in-session” hours and no “attendance” hours or “absent” hours will be reported for that time. As a result, the District’s Weighted ADA for the 2019-2020 fiscal year, which will be used in calculating the distribution of Proposition C revenues to the District for the current 2020-2021 fiscal year, will not likely be significantly reduced as a result of the COVID-19 outbreak. However, in the Administrative Memo, DESE reminded school district’s that, if a school district’s ADA for any fiscal year is substantially reduced for an extended period, “whenever there has existed within the school district an infectious disease, contagion, epidemic, plague or similar condition” (like COVID-19), Section 163.021 RSMo, as amended, allows the apportionment of school funds and all other distribution of school moneys, such as Proposition C revenue distributions, to be made on the basis of the school district’s ADA (or Weighted ADA) for the next preceding fiscal year in which such condition existed. Therefore, if the District’s Weighted ADA for the 2019-2020 fiscal year (or any future fiscal year) is substantially reduced as a result of the COVID-19 outbreak, the District will be allowed to base its Proposition C revenue distributions for the 2020-2021 fiscal year (or any then current fiscal year) on its Weighted ADA for the 2018-2019 fiscal year (or the fiscal year immediately preceding the fiscal year in which the infectious disease outbreak existed).

Nonetheless, in the Administrative Memo, DESE has urged school districts to exercise extreme caution as they move forward with their budgeting process for the upcoming 2020-2021 fiscal year and to anticipate a reduction in the State’s Proposition C revenues available for distribution to school districts due to the negative impact COVID-19 is expected to have on the State’s economy. See also the captions “**Weighted ADA,**” “**State Adequacy Target**” and “**Classroom Trust Fund (Gambling Revenue) Distribution**” under “**State Revenue**” below for a further discussion on the potential impact the COVID-19 pandemic may have on the Weighted ADA and State Adequacy Target metrics used in calculating the District’s future State Aid payments and the State’s future distribution of Classroom Trust Fund (gambling revenue) moneys to the District.

## **County Revenue**

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

## State Revenue

The primary source of state revenue or “**State Aid**” is provided under a formula enacted under Chapter 163, RSMo. The amount of State Aid for school districts in Missouri is calculated using a formula that is primarily student-needs-based. Due to the economic impact resulting from the COVID-19 pandemic, the State has experienced a dramatic revenue shortfall. On June 1, 2020, the Governor of Missouri announced a total of \$131.3 million in restrictions for State Aid distributions to school districts in June 2020. According to an Administrative Memo from DESE dated June 1, 2020, this restriction of funds, together with other restrictions announced earlier, resulted in school districts receiving approximately 96.5% of State Aid based on the formula requirements for the fiscal year ended June 30, 2020, based on a full State Adequacy Target of \$6,375.

Additionally, due to further State revenue declines resulting from COVID-19, on June 30, 2020, the Governor of Missouri announced \$123.4 million in restrictions for State Aid foundation formula payments to school districts for the current 2020-2021 fiscal year, which will result in a decrease from the \$3,553,211,885 in foundation formula State Aid payments originally budgeted and approved by the Missouri General Assembly for the 2020-2021 fiscal year to approximately \$3,429,853,210 in foundation formula payments for the 2020-2021 fiscal year. According to an Administrative Memo from DESE dated June 30, 2020, as a result of the total \$123.4 million in restrictions for State Aid for the 2020-2021 fiscal year “school districts will receive a reduced July payment of State Aid to reflect the \$123 million spending restriction and any shortfall in Classroom Trust Fund revenue.”

**Property Tax Levy Requirements.** The sum of a district’s local property tax levies in its Incidental and Teachers’ Funds must be at least \$2.75 per \$100 assessed valuation in order for the district to receive increases in State Aid above the level of State Aid it received in the 2005-2006 fiscal year. Levy reductions required as a result of a “Hancock rollback” (See “**PROPERTY TAX INFORMATION CONCERNING THE DISTRICT – Tax Rates – Operating Levy**” below) will not affect a district’s eligibility for State Aid increases.

**The Formula.** A district’s State Aid is determined by first multiplying the district’s weighted average daily attendance (“**Weighted ADA**”) by the state adequacy target (“**State Adequacy Target**”). This figure may be adjusted upward by a dollar value modifier (“**DVM**”). The product of the Weighted ADA multiplied by the State Adequacy Target multiplied by the DVM is then reduced by a district’s local effort (“**Local Effort**”) to calculate a district’s final State Aid amount. The State Aid amount is distributed to the districts on a monthly basis.

On June 1, 2020, the Governor of Missouri announced a total of \$131.3 million in restrictions for State Aid distributions to school districts in the month of June 2020. According to an Administrative Memo from DESE dated June 1, 2020, school districts received approximately 96.5% of State Aid based on the formula requirements for the fiscal year ended June 30, 2020, based on a full State Adequacy Target of \$6,375. DESE’s memo also states “The timing of the shortfalls, however, will cause the majority of the reduction to be reflected in the June payment. . . . With these withholds, the June payment will be reduced to \$193 million [from approximately \$315 million], a 39% decrease.” Additionally, due to further State revenue declines resulting from COVID-19, on June 30, 2020, the Governor of Missouri announced \$123.4 million in restrictions for State Aid foundation formula payments to school districts for the current 2020-2021 fiscal year, which will result in a decrease from the \$3,553,211,885 in foundation formula State Aid payments originally budgeted and approved by the Missouri General Assembly for the 2020-2021 fiscal year to approximately \$3,429,853,210 in foundation formula State Aid payments for the 2020-2021 fiscal year. According to an Administrative Memo from DESE dated June 30, 2020, as a result of the total \$123.4 million in restrictions for State Aid for the 2020-2021 fiscal year “school districts will receive a reduced July payment of State Aid to reflect the \$123.4 million spending restriction and any shortfall in Classroom Trust Fund revenue.”

According to DESE’s June 2020 Finance Memo, the State Adequacy Target for the current 2020-2021 fiscal year is expected to be \$6,375 per pupil; however, DESE has advised school districts to use conservative

estimates for expected State Aid foundation formula payments as they move forward with their budgeting process for the current 2020-2021 fiscal year, and DESE has indicated that State Aid foundation formula payments may be reduced by prorated amounts instead of reducing the expected State Adequacy Target in order to share the reduction across all districts in Missouri. As a result, the District has adopted a budget for the 2020-2021 fiscal year that anticipates the District will receive approximately 97.2% of the State Aid foundation formula payments that would be expected if State Aid were fully funded at the State Adequacy Target of \$6,375 per pupil.

**Weighted ADA.** Weighted ADA is based upon regular term ADA plus summer school ADA, with additional weight assigned in certain circumstances for students who qualify for free and reduced price lunch (“FRL”), receive special education services (“IEP”), or possess limited English language proficiency (“LEP”). These FRL, IEP and LEP students are weighted to the extent they exceed certain thresholds (based on the percentage of students in each of the categories in certain high performing districts (“Performance Districts”), which thresholds can change every two years. For fiscal years 2017 and 2018, DESE revised the thresholds downward as required under SB 586, which modified the definition of State Adequacy Target to require that a future recalculation of the State Adequacy Target never result in a decrease from the State Adequacy Target as calculated for fiscal years 2017 and 2018. For fiscal years 2019 and 2020, DESE revised the thresholds downward for FRL and IEP and upward for LEP. Beginning with the 2018-2019 fiscal year, certain school districts that operate early childhood education programs will also be able to claim a portion of their pre-kindergarten FRL students in their calculation of ADA; however, the portion of pre-kindergarten FRL students included in the calculation of ADA cannot exceed 4% of the total number FRL students between the ages of 5 to 18 who are included in the school district’s calculation of ADA. The District’s State Aid revenues would be adversely affected by decreases in its Weighted ADA resulting from decreased enrollment generally and, specifically, decreased enrollment of FRL, IEP and LEP students. However, in the event that the District’s Weighted ADA is substantially reduced for any current fiscal year, the District may use the higher of the District’s Weighted ADA for the immediately preceding fiscal year or the second preceding fiscal year. This process is designed to absorb a one-year attendance irregularity.

According to the Administrative Memo released by the DESE on March 27, 2020, school districts will not be required to make up school hours lost during the fiscal year ended June 30, 2020, due to school district closures caused by COVID-19. As a result, the District’s Weighted ADA for the fiscal year ended June 30, 2020, used in calculating the District’s State Aid payment will not likely be significantly reduced. However, as noted above, if the District’s Weighted ADA is substantially reduced during the fiscal year ended June 30, 2020, as a result of COVID-19, the District may use the greater of its (1) Weighted ADA for the immediately preceding fiscal year ended June 30, 2019, or (2) Weighted ADA for the second preceding fiscal year ended June 30, 2018, in calculating the District’s State Aid payment.

**State Adequacy Target.** The State Aid formula requires DESE to calculate a “State Adequacy Target,” which is intended to be the minimum amount of funds a school district needs in order to educate each student. DESE’s calculation of the State Adequacy Target is based upon amounts spent, excluding federal and state transportation revenues, by Performance Districts. Every two years, using the most current list of Performance Districts, DESE will recalculate the State Adequacy Target. The recalculation can never result in a decrease from the State Adequacy Target as calculated for fiscal years 2017 and 2018 and any State Adequacy Target figure calculated subsequent to fiscal year 2018. For the fiscal year ended June 30, 2020, the State Adequacy Target was expected to be \$6,375 per pupil, based on an appropriation at the full requirements of the State Aid formula.

Due to the impact of the COVID-19 pandemic on Missouri’s economy, on June 1, 2020, the Governor of Missouri announced a total of \$131.3 million in restrictions for State Aid distributions to school districts in the month of June 2020. According to an Administrative Memo from DESE dated June 1, 2020, school districts received approximately 96.5% of State Aid based on the formula requirements for the fiscal year ended June 30, 2020, based on a full State Adequacy Target of \$6,375. According to DESE’s June 2020 Finance Memo, the State Adequacy Target for the current 2020-2021 fiscal year is expected to be \$6,375 per pupil; however, DESE has advised school districts to use conservative estimates for expected State Aid



foundation formula payments as they move forward with their budgeting process for the current 2020-2021 fiscal year, and DESE has indicated that State Aid foundation formula payments may be reduced by prorated amounts instead of reducing the expected State Adequacy Target in order to share the reduction across all districts in Missouri. As a result, the District has adopted a budget for the 2020-2021 fiscal year that anticipates the District will receive approximately 97.2% of the State Aid foundation formula payments that would be expected if State Aid were fully funded at the State Adequacy Target of \$6,375 per pupil.

***Dollar Value Modifier.*** The DVM is an index of the relative purchasing power of a dollar in different areas of the state. The DVM is calculated as one plus 15% of the difference of the regional wage ratio (the ratio of the regional wage per job divided by the state median wage per job) minus one. The law provides that the DVM can never be less than 1.000. DESE revises the DVM for each district on an annual basis. The DVM for the District for 2018-2019 and 2019-2020 was 1.0840 and 1.0810, respectively. The DVM for the District for the current 2020-2021 fiscal year will be 1.0780.

***Local Effort.*** For the 2006-2007 fiscal year, the Local Effort figure utilized in a district's State Aid calculation was the amount of locally generated revenue that the district would have received in the 2004-2005 fiscal year if its operating levy was set at \$3.43. The \$3.43 amount is called the "performance levy." For all years subsequent to the 2006-2007 fiscal year, a district's Local Effort amount has been frozen at the 2006-2007 amount, except for adjustments due to increased locally collected fines or decreased assessed valuation in the district. Growth in assessed valuation and operating levy increases will result in additional local revenue to the district, without affecting State Aid payments.

***Categorical-Source Add-Ons.*** In addition to State Aid distributed pursuant to the formula as described above, the formula provides for the distribution of certain categorical sources of State Aid to school districts. These include (1) 75% of allowable transportation costs, (2) the career ladder entitlement, (3) the vocational education entitlement and (4) educational and screening program entitlements. On June 1, 2020, the Governor of Missouri announced a total of \$131.3 million in restrictions for State Aid distributions to school districts in June 2020. According to an Administrative Memo from DESE dated June 1, 2020, (i) no transportation payment will be made to school districts in June 2020, and (ii) adding this to previously announced restrictions, school districts will now receive about 13% less transportation funding than was originally appropriated for the fiscal year ended June 30, 2020.

***Classroom Trust Fund (Gambling Revenue) Distribution.*** A portion of the State Aid received under the formula will be in the form of a distribution from the "Classroom Trust Fund," a fund in the state treasury containing a portion of the state's gambling revenues. This money is distributed to school districts on the basis of ADA (versus *Weighted ADA*, which applies to the basic formula distribution). The funds deposited into the Classroom Trust Fund are not earmarked for a particular fund or expense and may be spent at the discretion of the local school district except that, beginning with the 2010-11 fiscal year, all proceeds of the Classroom Trust Fund in excess of amounts received in the 2009-10 fiscal year must be placed in the Teachers' or Incidental Funds. For the 2017-2018 fiscal year, each school district received approximately \$415 per pupil based on their 2016-2017 ADA. For the 2018-2019 fiscal year, each school district received approximately \$413 per pupil based on their 2017-2018 ADA according to the final payment calculation information provided by DESE in their June 2019 School Finance Memo. For the 2019-2020 fiscal year, each school district was expected to receive a Classroom Trust Fund payment equal to approximately \$409 per pupil based on its 2018-2019 ADA; however, due to casino closures caused by the outbreak of COVID-19 beginning in March 2020 (as further discussed below), each school district received a lower than anticipated amount of Classroom Trust Fund moneys per pupil in March and April, 2020, and according to the May 2020 Finance Memo released by DESE, there was no Classroom Trust Fund payment to school districts in May 2020 due to significant revenue shortfalls from casino gaming. However, in its June 1, 2020 Administrative Memo, DESE stated that "[a]lthough the Foundation Formula funds are being restricted, any funds acquired through gaming revenues when casinos reopen in June will be added to the June payment to school districts." According to DESE's June 2020 Finance Memo, school districts received a Classroom Trust Fund payment for June 2020 equal to approximately \$327 per pupil based on their 2018-2019 ADA. Classroom Trust Fund dollars do not increase the amount of State Aid.

As DESE noted in its Administrative Memo released on March 27, 2020, if a school district's ADA for any fiscal year is substantially reduced for an extended period, "whenever there has existed within the school district an infectious disease, contagion, epidemic, plague or similar condition," (like COVID-19), Section 163.021, RSMo, as amended, allows a school district to base the apportionment of school funds and all other distribution of school moneys, such as Classroom Trust Fund payments, on the school district's ADA for the next preceding fiscal year in which such condition existed. Therefore, if the District's ADA for the 2019-2020 fiscal year (or any future fiscal year) is substantially reduced as a result of the COVID-19 outbreak, the District will be allowed to base its Classroom Trust Fund payment for the 2020-2021 fiscal year (or any then current fiscal year) on its ADA for the 2018-2019 fiscal year (or the fiscal year immediately preceding the fiscal year in which the infectious disease outbreak existed). However, DESE has urged school districts to use conservative estimates when calculating anticipated Classroom Trust Fund payments for their budgets in the upcoming 2020-2021 fiscal year due to the expected reduction in the State's gambling revenues allocated to the Classroom Trust Fund as a result of the COVID-19 outbreak.

***Mandatory Deposit and Expenditures of Certain Amounts in the Teachers' Fund.*** The following state and local revenues must be deposited in the Teachers' Fund: (1) 75% of basic formula State Aid, excluding State Aid distributed from the Classroom Trust Fund (gambling revenues); (2) 75% of one-half of the district's local share of Proposition C revenues; (3) 100% of the career ladder state matching payments; and (4) 100% of local revenue from fines and escheats based on violations or abandoned property within the district's boundaries.

In addition to these mandatory deposits, school districts are also required to spend for certificated staff compensation and tuition expenditures each year the amounts described in clauses (1) and (2) of the preceding paragraph. Since the 2007-2008 fiscal year, school districts are further required to spend for certificated staff compensation and tuition expenditures each year, per the second preceding year's Weighted ADA, as much as was spent in the previous year from local and county tax revenues deposited in the Teachers' Fund, plus the amount of any transfers from the Incidental Fund to the Teachers' Fund that are calculated to be local and county tax sources. This amount is to be determined by dividing local and county tax sources in the Incidental Fund by total revenue in the Incidental Fund. Commencing with the 2006-2007 fiscal year, the formula provides that certificated staff compensation now includes the costs of public school retirement and Medicare for those staff members. These items were previously paid from the Incidental Fund.

Failure to satisfy the deposit and expenditure requirements applicable to the Teachers' Fund will result in a deduction of the amount of the expenditure shortfall from a district's basic formula State Aid for the following year, unless the district receives an exemption from the State Board of Education.

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

## **Federal Revenue**

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

The federal "No Child Left Behind" law required that every public school student must score at a "proficient" level or higher in math and reading by 2014. Each state establishes its own proficiency levels. Federal sanctions for school districts that fail to meet established proficiency standards include providing parents and students from underperforming schools within a district the right to request a transfer to a school within the district that meets proficiency standards. In addition, schools that continue to fail to meet

proficiency standards must, in addition to transfers and tutoring, make additional changes in staffing, curriculum and management. Federal sanctions apply only to public schools that receive Title I federal money.

In July of 2012, the State earned a waiver from the No Child Left Behind law when the United States Department of Education (the “DOE”) approved the State’s proposed accountability system aimed at replacing the existing accountability measures of the No Child Left Behind law. This waiver expired August 1, 2016. The State’s proposed system, Top 10 by 20, outlines a plan for the State to be in the top 10 states by 2020, with a focus on students becoming college and career ready by graduation.

The federal “Every Student Succeeds Act” (“ESSA”) was signed into law on December 10, 2015. ESSA replaces the “No Child Left Behind Act.” Each state education agency must develop a state accountability plan (“ESSA Plan”) that incorporates testing based on challenging academic standards. The ESSA Plans were required to be submitted to the DOE by either April 3 or September 18, 2017. Under ESSA, states can decide how much weight to give standardized tests in their accountability systems and determine what consequences, if any, should attach to poor performance. However, at least 95 percent of eligible students are required to take the state-chosen standardized test and federal funding can be withheld if states fall below the 95 percent threshold.

The State submitted its plan to the DOE on September 13, 2017 in order to meet the September 18, 2017 deadline. The DOE approved the State’s plan on January 16, 2018. Under ESSA, the State will continue to test students through the Missouri Assessment Program.

#### **Certain Permitted Fund Transfers**

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

***Transfers from the Incidental Fund to the Capital Projects Fund.*** In addition to money generated from the Capital Projects Fund levy, each school district may transfer money from the Incidental Fund to the Capital Projects Fund for certain purposes, including: (1) the amount to be expended for transportation equipment that is considered an allowable cost under the state board of education rules for transportation reimbursements during the current year; (2) the amount necessary to satisfy obligations of the Capital Projects Fund for state-approved area vocational-technical schools; (3) current year obligations for lease-purchase obligations entered into prior to January 1, 1997; (4) the amount necessary to repay costs of one or more guaranteed energy savings performance contracts to renovate buildings in the school district, provided that the contract specified that no payment or total of payments shall be required from the school district until at least an equal total amount of energy and energy-related operating savings and payments from the vendor pursuant to the contract have been realized; and (5) to satisfy current year capital project expenditures, an amount not to exceed the greater of (a) \$162,326 or (b) seven percent (7%) of the State Adequacy Target (see “***State Adequacy Target***” above) times a school district’s Weighted ADA. The District transferred \$9,079,635 from the Incidental Fund to the Capital Projects Fund under this provision during the 2018-2019 fiscal year.

***Transfers from Incidental Fund to Debt Service Fund and/or Capital Projects Fund.*** If a school district is not using the seven percent (7%) or the \$162,326 transfer discussed in parts (5)(a) and (5)(b) of the prior paragraph and is not making payments on lease purchases pursuant to Section 177.088, RSMo, then the school district may transfer from the Incidental Fund to the Debt Service and/or the Capital Projects Fund the greater of (1) the State Aid received in the 2005-2006 school year as a result of no more than eighteen (18) cents of the sum of the Debt Service Fund levy and Capital Projects Fund levy used in the foundation formula and placed in the Capital Projects Fund or Debt Service Fund, or (2) Five percent (5%) of the State Adequacy Target (see “***State Adequacy Target***” above) times the district’s Weighted ADA. Because the District made a

transfer under the provision discussed in the prior paragraph, the District was not eligible to make a transfer under this provision during the 2018-2019 fiscal year.

## **Risk Management**

The 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.

## **Pension and Employee Retirement Plans**

The District contributes to two cost-sharing multiple-employer defined benefit pension plans on behalf of its employees: (i) The Public School Retirement System of Missouri (“**PSRS**”), which provides retirement, disability and death benefits to full-time (and certain part-time) certificated employees of school districts and certain other educational entities in Missouri and employees of certain related employers; and (ii) The Public Education Employee Retirement System of Missouri (“**PEERS**”), which provides retirement and disability benefits to employees of school districts and certain other educational entities in Missouri and of certain related employers who work 20 or more hours per week and do not contribute to PSRS. Benefit provisions relating to both PSRS and PEERS are set forth in Chapter 169 of the Revised Statutes of Missouri, as amended. The statutes assign responsibility for the administration of both plans to a seven member Board of Trustees of PSRS (the “**PSRS Board**”). PSRS and PEERS had 533 and 530 contributing employers, respectively, during the fiscal year ended June 30, 2019.

PSRS and PEERS issue a publicly available financial report that includes financial statements and required supplementary information. The PSRS/PEERS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019 (the “**2019 PSRS/PEERS CAFR**”), the comprehensive financial report for the plans, is available at [www.psrs-peers.org/About-us/Resources/Annual-Report](http://www.psrs-peers.org/About-us/Resources/Annual-Report). The link to the 2019 PSRS/PEERS CAFR is provided for general background information only, and the information in the 2019 PSRS/PEERS CAFR is not incorporated by reference herein. The 2019 PSRS/PEERS CAFR provides detailed information about PSRS and PEERS, including their respective financial positions, investment policy and performance information, actuarial information and assumptions affecting plan design and policies, and certain statistical information about the plans.

***PSRS and PEERS Contributions.*** Employees who contribute to PSRS are not eligible to make Social Security contributions, except in limited circumstances. For the fiscal year ended June 30, 2019, PSRS contributing employees were required to contribute 14.5% of their annual covered salary and their employers, including the District, were required to contribute a matching amount of 14.5% of each contributing employee’s covered salary. The contribution requirements of members and the District are established (and may be amended) by the PSRS Board based on the recommendation of an independent actuary. State statute prohibits the PSRS Board from approving an increase greater than 1.0% in aggregate of PSRS contributing member covered pay of the previous year.

Employees who contribute to PEERS are eligible to make Social Security contributions. For the fiscal year ended June 30, 2019, PEERS contributing employees were required to contribute 6.86% of their annual covered salary and their employers, including the District, were required to contribute a matching amount of 6.86% of each contributing employee’s covered salary. The contribution requirements of members and the District are established (and may be amended) by the PSRS Board based on the recommendation of an independent actuary. State statute prohibits the PSRS Board from approving an increase greater than 0.5% in aggregate of PEERS contributing member covered pay of the previous year.

***PSRS and PEERS Funded Status.*** PSRS and PEERS reported funded ratios of 84.4% and 86.4%, respectively, as of June 30, 2019, according to the 2019 PSRS/PEERS CAFR. Funded ratios are intended to estimate the ability of current plan assets to satisfy projected future liabilities. The PSRS and PEERS funded

ratios are determined by dividing the smoothed actuarial value of plan assets by the plan's actuarial accrued liability determined under the entry age normal cost method with normal costs calculated as a level percentage of payrolls, along with certain actuarial assumptions based on an experience study conducted in 2016. PSRS and PEERS amortize unfunded actuarial liabilities using a closed 30-year method. Additional assumptions and methods used to determine the actuarial funded status of PSRS and PEERS are set forth in the Actuarial Section of the 2019 PSRS/PEERS CAFR. The funding objective of each plan, as stated in each plan's Actuarial Funding Policy, is to achieve a funded ratio of 100% over a closed 30-year period.

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

**Schedule of Employer Contributions**

Year Ended June 30,	PSRS			PEERS		
	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Excess/ (Deficiency)*	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Excess/ (Deficiency)*
2019	\$628,513,916	\$712,545,096	\$84,031,180	\$113,567,475	\$120,042,046	\$6,474,571
2018	533,062,186	696,970,397	163,908,211	97,653,104	115,103,143	17,450,039
2017	642,821,624	684,857,718	42,036,094	108,807,233	111,239,585	2,432,352
2016	643,155,536	669,953,683	26,798,147	104,011,593	106,654,638	2,643,045
2015	666,438,984	656,924,899	(9,514,085)	105,739,092	103,624,310	(2,114,782)

Source: "Schedules of Employer Contributions" in the Financial Section of the 2019 PSRS/PEERS CAFR.

\* The annual statutory increase in the total contribution rate may not exceed 1% of pay for PSRS and 0.5% of pay for PEERS. The limitation on contribution increases resulted in a deficiency for some of the years presented. Contributions were funded to the maximum statutory limit each year.

**Schedule of Funding Progress**

(Dollar amounts in thousands)

Year Ended June 30,	PSRS			PEERS		
	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio
2019	\$40,498,479	\$47,973,829	84.4%	\$5,019,868	\$5,809,485	86.4%
2018	39,211,452	46,702,002	84.0	4,774,781	5,542,478	86.1
2017	37,373,740	44,501,771	84.0	4,470,270	5,209,369	85.8
2016	35,419,278	41,744,619	84.8	4,157,427	4,809,666	86.4
2015	34,073,415	40,610,540	83.9	3,915,199	4,512,317	86.8

Source: "Schedule of Funding Progress" in the Actuarial Section of the 2019 PSRS/PEERS CAFR.

For information specific to the District's participation in PSRS and PEERS, including the District's past contributions and proportionate share of the net pension liability of PSRS and PEERS, see *Note 4.A.* and the schedules included on page(s) 74 - 75 of the District's audited financial statements for fiscal year ended June 30, 2019 included in *Appendix B* to this Official Statement. For additional information regarding PSRS and PEERS, see the 2019 PSRS/PEERS CAFR.

### **Post-Employment Healthcare Plan**

The School District's post-employment healthcare plan is a single-employer defined benefit healthcare plan (North Kansas City School District Other Post-Employment Benefits (OPEB) Program). 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. Eligible participants receive benefits in the form of an implicit rate subsidy, where participants receive health insurance coverage by paying a blended retiree/active rate.

For further detail regarding the District's Post-Employment Healthcare Plan, see *Note 4.B.* and the schedules included on page 76 of the District's audited financial statements for fiscal year ended June 30, 2019, included **Appendix B** to this Official Statement.

## Employee Relations

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

## PROPERTY TAX INFORMATION CONCERNING THE DISTRICT

### Property Valuations

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

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

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

The assessment ratio for personal property is generally 33 1/3% of true value. However, subclasses of tangible personal property are assessed at the following assessment percentages: grain and other agricultural crops in an unmanufactured condition, 0.5%, livestock, 12%; farm machinery, 12%; historic motor vehicles, 5%; and poultry, 12%.

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

**Current Assessed Valuation.** The following table shows the total assessed valuation and the estimated actual valuation, by category, of all taxable tangible property situated in the District within Clay County and Platte County according to the August 2019 assessment, after Board of Equalization adjustments. Excluded from the table is (a) \$165,364,310 attributable to the incremental increase in assessed valuation over the established assessed valuation base within TIF Redevelopment Areas (defined herein) located within the District, (b) industrial and commercial property exempt from taxes due to the property being located in an enterprise zone pursuant to Section 135.200 et seq., RSMo ("**Chapter 135 property**") or due to title being held by an urban redevelopment corporation pursuant to Chapter 353 ("**Chapter 353 property**") and (c) state assessed railroad and utility real property.

<u>Type of Property</u>	<u>Total Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Total Estimated Actual Valuation</u>	<u>% of Actual Valuation</u>
Real Property:				
Residential	\$1,440,322,382	19.00%	\$7,580,644,116	71.88%
Agricultural	2,563,946	12.00%	21,366,217	0.20%
Commercial <sup>(1)</sup>	<u>433,792,576</u>	32.00%	<u>1,355,601,800</u>	<u>12.85%</u>
Total Real Property	\$1,876,678,904		\$8,957,612,133	84.94%
Personal Property	<u>529,547,842</u>	33.33% <sup>(3)</sup>	<u>1,588,802,406</u>	<u>15.06%</u>
TOTAL PROPERTY	<u>\$2,406,226,746</u>		<u>\$10,546,414,539</u>	100.00%

Source: County Clerks of Clay County, Missouri, and Platte County, Missouri.

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

<sup>(2)</sup> Assumes all personal property is assessed at 33 1/3%; because certain subclasses of tangible personal property are assessed at less than 33 1/3%, the estimated actual valuation for personal property would likely be greater than that shown above. See “*Assessment Procedure*” discussed above.

**History of Property Valuations.** The total assessed valuation of all taxable tangible property situated in the District (excluding the incremental increase in assessed valuation over the established assessed valuation base within TIF Redevelopment Areas (defined herein) located within the District, abated Chapter 135 property, abated Chapter 353 property and state assessed railroad and utility real property) according to the assessments for each of the following years has been as follows:

<u>Year</u>	<u>Assessed Valuation<sup>(1)</sup></u>	<u>Percent Change</u>
2019	\$2,406,226,746	7.57%
2018	2,236,992,620	3.72
2017	2,156,754,758	3.54
2016	2,083,053,528	3.99
2015	2,003,103,850	4.74

Source: District’s 2014-2015 through 2018-2019 Annual Reports of the County Clerk to the State Board of Education (Clay County and Platte County).

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

## Property Tax Levies and Collections

**Generally.** Property taxes are levied and collected for the District by Clay County and Platte County, for which each County receives a collection fee of approximately [1.5]% of the gross tax collections made.

The District is required by law to prepare an annual budget, which includes an estimate of the amount of revenues to be received from all sources for the budget year, including an estimate of the amount of money required to be raised from property taxes and the tax levy rates required to produce such amounts. The budget must also include proposed expenditures and must state the amount required for the payment of interest, amortization and redemption charges on the District’s debt for the ensuing budget year. Such estimates are based on the assessed valuation figures provided by the County Clerks of Clay County and Platte County. As required under SB 711 (discussed below), the District must informally project nonbinding tax levies for the year and return such projected tax levies to the County Clerks of Clay County and Platte County in April. The District must fix its ad valorem property tax rates and certify them to the County Clerks of Clay County and Platte County no later than September 1st for entry in the tax books. Taxes are levied at the District’s tax rate per \$100 of assessed valuation. The Missouri State Auditor is responsible for reviewing the rate of tax to ensure that it does not exceed constitutional rate limits.

Real property within the District is assessed by the County Assessor of Clay County and Platte County, respectively. The County Assessor of each County is responsible for preparing the tax rolls each year and for submitting tax rolls to the respective Board of Equalization of each the County. The Board of Equalization of each County has the authority to question and determine the proper value of property and then

adjust and equalize individual properties appearing on the tax rolls. After local appeal procedures have been completed, the books are finalized and sent to the County Collector of Clay County and Platte County, respectively. The County Collector of each County extends the taxes on the tax rolls and issues the tax statements in early December.

***District's Rights in Event of Tax Delinquency.*** Taxes are due by December 31<sup>st</sup> and become delinquent if not paid to the County Collector by that time. All tracts of land and city lots on which delinquent taxes are due are charged with a penalty of 18% of each year's delinquency. Taxes on real estate become delinquent on January 1 and the County Collector is required to enforce the State's lien by offering the property for sale in August. If the offering does not produce a bid equal to the delinquent taxes plus interest, penalty, and costs, the property is offered for sale again the following year. If the second offering also does not produce a bid adequate to cover the amount due, the property is sold the following year to the highest bidder. Tax sales at the first or second offerings are subject to the owner's redemption rights. Delinquent personal property taxes constitute a debt of the person assessed with the taxes, and a personal judgment can be rendered for such taxes against the debtor. Personal property taxes become delinquent on January 1. Collection suits may be commenced on or after February 1 and must be commenced within three years

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

### **Tax Abatement and Tax Increment Financing**

Under state law, tax abatement is available for redevelopers of areas determined by the governing body of a city to be "blighted." The Land Clearance for Redevelopment Authority Law authorizes ten-year tax abatement pursuant to Sections 99.700 to 99.715, RSMo. In lieu of ten-year tax abatement, a redeveloper that is an urban redevelopment corporation formed pursuant to Chapter 353, RSMo, may seek real property tax abatement for a total period of 25 years. In addition, Chapter 135 and 137 (Missouri Works Enhanced Enterprise Zones), Chapter 100, RSMo and Article VI Section 27(b) of the Missouri Constitution authorize real and personal property tax abatement for corporations for certain projects. For more information about tax abatement within the District, see *Note 4.M.* to the District's audited financial statements for fiscal year ended June 30, 2019, included in **Appendix B** to this Official Statement.

In addition, the Real Property Tax Increment Allocation Redevelopment Act, Sections 99.800 to 99.865, RSMo, makes available tax increment financing for redevelopment projects in certain areas determined by the governing body of a city or county to be a "blighted area," "conservation area," or "economic development area," each as defined in such statute.

Currently, certain portions of the District are located in tax increment financing redevelopment areas ("**TIF Redevelopment Areas**"). Tax increment financing does not diminish the amount of property tax revenues collected by the District in an affected area compared to prior to the establishment of a TIF Redevelopment Area, but instead acts to freeze such revenues at current levels and deprives the District and other taxing districts of all or part of future increases in ad valorem real property tax revenues that otherwise would have resulted from increases in assessed valuation in such areas (the "**TIF Increment**"). The TIF Increment is captured by the TIF Redevelopment Areas until the tax increment financing obligations issued are repaid or the tax increment financing period terminates.

According to the Clay County Assessor's office, the assessed valuation of the TIF Increment attributable to property within the District was approximately \$164,364,310 for the 2019 tax year. See "**PROPERTY TAX INFORMATION CONCERNING THE DISTRICT – Property Valuations – Current Assessed Valuation**" and "**– History of Property Valuations.**" For more information about tax increment financing within the District, see *Note 4.M.* to the District's audited financial statements for fiscal year ended June 30, 2019, included in **Appendix B** to this Official Statement.



## Tax Rates

**Debt Service Levy.** The District's debt service levy for the 2019-2020 fiscal year was \$1.2900 per \$100 of assessed valuation. Once indebtedness has been approved by the requisite number of voters voting therefor and bonds are issued, the District is required under Article VI, Section 26(f) of the Missouri Constitution to levy an annual tax on all taxable tangible property therein sufficient to pay the interest and principal of the indebtedness as they fall due and to retire the same within 20 years from the date of issue. The Board of Education may set the tax rate for debt service, without limitation as to rate or amount, at the level required to make such payments.

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

Under Article X, Section 11(b) of the Missouri Constitution, a school district may increase its operating levy up to \$2.75 per \$100 assessed valuation without voter approval. Any increase above \$2.75, however, must be approved by a majority of the voters voting on the proposition. Further, pursuant to Article X, Section 11(c) of the Missouri Constitution, any increase above \$6.00 must be approved by two-thirds of the voters voting on the proposition. Without the required percentage of voter approval, the tax rate ceiling cannot at any time exceed the greater of the tax rate in effect in 1980 or the most recent voter-approved tax rate (as adjusted pursuant to the provisions of the Hancock Amendment and SB 711, more fully explained below). The tax levy for debt service on a school district's general obligation bonds is exempt from these limitations upon the tax rate ceiling.

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

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

Under the provisions of an initiative petition adopted by the voters of Missouri on November 2, 1982, commonly known as "**Proposition C**," revenues generated by a 1% state sales tax are credited to a special

trust fund for school districts and are deemed to be “local” revenues for school district accounting purposes. Proposition C revenues are distributed to each school district within the State on the basis of eligible pupils. Under Proposition C, after determining its budget and the levy rate needed to produce required revenues to fund the budget, a school district must reduce the operating levy by an amount sufficient to decrease the revenues it would have received therefrom by an amount equal to 50% of the revenues received through Proposition C during the prior year. School districts may submit propositions to voters to forgo all or a part of the reduction in the operating levy that would otherwise be required under terms of Proposition C. The District’s voters previously approved a proposition to forgo all of the reduction in the operating levy which would otherwise be required under terms of Proposition C which allows the District to levy up to its tax rate ceiling.

For the fiscal year ended June 30, 2020, the District’s operating levy (all funds except the debt service fund levy) was \$4.9123 per \$100 of assessed valuation, which is equal to the District’s tax rate ceiling for said fiscal year.

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

### **History of Tax Levies**

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

<b>Fiscal Year Ended <u>June 30</u></b>	<b>General (Incidental) <u>Fund</u></b>	<b>Special Revenue (Teachers’ <u>Fund</u></b>	<b>Debt Service <u>Fund</u></b>	<b>Capital Projects (Building) <u>Fund</u></b>	<b>Total <u>Levy</u></b>
2020	\$2.5423	\$2.2400	\$1.2900	\$0.1300	\$6.2023
2019	2.7635	2.2400	1.2900	0.1300	6.4235
2018	2.7680	2.2400	1.2900	0.1300	6.4280
2017	2.7684	2.2400	1.2900	0.1300	6.4284
2016	2.7733	2.2400	1.2900	0.1300	6.4333

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*Source:* For fiscal year 2020, State Auditor’s Property Tax Rates; for fiscal years 2016 through 2019, District’s Annual Secretary of the Board Reports for fiscal years ended June 30, 2016 through 2019.

## Tax Collection Record

The following table sets forth tax collection information for the School District for the fiscal years ended June 30, 2016 through 2020:

<b>Fiscal Year Ended June 30</b>	<b>Total Levy</b>	<b>Total Taxes Levied<sup>(1)</sup></b>	<b>Current &amp; Delinquent Taxes Collected</b>		<b>State Railroad &amp; Utility Taxes Collected</b>
			<b>Amount</b>	<b>Percent<sup>(3)</sup></b>	
2020	\$6.2023	\$149,241,401	\$147,324,082 <sup>(2)</sup>	98.7%	\$4,542,245 <sup>(2)</sup>
2019	6.4235	143,693,221	139,027,826	96.8	4,194,450
2018	6.4280	138,636,196	137,258,213	99.0	3,963,458
2017	6.4284	133,907,013	133,128,394	99.4	3,845,214
2016	6.4333	128,865,680	128,964,417	100.1	3,784,693

*Source:* District's Audited Financial Statements for fiscal years ended June 30 2016 through 2019; District's Annual Secretary of the Board Reports filed with DESE for fiscal years ended June 30, 2016 through 2019; District's District's preliminary budget for fiscal year ending June 30, 2021, which included actual year to date plus projected revenues for the District's fiscal year ended June 30, 2020, as of June 11, 2020. These figures are preliminary and subject to change.

- (1) Total Taxes Levied is calculated by dividing Assessed Valuation for the previous calendar year by 100 and multiplying by the Total Levy. Assessed valuation used to calculate Total Taxes Levied *excludes* state assessed railroad and utility real property, assessed valuation attributable to the TIF Increment over the established assessed valuation base within TIF Redevelopment Areas, and the assessed valuation of abated Chapter 135 property and Chapter 353 property.
- (2) The current and delinquent tax collections and state railroad and utility taxes collected for fiscal year ended June 30, 2020, are derived from the District's unaudited internal financial records and are preliminary and subject to change once the District's audited financial statements for fiscal year ended June 30, 2020, are completed.
- (3) Delinquent taxes are shown in the year payment is actually received, which may cause percentage of Current and Delinquent Taxes Collected to exceed 100%.

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## Major Property Taxpayers

The following table sets forth the ten largest taxpayers owning real and personal property with the greatest amount of assessed valuation within the District based on the valuation of real and personal property owned as of January 1, 2019, after Board of Equalization adjustments. The District has not independently verified the accuracy or completeness of such information.

<u>Owner</u>	<u>Type of Use</u>	<u>Approximate 2019 Assessed Valuation<sup>(1)</sup></u>	<u>% of District's Total 2019 Assessed Valuation</u>
Ford Motor Company	Auto manufacturing	\$65,578,324	2.73%
Golder Merger Sub (Ameristar Casino)	Entertainment/gambling	42,860,186	1.78
Promus Co (Harrah's Casino)	Entertainment/gambling	30,545,361	1.27
Cerner Corporation	Medical software	25,014,108	1.04
Laclede Gas Co.	Natural gas distributor	19,022,877	0.79
Google Fiber Missouri LLC	Telecommunications	17,894,758	0.74
Cedar Fair (Worlds of Fun Amusement Park)	Entertainment/amusement park	13,553,320	0.56
Briar Cliff LLC	Real Estate	12,915,810	0.54
Hilltop SPE LLC	Real Estate	11,860,990	0.49
WW Grainger Inc.	Equipment Distributor	10,308,869	0.43
<b>TOTAL</b>		<b>\$249,554,603</b>	<b>10.37%</b>

*Source:* Clay County Assessor (assessed valuation as of 2019 assessed valuation after Board of Equalization Adjustments).

<sup>(1)</sup> Amounts exclude state assessed railroad and utility real property, the assessed valuation attributable to the TIF Increment over the established assessed valuation base within TIF Redevelopment Area, and the assessed valuation of abated Chapter 135 property and Chapter 353 property.

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR  
ENDED JUNE 30, 2019, WITH REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

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

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

**June 30, 2019**

## TABLE OF CONTENTS

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List of Board of Education and Administration.....	1
Independent Auditors' Report.....	2-4
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis.....	5-17
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position.....	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet.....	22
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities.....	23
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds.....	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	25
Notes to Financial Statements.....	26-69
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund.....	71
Budgetary Comparison Schedule - Special Revenue Fund.....	72
Notes to Required Supplementary Information.....	73
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios.....	74
Schedule of Employer Contributions – PSRS & PEERS.....	75
Schedule of Changes in the Total OPEB Liability and Related Ratios.....	76
SUPPLEMENTARY INFORMATION	
Budgetary Comparison - Debt Service Fund.....	78
Budgetary Comparison - Capital Projects Fund.....	79
Historical School Data:	
A. History of Student Enrollment.....	80
B. History of Assessed Valuations and Corresponding Debt Outstanding.....	80
C. History of Tax Levies.....	81
D. Tax Collection Record.....	81
Schedule of Bonded Indebtedness.....	82-83
Schedule of Revenues Collected by Source.....	84-85
Schedule of Expenditures Paid by Object.....	86
Schedule of Selected Statistics.....	87-100
Schedule of Expenditures of Federal Awards.....	101
Notes to the Schedule of Expenditures of Federal Awards.....	102



## **TABLE OF CONTENTS**

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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 Governmental Auditing Standards .....	104-105
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance .....	106-107
Schedule of Findings and Questioned Costs .....	108-109
Schedule of Resolutions of Prior Years Audit Findings .....	110
Independent Accountants' Report on Management's Assertions About Compliance with Specific Requirements of Missouri Laws and Regulations .....	111

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

### **BOARD OF EDUCATION**

Ms. Jan Kauk, President

Mr. Paul Harrell, Vice President

Dr. Terrence Ward, Treasurer

Ms. Dixie Youngers, Member

Ms. Jane Rinehart, Member

Mr. Terry Stone, Member

Ms. Judy Wartick, Member

Ms. Peggy Cole, Board Secretary

### **ADMINISTRATIVE LEADERSHIP TEAM \***

Dr. Daniel N. Clemens  
Superintendent of Schools

Dr. Chad C. Sutton  
Assistant Superintendent – Academic Services

Dr. Tim W. Gallagher  
Assistant Superintendent

Mr. Matthew L. Fritz  
Chief Financial Officer

Mrs. Tamara S. Henderson  
Executive Director – Community Relations

Dr. Rochel L. Daniels  
Executive Director – Organizational  
Development

Dr. Jennifer K. Gaddie  
Executive Director – Human Resources

Dr. Perry Hilvitz  
Executive Director – Student Services

Mr. Steve Book  
General Counsel

\* Administrative Leadership Team June 30, 2019.



## 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, 2019, 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, 2019, 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 and analysis on pages 5 through 17 and other information on pages 71 through 76 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 78 through 102 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 17, 2019, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

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

Marr and Company, P.C.  
Certified Public Accountants

Kansas City, Missouri  
December 17, 2019

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2019

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, 2019. 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 2018-2019 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 increased \$11.0 million or 33.3% to \$44.0 million and is comprised of the following elements:

	<i>(dollars in millions)</i>			
	<u>June 30,</u> <u>2019</u>	<u>2018</u>	<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
Invested in capital assets, net of related debt	\$ 116.6	\$ 96.0	\$ 20.6	21.5%
Restricted for:				
Debt service	28.2	31.9	(3.7)	(11.6%)
Capital projects	21.4	54.6	(33.2)	(60.8%)
Unrestricted	<u>(122.2)</u>	<u>(149.5)</u>	<u>27.3</u>	18.3%
Total Net Position	<u>\$ 44.0</u>	<u>\$ 33.0</u>	<u>\$ 11.0</u>	33.3%

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2019

### Financial Highlights (continued)

- The School Districts unrestricted net position can be used to finance day-to-day activities without constraints established by grants or legal requirements of the School District. Unrestricted net position increased \$27.3 million or 18.3% to \$122.2 million primarily due to changes in the deferred outflows and inflows related to pension plans as well as changes in the actuarially determined pension liability.
- Restrictions for Capital Projects decreased \$33.2 million or 60.8% as the School District continues construct and remodel schools and place other assets into service. Correspondingly, Investments in Capital Assets increased \$20.6 million or 21.5% to \$116.6 million.
- Restrictions for Debt service decreased \$3.7 million or 11.6% due to scheduled principal payments.
- Total assets decreased by \$0.9 million or 0.2% to \$551.9 million and is comprised of the following:

*(dollars in millions)*

	<u>June 30,</u>		<u>\$ Increase/ (Decrease)</u>	<u>% Increase/ (Decrease)</u>
	<u>2019</u>	<u>2018</u>		
Cash and investments	\$ 146.6	\$ 172.2	\$ (25.6)	(14.9%)
Receivables	7.3	4.8	2.5	52.1%
Prepaid expenses and inventory items	1.5	1.9	(0.4)	(21.1%)
Capital assets, net of depreciation	396.5	373.9	22.6	6.0%
Total Assets	<u>\$ 551.9</u>	<u>\$ 552.8</u>	<u>\$ (0.9)</u>	<u>(0.2%)</u>

- Cash and Investments decreased \$25.6 million or 14.9% to \$146.6 million and is primarily attributable to the timing of bond proceeds versus capital expenditures.
- Net Capital Assets increased \$22.6 million or 6.0% to \$396.5 million and is attributable to construction and remodeling of schools.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2019

### Financial Highlights (continued)

- Total liabilities decreased \$8.6 million or 1.5% to \$565.3 million and is comprised of the following items:

*(dollars in millions)*

	<b>June 30,</b>		<b>\$ Increase/ (Decrease)</b>	<b>% Increase/ (Decrease)</b>
	<b>2019</b>	<b>2018</b>		
Accounts payable, salaries and other	\$ 66.7	\$ 50.6	\$ 16.1	31.8%
Current portion of long-term debt	26.2	31.4	(5.2)	(16.6%)
Noncurrent portion of long-term debt	275.1	301.3	(26.2)	(8.7%)
Total Liabilities (excluding GASB 68)	<u>368.0</u>	<u>383.3</u>	<u>(15.3)</u>	<u>(4.0%)</u>
Share of PSRS/PEERS Pension Liability (GASB 68)	<u>197.3</u>	<u>190.6</u>	<u>6.7</u>	<u>3.5%</u>
Total Liabilities	<u><u>\$ 565.3</u></u>	<u><u>\$ 573.9</u></u>	<u><u>\$ (8.6)</u></u>	<u><u>(1.5%)</u></u>

- Long-term Debt decreased \$31.4 million or 9.4% to \$301.3 million respectively and is attributable to scheduled principal payments.
- Pension Liabilities increased \$6.7 million or 3.5% to \$197.3 million and is attributable to employee growth and planned changes in actuarial assumptions as compared to prior year.

Other financial highlights are as follows:

- Total revenues were \$284.2 million for the fiscal year ended June 30, 2019. This \$9.4 million or 3.4% increase is primarily attributable to a \$9.1 million or 3.81% increase in general revenues to \$249.0 million. General revenues represent 87.6% of total revenues for the fiscal year ended June 30, 2019.
- Program Specific revenues offset costs associated with operations and are made up of charges for services and grants and contributions. Program Specific revenues increased \$0.2 million or 0.7% to \$35.2 million. Program specific revenues represent 12.4% of total revenues.
- Charges for services revenues decreased \$0.4 million due to a \$0.5 million decrease in Student Activity revenues partially offset by an increase in Community Services revenues of \$0.1 million. Transportation and Food Service Revenues remained largely consistent with prior year. The School District received \$4.7 million in revenue from Community Services, \$4.3 million from Food Services, \$2.4 million from Student Activities and \$0.6 million from Transportation. Grants and contributions account for \$23.2 million in program revenues, an increase of \$0.6 million from the prior year.



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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)** **For the Year Ended June 30, 2019**

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

- The largest source of general revenue for the School District continues to be locally assessed property taxes. In fiscal year 2019, the assessed valuation increased \$89.4 million or 4.2% to \$2,239.0 million at December 31, 2018 from \$2,149.6 million at December 31, 2017. The collection rate, on a full accrual basis of accounting, decreased 270 basis points to 96.7%. Total property tax revenue received amounted to \$139.0 million for the fiscal year ended June 30, 2019. Property taxes collected, exclusive of all other taxes collected, were \$1.7 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 \$69.6 million from these sources. This represents a \$5.9 million or 9.2% increase from the prior year.
- Prop C sales taxes are collected and distributed by the State Department of Revenue. These taxes accounted for \$20.4 million in revenue. This represents a \$0.4 million or 2.0% increase from 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 \$13.2 million in general revenues, a decrease of \$0.3 million from the prior year.
- The School District had \$273.2 million in expenses, partially offset by \$35.2 million of program specific charges for services, grants and contributions. General revenues of \$249.0 million were adequate to provide for these programs.
- The General Fund had \$113.2 million in revenues and \$103.7 million in expenditures. A \$10.2 million transfer from the General Fund to the Capital Projects fund primarily consists of \$4.4 million for building acquisition costs, \$2.2 million to maintain the apple lease, \$2.2 million to continue to service bus leases, and \$1.4 million for maintenance and upkeep of equipment. A \$0.5 million transfer was made from the General Fund to the Special Revenue fund to cover expenditures. The operating fund balance decreased \$1.5 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 16.0% of operating expenditures.

#### **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.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2019

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

#### *The Statement of Net Position and Statement of Activities (continued)*

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.

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

	<b>June 30,</b>		<b>\$ Increase/</b>	<b>% Increase/</b>
	<b>2019</b>	<b>2018</b>	<b>(Decrease)</b>	<b>(Decrease)</b>
<b>ASSETS</b>				
Current Assets	\$ 155.4	\$ 178.9	\$ (23.5)	(13.1%)
Capital Assets – Net	396.5	373.9	22.6	6.0%
Total Assets	551.9	552.8	(0.9)	(0.2%)
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Plan Deferred Outflows	99.6	112.0	(12.4)	(11.1%)
<b>LIABILITIES</b>				
Other Liabilities	92.9	82.0	10.9	13.3%
Long-Term Liabilities	472.4	491.9	(19.5)	(4.0%)
Total Liabilities	565.3	573.9	(8.6)	(1.5%)
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Plan Deferred Inflows	42.2	57.9	(15.7)	(27.1%)
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	116.6	96.0	20.6	21.5%
Restricted-Debt Svc	28.2	31.9	(3.7)	(11.6%)
Restricted-Capital Projects	21.4	54.6	(33.2)	(60.8%)
Unrestricted	(122.2)	(149.5)	27.3	(18.3%)
Total Net Position	\$ 44.0	\$ 33.0	\$ 11.0	33.3%

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2019

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

#### *The Statement of Net Position and Statement of Activities (continued)*

Table 2 compares the Changes in Net Position for fiscal year ended June 30, 2019 to June 30, 2018.

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

	<u>Year Ended June 30,</u>		<u>\$ Increase/</u>	<u>% Increase/</u>
	<u>2019</u>	<u>2018</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
Program Revenues				
Charges for Services	\$ 12.0	\$ 12.4	\$ (0.4)	(3.2%)
Operating/Capital Grants and Contributions	23.2	22.6	0.6	2.7%
Total of Charges, Operating Grant and Contrib	35.2	35.0	0.2	0.6%
General Revenues:				
Property Taxes	139.0	137.3	1.7	1.2%
Non-restricted Intergovernmental	103.2	97.2	6.0	6.2%
Interest and Investment Earnings	4.2	3.8	0.4	10.5%
Other Miscellaneous Local	2.5	1.4	1.1	78.6%
Sale/Retirement of Assets	0.1	0.1	-	-
Total Revenues	284.2	274.8	9.4	3.4%
Program Expenses				
Instruction	128.7	133.9	(5.2)	(3.9%)
Student Services	13.6	8.5	5.1	60.0%
Instructional Staff Support	20.2	24.4	(4.2)	(17.2%)
Board/Executive and Tech Administration	5.1	3.7	1.4	37.8%
Building Administration	16.0	14.7	1.3	8.8%
General Administration/Central Services	8.0	7.4	0.6	8.1%
Operation of Plant	27.1	24.9	2.2	8.8%
Transportation	17.9	17.9	-	-
Food Service	12.6	10.7	1.9	17.8%
Community Services	4.2	5.8	(1.6)	(27.6%)
Early Childhood Program	1.9	-	1.9	
Facility Acquisition and Construction	8.0	7.7	0.3	3.9%
Interest and Fiscal Charges	9.9	10.7	(0.8)	(7.5%)
Total Expenses	273.2	270.3	2.9	1.1%
Increase/(Decrease) in Net Position	\$ 11.0	\$ 4.5	\$ 6.5	144.4%

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2019**

#### **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, 2019 was \$273.2 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 \$23.2 million and helped reduce expenses for certain programs. Charges for services offset expenses by \$12.0 million and include items such as tuition reimbursement, activity fees, school lunch fees and facility use charges. The remaining program expenses are financed primarily by the taxpayers of the School District through property tax, sales tax, and other ad valorem tax revenue totaling \$172.6 million. State aid accounted for \$69.6 million. The "net cost" statement, on the following page, details 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, 2019

### 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, 2019 to June 30, 2018.

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

	Year Ended June 30,			Year over Year					
	2019			2018		Total Cost		Net Cost	
	Total Cost of Services	Net Cost of Services	% of total expenses	Total Cost of Services	Net Cost of Services	\$ Increase/ (Decrease)	% Increase/ (Decrease)	\$ Increase/ (Decrease)	% Increase/ (Decrease)
Instruction	\$ 128.7	\$ 113.0	47.5%	\$ 133.9	\$ 117.8	\$ (5.2)	(3.9%)	\$ (4.8)	(4.1%)
Student Services	13.6	13.6	5.7%	8.5	8.5	5.1	60.0%	5.1	60.0%
Instructional Staff Support	20.2	20.2	8.5%	24.4	24.4	(4.2)	(17.2%)	(4.2)	(17.2%)
Board/Executive & Tech Adm	5.1	5.1	2.1%	3.7	3.7	1.4	37.8%	1.4	37.8%
Building Administration	16.0	16.0	6.7%	14.7	14.7	1.3	8.8%	1.3	8.8%
General Adm & Central Svcs	8.0	8.0	3.4%	7.4	7.4	0.6	8.1%	0.6	8.1%
Operation of Plant	27.1	27.1	11.4%	24.9	24.9	2.2	8.8%	2.2	8.8%
Transportation	17.9	14.8	6.2%	17.9	15.2	-	-	(0.4)	(2.6%)
Food Service	12.6	1.6	0.7%	10.7	(0.3)	1.9	17.8%	1.9	(633.3%)
Community Services	4.2	(1.0)	(0.4%)	5.8	0.7	(1.6)	(27.6%)	(1.7)	(242.9%)
Early Childhood Program	1.9	1.7	0.7%	-	-	1.9		1.7	
Facility Acquisition/Construction	8.0	8.0	3.4%	7.7	7.7	0.3	3.9%	0.3	3.9%
Interest and Fiscal Charges	9.9	9.9	4.1%	10.7	10.7	(0.8)	(7.5%)	(0.8)	(7.5%)
Total Expenses	<u>\$ 273.2</u>	<u>\$ 238.0</u>	<u>100.0%</u>	<u>\$ 270.3</u>	<u>\$ 235.4</u>	<u>\$ 2.9</u>	1.1%	<u>\$ 2.6</u>	1.1%

*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, 2019**

#### **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 87.8% of instruction activities are supported through taxes and other general revenues; for all activities, general revenue support is 87.1%. 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 \$284.1 million and total expenditures were \$322.3 million. The net change in fund balance for the year in the General Fund was a decrease of \$1.5 million. The unrestricted operating fund balance was \$48.5 million at year-end and was 20.0% of total expenditures of the General and Special Revenue Funds. This fund balance would exclusively sustain the School District for approximately 52 days of operations. The Operating Fund balance consisted of \$1.0 million non-spendable, leaving \$47.5 million operating fund balance unassigned and assigned.

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2019

#### 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 12, 2018 with amendments being approved on August 28, 2018 and June 11, 2019. The most significant budgeted fund is the General Fund, followed by the Special Revenue 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 2019 the School District amended its operating budget to reflect \$249.2 million for revenue and \$247.3 million for expenditures. Local revenue came in \$1.8. million below budget. With prudent spending and conservative budgeting, the actual operating expenditures were \$6.1 million below the final budget.

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

##### *Capital Assets*

As of June 30, 2019, the School District had \$556.3 million invested in land, buildings, furniture and equipment, and vehicles with accumulated depreciation of \$159.8 million, resulting in net investment in capital assets at year-end of \$396.5 million.

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

	<b>June 30,</b>		<b>\$ Increase/ (Decrease)</b>	<b>% Increase/ (Decrease)</b>
	<b>2019</b>	<b>2018</b>		
Land	\$ 10,521,320	\$ 10,215,388	\$ 305,932	3.0%
Construction in Progress (CIP)	52,592,513	67,860,851	(15,268,338)	(22.5%)
Capitalized Interest on CIP	1,864,657	1,330,548	534,109	40.1%
Buildings and Improvements	307,099,559	265,864,679	41,234,880	15.5%
Furniture and Equipment	24,416,609	28,662,035	(4,245,426)	(14.8%)
Totals	<u>\$ 396,494,658</u>	<u>\$ 373,933,501</u>	<u>\$ 22,561,157</u>	6.0%

Net capital assets ended at \$396.5 million, an increase of \$22.6 million due to the addition of capital assets of \$40.1 million partially offset by depreciation expense of \$17.5 million.

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2019

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

##### *Debt Administration*

On June 30, 2019, the School District had \$238.2 million in general obligation bonds, due in varying interest rate charges through the year 2036. These bonds were issued for the purpose of capital improvements, building additions, and technology system advancements.

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

	<b>June 30,</b>	
	<b>2019</b>	<b>2018</b>
Series 2016	\$ 151,880,000	\$ 155,045,000
Series 2015	11,515,000	16,390,000
Series 2014	38,130,000	40,140,000
Series 2013	5,190,000	5,220,000
Series 2012	20,515,000	23,445,000
Series 2011	6,195,000	7,600,000
Series 2010	4,725,000	6,970,000
Series 2008	-	6,990,000
Total	<u>\$ 238,150,000</u>	<u>\$ 261,800,000</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, 2019, the School District's overall legal debt margin was \$362.7 million, of which \$238.2 million has been issued, offset by a debt service fund balance of \$31.2 million leaving the un-voted debt margin at \$155.8 million.

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.



## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2019

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

##### *Debt Administration (continued)*

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

At June 30, 2019, the outstanding balance for the School District on Capital Lease Obligations is \$21.0 million in principal and \$2.0 million in interest for a total of \$23.0 million.

**Table 6**  
**Outstanding Capital Lease Obligations**  
**June 30, 2019**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Apple, Inc. - MacBooks	\$ 6,067,474	\$ 237,143	\$ 6,304,617
CNG Bus Infrastructure	1,751,994	150,944	1,902,938
CNG Buses	8,624,483	743,047	9,367,530
CNG Fueling Truck	19,018	481	19,499
Navitas Phase IV	4,432,000	861,750	5,293,750
Custodial Equipment	111,655	2,614	114,269
	<u>\$21,006,624</u>	<u>\$ 1,995,979</u>	<u>\$ 23,002,603</u>

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 \$197.3 million, a increase of \$ 6.7 million dollars. Additionally, the School District recorded deferred outflows related to the pension plan of \$99.6 million dollars and deferred inflows related to pension plans of \$42.3 million dollars. See Notes to Financial Statements for additional details.

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

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2019**

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

The School District implemented Governmental Accounting Standards Board (GASB) Statement No. 75 Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions (OPEB) commencing with the fiscal year ending June 30, 2018. The School District is required to provide a systematic, accrual-basis measurement of an annual OPEB Cost. During fiscal year 2019, the School District recognized a \$1.6 million increase in OPEB liability consisting of increases in service cost - \$0.9 million, interest on total OPEB liability of \$0.8 million and effects of assumption changes of \$0.9 million, offset by benefit payments of \$1.0 million. 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. The School District has begun to see a slight increase in local property values and corresponding tax revenues. Our 2018 local assessed property valuation is 7.2% higher than values reported by the Clay County Assessor's office in 2008. The 2018 assessment figures are based on reassessments as of January 1, 2018.

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 16.0% of the operating expenditure budget plus or minus 2.0%. 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 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.

Roland Hamik  
Director of Accounting

**BASIC FINANCIAL STATEMENTS**

*GOVERNMENT-WIDE FINANCIAL STATEMENTS*

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## STATEMENT OF NET POSITION June 30, 219

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Cash & Cash Equivalents	\$ 109,749,137
Investments	25,589,720
Receivables:	
Taxes	533,178
Other Local, net of allowance for uncollectible of \$32,750	591,153
State	2,229,809
Federal	3,993,202
Inventory	670,775
Prepaid Expenses	876,554
Escrowed Cash with Fiscal Agents	11,182,282
Capital Assets:	
Land	10,521,320
Construction in Progress and related Capitalized Interest	54,457,170
Other Capital Assets, net of Accumulated Depreciation	<u>331,516,168</u>
Total Assets	<u>551,910,468</u>
 <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Deferred amounts related to pension plans	98,785,945
Deferred amounts related to OPEB liability	<u>777,239</u>
Total Deferred Outflows of Resources	<u>99,563,184</u>
 <b><u>LIABILITIES</u></b>	
Accounts Payable	4,746,091
Payroll Withholding	22,525,214
Accrued Wages	12,986,685
Unearned Revenue	605,817
Accrued Interest Payable	3,601,847
Retiree Medical Insurance Liability	20,750,125
Compensated Absences	1,437,382
Long-term Liabilities:	
Due within one year	26,190,187
Due in more than one year	<u>472,388,701</u>
Total Liabilities	<u>565,232,049</u>
 <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Deferred amounts related to pension plans	41,747,094
Deferred amounts related to OPEB liability	<u>521,504</u>
Total Deferred Inflows of Resources	<u>42,268,598</u>
 <b><u>NET POSITION</u></b>	
Net Investment in Capital Assets	116,637,236
Restricted for:	
Debt Service	28,216,024
Bond Capital Projects	21,320,045
Unrestricted	<u>(122,200,300)</u>
Total Net Position	<u>\$ 43,973,005</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, 2019

Functions/Programs:	Expenses	Program Revenue			Net (Expense)
		Charges for Services & Sales	Operating Grants & Contributions	Capital Grants & Contributions	Revenue and Change in Net Position
Governmental Activities:					Total
Current:					Governmental Activities
Instruction	\$ 128,718,724	\$ 2,353,919	\$ 13,362,766	\$ 42,771	\$(112,959,268)
Student Services	13,645,711	0	0	0	(13,645,711)
Instructional Staff Support	20,228,126	0	0	0	(20,228,126)
Board/Executive & Tech Admin	5,109,677	0	0	0	(5,109,677)
Building Administration	15,955,626	0	0	0	(15,955,626)
General Admin/Central Services	8,010,666	0	0	0	(8,010,666)
Operation of Plant	27,118,637	0	0	0	(27,118,637)
Transportation	17,893,881	576,606	2,469,664	0	(14,847,611)
Food Services	12,582,679	4,387,619	6,570,824	0	(1,624,236)
Community Services	4,186,908	4,446,142	757,881	0	1,017,115
Early Childhood Program	1,903,805	248,306	0	0	(1,655,499)
Facilities	7,957,850	0	0	0	(7,957,850)
Interest & Charges	<u>9,875,716</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(9,875,716)</u>
Total Governmental Activities	\$ 273,188,006	\$ 12,012,592	\$ 23,161,135	\$ 42,771	(237,971,508)
<u>General Revenues</u>					
					139,027,825
Ad Valorem Property taxes					20,426,072
Sales tax (Proposition C)					8,629,526
Other local taxes					4,556,948
County taxes and fines					69,579,507
State Aid - Basic formula & Classroom Trust					4,218,673
Interest & Investment Earnings					<u>2,406,775</u>
Miscellaneous Other					<u>248,845,326</u>
Subtotal - General Revenues					
Excess of revenues over expenses before special items					10,873,818
Special Items: Gain(Loss) on Sale of Capital Assets					<u>104,729</u>
Change in Net Position					10,978,547
NET POSITION – BEGINNING OF YEAR					<u>32,994,458</u>
NET POSITION – END OF YEAR					<u>\$ 43,973,005</u>

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

## **BASIC FINANCIAL STATEMENTS**

### *FUND FINANCIAL STATEMENTS*

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2019

	General (Incidental) <u>Fund</u>	Special Revenue (Teachers) <u>Fund</u>	Debt Service <u>Fund</u>	Capital Projects <u>Fund</u>	<u>Totals</u>
<b><u>ASSETS</u></b>					
Cash & Cash Equivalents	\$ 46,198,448	\$ 6,324,251	\$ 20,080,131	\$ 37,146,307	\$ 109,749,137
Investments	25,589,720	0	0	0	25,589,720
Receivables:					
Taxes	229,777	186,168	106,429	10,804	533,178
Local	293,094	18,100	0	1,380	312,574
State	1,033,694	1,182,544	0	13,571	2,229,809
Federal	1,067,806	2,894,734	0	30,662	3,993,202
Inventories	588,528	0	0	0	588,528
Prepaid Expenses	398,635	0	0	0	398,635
Escrowed Cash with Fiscal Agent	0	0	11,049,750	0	11,049,750
<b>TOTAL ASSETS</b>	<b>\$ <u>75,399,702</u></b>	<b>\$ <u>10,605,797</u></b>	<b>\$ <u>31,236,310</u></b>	<b>\$ <u>37,202,724</u></b>	<b>\$ <u>154,444,533</u></b>
 <b><u>LIABILITIES &amp; FUND BALANCES</u></b>					
Liabilities:					
Accounts Payable	\$ 1,249,844	\$ 153,392	\$ 2,300	\$ 3,340,555	\$ 4,746,091
Payroll Withholdings	22,525,214	0	0	0	22,525,214
Accrued Wages	2,534,280	10,452,405	0	0	12,986,685
Deferred Revenue	<u>605,817</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>605,817</u>
<b>Total Liabilities</b>	<b>26,915,155</b>	<b>10,605,797</b>	<b>2,300</b>	<b>3,340,555</b>	<b>40,863,807</b>
Fund Balances:					
Nonspendable	987,163	0	0	0	987,163
Restricted	5,674,524	0	31,234,010	21,320,045	58,228,579
Assigned	0	0	0	12,542,124	12,542,124
Unassigned	<u>41,822,860</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>41,822,860</u>
<b>Total Fund Balances</b>	<b><u>48,484,547</u></b>	<b><u>0</u></b>	<b><u>31,234,010</u></b>	<b><u>33,862,169</u></b>	<b><u>113,580,726</u></b>
 <b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	 <b>\$ <u>75,399,702</u></b>	 <b>\$ <u>10,605,797</u></b>	 <b>\$ <u>31,236,310</u></b>	 <b>\$ <u>37,202,724</u></b>	 <b>\$ <u>154,444,533</u></b>

*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, 2019

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 113,580,726

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, net of accumulated depreciation	\$ 396,494,658	
Non-cash donated inventory of food commodities	82,247	
Advance use of short-term medical leave, net of allowance	278,579	
Prepaid insurance premiums	<u>477,919</u>	
		397,333,403

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	132,532	
Issuance premiums, net of accumulated amortization	(426,091)	
Capital leases – certificates of participation obligation	(20,060,000)	
Capital leases – lease purchase obligation	<u>(21,006,622)</u>	
		(41,360,181)

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	98,785,945	
Deferred outflows for OPEB liability	777,239	
Deferred inflows for PSRS and PEERS	(41,747,094)	
Deferred inflows for OPEB liability	<u>(521,504)</u>	
		57,294,586

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

Accrued interest on long-term debt	(3,601,847)	
Net OPEB obligation for retiree medical insurance	(20,750,125)	
Compensated absences for vacation and comp time	(1,437,382)	
Bond issuance premiums, net of accumulated amortization	(21,667,286)	
Bonds payable obligations	(238,150,000)	
Net pension obligation liability for PSRS and PEERS	<u>(197,268,889)</u>	
		(482,875,529)

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 43,973,005

*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, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals Governmental Funds
<b>REVENUES</b>					
Local	\$ 84,579,442	\$ 67,992,051	\$ 28,830,673	\$ 4,166,124	\$ 185,568,290
County	1,751,135	1,779,448	930,165	96,201	4,556,949
State	17,168,612	60,136,732	0	32,290	77,337,634
Federal	8,570,816	6,844,518	0	30,662	15,445,996
Other	<u>1,109,455</u>	<u>43,500</u>	<u>0</u>	<u>0</u>	<u>1,152,955</u>
Total Revenues	113,179,460	136,796,249	29,760,838	4,325,277	284,061,824
<b>EXPENDITURES</b>					
Current:					
Instruction	10,286,469	88,056,211	0	586,533	98,929,213
Special Education Instruction	9,161,750	23,647,419	0	92,350	32,901,519
Student Services	8,194,212	5,225,750	0	73,129	13,493,091
Instructional Staff Support	8,591,658	7,803,683	0	3,147,633	19,542,974
Board & Executive Administration	3,264,264	1,549,483	0	0	4,813,747
Building Administration	5,950,058	9,742,599	0	0	15,692,657
General Admin & Central Services	5,801,125	1,209,839	0	86,910	7,097,874
Operation of Plant	23,596,384	0	0	3,606,363	27,202,747
Transportation	14,343,702	0	0	1,149,083	15,492,785
Food Services	10,726,691	0	0	1,096,912	11,823,603
Adult & Community Services	3,988,248	93,824	0	0	4,082,072
Facilities Acquisition/Construction	0	0	0	34,746,104	34,746,104
Debt Service:					
Principal	0	0	23,650,000	1,470,000	25,120,000
Interest and Charges	<u>0</u>	<u>0</u>	<u>10,184,569</u>	<u>1,187,287</u>	<u>11,371,856</u>
Total Expenditures	<u>103,904,561</u>	<u>137,328,808</u>	<u>33,834,569</u>	<u>47,242,304</u>	<u>322,310,242</u>
Excess(Deficiency) of Revenues over Expenditures	9,274,899	(532,559)	(4,073,731)	(42,917,027)	(38,248,418)
Other Financing Sources (Uses):					
Sale of District Property	439	0	0	104,290	104,729
Transfers In / (Out)	<u>(10,726,589)</u>	<u>532,559</u>	<u>0</u>	<u>10,194,030</u>	<u>0</u>
Total Other Financing Sources(Uses)	<u>(10,726,150)</u>	<u>532,559</u>	<u>0</u>	<u>10,298,320</u>	<u>104,729</u>
Net Change in Fund Balances	(1,451,251)	0	(4,073,731)	(32,618,707)	(38,143,689)
FUND BALANCES, JUNE 30, 2018	<u>49,935,798</u>	<u>0</u>	<u>35,307,741</u>	<u>66,480,876</u>	<u>151,724,415</u>
FUND BALANCES, JUNE 30, 2019	\$ <u>48,484,547</u>	\$ <u>0</u>	\$ <u>31,234,010</u>	\$ <u>33,862,169</u>	\$ <u>113,580,726</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, 2019

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (38,143,689)

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

Net capital asset purchases and disposals are expensed in funds but are capitalized & depreciated in activities.	<i>Capitalized assets</i> 40,058,910 <i>Capitalized leases and COPs</i> 3,750,597 <i>Depreciation expense</i> (17,497,753)
Federal food commodities are not recorded in funds & inventoried in activities.	<i>Commodities received</i> 734,805 <i>Commodities consumed</i> (767,682)
Accounts receivable for employee short-term medical leave.	(16,173)
Insurance premiums are expensed in funds and recorded as prepaids in activities.	(5,200)
The OPEB cost for retiree medical insurance is recorded in activities.	(737,740)
Compensated absences liability is recorded in activities and not in the funds.	(34,119)
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> 399,593
Bond premiums are recognized as other financing sources in funds and capitalized and amortized in activities.	<i>Premium amortization</i> 2,526,554
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> 23,650,000
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> 1,470,000 <i>Premium amortization</i> 39,993
Pension expense (PSRS/PEERS) reported in activities do not require use of current resources, not reported in funds.	(4,449,549)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>10,978,547</u>

*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, 2019

### **INDEX**

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

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

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

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

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

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

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

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

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS June 30, 2019

#### 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 1,596 non-certificated employees, 1,545 certificated, full-time teaching personnel and 147 administrative employees who provide services to 20,097 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, 2019**

### **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, 2019, 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, 2019

### **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, 2019

#### 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, 2019

### 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, 2019, 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 \$1,000.

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, 2019

#### 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 2018-2019 school year contracts paid in July and August 2019 was included in accrued salaries and wages at June 30, 2019. 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, 2019

### 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 Assistant Superintendent – Finance and 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, 2019, 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, 2019

### 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	\$ 588,528	\$ 0	\$ 0	\$ 0	\$ 588,528
Prepaid Expense	<u>398,635</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>398,635</u>
Total Nonspendable	987,163	0	0	0	987,163
Restricted:					
Student Activity groups	1,639,076	0	0	0	1,639,076
Food Service	3,704,982	0	0	0	3,704,982
NCAPs Districts	330,466	0	0	0	330,466
Debt Service	0	0	31,234,010	0	31,234,010
Bond Projects	<u>0</u>	<u>0</u>	<u>0</u>	<u>21,320,045</u>	<u>21,320,045</u>
Total Restricted	5,674,524	0	31,234,010	21,320,045	58,228,579
Assigned:					
Capital Projects	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,542,124</u>	<u>12,542,124</u>
Total Assigned	0	0	0	12,542,124	12,542,124
Unassigned	<u>41,822,860</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>41,822,860</u>
Total Fund Balances	\$ <u>48,484,547</u>	\$ <u>0</u>	\$ <u>31,234,010</u>	\$ <u>33,862,169</u>	\$ <u>113,580,726</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.

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. The fiduciary net position is reflected in the measurement of the School District's net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense. A Comprehensive Annual Financial Report ("CAFR") can be obtained at [www.psrs-peers.org](http://www.psrs-peers.org).

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

## **NOTES TO FINANCIAL STATEMENTS June 30, 2019**

### **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., 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, 2019

### 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. Recently Adopted Statements Issued by the Governmental Accounting Standards Board

##### GASB Statement No. 88

For the year ended June 30, 2019, the School District adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for fiscal years beginning after June 15, 2018. The goal of this Statement is to provide users of the financial statements with additional important information related to debt. The Statement emphasizes that debt related disclosures in notes to financial statements should separate information regarding direct borrowings and direct placements from other types of debt. The adoption of this Statement enhanced the note disclosures and were incorporated into these School District's financial statements to comply with the Statement.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### 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, 2019, 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 wavier.

The assessed valuation of the tangible property for calendar year 2018 for purposes of local taxation, excluding tax increment financing assessed valuation, and abated Chapter 100, Chapter 135 and Chapter 353 properties, as follows.

	Assessed Valuation as of <u>12/31/2018</u>	Assessment <u>Rate</u>	Estimated Actual <u>Valuation</u>	% of Total Estimated <u>Actual Valuation</u>
Real Property				
Residential	\$ 1,271,017,692	19.0%	\$ 6,689,566,800	69.60%
Agricultural	2,513,126	12.0%	20,942,717	0.22%
Commercial	<u>360,813,370</u>	32.0%	<u>1,127,541,781</u>	<u>11.73%</u>
Total Real Property	1,634,344,188		7,838,051,298	81.55%
Personal Property	<u>591,036,772</u>	33.3% <sup>(1)</sup>	<u>1,773,110,316</u>	<u>18.45%</u>
Total Property	\$ <u>2,225,380,960</u>		\$ <u>9,611,161,614</u>	<u>100.00%</u>

<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, 2019**

### **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 2018 for purposes of local taxation was as follows:

General (Incidental) Fund	\$ 2.7635
Special Revenue (Teachers) Fund	2.2400
Debt Service Fund	1.2900
Capital Projects Fund	<u>0.1300</u>
Total	\$ <u>6.4235</u>

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2019, aggregated 96.7% 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, 2019, 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, 2019, 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, 2019

### 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, 2019, 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.

As of June 30, 2019, the School District had the following investments and original maturities.

<u>Investment Type</u>	<u>&lt; 1 Year</u>	<u>1-5 Years</u>	<u>Total</u>
Commercial Paper	\$ <u>25,589,720</u>	\$ <u>0</u>	\$ <u>25,589,720</u>

The School District categorized its fair value measurements within the fair value hierarchy established by general accepted accounting principles. The School District has the following recurring fair value measurements as of June 30, 2019:

<u>Investment Type</u>	<u>Not subject to Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Commercial Paper	\$ <u>0</u>	\$ <u>25,589,720</u>	\$ <u>0</u>	\$ <u>25,589,720</u>



# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### 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, 2019, were as follows:

	Beginning Balance <u>6/30/2018</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>6/30/2019</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 261,800,000	\$ 0	\$ (23,650,000)	\$ 238,150,000	\$ 18,570,000
Unamortized Premium on Bonds	24,193,840	0	(2,526,554)	21,667,286	2,320,437
Capital Lease Obligation	24,757,219	0	(3,750,597)	21,006,622	3,769,757
Certificates of Participation	21,530,000	0	(1,470,000)	20,060,000	1,490,000
Unamortized Premium on COPs	466,084	0	(39,993)	426,091	39,993
Net Pension Plan Liability	<u>190,554,775</u>	<u>37,078,887</u>	<u>(30,364,773)</u>	<u>197,268,889</u>	<u>0</u>
Total Long-term Liabilities	\$ <u>523,301,918</u>	\$ <u>37,078,887</u>	\$ <u>(61,801,917)</u>	\$ <u>498,578,888</u>	\$ <u>26,190,187</u>

##### General Obligation Bonds Payable

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

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2019

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

#### B. Long-term Liabilities

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

Bonds payable at June 30, 2019, consisted of the following.

General obligation refunding bonds, issue of 2010, due in varying annual installments through March 1, 2021, interest at 2.0% to 3.5%	\$ 4,725,000
General obligation refunding bonds, issue of 2011, due in varying annual installment through March 1, 2023, interest at 2.0% to 4.89%	6,195,000
General obligation refunding bonds, issue of 2012, due in varying annual installments through March 1, 2025, interest at 2.0% to 5.0%	20,515,000
General obligation refunding bonds, issue of 2013, due in varying annual installments through March 1, 2022, interest at 2.0% to 4.25%	5,190,000
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%	38,130,000
General obligation refunding bonds, issue of 2015, due in varying annual installments through March 1, 2022, interest at 2.0% to 5.0%	11,515,000
General obligation refunding bonds, issue of 2016A, due in varying annual installments through March 1, 2028, interest at 2.0% to 5.0%	37,880,000
General obligation bonds, issue of 2008, due in varying annual installments through March 1, 2028, interest at 4.0% to 5.5%; and was refunded on March 1, 2019 with escrowed proceeds from refunding bonds Series 2016A	0
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>238,150,000</u>

The School District is participating in the Missouri School District Direct Deposit Program ("Direct Deposit Program") for all of the outstanding series bonds. This program provides for the School District to pledge its state aid, except for state aid for gifted and exceptional pupils and remedial reading, for payment of bonds and for the State of Missouri to directly deposit a portion of the School District's state aid monies into a Direct Deposit Program account. The principal and interest payments on the bonds are paid directly from this account when due. General obligation bond interest expense during the year ended June 30, 2019, was \$10,173,520.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2019

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

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

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

Debt service requirements as of June 30, 2019, was as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	21,265,000	6,869,069	28,134,069
2024	20,610,000	5,915,844	26,525,844
2025 to 2029	69,305,000	18,187,320	87,492,320
2030 to 2034	49,435,000	8,038,435	57,473,435
2035 to 2039	<u>18,840,000</u>	<u>923,162</u>	<u>19,763,162</u>
	<u>\$ 238,150,000</u>	<u>\$ 65,079,852</u>	<u>\$ 303,229,852</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 12/31/2018	\$ 2,225,380,960	
Add: Abated TIF property	130,583,610	
Add: Abated Chapter 135 property	22,759,800	
Add: Abated Chapter 353 property	<u>39,185,200</u>	
Combined Assessed Valuation	\$ 2,417,909,570	
Constitutional Debt Limit	\$ 362,686,436	(15% of Assessed Val.)
General Obligation Bonds Payable	(238,150,000)	
Amount Available in Debt Service Fund	<u>31,234,010</u>	
Total Legal Debt Margin	<u>\$ 155,770,446</u>	

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2019

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

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

##### Capital Lease Obligations

###### *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 computer technology equipment through capital lease purchase transactions. The School District signed individual contract agreements with specific funding and repayment schedules for each purchase.

Effective September 29, 2017, a lease purchase contract was signed with Apple for 15,000 iPads for students, 6,000 MacBook Air 11-in laptops for students, and 2,000 MacBook Air 13-in laptops for staff. The lease agreement includes a discounted purchase price totaling \$9,079,296, which includes \$364,507 of calculated interest using a stated rate of 1.940%. A one-time required payment was made on December 1, 2017 totaling principal of \$1,007,246 and interest expense of \$30,402. Beginning July 2018, the agreement requires four annual payments of \$2,101,539 due on July 15<sup>th</sup> of every year, which includes total interest of \$334,105 and principal of \$8,072,050.

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>
2020	\$ 1,983,830	\$ 117,709	\$ 2,101,539
2021	2,022,099	79,440	2,101,539
2022	<u>2,061,545</u>	<u>39,994</u>	<u>2,101,539</u>
	<u>\$ 6,067,474</u>	<u>\$ 237,143</u>	<u>\$ 6,304,617</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2019

### 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>
2020	\$ 1,400,568	\$ 219,248	\$ 1,619,816
2021	1,430,078	189,739	1,619,817
2022	1,450,460	159,607	1,610,067
2023	1,481,062	129,005	1,610,067
2024	1,512,310	97,756	1,610,066
2025-2026	<u>3,121,017</u>	<u>99,117</u>	<u>3,220,134</u>
	\$ <u>10,395,495</u>	\$ <u>894,472</u>	\$ <u>11,289,967</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2019

### 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			Annual Energy Savings <sup>(1)</sup>	Annual Operational Savings <sup>(1)</sup>
	Principal	Interest	Total		
2020	\$ 290,000	\$ 117,005	\$ 407,005	\$ 65,812	\$ 67,222
2021	298,000	109,349	407,349	68,444	69,239
2022	306,000	101,482	407,482	71,182	71,316
2023	314,000	93,403	407,403	74,029	73,455
2024	322,000	85,114	407,114	76,991	75,659
2025-2029	1,696,000	338,343	2,034,343	433,686	413,736
2030-2032	<u>1,161,000</u>	<u>61,829</u>	<u>1,222,829</u>	<u>304,099</u>	<u>279,235</u>
Total	<u>\$ 4,432,000</u>	<u>\$ 861,750</u>	<u>\$ 5,293,750</u>	<u>\$ 1,094,243</u>	<u>\$ 1,049,862</u>

<sup>(1)</sup> 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.

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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2019**

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

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

**Capital Lease Obligation (continued)**

***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. Interest component is calculated based on being compounded monthly and an interest rate of 4.30%.

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

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 95,360	\$ 2,585	\$ 97,945
2021	<u>16,295</u>	<u>29</u>	<u>16,324</u>
	\$ <u>111,655</u>	\$ <u>2,614</u>	\$ <u>114,269</u>

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

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,769,758	\$ 456,547	\$ 4,226,305
2021	3,766,472	378,557	4,145,029
2022	3,818,005	301,083	4,119,088
2023	1,795,062	222,408	2,017,470
2024	1,834,310	182,870	2,017,180
2025-2029	4,862,017	392,685	5,254,702
2030-2032	<u>1,161,000</u>	<u>61,829</u>	<u>1,222,829</u>
	\$ <u>21,006,624</u>	\$ <u>1,995,979</u>	\$ <u>23,002,603</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2019

### 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			Annual Guaranteed Energy Savings <sup>(2)</sup>	Annual Guaranteed Operational Savings <sup>(2)</sup>
	Principal	Interest	Total		
2020	\$ 1,490,000	\$ 624,881	\$ 2,114,881	\$ 1,408,005	\$ 305,896
2021	1,505,000	572,906	2,077,906	1,464,325	315,073
2022	1,575,000	523,556	2,098,556	1,522,899	324,525
2023	1,630,000	474,056	2,104,056	1,583,814	334,261
2024	1,695,000	421,803	2,116,803	1,647,166	344,289
2025-2029	9,340,000	1,263,001	10,603,001	9,278,451	1,882,712
2030-2031	<u>2,825,000</u>	<u>83,019</u>	<u>2,908,019</u>	<u>3,004,484</u>	<u>454,101</u>
Total	<u>\$ 20,060,000</u>	<u>\$ 3,963,223</u>	<u>\$ 24,023,223</u>	<u>\$ 19,909,144</u>	<u>\$ 3,960,857</u>

<sup>(2)</sup> 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, 2019

### 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, 2019, were as follows.

	Balance <u>June 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2019</u>
Land	\$ 10,215,388	\$ 305,932	\$ 0	\$ 10,521,320
Construction in progress, capitalized interest	69,191,399	24,974,396	39,708,625	54,457,170
Buildings	376,385,308	53,016,729	19,152	429,382,885
Furniture	<u>60,625,688</u>	<u>1,470,478</u>	<u>133,657</u>	<u>61,962,509</u>
	516,417,783	79,767,535	39,861,434	556,323,884
Less accumulated depreciation	<u>142,484,282</u>	<u>17,497,753</u>	<u>152,809</u>	<u>159,829,226</u>
Net Capital Assets	<u>\$ 373,933,501</u>	<u>\$ 62,269,782</u>	<u>\$ 39,708,625</u>	<u>\$ 396,494,658</u>

During the current fiscal year, the School District transferred \$39,708,625 of completed construction in progress projects and related capitalized interest to the furniture and buildings and improvements accounts, resulting in net additions totaling \$40,058,910.

Depreciation expense for the year ended June 30, 2019 was charged by function as shown below.

Instruction	\$ 13,894,275
Instructional staff support	256,216
Administration	234,082
Operation of plant	293,106
Transportation	2,171,578
Food service	648,224
Community Service	<u>272</u>
	<u>\$ 17,497,753</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2019

### 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, 2019, 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>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
Food Service	\$ (1,096,911)	\$ 0	\$ 1,096,911
Student Activities	(17,484)	0	17,484
7% x SAT x WADA	(6,900,000)	0	6,900,000
Transportation Calc	(2,179,635)	0	2,179,635
"Zero" Teachers Fund	<u>(532,559)</u>	<u>532,559</u>	<u>0</u>
	\$ <u>(10,726,589)</u>	\$ <u>532,559</u>	\$ <u>10,194,030</u>

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS

June 30, 2019

#### 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, 2019, the estimated amount owed to the School District was \$309,533 of which \$30,953 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 "two-thirds 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, 2019

#### 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 at retirement. 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 benefit until reaching minimum Social Security age (currently age 62), which is calculated using a 0.8% benefit factor. Actuarially age-reduced retirement benefits are available 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.

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

*Cost-of-Living Adjustments ("COLA").* The Board of Trustees has established a policy of providing COLAs to both PSRS and PEERS members as follows:

- If the June to June change in the Consumer Price Index for All Urban Consumers (CPI-U) is less than 2% for consecutive one-year periods, a cost-of-living increase of 2% will be granted when the cumulative increase is equal to or greater than 2%, at which point the cumulative increase in the CPI-U will be reset to zero. For the following year, the starting CPI-U will be based on the June value immediately preceding the January 1 at which the 2% cost-of-living increase is granted.

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS June 30, 2019

#### 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)

- If the June to June change in the CPI-U is greater than or equal to 2%, but less than 5%, a cost-of-living increase of 2% will be granted.
- If the June to June change in the CPI-U is greater than or equal to 5%, a cost-of-living increase of 5% will be granted.
- 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.

*Contributions* . PSRS members were required to contribute 14.5% of their annual covered salary during fiscal years 2017, 2018, and 2019. 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.

PEERS members were required to contribute 6.86% of their annual covered salary during fiscal years 2017, 2018, and 2019. 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 \$16,936,193 and \$3,440,721, respectively, for the year ended June 30, 2019.

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

At June 30, 2019, the School District recorded a liability of \$175,433,584 for its proportionate share of PSRS' net pension liability and \$21,835,305 for its proportionate share of PEERS' net pension liability. In total the School District recorded net pension liabilities of \$197,268,889. The net pension liability for the plans in total was measured as of June 30, 2018, 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 \$16,434,928 and \$3,225,423, respectively, for the year ended June 30, 2018, relative to the actual contributions of \$697,214,371 for PSRS and \$114,141,743 for PEERS from all participating employers. At June 30, 2018, the School District's proportionate share was 2.3572% for PSRS and 2.8258% for PEERS.

For the year ended June 30, 2019, the School District recognized pension expense of \$20,593,828 for PSRS and \$4,618,295 for PEERS, its proportionate share of the total pension expense.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2019

### NOTE 4: OTHER NOTES (continued)

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

At June 30, 2019, 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	\$ 9,138,464	\$ 8,276,307	\$ 31,251	\$ 511,520	\$ 9,169,715	\$ 8,787,827
Changes of assumptions	32,017,976	0	3,364,673	0	35,382,649	0
Net difference between projected and actual earnings on pension plan investments	26,819,989	28,297,904	3,716,205	4,012,387	30,536,194	32,310,291
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,240,303	550,770	80,170	98,206	3,320,473	648,976
Employer contributions subsequent to the measurement date	<u>16,936,193</u>	<u>0</u>	<u>3,440,721</u>	<u>0</u>	<u>20,376,914</u>	<u>0</u>
Total	<u>\$ 88,152,925</u>	<u>\$ 37,124,981</u>	<u>\$ 10,633,020</u>	<u>\$ 4,622,113</u>	<u>\$ 98,785,945</u>	<u>\$ 41,747,094</u>

Amounts reported as deferred outflows of resources resulting from contribution subsequent to the measurement date of June 30, 2018, will be recognized as a reduction to the net pension liability in the year ended June 30, 2020. 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>
2020	\$ 16,565,896	\$ 2,624,002	\$ 19,189,899
2021	10,005,219	1,228,975	11,234,194
2022	(1,701,256)	(1,024,418)	(2,725,674)
2023	5,677,825	(257,154)	5,420,671
2024	3,411,036	0	3,411,036
Thereafter	<u>133,914</u>	<u>0</u>	<u>133,914</u>
	<u>\$ 34,092,634</u>	<u>\$ 2,571,405</u>	<u>\$ 36,664,039</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2019

### NOTE 4: OTHER NOTES (continued)

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

##### Actuarial Assumptions

Actuarial valuations of the Systems involve assumptions about probability of occurrence of events far into the future in order to estimate the reported amounts. Examples include assumptions about future employment, salary increases, and mortality. 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 and from Board policies concerning investments and COLAs. 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 studies and effective with the June 30, 2016 valuation. For the June 30, 2017 valuations, the investment rate of return was reduced from 7.75% to 7.60% and the assumption for the annual cost-of-living adjustments was updated in accordance with the funding policies amended by the Board of Trustees at their November 2017 meeting. For the June 30, 2018 valuations, the investment rate of return assumption was further reduced from 7.60% to 7.50%. Significant actuarial assumption and methods, including changes from the prior year resulting from changes in Board policy, are detailed below. For additional information please refer to the Systems' Comprehensive Annual Financial Report (CAFR). The next experience studies are scheduled for 2021.

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

- Measurement Date		June 30, 2018
- Valuation Date		June 30, 2018
- Expected Return on Investments		7.50% 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.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2019

### NOTE 4: OTHER NOTES (continued)

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

##### Actuarial Assumptions (continued)

- |                            |                 |  |
|----------------------------|-----------------|--|
| - Future Salary Increases  | 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.  |
| - Cost-of-Living Increases | PSRS &<br>PEERS | The annual COLA assumed in the valuation increases from 1.25% to 1.65% over eight years, beginning January 1, 2020.<br>The COLA reflected for January 1, 2019 is 2.00%, in accordance with the actual COLA approved by the Board. This COLA assumption reflects an assumption that general inflation will increase from 1.85% to a normative inflation assumption of 2.25% over eight years. It is also based on the current policy of the Board to grant a COLA on each January 1 as follows: <ul style="list-style-type: none"><li>- If the June to June change in the CPI-U is less than 2% for consecutive one-year periods, a cost-of-living increase of 2% will be granted when the cumulative increase is equal to or greater than 2%, at which point the cumulative increase in the CPI-U will be reset to zero. For the following year, the starting CPI-U will be based on the June value immediately preceding the January 1 at which the 2% cost-of-living increase is granted.</li><li>- If the June to June change in the CPI-U is greater than or equal to 2%, but less than 5%, a cost-of-living increase of 2% will be granted.</li><li>- If the June to June change in the CPI-U is greater than or equal to 5%, a cost-of-living increase of 5% will be granted.</li><li>- If the CPI decreases, no COLA is provided.</li></ul> |

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 members receive a COLA on the second January after retirement, while PEERS members receive a COLA on the fourth January after retirement.



# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2019

### NOTE 4: OTHER NOTES (continued)

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

##### Actuarial Assumptions (continued)

##### - 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 White Collar Mortality Tables with plan-specific experience adjustments and static projection to 2028 using the 2014 SSA Improvement Scale..
Disabled Retirees:	PSRS	RP-2006 Disabled Retiree Mortality Tables with static projection to 2028 using the 2014 SSA Improvement Scale.
	& PEERS	

##### - Changes in Actuarial Assumptions and Methods

PSRS & PEERS	The following assumptions were updated by the Board at the October 29, 2018 meeting:
--------------------	--

- The investment return assumption was lowered from 7.60% to 7.50% per year.

##### - Fiduciary Net Position

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

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2019

### 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, 2018 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.

<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	9.0%	3.56%	0.32%
Total	<u>100.0%</u>		4.61%
		Inflation	<u>2.25%</u>
		Long-term arithmetical nominal return	6.86%
		Effect of covariance matrix	<u>0.64%</u>
		Long-term expected geometric return	<u>7.50%</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2019

### NOTE 4: OTHER NOTES (continued)

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

##### Actuarial Assumptions (continued)

##### - Discount Rate

The long-term expected rate of return used to measure the total pension liability was 7.5% as of June 30, 2018, 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% effective with the June 30, 2016 valuation based on the actuarial experience studies and asset-liability study conducted during the 2016 fiscal year. As previously discussed, the Board of Trustees further reduced the assumed rate of return to 7.6% effective with the June 30, 2017 valuation, and to 7.5% effective with the June 30, 2018 valuation. 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 actuarial accrued liability in level percent of employee payroll installments over 30 years utilizing a closed period, layered approach. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

##### - Discount Rate Sensitivity

The sensitivity of the district's net pension liabilities to changes in the discount rate is presented below. The district's net pension liabilities calculated using the discount rate of 7.50% is presented as well as the net pension liabilities using a discount rate that is 1.0% lower (6.50%) or 1.0% higher (8.50%) than the current rate.

		1% Decrease <u>(6.50%)</u>	Current Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
PSRS	Proportionate share of the Net Pension Liability/(Asset)	\$ 314,477,812	\$ 175,433,584	\$ 59,873,327
PEERS	Proportionate share of the Net Pension Liability/(Asset)	\$ 41,118,359	\$ 21,835,305	\$ 5,662,684

As of June 30, 2019, the School District did not report a payable for legally required contributions to PSRS and PEERS.

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS June 30, 2019

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

##### B. Post-employment Healthcare Plan

###### General Information about the OPEB Plan

*Plan Description.* The School District's post-employment healthcare plan is a single-employer defined benefit healthcare plan (North Kansas City School District Other Post-Employment Benefits (OPEB) Program). 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. Eligible participants receive benefits in the form of an implicit rate subsidy, where participants receive health insurance coverage by paying a blended retiree/active rate.

*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. Current contribution requirements require participants to pay the full blended premium. The School District does not pre-fund benefits. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis and there is not a trust for accumulating plan assets.

*Eligibility.* To be eligible for participation in the plan, employees must meet the retirement eligibility requirements for normal or early retirement under one of the state retirement plans for public employees (PSRS or PEERS). Normal retirement age is the earlier of age 60 with 5 years of service, age plus service equal to 80 points ("Rule of 80"), or any age with 30 years of service. Early retirement is age 55 with 5 years of service. Retirees may cover spouses and eligible dependent children, and surviving spouses can continue coverage after retiree's death.

*Employees Covered by Benefit Terms.* As of June 30, 2019, membership consisted of the following:

Active participants	2,717
Retired employees and surviving spouses	192
Spouses of current retired employees	<u>38</u>
	<u>2,947</u>

*OPEB Benefits.* All medical benefits are provided through the School District's selected medical and dental care plans with medical coverage to include prescription drugs for retirees and their dependents. Retirees and related dependents can continue coverage past Medicare eligibility age (age 65) as a secondary insurance.

###### Total OPEB Liability

The School District's total OPEB liability of \$20,750,125 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2019

### NOTE 4: OTHER NOTES (continued)

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

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2018 actuarial valuation measured as of June 30, 2019 was determined using the following key actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.50% per annum based on the 20-year bond GO index
Inflation Rate	2.30% per annum
Salary Increases Rate	3.00% per annum
Healthy Mortality	RP-2014 Mortality for Employees and Healthy Annuitants, with generational projection per Scale MP-2017
Actuarial Cost Method	Entry Age Normal
Medical/Retiree Premium Inflation Rate	Medical cost trend rate of 6.50% for 2019, gradually decreasing to an ultimate rate of 4.1% for 2078 and beyond.  The healthcare trends used in the valuation are based on long term healthcare trends generated by the Getzen Model. The Getzen Model is the result of research sponsored by the Society of Actuaries and completed by a committee of economists and actuaries. This model is the current industry standard for projecting long term medical trends.  Inputs to the model are consistent with the assumptions used in deriving the discount rate used in the valuation.
Turnover	Rates based on length of service with a turnover rate of 23.4% with less than 1 year of service, gradually decreasing to an ultimate rate of 1.0% with 20 years or greater of service.
Future Retiree Coverage	40% of employees who retire prior to age 65 are assumed to elect medical coverage under the plan.
Medicare eligible retirees	Medicare eligible retirees and dependents are assumed to discontinue coverage under the plan when they reach age 65.
Non-Medicare eligible retirees	25% of teachers hired prior to 1986 are assumed to never be eligible for Medicare. These employees are assumed to continue coverage under the plan after age 65. 5% of retired teachers currently under age 65 are assumed to not be eligible for Medicare. These retirees are assumed to continue coverage under the plan after age 65.

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2019

### NOTE 4: OTHER NOTES (continued)

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

##### Changes in Total OPEB Liability

	Increase (Decrease) Total <u>OPEB Liability</u>
Balance as of June 30, 2018	\$ 19,165,051
Changes for the year:	
Service cost	917,359
Interest on total OPEB liability	758,782
Effect of assumptions changes or inputs	869,329
Benefit payments	<u>(960,396)</u>
Balance as of June 30, 2019	\$ <u>20,750,125</u>

*Sensitivity of the Total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the School District, calculated using the discount rate of 3.50%, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1.0% lower (2.50%) or 1.0% higher (4.50%) than the current rate:

	1% Decrease <u>(2.50%)</u>	Current Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
Total OBEP liability	\$ 23,400,830	\$ 20,750,125	\$ 18,519,854

*Sensitivity of the Total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the School District, calculated using the current healthcare cost trend rates, as well as what the School District's total OPEB liability would be if it were calculated using trend rates that are 1.0% lower or 1.0% higher than the current trend rates:

	1% Decrease <u>1%</u>	Current Rate <u>3.50%</u>	1% Increase <u>4.50%</u>
Total OBEP liability	\$ 17,996,427	\$ 20,750,125	\$ 24,117,617

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 4: OTHER NOTES (continued)

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

##### OPEB Expense and Deferred Outflows / Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the School District recognized OPEB expense of \$1,698,136. Due to OPEB changes in assumptions/inputs, the School District reported deferred inflows and outflows of resources as of June 30, 2019, in the amount of \$521,504 and \$777,239, respectively.

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year Ending June 30,	
2020	\$ 21,995
2021	21,995
2022	21,995
2023	21,995
2024	21,995
Thereafter	<u>145,760</u>
	<u>\$ 255,735</u>

#### 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, 2019

### 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 an 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, 2019, 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. Leases - Operating

##### *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"). Upon completion, CBC was the landlord for the facility. 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 May 1, 2016. For the year ended June 30, 2019, the School District recognized \$1,080,000 in lease expense. The following is a schedule of the future escalation payments as per agreement.

<u>Lease term period</u>	<u>Per Rentable Square Foot</u>	<u>Monthly Base Rent</u>	<u>Annual Base Rent</u>
May 2016 to April 2021	\$ 18.00	\$ 90,000	\$ 1,080,000
May 2021 to April 2026	19.80	99,000	1,188,000
May 2026 to April 2031	21.78	108,900	1,306,800
May 2031 to April 2036	23.96	119,800	1,437,600



# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE 4: OTHER NOTES (continued)

#### F. Leases – Operating (continued)

##### *Passenger School Buses*

The School District entered into multiple leases for the use of passenger school buses. Each lease contains separate and varying provisions with regard to cancellation and renewal. For the year ended June 30, 2019, the School District recognized expense related to these agreements totaling \$946,280.

##### *Konica Copier Equipment*

The School District entered into multiple leases for the use of office copier equipment throughout the school buildings and with administration buildings. Each lease contains separate and varying provisions with regard to cancellation and renewal. For the year ended June 30, 2019, the School District recognized expense related to these agreements totaling \$630,779.

##### *Parking and Office Facilities*

The School District entered into multiple leases for the use of parking facilities and office space. Each lease contains separate and varying provisions with regard to cancellation and renewal. For the year ended June 30, 2019, the School District recognized expense related to these agreements totaling \$93,175.

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

For the Year Ended June 30,	Northland Innovation Center	Passenger School Buses	Konica Copier Equipment	Parking & Office Facilities	Total
2020	\$ 1,080,000	\$ 946,280	\$ 588,823	\$ 93,175	\$ 2,708,278
2021	1,098,000	386,460	24,001	6,123	1,514,584
2022	1,188,000	0	14,001	6,123	1,208,124
2023	1,188,000	0	0	6,123	1,194,123
2024	1,188,000	0	0	6,123	1,194,123
2025-2029	6,316,200	0	0	30,616	6,978,816
2030-2034	6,948,200	0	0	30,616	6,978,816
2035-2037	<u>2,635,600</u>	<u>0</u>	<u>0</u>	<u>13,777</u>	<u>2,649,377</u>
	<u>\$ 21,642,000</u>	<u>\$ 1,332,740</u>	<u>\$ 626,825</u>	<u>\$ 192,676</u>	<u>\$ 23,794,241</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## NOTES TO FINANCIAL STATEMENTS June 30, 2019

### 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 2019, \$525,000 was paid to the City of which \$306,250 was recorded as prepaid expense as of June 30, 2019.

The School District also agreed to pay the City an annual payment for maintenance usage. These maintenance usage fees will be recalculated every five years during the lease term. Beginning in fiscal year ending June 30, 2018 through fiscal year ending June 30, 2022, the maintenance fee was recalculated to \$175,000. In January 2019, \$175,000 was paid to the City of which \$87,500 was recorded as prepaid expense as of June 30, 2019.

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>
2020	\$ 525,000	\$ 175,000
2021	525,000	\$ 175,000
2022	525,000	\$ 175,000
2023	525,000	Adjusted
2024	525,000	Adjusted
2025-2026	<u>1,050,000</u>	Adjusted
	<u>\$ 3,675,000</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, 2018	\$ 1,731,462
Credits sold	(10,000)
Credits used	<u>(0)</u>
Balance June 30, 2019	\$ <u>1,721,462</u>

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

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2019

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

##### **I. Litigation**

As of June 30, 2019, 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, Lathrop, Lawson, Liberty #53, North Kansas City Schools #74, 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 349 students during the 2018-2019 school year and is reported as an agency fund.

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS June 30, 2019

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

##### M. Tax Abatement

The following governmental entities are at least 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, City of Pleasant Valley, and Village of Claycomo (collectively “governmental entities”).

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

The City of Kansas City, Missouri and its component units (collectively “KCMO”) provide tax redirection through the following four programs: Tax Increment Financing (TIF), “Super” TIF, Land Bank and various City Council initiatives. KCMO also provided tax abatement through six programs under the Missouri Revisor of Statutes (RSMo), as amended – Chapter 100, Chapter 353, Missouri Works – Enhanced Enterprise Zones, Sale/Leaseback – Land Clearance for Redevelopment Authority (LCRA), Sale/Leaseback – Port KC and the Urban Renewal Program.

The Tax Increment Financing Commission of Kansas City (TICF) 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). Per 99.810 RSMo, the criteria for recipients to be eligible for the program are as follows:

1. The redevelopment area on the whole is a blighted area, a conservation area, or an economic development area, and has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of tax increment financing. Such a finding shall include, but not be limited to, a detailed description of the factors that qualify the redevelopment area or project pursuant to this subdivision and an affidavit, signed by the developer or developers and submitted with the redevelopment plan, attesting that the provisions of this subdivision have been met;
2. The redevelopment plan conforms to the comprehensive plan for the development of the municipality as a whole;
3. The estimated dates, which shall not be more than twenty-three years from the adoption of the ordinance approving a redevelopment project within a redevelopment area, of completion of any redevelopment project and retirement of obligations incurred to finance redevelopment project costs have been stated, provided that no ordinance approving a redevelopment project shall be adopted later than ten years from the adoption of the ordinance approving the redevelopment plan under which such project is authorized and provided that no property for a redevelopment project shall be acquired by eminent domain later than five years from the adoption of the ordinance approving such redevelopment project;
4. A plan has been developed for relocation assistance for businesses and residences;

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### NOTES TO FINANCIAL STATEMENTS June 30, 2019

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

##### M. Tax Abatement (continued)

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

5. A cost-benefit analysis showing the economic impact of the plan on each taxing district which is at least partially within the boundaries of the redevelopment area. The analysis shall show the impact on the economy if the project is not built and is built pursuant to the redevelopment plan under consideration. The cost-benefit analysis shall include a fiscal impact study on every affected political subdivision, and sufficient information from the developer for the commission established in section 99.820 to evaluate whether the project as proposed is financially feasible;
6. A finding that the plan does not include the initial development or redevelopment of any gambling establishment, provided however, that this subdivision shall be applicable only to a redevelopment plan adopted for a redevelopment area designated by ordinance after December 23, 1997.

Assessed Valuation of “base year” is established and 100% of the taxes resulting from the incremental increase in assessed valuation are remitted to the Project Special Allocation Fund rather than disbursed to various taxing entities. For the EATs, the base amount is established and 50% of the incremental increase in EATs is remitted to the Project Special Allocation Fund. Cash in the Project Special Allocation Fund is disbursed to the Trustee and then to the Developer through semiannual payments for the Notes issued. There is no provision for recapturing abated taxes for adjusting the base assessed valuation or the base EATs. Taxes revert back to the taxing entities at the end of the abatement period or upon payoff of the Notes issued, whichever comes first.

*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.

*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.

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

## **NOTES TO FINANCIAL STATEMENTS** **June 30, 2019**

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

#### **M. Tax Abatement (continued)**

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

The School District's property tax revenues for 2019 were reduced by \$8,381,000 as part of the abovementioned KCMO Tax Abatement programs.

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

The City of North Kansas City administers tax abatements under Chapter 100 RSMo and Chapter 353 RSMo. The School District's property tax revenues for 2019 were reduced by \$2,251,000 as part of the City of North Kansas City Tax Abatement programs.

##### **City of Gladstone, Missouri Tax Abatement Program**

The City of Gladstone administers tax abatements under Chapter 100 RSMo. The School District's property tax revenues for 2019 were reduced by \$343,560 as part of the City of Gladstone Tax Abatement program.

##### **Village of Claycomo, Missouri Tax Abatement Program**

The Village of Claycomo administers tax abatements under Chapter 100 RSMo. The School District's property tax revenues for 2019 were reduced by \$150,074 as part of the City of Gladstone Tax Abatement program.

In total, the School District's property tax revenues for 2019 were reduced by \$11,125,634 and is comprised of the following:

<b><u>Tax Abatement Program by Governmental Entity</u></b>	<b><u>Assessed Value Abated</u></b>	<b><u>Taxes Abated for 2019</u></b>
<b>City of Gladstone</b>		
Chapter 100	<u>\$ 5,348,488</u>	<u>\$ 343,560</u>
<b>City of Kansas City</b>		
Chapter 100	516,540	33,180
Chapter 135	8,738,370	561,309
TIF	<u>121,219,130</u>	<u>7,786,511</u>
Total City of Kansas City	<u>130,474,040</u>	<u>8,381,000</u>
<b>City of North Kansas City</b>		
Chapter 100	4,332,230	278,281
Chapter 353	8,577,890	551,001
TIF	<u>22,133,080</u>	<u>1,421,718</u>
Total City of North Kansas City	<u>35,043,200</u>	<u>2,251,000</u>
<b>Village of Claycomo</b>		
Chapter 100	<u>2,336,320</u>	<u>150,074</u>
Total Abatements	<u>\$173,202,048</u>	<u>\$ 11,125,634</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## BUDGETARY COMPARISON SCHEDULE (UNAUDITED)

### GENERAL FUND

For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over/ (Under) Budget</u>
<b><u>REVENUES</u></b>				
Local	\$ 84,483,659	\$ 85,275,574	\$ 84,579,442	\$ (696,132)
County	1,720,869	1,722,570	1,751,135	28,565
State	16,271,715	15,268,256	17,168,612	1,900,356
Federal	8,996,388	8,355,003	8,570,816	215,813
Other	<u>1,167,000</u>	<u>1,321,000</u>	<u>1,109,455</u>	<u>(211,545)</u>
Total Revenues	112,639,631	111,942,403	113,179,460	1,237,057
<b><u>EXPENDITURES</u></b>				
Instruction	23,959,867	23,761,282	19,448,219	(4,313,063)
Student Services	5,327,229	6,853,724	8,194,212	1,340,488
Instructional Staff Support	9,315,302	8,837,297	8,591,658	(245,639)
General Admin & Central Services	6,260,644	5,292,280	5,801,125	508,845
Board/Executive & Tech Admin	2,903,955	3,231,547	3,264,264	32,717
Building Administration	6,249,556	6,345,009	5,950,058	(394,951)
Operation of Plant	24,238,622	23,922,402	23,596,384	(326,018)
Transportation	12,842,068	12,528,958	14,343,702	1,814,744
Food Services	11,107,725	11,118,399	10,726,691	(391,708)
Community Service	5,667,519	5,551,969	3,988,248	(1,563,721)
Debt Service	<u>10,000</u>	<u>10,000</u>	<u>0</u>	<u>(10,000)</u>
Total Expenditures	107,882,487	107,452,867	103,904,561	(3,548,306)
Other Financing Sources/(Uses):				
Sale of Assets	(6,434,783)	(7,318,211)	(10,726,589)	(3,408,378)
Transfers From	<u>0</u>	<u>0</u>	<u>439</u>	<u>439</u>
Total Other Financing Sources (Uses)	<u>(6,434,783)</u>	<u>(7,318,211)</u>	<u>(10,726,150)</u>	<u>(3,407,939)</u>
Net Change in Fund Balance	(1,677,639)	(2,828,675)	(1,451,251)	1,377,424
FUND BALANCE – JUNE 30, 2018	<u>49,935,798</u>	<u>49,935,798</u>	<u>49,935,798</u>	<u>0</u>
FUND BALANCE – JUNE 30, 2019	\$ <u>48,258,159</u>	\$ <u>47,107,123</u>	\$ <u>48,484,547</u>	\$ <u>1,377,424</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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over/ (Under) Budget</u>
<b><u>REVENUES</u></b>				
Local	\$ 70,152,608	\$ 69,130,899	\$ 67,992,051	\$ (1,138,848)
County	1,794,878	1,793,837	1,779,448	(14,389)
State	63,919,020	59,113,103	60,136,732	1,023,629
Federal	6,658,808	7,113,742	6,844,518	(269,224)
Other	<u>60,000</u>	<u>60,000</u>	<u>43,500</u>	<u>(16,500)</u>
Total Revenues	142,585,314	137,211,581	136,796,249	(415,332)
<b><u>EXPENDITURES</u></b>				
Instruction	114,645,779	115,027,796	111,703,630	(3,324,166)
Student Services	4,200,256	4,239,967	5,225,750	985,783
Instructional Staff Support	8,644,813	8,826,794	7,803,683	(1,023,111)
General Admin & Central Services	1,200,996	695,434	1,209,839	514,405
Board/Executive & Tech Admin	721,578	721,578	1,549,483	827,905
Building Administration	9,261,201	9,264,084	9,742,599	478,515
Community Services	<u>1,106,430</u>	<u>1,098,213</u>	<u>93,824</u>	<u>(1,004,389)</u>
Total Expenditures	139,781,053	139,873,866	137,328,808	(2,545,058)
Other Financing Sources (Uses)				
Transfers To	<u>3,633,244</u>	<u>3,016,672</u>	<u>532,559</u>	<u>(2,484,113)</u>
Total Other Financing Sources (Uses)	<u>3,633,244</u>	<u>3,016,672</u>	<u>532,559</u>	<u>(2,484,113)</u>
Net Change in Fund Balance	6,437,505	354,387	0	(354,387)
FUND BALANCE – JUNE 30, 2018	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE – JUNE 30, 2019	\$ <u><u>6,437,505</u></u>	\$ <u><u>354,387</u></u>	\$ <u><u>0</u></u>	\$ <u><u>(354,387)</u></u>

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

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

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

#### **BUDGETARY COMPARISON SCHEDULES**

**For the Year Ended June 30, 2019**

#### **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.
6. Actual expenditures may not legally exceed the budgeted expenditures in any budgeted fund. For the fiscal year ended June 30, 2019, 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, 2019

### Public School Retirement System (PSRS)

Year Ended*	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2014	2.2990%	\$ 94,318,208	\$ 103,094,163	91.49%	89.34%
6/30/2015	2.2749%	131,326,795	103,881,210	126.42%	85.78%
6/30/2016	2.3141%	172,184,055	107,677,795	159.91%	82.18%
6/30/2017	2.3379%	168,832,038	111,038,911	152.05%	83.77%
6/30/2018	2.3572%	175,433,584	114,141,431	153.70%	84.06%

\* 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)

Year Ended*	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Actual Covered Member Payroll	Net Pension Liability (Asset) as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability
6/30/2014	2.7791%	\$ 10,162,203	\$ 40,581,222	25.04%	91.33%
6/30/2015	2.7791%	14,698,831	41,672,178	35.27%	88.28%
6/30/2016	2.8411%	22,795,148	43,873,529	51.96%	83.32%
6/30/2017	2.8472%	21,722,737	45,756,998	47.47%	85.35%
6/30/2018	2.8258%	21,835,305	47,017,887	46.44%	86.06%

\* 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, 2019

### Public School Retirement System (PSRS)

	Statutorily Required	Actual Employer	Contribution	Actual Covered Member	Contributions As a Percentage of
<u>Year Ended</u>	<u>Contribution</u>	<u>Contributions</u>	<u>Excess/(Deficiency)</u>	<u>Payroll</u>	<u>Covered Payroll</u>
6/30/2013	\$ 14,349,307	\$ 14,349,307	\$ 0	\$ 100,074,855	14.34%
6/30/2014	14,804,562	14,804,562	0	103,094,163	14.36%
6/30/2015	14,936,534	14,936,534	0	103,881,210	14.38%
6/30/2016	15,501,055	15,501,055	0	107,677,795	14.40%
6/30/2017	15,992,950	15,992,950	0	111,038,911	14.40%
6/30/2018	16,434,928	16,434,928	0	114,141,431	14.40%

### Public Education Employee Retirement System (PEERS)

	Statutorily Required	Actual Employer	Contribution	Actual Covered Member	Contributions As a Percentage of
<u>Year Ended</u>	<u>Contribution</u>	<u>Contributions</u>	<u>Excess/(Deficiency)</u>	<u>Payroll</u>	<u>Covered Payroll</u>
6/30/2013	\$ 2,680,124	\$ 2,680,124	\$ 0	\$ 39,068,849	6.86%
6/30/2014	2,783,873	2,783,873	0	40,581,222	6.86%
6/30/2015	2,858,708	2,858,708	0	41,672,178	6.86%
6/30/2016	3,009,720	3,009,720	0	43,873,529	6.86%
6/30/2017	3,138,926	3,138,926	0	45,756,998	6.86%
6/30/2018	3,225,423	3,225,423	0	47,017,887	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**

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
For the Year Ended June 30, 2019

Postemployment Health Care Plan

	Fiscal year ending June 30,		
	<u>2019</u>	<u>2018</u>	<u>2017 and Prior</u>
Total OPEB Liability			
Service cost	\$ 917,359	\$ 903,434	N/A
Interest on total OPEB liability	758,782	701,150	N/A
Effect of plan changes	0	0	N/A
Effect of economic/demographic gains or losses	0	0	N/A
Effect of assumptions changes or inputs	869,329	(661,694)	N/A
Benefit payments	<u>(960,396)</u>	<u>(911,154)</u>	N/A
Net change in total OPEB liability	1,585,074	31,736	N/A
Total OPEB liability balance – beginning	<u>19,165,051</u>	<u>19,133,315</u>	N/A
Total OPEB liability balance – ending	<u>20,750,125</u>	<u>19,165,051</u>	N/A
Covered employee payroll	\$ 132,325,054	\$ 128,119,933	N/A
Total OPEB liability as a % of covered payroll	15.68%	14.96%	N/A

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

## **SUPPLEMENTARY INFORMATION**

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

**BUDGETARY COMPARISON SCHEDULE (UNAUDITED)**

***DEBT SERVICE FUND***

**For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over/ (Under) Budget</u>
<b><u>REVENUES</u></b>				
Local	\$ 29,222,665	\$ 29,193,292	\$ 28,830,673	\$ (362,619)
County	<u>803,300</u>	<u>802,701</u>	<u>930,165</u>	<u>127,464</u>
Total Revenues	30,025,965	29,995,993	29,760,838	(235,155)
<b><u>EXPENDITURES</u></b>				
Debt Service - Principal	23,650,000	23,650,000	23,650,000	0
Debt Service - Interest	<u>10,203,519</u>	<u>10,193,519</u>	<u>10,184,569</u>	<u>(8,950)</u>
Total Expenditures	33,853,519	33,843,519	33,834,569	(8,950)
Other Financing Sources/(Uses)				
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(3,827,554)	(3,847,526)	(4,073,731)	(226,205)
FUND BALANCE – JUNE 30, 2018	<u>35,307,741</u>	<u>35,307,741</u>	<u>35,307,741</u>	<u>0</u>
FUND BALANCE – JUNE 30, 2019	\$ <u>31,480,187</u>	\$ <u>31,460,215</u>	\$ <u>31,234,010</u>	\$ <u>(226,205)</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## BUDGETARY COMPARISON SCHEDULE (UNAUDITED) CAPITAL PROJECTS FUND For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Actual Over/ (Under) Budget
<b><u>REVENUES</u></b>				
Local	\$ 3,575,763	\$ 3,597,726	\$ 4,166,123	\$ 568,397
County	80,953	80,892	96,201	15,309
State	15,000	18,720	32,289	13,569
Federal	<u>0</u>	<u>0</u>	<u>30,662</u>	<u>30,662</u>
Total Revenues	3,671,716	3,697,338	4,325,275	627,937
<b><u>EXPENDITURES</u></b>				
Instruction	425,161	906,181	678,883	(227,298)
Student Services	6,800	127,650	73,129	(54,521)
Instructional Staff Support	3,006,510	3,215,760	3,147,633	(68,127)
General Admin/Central Services	117,330	117,330	86,910	(30,420)
Operation of Plant	4,160,262	4,263,657	3,606,363	(657,294)
Transportation	1,147,886	1,147,886	1,149,083	1,197
Food Services	1,477,600	1,462,605	1,096,912	(365,693)
Community Services	1,000	1,000	0	(1,000)
Facilities Acquisition & Construction	38,445,627	55,378,524	34,746,104	(20,632,420)
Debt Service – Principal	1,470,000	1,470,000	1,470,000	0
Debt Service – Interest	<u>1,183,721</u>	<u>1,198,309</u>	<u>1,187,287</u>	<u>(11,022)</u>
Total Expenditures	51,441,897	69,288,902	47,242,304	(22,046,598)
Other Financing Sources/(Uses):				
Transfer to	2,801,539	4,301,539	10,194,030	5,892,491
Sale of Assets	<u>8,000</u>	<u>8,000</u>	<u>104,290</u>	<u>96,290</u>
Total Other Financing Sources (Uses)	<u>2,809,539</u>	<u>4,309,539</u>	<u>10,298,320</u>	<u>5,988,781</u>
Net Change in Fund Balance	(44,960,642)	(61,282,025)	(32,618,709)	28,663,316
FUND BALANCE – JUNE 30, 2018	<u>66,480,876</u>	<u>66,480,876</u>	<u>66,480,876</u>	<u>0</u>
FUND BALANCE – JUNE 30, 2019	\$ <u>21,520,234</u>	\$ <u>5,198,851</u>	\$ <u>33,862,167</u>	\$ <u>28,663,316</u>



# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## HISTORICAL SCHOOL DATA June 30, 2019

### 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>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>
20,097	19,604	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.

As of <u>December 31,</u>	Assessed <u>Valuation</u>	% Change in Assessed <u>Valuation</u>	Fiscal Year Ended <u>June 30,</u>	Bond Principal <u>Outstanding</u>	Interest on Bonds <u>Outstanding</u>	<u>Total Debt</u>	Bond Principal as % of Assessed <u>Valuation</u>
2018	\$2,239,005,680	4.2%	2019	\$238,150,000	\$65,079,850	\$303,229,850	10.6%
2017	2,149,562,989	3.2%	2018	261,800,000	75,253,369	337,053,369	12.2%
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%

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## HISTORICAL SCHOOL DATA June 30, 2019

### 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 <u>June 30,</u>	General (Incidental) <u>Fund</u>	Special Revenue (Teacher's) <u>Fund</u>	Capital Projects (Building) <u>Fund</u>	Debt Service <u>Fund</u>	<u>Total Levy</u>
2019	\$2.7635	\$2.2400	\$0.1300	\$1.2900	\$6.4235
2018	2.7635	2.2400	0.1300	1.2900	6.4235
2017	2.7632	2.2400	0.1300	1.2900	6.4232
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

### 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 <u>June 30,</u>	Total <u>Levy</u>	Total Taxes <u>Levied</u>	Taxes Collected (Current & Delinquent)		Railroad & Utility Taxes <u>Collected</u>
			<u>Amount</u>	<u>Percent</u>	
2019	\$6.4235	\$143,822,530	\$139,027,826	96.7%	\$4,194,450
2018	6.4235	138,077,179	137,258,214	99.4%	3,963,458
2017	6.4232	133,798,694	133,128,394	99.5%	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

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF BONDED INDEBTEDNESS

June 30, 2019

<u>Bonded</u> <u>Indebtedness</u>	<u>Totals</u>	<u>Series</u> <u>2010</u>	<u>Series</u> <u>2011</u>	<u>Series</u> <u>2012</u>	<u>Series</u> <u>2013</u>	<u>Series</u> <u>2014</u>	<u>Series</u> <u>2015</u>	<u>Series</u> <u>2016A</u>	<u>Series</u> <u>2016B</u>
Fiscal Year									
2019-20	\$ 18,570,000	\$ 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	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	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	1,635,000	3,490,000	0	5,915,000	0	4,490,000	5,735,000
2023-24	20,610,000	0	0	3,630,000	0	6,210,000	0	4,750,000	6,020,000
2024-25	20,875,000	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	4,970,000	0	5,180,000	6,635,000
2026-27	13,590,000	0	0	0	0	1,185,000	0	5,435,000	6,970,000
2027-28	9,235,000	0	0	0	0	1,235,000	0	755,000	7,245,000
2028-29	8,820,000	0	0	0	0	1,285,000	0	0	7,535,000
2029-30	9,175,000	0	0	0	0	1,335,000	0	0	7,840,000
2030-31	9,540,000	0	0	0	0	1,390,000	0	0	8,150,000
2031-32	9,930,000	0	0	0	0	1,450,000	0	0	8,480,000
2032-33	10,240,000	0	0	0	0	1,505,000	0	0	8,735,000
2033-34	10,550,000	0	0	0	0	1,555,000	0	0	8,995,000
2034-35	9,275,000	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>9,565,000</u>
Total	\$ <u>238,150,000</u>	\$ <u>4,725,000</u>	\$ <u>6,195,000</u>	\$ <u>20,515,000</u>	\$ <u>5,190,000</u>	\$ <u>38,130,000</u>	\$ <u>11,515,000</u>	\$ <u>37,880,000</u>	\$ <u>114,000,000</u>

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# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)

June 30, 2019

Interest Obligation	Totals	Series 2010	Series 2011	Series 2012	Series 2013	Series 2014	Series 2015	Series 2016A	Series 2016B
Fiscal Year									
2019-20	\$ 9,053,957	\$ 165,375	\$ 238,325	\$ 868,725	\$ 219,900	\$ 1,751,969	\$ 261,088	\$ 1,559,150	\$ 3,989,425
2020-21	8,396,782	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	126,975	586,350	176,376	1,640,169	57,088	1,158,900	3,949,425
2022-23	6,869,069	0	63,975	435,600	0	1,565,169	0	944,900	3,859,425
2023-24	5,915,844	0	0	296,000	0	1,269,419	0	720,400	3,630,025
2024-25	5,029,344	0	0	150,800	0	958,919	0	530,400	3,389,225
2025-26	4,136,344	0	0	0	0	668,919	0	331,000	3,136,425
2026-27	3,415,244	0	0	0	0	420,419	0	123,800	2,871,025
2027-28	2,980,344	0	0	0	0	373,019	0	15,100	2,592,225
2028-29	2,626,044	0	0	0	0	323,619	0	0	2,302,425
2029-30	2,273,244	0	0	0	0	272,219	0	0	2,001,025
2030-31	1,906,244	0	0	0	0	218,819	0	0	1,687,425
2031-32	1,606,144	0	0	0	0	163,219	0	0	1,442,925
2032-33	1,293,744	0	0	0	0	105,219	0	0	1,188,525
2033-34	959,059	0	0	0	0	54,421	0	0	904,638
2034-35	612,300	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>310,862</u>
Total	\$ <u>65,079,852</u>	\$ <u>249,375</u>	\$ <u>609,000</u>	\$ <u>3,068,050</u>	\$ <u>615,576</u>	\$ <u>11,482,687</u>	\$ <u>461,364</u>	\$ <u>6,747,050</u>	\$ <u>41,846,750</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF REVENUES COLLECTED BY SOURCE For the Year Ended June 30, 2019

	General (Incidental) Fund	Special Revenue (Teachers) Fund	Debt Service Fund	Capital Projects Fund	Totals
<u>LOCAL</u>					
Current taxes	\$ 58,438,663	\$ 47,368,409	\$ 27,279,128	\$ 2,749,059	\$ 135,835,259
Delinquent Taxes	1,374,874	1,113,195	639,892	64,605	3,192,566
School District Trust Fund (Prop C)	3,063,911	17,362,161	0	0	20,426,072
Financial Institutions Tax	127,587	103,418	59,557	6,002	296,564
M&M Surcharge Tax	3,267,454	1,681,283	0	97,574	5,046,311
In Lieu of Tax	3,286,651	0	0	0	3,286,651
Tuition	202,723	0	0	0	202,723
Transportation from Individuals	399,901	0	0	0	399,901
Earnings on Investments	2,004,114	363,585	852,091	998,883	4,218,673
Food Services	2,601,680	0	0	0	2,601,680
Food Services Non-Program	1,785,938	0	0	0	1,785,938
Student Activities	2,353,919	0	0	0	2,353,919
Community Services	3,226,003	0	0	0	3,226,003
Other	<u>2,446,024</u>	<u>0</u>	<u>5</u>	<u>250,001</u>	<u>2,696,030</u>
Total Local	84,579,442	67,992,051	28,830,673	4,166,124	185,568,290
<u>COUNTY</u>					
Fines, Escheats	0	362,498	0	0	362,498
State Assessed Utilities	<u>1,751,135</u>	<u>1,416,950</u>	<u>930,165</u>	<u>96,201</u>	<u>4,194,451</u>
Total County	1,751,135	1,779,448	930,165	96,201	4,556,949
<u>STATE</u>					
Basic Formula	9,250,805	52,421,229	0	0	61,672,034
Transportation Aid	2,469,664	0	0	0	2,469,664
Early Child SPED	2,093,886	2,094,151	0	13,571	4,201,608
Classroom Trust Fund	2,286,121	5,621,352	0	0	7,907,473
Parents as Teachers	264,747	0	0	0	264,747
Career Ed	51,961	0	0	18,719	70,680
Food Services	78,779	0	0	0	78,779
Adult Education Literacy	40,291	0	0	0	40,291
Career Ed Enhancement Grant	0	0	0	0	0
High Needs Fund	459,886	0	0	0	459,886
Other	<u>172,472</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>172,472</u>
Total State	17,168,612	60,136,732	0	32,290	77,337,634

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# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF REVENUES COLLECTED BY SOURCE (CONTINUED) For the Year Ended June 30, 2019

	General (Incidental) Fund	Special Revenue (Teachers) Fund	Debt Service Fund	Capital Projects Fund	Totals
<b><u>FEDERAL</u></b>					
Medicaid	\$ 338,386	\$ 0	\$ 0	\$ 0	\$ 338,386
Perkins-Career Education	118,854	144,657	0	10,481	273,992
Adult Education Literacy	280,589	0	0	0	280,589
Special Ed IDEA/ECSE	73,269	4,442,191	0	20,181	4,535,641
Food Services	6,492,044	0	0	0	6,492,044
Title I.A – ESEA	915,546	1,792,948	0	0	2,708,494
Title II.A – ESEA	92,553	353,718	0	0	446,271
Title III - English Language	139,974	101,019	0	0	240,993
Title IV.A – ESEA	115,670	8,904	0	0	124,574
Other	<u>3,931</u>	<u>1,081</u>	<u>0</u>	<u>0</u>	<u>5,012</u>
Total Federal	8,570,816	6,844,518	0	30,662	15,445,996
<b><u>OTHER</u></b>					
Tuition from Other Districts	932,750	43,500	0	0	976,250
Transportation from Other Districts	<u>176,705</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>176,705</u>
Total Other	1,109,455	43,500	0	0	1,152,955
<b><u>OTHER FINANCING SOURCES</u></b>					
Sale of Property	<u>439</u>	<u>0</u>	<u>0</u>	<u>104,290</u>	<u>104,729</u>
Total Other Financing Sources	<u>439</u>	<u>0</u>	<u>0</u>	<u>104,290</u>	<u>104,729</u>
<b>TOTAL ALL SOURCES</b>	<b>\$ <u>113,179,899</u></b>	<b>\$ <u>136,796,249</u></b>	<b>\$ <u>29,760,838</u></b>	<b>\$ <u>4,429,567</u></b>	<b>\$ <u>284,166,553</u></b>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF EXPENDITURES PAID BY OBJECT For the Year Ended June 30, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals (Memo Only)
Salaries	\$ 47,385,582	\$ 103,701,045	\$ 0	\$ 0	\$ 151,086,627
Retirement	3,830,466	16,528,987	0	0	20,359,453
FICA/Medicare	3,381,560	1,469,214	0	0	4,850,774
Employee Insurance	8,688,834	11,376,815	0	0	20,065,649
Tuition	0	1,402,971	0	0	1,402,971
Professional, audit & legal	374,733	2,849,776	0	0	3,224,509
Technical Services	6,835,391	0	0	19,117	6,854,508
Property Services	5,370,996	0	0	0	5,370,996
Contracted Transportation	1,253,463	0	0	0	1,253,463
Travel	858,822	0	0	0	858,822
Insurance-property/liability	1,355,416	0	0	0	1,355,416
Other Purchased Services	6,721,915	0	0	0	6,721,915
General Supplies	7,704,341	0	0	0	7,704,341
Books & Periodicals	880,159	0	0	0	880,159
Warehouse & Food Service	4,419,004	0	0	0	4,419,004
Utilities, Energy Service	4,522,214	0	0	0	4,522,214
Other Supplies	321,665	0	0	0	321,665
Capital Outlay	0	0	0	44,565,900	44,565,900
Debt & Other	0	0	33,834,569	2,657,287	36,491,856
	<u>\$ 103,904,561</u>	<u>\$ 137,328,808</u>	<u>\$ 33,834,569</u>	<u>\$ 47,242,304</u>	<u>\$ 322,310,242</u>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF SELECTED STATISTICS For the Year Ended June 30, 2019

### 1. Calendar (Sections 160.041, 171.029, 171.031, and 171.033, RSMo)

Report each unique calendar the District has as defined by Sections 160.041, 171.029, 171.031, and 171.033, RSMo.

<u>School Code</u>	<u>Begin Grade</u>	<u>End Grade</u>	<u>Half Day Indicator</u>	<u>Standard Day Length</u>	<u>Days</u>	<u>Hours in Session</u>
-	K	5	n/a	6.4500	174	1,095.7500
-	6	6	n/a	6.6000	174	1,118.6500
-	7	8	n/a	6.6000	174	1,118.5000
-	9	12	n/a	6.6000	174	1,118.6500
4160	K	5	n/a	6.4500	174	1,098.9500
4580	K	5	n/a	6.4500	174	1,098.9500

### 2. Average Daily Attendance (ADA)

Report the total number of PK-12 student attendance hours allowed to be claimed for the calculation of Average Daily Attendance. Include only PK students allowed to be claimed for state aid in the calculation.

<u>School Code</u>	<u>Grade Level</u>	<u>Full-Time</u>	<u>Part-Time</u>	<u>Remedial Hours</u>	<u>Other</u>	<u>Summer School</u>	<u>Total</u>
1050	9	391.9043	1.2827	0.0000	0.0000	41.7538	434.9408
1050	10	385.8825	2.3212	0.0000	0.0000	21.8676	410.0713
1050	11	368.2735	4.4125	0.0000	0.0000	14.0899	386.7759
1050	12	236.5688	39.0856	0.0000	0.0000	0.0000	275.6544
1075	9	369.1774	0.4813	0.7722	0.0000	27.4738	397.9048
1075	10	403.0291	0.4637	0.7044	0.0000	19.3023	423.4995
1075	11	353.9919	1.5022	0.6530	0.0000	14.9781	371.1252
1075	12	269.5733	18.9012	0.4619	0.0000	0.0000	288.9364
1080	9	428.5682	1.2883	0.1966	0.0000	26.8582	456.9113
1080	10	425.8521	2.4454	0.2994	0.0000	15.5347	444.1316
1080	11	368.5986	2.1496	0.3965	0.0000	10.6820	381.8267
1080	12	343.7871	3.1963	0.2913	0.0000	0.0000	347.2747
1090	9	249.7076	1.2447	0.0900	0.0000	11.2574	262.2997
1090	10	275.2153	0.3153	0.1842	0.0000	13.7725	289.4873
1090	11	311.7795	2.1920	0.3047	0.0000	9.5630	323.8392
1090	12	258.2621	11.9527	0.1815	0.0000	0.0000	270.3963
3000	7	387.0596	4.8734	0.7979	0.0000	31.4346	424.1655
3000	8	411.8290	4.7730	0.4761	0.0000	2.3192	419.3973
3100	6	660.3456	0.3469	0.0000	0.0000	0.0000	660.6925
3150	7	314.3555	0.1851	1.1432	0.0000	34.4316	350.1154
3150	8	291.9439	2.8910	0.7282	0.0000	2.6535	298.2167



# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF SELECTED STATISTICS For the Year Ended June 30, 2019

### 2. Average Daily Attendance (ADA) (continued)

<u>School Code</u>	<u>Grade Level</u>	<u>Full-Time</u>	<u>Part-Time</u>	<u>Remedial Hours</u>	<u>Other</u>	<u>Summer School</u>	<u>Total</u>
3160	6	864.9547	2.7984	0.0000	0.0000	0.0000	867.7532
3180	7	412.2384	2.7907	0.0000	0.0000	0.0000	415.0291
3180	8	369.2061	6.1342	0.0000	0.0000	0.0000	375.3403
3200	7	289.0336	3.6430	0.0865	0.0000	0.0000	292.7631
3200	8	279.3382	0.8306	0.1014	0.0000	0.0000	280.2702
4020	K	55.2144	0.0000	0.0000	0.0000	0.0000	55.2144
4020	1	44.5928	0.0000	0.0000	0.0000	0.0000	44.5928
4020	2	47.9546	0.0000	0.0000	0.0000	0.0000	47.9546
4020	3	40.8853	0.1823	0.0000	0.0000	0.0000	41.0676
4020	4	52.0257	0.0000	0.0000	0.0000	0.0000	52.0257
4020	5	44.6757	0.0000	0.0000	0.0000	0.0000	44.6757
4040	K	99.5263	0.0256	0.0000	0.0000	8.7662	108.3180
4040	1	90.4498	0.9519	0.0000	0.0000	3.7094	95.1112
4040	2	104.1167	0.0237	0.0000	0.0000	3.5812	107.7216
4040	3	111.6782	0.0000	0.0000	0.0000	4.5390	116.2172
4040	4	116.1705	0.0000	0.0000	0.0000	3.4382	119.6087
4040	5	105.2686	0.1795	0.0000	0.0000	1.6571	107.1053
4060	K	58.7764	0.0000	0.0000	0.0000	5.8387	64.6151
4060	1	51.0410	0.0000	0.0000	0.0000	2.4032	53.4442
4060	2	55.0613	0.0000	0.0000	0.0000	2.4753	57.5366
4060	3	50.5723	0.0000	0.0000	0.0000	1.8078	52.3800
4060	4	56.7792	0.0000	0.0000	0.0000	1.0009	57.7801
4060	5	38.8921	0.2543	0.0000	0.0000	0.9826	40.1290
4080	K	83.3113	0.0141	0.0000	0.0000	8.2814	91.6068
4080	1	86.0898	0.0000	0.0000	0.0000	4.5994	90.6892
4080	2	101.2332	0.1373	0.0000	0.0000	3.2578	104.6283
4080	3	78.3663	0.5419	0.0000	0.0000	3.8012	82.7094
4080	4	92.5081	0.2510	0.0000	0.0000	2.7138	95.4728
4080	5	87.6845	0.6619	0.0000	0.0000	2.4636	90.8100
4100	K	56.9482	0.0000	0.0000	0.0000	3.0008	59.9489
4100	1	58.7794	0.0000	0.0000	0.0000	1.5232	60.3026
4100	2	47.8599	0.0000	0.0000	0.0000	1.3316	49.1914
4100	3	52.9344	0.1259	0.0000	0.0000	1.0551	54.1154
4100	4	46.1841	0.0000	0.0000	0.0000	0.9671	47.1512
4100	5	52.0989	0.1253	0.0000	0.0000	0.9818	53.2060

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF SELECTED STATISTICS For the Year Ended June 30, 2019

### 2. Average Daily Attendance (ADA) (continued)

<u>School Code</u>	<u>Grade Level</u>	<u>Full-Time</u>	<u>Part-Time</u>	<u>Remedial Hours</u>	<u>Other</u>	<u>Summer School</u>	<u>Total</u>
4110	K	85.0866	0.0000	0.0000	0.0000	7.7658	92.8523
4110	1	85.7931	0.0000	0.0000	0.0000	4.3060	90.0991
4110	2	88.9009	0.0000	0.0000	0.0000	5.2101	94.1110
4110	3	107.8679	0.0000	0.0000	0.0000	4.2455	112.1135
4110	4	108.6532	0.0000	0.0000	0.0000	3.7158	112.3690
4110	5	110.6392	0.0000	0.0000	0.0000	2.8328	113.4720
4120	1	0.0000	0.0000	0.0000	0.0000	3.9667	3.9667
4120	2	104.3361	0.0000	0.0000	0.0000	4.1654	108.5015
4120	3	113.3857	0.0000	0.0000	0.0000	4.9619	118.3476
4120	4	121.0522	0.1232	0.0000	0.0000	3.6985	124.8739
4120	5	120.5212	0.0000	0.0000	0.0000	2.6924	123.2136
4160	K	85.4306	0.4313	0.0000	0.0000	11.9883	97.8503
4160	1	78.4991	0.0000	0.0000	0.0000	13.4633	91.9624
4160	2	80.0804	0.0141	0.0000	0.0000	12.4920	92.5866
4160	3	90.1434	0.0118	0.0000	0.0000	13.7998	103.9551
4160	4	69.8085	0.0000	0.0000	0.0000	10.7312	80.5396
4160	5	83.0495	0.0000	0.0000	0.0000	12.9333	95.9827
4180	K	56.5607	0.0000	0.0000	0.0000	2.9954	59.5562
4180	1	77.2959	0.2008	0.0000	0.0000	1.3793	78.8759
4180	2	58.9746	0.0000	0.0000	0.0000	2.0147	60.9893
4180	3	61.1778	0.1186	0.0000	0.0000	2.5734	63.8698
4180	4	73.9762	0.1244	0.0000	0.0000	1.6360	75.7367
4180	5	59.4847	0.0000	0.0000	0.0000	0.6429	60.1277
4200	K	92.5905	0.0193	0.0000	0.0000	7.2102	99.8200
4200	1	107.1115	0.5001	0.0000	0.0000	3.6504	111.2619
4200	2	94.8609	0.0000	0.0000	0.0000	4.4257	99.2866
4200	3	112.0887	0.0000	0.0000	0.0000	4.6917	116.7804
4200	4	107.3394	0.0000	0.0000	0.0000	3.9507	111.2901
4200	5	109.1882	0.0000	0.0000	0.0000	1.8833	111.0715
4280	K	109.7988	0.0493	0.0000	0.0000	8.0641	117.9121
4280	1	108.6947	0.0000	0.0000	0.0000	0.0000	108.6947
4320	K	93.5304	0.0000	0.0000	0.0000	6.8416	100.3719
4320	1	121.9596	0.0000	0.0000	0.0000	4.0492	126.0088
4320	2	108.9384	0.0675	0.0000	0.0000	2.2918	111.2977
4320	3	99.7753	0.0000	0.0000	0.0000	2.6039	102.3793

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF SELECTED STATISTICS For the Year Ended June 30, 2019

### 2. Average Daily Attendance (ADA) (continued)

<u>School Code</u>	<u>Grade Level</u>	<u>Full-Time</u>	<u>Part-Time</u>	<u>Remedial Hours</u>	<u>Other</u>	<u>Summer School</u>	<u>Total</u>
4320	4	108.3093	0.1739	0.0000	0.0000	2.2248	110.7080
4320	5	100.9669	0.0000	0.0000	0.0000	1.4764	102.4433
4340	K	29.1878	0.0082	0.0000	0.0000	2.4496	31.6455
4340	1	38.0538	0.0048	0.0000	0.0000	1.4245	39.4830
4340	2	42.2332	0.0140	0.0000	0.0000	1.3463	43.5935
4340	3	31.4992	0.0108	0.0000	0.0000	0.6655	32.1754
4340	4	37.1482	0.0091	0.0000	0.0000	1.1186	38.2759
4340	5	38.3116	0.0000	0.0000	0.0000	0.4086	38.7202
4380	K	60.6492	0.0000	0.0000	0.0000	4.1497	64.7989
4380	1	82.5630	0.0000	0.0000	0.0000	2.9392	85.5022
4380	2	83.7983	0.0000	0.0000	0.0000	2.5641	86.3624
4380	3	76.0132	0.0000	0.0000	0.0000	3.2583	79.2715
4380	4	91.3847	0.0000	0.0000	0.0000	2.1342	93.5189
4380	5	84.0779	0.0000	0.0000	0.0000	1.4910	85.5688
4400	K	48.0877	0.3562	0.0000	0.0000	3.9453	52.3891
4400	1	39.6881	0.0000	0.0000	0.0000	1.3706	41.0586
4400	2	41.1541	0.0000	0.0000	0.0000	0.7519	41.9060
4400	3	48.5125	0.0000	0.0000	0.0000	1.4600	49.9725
4400	4	45.7020	0.0000	0.0000	0.0000	1.3359	47.0379
4400	5	47.0530	0.0000	0.0000	0.0000	0.8801	47.9331
4420	K	75.0140	0.0183	0.0000	0.0000	5.7350	80.7672
4420	1	85.9000	0.0000	0.0000	0.0000	3.2209	89.1209
4420	2	87.8114	0.0000	0.0000	0.0000	4.8946	92.7060
4420	3	103.6123	0.0000	0.0000	0.0000	2.8539	106.4662
4420	4	82.7612	0.0000	0.0000	0.0000	3.1299	85.8911
4420	5	101.5940	0.0000	0.0000	0.0000	1.4903	103.0843
4440	K	77.8892	0.0146	0.0000	0.0000	4.1895	82.0933
4440	1	37.9582	0.6414	0.0000	0.0000	3.7559	42.3555
4440	2	72.3200	0.0000	0.0000	0.0000	3.1669	75.4869
4440	3	70.2682	0.0000	0.0000	0.0000	2.3621	72.6303
4440	4	70.2915	0.0000	0.0000	0.0000	2.8210	73.1125
4440	5	61.4644	0.0000	0.0000	0.0000	1.4519	62.9163
4500	K	35.3830	0.0000	0.0000	0.0000	3.2442	38.6272
4500	1	38.2852	0.0000	0.0000	0.0000	1.7571	40.0423
4500	2	32.7361	0.0413	0.0000	0.0000	2.4888	35.2662

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF SELECTED STATISTICS For the Year Ended June 30, 2019

### 2. Average Daily Attendance (ADA) (continued)

<b>School</b>	<b>Grade</b>			<b>Remedial</b>		<b>Summer</b>	
<b><u>Code</u></b>	<b><u>Level</u></b>	<b><u>Full-Time</u></b>	<b><u>Part-Time</u></b>	<b><u>Hours</u></b>	<b><u>Other</u></b>	<b><u>School</u></b>	<b><u>Total</u></b>
4500	3	54.3235	0.0000	0.0000	0.0000	1.5127	55.8361
4500	4	36.1134	0.0000	0.0000	0.0000	1.7861	37.8995
4500	5	48.4979	0.0000	0.0000	0.0000	1.6121	50.1100
4540	K	66.8628	0.6404	0.0000	0.0000	4.0426	71.5458
4540	1	51.9096	0.0000	0.0000	0.0000	1.9846	53.8943
4540	2	49.4046	0.0000	0.0000	0.0000	1.9989	51.4035
4540	3	52.1120	0.0000	0.0000	0.0000	1.2847	53.3967
4540	4	56.3627	0.0000	0.0000	0.0000	2.7800	59.1427
4540	5	69.2694	1.0168	0.0000	0.0000	1.5797	71.8659
4560	K	46.1552	0.0000	0.0000	0.0000	3.5515	49.7067
4560	1	55.3228	0.0000	0.0000	0.0000	1.9862	57.3090
4560	2	54.0120	0.0000	0.0000	0.0000	3.2740	57.2860
4560	3	61.9788	0.0000	0.0000	0.0000	2.0764	64.0552
4560	4	48.2255	0.0000	0.0000	0.0000	2.8026	51.0281
4560	5	59.8317	0.0000	0.0000	0.0000	1.7544	61.5861
4570	K	76.9971	0.0000	0.0000	0.0000	4.2608	81.2580
4570	1	57.7184	0.0000	0.0000	0.0000	2.4548	60.1732
4570	2	70.9237	0.0000	0.0000	0.0000	2.2485	73.1723
4570	3	69.2462	0.0000	0.0000	0.0000	3.3046	72.5508
4570	4	69.0386	0.0000	0.0000	0.0000	2.1516	71.1902
4570	5	69.8379	0.0835	0.0000	0.0000	1.7142	71.6355
4580	K	33.5079	0.0000	0.0000	0.0000	6.0957	39.6036
4580	1	32.7906	0.0000	0.0000	0.0000	5.6972	38.4878
4580	2	38.2339	0.0000	0.0000	0.0000	6.1556	44.3895
4580	3	46.0959	0.0000	0.0000	0.0000	7.5452	53.6411
4580	4	34.6441	0.0000	0.0000	0.0000	5.9624	40.6065
4580	5	<u>34.9193</u>	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>	<u>5.6237</u>	<u>40.5429</u>
<b>Grand Total</b>		<u>18,626.7660</u>	<u>130.6698</u>	<u>7.8689</u>	<u>0.0000</u>	<u>727.2188</u>	<u>19,492.5236</u>

**NORTH KANSAS CITY SCHOOL DISTRICT NO. 74****SCHEDULE OF SELECTED STATISTICS  
For the Year Ended June 30, 2019****3. September Membership**

Report the FTE count of resident students in grades PK-12 taken the last Wednesday in September who are enrolled on the count day and in attendance at least 1 of the 10 previous school days, by grade at each attendance center. This count should only include PK students marked as being eligible to be claimed for state aid in the October MOSIS Student Core File.

<b><u>School Code</u></b>	<b><u>Grade Level</u></b>	<b><u>Full- Time</u></b>	<b><u>Part- Time</u></b>	<b><u>Other</u></b>	<b><u>Total</u></b>
1050	9	415.00	0.25	0.00	415.25
1050	10	423.00	0.05	0.00	423.05
1050	11	403.00	3.54	0.00	406.54
1050	12	313.00	14.65	0.00	327.65
1075	9	381.00	1.13	0.00	382.13
1075	10	426.00	0.50	0.00	426.50
1075	11	377.00	0.50	0.00	377.50
1075	12	330.00	9.90	0.00	339.90
1080	9	449.00	0.00	0.00	449.00
1080	10	445.00	0.63	0.00	445.63
1080	11	395.00	0.00	0.00	395.00
1080	12	399.00	2.38	0.00	401.38
1090	9	258.00	0.50	0.00	258.50
1090	10	289.00	0.25	0.00	289.25
1090	11	336.00	1.00	0.00	337.00
1090	12	313.00	4.02	0.00	317.02
3000	7	423.00	0.64	0.00	423.64
3000	8	439.00	3.52	0.00	442.52
3100	6	702.00	1.02	0.00	703.02
3150	7	341.00	0.34	0.00	341.34
3150	8	320.00	0.57	0.00	320.57
3160	6	918.00	1.57	0.00	919.57
3180	7	433.00	1.54	0.00	434.54
3180	8	390.00	3.27	0.00	393.27
3200	7	305.00	1.26	0.00	306.26
3200	8	301.00	0.57	0.00	301.57
4020	K	59.00	0.00	0.00	59.00
4020	1	49.00	0.00	0.00	49.00
4020	2	50.00	0.00	0.00	50.00
4020	3	43.00	0.00	0.00	43.00

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

**SCHEDULE OF SELECTED STATISTICS**  
For the Year Ended June 30, 2019

3. September Membership (continued)

<u>School Code</u>	<u>Grade Level</u>	<u>Full- Time</u>	<u>Part- Time</u>	<u>Other</u>	<u>Total</u>
4020	4	56.00	0.00	0.00	56.00
4020	5	47.00	0.00	0.00	47.00
4040	K	104.00	0.04	0.00	104.04
4040	1	96.00	0.04	0.00	96.04
4040	2	106.00	0.04	0.00	106.04
4040	3	116.00	0.20	0.00	116.20
4040	4	120.00	0.00	0.00	120.00
4040	5	110.00	0.24	0.00	110.24
4060	K	61.00	0.00	0.00	61.00
4060	1	56.00	0.00	0.00	56.00
4060	2	61.00	0.00	0.00	61.00
4060	3	57.00	0.00	0.00	57.00
4060	4	60.00	0.34	0.00	60.34
4060	5	40.00	0.02	0.00	40.02
4080	K	88.00	0.12	0.00	88.12
4080	1	86.00	0.00	0.00	86.00
4080	2	105.00	0.04	0.00	105.04
4080	3	79.00	0.18	0.00	79.18
4080	4	96.00	0.04	0.00	96.04
4080	5	94.00	0.07	0.00	94.07
4100	K	61.00	0.00	0.00	61.00
4100	1	62.00	0.00	0.00	62.00
4100	2	51.00	0.00	0.00	51.00
4100	3	57.00	0.04	0.00	57.04
4100	4	47.00	0.00	0.00	47.00
4100	5	56.00	0.02	0.00	56.02
4110	K	90.00	0.00	0.00	90.00
4110	1	89.00	0.00	0.00	89.00
4110	2	94.00	0.00	0.00	94.00
4110	3	112.00	0.00	0.00	112.00
4110	4	112.00	0.00	0.00	112.00
4110	5	115.00	0.00	0.00	115.00
4120	2	109.00	0.00	0.00	109.00
4120	3	115.00	0.50	0.00	115.50

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

**SCHEDULE OF SELECTED STATISTICS**  
For the Year Ended June 30, 2019

3. September Membership (continued)

<u>School Code</u>	<u>Grade Level</u>	<u>Full- Time</u>	<u>Part- Time</u>	<u>Other</u>	<u>Total</u>
4120	4	126.00	0.20	0.00	126.20
4120	5	128.00	0.00	0.00	128.00
4160	K	91.00	0.41	0.00	91.41
4160	1	82.00	0.00	0.00	82.00
4160	2	86.00	0.40	0.00	86.40
4160	3	100.00	0.20	0.00	100.20
4160	4	75.00	0.00	0.00	75.00
4160	5	93.00	0.00	0.00	93.00
4180	K	62.00	0.00	0.00	62.00
4180	1	84.00	0.20	0.00	84.20
4180	2	59.00	0.00	0.00	59.00
4180	3	66.00	0.20	0.00	66.20
4180	4	78.00	0.20	0.00	78.20
4180	5	59.00	0.00	0.00	59.00
4200	K	96.00	0.02	0.00	96.02
4200	1	113.00	0.00	0.00	113.00
4200	2	99.00	0.00	0.00	99.00
4200	3	116.00	0.20	0.00	116.20
4200	4	112.00	0.00	0.00	112.00
4200	5	114.00	0.20	0.00	114.20
4280	K	115.00	0.00	0.00	115.00
4280	1	113.00	0.00	0.00	113.00
4320	K	101.00	0.00	0.00	101.00
4320	1	127.00	0.00	0.00	127.00
4320	2	115.00	0.16	0.00	115.16
4320	3	106.00	0.00	0.00	106.00
4320	4	114.00	0.08	0.00	114.08
4320	5	107.00	0.00	0.00	107.00
4340	K	33.00	0.02	0.00	33.02
4340	1	38.00	0.02	0.00	38.02
4340	2	45.00	0.00	0.00	45.00
4340	3	31.00	0.02	0.00	31.02
4340	4	39.00	0.02	0.00	39.02
4340	5	42.00	0.00	0.00	42.00

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

**SCHEDULE OF SELECTED STATISTICS**  
For the Year Ended June 30, 2019

3. September Membership (continued)

<u>School Code</u>	<u>Grade Level</u>	<u>Full- Time</u>	<u>Part- Time</u>	<u>Other</u>	<u>Total</u>
4380	1	85.00	0.00	0.00	85.00
4380	2	86.00	0.00	0.00	86.00
4380	3	77.00	0.00	0.00	77.00
4380	4	98.00	0.00	0.00	98.00
4380	5	88.00	0.00	0.00	88.00
4400	K	50.00	0.00	0.00	50.00
4400	1	43.00	0.00	0.00	43.00
4400	2	41.00	0.00	0.00	41.00
4400	3	53.00	0.00	0.00	53.00
4400	4	51.00	0.00	0.00	51.00
4400	5	52.00	0.00	0.00	52.00
4420	K	81.00	0.03	0.00	81.03
4420	1	90.00	0.00	0.00	90.00
4420	2	97.00	0.00	0.00	97.00
4420	3	108.00	0.00	0.00	108.00
4420	4	91.00	0.00	0.00	91.00
4420	5	107.00	0.00	0.00	107.00
4440	K	81.00	0.00	0.00	81.00
4440	1	41.00	0.00	0.00	41.00
4440	2	74.00	0.00	0.00	74.00
4440	3	74.00	0.00	0.00	74.00
4440	4	73.00	0.00	0.00	73.00
4440	5	63.00	0.00	0.00	63.00
4500	K	38.00	0.00	0.00	38.00
4500	1	39.00	0.00	0.00	39.00
4500	2	37.00	0.00	0.00	37.00
4500	3	56.00	0.00	0.00	56.00
4500	4	42.00	0.00	0.00	42.00
4500	5	53.00	0.00	0.00	53.00
4540	K	72.00	0.73	0.00	72.73
4540	1	54.00	0.00	0.00	54.00
4540	2	53.00	0.00	0.00	53.00
4540	3	54.00	0.00	0.00	54.00
4540	4	61.00	0.00	0.00	61.00



# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF SELECTED STATISTICS For the Year Ended June 30, 2019

### 3. September Membership (continued)

<u>School Code</u>	<u>Grade Level</u>	<u>Full-Time</u>	<u>Part-Time</u>	<u>Other</u>	<u>Total</u>
4540	5	71.00	0.02	0.00	71.02
4560	K	49.00	0.00	0.00	49.00
4560	1	57.00	0.00	0.00	57.00
4560	2	57.00	0.00	0.00	57.00
4560	3	66.00	0.00	0.00	66.00
4560	4	52.00	0.00	0.00	52.00
4560	5	61.00	0.00	0.00	61.00
4570	K	80.00	0.00	0.00	80.00
4570	1	59.00	0.00	0.00	59.00
4570	2	74.00	0.00	0.00	74.00
4570	3	72.00	0.00	0.00	72.00
4570	4	66.00	0.00	0.00	66.00
4570	5	73.00	0.00	0.00	73.00
4580	K	35.00	0.00	0.00	35.00
4580	1	36.00	0.00	0.00	36.00
4580	2	42.00	0.00	0.00	42.00
4580	3	47.00	0.00	0.00	47.00
4580	4	37.00	0.00	0.00	37.00
4580	5	<u>35.00</u>	<u>0.00</u>	<u>0.00</u>	<u>35.00</u>
<b>Grand Total</b>		<u>19,897.00</u>	<u>58.86</u>	<u>0.00</u>	<u>19,955.86</u>

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

Report the FTE count taken the last Wednesday in January of resident students enrolled in grades K-12 and in attendance at least 1 of the 10 previous school days whose eligibility for free or reduced lunch is documented through the application process using federal eligibility guidelines or through the direct certification process. Desegregation students are considered residents of the district in which the students are educated.

<u>School Code</u>	<u>Free Lunch</u>	<u>Reduced Lunch</u>	<u>Deseg In Free</u>	<u>Deseg In Reduced</u>	<u>Total</u>
	1.00	1.00	N/A	N/A	2.00
1050	706.48	202.23	N/A	N/A	908.71
1075	467.10	156.88	N/A	N/A	623.98
1080	208.88	74.25	N/A	N/A	283.13
1090	493.58	146.88	N/A	N/A	640.46

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

**SCHEDULE OF SELECTED STATISTICS**  
For the Year Ended June 30, 2019

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

<b>School Code</b>	<b><u>Free Lunch</u></b>	<b><u>Reduced Lunch</u></b>	<b><u>Deseg In Free</u></b>	<b><u>Deseg In Reduced</u></b>	<b><u>Total</u></b>
3000	310.52	107.00	N/A	N/A	417.52
3100	375.00	102.00	N/A	N/A	477.00
3150	351.00	101.00	N/A	N/A	452.00
3160	218.00	105.00	N/A	N/A	323.00
3180	146.13	52.00	N/A	N/A	198.13
3200	337.43	86.00	N/A	N/A	423.43
4020	67.00	24.00	N/A	N/A	91.00
4040	111.00	33.00	N/A	N/A	144.00
4060	111.00	26.00	N/A	N/A	137.00
4080	143.00	42.00	N/A	N/A	185.00
4100	215.00	53.00	N/A	N/A	268.00
4110	62.00	17.00	N/A	N/A	79.00
4120	142.00	45.00	N/A	N/A	187.00
4160	336.00	78.00	N/A	N/A	414.00
4180	192.00	63.00	N/A	N/A	255.00
4200	175.00	54.00	N/A	N/A	229.00
4280	72.00	12.00	N/A	N/A	84.00
4320	348.00	81.00	N/A	N/A	429.00
4340	106.00	24.00	N/A	N/A	130.00
4380	258.00	63.00	N/A	N/A	321.00
4400	142.00	45.00	N/A	N/A	187.00
4420	271.00	87.00	N/A	N/A	358.00
4440	43.00	14.00	N/A	N/A	57.00
4500	93.00	41.00	N/A	N/A	134.00
4540	177.00	46.00	N/A	N/A	223.00
4560	193.00	50.00	N/A	N/A	243.00
4570	246.00	59.00	N/A	N/A	305.00
4580	<u>132.00</u>	<u>26.00</u>	<u>N/A</u>	<u>N/A</u>	<u>158.00</u>
<b>Grand Total</b>	<u><u>7,250.12</u></u>	<u><u>2,117.24</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>9,367.36</u></u>

## NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

### SCHEDULE OF SELECTED STATISTICS For the Year Ended June 30, 2019

#### 5. Finance

Answer the following questions with an appropriate response of true, false, or N/A unless otherwise noted.

<u>Section</u>	<u>Question</u>	<u>Answer</u>
5.1	The District maintained a calendar in accordance with 160.041, 171.029, 171.031, and 171.033, RSMo and all attendance hours were reported.	<b>True</b>
5.2	The District maintained complete and accurate attendance records allowing for the accurate calculation of Average Daily Attendance for all students in accordance with all applicable state rules and regulations. Sampling of records included those students receiving instruction in the following categories:	<b>True</b>
	Academic Programs Off-Campus	<b>True</b>
	Career Exploration Program – Off Campus	<b>True</b>
	Cooperative Occupational Education (COE) or Supervised Occupational Experience Program	<b>True</b>
	Dual enrollment	<b>True</b>
	Homebound instruction	<b>True</b>
	Missouri Options	<b>True</b>
	Prekindergarten eligible to be claimed for state aid	<b>N/A</b>
	Remediation	<b>True</b>
	Sheltered Workshop participation	<b>True</b>
	Students participating in the school flex program	<b>True</b>
	Traditional instruction (full and part-time students)	<b>True</b>
	Virtual instruction (MOCAP or other option)	<b>True</b>
	Work Experience for Students with Disabilities	<b>True</b>
5.3	The District maintained complete and accurate attendance records allowing for the accurate calculation of September Membership for all students in accordance with all applicable state rules and regulations.	<b>True</b>
5.4	The District maintained complete and accurate attendance and other applicable records allowing for the accurate reporting of the State FTE count for Free and Reduced Lunch for all students in accordance with all applicable state rules and regulations.	<b>True</b>
5.5	As required by Section 162.401, RSMo, a bond was purchased for the District's treasurer in the total amount of:	<b><u>\$ 100,000</u></b>
5.6	The District's deposits were secured during the year as required by Sections 110.010 and 110.020, RSMo.	<b>True</b>

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF SELECTED STATISTICS For the Year Ended June 30, 2019

### 5. Finance (continued)

<u>Section</u>	<u>Question</u>	<u>Answer</u>
5.7	The District maintained a separate bank account for all Debt Service Fund monies in accordance with Section 108.180 and 165.011, RSMo.	<b>True</b>
5.8	Salaries reported for educators in the October MOSIS Educator Core and Educator School files are supported by complete and accurate payroll and contract records.	<b>True</b>
5.9	If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the board approve 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.	<b>N/A</b>
5.10	The District published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo.	<b>True</b>
5.11	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. Remaining 25% of 1% if not spent must be restricted and spent on appropriate expenditures in the future. Spending requirement is modified to seventy-five percent (75%) of one-half percent (1/2%) of the current year basic formula apportionment if through fiscal year 2024 the amount appropriated and expended to public schools for transportation is less than twenty-five percent (25%) of allowable cost.	<b>True</b>
5.12	The amount spent for approved professional development committee plan activities was:	<b><u>\$ 708,274</u></b>

Notes: N/A, none

All above "False" answers **must** be supported by a finding or management letter comment. **N/A**

### 6. Transportation (Section 163.161, RSMo)

Answer the following questions with an appropriate response of true, false, or N/A unless otherwise noted.

<u>Section</u>	<u>Question</u>	<u>Answer</u>
6.1	The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.	<b>True</b>
6.2	The District's pupil transportation ridership records are maintained in a manner to accurately disclose in all material respects the average number of regular riders transported.	<b>True</b>

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

**SCHEDULE OF SELECTED STATISTICS  
For the Year Ended June 30, 2019**

6. Transportation (Section 163.161, RSMo) (continued)

<b><u>Section</u></b>	<b><u>Question</u></b>	<b><u>Answer</u></b>
6.3	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:	<b>True</b>
	Eligible ADT	<b><u>11,526.50</u></b>
	Ineligible ADT	<b><u>1,436.50</u></b>
6.4	The District's transportation odometer mileage records are maintained in a manner to accurately disclose in all material respects the eligible and ineligible mileage for the year.	<b>True</b>
6.5	Actual odometer records show the total district/charter-operated and contracted mileage for the year was:	<b><u>2,907,052</u></b>
6.6	Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route and disapproved miles (combined) was:	<b>True</b>
	Eligible Miles	<b><u>2,307,733</u></b>
	Ineligible Miles (Non-Route/Disapproved)	<b><u>599,319</u></b>
6.7	Number of days the District operated the school transportation system during the regular school year:	<b><u>177</u></b>
Notes:	None	
All above "False" answers <b><u>must</u></b> be supported by a finding or management letter comment.		N/A

# NORTH KANSAS CITY SCHOOL DISTRICT NO. 74

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass- thru Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
<i>Pass-through Missouri Dept. of Elementary &amp; Secondary Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	024-093	\$ 1,646,305
Non-cash Commodity Distribution	10.555	024-093	692,162
National School Snack	10.555	024-093	4,843
National School Lunch Program	10.555	024-093	<u>4,781,161</u>
Total Child Nutrition Cluster			7,124,471
National Fresh Fruits and Veggie Program	10.582	024-093	<u>59,735</u>
Total U.S. Department of Agriculture			7,184,206
<u>U.S. Department of Education</u>			
<i>Pass-through Missouri Dept. of Elementary &amp; Secondary Education:</i>			
Title I, Part A - Grants for LEAs	84.010A	024-093	2,708,495
Title I, Part A - Career and Technical Education	84.048A	024-093	273,992
Title II, Part A - Improving Teacher Quality	84.367A	024-093	446,272
Title III, Part A - Limited English Proficient (LEP)	84.365A	024-093	240,993
Adult Education & Family Literacy Act	84.002A	024-093	280,589
Grants for State Assessment Substitute Payments	84.369	024-093	1,080
Student Support and Academic Enrichment Program	84.424	024-093	124,574
Special Education Cluster (IDEA):			
IDEA, Part B - Special Education	84.027A	024-093	3,896,387
Early Childhood Special Education	84.027A	024-093	639,254
Early Childhood Special Education	84.173A	024-093	<u>0</u>
Total Special Education Cluster			4,535,641
<i>Direct from U.S. Department of Education:</i>			
Indian Education Grant	84.060	Direct	<u>3,930</u>
Total U.S. Department of Education			<u>8,615,566</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>15,799,772</u></b>

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

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2019**

#### **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, 2019. 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.

## **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, 2019, 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 17, 2019.

**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 17, 2019



## 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, 2019. 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, 2019.

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

### **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 17, 2019

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2019**

Summary of Auditor's Results

*Financial Statements*

1. Type of auditor's report issued: Unmodified Opinion
2. Internal control over financing reporting:
  - Material weakness(es) identified?        Yes   X   No
  - Significant deficiencies identified that are not considered to be material weaknesses?  
       Yes        No   X   None Reported
3. Noncompliance material to financial statements noted:        Yes   X   No

*Federal Awards*

1. Internal control over major programs:
  - Material weakness(es) identified?        Yes   X   No
  - Significant deficiencies identified that are not considered to be material weakness(es)?  
       Yes        No   X   None Reported
2. Type of auditor's report issued on compliance for major programs: Unmodified Opinion
3. Any audit findings which are required to be reported under Section 200.516(a) of the Uniform Guidance?        Yes   X   No
4. The School District's major federal programs were:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster
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?  
  X   Yes        No

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended June 30, 2019**

**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, 2019.

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

**SCHEDULE OF RESOLUTIONS OF PRIOR YEAR AUDIT FINDINGS**  
**For the Year Ended June 30, 2019**

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 17, 2019, 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, 2019. 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, 2019, 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 17, 2019



## APPENDIX C

### FORM OF CONTINUING DISCLOSURE UNDERTAKING

This **CONTINUING DISCLOSURE UNDERTAKING** dated as of [\_\_\_\_\_], 2020 (this “**Continuing Disclosure Undertaking**”), is executed and delivered by **NORTH KANSAS CITY SCHOOL DISTRICT 74, CLAY COUNTY, MISSOURI** (the “**Issuer**”).

#### RECITALS

1. This Continuing Disclosure Undertaking is executed and delivered by the Issuer in connection with the issuance by the Issuer of \$\_\_\_\_\_ **General Obligation Improvement Bonds (Missouri Direct Deposit Program), Series 2020** (the “**Bonds**”), pursuant to a Resolution adopted by the governing body of the Issuer (the “**Resolution**”).

2. The Issuer is entering into this Continuing Disclosure Undertaking for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the “**Rule**”). The Issuer is the only “**obligated person**” with responsibility for continuing disclosure hereunder.

The Issuer covenants and agrees as follows:

**Section 1. Definitions.** In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Continuing Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Annual Report**” means any Annual Report provided by the Issuer pursuant to, and as described in, **Section 2** of this Continuing Disclosure Undertaking.

“**Beneficial Owner**” means any registered owner of any Bonds and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“**Business Day**” means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any city in which the principal office or designated payment office of the paying agent or the Dissemination Agent is located are required or authorized by law to remain closed, or (c) a day on which the Securities Depository or the New York Stock Exchange is closed.

“**Dissemination Agent**” means any entity designated in writing by the Issuer to serve as dissemination agent pursuant to this Continuing Disclosure Undertaking and which has filed with the Issuer a written acceptance of such designation.

“**EMMA**” means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at [www.emma.msrb.org](http://www.emma.msrb.org).

“**Financial Obligation**” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; *provided however*, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

**“Fiscal Year”** means the **12-month** period beginning on **July 1** and ending on **June 30** or any other **12-month** period selected by the Issuer as the Fiscal Year of the Issuer for financial reporting purposes.

**“Material Events”** means any of the events listed in **Section 3** of this Continuing Disclosure Undertaking.

**“MSRB”** means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the Rule.

**“Participating Underwriter”** means any of the original underwriter(s) of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

## **Section 2. Provision of Annual Reports.**

- (a) The Issuer shall, not later than **December 31st** immediately following the end of the Issuer’s Fiscal Year, commencing with the Fiscal Year ending June 30, 2020, file with the MSRB, through EMMA, the following financial information and operating data (the **“Annual Report”**):
- (1) The audited financial statements of the Issuer for the prior Fiscal Year, prepared in accordance with accounting principles described in the notes to the financial statements contained in *Appendix B* to the final Official Statement related to the Bonds. If audited financial statements are not available by the time the Annual Report is required to be provided pursuant to this Section, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Bonds, and the audited financial statements shall be provided in the same manner as the Annual Report promptly after they become available.
  - (2) Updates as of the end of the Fiscal Year of certain financial information and operating data contained in the final Official Statement related to the Bonds, as described in **Exhibit A**, in substantially the same format contained in the final Official Statement with such adjustments to formatting or presentation determined to be reasonable by the Issuer.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an **“obligated person”** (as defined by the Rule), which have been provided to the MSRB and are available through EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB on EMMA. The Issuer shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event under **Section 3**, and the Annual Report deadline provided above shall automatically become the last day of the sixth month after the end of the Issuer’s new fiscal year.

- (b) The Annual Report shall be filed with the MSRB in such manner and format as is prescribed by the MSRB.

**Section 3. Reporting of Material Events.** Not later than **10** Business Days after the occurrence of any of the following events, the Issuer shall give, or cause to be given to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Bonds (“**Material Events**”):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (13) the consummation of a merger, consolidation, or acquisition involving the obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material;
- (15) incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

If the Issuer has not submitted the Annual Report to the MSRB by the date required in **Section 2(a)**, the Issuer shall send a notice to the MSRB, in substantially the form attached hereto as **Exhibit B**, of the failure of the Issuer to file on a timely basis the Annual Report, which notice shall be given by the Issuer in accordance with this **Section 3**.

**Section 4. Termination of Reporting Obligation.** The Issuer’s obligations under this Continuing Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Issuer’s obligations under this Continuing Disclosure Undertaking are assumed in full by some other entity, such person shall be responsible for compliance with this Continuing Disclosure Undertaking in the same manner as if it were the Issuer, and the Issuer shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination or substitution in the same manner as for a Material Event under **Section 3**.

**Section 5. Dissemination Agents.** The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign as dissemination agent hereunder at any time upon **30** days prior

written notice to the Issuer. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Annual Report) prepared by the Issuer pursuant to this Continuing Disclosure Undertaking.

**Section 6. Amendment; Waiver.** Notwithstanding any other provision of this Continuing Disclosure Undertaking, the Issuer may amend this Continuing Disclosure Undertaking and any provision of this Continuing Disclosure Undertaking may be waived, provided that Bond Counsel or other counsel experienced in federal securities law matters provides the Issuer with its written opinion that the undertaking of the Issuer contained herein, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to this Continuing Disclosure Undertaking.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Undertaking, the Issuer shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event under **Section 3**, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**Section 7. Additional Information.** Nothing in this Continuing Disclosure Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that required by this Continuing Disclosure Undertaking. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that specifically required by this Continuing Disclosure Undertaking, the Issuer shall have no obligation under this Continuing Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

**Section 8. Default.** If the Issuer fails to comply with any provision of this Continuing Disclosure Undertaking, any Participating Underwriter or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Continuing Disclosure Undertaking. A default under this Continuing Disclosure Undertaking shall not be deemed an event of default under the Resolution or the Bonds, and the sole remedy under this Continuing Disclosure Undertaking in the event of any failure of the Issuer to comply with this Continuing Disclosure Undertaking shall be an action to compel performance.

**Section 9. Beneficiaries.** This Continuing Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Participating Underwriter, and the Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**Section 10. Severability.** If any provision in this Continuing Disclosure Undertaking, the Resolution or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**Section 11. Electronic Transactions.** The arrangement described herein may be conducted and related documents may be sent, received, or stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid

counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

**Section 12. Governing Law.** This Continuing Disclosure Undertaking shall be governed by and construed in accordance with the laws of the State of Missouri.

**IN WITNESS WHEREOF**, the Issuer has caused this Continuing Disclosure Undertaking to be executed as of the day and year first above written.

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

By: \_\_\_\_\_  
Title: President of the Board of Education

**EXHIBIT A**  
**TO CONTINUING DISCLOSURE UNDERTAKING**

**FINANCIAL INFORMATION AND OPERATING DATA TO BE  
INCLUDED IN ANNUAL REPORT**

The financial information and operating data contained in the tables in the following sections in *Appendix A* of the final Official Statement relating to the Bonds:

**GENERAL AND ECONOMIC INFORMATION CONCERNING THE DISTRICT:**

**History of Enrollment**

**DEBT STRUCTURE OF THE DISTRICT:**

**Current Indebtedness of the District**

**History of Indebtedness**

**PROPERTY TAX INFORMATION CONCERNING THE DISTRICT:**

**Property Valuations:**

*Current Assessed Valuation*

*History of Property Valuations*

**History of Tax Levies**

**Tax Collection Record**

**EXHIBIT B**  
**TO CONTINUING DISCLOSURE UNDERTAKING**

**FORM OF FAILURE TO FILE NOTICE**

**Event Notice Pursuant to SEC Rule 15c2-12(b)(5)(C)**

**Issuer/Obligated Person:** North Kansas City School District 74, Clay County, Missouri

**Issues to which this Notice relates:** General Obligation Improvement Bonds (Missouri Direct Deposit Program), Series 2020

**CUSIP Numbers for Issue to which this Notice relates:**

**Maturity Date**

**CUSIP Number**

**Event Reported:** Failure to Timely File Annual Financial Information/Audited Financial Statements

The Obligated Person did not timely file its operating data for the fiscal year ended June 30, 20\_\_\_\_. Such operating data [\*will be\*] [\*was\*] filed with the MSRB through EMMA on \_\_\_\_\_, 20\_\_\_\_.

The Obligated Person did not timely file its audited financial statements for the fiscal year ended June 30, 20\_\_\_\_. Such audited financial statements [\*will be\*] [\*were\*] filed with the MSRB through EMMA on \_\_\_\_\_, 20\_\_\_\_.

**The information contained in this Notice has been submitted by the Obligated Person pursuant to contractual undertakings the Obligated Person made in accordance with SEC Rule 15c2-12. Nothing contained in the undertaking or this Notice is, or should be construed as, a representation by the Obligated Person that the information included in this Notice constitutes all of the information that may be material to a decision to invest in, hold or dispose of any of the securities listed above, or any other securities of the Obligated Person.**

**For additional information, contact:**

Matthew Fritz, Chief Financial Officer  
North Kansas City School District 74  
2000 N.E. 46th Street  
Kansas City, Missouri 64116  
Tel. No. (816) 413-5000

**Date Submitted:** [Date]

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



## APPENDIX D

### BOOK-ENTRY ONLY SYSTEM

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

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

The Depository Trust Company (“**DTC**”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “**banking organization**” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “**clearing corporation**” within the meaning of the New York Uniform Commercial Code, and a “**clearing agency**” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge

of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions of principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "**street name**," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

\* \* \*

## APPENDIX E

### FORM OF OPINION OF BOND COUNSEL

August [\_\_\_\_], 2020

North Kansas City School District 74, Clay County, Missouri  
Kansas City, Missouri

[Underwriter]

\_\_\_\_\_, \_\_\_\_\_

Re: \$95,000,000\* North Kansas City School District 74, Clay County, Missouri, General  
Obligation Improvement Bonds (Missouri Direct Deposit Program), Series 2020

Ladies and Gentlemen:

We have acted as bond counsel to North Kansas City School District 74, Clay County, Missouri (the **“District”**), in connection with the issuance by the District of the above-captioned bonds (the **“Bonds”**). In this capacity, we have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon and subject to the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds have been duly authorized, executed and delivered by the District and are valid and legally binding general obligations of the District, payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the District.

2. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (i) is excludable from gross income for federal income tax purposes, (ii) is exempt from income taxation by the State of Missouri, and (iii) is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Bonds to be included in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

We express no opinion regarding the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement). Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth in this opinion.

The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

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\* Preliminary, subject to change.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

Very truly yours,