THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

NEW ISSUE
BOOK-ENTRY ONLY

RATINGS—S&P: AA+ (Program)
Moody's: Aa1 (Program)
District Underlying: Aa3
See "RATINGS" herein.

In the opinion of Bryan Cave LLP, Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the interest on the Bonds is excluded from gross income for federal and Missouri income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "TAX MATTERS" herein.

$27,000,000
REORGANIZED SCHOOL DISTRICT R-1, CLAY COUNTY, KEARNEY, MISSOURI GENERAL OBLIGATION SCHOOL BUILDING BONDS SERIES 2017 (MISSOURI DIRECT DEPOSIT PROGRAM)

Dated: Date of Issue **Due: March 1, as shown below**

The Bonds will be issued as fully registered bonds without coupons, and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for the Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry only form, in the denominations of $5,000 or integral multiples thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. as nominee of DTC, is the Bondowner, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "THE BONDS - Book-Entry Only System" herein.

Principal of the Bonds will be paid on March 1 in the years in which the Bonds mature (see Maturity Schedule below). Interest on the Bonds is payable semiannually on each March 1 and September 1, commencing March 1, 2018. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made by UMB Bank, N.A., Kansas City, Missouri, as paying agent and registrar (the "Paying Agent") directly to such Bondowner. Disbursement of such payments to DTC Participants is the responsibility of DTC. Distribution of such payments to Beneficial Owners is the responsibility of DTC Participants and Indirect Participants, as more fully described herein.

THE BONDS AND 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 OF THE TAXABLE TANGIBLE PROPERTY, REAL AND PERSONAL, WITHIN THE TERRITORIAL LIMITS OF THE DISTRICT. THE BONDS ARE ENTITLED TO THE BENEFITS OF THE DIRECT DEPOSIT AGREEMENT AND THE PLEDGE OF STATE AID PAYABLE TO THE DISTRICT MADE THEREUNDER. SEE "SECURITY FOR THE BONDS" HEREIN.

MATURITY SCHEDULE ON INSIDE FRONT COVER PAGE

The Bonds are subject to redemption and payment prior to maturity as described herein.

The Bonds are offered when, as and if issued by the District, subject to the approval of legality by Bryan Cave LLP, Kansas City, Missouri, Bond Counsel, and certain other conditions. It is expected that the Bonds in book-entry only form will be available through the facilities of the Depository Trust Company, in New York, New York, on or about May 30, 2017.

CITIGROUP

The date of this Official Statement is May 18, 2017

$27,000,000
REORGANIZED SCHOOL DISTRICT R-1,
CLAY COUNTY, KEARNEY, MISSOURI
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2017
(MISSOURI DIRECT DEPOSIT PROGRAM)

MATURITY SCHEDULE

Due March 1	Principal Amount	Rate	Yield	CUSIP Number
2019	$1,195,000	5.000%	0.940%	183473MK0
2020	605,000	5.000	1.020	183473ML8
2021	550,000	5.000	1.130	183473MM6
2022	2,015,000	5.000	1.300	183473MN4
2023	1,735,000	5.000	1.450	183473MP9
2025	1,735,000	5.000	1.760	183473MQ7
2026	1,790,000	2.250	2.020[+]	183473MR5
2027	1,330,000	2.500	2.150[+]	183473MS3
2028	1,385,000	3.000	2.350[+]	183473MT1
2029	1,430,000	3.000	2.550[+]	183473MU8
2030	1,475,000	2.500	2.733	183473MV6
2031	1,520,000	3.000	2.800[+]	183473MW4
2032	1,570,000	3.000	2.950[+]	183473MX2
2033	1,620,000	3.000	3.050	183473MY0
2034	1,670,000	3.000	3.115	183473MZ7
2035	1,730,000	3.000	3.160	183473NA1
2036	1,790,000	3.000	3.196	183473NB9
2037	1,855,000	3.125	3.263	183473NC7

[+] Yield calculated to the first optional redemption date (March 1, 2025).

REORGANIZED SCHOOL DISTRICT R-1,
CLAY COUNTY, KEARNEY, MISSOURI

1002 S. Jefferson
Kearney, Missouri 64060-8520

Board of Education

Mark Kelly, President
Ed Haney, Vice President
Dan Holloway, Member
Matthew Hunt, Member
John Kern, Member
Steve McDonald, Member
Dan Weakley, Member

Carolyn Switzer, Secretary

Administration

Dr. William Nicely, Superintendent
Ginger Elsea, Business Operations Manager
Angie Currey, Assistant Superintendent
Jeff Morrison, Assistant Superintendent

BOND COUNSEL

Bryan Cave LLP
Kansas City, Missouri

FINANCIAL ADVISOR

Piper Jaffray & Co.
Leawood, Kansas

CERTIFIED PUBLIC ACCOUNTANTS

Westbrook & Co., P.C.
Richmond, Missouri

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the District, the Financial Advisor 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 or the Financial Advisor. 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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT 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.

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OFFICIAL STATEMENT

$27,000,000
REORGANIZED SCHOOL DISTRICT R-1,
CLAY COUNTY, KEARNEY, MISSOURI
GENERAL OBLIGATION SCHOOL BUILDING BONDS
SERIES 2017
(MISSOURI DIRECT DEPOSIT PROGRAM)

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 appendix 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 the Reorganized School District R-1, Clay County, Kearney, Missouri (the "**District**"), and the General Obligation School Building Bonds, Series 2017 (Missouri Direct Deposit Program) (the "**Bonds**"), of the District, dated as of the date of their initial issuance, to be issued in the principal amount of $27,000,000.

The District

The District is a school district organized and existing under the laws of the State of Missouri. See the caption "**THE DISTRICT**" herein.

The Bonds

The Bonds are being issued for the purpose of constructing, renovating, improving, furnishing and equipping school facilities of the District, including constructing, renovating, furnishing and equipping an early childhood and district education center; constructing additions to, remodeling, renovating, improving, furnishing and equipping Kearney High School; constructing additions to, remodeling, renovating, improving, furnishing and equipping Kearney Middle School; and improving district playgrounds, including the installation of artificial soft play surfaces (the "**Project**")

The Bonds consist of $27,000,000 of general obligation bonds authorized by the required four-sevenths majority of the qualified voters of the District at an election held on April 4, 2017. The Bonds are being issued pursuant to a resolution (the "**Bond Resolution**") adopted by the Board of Education, the governing body of the District. See the caption "**THE BONDS**" herein.

Security and Source 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 caption "**THE BONDS – Security and Sources of Payment for the Bonds; Direct Deposit of State Aid Payments**" herein.

Other Outstanding Obligations Payable

In addition to the Bonds, the District is obligated to meet from ad valorem taxes the principal and interest requirements on the District's other general obligation bonds as set forth in this Official Statement under the caption "**DEBT STRUCTURE OF THE DISTRICT – Current Long-Term Indebtedness**." The District is also obligated on an annually appropriation basis to make certain lease payments under an annually renewable lease purchase financing described under the caption "**DEBT STRUCTURE OF THE DISTRICT – Other Obligations of the District**." The lease payments are payable solely from moneys deposited in the Capital Projects Fund from a levy specific to the Capital Projects Fund and not from moneys in the District's Debt Service Fund which are 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, 2016, are included in ***Appendix B*** to this Official Statement. These financial statements have been audited by Westbrook & Co., P.C., Richmond, Missouri, to the extent and for the period indicated in the Independent Auditors' Report which is also included in ***Appendix B*** hereto.

Bond Ratings

The District is expected to receive the ratings set forth on the cover page from Standard & Poor's Ratings Group and Moody's Investors Services, Inc. on this issue. See the caption "**RATINGS**" herein.

THE DISTRICT

The District is a school district and political subdivision organized and existing under the laws of the State of Missouri. The District is located in Clay and Clinton Counties, Missouri and encompasses approximately 144 square miles and has an estimated population of 17,877. See "**APPENDIX A: REORGANIZED SCHOOL DISTRICT R-1, CLAY COUNTY, KEARNEY, MISSOURI GENERAL, ECONOMIC AND FINANCIAL INFORMATION**."

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 108 and 164 of the Revised Statutes of Missouri, as amended. The issuance of bonds in the aggregate amount of $27,000,000 was approved by more than four-sevenths of the qualified voters of the District at an election duly held in the District on April 4, 2017. The Bonds are being issued pursuant to the Bond Resolution for the purpose of constructing, renovating, improving, furnishing and equipping school facilities of the District, including constructing, renovating, furnishing and equipping an early childhood and district education center; constructing additions to, remodeling, renovating, improving, furnishing and equipping Kearney High School; constructing additions to, remodeling, renovating, improving, furnishing and equipping Kearney Middle School; and improving district playgrounds, including the installation of artificial soft play surfaces.

Sources and Uses of Funds

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

Sources of Funds:	
Proceeds of the Bonds	$ 27,000,000.00
Reoffering premium	1,315,531.20
Total	$ 28,315,531.20
Uses of Funds:	
Deposit to Project Fund	$ 27,975,936.20
Costs of issuance for the Bonds*	339,595.00
Total	$ 28,315,531.20

* Includes Underwriter's Discount

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.

Description of the Bonds

The Bonds will be issued in the principal amount stated on the Cover Page of this Official Statement, will be dated as of the date of their initial issuance and delivery, and will consist of fully registered bonds without coupons in the denomination of $5,000 or any integral multiple thereof. The Bonds will mature, subject to redemption as described below, on March 1 in the years and in the principal amounts set forth on the cover page of this Official Statement. Interest on the Bonds will be payable semiannually on March 1 and September 1 in each year, beginning on March 1, 2018. Principal will be payable upon presentation and surrender of the Bonds by the Registered Owners thereof at UMB Bank, N.A., in the City of Kansas City, Missouri, Paying Agent, or at such other location designated by the Paying Agent. Interest shall be paid to the Registered Owners of the Bonds as shown on the Bond Register at the close of business on the Record Date for such interest (a) by check or draft mailed to the Paying Agent to the address of such Registered Owners shown on the Bond Register or (b) at such other address as is furnished to the Paying Agent in writing by any Registered Owner or (c) in the case of an interest payment to the Securities Depository or any Registered Owner of $1,000,000 or more in aggregate principal amount of Bonds, by wire transfer to such Registered Owner upon written notice given to the Paying Agent by such Registered Owner, not less than 15 days prior to the Record Date for such interest, containing the wire transfer address (which shall be in the continental United States) including the bank ABA routing number and account number to which such Registered Owner wishes to have such wire directed.

Redemption Provisions

Optional Redemption. At the option of the District, the Bonds or portions thereof maturing on March 1, 2026, and thereafter may be called for redemption and payment prior to maturity on March 1, 2025 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. When less than all Bonds are to be redeemed, such Bonds shall be redeemed from maturities selected by the District, and Bonds of less than a full maturity shall be selected by the Paying Agent in multiples of $5,000 principal amount.

Notice and Effect of Call for Redemption. In the event of any redemption, the Paying Agent will give written notice of the District's intention to redeem and pay said Bonds by first-class mail to the State Auditor of Missouri, to the original purchaser of the Bonds, and to the Registered Owner of each Bond, said notice to be mailed not less than 30 days prior to redemption date. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall become due and payable on the redemption date, at the redemption price therein specified, and from and after the redemption date (unless the District defaults in the payment of the redemption price) such Bonds or portion of Bonds shall cease to bear interest.

The Paying Agent, as long as a book-entry system is used for the Bonds, will send notices of redemption only to the Securities Depository, as the registered owner of the Bonds. It is expected that the Securities Depository will notify the DTC Participants and request the DTC Participants to notify the Beneficial Owners of the Bonds of such redemption. Any failure of the Securities Depository to advise any of the DTC Participants, or of any DTC Participant or any nominee to notify any Beneficial Owner of the Bonds, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Bonds called for redemption.

Book-Entry Only System

The Depository Trust Company ("**DTC**"), New York, NY, will act as securities depository for the securities (the "**Securities**"). The Securities 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 Security certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such issue, 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.

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

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

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

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

Redemption proceeds, distributions, and dividend payments on the Securities 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 Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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 securities depository with respect to the Securities at any time by giving reasonable notice to the District or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security 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, Security certificates will be printed and delivered to DTC.

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.

Transfer Outside Book-Entry System

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

CUSIP Numbers

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Direct Deposit of State Aid Payments

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.

Pursuant to Section 360.111 of the Revised Statutes of Missouri and related statutes (the "**Deposit Law**"), the State of Missouri (the "**State**") and the District may agree to transfer to a Missouri bank, as direct deposit trustee (the "**Deposit Trustee**"), a portion of the District's State aid payments and distributions normally used for operational purposes ("**State Aid**") in order to provide for payment of debt service on the Bonds. On the date of issuance of the Bonds, the District will enter into a Direct Deposit Agreement (the "**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, except for State Aid for Gifted and Exceptional Pupils and Remedial Reading, to the payment of the Bonds. The Deposit Agreement will provide that during each month of July through December 2017, one-sixth ($1/6^{th}$) of debt service on the Bonds due during the bond year ending March 1, 2018, will be deposited with the Deposit Trustee, and during each of the following ten months of each subsequent bond year (March through December), one-tenth ($1/10^{th}$) of debt service on the Bonds during that bond year will be deposited with the Deposit Trustee. Amounts of State Aid to the District in excess of the amounts required to be deposited with the Deposit Trustee will be transferred directly to the District as has historically been the case with all State Aid.

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

Nothing in the Deposit Law or the Deposit Agreement relieves the District of its obligation to make payments of principal and interest on the Bonds, or to impose any debt service levy or capital projects 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.

The Bond Resolution

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 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 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.

All references herein to the Bond Resolution are qualified in their entirety by the Bond Resolution. Copies of the Bond Resolution and the Official Statement may be viewed at the office of Piper Jaffray & Co., 11635 Rosewood Street, Leawood, Kansas 66211, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request.

LEGAL MATTERS

Legal Proceedings

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

Approval of Legality

All legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Bryan Cave LLP, Kansas City, Missouri, Bond Counsel. Bond Counsel has participated in the preparation of this Official Statement, but the factual and financial information appearing herein has been supplied or reviewed by certain officials of the District and a certified public accountant, as referred to herein, and Bond Counsel expresses no opinion as to the accuracy or sufficiency thereof except for the matters appearing in the sections of this Official Statement captioned "**THE BONDS," "LEGAL MATTERS – Approval of Legality**" and "**TAX MATTERS**."

TAX MATTERS

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

Opinion of Bond Counsel

In the opinion of Bryan Cave LLP, Bond Counsel, under the law existing as of the issue date of the Bonds:

> Federal and Missouri Tax Exemption. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Missouri.
>
> Alternative Minimum Tax. Interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.
>
> Bank Qualification. The Bonds are NOT "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

Bond Counsel's opinions are provided as of the date of the original issue of the Bonds, subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The District has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal and 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 herein captioned "TAX MATTERS."

Other Tax Consequences

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

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

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

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

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

RATINGS

Standard & Poor's Ratings Group and Moody's Investors Service, Inc. are expected to give the Bonds the program ratings set forth on the cover page hereof. Moody's Investors Service, Inc. has also given the Bonds the underlying rating set forth on the cover page hereof, which reflects its evaluation of the investment quality of the Bonds. 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.

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 ratings of the Bonds or to oppose any such proposed revision or withdrawal. Pursuant to the Continuing Disclosure Certificate, the District is required to bring to the attention of the holders of the Bonds any revision or withdrawal of the ratings of the Bonds but has not undertaken any responsibility to oppose any such revision or withdrawal. See the caption "**CONTINUING DISCLOSURE**" in this Official Statement. Any such revision or withdrawal of the ratings could have an adverse effect on the market price and marketability of the Bonds.

CONTINUING DISCLOSURE

The District is executing a Continuing Disclosure Certificate for the benefit of the owners and Beneficial Owners of the Bonds in order to comply with Rule 15c2-12 of the Securities and Exchange Commission (the "**Rule**"). The District is the only "obligated person" with responsibility for continuing disclosure.

Pursuant to the Continuing Disclosure Certificate, the District will, not later than 180 days after the end of the District's fiscal year, provide to the Municipal Securities Rulemaking Board (the "**MSRB**") the following financial information and operating data (the "**Annual Report**"):

(1) The Annual Secretary of the Board Report to the Department of Elementary and Secretary of Education of the State of Missouri, which may include the following data, updated for the fiscal year then ended in a similar form contained in this Official Statement:

(a) Fund Balances Summary

(b) Sources of Revenue

(c) Taxes Collected

(d) District Tax Levy

(e) Current Long-Term General Obligation Indebtedness

(f) Current Assessed Valuation

(2) Annual Audited Financial Statements, which may include the following data, updated for the fiscal year then ended in a similar form contained in this Official Statement:

(a) Current Enrollment

In the event the Annual Secretary of the Board Report or the Annual Audited Financial Statements do not include the respective data listed in subsections (1) or (2), the District shall provide such information, separately or by reference to other documents, in its Annual Report.

Pursuant to the Continuing Disclosure Certificate, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.

2. Unscheduled draws on debt service reserves reflecting financial difficulties.

3. Unscheduled draws on credit enhancements reflecting financial difficulties.

4. Substitution of credit or liquidity providers, or their failure to perform.

5. 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.

6. Tender offers.

7. Defeasances.

8. Rating changes.

9. Bankruptcy, insolvency, receivership or similar event of the District.

Pursuant to the Continuing Disclosure Certificate, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Non-payment related defaults.

2. Modifications to rights of the Bonds.

3. Bond calls.

4. The release, substitution, or sale of property securing repayment of the Bonds.

5. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to such actions other than pursuant to its terms.

6. Appointment of a successor or additional trustee or the change of name of a trustee.

Whenever the District obtains knowledge of the occurrence of one of the above-referenced events (a "**Listed Event**"), the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the Listed Event.

Notwithstanding any other provision of the Continuing Disclosure Certificate, the District may amend the Continuing Disclosure Certificate and any provision of the Continuing Disclosure Certificate may be waived, provided Bond Counsel or other counsel experienced in federal securities law matters provides the District with its opinion that the undertaking of the District, 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 the Continuing Disclosure Certificate.

In the event of a failure of the District to comply with any provision of the Continuing Disclosure Certificate, the Paying Agent, the Underwriter or any owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations under the Continuing Disclosure Certificate. A default under the Continuing Disclosure Certificate will not be deemed an event of default under the Bond Resolution or the Bonds, and the sole remedy under the Continuing Disclosure Certificate in the event of any failure of the District to comply with the Continuing Disclosure Certificate will be an action to compel performance.

The District has engaged in undertakings similar to the Continuing Disclosure Certificate with respect to several series of bonds previously issued by the District and lease financing previously entered into by the District to provide to the national information repositories (presently, only the MSRB) the audited financial statements of the District and updates of certain operating data of the District. Over the last five years (*i.e.*, for the fiscal years ending June 30, 2012 through June 30, 2016), the District has not been in compliance with all of its continuing disclosure undertakings. For example,

(i) the District submitted its audited financial statements to the MSRB via EMMA but those financial statements were not filed in a timely manner for fiscal years ending June 30, 2012 and 2013;

(ii) for each of the fiscal years ending June 30, 2012 through June 30, 2016, the District failed to timely file the operating data required to be included in the annual report, including but not limited to the Annual Secretary of Boards Report and the table appearing under the caption "DEBT STRUCTURE OF THE DISTRICT – OVERVIEW" as required by the continuing disclosure undertaking for several of the District's outstanding series of bonds;

(iii) in certain circumstances, the District's audit and operating data filings were not timely linked to all outstanding bond issues; and

(iv) over the last five years, the District also failed to file notices of its failures to file its audited financing statements and annual operating data, and in addition, the District has failed to file notices of certain material events related to rating changes, redemptions and defeasances of bonds and bond calls.

District administration acknowledges the necessity and requirement of timely filing all required data and has adopted written policies and procedures to help ensure future compliance.

Electronic Municipal Market Access System (EMMA)

All Annual Reports and notices of Listed Events required to be filed by the District or the Dissemination Agent pursuant to the Continuing Disclosure Certificate must be submitted to the MSRB through the MSRB's EMMA. EMMA is an internet-based, online portal for free investor access to municipal bond information, including offering documents, listed event notices, real-time municipal securities trade prices and MSRB education resources, available at www.emma.msrb.org. Nothing contained on EMMA relating to the District or the Bonds is incorporated by reference in this Official Statement.

FINANCIAL ADVISOR

Piper Jaffray & Co., Leawood, Kansas, has acted as a Financial Advisor to the District in connection with the sale of the Bonds. The Financial Advisor has assisted the District in the preparation of this Official Statement and in other matters relating to the issuance of the Bonds. The fees of the Financial Advisor are contingent upon the issuance of the Bonds. The Financial Advisor will not submit a bid for the sale of the Bonds pursuant to Municipal Securities Rulemaking Board Rule G-23.

UNDERWRITING

The Bonds are being sold by the District to Citigroup Global Markets Inc. (the "**Underwriter**") at the purchase price $28,096,936.20, consisting of the principal amount of the Bonds plus a net original issue premium of $1,315,531.20 and less underwriter's discount of $218,595.00. The Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions.

The Bonds will be offered to the public initially at the prices determined to produce the yields set forth on the cover page of this Official Statement. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the bonds into investment trusts) at prices other than the prices stated on the cover page of this Official Statement and may change the initial offering price from time to time subsequent to the date hereof. In connection with the offering, the Underwriter may overallot or effect transactions which 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.

MISCELLANEOUS

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 Bond Resolution.

Additional Information

Additional information regarding the District or the Bonds may be obtained from the District, 1002 S. Jefferson, Kearney, Missouri 64060, or from the District's Financial Advisor, Piper Jaffray & Co., 11635 Rosewood Street, Leawood, Kansas 66211, Attention Todd Goffoy, (913) 345-3373.

REORGANIZED SCHOOL DISTRICT R-1, CLAY COUNTY, KEARNEY, MISSOURI

By: /s/ Mark Kelly
President of the Board of Education

APPENDIX A

REORGANIZED SCHOOL DISTRICT R-1, CLAY COUNTY, KEARNEY, MISSOURI – GENERAL, ECONOMIC AND FINANCIAL INFORMATION

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APPENDIX A

REORGANIZED SCHOOL DISTRICT R-1, CLAY COUNTY, KEARNEY, MISSOURI

PART I

GENERAL AND DEMOGRAPHIC INFORMATION

Government and Organization

The District is a school district formed pursuant to Chapter 162 of the Revised Statutes of Missouri and was organized in 1964. The District is governed by a seven-member Board of Education. The members of the Board are elected by the voters of the District for three-year staggered terms with two or three members being elected each year. All Board members are elected at-large and serve without compensation. The Board is responsible for all policy decisions. The President of the Board is elected by the Board from among its members for a term of one year and has no regular administrative duties. The Secretary and Treasurer are appointed by the Board and may or may not be members of the Board.

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. Additional members of the administrative staff are appointed by the Board of Education upon recommendation by the Superintendent. The District has a total of 447 employees, including 17 administrative personnel, 260 teachers and 170 non-certified employees.

Educational Facilities

The District, located in Clay and Clinton Counties, Missouri, currently operates seven buildings which include four elementary schools, one middle school, one junior high school and one high school with a total enrollment of approximately 3,435 students.

School Rating and Accreditation

The Missouri Department of Elementary and Secondary Education ("**DESE**") evaluates school districts in all areas of operation. The ratings are not bond or debt ratings, but solely evaluations made by DESE. The ratings are implemented under the DESE-administered Missouri School Improvement Program ("**MSIP**"). Under MSIP, districts are evaluated based on DESE standards in three areas -- resource standards, educational process standards and performance standards. Districts receive an evaluation judgment for each of the three sets of standards and an overall evaluation, which evaluations are in one of three categories: "accredited," "provisionally accredited" or "unaccredited." The District is evaluated under MSIP as "accredited" in all three sets of standards and its overall evaluation.

Transportation and Communication Facilities

Due to its proximity to Kansas City, residents of the District use all transportation systems serving the Kansas City Metropolitan Area. The District includes Missouri State Highways 33 and 92 and Interstate Highway 35. Kansas City International Airport is located 20 miles west of Kearney. The airport is served by several major domestic and international airlines and several smaller commuter airlines. The District is served by the Burlington Northern Railroad and residents and businesses have access to a variety of commercial trucking services.

The District is served by one weekly newspaper, published in Liberty, as well as the Kansas City newspaper, seven broadcast television stations and numerous cable and satellite television channels are available in the area. In addition, residents of the District are able to receive various radio station broadcasts.

Medical and Health Facilities

In addition to the hospitals and medical services throughout the Kansas City Metropolitan Area, three hospitals are within 12 miles of Kearney and the District hosts a number of medical personnel.

Recreational, Cultural and Religious Facilities

There are numerous parks, tennis courts, public swimming pools, three public golf courses and three country clubs all within ten miles of the City of Kearney, as well as the usual complement of churches throughout the District. Smithville Lake is located three miles from Kearney and the Kansas City area offers its many recreational and cultural activities that are all easily accessible to the residents of the District.

Commerce, Industry and Employment

Clay County, Missouri, is a suburban area of Metropolitan Kansas City. The cities of Kearney and Holt are located within the School District. The Kearney Development Corporation, Kearney Chamber of Commerce and the Clay County Development Commission are active in attracting businesses to the District. There are many employment opportunities for the District residents in the Kansas City Metropolitan Area, with downtown Kansas City being just 25 miles to the southwest. A small portion of the District extends into the city limits of Kansas City, Missouri.

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Employment

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

Employer	Type of Business	Number of Employees
Federal Government	Government	27,500
HCA Midwest Health System	Healthcare	9,367
Cerner Corp.	Healthcare Info Technology	8,300
Sprint Nextel Corp	Telecommunications	7,600
Saint Luke's Health System	Healthcare	7,080
State of Kansas	Government	6,263
State of Missouri	Government	6,010
Children's Mercy Hospitals & Clinics	Healthcare	5,423
The University of Kansas Hospital	Healthcare	5,369
City of Kansas City	Government	4,563

Source: Kansas City Business Journal, July 2016

The following tables set forth unofficial employment figures for Clay County:

Average for Year	Total Labor Force	Employed	Unemployed	Unemployment Rate
2017*	135,460	129,616	5,844	4.3%
2016	134,979	129,742	5,237	3.9
2015	133,448	127,425	6,023	4.5
2014	122,178	116,503	5,675	4.6
2013	121,069	113,475	7,594	6.3
2012	120,896	113,130	7,766	6.4

Source: Missouri Department of Economic Development; Missouri Economic Research and Information Center.
* As of February, 2017.

Financial and Banking Institutions

The residents of the District are served by three commercial banks or branches of banks and branches of one savings and loan association and one savings bank in the District. In addition, the banking resources available in the Kansas City area are accessible to residents and businesses in the District.

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PART II

STUDENT ENROLLMENT

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

Year	Total Enrollment
2016-2017	3,435
2015-2016	3,419
2014-2015	3,500
2013-2014	3,554
2012-2013	3,579
2011-2012	3,649

The average daily attendance in the School District for the 2015-2016 academic year was 3,288.97. The cost of instruction in the District was approximately $9,366 per pupil for the 2015-2016 academic year.

DEBT STRUCTURE OF THE DISTRICT

Overview

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

2016 Assessed Valuation:[1]	$	328,546,177
2016 Estimated Actual Valuation:[2]	$	1,539,107,093
Population (estimated):		12,096
Outstanding General Obligation Debt:[3]	$	45,885,000
Overlapping Debt:[4]	$	10,233,165
Direct and Overlapping General Obligation Debt:	$	56,118,165
Ratio of General Obligation Debt to Assessed Valuation:		14.0%
Ratio of General Obligation Debt to Estimated Actual Valuation:		3.0%
Per Capita General Obligation Debt:	$	3,793.40
Ratio of Direct and Overlapping General Obligation Debt to Assessed Valuation:		17.1%
Ratio of Direct and Overlapping General Obligation Debt to Estimated Actual Valuation:		3.6%
Per Capita Direct and Overlapping General Obligation Debt:	$	4,639.40

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1 Includes 2016 real and personal property as provided by the County Clerks of Clay and Clinton Counties, excluding state assessed utility valuation and the value of property subject to tax increment financing. For further details see "**PROPERTY TAX INFORMATION**."

2 Estimated actual valuation is calculated by dividing different classes of property by the corresponding assessment ratio. For a detail of these different classes and ratios see "**PROPERTY TAX INFORMATION**."

3 See "**DEBT STRUCTURE OF THE DISTRICT – Current Long-Term General Obligation Indebtedness**." Reflects the issuance of the Bonds.

4 For further details see "**DEBT STRUCTURE OF THE DISTRICT - Overlapping General Obligation Indebtedness**."

Current Long-Term General Obligation Indebtedness

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

Outstanding Long-Term General Obligation Indebtedness

Category of Indebtedness	Date of Indebtedness	Amount Issued	Amount Outstanding
General Obligation (2009A)	September 8, 2009	$ 2,810,000	$ 2,810,000
General Obligation (2009B)	September 8, 2009	1,555,000	1,555,000
General Obligation (2009C)	September 8, 2009	4,440,000	4,440,000
General Obligation (2010)	July 8, 2010	4,641,000	2,775,000
General Obligation (2012)	May 8, 2012	6,730,000	4,850,000
General Obligation (2015)	March 10, 2015	6,720,000	2,455,000
General Obligation (2017)	May 30, 2017	27,000,000	27,000,000
Total			$ 45,885,000

History of General Obligation Indebtedness

The following table sets forth debt information pertaining to the District as of the end of each of the last five fiscal years:

As of June 30	Total Outstanding Debt	Total Debt as Percentage of Assessed Value*
2016	$22,220,000	6.76%
2015	25,250,000	8.08
2014	34,275,000	11.06
2013	37,115,000	12.18
2012	39,540,000	13.17

* Excluding state assessed utility valuation and property subject to tax increment financing.

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

Overlapping General Obligation Indebtedness

The following table sets forth an estimate of overlapping indebtedness of political subdivisions with boundaries overlapping the District as of June 30, 2016, and the percent attributable (on the basis of assessed valuation) to the District.

Taxing Jurisdiction	Outstanding General Obligation Indebtedness	Percent Applicable to District	Amount Applicable to District
City of Kearney	$ 8,370,000	100.0%	$ 8,370,000
Kearney Fire & Rescue Protection District of Clay County, Missouri	2,785,000	66.9%	1,863,165
Total	$11,155,000		$10,233,165

Legal Debt Capacity

Under Article VI, Section 26(b) of the Constitution of Missouri, the District may incur indebtedness for authorized school district purposes not to exceed 15% of the valuation of taxable tangible property (including the value of property subject to tax increment financing) in the District according to the last completed assessment upon the approval of four-sevenths of the qualified voters in the District voting on the proposition at any municipal, primary or general election or two-thirds voter approval on any other election date. The current legal debt limit of the District is approximately $49,281,926 (excluding the balance in the District's Debt Service Fund and an additional amount that would be available to the District if the valuation of state assessed railroad and utility property that is physically located within the bounds of the District were included). The legal debt margin of the District, not taking into account any funds available in the District's Debt Service Fund and an additional amount that would be available to the District if the valuation of state assessed railroad and utility property that is physically located within the bounds of the District were included, will be approximately $3,396,926 following the issuance of the Bonds.

Other Obligations of the District

On September 25, 2008, the District entered into a lease purchase agreement with a bank to finance the costs of acquiring and installing certain equipment designed to reduce energy consumption and operating costs. The District issued $1,217,336 Series 2008 Certificates of Participation (Kearney R-1 School District Energy Improvement Project) with the proceeds used to provide funds to pay the costs of the project. Under the project, the District entered into an agreement with the contractor installing the equipment to guarantee certain savings. The lease requires semi-annual payments of $56,076 through September 2023 (interest at 4.5%). The balance of the lease at June 30, 2016 was $707,246.

FINANCIAL INFORMATION CONCERNING THE DISTRICT

General Description of Financial Practices and Results of Operation

Accounting, Budgeting and Auditing Procedures. The District follows a modified cash system of accounting in conformity with the requirements of Missouri law and the Department of Elementary and Secondary Education of the State of Missouri. Under this system, financial data is recorded on a cash basis with revenues and expenses being recognized only as cash is received or disbursed. Receivables, payables and accrued expenses are not recorded. Cash transactions are recorded in the following funds which the District is required to maintain for the accounting of all school moneys:

General (Incidental) Fund
Special Revenue (Teachers) Fund

Debt Service Fund
Capital Projects (Building) Fund

The Treasurer and Deputy Superintendent for Operations of the District are 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 only upon warrants drawn by order of the Board of Education and signed by the President of the Board and the Treasurer.

An annual budget of estimated receipts and disbursements for the coming fiscal year is prepared by the Business Operations Manager under the direction of the Superintendent and is presented to the Board of Education in June for approval after a public hearing. The District's fiscal year is July 1 through June 30. The budget lists estimated receipts by funds and sources and estimated disbursements by funds and purposes and includes a statement of the rate of levy per hundred dollars of assessed valuation required to raise each amount shown on the budget as coming from District taxes.

The financial records of the District are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. The audit for the fiscal year ending June 30, 2016, was performed by Westbrook & Co., P.C., Richmond, Missouri. A copy of the annual audit for the fiscal year ended June 30, 2016 is included in this Official Statement at **Appendix B**. A summary of significant accounting policies of the District is contained in the Notes accompanying the financial statements in the Appendices hereto.

Sources of Revenue. The District finances its operations through the local property tax levy, state sales tax, state aid, federal grant programs, and miscellaneous sources. Debt service on general obligation bonds is financed solely through local property taxes. For the fiscal year ended June 30, 2016, the District's sources of its revenue were as follows:

Source	Amount	%
Local Revenue		
Property Taxes	$ 17,513,631	44.53%
Proposition "C" Sales Tax	3,176,147	8.08
Other Local Revenue	3,203,927	8.15
County Revenue (including Railroad & Utility Property Taxes)	803,480	2.04
State Revenue	13,623,142	34.64
Federal Revenue	986,945	2.51
Other Revenue	21,426	0.05
Total Revenue	$ 39,328,698	100.00%

Local Revenue. The primary sources of "local revenue" are (1) taxes upon real and personal property within the District, excluding railroad and utility property taxes, more fully described below under the caption "**PROPERTY TAX INFORMATION**," and (2) receipts from the Proposition C sales tax. 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 a per-pupil basis utilizing the district's weighted average daily attendance (see "Weighted ADA" under "Missouri School Finance Laws" below).

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 from property taxes by an amount equal to approximately 50% of the estimated revenues to be received through Proposition C during the year. School districts may submit propositions to voters to forego all or a part of the reduction in the operating levy which would otherwise be required under terms of Proposition C.

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 within the County and in part on the taxes levied by each district within the County. County revenue also includes certain fines and forfeitures collected with respect to violations within the boundaries of the school district.

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

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

In July, 2012, the State of Missouri received a waiver of the federal "No Child Left Behind" law. Under the former law, federal sanctions for school districts that failed to meet established proficiency standards included providing parents and students from underperforming schools within a district the right to request a transfer to a school within the district to meet proficiency standards. In addition, schools that continued to fail to meet proficiency standards were also required to make additional changes in staffing, curriculum and management.

In place of the federal law, Missouri school districts will be allowed to use a state-only accountability system known as the Missouri School Improvement Program and will provide Title I schools with more flexibility in spending federal revenue.

Missouri school districts have been advised by DESE that federal discretionary funds, which include education, are to be sequestered starting in March 2013. Sequestration is defined as a procedure by which automatic spending cuts are triggered. This has occurred due to the failure of the U.S. Congressional Joint Select Committee on Deficit Reduction to develop a plan for budgetary savings. There are many factors that could still impact the sequestration including moratoriums, new reduction agreements, etc. DESE has reported that reductions could be as high as 9.1% per year over the next ten years.

Risk Management. The District maintains several policies of insurance, providing coverage which includes casualties to the District's facilities and general liability insurance, which policies are subject to certain deductible clauses.

Employee Retirement and Pension Plans. The District contributes to the state wide retirement systems created by Chapter 169 of the Revised Missouri Statutes to provide retirement allowances for substantially all of its employees. Teachers are covered by the Public School Retirement System of Missouri, and non teachers are covered by the Non Teacher School Employee Retirement System of Missouri. The system includes most of the school districts in Missouri, and is administered by a five member Board of Trustees, consisting of two trustees appointed by the State Board of Education, two trustees elected by the members of the retirement system, and the State Commissioner of Education. Both systems are advance funded plans which are required by statute to remain in actuarial balance.

The District's annual contributions are based upon amounts recommended by a consulting actuary not to exceed rates established by statute. The actual contribution rates utilized by the District for the fiscal year ended June 30, 2016 were 14.5% and 6.86% of salaries, respectively, with the cost to the District being $2,483,430 and $270,497, respectively.

Contribution rates provide for funding the systems' liability for past service cost. However, the liability for past service cost is not allocable to individual school districts.

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

Missouri School Finance Laws

State Aid. The amount of State Aid for school districts in Missouri has typically been calculated using a complex formula. The impact of SB 287 was to transition the State away from a local-tax-rate-based formula to a formula that is primarily student-needs based. The new formula was phased in over a seven-year period, which began in the 2006-2007 fiscal year and ended with the 2012-2013 school year. During the phase-in period, State Aid for each school district was based on a percentage of both the old local tax rate based formula (determined as a percentage of the 2005-2006 State Aid Payments), and the new student-needs based formula. Effective with the 2013-2014 fiscal year, State Aid will be calculated solely using the student-needs based formula.

Property Tax Levy Requirements. The sum of a district's local property tax levies in its Incidental and Teachers' Funds must be at least $2.75 per $100 assessed valuation in order for the district to receive increases in state aid above the level of state aid it received in the 2005-06 fiscal year. Levy reductions required as a result of a "Hancock rollback" or an "SB 711 rollback" (See "Tax Limitations Provisions" 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 ("**ADA**") by the state adequacy target (discussed below). This figure may be adjusted upward by a "dollar value modifier," which is an index of the relative purchasing power of a dollar, calculated as one plus 15% of the difference of the regional wage ratio minus one. The product of the weighted ADA multiplied by the state adequacy target is then reduced by a district's "local effort" (discussed below) to calculate a district's final state aid amount.

Weighted ADA. Weighted ADA is based upon regular term ADA plus summer school ADA, with additional weight assigned in certain circumstances for students who qualify for free and reduced lunch, receive special education services, or possess limited English language proficiency. Students receive additional weighted treatment if, categorically, they exceed certain thresholds (based on the percentage of students in each of the categories in Performance Districts, as defined below). Currently, additional weight is assigned to students above the following thresholds: above 41.0% for students who qualify for free or reduced lunch, above 12.6% for students receiving special education services, above 2.10% for students possessing limited English language proficiency. The District's state aid revenues would be adversely affected by decreases in its weighted ADA resulting from decreased enrollment generally and, specifically, decreased enrollment of students eligible for free and reduced lunch, special education students, or students with limited English language proficiency.

State Adequacy Target. The State Aid formula requires DESE to calculate a "State Adequacy Target," which is intended to be the minimum amount of funds a school district needs in order to educate each student. DESE's calculation of the State Adequacy Target is based upon amounts spent, excluding federal and State transportation revenues, by Performance Districts. Every two years, using the most current list of Performance Districts, DESE will recalculate the State Adequacy Target. The recalculation is not supposed to result in a decrease from the previous State Adequacy Target, but the 2015-2016 fiscal year was the first calculation year the State Adequacy Target had to be adjusted for underfunding. In May 2016, the Missouri General Assembly overrode the Governor's veto of Senate Bill 586 ("**SB 586**"), which restored a five percent cap on growth per the recalculation of the State Adequacy Target that was removed in 2009. SB 586 had an emergency clause and became effective July 1, 2016. For fiscal years 2017 and 2018, the State Adequacy Target is $6,241 per pupil, however, because education funding is not expected to be fully funded, the State Adequacy Target will be at an adjusted level. A reasonably accurate prediction for the State Adequacy Target is usually not available until early fall because of factors such as determining what will actually be available for distribution (the Governor can restrict certain appropriations) and determining summer school ADA.

Dollar Value Modifier. The dollar value modifier ("**DVM**") is an index of the relative purchasing power of a dollar, calculated as one plus 15% of the difference of the regional wage ratio (the ratio of regional wage per job divided by the state median wage per job) minus one. The law provides that the DVM can never be less than 1.0. DESE began revising the DVM for each school district on an annual basis starting the 2012-2013 fiscal year.

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

Categorical-Source Add-Ons. In addition to State Aid distributed pursuant to the formula as described above, the formula provides for the distribution of certain categorical sources of State Aid to school districts. These include (1) 75% of allowable transportation costs, (2) the career ladder entitlement, (3) the vocational education entitlement, and (4) educational and screening program entitlements.

Classroom Trust Fund (Gambling Revenue) Distribution. A portion of the state aid received under the Formula will be in the form of a distribution from a newly created "Classroom Trust Fund," which is to be created in the state treasury and will consist of a portion of the State's gambling revenues. Starting with the 2006-07 fiscal year, this money will be distributed to school districts on the basis of average daily attendance (versus weighted ADA, which applies to the basic formula distribution). The funds deposited into the Classroom Trust Fund are not earmarked for a particular fund or expense and shall 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.

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 (gaming 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, commencing with the 2006-07 fiscal year, school districts are also required to spend for certificated staff compensation and tuition expenditures each year the amounts described in clauses (1) and (2) of the preceding paragraph. Beginning in the 2007-08 fiscal year, school districts 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 2006-07 fiscal year, the formula provides that certificated staff compensation now includes the costs of public school retirement and Medicare for those staff members. These items were previously paid from the Incidental Fund.

Failure to satisfy the deposit and expenditure requirements applicable to the Teachers' Fund will result in a deduction of the amount of the expenditure shortfall from a district's basic formula state aid for the following year, unless the district receives an exemption from the State Board of Education. In fiscal years 2010-11, 2011-12 and 2012-13, under certain circumstances described above under "State Aid," school districts will be excused from compliance with certain spending requirements for professional development, as well as certain of these fund placement and expenditure requirements. School districts will also be excused from complying with these requirements if the Governor withholds funds appropriated for funding the basic formula in any of the same three years.

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.

<u>Limited Sources of Funds for Capital Expenditures</u>. School districts may only pay for capital outlays through either (a) the issuance of general obligation bonds (which are paid from a Debt Service Fund levy) or (b) the Capital Projects Fund. Sources of revenues in the Capital Projects Fund are limited to: (i) the school district's local property tax levy for the Capital Projects Fund; (ii) certain permitted transfers from the Teachers' and Incidental Funds, and (iii) funds distributed to school districts from the Classroom Trust Fund.

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

<u>Tax Limitation Provisions</u>. An amendment to 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 such as the 1% state sales tax for education under Proposition C. 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 5% or the increase in the general price level from the previous year (whichever is lower), the maximum authorized current levy applied thereto in each political subdivision must be reduced to yield the same gross revenue from existing property, adjusted for such changes, as could have been collected at the existing authorized levy on the prior assessed value. School districts that are required to reduce their operating levies below $2.75 per $100 assessed valuation because of the Hancock Amendment will not suffer a reduction in State aid for failure to maintain a $2.75 operating levy (as discussed above in the section entitled Property Tax

Levy Requirements). The limitation on local governmental units does not apply to taxes imposed for the payment of principal and interest on general obligation bonds.

Under terms of Senate Bill No. 380 enacted by the Missouri General Assembly during its 1993 legislative session, school districts may submit propositions to voters to forego all or a part of the reduction in the operating levy which would otherwise be required under terms of Proposition C. District voters approved a proposition to forego a portion of the Proposition C roll back on a permanent basis in April, 2008.

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 the district's actual operating tax levy if its current tax levy was less that 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 rate ceiling (as adjusted by the Hancock rollback), only after a public hearing and adoption of a resolution or policy statement justifying the action.

<u>Transfers from Teachers' and Incidental Funds to Capital Projects Fund</u>. In addition to funds generated from the Capital Projects Fund levy, each school district may transfer money from the Teachers' and Incidental Funds to the Capital Projects Fund under certain limited circumstances. A school district may transfer money from the Teachers' and Incidental Funds in the following circumstances:

(1) The amount to be expended for transportation equipment that is considered an allowable cost under the state board of education rules for transportation reimbursements during the current year;

(2) 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) Guaranteed Energy Savings Performance Contracts. A school district may transfer from the Teachers' and Incidental Funds to the Capital Projects Fund 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. One hundred sixty-two thousand three hundred twenty-six dollars ($162,326); or

   b. Seven percent (7%) of the state adequacy target (which DESE has temporarily frozen at $6,125) times the district's weighted ADA.

<u>Transfers from Incidental Fund to Debt Service Fund and/or Capital Projects Fund</u>. If a school district is not using the seven percent (7%) or the $162,326 transfer (as discussed above) and is not making payments on lease purchases pursuant to Section 177.088, Revised Statutes of Missouri, then the school district may transfer from the Incidental Fund to the Debt Service and/or the Capital Projects Fund the greater of:

(1) The state aid received in the 2005-2006 school year as a result of no more than eighteen (18) cents of the sum of the debt service and capital projects levy used in the foundation formula and placed in the Capital Projects or Debt Service fund; or

(2) Five percent (5%) of the state adequacy target (which DESE has temporarily frozen at $6,125) times the district's weighted ADA.

PROPERTY TAX INFORMATION

Property Valuations

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

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

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

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

Current Assessed Valuation: The following table shows the total assessed valuation and the estimated actual valuation, by category, of all taxable tangible property situated in the District (excluding state assessed railroad and utility property) according to figures for the assessment dated January 1, 2016.

Type of Property	Total Assessed Valuation	Assessment Rate	Total Estimated Actual Valuation
Real Property			
Residential	$ 234,561,630	19.00%	$ 1,234,534,895
Agricultural	3,548,400	12.00	29,570,000
Commercial	29,403,564	32.00	91,886,138
Total Real Property	267,513,594		1,355,991,032
Personal Property(1)	61,032,583	33.33	183,116,061
Total Property	$ 328,546,177		$ 1,539,107,093

(1) 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 state assessed railroad and utility property, according to the assessments of January 1 in each of the following years, has been as follows:

Year	Assessed Valuation	Percent Change
2016	$328,546,177	5.2%
2015	312,374,849	1.2
2014	308,596,554	1.4
2013	304,484,898	1.4
2012	300,171,188	0.7
2011	297,945,671	0.3

Property Tax Levies and Collections

Tax Collection Procedure: Property taxes are levied and collected for the District by the County, for which the County receives a collection fee of 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 Clerk. The District must fix its ad valorem property tax rates and certify them to the County Clerk not later than September first for entry in the tax books.

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

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

Tax Abatement and Tax Increment Financing

Under Missouri law, tax abatement is available for redevelopers of areas determined by the governing body of a city to be "blighted." The Land Clearance for Redevelopment Authority Law authorizes ten-year tax abatement pursuant to Sections 99.700 to 99.715, R.S.Mo., as amended. In lieu of ten-year tax abatement, a redeveloper which is an urban redevelopment corporation formed pursuant to Chapter 353, R.S.Mo., as amended, may seek real property tax abatement for a total period of 25 years. In addition, the Real Property Tax Increment Allocation Redevelopment Act, Section 99.800 to 99.865, R.S.Mo., as amended, makes available tax increment financing for redevelopment projects in certain areas determined by the governing body of a city to be a "blighted area," "conservation area," or "economic development area," each as defined in such Act. Neither tax abatement nor tax increment financing would diminish the amount of tax revenues currently collected by the District in affected areas, but instead would act to freeze such revenues at current levels and would deprive the District of future increases in ad valorem property tax revenues which would otherwise have resulted from increases in assessed valuation in such areas.

Tax Rates

Debt Service Levy. The District's current debt service levy is $1.1902 per $100 of assessed valuation. Once indebtedness has been approved by requisite number of the voters voting therefor and bonds are issued, the District is required under Article VI, Section 26(f) of the Missouri Constitution to levy an annual tax on all taxable tangible property therein sufficient to pay the interest and principal of the indebtedness as they fall due and to retire the same within 20 years from the date of issue. The Board of Education may set the tax rate for debt service, without limitation as to rate or amount, at the level required to make such payments.

Operating Levy. The operating levy (consisting of all ad valorem tax levied except the debt service levy) cannot exceed the "tax rate ceiling" for the current year without voter approval. The tax rate ceiling, determined annually, is the rate of levy which, when charged against the newly-received assessed valuation of the District 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 5% or the Consumer Price Index, whichever is lower. 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 1984 or the most recent voter-approved tax rate. 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. Under Article X, Section 11(c) of the Missouri Constitution, any increase in the District's operating levy above $6.00 must be approved by two-thirds of the voters voting on the proposition. The current tax rate ceiling is $4.1961 per $100 of assessed valuation.

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

Fiscal Year Ended June 30	General Incidental Fund	Special Revenue Teachers' Fund	Debt Service Fund	Capital Projects Fund	Total Levy
2017	$4.1559	$0.0000	$1.1902	$0.0000	$5.3461
2016	4.1557	0.0000	1.1904	0.0000	5.3461
2015	4.1961	0.0000	1.1500	0.0000	5.3461
2014	4.1961	0.0000	1.1500	0.0000	5.3461
2013	4.1961	0.0000	1.1500	0.0000	5.3461
2012	4.0623	0.0000	1.1500	0.0000	5.2123

Tax Collection Record

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

Fiscal Year Ended June 30	Total Levy	Total Taxes Levied	Current and Delinquent Taxes Collected Amount	%
2016	$5.3461	$17,564,407	$17,513,631	99.71%
2015	5.3461	16,699,872	16,743,967	100.26
2014	5.3461	16,497,880	16,394,327	99.37
2013	5.3461	16,278,067	16,252,949	99.85
2012	5.2123	15,645,823	15,537,788	99.31

Major Property Taxpayers

The following table sets forth the ten largest property taxpayers in the District for the 2016 calendar year (the most recent year available).

	Firm	Assessed Valuation	% of Total Assessed Valuation
1.	Platte-Clay Electric Coop.	$4,107,740	1.6%
2.	Group Kearney LLC	1,856,000	0.7
3.	Platte-Clay Properties	1,642,020	0.6
4.	Pilot Travel Centers LLC	1,378,240	0.5
5.	KCB Bank	1,266,240	0.5
6.	Laclede Gas Co.	1,059,620	0.4
7.	Star Development Corp.	952,220	0.4
8.	PG (Multi-16) LP (Ply Gym)	804,900	0.3
9.	Head Properties, LLC	761,050	0.3
10.	Kearney QTP LLC	759,300	0.3

Source: Clay County Collector's Office.

APPENDIX B

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT FOR
REORGANIZED SCHOOL DISTRICT R-1, CLAY COUNTY, KEARNEY, MISSOURI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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KEARNEY R-I SCHOOL DISTRICT
KEARNEY, MISSOURI

FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2016

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KEARNEY R-I SCHOOL DISTRICT
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WESTBROOK & CO., P.C.
Certified Public Accountants

749 Driskill Drive
Richmond, MO 64085

18 North Folger
Carrollton, MO 64633

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Kearney R-I School District

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities and each major fund of Kearney R-I School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Member, American Institute of Certified Public Accountants; Missouri Society of Certified Public Accountants

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of Kearney R-I School District as of June 30, 2016, and the respective changes in modified cash basis financial position for the year then ended in accordance with the basis of accounting described in Note A.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the District's basic financial statements. The supplementary information, as listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal* Awards, and is not a required part of the basic financial statements.

The supplementary information 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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's discussion and analysis on pages 3 through 9 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Basis of Accounting

We draw attention to Note A of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Westbrook & Co., P.C.

Richmond, Missouri
October 18, 2016

The Kearney School District
Pursuing Excellence Today For Tomorrow

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

The discussion and analysis of the Kearney R-I School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the 2016 fiscal year include:

- Operating balances for the School District (General Fund and Special Revenue Fund) decreased from $8,451,444 to $8,294,323.

- The District finished the school year with a balance of $3,708,604 in the Capital Projects Fund.

- The District's total revenues, excluding bond proceeds, increased from $38,573,848 in 2015 to $39,328,698 in 2016.

- The District's total expenditures decreased from $52,641,273 in 2015 to $38,675,379 in 2016. This decrease was primarily due to the fiscal 2015 Retirement of the 2005A and 2005B series bonds along with refunding of the Series 2006 bonds.

- The District's indebtedness decreased from $26,034,941 in 2015 to $22,927,246 in 2016.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements.

The Statement of Net Position and the Statement of Activities provide information about the activities of the Kearney R-I School District as a whole and present a longer-term view of the District's finances.

Fund financial statements provide the next level of detail. For government activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. The statements then proceed to provide an increasingly detailed look at specific financial activities. The fund financial statements also look at the District's most significant funds.

William S. Nicely, Ed.D., Superintendent of Schools
Jeff Morrison, Assistant Superintendent/Human Resources/Student Services
Angie Currey, Ed.D., Assistant Superintendent/Special Services
Jennifer Kopp, Director of Academic Services
Ginger Elsea, Business Operations Manager

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

When viewing the School District as a whole, one looks at all financial transactions and asks the questions, “Are we in a better financial position this year than last?” and “Why?” or “Why not?” The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the modified cash basis of accounting. The modified cash basis of accounting records revenues when collected and expenses when paid, except for teachers’ salaries as explained in Note A to the financial statements.

These two statements report the School District’s net position and change in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The cause of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District’s property tax base, current property tax laws in Missouri, required educational programs, facility conditions and other factors.

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where the School District’s programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Reporting the School District’s Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District’s major funds. The School District uses four major funds to account for a multitude of financial transactions. The School District considers the following to be major governmental funds: General Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Fund.

Governmental Funds

All of the School District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. The funds are reported using the modified cash basis in which revenues are recorded when collected and expenses when paid, except for teachers’ salaries. The governmental fund statements provide a detailed short-term view of the School District’s general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

The School District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. The following chart identifies the net position of the District showing both the restricted and unrestricted assets that give the long-term and short-term perspective of the District's financial position. The chart also shows a comparison of the District's net position for 2016 and 2015.

ASSETS	2016	2015
Cash and cash equivalents	$ 15,135,296	$ 14,481,977
NET POSITION		
Restricted for:		
Capital outlay	$ 3,708,604	$ 3,261,207
Debt service	3,132,369	2,769,326
Unrestricted	8,294,323	8,451,444
Total net position	$ 15,135,296	$ 14,481,977

The District's total net position of governmental activities increased by $653,319.

The District's unrestricted net position, the part of the net position that can be used to finance day-to-day activities without constraints, established by grants or legal requirements of the School District, decreased by $157,121.

The District's restricted net position for debt service increased by $363,043.

The District's restricted net position for capital outlay increased by $447,396.

Revenues for the Statement of Activities are presented by program revenues and general revenues. There are three program revenue types: Charges for Services, Operating Grants and Contributions and Capital Grants and Contributions. Total revenues, expenditures and changes in net position are presented in the following table:

	2016	2015
REVENUES:		
Program Revenues:		
Charges for services	$ 2,858,896	$ 2,829,209
Operating grants and contributions	1,850,609	2,115,581
Capital grants and contributions	-	-
Total Program Revenues	4,709,505	4,944,790
General Revenues:		
Basic formula	12,710,571	12,360,766
Property taxes	17,513,631	16,743,967
Sales tax	3,176,147	3,133,553
State assessed utilities	720,627	699,969
Fines and escheats	82,853	75,710
Earnings on investments	147,593	340,446
M&M surtax	183,557	171,527
Other	74,814	103,120
In lieu of tax	9,400	-
Special item - Bond Proceeds	-	6,720,000
Total General Revenues and Special item	34,619,193	40,349,058
Total Revenues	39,328,698	45,293,848
PROGRAM EXPENDITURES:		
Instruction	21,842,657	21,508,778
Student services	976,702	961,723
Instructional staff support	720,582	791,892
General administration and central services	2,009,193	2,040,110
Building level administration	1,779,609	1,742,886
Operation of plant	2,979,642	2,927,512
Transportation	1,815,262	1,719,055
Food service	1,311,508	1,338,615
Community services	587,809	575,806
Facility acquisition and construction	791,003	1,815,191
Debt service:		
Principal retirement	3,107,695	15,819,313
Interest and fees	753,717	1,400,392
Total expenditures	38,675,379	52,641,273
CHANGE IN NET POSITION	653,319	(7,347,425)
Net position beginning of year	14,481,977	21,829,402
Net position end of year	$ 15,135,296	$ 14,481,977

GOVERNMENTAL ACTIVITIES

Revenues

General revenues and special items totaled $34,619,193. The largest sources of general revenue for the District are generated from local property taxes, $17,513,631 and the State Basic Foundation Formula, $12,710,571. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for $4,709,503 of total revenues. State and Federal reimbursement for the Individuals with Disabilities program (IDEA), Early Childhood Special Education, transportation, and food service were $469,633, $419,137, $384,301, $286,466 respectfully. Charges for services, including student activities and food service, totaled $2,858,896.

Expenditures

The School District had $38,675,378 in expenses, only $4,709,503 of these expenses was offset by program specific charges for services, grants or contributions. Total expenditure decrease of $13,965,895 over last year was primarily due to the Fiscal 2015 Retirement of the 2005A and 2005B series bonds along with refunding of the Series 2006 bonds. The District also utilized Capital funds to construct a new Maintenance and Transportation Facility.

The Statement of Activities shows the costs of program services and the charges for services and grants offsetting those services. The table below, comparing 2016 and 2015, shows the total cost of services and the net cost of services (after revenues such as grant money and rental fee are removed). That is, it identifies the costs of these services supported by local tax revenue and unrestricted State entitlements.

	2016		2015	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	$ 21,842,657	$ 19,282,320	$ 21,508,778	$ 18,752,346
Student services	976,702	976,702	961,723	961,723
Instructional staff support	720,582	720,582	791,892	791,892
General administration & central services	2,009,193	2,009,193	2,040,110	2,040,110
Building level administration	1,779,609	1,779,609	1,742,886	1,742,886
Operation of plant	2,979,642	2,965,928	2,927,512	2,903,872
Transportation	1,815,262	1,381,461	1,719,055	1,279,953
Food service	1,311,508	209,105	1,338,615	171,784
Community services	587,809	(11,441)	575,806	17,021
Facility acquisition and construction	791,003	791,003	1,815,191	1,815,191
Debt service:				
Principal retirement	3,107,695	3,107,695	15,819,313	15,819,313
Interest and fees	753,717	753,717	1,400,392	1,400,392
Total Governmental Activities	$ 38,675,379	$ 33,965,874	$ 52,641,273	$ 47,696,483

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

Student services include guidance and counseling, heath services, as well as the costs of student attendance reporting.

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

General administration and central services includes the expenses associated with administrative and financial supervision of the 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.

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

Operation of plant activities 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 student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Facility acquisition and construction includes expenditures for land or existing buildings; improvements of grounds; construction of buildings; remodeling of buildings; initial equipment; additional equipment; and replacement of equipment.

Debt service involves the transactions associated with the payment of principal, interest, and other related charges for debt of the School District.

The School District's Funds

The School District's major funds are accounted for using the modified cash basis of accounting. All major funds had total revenues of $39,328,698 and expenditures of $38,675,379.

General Fund Budgeting Highlights

The School District's budget is prepared according to Missouri law and is based on accounting for certain transactions on the modified cash basis. The most significant budgeted fund is the General Fund.

DEBT ADMINISTRATION

The District's total debt balance for facilities that is repaid through local tax dollars each year on a scheduled basis is $22,927,246. The District is postured to comfortably handle this debt as long as the current structure of funding schools remains in place.

The following chart shows the District's debt obligations at June 30:

	2016	2015
2009A Build America Bonds	$ 2,810,000	$ 2,810,000
2009B G.O. Refunding Bonds	1,555,000	1,555,000
2009C QSCB Bonds	4,440,000	4,440,000
2010 G.O. Refunding Bonds	3,405,000	4,025,000
2012 G.O. Refunding Bonds	5,330,000	5,700,000
2015 G.O. Refunding Bonds	4,680,000	6,720,000
Energy Cost Savings Lease	707,246	784,941
Total	$ 22,927,246	$ 26,034,941

Current Financial Issues and Concerns

The Kearney R-I School District is financially sound, however, we must continually monitor economic trends in order to maintain that stability. A major factor in the District's financial strength is the community's support over the years. Patrons of the district serve on various committees to provide guidance. The District's Audit and Finance committee works with administration in assisting the Board of Education in reviewing financial documentation and procedures. The District's Long-term Facilities Planning committee assists in reviewing needs for the future. As the preceding information shows, the School District heavily depends on its property taxpayers and revenue from the state foundation formula. The District will continue working to be good stewards of local tax dollars. The District will maintain a budget that provides outstanding academic programs for students, attracts and retains quality personnel, offers outstanding professional development for staff, and maintains and make improvements to facilities. The School District is proud of its community support.

In conclusion, the Kearney R-I School District has committed itself to financial excellence. The School District plans to continue its sound fiscal management to meet the challenges of the future.

Contacting the District's Financial Management

This report is designed to provide our patrons, taxpayers and constituents involved in any manner with our District, a general overview of the District's finances, and to demonstrate the District's financial responsibility for the funding it receives. If you have questions about this report or need further information, contact Ginger Elsea, Business Operations Manager, Kearney R-I School District Central Office at 816-628-4116.

KEARNEY R-I SCHOOL DISTRICT
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2016

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	$ 15,135,296
NET POSITION	
Restricted for:	
Capital outlay	$ 3,708,604
Debt service	3,132,369
Unrestricted	8,294,323
Total net position	$ 15,135,296

See accompanying notes to the basic financial statements.

KEARNEY R-I SCHOOL DISTRICT
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenues			Net (Expenditure) Revenue And Change in Net Position
	Expenditures	Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental
GOVERNMENTAL ACTIVITIES:					
Instruction	$ 21,842,657	$ 1,452,679	$ 1,107,658	$ -	$ (19,282,320)
Student services	976,702	-	-	-	(976,702)
Instructional staff support	720,582	-	-	-	(720,582)
General administration and central services	2,009,193	-	-	-	(2,009,193)
Building level administration	1,779,609	-	-	-	(1,779,609)
Operation of plant	2,979,642	13,714	-	-	(2,965,928)
Pupil transportation	1,815,262	49,500	384,301	-	(1,381,461)
Food service	1,311,508	815,936	286,467	-	(209,105)
Community services	587,809	527,067	72,183	-	11,441
Facility acquisition and construction	791,003	-	-	-	(791,003)
Debt service:					
Principal retirement	3,107,695	-	-	-	(3,107,695)
Interest and fees	753,717	-	-	-	(753,717)
Total Governmental Activities	$ 38,675,379	$ 2,858,896	$ 1,850,609	$ -	(33,965,874)

General Revenues:	
Basic formula	12,710,571
Property taxes	17,513,631
Sales tax	3,176,147
State assessed utilities	720,627
Fines and escheats	82,853
Earnings on investments	147,593
M & M surtax	183,557
In lieu of tax	9,400
Other revenue	74,814
Total General Revenues	34,619,193
Change in net position	653,319
Net Position Beginning of Year	14,481,977
Net Position End of Year	$ 15,135,296

See accompanying notes to the basic financial statements.

KEARNEY R-I SCHOOL DISTRICT
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and cash equivalents	$ 8,294,323	$ -	$ 3,132,369	$ 3,708,604	$ 15,135,296
FUND BALANCES					
Fund Balances:					
Restricted	$ -	$ -	$ 3,132,369	$ -	$ 3,132,369
Committed	-	-	-	1,841,581	1,841,581
Assigned	545,625	-	-	1,867,023	2,412,648
Unassigned	7,748,698	-	-	-	7,748,698
Total fund balances	$ 8,294,323	$ -	$ 3,132,369	$ 3,708,604	$ 15,135,296

See accompanying notes to the basic financial statements.

KEARNEY R-I SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES :					
Local	$ 16,567,380	$ 3,176,981	$ 3,923,979	$ 225,364	$ 23,893,704
County	581,212	82,853	139,415	-	803,480
State	558,884	13,064,259	-	-	13,623,143
Federal	316,771	621,266	48,908	-	986,945
Other	21,426	-	-	-	21,426
Total Revenues	18,045,673	16,945,359	4,112,302	225,364	39,328,698
EXPENDITURES :					
Instruction	4,556,687	17,255,033	-	30,937	21,842,657
Student services	330,344	646,358	-	-	976,702
Instructional staff support	161,753	558,829	-	-	720,582
General administration & central services	1,451,372	557,821	-	-	2,009,193
Building level administration	545,131	1,234,478	-	-	1,779,609
Operation of plant	2,940,158	-	-	39,484	2,979,642
Pupil transportation	1,679,558	135,704	-	-	1,815,262
Food service	1,307,118	-	-	4,390	1,311,508
Community services	587,809	-	-	-	587,809
Facility acquisition and construction	-	-	-	791,003	791,003
Debt service:					
Principal retirement	-	-	3,030,000	77,695	3,107,695
Interest and fees	-	-	719,259	34,458	753,717
Total Expenditures	13,559,930	20,388,223	3,749,259	977,967	38,675,379
Revenues Over (Under) Expenditures	4,485,743	(3,442,864)	363,043	(752,603)	653,319
Other Financing Sources (Uses):					
Transfers	(4,642,864)	3,442,864	-	1,200,000	-
Net change in fund balances	(157,121)	-	363,043	447,397	653,319
Fund balance, beginning	8,451,444	-	2,769,326	3,261,207	14,481,977
Fund balance, ending	$ 8,294,323	$ -	$ 3,132,369	$ 3,708,604	$ 15,135,296

See accompanying notes to the basic financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles Used to Determine Scope of Entity: The District's reporting entity includes the District's governing board and all related organizations.

The District has implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and 34.* GASB Statement No. 61 amended GASB Statement No. 14. GASB Statement 61 modifies certain requirements for inclusion of component units in the financial reporting entity.

The District has determined that no other outside agency meets the criteria set forth in GASB Statement No. 61 and, therefore, no other agency has been included as a component unit in the District's financial statements.

Basis of Presentation: The 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.

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the District.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end. The Statement of Activities presents a comparison between direct expenditures and program revenues for each program or function of the District's governmental activities. Direct expenditures are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenditures with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund-Financial Statements - During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following funds are used by the District:

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major Governmental Funds:

General Fund: Accounts for and reports all financial resources not accounted for and reported in another fund.

Special Revenue Fund: Accounts for and reports the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Fund: Accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Capital Projects Fund: Accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

Measurement Focus

Government-wide Financial Statements: The government-wide financial statements are prepared using the total economic resources measurement focus. All assets and liabilities arising from cash basis transactions are included on the Statement of Net Position.

Fund Financial Statements: All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement of focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach does not differ from the manner in which the governmental activities of the District-wide financial statements are prepared.

Basis of Accounting: In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues and expenditures when they result from cash transactions. Also, salaries for teachers are recorded as expenditures paid in the fiscal year in which the obligation under the salary contracts are fulfilled by the teachers, even though a portion of such salaries are not paid until July and August of the following fiscal year. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Pooled Cash and Temporary Investments: Cash resources of the individual funds are combined to form a pool of cash and temporary investments which is managed by the District's Treasurer. Interest income received is allocated to contributing funds based on cash and temporary investment balances. The investment pool is available for use by all funds except the Debt Service Fund (State law requires that all deposits of the Debt Service Fund be kept separate and apart from all other funds of the District).

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Vacation and Sick Leave: Vacation time, personal business days, and sick leave are considered as expenditures in the year paid. Such amounts unused and which are vested in the employee are payable upon termination and are not included in the accompanying financial statements.

Teachers' Salaries: Payroll checks written and held at June 30, 2016, for July and August 2016 payrolls related to 2015-2016 contracts in the amount of $3,310,702 are included in the financial statements as an expenditure paid in the month of June. This practice has been consistently followed in previous years.

OPEB Liabilities: As the District uses the modified cash basis of accounting, OPEB liabilities are not reported in these financial statements. The District has not provided for an estimate of this liability to be performed.

NOTE B - DEPOSITS AND INVESTMENTS

Custodial credit risk: For deposits, custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. At June 30, 2016, the bank balances of the District's deposits totaled $18,296,057. Of this amount $250,000 was covered by FDIC insurance, and $18,046,057 was supported by collateral, held by banks in the District's name that do not hold the collateralized deposits.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has a formal investment policy that minimizes the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter term securities.

Credit risk: Credit risk is defined as the risk that an issuer or other counterparties to an investment in debt securities will not fulfill its obligation.

The District is participating in the program created by Senate Bill 301 administered by the Missouri Health and Educational Authority (MOHEFA). The program intercepts a portion of state aid and places those funds in escrow to pay the current debt service requirement of the District's outstanding bonds. The District's investments in MOHEFA are not rated by any of the nationally recognized statistical rating organizations. The District had $1,576,869 invested with MOHEFA at June 30, 2016.

The District also has an escrow account to fund the debt service for the Series 2009 Qualified School Construction Bonds. A portion of state aid is intercepted and placed in this fund to pay the current debt service requirement of the Series 2009 bonds. The District had $21,092 invested in this account at June 30, 2016.

Concentration of credit risk: Concentration of credit risk is the risk loss attributed to the magnitude of a government's investment in a single user. The District's investment policy places no limit on the amount the District may invest in any one issuer.

NOTE C - RETIREMENT PLAN

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

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

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

The District's contributions to PSRS for the year ended June 30, 2016 were $2,483,430. The District's contributions to S-PSRS, the "2/3's statute", for the year ended June 30, 2016 were $7,732.

NOTE C - RETIREMENT PLAN (continued)

PEERS is a mandatory cost-sharing multiple employer retirement system for all public school district employees (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators, and community college employees (except the Community College of St. Louis). Employees of covered districts who work 20 or more hours per week on a regular basis and who are not contributing members of the Public School Retirement System of Missouri (PSRS must contribute to PEERS. Employees of PSRS who do not hold Missouri educator certificates also contribute to PEERS. PEERS was established as a trust fund by an Act of the Missouri General Assembly effective October 13, 1965. Statutes governing the System are found in Sections 169.600-169.715 and Sections 169.560-169.595 RSMo. The statutes place responsibility for the operation of PEERS on the Board of Trustees of the Public School Retirement System of Missouri. A Comprehensive Annual Financial Report (“CAFR") can be obtained at www.psrs-peers.org.

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

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

The District’s contributions to PEERS for the year ended June 30, 2016 were $270,497.

NOTE D - TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The counties of Clinton and Clay collect the property tax and remit it to the District on a monthly basis. The District also receives sales tax collected by the state and remitted based on weighted average daily attendance. The District is required to reduce its property tax levy by one-half the amount of sales tax estimated to be received in the subsequent calendar year. The District’s voters have approved a waiver of the rollback and, therefore, the District was not required to reduce its levy for the calendar year 2015.

NOTE D - TAXES (continued)

The assessed valuation of the tangible taxable property for the calendar year 2015 for the purposes of local taxation was:

Real Estate:		
Residential	$	234,561,630
Commercial		29,403,564
Agricultural		3,548,400
Personal Property		61,032,583
	$	328,546,177

The tax levy per $100 of the assessed valuation of tangible taxable property for the calendar year 2015 for purposes of local taxation was:

	Unadjusted	Adjusted
General Fund	$ 4.1557	$ 4.1557
Special Revenue Fund	-	-
Debt Service Fund	1.1904	1.1904
Capital Projects Fund	-	-
	$ 5.3461	$ 5.3461

The receipts of current and delinquent property taxes during the fiscal year ended June 30, 2016, aggregated approximately 100% of the current assessment computed on the basis of the levy as shown above.

NOTE E - INSURANCE

The District is exposed to various risks of loss related to torts; theft of; damage to, and destruction of assets; injuries to employees; and natural disasters. The District has joined with other schools to form the Missouri United School Insurance Council (MUSIC), a public entity risk pool currently operating as a common risk management and insurance program for its members. The District pays an annual premium to MUSIC for its insurance coverage. Such coverage allows for liability claims up to $2,800,000, property claims to various amounts and worker's compensation claims to statutory limits. The District maintains reinsurance for claims in excess of MUSIC's primary $2,800,000 up to an excess limit of $5,000,000.

NOTE F - SUBSEQUENT EVENTS

On August 25, 2016, the District entered into an agreement to sell property located at 20215 Clinton County Line Road, Holt, Missouri for $281,000.

NOTE G - LONG-TERM DEBT

Changes in long-term debt during the fiscal year were as follows:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Amount Due Within One Year
Bonds Payable	$ 25,250,000	$ -	$ 3,030,000	$ 22,220,000	$ 3,335,000
Capital Lease Obligation	784,941	-	77,695	707,246	81,230
Total	$ 26,034,941	$ -	$ 3,107,695	$ 22,927,246	$ 3,416,230

NOTE H - CAPITAL LEASE OBLIGATION

On September 25, 2008, the District entered into a lease purchase agreement with a bank to finance the cost of acquiring and installing certain equipment designed to reduce energy consumption and operating costs. The District issued $1,217,366 Series 2008 Certificates of Participation (Kearney R-I School District Energy Improvement Project) with the proceeds used to provide funds to pay the costs of the project. Under the project, the District entered into an agreement with the contractor installing the equipment to guarantee certain savings. The lease requires semi-annual payments of $56,076 through September 2023; interest at 4.5%.

Year Ending June 30,	Principal	Interest	Total
2017	$ 81,230	$ 30,922	$ 112,152
2018	84,927	27,226	112,153
2019	88,792	23,361	112,153
2020	92,833	19,321	112,154
2021	97,057	15,096	112,153
2022	101,473	10,679	112,152
2023	106,091	6,062	112,153
2024	54,843	1,234	56,077
	$ 707,246	$ 133,901	$ 841,147

NOTE I - BONDS PAYABLE

Bonds payable outstanding at June 30, 2016 are as follows:

Series 2009A Build America bonds due in varying annual installments through March 2025, interest from 5.11 to 5.41%	$	2,810,000
Series 2009B general obligation refunding bonds due in varying annual installments through March 2021, interest at 4.54%		1,555,000
Series 2009C QSCB general obligation bonds due in varying annual installments through March 2024, interest at 0.95%		4,440,000
Series 2010 general obligation refunding bonds due in varying annual installments through March 2021, interest from 2.25 to 4.25%		3,405,000
Series 2012 general obligation refunding bonds due in varying annual installments through March 2024, interest from 3.0 to 3.375%		5,330,000
Series 2015 general obligation refunding bonds due in varying annual installments through March 2018, interest at 2.00%		4,680,000
Total	$	22,220,000

Debt service requirements to maturity are:

Year Ending June 30,	Principal	Interest	Total
2017	$ 3,335,000	$ 649,310	$ 3,984,310
2018	3,670,000	571,510	4,241,510
2019	1,290,000	479,410	1,769,410
2020	2,055,000	433,910	2,488,910
2021	1,425,000	355,510	1,780,510
2022	1,845,000	269,597	2,114,597
2023	1,240,000	232,680	1,472,680
2024	825,000	183,364	1,008,364
2025	6,535,000	134,430	6,669,430
Total	$ 22,220,000	$ 3,309,721	$ 25,529,721

NOTE J - LEASE COMMITMENT

On August 5, 2014, the District entered in a copier lease with a third party under a non-cancelable operating lease. The lease requires five annual payments of $56,697 through September 5, 2018.

Year ending June 30,		
2017	$	56,697
2018		56,697
2019		56,697
Total	$	170,091

Lease expense for the year ended June 30, 2016 was $56,697.

NOTE K - INTERFUND TRANSFERS

During the year, the District made a $1,200,000 transfer from the General Fund to the Capital Projects Fund for necessary capital outlay expenditures. This revenue transfer is capped by an amount calculated annually by the Missouri Department of Elementary and Secondary Education (DESE).

Also, as allowed by DESE, the District transferred $3,442,864 from the General Fund to the Special Revenue Fund to avoid deficit spending in the Special Revenue Fund.

NOTE L - COMMITMENTS

On February 18, 2016, the District approved agreements for abatement of asbestos and replacement of flooring at Hawthorne Elementary. As of June 30, 2016, the outstanding commitment of funds for this project was $136,526.

On June 1, 2016, the District approved an agreement for construction of a tennis court facility. As of June 30, 2016, the outstanding commitment of funds for this project was $1,578,584.

On June 1, 2016, the District approved an agreement for repair of asphalt at various district buildings. As of June 30, 2016, the outstanding commitment of funds for this project was $126,471.

NOTE M - FUND BALANCES - GOVERNMENTAL FUNDS

Statement No. 54 of the Governmental Accounting Standards Board (GASB 54) establishes accounting and financial reporting standards for all governments that report governmental funds. GASB 54 establishes criteria for classifying fund balances and clarifies definitions for governmental fund types.

GASB 54 establishes five (5) fund balance categories: Nonspendable, Restricted, Committed, Assigned and Unassigned:

Nonspendable fund balance - Funds that cannot be spent due to their form or funds that legally or contractually must be maintained intact.

Restricted fund balance - Funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

NOTE M - FUND BALANCES - GOVERNMENTAL FUNDS (continued)

Committed fund balance - Funds that are set aside for a specific purpose by the District's highest level of decision-making authority. Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned fund balance - Funds that are set aside with the intent to be used for a specific purpose by the District's highest level of decision-making authority or a body or official who has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned fund balance - Excess funds that have not been classified in the previous four (4) categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

The Board of Education has the authority to set aside funds for a specific purpose. Commitments are authorized by formal Board resolution. The passage of a resolution must take place prior to June 30 of the applicable fiscal year. If the actual amount of the commitment is not available by June 30, the resolution must state the process or formal necessary to calculate the actual amount as soon as information is available. Assignments are authorized by fund placement in the special revenue, capital projects and debt service in the original, adopted and later revised budget.

Upon adoption of a budget where fund balance is used as a source to balance the budget, the budget officer shall record the amount as assigned fund balance. The Board delegates the authority to assign amounts for specific purpose(s) to the budget officer. When both restricted and unrestricted funds are available for expenditure, unrestricted funds should be spent first unless legal requirements disallow it. When committed, assigned and unassigned funds are available for expenditure, unassigned funds should be spent first, assigned funds second and committed funds last.

As of June 30, 2016, fund balances are composed of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund
Restricted:				
Debt service	$ -	$ -	$ 3,132,369	$ -
Committed:				
Construction projects	-	-	-	1,841,581
Assigned:				
Student activities	545,625	-	-	-
Capital projects	-	-	-	1,867,023
Total Assigned	545,625	-	-	1,867,023
Unassigned	7,748,698	-	-	-
Total fund balances	$ 8,294,323	$ -	$ 3,132,369	$ 3,708,604

SUPPLEMENTARY INFORMATION

KEARNEY R-I SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	BUDGET			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES:				
Local	$ 16,476,342	$ 16,307,579	$ 16,567,380	$ 259,801
County	450,000	450,000	581,212	131,212
State	415,000	424,000	558,884	134,884
Federal	312,909	343,909	316,771	(27,138)
Other	13,818	13,818	21,426	7,608
Total Revenues	17,668,069	17,539,306	18,045,673	506,367
EXPENDITURES:				
Instruction	4,281,050	4,445,699	4,556,687	(110,988)
Student services	323,756	356,614	330,344	26,270
Instructional staff support	188,545	182,152	161,753	20,399
General administration & central services	1,602,127	1,563,893	1,451,372	112,521
Building level administration	552,749	552,894	545,131	7,763
Operation of plant	3,214,997	3,100,872	2,940,158	160,714
Pupil transportation	1,705,500	1,739,625	1,679,558	60,067
Food service	1,433,292	1,359,985	1,307,118	52,867
Community services	606,765	613,770	587,809	25,961
Facility acquisition and construction	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total Expenditures	13,908,781	13,915,504	13,559,930	355,574
Revenues Over (Under) Expenditures	3,759,288	3,623,802	4,485,743	861,941
Other Financing Sources (Uses):				
Transfers	(3,473,795)	(4,991,019)	(4,642,864)	348,155
Net change in fund balance	285,493	(1,367,217)	(157,121)	1,210,096
Fund balance, beginning	8,451,444	8,451,444	8,451,444	-
Fund balance, ending	$ 8,736,937	$ 7,084,227	$ 8,294,323	$ 1,210,096

KEARNEY R-I SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	BUDGET			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES:				
Local	$ 3,097,860	$ 3,087,066	$ 3,176,981	$ 89,915
County	70,000	70,000	82,853	12,853
State	13,247,817	13,175,792	13,064,259	(111,533)
Federal	661,554	661,425	621,266	(40,159)
Other	-	-	-	-
Total Revenues	17,077,231	16,994,283	16,945,359	(48,924)
EXPENDITURES:				
Instruction	17,566,805	17,502,481	17,255,033	247,448
Student services	652,015	654,015	646,358	7,657
Instructional staff support	573,417	576,417	558,829	17,588
General administration & central services	665,517	672,117	557,821	114,296
Building level administration	1,230,133	1,241,133	1,234,478	6,655
Operation of plant	-	-	-	-
Pupil transportation	133,139	139,139	135,704	3,435
Food service	-	-	-	-
Community services	-	-	-	-
Facility acquisition and construction	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fees	-	-	-	-
Total Expenditures	20,821,026	20,785,302	20,388,223	397,079
Revenues Over (Under) Expenditures	(3,743,795)	(3,791,019)	(3,442,864)	348,155
Other Financing Sources (Uses):				
Transfers	3,743,795	3,791,019	3,442,864	(348,155)
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	$ -	$ -	$ -	$ -

KEARNEY R-I SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	BUDGET			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES:				
Local	$ 3,773,921	$ 3,921,475	$ 3,923,979	$ 2,504
County	120,000	120,000	139,415	19,415
State	-	-	-	-
Federal	48,800	48,800	48,908	108
Other	-	-	-	-
Total Revenues	3,942,721	4,090,275	4,112,302	22,027
EXPENDITURES:				
Instruction	-	-	-	-
Student services	-	-	-	-
Instructional staff support	-	-	-	-
General administration & central services	-	-	-	-
Building level administration	-	-	-	-
Operation of plant	-	-	-	-
Pupil transportation	-	-	-	-
Food service	-	-	-	-
Community services	-	-	-	-
Facility acquisition and construction	-	-	-	-
Debt service:				
Principal retirement	3,030,000	3,030,000	3,030,000	-
Interest and fees	718,923	719,259	719,259	-
Total Expenditures	3,748,923	3,749,259	3,749,259	-
Revenues Over (Under) Expenditures	193,798	341,016	363,043	22,027
Other Financing Sources (Uses):				
Proceeds from sale of bonds	-	-	-	-
Net change in fund balance	193,798	341,016	363,043	22,027
Fund balance, beginning	2,769,326	2,769,326	2,769,326	-
Fund balance, ending	$ 2,963,124	$ 3,110,342	$ 3,132,369	$ 22,027

KEARNEY R-I SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2016

	BUDGET			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES:				
Local	$ 165,000	$ 165,000	$ 225,364	$ 60,364
County	-	-	-	-
State	-	-	-	-
Federal	-	-	-	-
Other	-	-	-	-
Total Revenues	165,000	165,000	225,364	60,364
EXPENDITURES:				
Instruction	30,937	30,937	30,937	-
Student services	-	-	-	-
Instructional staff support	-	-	-	-
General administration & central services	-	-	-	-
Building administration	-	-	-	-
Operation of plant	35,800	40,170	39,484	686
Pupil transportation	-	-	-	-
Food service	12,500	12,500	4,390	8,110
Community services	-	-	-	-
Facility acquisition and construction	964,449	960,079	791,003	169,076
Debt service:				
Principal retirement	77,695	77,695	77,695	-
Interest and fees	34,458	34,458	34,458	-
Total Expenditures	1,155,839	1,155,839	977,967	177,872
Revenues Over (Under) Expenditures	(990,839)	(990,839)	(752,603)	238,236
Other Financing Sources (Uses):				
Transfers	-	1,200,000	1,200,000	-
Net change in fund balance	(990,839)	209,161	447,397	238,236
Fund balance, beginning	3,261,207	3,261,207	3,261,207	-
Fund balance, ending	$ 2,270,368	$ 3,470,368	$ 3,708,604	$ 238,236

Budgetary Process

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 67, RSMo, the District adopts a budget for each fund.

2. Prior to July, the budget officer, submits to the Board of Education a proposed budget for the fiscal year beginning on the following July 1. The proposed budget includes estimated revenues and proposed expenditures for all 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 final budget information included in the financial statements.

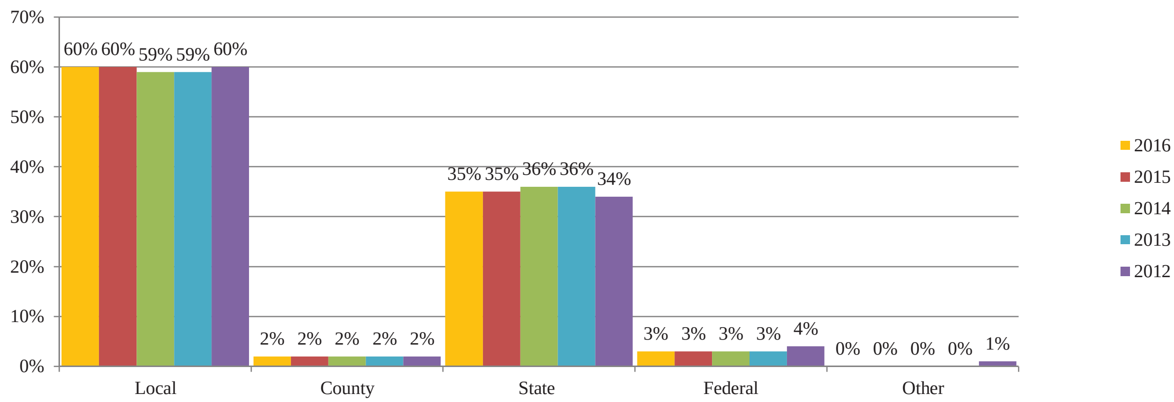
6. Budgets for District funds are prepared and adopted on the modified cash basis (budget basis), recognizing revenues when collected and expenditures when paid.

KEARNEY R-I SCHOOL DISTRICT
SCHEDULE OF REVENUES COLLECTED BY SOURCE
FOR THE YEAR ENDED JUNE 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL
LOCAL:					
Property tax	$ 13,617,101	$ -	$ 3,896,530	$ -	$ 17,513,631
Sales tax	-	3,176,147	-	-	3,176,147
Financial institution tax	-	-	-	18,604	18,604
M & M surtax	755	-	-	182,802	183,557
In lieu of tax	7,307	-	2,093	-	9,400
Earnings on investments	97,445	834	25,356	23,958	147,593
Food service	815,936	-	-	-	815,936
Student activities	1,436,527	-	-	-	1,436,527
Community services	527,067	-	-	-	527,067
Other local revenue	65,242	-	-	-	65,242
Total Local	16,567,380	3,176,981	3,923,979	225,364	23,893,704
COUNTY:					
Fines and escheats	-	82,853	-	-	82,853
State assessed utilities	581,212	-	139,415	-	720,627
Total County	581,212	82,853	139,415	-	803,480
STATE:					
Basic formula	-	11,406,446	-	-	11,406,446
Transportation	384,301	-	-	-	384,301
Early Childhood Special Ed.	-	346,779	-	-	346,779
Basic formula - classroom trust fund	-	1,304,125	-	-	1,304,125
Career education	11,551	6,819	-	-	18,370
Food service	9,144	-	-	-	9,144
Educational screening/PAT	72,183	-	-	-	72,183
High need fund	81,211	-	-	-	81,211
Other state revenue	494	90	-	-	584
Total State	558,884	13,064,259	-	-	13,623,143
FEDERAL:					
Title I	-	86,918	-	-	86,918
Title II A	19,360	-	-	-	19,360
Medicaid	9,574	-	-	-	9,574
Individuals with Disabilities	8,514	461,120	-	-	469,634
Early childhood special education	-	72,358	-	-	72,358
Career education		600			600
Child nutrition	277,323	-	-	-	277,323
Other federal revenue	2,000	270	48,908	-	51,178
Total Federal	316,771	621,266	48,908	-	986,945
OTHER:					
Tuition from other districts	16,152	-	-	-	16,152
Sale of other property	5,274	-	-	-	5,274
Total Other	21,426	-	-	-	21,426
Total Revenues Collected	$ 18,045,673	$ 16,945,359	$ 4,112,302	$ 225,364	$ 39,328,698

KEARNEY R-I SCHOOL DISTRICT
COMPARISON OF REVENUES COLLECTED BY SOURCE
FOR THE YEARS ENDED JUNE 30, 2016, 2015, 2014, 2013 AND 2012

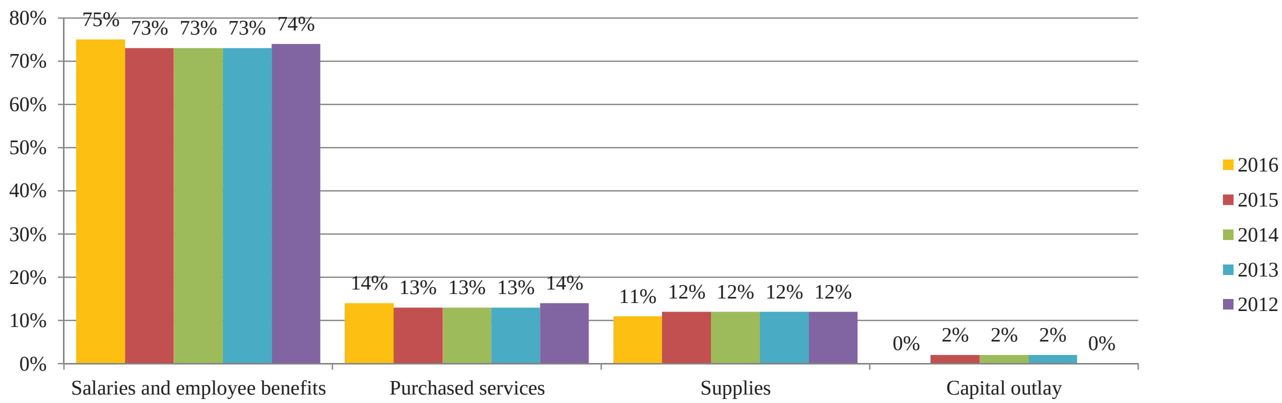
	2016	2015	2014	2013	2012
Local	$ 23,893,704	$ 23,244,645	$ 22,760,251	$ 22,598,367	$ 22,938,401
County	803,480	779,620	690,298	751,649	708,302
State	13,623,143	13,402,485	13,547,126	13,934,994	12,852,495
Federal	986,945	1,122,664	1,131,752	1,304,386	1,344,404
Other	21,426	24,434	15,610	11,950	202,735
	$ 39,328,698	$ 38,573,848	$ 38,145,037	$ 38,601,346	$ 38,046,337



Note: The above graphs do not include proceeds from the sale of bonds.

KEARNEY R-I SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES PAID BY OBJECT
FOR THE YEARS ENDED JUNE 30, 2016, 2015, 2014, 2013 AND 2012

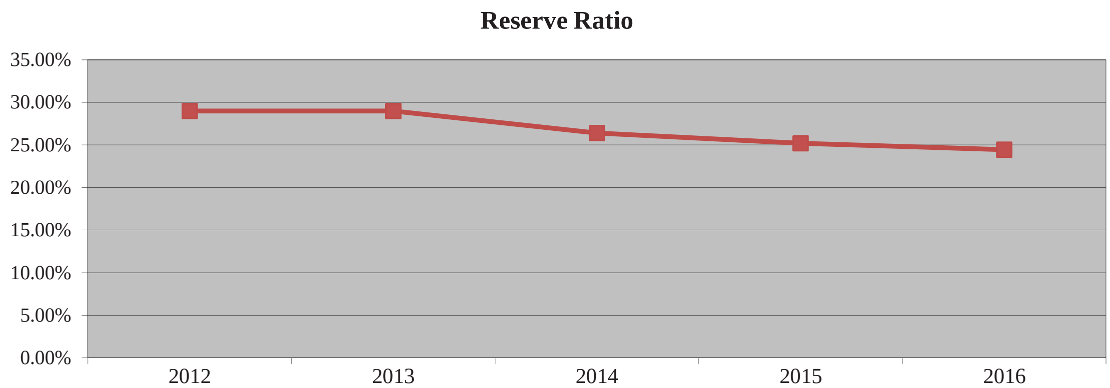
	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	2016 TOTALS	2015 TOTALS	2014 TOTALS	2013 TOTALS	2012 TOTALS
Salaries	$ 3,861,145	$ 16,339,616	$ -	$ -	$ 20,200,761	$ 19,778,907	$ 19,194,768	$ 18,316,860	$ 17,934,909
Employee benefits	1,218,129	3,992,824	-	-	5,210,953	5,239,992	4,949,959	4,989,446	4,748,448
Purchased services	4,597,166	55,783	-	-	4,652,949	4,505,434	4,380,813	4,287,168	4,420,047
Supplies	3,883,490	-	-	-	3,883,490	4,023,875	4,102,910	3,984,791	3,642,605
Capital outlay	-	-	-	865,814	865,814	1,873,359	1,576,153	1,456,042	889,593
Principal	-	-	3,030,000	77,695	3,107,695	15,819,314	2,911,079	2,492,985	7,955,026
Interest and fees	-	-	719,259	34,458	753,717	1,400,392	1,375,048	1,430,912	1,632,552
	$ 13,559,930	$ 20,388,223	$ 3,749,259	$ 977,967	$ 38,675,379	$ 52,641,273	$ 38,490,730	$ 36,958,204	$ 41,223,180

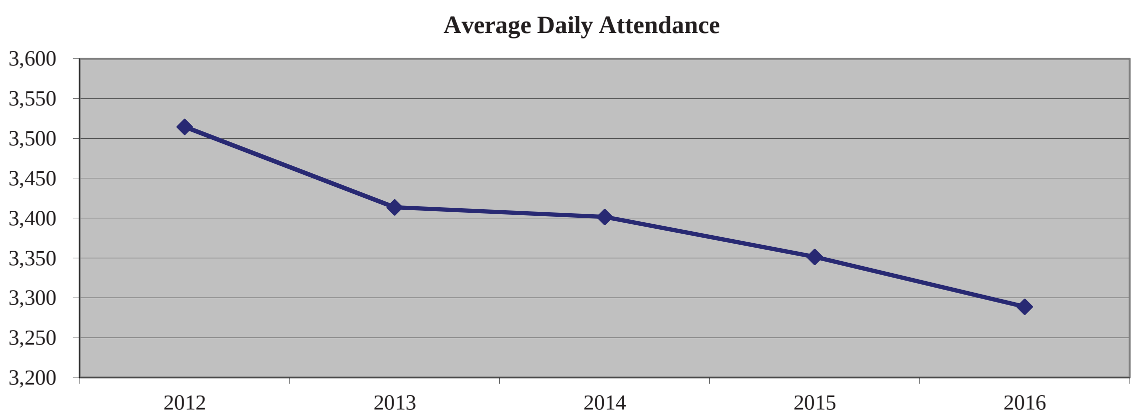


Note: The above graphs do not include expenditures for debt service expenditures or for capital improvements.

KEARNEY R-I SCHOOL DISTRICT
SELECTED TRENDS
FOR THE YEARS ENDED JUNE 30, 2012 THROUGH 2016

General and Special Revenue Funds	2012	2013	2014	2015	2016
Total Fund Balances	$ 8,909,476	$ 9,152,523	$ 8,615,164	$ 8,451,444	$ 8,294,323
Total Expenditures	30,746,010	31,578,265	32,628,450	33,548,208	33,948,153
Reserve Ratio	28.98%	28.98%	26.40%	25.19%	24.43%
Average Daily Attendance	3,514.52	3,413.63	3,401.66	3,351.32	3,288.97





KEARNEY R-I SCHOOL DISTRICT
SCHEDULE OF SELECTED STATISTICS
FOR THE YEAR ENDED JUNE 30, 2016

County District Number 024-086

1. CALENDAR

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

Grades K - 5	6.4000
Grades 6 - 12	6.2500

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

Grades K - 5	1,091.90
Grades 6 - 12	1,066.42

C. The number of days classes were in session and pupils were under the direction of teachers during this school year was 174 days.

2. AVERAGE DAILY ATTENDANCE (ADA)

Grades K-12	3,237.75
Resident II	2.95
Summer School	48.27
Total Average Daily Attendance	3,288.97

3. SEPTEMBER MEMBERSHIP

September Membership FTE Count	3,418.60

4. FREE AND REDUCED PRICE LUNCH FTE COUNT (Section 163.011(6), RSMo)

State FTE Total	Free 363.36
	Reduced 120.12
	Total 483.48

5. FINANCE

A. As required by Section 162.401, RSMo, a bond was purchased for the District's treasurer in the total amount of: $50,000

B. The District's deposits were secured during the year as required by Section 110.010 and 110.020, RSMo. True

C. The District maintained a separate bank account for its Debt Service Fund in accordance with Section 165.011, RSMo. True

D. Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records. True

County District Number 024-086

5. **FINANCE** (continued)

E. If a $162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, did 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? Yes

F. The District published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo. True

G. The District has a professional development committee plan adopted by the board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year basic formula apportionment. True

H. The amount spent for approved professional development committee plan activities was: $120,434

6. **TRANSPORTATION** (Section 163.161, RSMo.)

A. The District's transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid. True

B. The District's school transportation ridership records are maintained in a manner to accurately disclose in all material respects the average number of regular riders transported. True

C. Based on the ridership records, the average number of students (non-disabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was:
Eligible ADT: 1,622.50
Ineligible ADT: 774.00

D. The District's transportation odometer mileage records are maintained in a manner to accurately disclose in all material respects the eligible and ineligible miles for the year. True

E. Actual odometer records show the total district-operated and contracted mileage for the year was: 529,670

Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route and disapproved miles (combined) was:
Eligible miles: 463,989
Ineligible miles (non-route/disapproved): 65,681

F. Number of days the District operated the school transportation system during the regular school year: 174

KEARNEY R-I SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR NUMBER	EXPENDITURES
U.S. Department of Agriculture			
Passed-through Missouri Department of Elementary and Secondary Education:			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	024-086	$ 34,150
National School Lunch Program	10.555	024-086	243,173
Non-cash: Food Distribution Program	10.555	024-086	73,959
Total Child Nutrition Cluster			351,282
Direct:			
Healthier US School Challenge Grant	10.543		2,000
U.S. Department of Education			
Passed-through Missouri Department of Elementary and Secondary Education:			
Special Education Cluster:			
IDEA, Part B	84.027A	024-086	556,872
IDEA, Preschool Grants (ECSE)	84.173A	024-086	13,361
Total Special Education Cluster			570,233
Title I, Part A	84.010A	024-086	164,724
Career & Technical Education Grants	84.048A	024-086	600
Title II.A	84.367A	024-086	49,903
Title VI.A - State Assessment Grants	84.369A	024-086	270
			$ 1,139,012

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Kearney R-I School District under programs of the federal government for the year ended June 30, 2016. 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 Kearney R-I School District, it is not intended to and does not present the financial position, change in net position or cash flows of Kearney R-I School District.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. 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. The District has not elected to use the 10-percent de minimis indirect cost rate under the Uniform Guidance.

INTERNAL CONTROL AND COMPLIANCE

WESTBROOK & CO., P.C.
Certified Public Accountants
749 Driskill Drive
Richmond, MO 64085
18 North Folger
Carrollton, MO 64633

REPORT ON THE ADMINISTRATION'S ASSERTIONS ABOUT COMPLIANCE WITH SPECIFIED REQUIREMENTS OF MISSOURI LAWS AND REGULATIONS

To the Board of Education
Kearney R-I School District

We have audited the administration's assertions, included in its representation letter dated October 18, 2016, that Kearney R-I School District complied with the requirements of Missouri Laws and Regulations regarding budgetary and disbursement procedures; accurate disclosure by the District's attendance records of average daily attendance, resident membership on the last Wednesday of September, 2015 and the number of students eligible to receive free or reduced price lunches on the last Wednesday of January, 2016; and accurate disclosure by the District's pupil transportation records of the average students scheduled to be transported eligible and ineligible for state aid, the number of miles eligible and ineligible for state aid and the allowable costs for pupil transportation during the year ended June 30, 2016. As discussed in that representation letter, the administration is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the administration's assertions about the District's compliance based on our audit.

Our audit was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our opinion does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the administration's assertions that the District complied with the aforementioned requirements for the year ended June 30, 2016 are fairly stated in all material respects.

We noted certain immaterial instances of noncompliance with the aforementioned requirements that we have reported to the administration of the District in the accompanying Schedule of State Findings.

This report is intended solely for the information and use of the Board of Education, the administration and Missouri Department of Elementary and Secondary Education and is not intended to be and should not be used by anyone other than these specified parties.

Westbrook & Co., P.C.

October 18, 2016

Member, American Institute of Certified Public Accountants; Missouri Society of Certified Public Accountants

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Fax: Richmond: (816) 470-7100 Carrollton: (660) 542-3959

TRANSPORTATION

During our audit, we noted errors in the reporting of eligible and ineligible riders as well as errors in the reporting of mileage information. The non-disabled grades K-12 eligible riders and the HB1180 ineligible riders were not calculated properly in their spreadsheet that the District retains. Both, the eligible and ineligible ridership counts were overstated on the Application of State Transportation Aid. State regulations require that accurate ridership counts for October and February be reported on the Application for State Transportation Aid.

In addition, we noted that the mileage data reported to the State for the non-route mileage had been incorrectly reported. Activity miles for the month of July were not reported. We recommend that the District implement review procedures that require independent review by another administrative employee. As a result of our audit, the District has corrected the ridership and mileage data reported on the Application for State Transportation Aid.

WESTBROOK & CO., P.C.
Certified Public Accountants

749 Driskill Drive
Richmond, MO 64085

18 North Folger
Carrollton, MO 64633

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
Kearney R-I School District

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 modified cash basis financial statements of the governmental activities and each major fund of Kearney R-I School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Westbrook & Co., P.C.

Richmond, Missouri
October 18, 2016

WESTBROOK & CO., P.C.
Certified Public Accountants

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

To the Board of Education
Kearney R-I School District

Report on Compliance for Each Major Federal Program

We have audited Kearney R-I School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. The 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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 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 on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the 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, 2016.

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Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on 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 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 upon the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Westbrook & Co., P.C.

Richmond, Missouri
October 18, 2016

KEARNEY R-I SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with the modified cash basis:	Unmodified			
Internal control over financial reporting:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major federal programs:				
• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified?		Yes	X	None reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		Yes	X	No
Identification of major federal programs:				
Special Education Cluster	CFDA No. 84.027A and 84.173A			
Dollar threshold used to distinguish between type A and type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?		Yes	X	No

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None

KEARNEY R-I SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

The prior audit included no audit findings.