

JACKSON COUNTY SPORTS COMPLEX AUTHORITY

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
with
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To The Commissioners
Jackson County Sports Complex Authority
Kansas City, Missouri

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities and the major fund of the Jackson County Sports Complex Authority (the Authority) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the accompanying 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 cash basis of accounting described in Note 1; this includes determining that the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of the governmental activities and major fund as of December 31, 2015, and the respective changes in financial position - cash basis thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Change in Accounting Principle

As discussed in Note 7 to the financial statements, in 2015 the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of administrative expenditures - cash basis and 2015 Economic Impact Analysis are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The 2015 Economic Impact Analysis section 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 it.

Cudney, Ecord, McEuse & Mullane LLC

May 17, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Jackson County Sports Complex Authority's (the Authority) annual financial report presents management's discussion and analysis of the Authority's operations and financial position during the fiscal year ended December 31, 2015. This analysis should be read in conjunction with the Independent Auditor's Report, financial statements, notes to the financial statements and supplementary information.

Overview of the Cash Basis Financial Statements

This discussion and analysis is provided as an introduction to the basic financial statements which are prepared using the cash basis of accounting. The basic financial statements consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are a broad overview of the Authority's finances.

The *statement of net position* presents the Authority's assets and net position. Net position is an important measure of the Authority's overall financial health. The increases and decreases in net position can be monitored to determine whether the Authority's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the Authority's net position changed during the year.

Both of the government-wide financial statements report functions of the Authority that are principally supported by intergovernmental revenues (governmental activities). The governmental activities for the Authority include facility leasing and management, and improvements and repairs to the Jackson County Sports Complex.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure compliance with finance-related legal requirements for its governmental fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also contains supplementary information on administrative expenditures.

Government-wide Financial Analysis

Net Position – Cash Basis

	2015	2014
Cash	\$ 68,766	\$ 41,428
Investments	1,754,460	1,672,486
Total assets	<u>\$ 1,823,226</u>	<u>\$ 1,713,914</u>
Net position:		
Restricted for project completion and common area maintenance	<u>\$ 1,823,226</u>	<u>\$ 1,713,914</u>

Changes in Net Position – Cash Basis

	2015	2014
Revenues:		
Program revenues -		
Operating grants and contributions	\$ 595,655	\$ 547,287
Capital grants and contributions	698,694	684,242
General revenues -		
Investment earnings	151	137
Total revenues	<u>1,294,500</u>	<u>1,231,666</u>
Expenses:		
Facility leasing and management	633,088	571,861
Improvements and repairs	552,100	616,606
Total expenses	<u>1,185,188</u>	<u>1,188,467</u>
Increase in net position	109,312	43,199
Net position, beginning	1,713,914	1,670,715
Net position, ending	<u>\$ 1,823,226</u>	<u>\$ 1,713,914</u>

For 2015, revenues include amounts received from trustee RMMO funds for administration and common area maintenance. Expenses include costs of administration, project completion, and common area maintenance. Rents received and management fees paid are not included in these financial statements.

Financial Analysis of the Authority's Fund

Administration and Common Area Maintenance Fund – Activities in the fund include receipt and disbursement of funds for the continuing work of the Authority.

Economic Factors

On January 24, 2006 the Authority, along with the County, entered into lease amendments with the Chiefs and Royals. With the successful 3/8 cent sales tax election held April 4, 2006, together with intergovernmental funding, sufficient revenue will be available to renovate both stadiums as well as provide for ongoing repairs and maintenance over the 25 year lease term.

Requests for Information

This financial report is designed to provide the reader a general overview of the Authority's finances. Questions or requests for more information concerning any of the information provided in this report should be directed to Jim Rowland, Executive Director, Arrowhead Stadium, 8501 Stadium Drive, Kansas City, Missouri 64129.

JACKSON COUNTY SPORTS COMPLEX AUTHORITY

STATEMENT OF NET POSITION - CASH BASIS

December 31, 2015

ASSETS:

Cash	\$ 68,766
Investments (see Note 2)	<u>1,754,460</u>
Total assets	<u><u>\$ 1,823,226</u></u>

NET POSITION:

Restricted for project completion and common area maintenance	<u><u>\$ 1,823,226</u></u>
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See notes to financial statements.

JACKSON COUNTY SPORTS COMPLEX AUTHORITY

STATEMENT OF ACTIVITIES - CASH BASIS

Year ended December 31, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Governmental activities:				
Facility leasing and administration	\$ 633,088	\$ 595,655	\$ -	\$ (37,433)
Improvements and repairs	<u>552,100</u>	<u>-</u>	<u>698,694</u>	<u>146,594</u>
Total governmental activities	<u>\$ 1,185,188</u>	<u>\$ 595,655</u>	<u>\$ 698,694</u>	109,161
General revenues:				
Investment earnings				<u>151</u>
Change in net position				109,312
Net position, beginning				<u>1,713,914</u>
Net position, ending				<u>\$ 1,823,226</u>

See notes to financial statements.

JACKSON COUNTY SPORTS COMPLEX AUTHORITY

STATEMENT OF GOVERNMENTAL FUND ASSETS - CASH BASIS

December 31, 2015

**ADMINISTRATION AND COMMON AREA
MAINTENANCE FUND**

Cash	\$ 68,766
Investments (see Note 2)	<u>1,754,460</u>
	<u><u>\$ 1,823,226</u></u>

See notes to financial statements.

JACKSON COUNTY SPORTS COMPLEX AUTHORITY

STATEMENT OF CHANGES IN GOVERNMENTAL FUND ASSETS - CASH BASIS

Year ended December 31, 2015

	Administration and Common Area Maintenance Fund
REVENUES:	
Received from RMMO Fund for common area repair and maintenance	\$ 698,694
Received from RMMO Fund for administration	595,655
Investment income	151
Total revenues	1,294,500
EXPENDITURES:	
Complex repairs and maintenance (Note 3)	552,100
Administrative expenses	633,088
Total expenditures	1,185,188
Change in balance	109,312
Balance, beginning of year	1,713,914
Balance, end of year	\$ 1,823,226

See notes to financial statements.

JACKSON COUNTY SPORTS COMPLEX AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Year ending December 31, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Jackson County Sports Complex Authority (the "Authority") is a body corporate and politic, and a political subdivision of the State of Missouri. The Authority was created for the construction, operating and financing of recreational facilities. The Authority currently leases the Truman Sports Complex (the "Sports Complex") to the Kansas City Chiefs Football Club, Inc. ("Chiefs") and the Kansas City Royals Baseball Corporation ("Royals") under long-term leases (see Note 3). The Sports Complex is owned by Jackson County, Missouri.

The funds and related accounts of the Authority are maintained by fiscal agents who administer all investment transactions and act as paying agents for capital expenditures from Jackson County, Missouri bond issuances.

Cash Basis of Accounting

The Authority's policy is to prepare its basic financial statements on the cash basis. Consequently, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Accordingly, no accruals for income or liabilities of the Authority have been reflected in the accompanying basic financial statements. Also, expenditures for buildings, vehicles, equipment and office furnishings are expensed currently. During 2015, the Authority's capital expenditures included \$18,500 for maintenance equipment.

Basis of Presentation

The Authority's basic financial statements include both government-wide and fund financial statements.

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the Authority, as a whole.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function of the governmental activities. Direct expenses are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Authority.

The Authority's net position is reported as either restricted or unrestricted net position. The Authority's restricted net position consists of funds restricted for specific purposes under provisions of the lease amendments.

Fund Financial Statements - The fund financial statements report detailed information about the Authority. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

The major governmental fund of the Authority is:

Administration and Common Area Maintenance Fund - This fund accounts for the ongoing administration of the Authority and common area maintenance and repairs as provided by the lease amendments.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Jackson County, Missouri Revised Pension Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Under the cash basis of accounting, the Authority does not recognize deferred outflows and inflows of resources related to pensions, and only reports the payments made to the Plan as an expenditure.

Fund Balance

Fund balances are classified based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Authority reports the following fund balance classification:

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions or enabling legislation.

2. DEPOSITS AND INVESTMENTS

The disclosures that follow have been prepared in accordance with the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement establishes disclosure requirements for investment and deposit risks related to credit risk, concentrations of credit risk, interest rate risk, and foreign currency risk.

Investments - As of December 31, 2015, the Authority's investments were held in a single financial institution's money market mutual fund, where the underlying investments were either U.S. government or agency securities. Such investments are carried at cost which approximates fair value.

Investment Policies - The Authority deposits and invests all monies as allowed by state statute and in accordance with the Authority's by-laws. State statutes allow the Authority to deposit in bank deposits or government securities. Similar to the state statutes, the by-laws allow the Authority to invest in debt obligations of the United States of America.

Subsequent to year-end, the Authority approved and adopted an investment policy modeled after the Missouri Treasurer's suggested policy to meet the objectives of safety, liquidity and yield. Among other provisions, the policy addresses investment types and parameters, investment restrictions and prohibited transactions.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will be unable to fulfill its obligations to the holder of the investment. This risk can be measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the Authority's investment, which is rated AAAm by Standard & Poor's:

<u>Investment</u>	<u>Carrying Amount</u>
Federated Government Obligations Fund #5	<u>\$1,754,460</u>

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For deposits, the Authority follows state statutes which require pledged collateral with a fair value equal to 100% of the funds on deposit, less insured amounts. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the Authority's investments are held by the Authority's agent in the Authority's name.

At December 31, 2015, the Authority's deposits were fully insured.

Interest Rate Risk

The Authority's investment policies do not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. To minimize the risk of loss, the Authority matches investments to anticipated cash flows and diversifies the investment types to the extent practicable. The Authority has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of December 31, 2015, all of the Authority's investments had maturities of less than one year.

Concentration of Credit Risk

The Authority's investment policy in 2015 does not address the amounts that can be invested with any one issuer. Investments that represent more than 5% of the Authority's investments are listed above under Credit Risk.

3. LEASES AND MANAGEMENT CONTRACTS

On January 19, 1990, the Authority entered into leases and management contracts through January 31, 2015 with the Chiefs and the Royals. Both lease agreements call for annual basic rents from both the Chiefs and Royals of \$450,000 and percentage rentals based upon gross receipts, net of taxes, in excess of \$7,500,000, and calculated using a sliding scale from 5% down to 2% as gross receipts increase.

The management contracts provide for annual management fees (RMMO fees) to be paid to the Chiefs and Royals. The management fees increase commensurate with the Consumer Price Index, not to exceed 4.75% in any given year for each year during the remainder of the contracts.

On January 24, 2006, and with the successful passage of a 3/8 cent sales tax election on April 4, 2006, the Authority, along with Jackson County, entered into lease amendments with the Chiefs and Royals to extend the original leases to January 31, 2031.

The 2006 Lease Amendments call for the establishment of a separate Repair, Maintenance, Management and Operations Fund (RMMO Fund) for the teams with the Chiefs and Royals assuming responsibility and financial risk for the long-term repair, maintenance, management, and operations of their respective stadiums. The Authority receives an annual allocation from the sales tax funds for administrative expenses and to provide for the ongoing maintenance of Sports Complex Common Areas.

4. GOVERNMENTAL FUNDING

The Authority has historically received revenues, subject to annual appropriation, from the City, County and State to fund current and future expenditures in relation to the leases and management contracts with the teams. These funds now flow through to the County's Bond Trustee, Bank of Kansas City and are used to make debt service payments on the County's 2006 Bonds, make RMMO fee payments to the teams; with any remaining amounts deposited to the teams' RMMO funds. The annual commitments have been \$2,000,000 from the City; not less than \$3,500,000 from the County, generated from the County's park levy of \$0.08 per \$100 assessed valuation and \$3,000,000 from the State. As these funds now go directly to the County's Trustee, the Authority has no control over these financial transactions, and, accordingly they are not included in these financial statements.

Pursuant to the 2006 Lease Amendments, the following funds have been received by the County's Trustee, Bank of Kansas City, during the year ended December 31, 2015. Such amounts are payable pursuant to the teams' 2006 Lease Amendments with the Authority and the County.

REVENUES AND OTHER ADDITIONS

RENT

Basic

Kansas City Chiefs Football Club, Inc.	\$	450,000
Kansas City Royals Baseball Corporation		450,000

Percentage

Kansas City Chiefs Football Club, Inc.	1,380,706
Kansas City Royals Baseball Corporation	1,929,092

PARKING AND TICKET FEES

Parking User Fees

Kansas City Chiefs Football Club, Inc.	841,511
Kansas City Royals Baseball Corporation	440,838

Ticket User Fees

Kansas City Royals Baseball Corporation	684,514
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GOVERNMENT FUNDS

State of Missouri	3,000,000
Jackson County	37,627,890
City of Kansas City	2,000,000

5. BENEFIT PLANS

General Information about the Pension Plan

Plan Description

The Authority employees are provided retirement and other benefits through the Jackson County, Missouri Revised Pension Plan (the Plan), a cost-sharing multiple employer defined benefit plan administered by the Pension Plan Board of Trustees. The benefit provisions are provided under the authority of RSMo. 50.337 and may be amended by the Jackson County Legislature. The Plan issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained at www.jacksongov.org.

Benefits Provided

The Plan provides retirement, death and disability benefits. Eligibility begins after twelve months of credited service and benefits vest after 5 years of credited service. Retirement benefits are 1.5% of the average monthly earnings for each year of credited service beginning at age sixty-five, or at age fifty-five for those whose age and years of service total eighty years.

Early retirement benefits, subject to certain reductions, are available to those age fifty-five with five years of service. Disability benefits are provided to those with five years of service equal to the accrued benefit if the disability is total and permanent. A death-in-service benefit is also provided, equal to the lump sum equivalent of the accrued benefit. The Plan also provides for discretionary cost of living increases of up to 3% for those who have been retired for a full year.

Contributions

The contribution requirements of the Authority are determined by the Plan's Board of Trustees based on an actuarial valuation. The Authority's contractually required contribution rate was 13.6% of covered payroll. The rate is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the Authority do not contribute to the Plan. Contributions to the Plan were \$27,869.

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

At December 31, 2015, the Authority reported a liability of \$124,205 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on its percentage of covered payroll to the total covered payroll of all participating employers for the period July 1, 2014 to June 30, 2015. At July 1, 2015, the Authority's proportion was 0.22%, which was an increase of 0.01 from its proportion measured as of July 1, 2014.

For the year ended December 31, 2015 the Plan reported pension expense of \$27,499 on the accrual basis. At December 31, 2015, the Authority's proportionate share of deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,418
Changes of assumptions	23,651	-
Net difference between projected and actual earnings on pension plan investments	13,493	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	88	-
Contributions subsequent to the measurement date	13,686	-
Total	<u>\$ 50,918</u>	<u>\$ 5,418</u>

On the accrual basis of accounting, the Authority's \$13,686 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date would be recognized as a reduction of the net pension liability in the year ended December 31, 2016.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended:
2016	\$ 12,032
2017	12,032
2018	4,376
2019	3,374
	<u>\$ 31,814</u>

Actuarial Assumptions

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	4%
Investment rate of return	7%, net of expenses
Post retirement benefit increase	2%

Mortality rates were based on RP2014 Combined Mortality Table with generational improvements.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study in 2014 and included the adoption of the RP2014 mortality table.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-

term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	62.50%	8.69%
Fixed Income	32.50%	3.27%
Real Assets	5%	5.51%

Discount Rate

The discount rate used to measure the total pension liability is 7%. The projection of cash flows used to determine the discount rate assumes that Authority contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability, calculated using the discount rate of 7%, as well as what the Authority's proportionate share of net pension liability would be using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Proportionate share of the net pension liability	\$ 175,974	\$ 124,205	\$ 18,133

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan Comprehensive Annual Financial Report.

Payable to the Pension Plan

The Authority's payable for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2015 was \$1,147.

6. LEGAL MATTERS

The Kansas City Royals have put the Authority on notice that they may make a claim that certain deposits of non-sales tax revenues were not made to the Royals RMMO fund, and instead were used for the payment of debt service on Jackson County's 2006 sales tax revenue bonds. If such a claim were made, it is likely a similar claim would be made by the Chiefs.

The Authority has never had custody or control of either the sales tax revenues or the non-sales tax revenues in question. All of these revenues are deposited in the Revenue Fund described in the trust indenture relating to the Jackson County Missouri Special Obligation Bonds Series 2006 which is under the custody and control of the bond trustee.

The Authority has become aware of an assessment by the Department of Revenue against the Chiefs alleging unpaid sales tax of \$1,200,000 plus interest and penalties. The Department's claim appears to be based upon the belief that the Authority's exemption certificate, which was limited by its terms to construction materials, was used by the Chiefs to purchase personal property that falls outside the Department's definition of construction materials. It should be noted that the Missouri Constitution and Chapter 144 RSMo both exempt all purchases by the Authority from sales taxes. The Authority has taken certain steps to protect itself and, according to counsel, even if the Authority did not prevail, it would have a claim against the Chiefs.

From time to time, various parties have asserted claims in the nature of mechanics liens against the Authority for work done in the course of the renovation of the Sports Complex. These parties are advised that a mechanics lien will not lie against a political subdivision, and they usually file a claim against the payment bond furnished by the teams or their general contractor, which is their sole remedy. In addition, from time to time the Authority receives notice of a personal injury claim, usually a slip and fall case, alleging an unsafe condition on property that is leased to either the Chiefs or the Royals. These parties are referred to the respective teams who then refer these claims to their insurer, as the teams are responsible for the condition of the premises under their leases. These types of claims are not considered material.

7. CHANGE IN ACCOUNTING PRINCIPLE

In 2015, the Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The adoption of this Statement revises and establishes new financial reporting requirements for most governments that provide their employees a defined benefit pension plan. The Statement requires most governments to recognize, on the accrual basis of accounting, a net pension liability measured as of a date no earlier than the end of its prior fiscal year; to recognize its contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's fiscal year as deferred outflows of resources; to recognize deferred outflows and inflows of resources for changes in the net pension liability that arise from other types of events. Under the Authority's cash basis method of accounting, the pension liability and deferred amounts are not recognized, yet are disclosed in Note 5.

**REQUIRED
SUPPLEMENTARY INFORMATION**

JACKSON COUNTY SPORTS COMPLEX AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

JACKSON COUNTY, MISSOURI REVISED PENSION PLAN

	<u>2015</u>
Authority's proportion of the net pension liability	0.22%
Authority's proportionate share of the net pension liability	\$ 124,205
Authority's covered-employee payroll	\$ 134,903
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	92.07%
Plan fiduciary net position as a percentage of the total pension liability	81.25%

The amounts presented were determined as of June 30th.

Note: This schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

JACKSON COUNTY SPORTS COMPLEX AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS

JACKSON COUNTY, MISSOURI REVISED PENSION PLAN

	2015
Contractually required contribution	\$ 27,869
Contributions in relation to the contractually required contribution	(27,869)
Contribution deficiency (excess)	\$ -
Authority's covered-employee payroll	\$ 204,916
Contributions as a percentage of covered-employee payroll	13.60%

Note: This schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

JACKSON COUNTY SPORTS COMPLEX AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended December 31, 2015

Changes of Assumptions

In 2015, the Plan incorporated the new RP-2014 mortality table, resulting in an increase of approximately 5.6% in plan liabilities over the RP-2000 table used in the prior valuation. The method of determining the funding value of assets was altered slightly to improve the smoothing of asset gains and losses going forward, and was reset to the market value as of July 1, 2015.

SUPPLEMENTARY INFORMATION

JACKSON COUNTY SPORTS COMPLEX AUTHORITY

SCHEDULE OF ADMINISTRATIVE EXPENDITURES - CASH BASIS

Year ended December 31, 2015

ADMINISTRATIVE EXPENDITURES:

Salaries	\$ 243,458
Legal	107,248
Lobbying services	47,400
Consulting fees	84,280
Insurance	36,936
Pension	29,734
Professional services	13,421
Statutory compensation	13,910
Contractual services	15,009
Payroll taxes	23,104
Business travel	3,546
Office and telephone	<u>15,042</u>
	<u><u>\$ 633,088</u></u>

OTHER INFORMATION

JACKSON COUNTY SPORTS COMPLEX AUTHORITY

2015 ECONOMIC IMPACT ANALYSIS

Year ended December 31, 2015

MISSOURI

Withholding	\$ 18,540,594
Sales tax	11,832,339
Income/franchise tax	268,715
Use tax	<u>162,905</u>

Total	<u>\$ 30,804,553</u>
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JACKSON COUNTY

Sales tax	\$ 3,150,622
Amusement tax	17,100
Property tax	<u>261,348</u>

Total	<u>\$ 3,429,070</u>
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KANSAS CITY

Sales tax	\$ 8,396,790
Earnings and profits tax	3,752,794
Convention and tourism tax	1,206,180
Business license	238,557
Use tax	<u>110,853</u>

Total	<u>\$ 13,705,174</u>
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Total Economic Impact	<u><u>\$ 47,938,797</u></u>
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