

KANSAS CITY

PUBLIC SCHOOLS



Comprehensive Annual Financial Report

**For fiscal year ended
June 30, 2012**

KANSAS CITY PUBLIC SCHOOLS

(The School District of Kansas City, Missouri)

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2012

(With Independent Auditors' Report Thereon)

Prepared by

Business & Finance Division

KANSAS CITY PUBLIC SCHOOLS

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October 29, 2012

Board of Directors and Citizens of the District
School District of Kansas City, Missouri
1211 McGee Street
Kansas City, MO 64106

The Board of Directors and Citizens:

Missouri revised statute section 165.111 requires an audit to be performed at least biennially of the financial records of all funds of the District. In compliance with this statute, the Comprehensive Annual Financial Report (CAFR) of the School District of Kansas City, Missouri (the District) for the fiscal year ended June 30, 2012, will be submitted to the Department of Elementary and Secondary Education. In addition, this report provides the Department of Elementary and Secondary Education (DESE), citizens, financial institutions, grantor agencies, and other interested parties with reliable information concerning the financial condition of the District.

This letter of transmittal is designed to be read in conjunction with the Management Discussion and Analysis report. Financial highlights and a discussion of the District's financial condition are provided in the Management Discussion and Analysis report. This report is located in the financial section after the independent auditors report and provides an overview of the District's financial condition at the district-wide level and at the fund level. The district-wide level reports on changes in assets and liabilities or net assets. The fund level reports provide a more detailed focus on all the funds of the District and demonstrative compliance with Missouri statutes.

District management is responsible for establishing and maintaining internal controls designed to ensure that District resources are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and, 2) the valuation of cost and benefits requires estimates by management. This report was prepared by the Business & Finance Division who is responsible for the accuracy of the data, completeness and fairness of the presentation including all disclosures. There were no financial policies that had a significant impact on current fiscal year's financial statements.

McGladrey LLP, certified public accountants, have issued an unqualified opinion on the District's financial statements for the year ended June 30, 2012. The independent auditor's report is located in the front of the financial section of this report.

The District is also required to have performed annually an audit in compliance with the U.S. Office of Management and Budget Circular A-133 and *Government Auditing Standards*. In addition, DESE requires an audit of certain requirements applicable to the Adult Education and Literacy Program and specific requirements of Missouri law. Welch & Associates, LLP, certified public accountants, performed these audits. Information related to these audits, which includes the schedule of expenditures of federal awards and related notes, the schedule of findings and questioned costs, and the independent auditors' reports on compliance and internal control over financial reporting, schedule of selected statistics and a schedule of transportation cost eligible for state aid are published under a separate cover.

DISTRICT PROFILE

Kansas City, Missouri is the central city of a growing bi-state metropolitan area with a population of approximately 1.6 million people. The bi-state area consists of 144 municipalities and approximately 4,800 square miles in seven counties of Northwest Missouri and four counties in Northeast Kansas. The District is located within the taxing jurisdiction of Jackson County with a population of approximately 193,837 people. The District covers about 68 square miles within the corporate limits of Kansas City.

The District was originally established in 1867 and currently exists as an urban school district organized and governed by Section 162.461 of the Missouri revised statutes. The District is a political subdivision of the State of Missouri and is governed by an elected nine-member Board of Directors. These financial statements include the District and a component unit described below (See note 1 (a)):

- School District of Kansas City, Missouri Building Corporation – provide financing of capital projects and management of related debt service.

The District operated 7 high schools, 1 vocational school, 1 alternative school, and 22 elementary schools for school year 2011-2012. At all levels, there are comprehensive community and magnet school curriculums. Among the magnet theme curriculums are visual and performing arts, college preparatory, foreign languages, and Montessori. The District serves about 16,779 students (including pre-kindergarten) and employs over 2,300 principals, teachers, and other support staff.

March 10, 2010, the Board of Directors approved as part of a right-sizing plan, closure of 2 high school buildings, 4 middle school buildings, 3 alternative school buildings, 19 pre-kindergarten and elementary sites, 2 administration/support facilities, and the reconstitution of 5 schools. The school sites were closed at the end of the 2009-2010 school year.

The Board is required to adopt balanced budgets by the end of each fiscal year in compliance with section 67.010 of the Missouri statute. The budgets serve as a financial plan supporting all educational programs. A preliminary budget is required to be presented to the Board on or before April 1, unless this deadline is modified by the Superintendent with the consent of the Board. Budget holders are requested to identify requirements and needs for their schools/department. This information is summarized by cost center by the Budget and Fiscal Planning Department and presented to the Superintendent for review. Recommendations from the Superintendent are summarized and presented to the Board for review. The Board is required to conduct at least one public hearing regarding the budget and taxation rate. The Budget and Fiscal Planning Department conducted a total of 3 public meetings at various school locations across the district and 2 public hearings at the board of education. The budgets are prepared on a modified accrual basis of accounting using a statutory fund structure. The District is required to disclose estimated revenue by fund and source and proposed expenditures by fund, activity and object. The legal level of budgetary control for proposed expenditures is at the fund, activity and object level.

ECONOMIC FACTORS

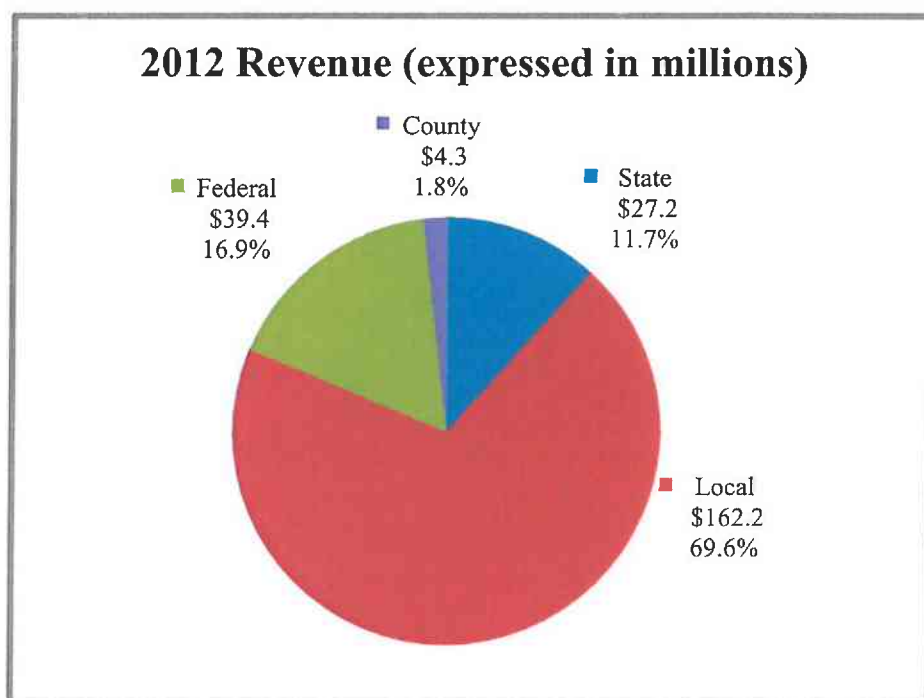
Local property taxes represent approximately 59% of total revenues received by the District. During the fiscal year, the District was entitled to receive approximately \$137.9 million in property taxes for tax year 2011 based on its \$4.95 levy which was a 1.73% decrease in property tax revenue when compared to tax year 2010. The decrease in property tax revenue was attributed by a decrease of \$38 million in property assessed valuation. Actual current taxes collected during the fiscal year totaled to \$126 million.

The difference between billed and collected is the county retention fee and delinquent taxes. Property tax abatement and tax increment financing limit the District's ability to receive significant increases in property taxes that would be generated as a result of economic growth.

Revenues derived from State sources represent approximately 11.59% of total revenues received by the District. The District received approximately \$18.22 million for state aid, a decrease of \$1.88 million or 9.35%. Beginning with fiscal year 2007, DESE implemented a new foundation formula that is based on current expenditures of the school districts meeting all performance standards established by the State Board of Education. The based target funding level is \$6,131 per weighted average daily attendance. This amount is adjusted by a dollar value modifier and the school districts local effort. Under the new formula, the District will receive state aid at least equal to the amount it received for fiscal year 2006. Economic factors that influence the foundation formula are gaming revenue, level of State appropriation, reassessments submitted by the County Assessor, growth (i.e., average daily attendance), and the local property tax levy.

Revenues from federal grants represent about 16.8% of the revenue received by the District. The major federal grant programs are Title I, Title IIA, Head Start, Exceptional Education (I.D.E.A), Early Childhood Special Education (I.D.E.A), Math & Science, Medicaid and American Recovery and Reinvestment Act . Factors that impact the amount of federal funds the District is entitled to receive include free and reduced lunch eligibility counts and enrollment of exceptional education students. For the current year, 87.67% of our students are free or reduced lunch eligible. The count declined 275 or 1.87% and exceptional education enrollment decreased by 72 or 3.8% when compared to the prior year.

The graph below shows the four major sources of revenue:



CASH MANAGEMENT

The District's investment policy is to minimize credit and market risk while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral for bank deposits are held by the Federal Reserve in the depositor's name on behalf of the District. Investments are in repurchase agreements, certificates of deposit and other federal obligations. Approximately \$1 million in interest income was earned during the fiscal year.

An independent trustee, Bank of New York Mellon Trust Company, manages the investment portfolio of the Building Corporation. Investments of approximately \$38.2 million, of which \$10.2 million is invested in long-term contract, were held by the trustee as of June 30, 2012.

ACKNOWLEDGEMENTS

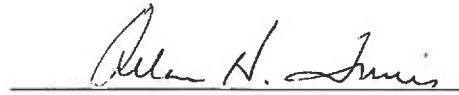
We express our appreciation to the Accounting & Investments staff for their dedicated efforts to prepare for the audit of our accounting records and preparation of this report. Support received from other departments of the Business & Finance Division and other departments of the District (including Legal, Human Capital Management and Instruction) is very much appreciated.

We acknowledge the Board of Directors of the District and the Building Corporation for their leadership and governance on behalf of the District.

Respectfully,



R. Stephen Green, Ed. D.
Superintendent of Schools



Allan H. Tunis
Chief Finance Officer

KANSAS CITY PUBLIC SCHOOLS

Our Vision

The Kansas City Public Schools (KCPs) envisions its schools as places where every student will develop deep understanding of the knowledge and skills necessary to pursue higher education, obtain family-supporting employment, contribute to the civic well-being of the community, and have the opportunity for a rewarding and fulfilling life.

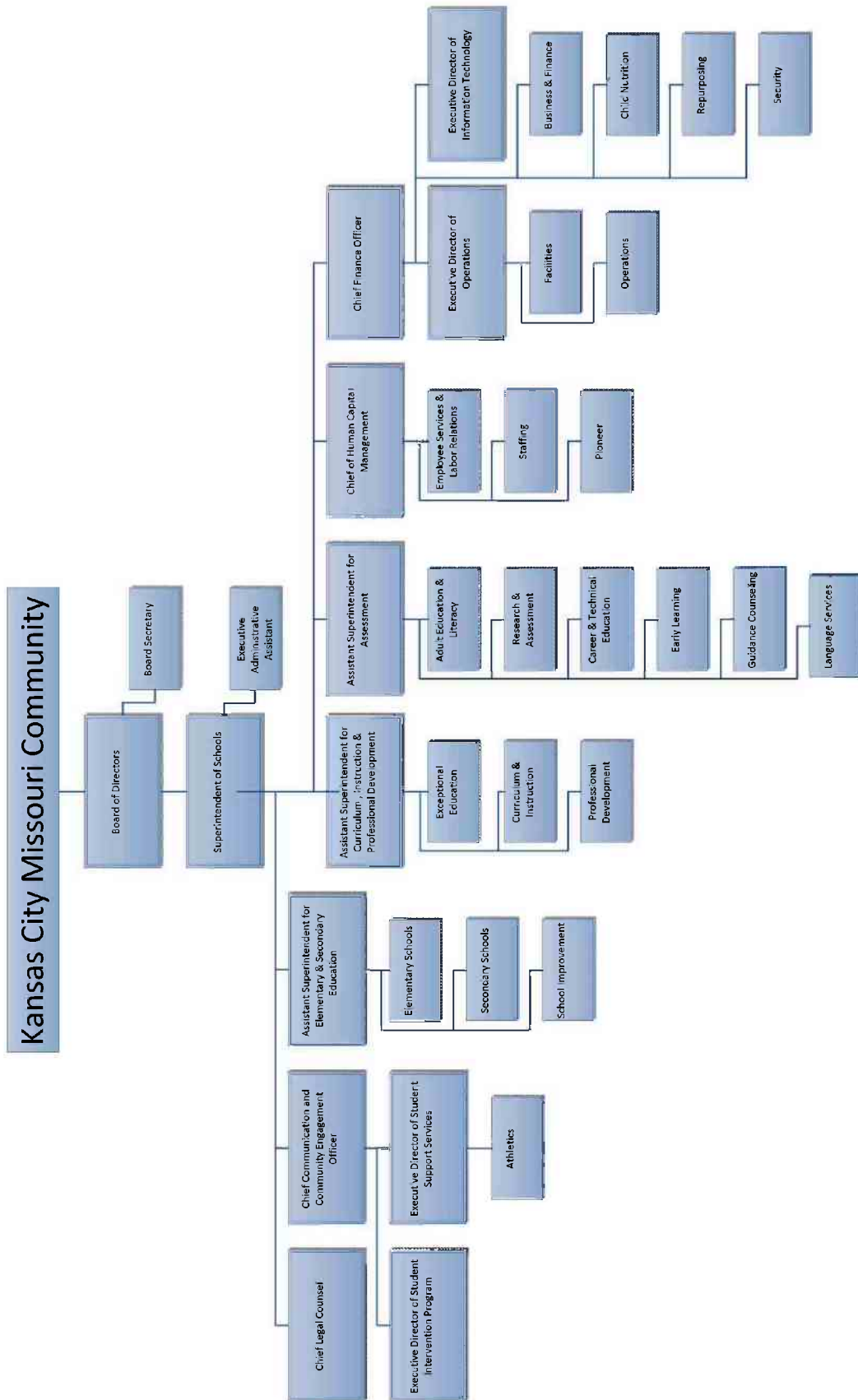
Our Mission

The mission of the Kansas City Public Schools is to achieve, in a way that is unencumbered by excuses, our vision for education by ensuring that all children benefit from teaching and learning. The school district will do this through:

- Inquiry-based instruction that involves active-learning, and is project-oriented, collaborative, and facilitated by meaningful professional development
- Successful instructional settings where teachers continually coach each child to develop deep understanding and educational proficiency, while meeting all Adequate Yearly Progress goals
- Cooperative planning among principals and teachers to ensure attainment of district goals
- Substantial autonomy to each learning community

Accountability for executing and achieving the school district's vision, goals, and objectives articulated in the Accountability Plan.

KANSAS CITY PUBLIC SCHOOLS



KANSAS CITY PUBLIC SCHOOLS
LIST OF PRINCIPAL OFFICIALS

June 30, 2012

BOARD OF EDUCATION

Executive Officers

Airick L. West, President
Crispin Rea Jr., Vice President

Members

Kyleen Carroll
Carl Evans
Jon Hile
Joseph Jackson Sr.
Marisol Montero
Curtis L. Rogers
vacancy

Treasurer

Joseph Jackson Sr.

Secretary of the Board

Regina Ferguson

SENIOR ADMINISTRATORS

R. Stephen Green, Ed. D., Superintendent
Lewis Gowin, Asst. Supt. for Curriculum, Instruction and Professional Development
Eileen Houston-Stewart, Chief Communications and Community Engagement Officer
Denise Kelley, Chief of Human Capital Management
Vickie Murillo, Ed. D. Asst. Supt. for Accountability, Assessment and Academic Precision
Ray E. Sousley, J.D., Chief Legal Counsel
Regina D. Thompson, Assoc. Supt. for Educational Accountability and Instructional Support
Allan Tunis, Chief Finance Officer
Thomas Brenneman, Executive Director of Technology
Luis Cordoba, Ed. D. Executive Director for Student Intervention Programs
Tonia Gilbert, J.D., Executive Director of Student Support and Community Services
Darrel Meyer, Executive Director of Operations

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Independent Auditor's Report

To the Board of Directors
The School District of Kansas City, Missouri
Kansas City, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The School District of Kansas City, Missouri (Kansas City Public Schools), as of and for the year ended June 30, 2012, which collectively comprise the Kansas City Public Schools' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Kansas City Public Schools' management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Kansas City Public Schools, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 18, and budgetary comparison schedules on pages 57 through 64, and the schedule of funding progress on page 66 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the 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 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 financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kansas City Public Schools' basic financial statements. The accompanying introductory, statistical sections and other schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

McGladrey LLP

Kansas City, Missouri
October 26, 2012

KANSAS CITY PUBLIC SCHOOLS

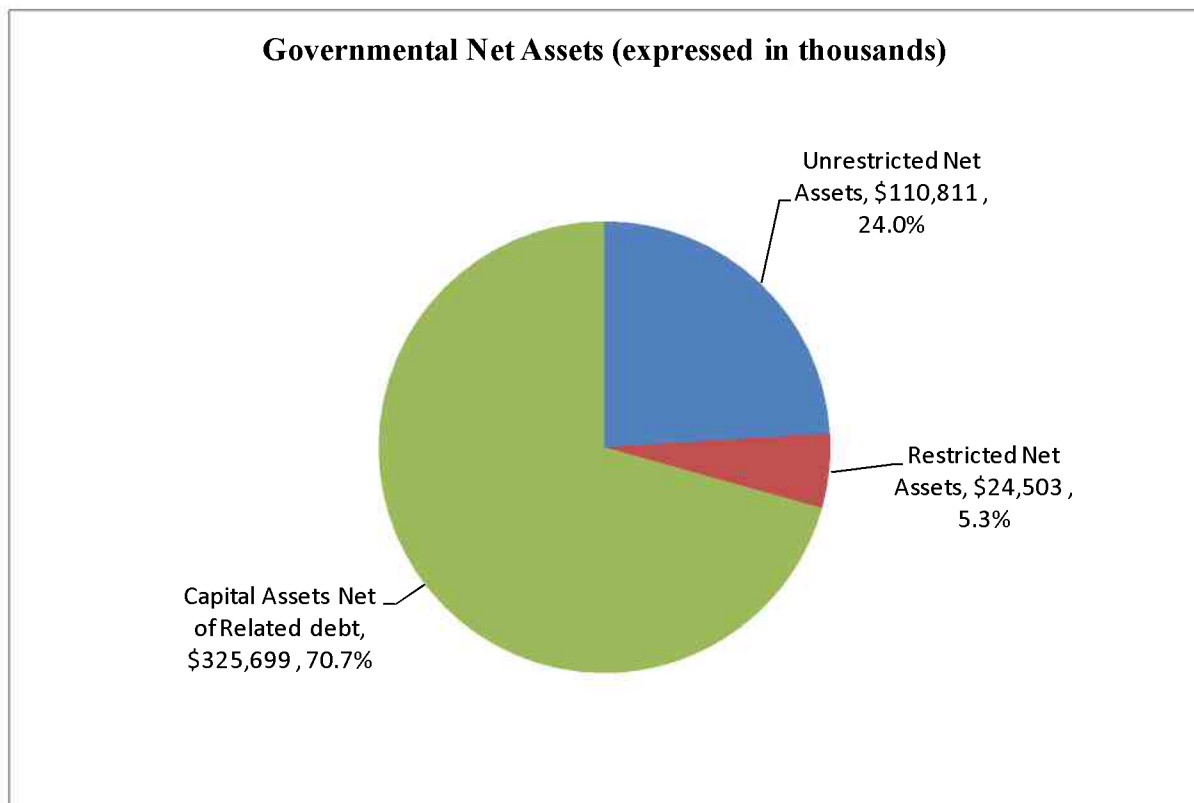
Management's Discussion and Analysis

June 30, 2012

The Business and Finance Division of the Kansas City Public Schools (the District) is pleased to provide the readers of the District's comprehensive annual financial report this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

In the statement of net assets for governmental activities, the District's assets exceeded its liabilities at the close of the fiscal year by \$461.0 million. Net assets are reported in three components as shown in the graph below:



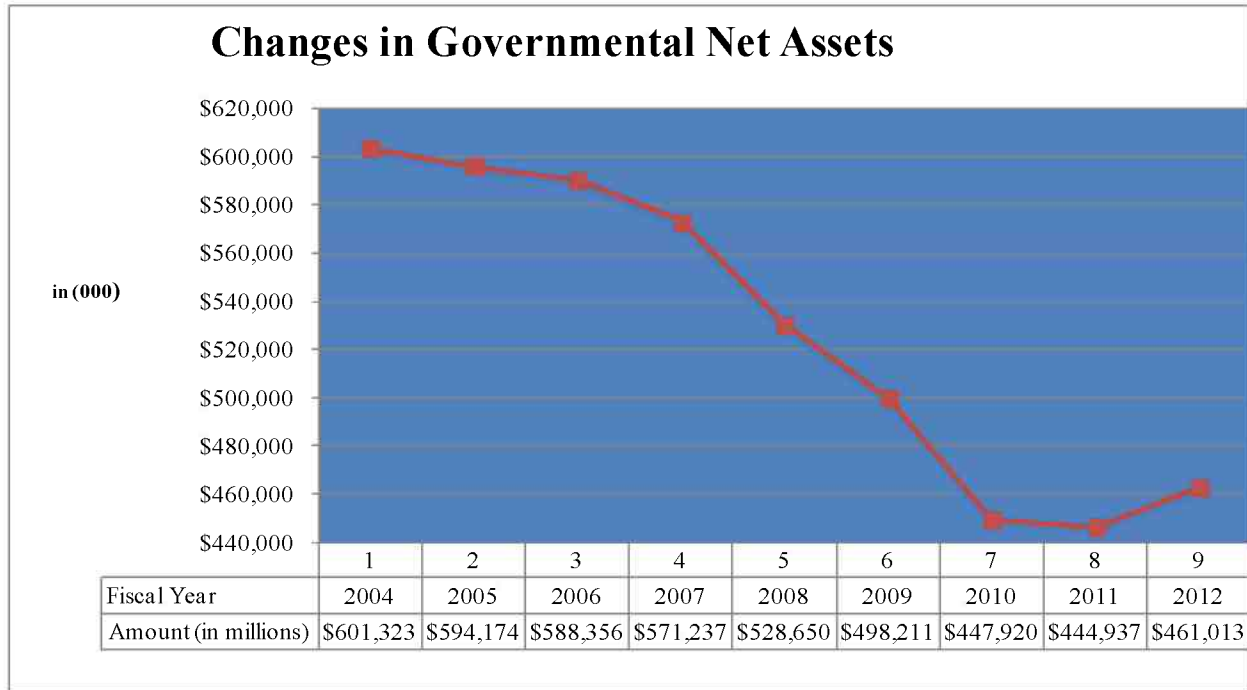
The most significant change in total net assets was an increase of \$11.5 million in unrestricted net assets primarily due to savings created by renegotiating contracts, and implementing operational efficiencies within the Operating and Child Nutritional Services budgets. Investment in capital assets, net of related debt increased \$5.5 million due to a reduction of \$10 million in debt obligations offset by \$4 million reduction in unspent bond proceeds. Restricted net assets decreased \$1.0 million due primarily to a decrease in Compensated absences.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2012

The graph below shows the changes in net assets and indicates that our overall financial position increased in fiscal year 2012 by 3.6% when compared to fiscal year 2011. This increase was primarily due to a \$11.86 million or 1.7% decrease in total assets and a \$27.93 million or (10.9%) decrease in total liabilities.



The District's governmental funds (summarized in Table 1 below) reported an ending total fund balance of \$160.5 million, an increase of \$6.1 million in comparison with the prior year. Approximately 37.8% of this amount, \$60.7 million, is available for spending at the District's discretion (unassigned fund balance).

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2012

Table 1—Summary of Governmental Fund Balances

	<u>FY12</u>	<u>Percentage of total</u>	<u>FY11</u>	<u>Percentage of total</u>	<u>Increase (decrease)</u>	<u>Unassigned portion</u>
General	\$ 63,807,535	39.7%	\$ 52,422,284	31.5%	\$ 11,385,251	\$ 61,503,569
Other special revenue	13,113,159	8.2%	13,677,088	10.3%	(563,929)	—
Debt service	8,683,378	5.4%	8,660,552	7.8%	22,826	—
Capital projects	73,179,953	45.6%	78,335,072	49.9%	(5,155,119)	(758,606)
Nonmajor funds	1,747,293	1.1%	1,356,255	0.5%	391,038	—
	<u>\$ 160,531,318</u>	<u>100.0%</u>	<u>\$ 154,451,251</u>	<u>100.0%</u>	<u>\$ 6,080,067</u>	<u>\$ 60,744,963</u>

Unassigned fund balance for the General Fund was \$61.5 million and represents 31.4% of total General Fund expenditures and transfers. Assigned fund balance in the General Fund for general operating encumbrances was \$1.5 million. Restricted fund balance in the General Fund for workers compensation and encumbrances for grants was \$.8 million. Overall, governmental fund balances increased at June 30 because of under spending in the General, Capital Projects and Nonmajor Governmental Funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements in order to provide details on certain funds that may be combined in the basic financial statements.

Government-wide financial statements—The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net assets represents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. See Table 2—Net Assets.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event causing the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as uncollected property taxes and earned but unused sick and vacation leave.

Government-wide financial statements distinguish functions of the District that are principally supported by property taxes and State funding (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and reimbursements (business-type activities). See Table 3A—Changes in Net Assets—Governmental Activities.

The business-type activities of the District include a Community Service Fund used to account for the activities related to the community use of facilities. See Table 3B—Changes in Net Assets—Business-Type Activities.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2012

Fund financial statements—A fund is a grouping of related accounts that is used to maintain internal control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. As a result, readers of these statements may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds. The major funds are: General Fund, Other Special Revenue Fund, Debt Service Fund, and the Capital Projects Fund. Data for the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds are provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its General Fund, Teachers' Fund (a sub-fund of the General Fund), a portion of its capital project, and Child Nutritional Services fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with statutory requirements.

Proprietary funds—Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the activity recorded in its Community Service Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Community Service Fund, which is a nonmajor fund of the District.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's K-12 educational programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The District's fiduciary fund consists of the Student Scholarship Fund.

Notes to the basic 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.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2012

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budgeted major funds.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As discussed earlier, net assets may serve over time as a useful indicator of the District's financial position. Table 2—Net Assets shows a summary of the District's assets and liabilities compared to the prior year.

Table 2—Net Assets (Expressed in Thousands)

	Governmental activities			Business-type activities			Total	
	2012	2011	Increase (decrease)	2012	2011	Increase (decrease)	2012	2011
Assets:								
Current and other assets	\$ 344,004	351,429	(7,425)	181	39	142	344,185	351,468
Capital assets	346,221	350,654	(4,433)	—	—	—	346,221	350,654
Total assets	690,225	702,083	(11,858)	181	39	142	690,406	702,122
Liabilities:								
Other liabilities	166,973	184,796	(17,823)	3	—	3	166,976	184,796
Long-term liabilities	62,239	72,350	(10,111)	—	—	—	62,239	72,350
Total liabilities	229,212	257,146	(27,934)	3	—	3	229,215	257,146
Net assets:								
Invested in capital assets, net of related debt	325,699	320,182	5,517	—	—	—	325,699	320,182
Restricted	24,503	25,484	(981)	—	—	—	24,503	25,484
Unrestricted	110,811	99,271	11,540	178	39	139	110,989	99,310
Total net assets	\$ 461,013	444,937	16,076	178	39	139	461,191	444,976

Cash and investments decreased by \$9.2 million or 4.91%, caused by reduction in the net income of the general fund and a reduction in the accounts payable and accrued salaries, benefits and payroll taxes. Overall, current and other assets decreased by 2.11%. Improvements to land, buildings and other than building were \$12 million; purchases of equipment, furniture, and vehicles (primarily computers and vehicles) were \$.7 million, less depreciation of \$9.8 million and retirements of \$2.1 million, resulting in no change. The overall change in long-term liabilities was an 13.98% decrease. The bonds payable balance decreased by \$7.55 million.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2012

Unrestricted net assets of \$110.8 million include management commitments, assignments and unassigned fund balances. The Board of Education has authorized management to assign funds for certain obligations that make up 69.2% of the total net assets included in unrestricted net assets.

Fund balance has \$45.74 million in commitments, \$5.25 million in assignments, and \$60.7 million of unassigned fund balance. See footnote 2 for specific purposes within each category.

The changes in net assets for the business-type activities primarily relates to the community use of facilities reported in the Community Service Fund. The cost of this service and the reimbursements was accounted for in the Community Service Fund.

Table 3A—Changes in Net Assets—Governmental Activities highlights the District's revenues and expenses for the 2012 and 2011 fiscal years. The difference between revenues and expenses equals the change in net assets. Revenue is divided into two major components, program revenue and general revenue. Program revenue is defined as charges for services, operating and capital grants, and contributions. General revenue is defined as the primary unrestricted funding sources, such as property taxes, sales taxes, and basic state aid.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2012

Table 3A—Changes in Net Assets—Governmental Activities (Expressed in Thousands)

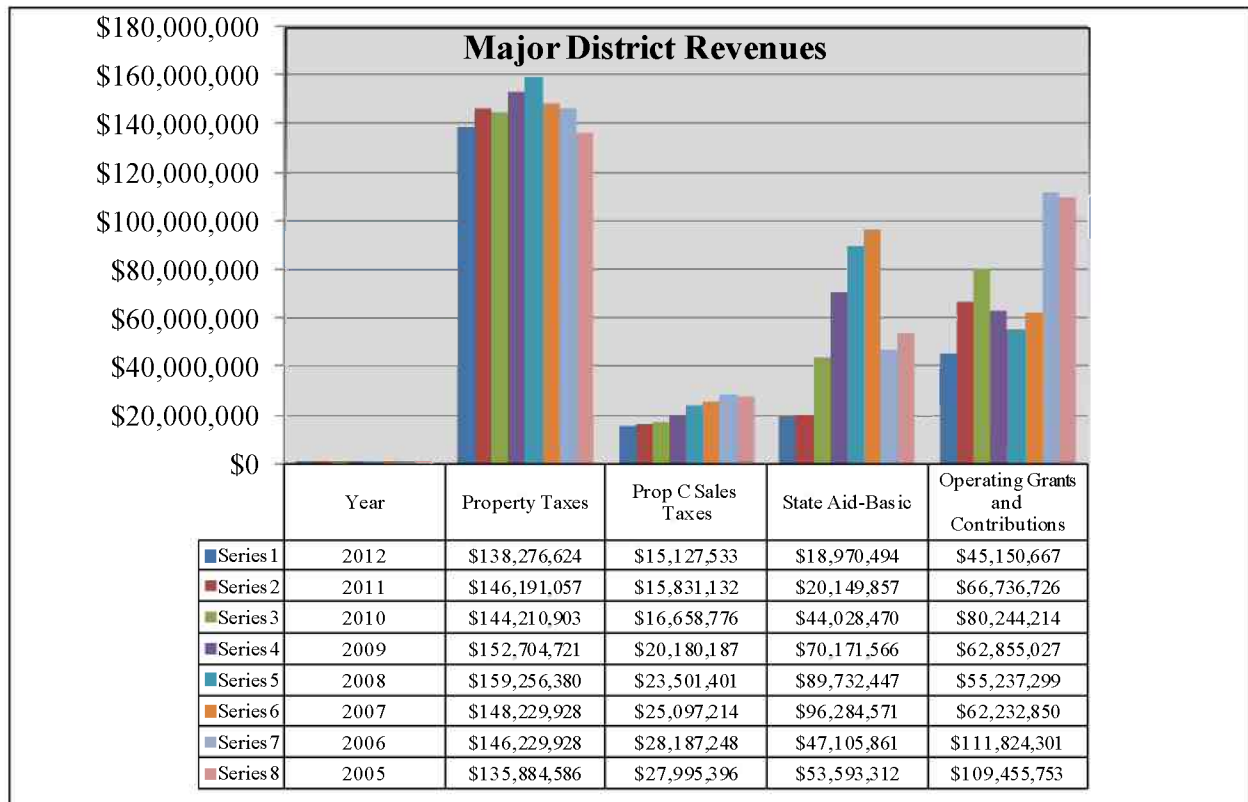
	Governmental activities		
	2012	2011	Increase (decrease)
Program revenues:			
Charges for services	\$ 855	1,010	(155)
Operating grants and contributions	45,151	66,737	(21,586)
Capital grants and contributions	3,043	304	2,739
General revenues:			
Property taxes	138,277	146,191	(7,914)
Prop C sales tax	15,127	15,831	(704)
Other local revenues	6,067	3,363	2,704
County governmental contributions	4,287	3,489	798
State aid—basic formula	18,970	20,150	(1,180)
Grants and entitlements	441	561	(120)
Investment earnings	1,007	906	101
Total revenues	233,225	258,542	(25,317)
Program expenses:			
Administration	13,150	20,646	(7,496)
Instruction	101,298	116,388	(15,090)
Support services	46,820	52,810	(5,990)
Operation of facilities	28,746	29,461	(715)
Pupil transportation	12,102	12,864	(762)
Facilities Improvement and Renovation	2,123	15,724	(13,601)
Community and adult services	9,194	11,748	(2,554)
Interest on long-term debt	3,716	2,044	1,672
Total expenses	217,149	261,685	(44,536)
Excess (deficiency) before transfers	16,076	(3,143)	19,219
Transfers	—	160	(160)
Increase (decrease) in net assets	16,076	(2,983)	19,059
Net assets beginning of year	444,937	447,920	(2,983)
Net assets end of year	\$ 461,013	444,937	16,076

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2012

A graph of major District revenues is shown below.



The most significant changes in revenues were:

State Aid-Basic declined by \$1.2 million or 5.85%

Revenues from Consolidated Federal Programs decreased by \$12 million.

Non-renewal of the American Recovery and Reinvestment Act (ARRA) accounted for a decrease of \$5.1 million. In FY12, ARRA funded a School Improvement Grant 1003 (g) for \$2.1 million, Jobs Bill for \$.1 million, and Federal Budget Stabilization for \$.7 million.

Reimbursements for meals served under the Child Nutritional Services program increased by \$1.3 million due primarily to an increase in reimbursement rate, and the expansion of a supper feeding program for students.

Prop C sales tax declined by \$.7 million or 4.44%. While the state's funding distribution for FY12 was higher by 5.62% or \$40 million, the District's pupil count and average daily attendance used to determine the district proportionate share declined 11.96% from FY11 to FY12.

Property tax revenue decreased by 5.4% or approximately \$7.9 million due to a reduction in assessed valuation of \$38 million or 1.3% and percentage of levy collected from 92.4% in FY11 to 91.4% in FY12.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2012

State Aid distributed under the basic formula decreased by 9.56% or approximately \$1.9 million. This reduction was caused by the decline in enrollment coupled with a reduction in the State's ability to fully fund the formula. The FY11 distribution was based on weighted average daily attendance (WADA) of 31,930 compared to WADA of 32,484 for FY11.

The most significant changes in expenses occurred in the following areas:

Administration— The reduction is primarily due to a reduction of 10% in all administrative budgets district-wide.

Instruction – Teachers' salary and fringe benefits, and materials and supplies decreased primarily due to the declining enrollment, and ARRA funded programs targeted for instruction ended in FY11.

Support Services- An retirement incentive program, offered in FY11 was not repeated in FY12.

Pupil Transportation – Transportation costs declined in part to a decline in student population, and operational efficiencies.

Operation of Facilities -The reduction reflects the District's decision to reduce budgets 10%. Reductions realized from operational efficiencies.

Facilities improvement and renovation- Increase reflects use of Quality School Improvement Bonds to repair and renovate district school buildings.

Sufficient reimbursements were collected and/or accrued to cover costs incurred in the Community Service Fund, as shown in Table 3B—Changes in Net Assets—Business-type Activities.

Table 3B—Changes in Net Assets—Business-type Activities (Expressed in Thousands)

	2012	2011	Increase (Decrease)
Community services:			
Charges for services	\$ 290	46	244
Expenses	(151)	(29)	(122)
Revenue over expenditures before transfers	139	17	122
Investment Interest	—	2	(2)
Transfers	—	(160)	160
Increase (decrease) in net assets	\$ 139	(141)	280

The increase in revenue was due primarily by operating Supplemental Education Services.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2012

Table 4—Cost of Services—Governmental Activities shows the cost of services for governmental activities. The total cost of services column contains all costs related to functions/programs. The net cost of services column shows how much of the total cost is not covered by program revenues. Net costs (or 77.0% of the total cost) are costs that must be covered by unrestricted state funding and local taxes. When compared to the prior year, net cost of services as a percentage of total cost increased 4.38% because of the decrease in expenditures (\$45.4 million) greater than the decrease in operating and capital grants and contributions (\$18.8 million).

Table 4—Cost of Services—Governmental Activities (Expressed in Thousands)

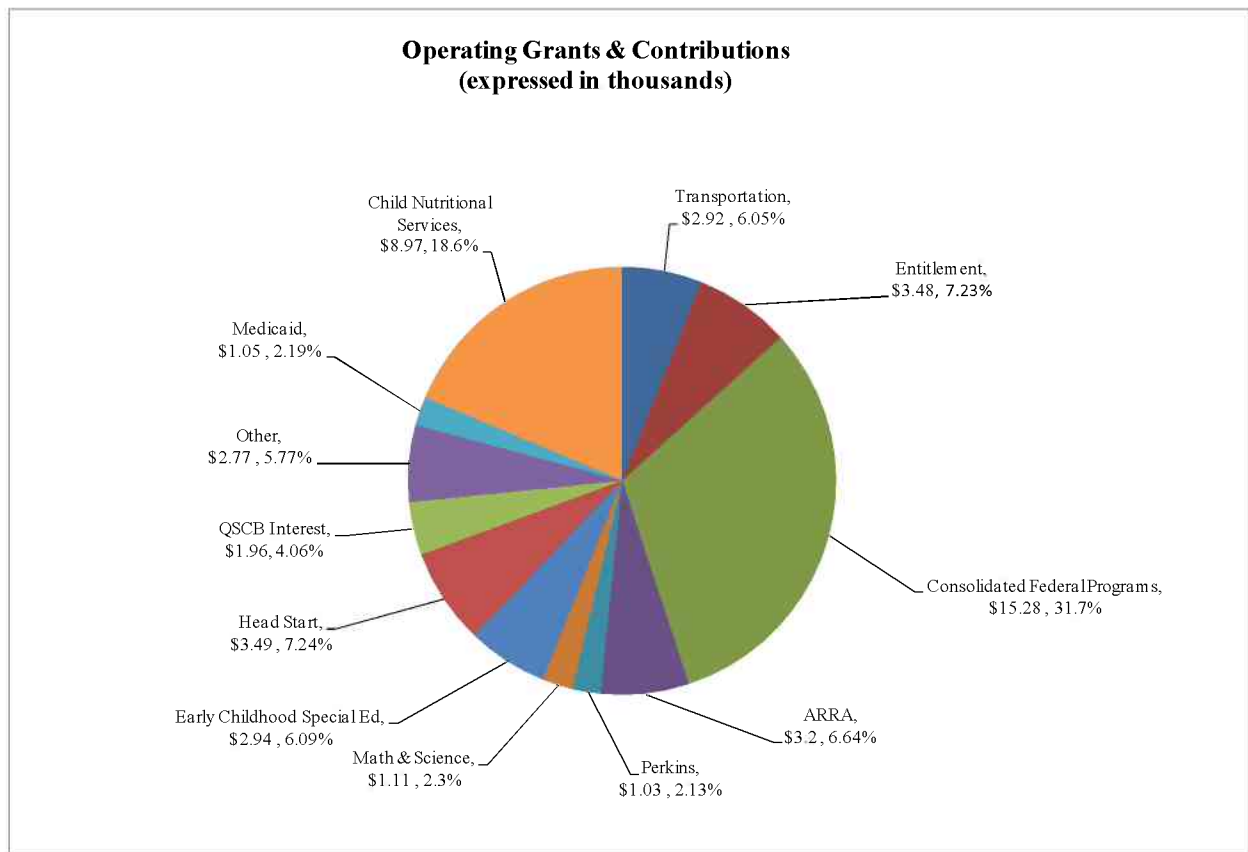
	Total cost of services	Net cost of services
Administration	\$ 13,150	13,148
Instruction	101,298	70,080
Support services	46,820	36,588
Operation of facilities	28,746	27,587
Pupil transportation	12,102	9,113
Facilities improvements and renovations	2,123	2,123
Community and adult services	9,194	6,796
Interest on long-term debt	3,716	1,761
Total	\$ <u>217,149</u>	<u>167,196</u>

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2012

The District received program revenues specifically to offset the cost of certain functions/programs. The major source of this type of revenue, that totaled \$48.2 million, is from operating and capital grants and contributions. Operating and capital grants, and contributions are funds the District receives that are restricted to a particular purpose as show in the graph below.



Financial Analysis of the District's Funds

Governmental funds—The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, the unassigned fund balance serves as a useful measure of net resources available for spending at the end of the fiscal year.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2012

The General Fund, and a portion of the Capital Projects Fund make up the District's operating budget. The fund balance in the Capital Projects—Operating Fund is used to cover debt service costs, reducing the required amount to be transferred from the General Fund. At June 30, 2012, the unassigned fund balance of the operating budget funds is shown below:

<u>Operating budget funds</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total fund balance</u>
General	\$ —	836,806	1,467,160	61,503,569	63,807,535
Capital projects—operating	2,584,270	28,452	3,785,180	—	6,397,902
	<u>\$ 2,584,270</u>	<u>865,258</u>	<u>5,252,340</u>	<u>61,503,569</u>	<u>70,205,437</u>

As a measure of the operating budget liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total expenditures. The total fund balance represents 33.85% of total operating expenditures and transfers. The total operating fund balance increased by 11.69% when compared to fiscal year 2011.

General Fund Budgetary Highlights

Table 5A- Budget Comparison shows a summary of the major changes in the current year original and final budgets. The difference in revenues between the original and the final budgets is an increase of approximately 7.79%. Based on the final assessed valuation received in September 2010 and collection trends, property taxes revenues were increased by \$2.99 million. The projections for local grants increased by \$.5 million, offset by small decreases in other local sources. Proposition C (sales taxes) and basic formula state aid decreased by \$0.2 million because of the decline in the weighted average daily attendance and DESE's adjustment for Charter Schools average daily attendance. Additional federal grant awards of \$10.9 million were received after the original budget was approved.

Expenditures and transfers out increased by 11.6%. Budgeted expenditures increased by \$6.7 million primarily due to federal grant awards for Teacher Incentive, Math & Science, and Head Start received after the original budget was approved.

When comparing the original budget to the final budget, there was a favorable variance of \$21.3 million for revenues and transfers in, and an unfavorable budgeted variance for expenditure and transfers out of \$21.3 million, increasing the use of fund balance to \$8.4 million from \$(1.2) million.

When compared to the prior year (see Table 5B), budgeted revenues and transfers in decreased by 7.79% and expenditures and transfers out decreased by 6.17%.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2012

Table 5A—Budget Comparison, Original to Final Budget, Fiscal Year 2012

	Revenues and Transfers In	Expenditures and Transfers Out
Original budget	\$ 187,335,263	186,153,777
Final budget	199,115,444	207,480,660
Increase	<u>\$ 11,780,181</u>	<u>21,326,883</u>

Table 5B—Budget Comparison, Current Year to Prior Year

	Revenues and transfers in	Expenditures and transfers out
Fiscal year 2012 final budget	\$ 199,115,444	207,480,660
Fiscal year 2011 final budget	215,945,886	221,134,422
Increase (decrease)	<u>\$ (16,830,442)</u>	<u>(13,653,762)</u>
Percentage of change	(7.79)%	(6.17)%

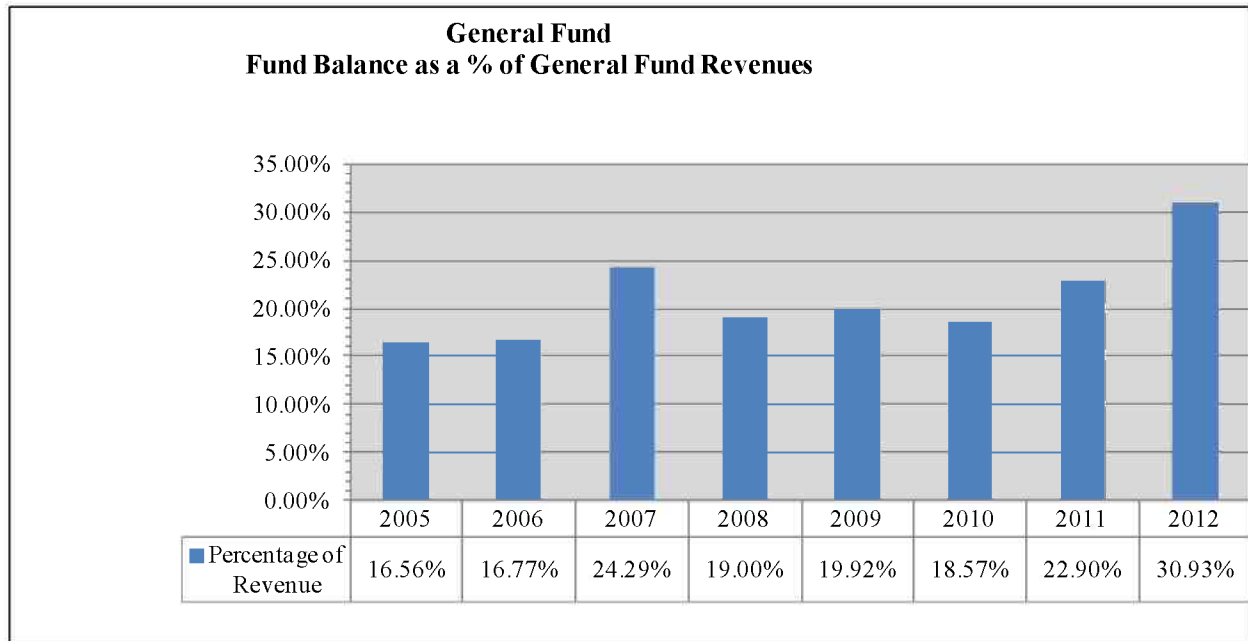
KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2012

Major Funds—Financial Highlights

When compared to fiscal year 2011, General Fund revenues and transfers in decreased by \$16.8 million or 7.79%, and expenditures and transfers decreased by \$13.7 million or 6.17%. The General Fund's ending fund balance is used to balance the operating budget. The level of fund balance in the General Fund is increased in relation to annual revenues, as shown in the graph below. This ratio is analyzed to determine if there is adequate budgetary carryover to meet unfunded emergencies and other unplanned needs.



The Debt Service Fund's revenues and other financing sources increased by \$.17 million or 1.27% as a result of the interest income and the amount of the lease payment. Expenditures plus financing uses decreased by \$2.5 million or 14.95% primarily because of decreased principal and interest payments on bonds.

The Capital Projects Fund's revenues, transfers and other financing sources decreased by \$16.9 million or 41.86%. In FY11 the district participated in the QSCB program as part of the American Recovery and Investment Act, receiving \$16 million in bond proceeds for capital repairs and improvements. Expenditures increased by \$1.1 million or 4.2% primarily due facility renovation projects offset by a reduction in the purchase of equipment.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2012

Capital Assets and Debt Administration

Capital assets—The District's investment in capital assets for its governmental activities as of June 30, 2012 amounts to \$346.2 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, building improvements, improvements other than buildings, impaired buildings, equipment, fixtures and vehicles. Capital assets decreased by \$7,489 during the fiscal year. Table 6 below shows capital asset by function for governmental activities. Also see note 3(c) for additional information.

Table 6—Capital Assets, Net of Depreciation

	2012	2011
Land	\$ 30,646,301	30,646,301
Buildings	246,518,135	242,697,141
Improvements other than buildings	8,045,326	8,798,347
Equipment and furniture	1,015,417	743,553
Vehicles	258,727	268,698
Buildings-Impaired	56,890,198	59,775,442
Construction in progress	2,846,929	3,299,040
	<u>\$ 346,221,033</u>	<u>346,228,522</u>

Long-term debt—The Building Corporation issued leasehold revenue bonds to finance the District's major capital improvement projects in prior years with a \$13.3 million outstanding principal balance at the end of fiscal year 2012. In early fiscal year 2010, authorized as part of the American Recovery and Reinvestment Act of 2009, the District was awarded \$17.9 million in Quality School Construction bonds (QSCB) as one of one hundred school districts across the country. As the results of this award, in December, 2009, the Building Corporation issued, on behalf of the District, \$17.88 million in leasehold revenue bonds. A portion of the interest on the QSCB is paid by the federal government in the form of a quarterly tax credit to the owners of the QSCBs. The federal tax credit rate applicable to the QSCBs is 6.05 %. In addition, owners of the QSCBs are also being paid interest on the principal outstanding at an interest rate of 2.23%. In fiscal year 2011, the District was again awarded Quality School Construction Bonds (QSCBs). In December, 2010, the Building Corporation issued, on behalf of the District, \$16.27 million in leasehold revenue bonds at an interest rate of 7.120%. The federal government interest subsidy of 5.37%, results in a net interest rate paid by the District of 1.75%. The District is required to make lease payments to the Building Corporation in an amount sufficient to cover principal and interest payments each year. During the current fiscal year, approximately \$13.5 million was available to the Trustee in compliance with this requirement. Approximately 5.95% of total District expenditures relate to payments of principal, interest, and bond-related costs. See notes 3(e) and 3(f) for additional information.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2012

Economic Factors That Impact Fiscal Year 2013 Budgets

- The fiscal year 2013 comprehensive operating budget was approved by the Board on May 23, 2012. Fiscal year 2013 projected current revenues of approximately \$210.7 million is a decrease of about \$21.6 million or (9.3%) when compared to fiscal year 2012.
 - Local revenue from property taxes decreased by \$.3 million based on preliminary assessed valuation decrease of \$38.0 million and the estimated collection rate of 91%.
 - Proposition C sales taxes declined by \$0.7 million as a result of the reduction in the weighted average daily attendance factor caused by declining enrollment.
 - Investment earnings, local grants and subsidies are expected to decline by \$.3 million.
 - State aid is expected to decline by approximately \$10.8 million as a result of the reduction in the weighted average daily attendance factor.
 - Federal grants declined by \$8.4 million, however, it is anticipated that additional federal grants will be awarded during the fiscal year.
- Fiscal year 2013 expenditures of approximately \$214.3 million represent a decrease of about \$21.5 million (or 9.1%) when compared to the prior year.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for our citizens, taxpayers, investors, banks, and creditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Kansas City Public Schools, 1211 McGee, 6th Floor, Kansas City, Missouri 64106, Attn: Chief Finance Officer.

BASIC FINANCIAL STATEMENTS

KANSAS CITY PUBLIC SCHOOLS

Statement of Net Assets

June 30, 2012

	Governmental activities	Business-type activities	Total
Assets:			
Cash and investments	\$ 138,321,744	172,283	138,494,027
Taxes receivable (net of allowance for uncollectibles)	151,556,401	—	151,556,401
Interest receivable	456,645	—	456,645
Due from other governmental units	7,562,389	8,400	7,570,789
Other receivables	361,346	—	361,346
Supplies inventories	68,617	—	68,617
Restricted cash and investments	38,796,811	—	38,796,811
Property held for sale	4,141,900	—	4,141,900
Other post-employment benefits	2,397,340	—	2,397,340
Bond issuance cost	341,413	—	341,413
Capital assets (net of accumulated depreciation):			
Nondepreciable	90,383,428	—	90,383,428
Depreciable	255,837,605	—	255,837,605
Total assets	690,225,639	180,683	690,406,322
Liabilities:			
Accounts payable and other	7,506,579	—	7,506,579
Accrued salaries, benefits, and payroll taxes	24,929,200	2,402	24,931,602
Claims payable	5,091,172	—	5,091,172
Accrued interest payable	480,552	—	480,552
Unearned revenue	128,965,919	—	128,965,919
Long-term liabilities:			
Due within one year:			
Compensated absences	2,631,761	—	2,631,761
Revenue bonds	7,555,000	—	7,555,000
Due in more than one year:			
Compensated absences	11,971,864	—	11,971,864
Claims payable	100,000	—	100,000
Revenue bonds	39,904,000	—	39,904,000
Unamortized premium on bonds, net of deferred charges	76,366	—	76,366
Total liabilities	229,212,413	2,402	229,214,815
Net assets:			
Invested in capital assets, net of related debt	325,698,573	—	325,698,573
Restricted for:			
Debt service	8,683,378	—	8,683,378
Workers' compensation	280,064	—	280,064
Permanent fund, nonexpendable corpus	35,000	—	35,000
Patron gifts	196,413	—	196,413
Compensated absences	13,113,159	—	13,113,159
Capital projects	59,411	—	59,411
Other restrictions	2,136,074	—	2,136,074
Unrestricted	110,811,154	178,281	110,989,435
Total net assets	\$ 461,013,226	178,281	461,191,507

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Statement of Activities

Year ended June 30, 2012

Functions/programs	Expenses	Program revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
Governmental activities:				
Administration	\$ 13,149,850	1,774	—	—
Instruction	101,298,085	2,500	30,402,269	813,352
Support services	46,819,617	765,690	9,440,258	25,380
Operation of facilities	28,746,323	6,300	—	249,013
Pupil transportation	12,101,568	78,571	2,909,744	—
Facilities improvements and renovation	2,123,179	—	—	—
Community and adult services	9,193,988	58	2,398,396	—
Interest on long-term debt	3,716,384	—	—	1,955,654
Total governmental activities	217,148,994	854,893	45,150,667	3,043,399
Business-type activities:				
Community services	151,346	290,761	—	—
Total	217,300,340	1,145,654	45,150,667	3,043,399
General revenues:				
Property taxes				
Prop C sales tax				
Other local revenues				
Intermediate/county				
State aid—basic formula				
Grants and entitlements not restricted to specific programs				
Investment earnings				
Total general revenues				
Change in net assets				
Net assets—beginning				
Net assets—ending				

See accompanying notes to basic financial statements.

Net revenue (expense) and changes in net assets		
Governmental activities	Business-type activities	Total
(13,148,076)	—	(13,148,076)
(70,079,964)	—	(70,079,964)
(36,588,289)	—	(36,588,289)
(28,491,010)	—	(28,491,010)
(9,113,253)	—	(9,113,253)
(2,123,179)	—	(2,123,179)
(6,795,534)	—	(6,795,534)
(1,760,730)	—	(1,760,730)
(168,100,035)	—	(168,100,035)
—	139,415	139,415
(168,100,035)	139,415	(167,960,620)
138,276,624	—	138,276,624
15,127,533	—	15,127,533
6,066,779	—	6,066,779
4,287,373	—	4,287,373
18,970,494	—	18,970,494
440,597	—	440,597
1,006,899	—	1,006,899
184,176,299	—	184,176,299
16,076,264	139,415	16,215,679
444,936,962	38,866	444,975,828
\$ 461,013,226	178,281	461,191,507

KANSAS CITY PUBLIC SCHOOLS

Balance Sheet
Governmental Funds
June 30, 2012

Assets	General	Other Special Revenue	Debt Service	Capital Projects	Nonmajor governmental funds	Total governmental funds
Cash and investments	\$ 62,878,246	25,489,489	—	49,263,182	690,827	138,321,744
Restricted cash and investments	280,064	—	11,147,623	27,012,906	356,218	38,796,811
Taxes receivable, net of allowance for uncollectibles	147,005,900	—	—	4,550,501	—	151,556,401
Interest receivable	256,702	52,894	120,025	25,656	1,368	456,645
Other receivables	95,946	—	—	265,400	—	361,346
Due from other governments	6,627,296	—	—	5,418	929,675	7,562,389
Due from other funds	9,003,158	—	—	—	—	9,003,158
Advances to other funds	—	—	—	2,584,270	—	2,584,270
Property held for sale	—	—	—	4,141,900	—	4,141,900
Total assets	\$ 226,147,312	25,542,383	11,267,648	87,849,233	1,978,088	352,784,664
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 6,053,579	—	—	1,131,711	184,319	7,369,609
Accrued salaries, benefits, and payroll taxes	12,646,825	12,429,224	—	—	46,476	25,122,525
Advances from other funds	—	—	2,584,270	—	—	2,584,270
Due to other funds	—	—	—	9,003,158	—	9,003,158
Deferred revenue	143,639,373	—	—	4,534,411	—	148,173,784
Total liabilities	162,339,777	12,429,224	2,584,270	14,669,280	230,795	192,253,346
Fund balances:						
Nonspendable	—	—	—	2,584,270	35,000	2,619,270
Restricted	836,806	13,113,159	8,683,378	21,826,906	1,712,293	46,172,542
Committed	—	—	—	45,742,203	—	45,742,203
Assigned	1,467,160	—	—	3,785,180	—	5,252,340
Unassigned	61,503,569	—	—	(758,606)	—	60,744,963
Total fund balances	63,807,535	13,113,159	8,683,378	73,179,953	1,747,293	160,531,318
Total liabilities and fund balances	\$ 226,147,312	25,542,383	11,267,648	87,849,233	1,978,088	352,784,664

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets

Governmental Funds

June 30, 2012

Fund balances—balance sheet	\$ 160,531,318
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	346,221,033
Federal food commodities	68,617
Liabilities, including bonds payable and accrued interest payable on bonds, are not due and payable in the current period and, therefore, are not reported in the fund:	
Bonds payable	(47,459,000)
Unamortized premium on bonds net of deferred charges	(76,366)
Accrued interest payable	(480,552)
Bond issuance costs	341,413
Arbitrage liability	(136,970)
Other post-employment benefits	2,397,340
Compensated absences	(14,410,300)
Claims payable	(5,191,172)
	<hr/>
	(65,015,607)
Deferred revenue—property taxes	16,046,502
Deferred revenue—grants	3,161,363
	<hr/>
Net assets of governmental activities	\$ 461,013,226

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Statement of Revenues, Expenditures,
and Changes in Fund Balances—Governmental Funds
Year ended June 30, 2012

	General	Other Special Revenue	Debt Service	Capital Projects	Nonmajor governmental funds	Total governmental funds
Revenues:						
Property taxes	\$ 127,827,724	—	—	10,563,477	—	138,391,201
Prop C sales tax	14,282,738	844,795	—	—	—	15,127,533
Other local	4,872,124	63,303	444,474	1,711,245	1,555,805	8,646,951
Intermediate/county	4,193,021	—	—	94,352	—	4,287,373
State aid—basic formula	18,225,310	—	—	—	—	18,225,310
Other state	6,332,561	—	—	2,596,555	51,661	8,980,777
Federal	30,539,392	—	—	—	8,901,714	39,441,106
Tuition	25,249	—	—	—	—	25,249
Total revenues	206,298,119	908,098	444,474	14,965,629	10,509,180	233,125,500
Expenditures:						
Current:						
Administration	14,309,421	—	—	—	—	14,309,421
Instruction	91,236,240	—	—	—	759,553	91,995,793
Support services	34,469,020	1,472,027	—	—	8,653,234	44,594,281
Operation of facilities	27,526,903	—	—	—	737	27,527,640
Pupil transportation	12,101,568	—	—	—	—	12,101,568
Community and adult services	9,170,144	—	—	—	—	9,170,144
Debt service:						
Principal	—	—	9,770,000	—	—	9,770,000
Interest and fiscal charges	—	—	3,772,539	—	—	3,772,539
Capital outlay:						
Administration	42,644	—	—	6,575	—	49,219
Instruction	—	—	—	575,360	—	575,360
Support services	—	—	—	1,388,529	—	1,388,529
Operation of facilities	—	—	—	96,727	—	96,727
Community and adult services	—	—	—	27,943	—	27,943
Facilities improvement and renovation	—	—	—	12,350,749	—	12,350,749
Total expenditures	188,855,940	1,472,027	13,542,539	14,445,883	9,413,524	227,729,913
Revenues over (under) expenditures	17,442,179	(563,929)	(13,098,065)	519,746	1,095,656	5,395,587
Other financing sources (uses):						
Transfers in	—	—	13,540,953	8,150,009	—	21,690,962
Transfers out	(6,809,816)	—	(635,575)	(13,540,953)	(704,618)	(21,690,962)
Unrealized proceeds- property held for sale	—	—	—	620,000	—	620,000
Unrealized loss on property held for sale	—	—	—	(903,921)	—	(903,921)
Sale of capital assets	752,888	—	215,513	—	—	968,401
Total other financing sources (uses)	(6,056,928)	—	13,120,891	(5,674,865)	(704,618)	684,480
Net change in fund balances	11,385,251	(563,929)	22,826	(5,155,119)	391,038	6,080,067
Fund balances, beginning of year	52,422,284	13,677,088	8,660,552	78,335,072	1,356,255	154,451,251
Fund balances, end of year	\$ 63,807,535	13,113,159	8,683,378	73,179,953	1,747,293	160,531,318

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2012

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances—total governmental funds	\$ 6,080,067
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays, which exceeded the capitalization threshold, exceeded depreciation expense in the current period.	
Capital outlay additions	12,909,055
Depreciation expense	(9,847,536)
	<u>3,061,519</u>
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	
Proceeds from sale of capital assets	(968,401)
Loss on disposal of capital assets	(1,360,914)
Assets declared surplus- unrealized proceeds	(620,000)
Unrealized loss on impaired capital assets	(119,693)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(721,083)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. In addition, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:	
Principal payment on revenue bonds	9,770,000
Amortization on premium, deferred charges and bond issuance costs	461,621
Arbitrage liability	(136,970)
Accrued interest payable	52,059
	<u>10,146,710</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Other post-employment benefits	276,098
Compensated absences	(730,685)
Claims payable	1,032,646
	<u>578,059</u>
Change in net assets of governmental activities	<u>\$ 16,076,264</u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Statement of Net Assets—Proprietary Fund
June 30, 2012

	Nonmajor Enterprise Fund
Assets:	
Cash and Investments	\$ 172,283
Due from other government	8,400
Total assets	<u>180,683</u>
Liabilities:	
Accrued salaries, benefits, and payroll taxes	<u>2,402</u>
Total liabilities	<u>2,402</u>
Net assets, unrestricted	\$ <u><u>178,281</u></u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Statement of Revenues, Expenses, and Changes in Fund Net Assets— Proprietary Fund

Year ended June 30, 2012

	Nonmajor Enterprise Fund
Operating revenues:	
Charges for community support services	<u>290,761</u>
Total operating revenues	<u>290,761</u>
Operating expenses:	
Salaries, wages, and employee benefits	143,045
Other contractual services	<u>8,301</u>
Total operating expenses	<u>151,346</u>
Change in net assets	139,415
Total net assets, beginning of year	<u>38,866</u>
Total net assets, end of year	<u><u>\$ 178,281</u></u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Statement of Cash Flows—Proprietary Fund
Year ended June 30, 2012

	Nonmajor Enterprise Fund
Cash flows from operating activities:	
Receipts from customers and users	\$ 282,361
Payments to suppliers	(5,971)
Payments to employees	(143,045)
	<u>133,345</u>
Net cash provided by operating activities	133,345
Net increase in cash and cash equivalents	133,345
Cash and cash equivalents, beginning of year	<u>38,938</u>
Cash and cash equivalents, end of year	<u><u>\$ 172,283</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 139,415
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in due from other government	(8,400)
Increase in accrued salaries, benefits and payroll taxes	<u>2,330</u>
Total adjustments	<u>(6,070)</u>
Net cash provided by operating activities	<u><u>\$ 133,345</u></u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Statement of Fiduciary Net Assets

June 30, 2012

	Private Purpose Trust— Student Scholarship Fund
Assets:	
Investments	\$ 389,187
Interest receivable	1,593
Total assets	<u>390,780</u>
Liabilities:	
Accounts payable	<u>10,022</u>
Total liabilities	<u>10,022</u>
Net assets:	
Net assets held in trust for other purposes	\$ <u><u>380,758</u></u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Statement of Changes in Fiduciary Net Assets
Year Ended June 30, 2012

	Private Purpose Trust— Student Scholarship Fund
Additions:	
Contributions:	
Private donations	\$ 4,498
Total contributions	<u>4,498</u>
Investment loss:	
Adjustment of investments to fair market value	<u>(4,049)</u>
Total investment loss	<u>(4,049)</u>
Total additions	<u>449</u>
Deductions:	
Scholarship awards	<u>131,289</u>
Total deductions	<u>131,289</u>
Net decrease	(130,840)
Net assets, beginning of year	<u>511,598</u>
Net assets, end of year	\$ <u><u>380,758</u></u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

(a) *Reporting Entity*

The School District of Kansas City, Missouri, otherwise known as Kansas City Public Schools (the District) is a political subdivision of the State of Missouri and is governed by an elected nine-member board of directors (the Board). Accounting principles generally accepted in the United States of America require that the financial reporting entity include: (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These basic financial statements include the District and its component units. The blended component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Blended Component Units—The School District of Kansas City, Missouri Building Corporation (the Building Corporation) is governed by a nine-member board of directors that is appointed by the District's Board. Although it is legally separate from the District, the Building Corporation is included as if it were a part of the primary government because its purpose is to provide financing for District capital projects and service the related debt through lease agreements with the District. The accounts of the Building Corporation as of and for the year ended June 30, 2012 are included in the basic financial statements as Capital Projects and Debt Service Funds. The Building Corporation does not issue separate financial statements.

Charter Schools—Charter schools are established within the boundaries of the District by state statutes as local educational agencies. Twenty-two charter schools were operating during fiscal year 2012. Under current Missouri statutes, charter schools are allowed to be a Local Education Agency (LEA). All charter schools are currently operating as LEA's. Accordingly, the accounts of these charter schools are not included in these financial statements.

(b) *Government-wide and Fund Financial Statements*

The District's basic financial statements consist of government-wide financial statements and governmental, proprietary, and fiduciary fund financial statements. The government-wide financial statements report information on all the non-fiduciary activities of the District and its component units. The government-wide statements include a statement of net assets and statement of activities. Governmental activities are supported by taxes, state aid, and intergovernmental revenues and are reported separate from business-type activities. The District has classified activity accounted for in the Community Service Fund as a business-type activity.

The statement of net assets reports the financial condition by disclosing the assets of the District (cash, investments, receivables, land, buildings, and equipment) and the liabilities of the District (accounts payable, wages and benefits payable, bonds payable, and other obligations).

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by recipients of the services offered by the program, grants, and contributions that are restricted to meeting the operational and capital requirements of certain programs. Property taxes, state aid, and other revenues not included among program revenues are reported as general revenues. The comparison of direct expenses to program revenues identifies the extent to which each District function is self-supporting or relies on general revenues.

The District maintains separate funds for certain functions or activities for internal accounting and financial reporting and to demonstrate compliance with state statutes. These fund financial statements are designed to present financial information at a more detailed level by identifying each major fund in a separate column and nonmajor funds aggregated in a single column. Fiduciary funds are reported separately by type.

(c) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. All current and noncurrent assets and liabilities are disclosed on the statement of net assets. On the statement of activities, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met.

Governmental fund financial statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. Generally, only current assets and current liabilities are included on the balance sheet when reporting financial condition. When reporting operating results, only sources and uses related to the current period are disclosed. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, both measurable and available. Available means collectible within the current period, or soon enough thereafter, to pay current liabilities. Unearned revenue arises when assets are recognized before revenue criteria have been satisfied. The primary source of local revenues is property tax. Property tax revenues are recognized in the fiscal year for which the taxes have been levied. Deferred revenue for property taxes arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. For property taxes, available is defined as expected to be received within 60 days of fiscal year-end. Federal, state, and local grant revenues received as reimbursement for specific purposes is recognized when the related reimbursement is received within 60 days of fiscal year-end. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. Expenditures are generally recognized in the accounting period when the related fund liabilities are incurred. Principal and interest on long-term indebtedness, as well as expenditures related to compensated absences and claims and judgments, are recorded in the governmental funds when payment is due and payable.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

The District has the following major governmental funds.

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Other Special Revenue Fund* is used to account for the resources that are restricted for payment of employee compensated absences and District contributions to the retirement plan.

The *Debt Service Fund* is used to account for resources that are restricted for payments made for principal and interest on long-term leasehold revenue bonded debt.

The *Capital Projects Fund* is used to account for financial resources that are restricted, committed or assigned to be used for the acquisition, construction, or renovation of capital facilities and the purchase of equipment, furniture, and fixtures.

The debt service fund and other special revenue fund are shown as major for public interest purposes.

The other governmental funds of the District are considered nonmajor. They are special revenue funds that account for the proceeds of specific revenue sources that are legally restricted for specific purposes and are described below:

The *Child Nutritional Services Fund* is used to account for the operation and administration of the school cafeterias.

The *Patron Gift Fund* accounts for financial activities related to the use of private gifts given to a specific school or program.

The *Student Activity Fund* accounts for fundraising activities for schools and programs.

The District has one permanent fund, which is a nonmajor fund. This fund accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support a specific school or program.

The *Patron Endowments Fund* accounts for assets held by the District as a legal trustee in situations requiring that the principal be preserved intact and only the interest be spent as designated.

In addition, the District has the following nonmajor enterprise fund:

The *Community Service Fund* is an enterprise fund type and accounts for accumulation and allocation of costs associated with leased land and buildings, and event rental of facilities to the community. This fund is reported as an enterprise fund because it is financed by external parties. Operating expenses are from salaries and fringe benefits.

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, other government entities, and/or other funds. The District has the following fiduciary fund:

The *Student Scholarship Fund* accounts for private gifts received to benefit students through scholarship awards.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

In accounting and reporting for enterprise fund activities, the District applies all applicable pronouncements of the FASB issued on or before November 30, 1989, unless these pronouncements conflict with applicable GASB guidance as prescribed by GASB Statement No. 20. The District has elected not to follow FASB guidance subsequent to November 30, 1989.

Exchange transactions between funds are reported as program revenues and/or expenditures in the appropriate fund and functional activity. The effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund activity between governmental funds and the enterprise fund has not been eliminated.

(d) *Assets, Liabilities, and Net Assets or Equity*

1. Deposits and Investments

The District maintains a cash and investment pool that is available for use by all funds except those identified as component units and the student activity fund. Each participating fund's portion of the pool is recorded on the balance sheet or statement of net assets as cash and investments. Earnings from such cash and investments are allocated to the funds based on the monthly average fund balance during the year.

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 90 days or less from the date of acquisition. The investment policy allows surplus funds to be invested in securities with maturities not to exceed five years. The policy requires the District to adopt weighted average maturity limitations that do not exceed three years and is consistent with the investment objectives.

All investments are stated at fair value. The value of marketable securities is based on market analyses provided by a securities pricing company through the District's financial banking institution.

State statutes authorize the District to invest in open time deposits; certificates of deposit; bonds of the state, of the United States, or of any wholly owned corporation of the United States; and in other short-term obligations of the United States. In accordance with these statutes, the cash and investment pool is invested in certificates of deposit, United States Treasury securities, federal agency obligations, and repurchase agreements collateralized by United States Treasury securities and federal agency obligations. The investments are purchased from Securities and Exchange Commission (SEC) registered brokers, dealers, and banks.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

The Building Corporation's investments are authorized by the applicable bond trust indentures. It is the opinion of the District and its legal counsel that such investments of the Building Corporation are not subject to state statutes regarding school districts. The Building Corporation adopted a policy substantially similar to the District's investment policy, except in specific cases where the Building Corporation's Board deems such policies inappropriate.

2. Restricted Cash and Investments

Certain proceeds of the Building Corporation's leasehold revenue bonds, as well as certain other District resources set aside for their repayment, are classified as restricted assets. A trustee holds these resources, and their use is limited by applicable bond covenants and/or investment agreements. In compliance with Missouri Workers' Compensation laws, an escrow account is held by a trustee to cover claims processed under the District's self-insured workers' compensation program.

3. Receivables and Payables

Within the fund financial statements, activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" or "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". There were no internal balances as of June 30, 2012.

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not in spendable form.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

Property taxes are recognized as a receivable at the time they become an enforceable legal claim. Property taxes are levied by the county assessor based on the assessed valuation of taxable property as of January 1 of each calendar year (tax lien date). Taxes are billed the following November 1 and become due on or before December 31. Tax bills not collected by December 31 are considered delinquent and the unpaid amount is subject to interest and penalties. The county is responsible for the collection and distribution of property taxes. Assessed values are established by the county's Department of Assessment and reviewed by the County Board of Equalization and the state tax commissioner. The total assessed value at January 1, 2012 for real estate, personal property, merchants and manufacturers, and railroad and utility property was approximately \$2.69 billion.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

4. Inventories

In the government-wide financial statements, inventories are valued at average cost and are unused federal commodities. Unused federal commodities at year-end are reported as deferred revenue, as title does not pass to the District until the commodities are used.

5. Capital Assets

Capital assets, which include land, buildings, building improvements, equipment, vehicles, and furniture and fixtures, are reported in the government-wide financial statements. Capital assets are defined as assets with an individual cost over a certain amount (see capitalization level by category) and an estimated useful life of two years or more. Capital assets are capitalized at cost or estimated historical cost. Donated fixed assets are valued at estimated fair market value as of the date received. Major outlays for capital acquisitions and improvements are capitalized as projects are constructed. All capital assets over the capitalization levels are depreciated. The capitalization levels, by category, are:

Land and buildings	\$	100,000
Building improvements		100,000
Equipment and vehicles		5,000

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Useful life/range</u>
Buildings	50 years
Building improvements	20 – 25 years
Improvements other than buildings	25 years
Equipment, furniture, and fixtures	5 – 10 years
Vehicles	4 years

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

The Board of Education has declared six closed buildings will no longer be used by the District, but will be held for sale as surplus property. Once the decision is made by the Board to sell the building, it may be sold in compliance with bond covenants and state statutes. The District has recorded property held for sale in the governmental funds at the lower of the carrying value of the property or the estimated fair value. The District also has twenty-three closed buildings which are no longer being used by the District, and therefore are not being depreciated. The District has recorded these buildings in the government-wide financial statements at the lower of the carrying value of the property or the estimated fair value.

6. Compensated Absences

District employees earn annual vacation leave at the following rates:

<u>Vacation days</u>	<u>Years of service</u>
10	1 year
12	2 years
14	3 years
16	4 years
18	5 years
20	over 5 years

Vested unused vacation, up to a maximum of 50 days, is payable upon the date of termination or retirement.

District employees accumulate sick leave at the rate of one-half day per reporting period. Additionally, two personal business days are awarded each fiscal year. Personal days not used are carried forward as accumulated sick leave. Vested, unused sick leave may be accumulated up to a maximum of 200 days. The value of unused sick leave is payable upon termination or retirement at a rate of 3% for each year of employment up to a maximum of 75% of total value of sick leave.

Estimated vacation and sick leave payments due to employees at June 30, 2012 of \$14.6 million have been recorded in the government-wide financial statements. Of this balance, \$.2 million is recorded as accrued liabilities in the Other Special Revenue Fund as they are considered due, for example, as a result of employee resignations and retirements. Within the governmental funds financial statements, there is a fund balance restriction at June 30, 2012 of \$13.1 million to cover these future payments. Payments of benefits to employees are made from the Other Special Revenue Fund.

7. Interfund Transactions

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as transfers and are reported as other financing sources (uses) in the governmental fund financial statements.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

8. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations of the District are reported as liabilities in the governmental activities statement of net assets. Bond issuance costs are reported as an asset in the statement of net assets. Bond issuance costs and premiums on bonds, and deferred charges are amortized over the term of the related debt using a method which approximates the effective interest method.

In the governmental fund financial statements, bond premiums, and issuance costs are recognized in the current period when incurred. The amount of the debt issued is recorded as other financing sources. Premiums received on debt issuances are recorded as other financing sources, while discounts are recorded as other financing uses. Bond issuance costs are recorded as debt service expenditures when incurred.

9. Fund Equity and Net Assets

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable: Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned: Amounts constrained by the District's intent to use them for a specific purpose. The authority to assign fund balance has been delegated to the Superintendent, and the Chief Finance Officer.

Unassigned: All amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance.

The District's minimum fund balance policy is \$25 million in the General Fund.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is to pay the expenditure from the restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

In the government-wide financial statements and proprietary fund financial statements, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent bond proceeds of \$27,012,906.

Net assets are reported as restricted when there are limitations imposed on their use, such as bond covenants, grantors, or laws and regulations. Restricted net assets consist of assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation as reduced by recorded liabilities which are payable for those assets (except for bonds used to acquire capital assets which are presented as a reduction of net assets invested in capital assets).

Net assets restricted through legislation, outside parties or by law through constitutional provisions consist of \$8,683,378 for debt service, \$280,064 for worker's compensation, \$35,000 for nonexpendable corpus of permanent fund, \$196,413 for patron gifts, \$13,113,159 for compensated absences, \$59,411 for capital projects, and \$2,136,074 for other restrictions.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

10. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

(2) Fund Balances

The details for the District's fund balances are as follows:

Fund Balances:	General	Other Special Revenue	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable:						
Advances	\$ -	\$ -	\$ -	\$ 2,584,270	\$ -	\$ 2,584,270
Patron gift	-	-	-	-	35,000	35,000
Total Nonspendable	-	-	-	2,584,270	35,000	2,619,270
Restricted:						
Grant restriction	556,742	-	-	28,452	-	585,194
Child Nutritional Services	-	-	-	-	1,090,590	1,090,590
Debt service	-	-	8,683,378	-	-	8,683,378
Student activities	-	-	-	-	299,117	299,117
Patron gift	-	-	-	-	196,413	196,413
Property held for sale	-	-	-	4,141,900	-	4,141,900
Permanent fund	-	-	-	-	126,173	126,173
Compensated absences	-	13,113,159	-	-	-	13,113,159
Workers compensation	280,064	-	-	-	-	280,064
Encumbrances- QSCB	-	-	-	59,411	-	59,411
Capital projects- QSCB	-	-	-	17,597,143	-	17,597,143
Total Restricted	836,806	13,113,159	8,683,378	21,826,906	1,712,293	46,172,542
Committed:						
Encumbrances	-	-	-	799,870	-	799,870
Capital projects-Cafeteria Modernization	-	-	-	650,000	-	650,000
Capital projects-Cornerstone	-	-	-	44,292,333	-	44,292,333
Total Committed	-	-	-	45,742,203	-	45,742,203
Assigned:						
Encumbrances	1,467,160	-	-	-	-	1,467,160
Future equipment purchases	-	-	-	3,785,180	-	3,785,180
Total Assigned	1,467,160	-	-	3,785,180	-	5,252,340
Unassigned:	61,503,569	-	-	(758,606)	-	60,744,963
Total fund balances	\$ 63,807,535	\$ 13,113,159	\$ 8,683,378	\$ 73,179,953	\$ 1,747,293	\$ 160,531,318

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

(3) Detailed Notes on All Funds

(a) Deposits and Investments

The District and the Building Corporation had the following cash and investments at June 30, 2012:

Investment type	Fair value	Weighted average maturity (years)
U.S. Treasury obligations	\$ 3,751,564	.59
Government-sponsored enterprises	57,617,135	3.96
Repurchase agreements	22,139,000	1.60
Total fair value	83,507,699	
Portfolio weighted average maturity		2.78
Other cash and investments not subject to interest rate disclosure:		
Money market funds	27,556,615	
Certificates of deposit	37,000,000	
Commercial Paper	28,984,569	
Deposits	631,142	
	94,172,326	
Total cash and investments	\$ 177,680,025	

Interest rate risk—The Board approved investment policy requires that the investment portfolio be structured so that securities mature to meet cash requirements for day-to-day operations. Primarily, operating funds are invested in short-term securities with a weighted average maturity of less than 12 months and securities are held to maturity. Investments may mature within no more than 5 years from date of purchase. The policy requires the District to adopt weighted average maturity limitations that do not exceed 3 years and is consistent with the investment objectives. The weighted average maturity for the District's portfolio, excluding Building Corporation, is 3.87 years. The weighted average maturity for the investments of the Building Corporation is about 1.1 years.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

Credit risk—Missouri statutes limits the type of investment securities that can be purchased (as disclosed in note 1(d) 1), primarily, U.S. Treasury obligations and federal agency obligations. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. At June 30, the District's investments in debt securities were rated as follows:

<u>Investment type</u>	<u>Moody's Investors Service</u>	<u>Standard & Poor's</u>
U. S. Treasury Obligations	Aaa	AAA
Government-sponsored enterprises		
Federal Home Loan Mortgage Corporation	Aaa	AA+
Federal National Mortgage Association	Aaa	AA+
Federal National Mortgage Association Global	Aaa	AA+
Federal National Mortgage Discount	Aaa	AA+
Repurchase agreement	Aa3	AA-
Repurchase agreement	Aaa	AA+

Concentration of credit risk—The District's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the District to meet its anticipated cash requirements. The District follows diversification standards published by the Office of Missouri State Treasurer. Those standards allows for no more than 60% of the total investment portfolio to be in U.S. Government agencies and no more than 30% to be in U.S. Government callable agencies. At June 30, the District had 21% of its investments in certificates of deposits and Missouri Securities Investment Program Term Series, and 32% in callable U.S. Government agencies.

Collateralized repurchase agreements are limited to 50% of the total investments. At June 30, the District had 13% of its investments in collateralized repurchase agreements.

Custodial credit risk—For deposits, this is the risk that, in the event of a bank failure, the District and its component unit deposits may not be returned. Collateral is required by state statute for demand deposits and certificates of deposit. The fair value of the collateral must equal 100% of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are governed by State Statutes and include United States Government agency bonds and securities; general obligation bonds of any of the 50 states; general obligation bonds of any Missouri county, certain cities, and special districts; and revenue bonds of certain Missouri agencies. For investments, there is the risk that, in the event of the failure of the counterparty, the District and its component units will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2012, the District and the Building Corporation had no deposits or investments exposed to custodial credit risk.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

(b) *Receivables*

Receivables as of year-end for the major funds and nonmajor, and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Other Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor and other(1)</u>	<u>Total</u>
Interest	\$ 256,702	52,894	120,025	25,656	2,961	458,238
Taxes	149,510,579	—	—	5,978,967	—	155,489,546
Due from other						
governments	6,627,296	—	—	5,418	929,675	7,562,389
Due from other funds	9,003,158	—	—	—	—	9,003,158
Advances to other funds	—	—	—	2,584,270	—	2,584,270
Community programs	—	—	—	—	—	—
Other receivables	<u>95,946</u>	<u>—</u>	<u>—</u>	<u>265,400</u>	<u>—</u>	<u>361,346</u>
Gross receivables	165,493,681	52,894	120,025	8,859,711	932,636	175,458,947
Less: allowance for uncollectibles	<u>(2,504,679)</u>	<u>—</u>	<u>—</u>	<u>(1,428,466)</u>	<u>—</u>	<u>(3,933,145)</u>
Net total						
receivables	\$ <u>162,989,002</u>	<u>52,894</u>	<u>120,025</u>	<u>7,431,245</u>	<u>932,636</u>	<u>171,525,802</u>

- (1) Nonmajor and other funds are comprised of nonmajor governmental funds and the student scholarships private purpose trust fund.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

(c) Capital Assets

Capital asset activity as of June 30, 2012 is shown below:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers/ retirements</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 30,646,301	—	—	30,646,301
Construction in progress	3,299,040	2,312,976	(2,765,087)	2,846,929
Impairment- closed buildings	59,775,442	—	(2,885,244)	56,890,198
Total capital assets, not being depreciated	<u>93,720,783</u>	<u>2,312,976</u>	<u>(5,650,331)</u>	<u>90,383,428</u>
Capital assets, being depreciated:				
Buildings and improvements	404,172,910	11,981,091	(300)	416,153,701
Improvements other than buildings	32,566,824	467,923	—	33,034,747
Equipment and furniture	29,247,045	588,144	(381,846)	29,453,343
Vehicles	1,837,126	144,404	(78,698)	1,902,832
Total capital assets being depreciated	<u>467,823,905</u>	<u>13,181,562</u>	<u>(460,844)</u>	<u>480,544,623</u>
Less accumulated depreciation for:				
Buildings and improvements	(161,475,769)	(8,159,797)	—	(169,635,566)
Improvements other than buildings	(23,768,477)	(1,220,944)	—	(24,989,421)
Equipment and furniture	(28,503,492)	(312,420)	377,986	(28,437,926)
Vehicles	(1,568,428)	(154,375)	78,698	(1,644,105)
Total accumulated depreciation	<u>(215,316,166)</u>	<u>(9,847,536)</u>	<u>456,684</u>	<u>(224,707,018)</u>
Total capital assets, being depreciated, net	<u>252,507,739</u>	<u>3,334,026</u>	<u>(4,160)</u>	<u>255,837,605</u>
Governmental activities capital assets, net	<u>\$ 346,228,522</u>	<u>5,647,002</u>	<u>(5,654,491)</u>	<u>346,221,033</u>

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

Within the government-wide financial statements, depreciation expense was charged to functions/programs for governmental activities as shown below:

Elementary schools	\$	4,156,712
Middle schools		1,062,868
Senior high schools		4,124,541
Other instruction		12,116
Special education		15,078
Total instruction		<u>9,371,315</u>
Executive Administration		3,747
Financial and internal services		1,325
Food Service		4,055
Information technology		102,521
Total support services		<u>111,648</u>
Operation of facilities		152,762
Internal Services		15,321
Facilities acquisition and construction		196,490
Total governmental activities depreciation expense	\$	<u><u>9,847,536</u></u>

As of June 30, 2012 the District has twenty-nine schools with a total carrying value of \$85,452,669 that are idle and considered impaired. Management has determined six of these schools with a carrying value of \$28,562,471 are considered to be temporarily impaired. The remaining twenty-three closed schools were accounted for at the lower of carrying value or fair value.

(d) Inter-fund Receivables, Payables, and Transfers

Interfund receivables, payables, and advances to and from at June 30, 2012 are as follows:

Fund	Receivables	Payables
Major funds:		
General Fund	\$ 9,003,158	—
Capital Projects	2,584,270	9,003,158
Debt Service	—	2,584,270
	<u>\$ 11,587,428</u>	<u>11,587,428</u>

The purpose of the above inter-fund balances is to reflect the payables and receivables between certain funds at June 30, 2012. The District is required to make advance payments to the trustee for current debt service obligation of \$2.6 million, which is funded by proceeds from the sale of buildings and property tax revenue. The \$9 million represents unreimbursed QSCB expenditures. The District is reimbursed by the Building Corporation upon proof the vendor has been paid.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

The following transfers were made during the fiscal year:

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Transfers from:			
General Fund	\$ -	6,809,816	6,809,816
Debt Service Fund	-	635,575	635,575
Capital Project Fund	13,540,953	-	13,540,953
Nonmajor governmental Fund	-	704,618	704,618
Enterprise fund	-	-	-
	<u>\$ 13,540,953</u>	<u>8,150,009</u>	<u>21,690,962</u>

The above fund transfers are the result of budget appropriations that required fund transfers.

(e) *Accrued Salaries*

School-based instructional staff, are compensated over a 12-month period beginning in August and September. Remaining salaries and related payroll taxes for the fiscal year have been accrued at June 30, 2012.

(f) *Long-term Borrowings*

Bonds Payable—Revenue bonds issued by the Building Corporation are supported by the revenue derived from leases with the District in amounts sufficient to provide for estimated administrative and operating expenditures, principal and interest on the bonds, and establishment of bond reserves pursuant to the provisions of the applicable bond resolution. Certain bond issues hold land and buildings as collateral in the event of default by the District. In the event the District sells these assets, the District may be required to pay the difference between fair market value and the selling price to the bond trustee under the bond covenants. All sales of such assets require bond counsel concurrence and Board approval before the District can enter into such transactions.

The District has pledged, as security for the 2003 series bonds issued by the Building Corporation, a portion of the District's property taxes. The 2003 series bonds are payable through 2014. Total principal and interest remaining on the 2003 series bond debt is \$14,239,000 with annual requirements ranging from \$6.0 to \$8.2 million. For the current year, principal and interest paid by the District were \$9.8 million and \$1.1 million, respectively.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

The 2009 Leasehold Revenue Qualified School Construction Bonds are payable through 2025. The total principal and interest remaining on the debt is \$21,288,889 with annual requirements ranging from \$.4 million to \$2.4 million. For the current year, interest paid by the District was \$.4 million. The amount of tax credits issued to the bondholder from the federal government was \$1.1 million. Principal payments begin in 2015.

The 2010 Leasehold Revenue Qualified School Construction Bonds are payable through 2029. The total principal and interest remaining on the debt is \$27,943,929 with annual requirements ranging from \$1.2 million to \$2.1 million. For the current year, interest paid by the District was \$1.2 million. Principal payments begin in 2015.

Bonds outstanding at June 30, 2012 are as follows:

Purpose	Amount outstanding	Interest rate	Maturity year
Series 2003B	\$ 13,305,000	4.00% to 5.00%	2014
Series 2009	17,880,000	2.23%	2025
Series 2010	16,274,000	7.12%	2029
	<u>\$ 47,459,000</u>		

Annual debt service requirements to maturity for leasehold revenue bonds are as follows:

	Governmental activities	
	Principal	Interest
Year ending June 30:		
2013	\$ 7,555,000	2,203,933
2014	5,750,000	1,844,933
2015	2,009,000	1,534,508
2016	2,110,000	1,442,054
2017	2,230,000	1,346,410
2018-2022	13,145,000	5,169,928
2023-2027	12,240,000	2,254,960
2028-2029	2,420,000	216,092
Total	<u>\$ 47,459,000</u>	<u>16,012,818</u>

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

(g) *Changes in Long-term Liabilities*

Long-term liability activity for the fiscal year was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Leasehold revenue bonds	\$ 57,229,000	—	(9,770,000)	47,459,000	7,555,000
Compensated absences	<u>14,559,808</u>	<u>2,482,252</u>	<u>(2,438,435)</u>	<u>14,603,625</u>	<u>2,631,761</u>
Long-term liabilities	<u>\$ 71,788,808</u>	<u>2,482,252</u>	<u>(12,208,435)</u>	<u>62,062,625</u>	<u>10,186,761</u>

Compensated absences are liquidated by the Other Special Revenue Fund.

Prior period defeasance

During the year ended June 30, 2009 the District defeased portions of the Series 2003A and 2003B leasehold revenue bonds by placing proceeds from the 2008 sale of school buildings in an irrevocable trust to provide for all future debt service payments on these bonds. The advance refund was done to comply with federal tax law mandates on the use of the proceeds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's long-term debt. On June 30, 2012, \$12,059,775 of bonds outstanding are considered defeased.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

(4) Other Information

(a) Risk Management

Resources are accumulated in the General Fund for workers' compensation, unemployment, and general liability claims. The District qualifies as a self-insurer under Missouri Workers' Compensation laws and maintains a reserve to cover estimated workers' compensation claims incurred before November 1, 1999. Restricted cash and investments of \$280,064 as of June 30, 2012 are for the self-insured portion of the workers compensation program's reserve requirement. A commercial insurance policy is purchased to cover current and future workers' compensation claims. Pursuant to 288.090:3(1)(a) of the Missouri Revised Statutes, the District participates in the State Employment Security Program on a reimbursable basis and pays claims in lieu of contributions. The District maintains a general liability reserve to cover claims in excess of existing commercial insurance coverage that is funded by contributions from the General Fund.

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District purchases commercial insurance. Claim settlements have not exceeded commercial insurance coverage for each of the past three fiscal years. Changes for the claims liability for fiscal years 2011 and 2012 is shown below.

	<u>Beginning of fiscal year</u>	<u>Current claims and estimated changes</u>	<u>Claim payments</u>	<u>Balance at fiscal year-end</u>
Fiscal year 2012:				
Claims and judgments	<u>6,223,818</u>	<u>(283,524)</u>	<u>749,122</u>	<u>5,191,172</u>
	<u>\$ 6,223,818</u>	<u>(283,524)</u>	<u>749,122</u>	<u>5,191,172</u>
Fiscal year 2011:				
Claims and judgments	<u>1,265,000</u>	<u>5,491,434</u>	<u>532,616</u>	<u>6,223,818</u>
	<u>\$ 1,265,000</u>	<u>5,491,434</u>	<u>532,616</u>	<u>6,223,818</u>

(b) Post-Employment Benefits

Kansas City Public Schools Post-Employment Benefit Plan (OPEB)

Kansas City Public Schools benefit plan is a single employer defined benefit health care plan administered by the District that provides medical and long-term care insurance benefits to eligible retirees and their spouses.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

Membership in the OPEB comprised the following at July 1, 2010:

Active employees	3,079
Retired participants medical	409
Retired participants spouse medical	55
Retired participants dental	1,089
Retired participants spouse dental	283

The annual required contribution (ARC) is the basic annual expense recognized under GASB Statement No. 45, though there is no requirement to fund the ARC. ARC is calculated under the actuarial cost method that was chosen and is made up of the normal cost plus amortization of the unfunded actuarial accrued liability (UAAL - excess of the past service liability over the actuarial value of the assets). The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually. For fiscal year 2012, the District contributed \$1,685,868 to the plan. Plan members receiving benefits from OPEB contributed \$1,692,600.

Other Post-employment Benefit cost expense is computed based on the annual required contribution (ARC) of the District. The annual required contribution is an amount of funding that if funded on a regular basis, it is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components that make up the District's OPEB Cost for 2012:

Annual Required Contribution	\$1,371,934
Interest on Net OPEB Obligation	(84,850)
Adjustment to ARC	<u>122,686</u>
Annual OPEB Cost (Expense)	<u>1,409,770</u>
Contributions Made	(1,685,868)
Increase in net OPEB Obligation (Asset)	(276,098)
Net OPEB Asset – Beginning of Year	<u>(2,121,242)</u>
Net OPEB Asset – End of Year	<u>\$(2,397,340)</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2012, 2011, and 2010 are as follows in the table below:

<u>Fiscal Yr Ended</u>	<u>OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
06/30/12	\$1,409,770	119.6%	\$(2,397,340)
06/30/11	\$1,404,845	119.7%	\$(2,121,242)
06/30/10	\$1,850,169	104.0%	\$(1,845,144)

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Notes to Basic Financial Statements

June 30, 2012

As of July 1, 2010, the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$14,704,906 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,704,906. The covered payroll (annual payroll of active employees covered by the plan) was \$106,402,917 and the ratio of the UAAL to the covered payroll was 13.8%. For the year ended June 30, 2012, the covered payroll was \$92,812,873 and the ratio of the UAAL to the covered payroll was 15.8%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution (ARC) of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is decreasing or increasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In July 1, 2010 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the District's own investments calculated based on the funded level of the plan at the valuation date, and an annual health care cost trend rate of 9 percent for medical claims, reduced by decrements to an ultimate rate of 5 percent after eight years. The UAAL is being amortized as a level dollar amount over a period of 30 years.

(c) *Status of Accreditation*

The State Board of Education (SBE) accredits school districts through the Missouri School Improvement Program (MSIP), which sets minimum standards for high school graduation, curriculum, student testing, school resources, support services, and other areas of school operations. The SBE's accreditation review of Missouri school districts is based on the District's compliance with certain of these standards, grouped into "Resource", "Process" and "Performance" categories.

In October 1999, the SBE voted to withdraw the District's accreditation effective May 2000, due to the District's failure to meet the required MSIP standards during its Second Cycle accreditation review by the Department of Elementary and Secondary Education (DESE). The areas reviewed by the state were Resource, Process and Performance. The District met all the requirements for Resource and Process at an accredited level, but the Performance standards (as measured by the MAP achievement test) were below the accredited level. After a January 2002 accreditation re-review by DESE (applying Second Cycle standards), the SBE voted unanimously on April 17, 2002 to grant the District provisional accreditation, thus lifting the threat of a state takeover.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

In the spring of 2008, the Department of Elementary and Secondary Education completed a full review of the District as part of MSIP Cycle 4. At that time, it required the District to complete a two-year accountability plan the progress of which to be reviewed quarterly by a Missouri Regional School Improvement team. The plan was approved on January 14, 2009. The District retained its' provisional accreditation rating. The District met all of the Resource and Process Standards at an accredited level in fiscal year 2009. It met four of the fourteen performance standards. Nine are needed for full accreditation.

For fiscal year 2012, the district met five of fourteen performance standards. On September 20, 2011, the State Board of Education (SBE) voted to rescind the District's provisional accreditation effective January 1, 2012. The SBE noted the progress the district had made but expressed their desire to provide additional support to the District so it could achieve the necessary APR points needed to achieve accreditation. The District has two years to improve in its' performance standards and must meet at least nine standards to avoid State Intervention. Monthly oversight reviews by a Missouri Regional School Improvement team will continue during this period of time.

(d) Commitments

On June 27, 2012 the Board approved a one-year agreement for fiscal year 2012 with First Student to provide regular and special education transportation services. The contract is based on variable pricing dependent on the number of bus routes scheduled. Actual expenditures in the current year were \$3,161,383 and the District expects similar expenditures in the next fiscal year.

On June 27, 2012 the Board approved a one-year agreement for fiscal year 2012 with Durham School Services to provide regular and special education transportation services. The contract is based on variable pricing dependent on the number of bus routes scheduled. Actual expenditures in the current year were \$9,933,873 and the District expects similar expenditures in the next fiscal year.

Certain commitments have been made relating to approved projects from the 2009 and 2010 QSCB proceeds. Through June 30, 2012, the District has incurred \$16.6 million in expenditures relating to these projects, and has entered into contracts totaling approximately \$.1 million.

(e) Contingent Liabilities

The District filed suit in Missouri state court on May 10, 2005, against the Board of Fund Commissioners, the individual members of the Board of Fund Commissioners, the Missouri Department of Elementary and Secondary Education, the Commissioner of Education, and the State of Missouri. The District's lawsuit seeks relief from a statute, which allows the Board of Fund Commissioners to determine whether or not the District has sufficient "fund balances" to redeem or otherwise pay off leasehold revenue bonds issued pursuant to desegregation related action. In April 2005, the Board of Fund Commissioners voted that the District had sufficient fund balances to redeem or otherwise pay off its obligations for leasehold revenue bonds and, therefore, could not continue to withhold money from the charter schools pursuant to Missouri Revised Statute § 160.415(2)(5). For the 2004-2005 school year, the District had withheld approximately \$836 per pupil from each of the charter schools for repayment of leasehold revenue bonds.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

The District's lawsuit alleged the Board of Fund Commissioners' determination was arbitrary and capricious and the statute authorizing the Board of Fund Commissioners to make this determination is unconstitutional because, among other reasons, it violates certain federal court orders and a settlement agreement between the State and the District arising from federal desegregation litigation.

Fourteen charter schools located within the District's boundaries intervened in this case along with their organization, the Missouri Charter Public Schools Association, and alleged a counterclaim against the School District for the monies withheld from 1999 until April 2005. While the state lawsuit was pending, the District successfully obtained an injunction from the federal court, which held the State's conduct violated the settlement agreement between the District and the State that was entered into as part of the federal desegregation litigation. The federal court injunction entitled the District to continue withholding from charter schools (through 2014), a per-pupil amount necessary for desegregation bond payments.

The District then filed claims in the state court lawsuit against the State and charter schools to recover monies that the State forced KCMSD to transfer to the charter schools prior to the federal court injunction.

On August 15, 2011, the state court entered summary judgment in favor of the District on its claims seeking to recover for the monies wrongfully diverted to the charter schools for the 2005-06 school year, prior to the federal court's ruling in the District's favor. The court entered judgment against the State for the principal amount of \$6,162,011, together with \$2,865,588 in prejudgment interest, for a total judgment of \$9,027,599. The court also entered judgment in favor of the District and against the charter schools for the principal amount of \$5,082,253, together with \$2,363,457 in prejudgment interest, for a total judgment of \$7,445,710. However, on September 30, 2011, the state court amended the judgment against the charter schools to reduce the amount of prejudgment interest to \$669,187, thereby reducing the total amount of the judgment against the charter schools to \$5,751,440. Because the judgments against the State and charter schools are for overlapping damages, \$9,027,599 is the maximum recovery that the District can collect. The District intends to seek partial reconsideration of this reduction in the amount of prejudgment interest. Post-judgment interest on the judgments will accrue at the rate of 9%.

August 22, 2012, the Court of Appeals for the Western District of Missouri overturned the trial court's decision, vacated the judgment, and entered judgment for the defendants. The Kansas City Public Schools asked the Court of Appeals to reconsider that decision or transfer the case to the Missouri Supreme Court. They rejected that request. The District has made a request directly to the Supreme Court which is still pending.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

(f) Pension Plan

The District contributes to the Public School Retirement System, a cost-sharing, multiple-employer and contributory defined benefit pension plan. Substantially all full-time employees of the District, the Kansas City Public Library and charter schools are covered by the plan. The Public School Retirement System provides retirement, disability, and death benefits to plan members and beneficiaries. All benefit provisions are established and may be amended by the legislature of the State of Missouri. The general administration and responsibility for the proper operation of the Public School Retirement System rests with a board of trustees. Financial statements of the Public School Retirement System can be obtained by writing to Public School Retirement System, 4600 Paseo Boulevard, Kansas City, Missouri 64106 or by calling (816) 472-5912.

Employee—All regular and full-time employees must become members of the Retirement System as a condition of employment. Effective January 1, 1999, members contribute 7.5% of regular annual compensation.

Employer—Participating employers contributed 7.5% of annual compensation beginning January 1, 1999. The contribution rate is determined by state statute. Prior to July 1, 1993, employer contributions were actuarially determined.

The District's contributions to the Retirement System for the years ended December 31, 2011, 2010 and 2009 were \$9,593,660, \$11,382,658 and \$12,335,504, respectively, which was equal to the annual required contribution for the District.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

(g) *New Pronouncements*

As of June 30, 2012, the GASB has issued the following statements not yet implemented by the District. The statements which might impact the District are as follows:

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2012

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued April 2012, will be effective for the District beginning with its year ending June 30, 2014. This Statement clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement (CON) No. 4, *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, this Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, the Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the District beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

The District's management has not yet determined the effect these statements will have on the District's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2012

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Property taxes	\$ 128,448,869	125,456,992	127,827,724	2,370,732
Prop C taxes	9,488,458	9,204,726	9,054,125	(150,601)
Other local	1,618,947	4,621,083	4,893,362	272,279
County	2,936,376	3,792,801	4,151,467	358,666
Basic formula	8,967,330	8,745,602	8,706,687	(38,915)
Other state	6,712,426	7,244,237	6,248,070	(996,167)
Federal sources	29,162,857	40,050,003	29,421,360	(10,628,643)
Total revenues	187,335,263	199,115,444	190,302,795	(8,812,649)
Expenditures:				
Current:				
Administration:				
Board of Education services:				
Salaries	79,024	59,024	40,398	18,626
Benefits	22,153	22,675	10,877	11,798
Purchased services	421,000	635,331	622,397	12,934
Supplies and materials	5,389	5,389	2,779	2,610
Total Board of Education services	527,566	722,419	676,451	45,968
Executive administration:				
Salaries	1,366,818	1,702,614	1,563,967	138,647
Benefits	389,951	492,137	352,889	139,248
Purchased services	2,416,383	2,720,088	2,241,285	478,803
Supplies and materials	60,399	83,263	54,052	29,211
Total executive administration	4,233,551	4,998,102	4,212,193	785,909
Building level administration:				
Salaries	1,634,558	1,575,594	1,683,743	(108,149)
Benefits	694,055	686,927	648,750	38,177
Purchased services	104,530	167,604	175,232	(7,628)
Supplies and materials	29,332	40,931	34,885	6,046
Total building level administration	2,462,475	2,471,056	2,542,610	(71,554)
Total administration	7,223,592	8,191,577	7,431,254	760,323
Instruction:				
Elementary:				
Salaries	\$ 514,066	698,291	610,447	87,844
Benefits	189,442	276,870	237,039	39,831
Purchased services	8,937,276	8,297,712	8,112,079	185,633
Supplies and materials	952,290	1,005,840	932,810	73,030
Total elementary	10,593,074	10,278,713	9,892,375	386,338

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2012

	Original budget	Final budget	Actual	Variance with Final Budget
Senior high:				
Salaries	130,187	170,526	123,937	46,589
Benefits	55,076	76,902	50,077	26,825
Purchased services	579,769	336,655	298,701	37,954
Supplies and materials	625,385	289,680	280,615	9,065
Total senior high	1,390,417	873,763	753,330	120,433
Summer school:				
Salaries	170,580	194,324	89,497	104,827
Benefits	22,154	28,888	8,889	19,999
Purchased services	252,464	52,464	—	52,464
Supplies and materials	102,591	102,591	20,078	82,513
Total summer school	547,789	378,267	118,464	259,803
Special education:				
Salaries	2,840,357	3,007,280	2,815,362	191,918
Benefits	1,368,089	1,408,006	1,151,978	256,028
Purchased services	6,144,386	4,890,282	3,675,618	1,214,664
Supplies and materials	345,408	2,100,934	1,045,337	1,055,597
Total special education	10,698,240	11,406,502	8,688,295	2,718,207
Culturally different:				
Salaries	730,539	804,452	738,374	66,078
Benefits	378,771	423,152	368,955	54,197
Purchased services	7,133,247	5,037,763	3,601,929	1,435,834
Supplies and materials	405,578	2,575,616	1,753,912	821,704
Total culturally different	8,648,135	8,840,983	6,463,170	2,377,813
Vocational instruction:				
Salaries	114,049	114,049	106,056	7,993
Benefits	45,376	46,452	36,907	9,545
Purchased services	168,000	151,868	102,526	49,342
Supplies and materials	179,613	302,651	257,679	44,972
Total vocational instruction	507,038	615,020	503,168	111,852
Student activities:				
Salaries	360,759	405,541	447,362	(41,821)
Benefits	86,039	94,905	77,454	17,451
Purchased services	195,541	240,686	254,919	(14,233)
Supplies and materials	132,250	131,429	127,801	3,628
Total student activities	774,589	872,561	907,536	(34,975)
Tuition to Other Districts				
Purchased services	—	300,000	352,442	(52,442)
Total student activities	—	300,000	352,442	(52,442)
Total instruction	33,159,282	33,565,809	27,678,780	5,887,029
Support services:				
Attendance/placement:				
Salaries	\$ 1,120,236	997,725	957,981	39,744
Benefits	412,028	358,965	297,547	61,418
Purchased services	1,154,721	1,272,894	1,261,907	10,987
Supplies and materials	18,555	34,115	24,869	9,246
Total attendance/placement	2,705,540	2,663,699	2,542,304	121,395

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2012

	Original budget	Final budget	Actual	Variance with Final Budget
Guidance/counseling:				
Salaries	90,700	—	86	(86)
Benefits	32,245	—	1,081	(1,081)
Purchased services	5,833	14,776	11,478	3,298
Total guidance/counseling	129,390	14,776	12,645	2,131
Health, psychology, and speech:				
Salaries	2,018,597	2,712,043	1,801,453	910,590
Benefits	701,606	979,650	583,872	395,778
Purchased services	457,373	454,022	344,317	109,705
Supplies and materials	20,500	18,786	10,369	8,417
Total health, psychology, and speech	3,198,076	4,164,501	2,740,011	1,424,490
Improvement of instruction:				
Curriculum development:				
Salaries	253,021	281,148	248,152	32,996
Benefits	202,532	97,642	78,481	19,161
Purchased services	2,284,429	3,875,562	2,453,601	1,421,961
Supplies and materials	205,780	426,373	316,068	110,305
Total curriculum development	2,945,762	4,680,725	3,096,302	1,584,423
Staff training:				
Purchased services	80,048	114,747	61,303	53,444
Supplies and materials	—	50,838	42,906	7,932
Total staff training	80,048	165,585	104,209	61,376
Educational media services:				
Salaries	125,540	136,520	94,546	41,974
Benefits	60,241	67,142	46,937	20,205
Purchased services	—	84	83	1
Supplies and materials	810,586	818,866	764,630	54,236
Total educational media services	996,367	1,022,612	906,196	116,416
Financial services:				
Salaries	1,922,267	1,962,511	1,856,296	106,215
Benefits	659,533	697,140	565,491	131,649
Purchased services	311,486	288,421	182,514	105,907
Supplies and materials	43,514	48,251	36,414	11,837
Total financial services	2,936,800	2,996,323	2,640,715	355,608
Internal service:				
Salaries	391,017	406,263	400,652	5,611
Benefits	141,807	146,794	123,423	23,371
Purchased services	241,943	121,162	24,918	96,244
Supplies and materials	47,500	73,500	47,556	25,944
Total internal service	822,267	747,719	596,549	151,170

KANSAS CITY PUBLIC SCHOOLS

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2012

	Original budget	Final budget	Actual	Variance with Final Budget
Planning/research/evaluation:				
Development services:				
Salaries	278,778	253,778	246,467	7,311
Benefits	66,988	68,526	55,391	13,135
Purchased services	527,930	548,476	545,465	3,011
Supplies and materials	19,647	17,947	15,175	2,772
Total development services	893,343	888,727	862,498	26,229
Admissions/communication services:				
Salaries	289,300	298,640	285,869	12,771
Benefits	103,692	98,466	75,812	22,654
Purchased services	205,103	85,668	62,377	23,291
Supplies and materials	10,034	24,389	15,925	8,464
Total admissions/communications	608,129	507,163	439,983	67,180
Human Resource services:				
Salaries	1,149,187	1,230,970	1,129,074	101,896
Benefits	374,431	406,029	318,082	87,947
Purchased services	207,708	729,803	309,144	420,659
Supplies and materials	19,750	69,081	42,122	26,959
Total personnel services	1,751,076	2,435,883	1,798,422	637,461
Information technology:				
Salaries	2,017,282	2,050,282	1,977,401	72,881
Benefits	641,715	660,972	537,970	123,002
Purchased services	2,443,500	2,371,400	1,724,019	647,381
Supplies and materials	208,000	1,457,980	916,718	541,262
Total information technology	5,310,497	6,540,634	5,156,108	1,384,526
Total support services	22,377,295	26,828,347	20,895,942	5,932,405
Operation of facilities:				
Salaries	\$ 11,212,256	11,232,835	10,294,852	937,983
Benefits	4,288,963	4,332,100	3,485,516	846,584
Purchased services	9,738,105	8,919,318	9,531,209	(611,891)
Supplies and materials	112,714	195,961	306,051	(110,090)
Other purchased services	2,493,964	2,264,489	2,361,118	(96,629)
Other supplies and materials	1,468,813	1,777,572	1,548,157	229,415
Total operation of facilities	29,314,815	28,722,275	27,526,903	1,195,372
Pupil transportation:				
Purchased services	\$ 12,556,989	12,732,283	12,101,568	630,715
Total pupil transportation	12,556,989	12,732,283	12,101,568	630,715
Facility acquisition/asbestos				
Supplies and materials	\$ —	14,950	42,644	(27,694)
Total facility acquisition/asbestos	—	14,950	42,644	(27,694)
Community and adult services:				
Adult basic education:				
Salaries	\$ 95,749	73,637	65,076	8,561
Benefits	32,066	30,082	22,140	7,942
Purchased services	36,692	48,039	34,873	13,166
Supplies and materials	41,937	122,896	119,807	3,089
Total adult basic education	206,444	274,654	241,896	32,758
Adult continuing education:				
Supplies and materials	45	—	—	—
Total adult continuing education	45	—	—	—

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2012

	Original budget	Final budget	Actual	Variance with Final Budget
Community services:				
Salaries	\$ 1,085,719	1,124,063	928,540	195,523
Benefits	395,091	422,064	304,122	117,942
Purchased services	1,266,147	1,640,501	1,020,082	620,419
Supplies and materials	25,500	172,324	114,035	58,289
Total community services	<u>2,772,457</u>	<u>3,358,952</u>	<u>2,366,779</u>	<u>992,173</u>
Early Childhood:				
Salaries	\$ 880,436	1,409,401	1,356,551	52,850
Benefits	408,253	678,638	583,815	94,823
Purchased services	622,314	186,732	32,656	154,076
Supplies and materials	160,960	414,702	223,938	190,764
Total early childhood	<u>2,071,963</u>	<u>2,689,473</u>	<u>2,196,960</u>	<u>492,513</u>
Total community and adult services	<u>5,050,909</u>	<u>6,323,079</u>	<u>4,805,635</u>	<u>1,517,444</u>
Total expenditures	<u>109,682,882</u>	<u>116,378,320</u>	<u>100,482,726</u>	<u>15,895,594</u>
Revenues over expenditures	<u>77,652,381</u>	<u>82,737,124</u>	<u>89,820,069</u>	<u>7,082,945</u>
Other financing sources (uses):				
Sale of capital assets	—	—	752,888	(752,888)
Transfers out	<u>(76,470,895)</u>	<u>(91,102,340)</u>	<u>(79,187,706)</u>	<u>(11,914,634)</u>
Total other financing sources	<u>(76,470,895)</u>	<u>(91,102,340)</u>	<u>(78,434,818)</u>	<u>(12,667,522)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ 1,181,486</u>	<u>(8,365,216)</u>	<u>11,385,251</u>	<u>19,750,467</u>
Reconciliation to GAAP Basis:				
Activities reported within the Teachers' Fund (a sub-fund of the General Fund):				
Total Revenue			15,995,324	
Total Expenditures			(88,373,214)	
Total other financing sources			<u>72,377,890</u>	
Total reconciling items			—	
Revenues and other financing sources over expenditures			11,385,251	
Fund balance, beginning of year			<u>52,422,284</u>	
Fund balance, end of year			<u>\$ 63,807,535</u>	

See Note to Required Supplementary Information.

KANSAS CITY PUBLIC SCHOOLS

Schedule of Budgetary Comparison—Teachers' Fund (a sub-fund of the General fund)

Year ended June 30, 2012

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Prop C taxes	\$ 5,693,075	5,522,835	5,228,613	(294,222)
Local			1,502	1,502
County	261,538	261,538	41,554	(219,984)
Basic Formula	8,097,901	7,862,718	9,518,623	1,655,905
State	181,592	181,592	84,491	(97,101)
Federal	345,132	307,322	1,118,041	810,719
Other	5,209	5,209	2,500	(2,709)
Total revenues	14,584,447	14,141,214	15,995,324	1,854,110
Expenditures:				
Current:				
Administration:				
Executive administration:				
Salaries	\$ 400,000	400,000	399,223	777
Benefits	100,420	104,052	111,986	(7,934)
Total executive administration	500,420	504,052	511,209	(7,157)
Building level administration:				
Salaries	5,141,843	5,174,647	5,066,525	108,122
Benefits	1,503,724	1,563,240	1,300,434	262,806
Total building level administration	6,645,567	6,737,887	6,366,959	370,928
Total administration	7,145,987	7,241,939	6,878,168	363,771
Instruction:				
Elementary:				
Salaries	\$ 22,489,310	22,952,145	22,201,377	750,768
Benefits	7,694,141	8,006,154	6,767,988	1,238,166
Total elementary	30,183,451	30,958,299	28,969,365	1,988,934
Middle/junior high:				
Salaries	—	—	84	(84)
Benefits	—	—	11	(11)
Total middle/junior high	—	—	95	(95)
Senior high:				
Salaries	12,308,901	12,427,379	12,508,700	(81,321)
Benefits	4,247,035	4,411,145	3,831,269	579,876
Total senior high	16,555,936	16,838,524	16,339,969	498,555
Summer School:				
Salaries	613,014	707,688	664,892	42,796
Benefits	96,393	112,675	60,754	51,921
Total summer school	709,407	820,363	725,646	94,717
Special education:				
Salaries	10,733,335	10,432,197	8,937,211	1,494,986
Benefits	3,413,716	3,377,918	2,617,281	760,637
Total special education	14,147,051	13,810,115	11,554,492	2,255,623

KANSAS CITY PUBLIC SCHOOLS

Schedule of Budgetary Comparison—Teachers' Fund (a sub-fund of the General fund)

Year ended June 30, 2012

	Original budget	Final budget	Actual	Variance with Final Budget
Culturally different:				
Salaries	\$ 3,278,251	4,006,552	3,285,350	721,202
Benefits	1,059,168	1,337,218	980,650	356,568
Total culturally different	4,337,419	5,343,770	4,266,000	1,077,770
Vocational instruction:				
Salaries	1,086,529	971,626	882,421	89,205
Benefits	348,713	307,436	231,444	75,992
Total vocational instruction	1,435,242	1,279,062	1,113,865	165,197
Student activities:				
Salaries	674,303	623,936	543,138	80,798
Fringes	51,585	51,585	44,893	6,692
Total student activities	725,888	675,521	588,031	87,490
Total instruction	68,094,394	69,725,654	63,557,463	6,168,191
Support services:				
Guidance/counseling:				
Salaries	2,309,885	2,337,320	2,357,450	(20,130)
Benefits	751,847	785,560	682,609	102,951
Total guidance/counseling	3,061,732	3,122,880	3,040,059	82,821
Health, psychology, and speech:				
Salaries	2,744,318	2,354,487	2,329,898	24,589
Benefits	912,629	825,617	720,374	105,243
Total health, psychology, and speech	3,656,947	3,180,104	3,050,272	129,832
Improvement of instruction:				
Current developments:				
Salaries	3,060,392	6,061,576	4,404,049	1,657,527
Benefits	615,928	1,392,961	1,055,732	337,229
Total current developments	3,676,320	7,454,537	5,459,781	1,994,756
Staff training:				
Salaries	64,560	54,192	89,582	(35,390)
Benefits	14,744	16,010	4,537	11,473
Total staff training	79,304	70,202	94,119	(23,917)
Educational media services:				
Salaries	1,474,669	1,474,669	1,409,770	64,899
Benefits	471,738	485,533	425,937	59,596
Total educational media	1,946,407	1,960,202	1,835,707	124,495

KANSAS CITY PUBLIC SCHOOLS

Schedule of Budgetary Comparison—Teachers' Fund (a sub-fund of the General fund)

Year ended June 30, 2012

	Original budget	Final budget	Actual	Variance with Final Budget
Planning/research/evaluation/ development services:				
Salaries	\$ 133,754	158,754	78,374	80,380
Benefits	36,585	37,638	14,764	22,874
Total planning/research/ evaluation/ development services	170,339	196,392	93,138	103,254
Total support services	12,591,049	15,984,317	13,573,076	2,411,241
Community and adult services:				
Adult basic education:				
Salaries	489,084	401,388	425,913	(24,525)
Benefits	132,106	127,127	96,916	30,211
Total adult basic education	621,190	528,515	522,829	5,686
Community services:				
Salaries	—	3,880	3,880	—
Benefits	—	518	518	—
Total community services	—	4,398	4,398	—
Early Childhood				
Salaries	1,935,468	2,941,376	2,928,652	12,724
Benefits	667,254	1,014,551	908,628	105,923
Total early childhood	2,602,722	3,955,927	3,837,280	118,647
Total community and adult services	3,223,912	4,488,840	4,364,507	124,333
Total expenditures	91,055,342	97,440,750	88,373,214	9,067,536
Revenues under expenditures	(76,470,895)	(83,299,536)	(72,377,890)	10,921,646
Other financing sources:				
Transfers in	76,470,895	83,318,318	72,377,890	(10,940,428)
Revenues and other financing sources over (under) expenditures	\$ —	18,782	—	(18,782)
Fund balance, beginning of year			—	
Fund balance, end of year			\$ —	

See Note to Required Supplementary Information.

KANSAS CITY PUBLIC SCHOOLS

Note to the Required Supplementary Information

June 30, 2012

Budgetary Information

Budgets are prepared using the modified accrual basis of accounting. For financial reporting purposes, expenditures related to fringe costs are disclosed within the functional expenditure categories. In the GAAP-basis statements, these costs are reclassified as transfers out. Annual budgets are prepared in accordance with Missouri state statutes, which include estimated revenues from all sources, itemized by fiscal year, fund and source and proposed expenditures itemized by fiscal year, fund, function and object. The legal level of budgetary control is at the object level. The Board adopts annual appropriations for the following funds:

Major funds:

General

Teachers' fund (a sub-fund of the General fund)

Capital Projects

Nonmajor funds:

Child Nutritional Services

In the GAAP-basis financial statements, the Teachers' Fund does not qualify as a special revenue fund, as defined by GASB Statement No. 54. Therefore, it is reported with the District's General Fund. Since the Board adopts an annual budget for the Teachers' Fund separately from the General Fund, a separate budgetary-basis schedule is presented.

The capital project (life-to-date) and QSCB-ARRA budgets included in the Capital Project Fund activity are not appropriated annually, but as projects are established. The Debt Service Fund and Other Special Revenue Fund are not budgeted.

Budgets are not adopted for certain other nonmajor funds that include the Student Activity, Patron Gift and Patron Endowments.

Appropriations are encumbered upon issuance of a purchase order for budget compliance. At year-end, unencumbered appropriations lapse, and encumbered appropriations are generally re-appropriated in the following year. Encumbrances outstanding at year-end are reported as a reservation of fund balance in the governmental fund statements.

In the governmental fund financial statements, certain fringe benefit costs are classified as a transfer out and transfers into the Other Special Revenue Fund. In the budgetary comparison schedules, these fringe costs are recorded as expenditures.

The Board must approve expenditures in excess of appropriations at the fund level. Budgeted expenditure amendments during the fiscal year resulted in a 6.1% increase in the General Fund. The Board approved expenditure amendments in the Teachers' Fund of a 7.0% increase. Approved amendments to the Capital Project Fund increased by 428.7%.

KANSAS CITY PUBLIC SCHOOLS

Other Post-Employment Benefits Required Supplementary Information

Schedule of Funding Progress

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
6/30/10	7/1/09	\$ -	\$ 15,529,352	\$ 15,529,352	0%	\$ 143,143,888	10.85%
6/30/11	7/1/10	\$ -	\$ 14,704,906	\$ 14,704,906	0%	\$ 106,402,917	13.82%
6/30/12	7/1/10	\$ -	\$ 14,704,906	\$ 14,704,906	0%	\$ 92,812,873	15.84%

The information presented as required supplementary information was determined as part of the July 1, 2009 and July 1, 2010 actuarial valuations. The projected unit credit method was used. The actuarial assumptions include a 4% investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 10% for fiscal years ending 6/30/08 through 6/30/10 and 9% for fiscal year ending, 6/30/11 for medical claims, reduced by decrements to an ultimate rate of 5% after four years. The UAAL is being amortized as a level dollar amount over a period of 30 years.

NONMAJOR FUND FINANCIAL STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

KANSAS CITY PUBLIC SCHOOLS
Nonmajor Governmental Funds—Combining Balance Sheet
June 30, 2012

Assets	Special revenue			Permanent fund patron endowments	Total nonmajor governmental funds
	Child Nutritional services	Student activity	Patron gift		
Cash and investments	\$ 391,710	299,117	—	—	690,827
Restricted cash and investments	—	—	195,582	160,636	356,218
Interest receivable	—	—	831	537	1,368
Due from other governments	929,675	—	—	—	929,675
Total assets	<u>\$ 1,321,385</u>	<u>299,117</u>	<u>196,413</u>	<u>161,173</u>	<u>1,978,088</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 184,319	—	—	—	184,319
Accrued salaries, benefits and payroll taxes	46,476	—	—	—	46,476
Total liabilities	<u>230,795</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>230,795</u>
Fund balance :					
Nonspendable	—	—	—	35,000	35,000
Restricted	1,090,590	299,117	196,413	126,173	1,712,293
Total fund balance	<u>1,090,590</u>	<u>299,117</u>	<u>196,413</u>	<u>161,173</u>	<u>1,747,293</u>
Total liabilities and fund balance	<u>\$ 1,321,385</u>	<u>299,117</u>	<u>196,413</u>	<u>161,173</u>	<u>1,978,088</u>

KANSAS CITY PUBLIC SCHOOLS

Nonmajor Governmental Funds— Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Year ended June 30, 2012

	Child Nutritional services	Special revenue Student activity	Patron gift	Permanent fund patron endowments	Total nonmajor governmental funds
Revenues:					
Local	\$ 776,274	778,986	148	397	1,555,805
Other state	51,661	—	—	—	51,661
Federal	8,901,714	—	—	—	8,901,714
Total revenues	9,729,649	778,986	148	397	10,509,180
Expenditures:					
Current:					
Instruction	—	759,553	—	—	759,553
Support services	8,653,234	—	—	—	8,653,234
Operation of Plant	737	—	—	—	737
Total expenditures	8,653,971	759,553	—	—	9,413,524
Revenues over expenditures	1,075,678	19,433	148	397	1,095,656
Other financing uses, transfers out:	(704,618)	—	—	—	(704,618)
Revenues over expenditures and other financing uses	371,060	19,433	148	397	391,038
Fund balances, beginning of year	719,530	279,684	196,265	160,776	1,356,255
Fund balances, end of year	\$ 1,090,590	299,117	196,413	161,173	1,747,293

KANSAS CITY PUBLIC SCHOOLS

Child Nutritional Services Fund— Schedule of Revenues, Expenditures, and Changes in Fund Balance— Budget and Actual

Year ended June 30, 2012

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Local	\$ 687,304	671,825	776,274	104,449
State	45,508	45,508	51,661	6,153
Federal	7,413,270	8,801,894	8,901,714	99,820
Total revenues	8,146,082	9,519,227	9,729,649	210,422
Expenditures:				
Current:				
Support services:				
Salaries	2,407,402	2,728,417	2,484,503	243,914
Benefits	1,158,563	1,349,723	1,479,004	(129,281)
Purchased services	271,215	412,165	240,179	171,986
Supplies and materials	4,308,902	5,027,823	4,449,548	578,275
Total support services	8,146,082	9,518,128	8,653,234	864,894
Operation of facilities:				
Supplies and materials	—	—	737	(737)
Total operation of facilities	—	—	737	(737)
Total expenditures	8,146,082	9,518,128	8,653,971	864,157
Revenues over expenditures	—	1,099	1,075,678	1,074,579
Other financing sources (uses):				
Transfers out	—	(704,618)	(704,618)	—
Total other financing (uses)	—	(704,618)	(704,618)	—
Revenues over (under) expenditures and other financing uses	\$ —	(703,519)	371,060	1,074,579
Fund balance, beginning of year			719,530	
Fund balance, end of year			\$ 1,090,590	

KANSAS CITY PUBLIC SCHOOLS

Capital Projects Fund— Schedule of Revenues, Expenditures, and Changes in Fund Balance— Budget and Actual

Year ended June 30, 2012

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Property taxes	\$ 10,689,903	10,509,590	10,563,477	53,887
Other local	129,129	177,422	1,711,245	1,533,823
County	16,594	15,101	94,352	79,251
State	3,900	3,900	—	(3,900)
Federal	500	2,926,797	2,596,555	(330,242)
Total revenues	10,840,026	13,632,810	14,965,629	1,332,819
Expenditures:				
Capital outlay:				
Administration:				
Board of education services	2,000	2,000	—	2,000
Executive administration	1,008	2,059	—	2,059
Building level administration	—	8,994	6,575	2,419
Total administration	3,008	13,053	6,575	6,478
Instruction:				
Elementary	—	69,201	42,374	26,827
Senior high	—	14,386	7,623	6,763
Special education	13,900	538,023	228,451	309,572
Culturally different	—	1,924,871	24,251	1,900,620
Vocational instruction	—	11	254,846	(254,835)
Student activities	21,100	21,815	17,815	4,000
Total instruction	35,000	2,568,307	575,360	1,992,947
Support services:				
Attendance/placement	2,000	—	—	—
Improvement of instruction:				
Curriculum development	220,500	446,074	283,472	162,602
Staff training	—	300	—	300
Educational media services	61,009	51,541	34,757	16,784
Food service	—	75,200	74,636	564
Internal service	45,000	47,500	32,690	14,810
Admissions/communication services	1,200	4,700	—	4,700
Human resource services	—	3,500	5,418	(1,918)
Information technology service	1,056,900	1,691,415	957,556	733,859
Total support services	1,386,609	2,320,230	1,388,529	931,701
Operation of facilities	651,885	546,633	96,727	449,906
Community and adult services:				
Adult basic education	—	26,025	24,543	1,482
Community services	—	3,900	3,400	500
Total community and adult services	—	29,925	27,943	1,982
Facilities acquisition and construction:				
Capital outlay	—	58,460,192	12,350,749	46,109,443
Total facilities acquisition and construction	—	58,460,192	12,350,749	46,109,443

KANSAS CITY PUBLIC SCHOOLS

Capital Projects Fund— Schedule of Revenues, Expenditures, and Changes in Fund Balance— Budget and Actual

Year ended June 30, 2012

	Original budget	Final budget	Actual	Variance with Final Budget
Debt service:				
Principal	\$ 9,770,000	9,770,000	9,770,000	—
Interest	2,689,213	2,689,213	3,770,953	(1,081,740)
Total debt service	12,459,213	12,459,213	13,540,953	(1,081,740)
Total expenditures	14,535,715	76,397,553	27,986,836	48,410,717
Revenues under expenditures	(3,695,689)	(62,764,743)	(13,021,207)	49,743,536
Other financing sources (uses):				
Transfers in	—	7,784,022	8,150,009	365,987
Unrealized proceeds - surplus assets	—	—	620,000	620,000
Unrealized loss on surplus assets	—	—	(903,921)	(903,921)
Total other financing sources	—	7,784,022	7,866,088	82,066
Revenues and other financing sources under expenditures and other financing uses	\$ (3,695,689)	(54,980,721)	(5,155,119)	49,825,602
Fund balance, beginning of year			78,335,072	
Fund balance, end of year			\$ 73,179,953	

KANSAS CITY PUBLIC SCHOOLS

Capital Projects Fund—
Schedule of Revenues, Expenditures and Changes in Fund Balance—by Project
Year ended June 30, 2012

Function	Capital Projects L-T-D Fund	QSCB-ARRA Capital Projects	Operating Capital Projects	Child Nutrition Capital Projects	Building Corp Capital Projects	Total Capital Projects funds
Revenues:						
Property taxes	\$ —	—	10,563,477	—	—	10,563,477
Other local	797,528	—	835,073	20,018	58,626	1,711,245
County	—	—	94,352	—	—	94,352
Federal	—	—	2,596,555	—	—	2,596,555
Total revenues	797,528	—	14,089,457	20,018	58,626	14,965,629
Expenditures:						
Administration:						
Building administration	—	—	6,575	—	—	6,575
Total administration	—	—	6,575	—	—	6,575
Instruction:						
Elementary schools	—	—	42,374	—	—	42,374
High schools	—	—	7,623	—	—	7,623
Special education	—	—	228,451	—	—	228,451
Culturally different	—	—	24,251	—	—	24,251
Vocational instruction	—	—	254,846	—	—	254,846
Student activities	—	—	17,815	—	—	17,815
Total instruction	—	—	575,360	—	—	575,360
Support services:						
Health/Psychology/Speech/Audiology	\$ —	—	283,472	—	—	283,472
Educational media services	—	—	34,757	—	—	34,757
Food service	—	—	—	74,636	—	74,636
Internal services	—	—	32,690	—	—	32,690
Human Resource services	—	—	5,418	—	—	5,418
Information technology services	374,861	—	554,035	—	—	928,896
Total support services	374,861	—	910,372	74,636	—	1,359,869
Operation of plant:						
Plant services	—	—	96,727	—	—	96,727
Total operation of plant	—	—	96,727	—	—	96,727
Community and adult services:						
Adult basic education	—	—	24,543	—	—	24,543
Community services	—	—	3,400	—	—	3,400
Total community and adult services	—	—	27,943	—	—	27,943
Capital outlay:						
Operation of facilities	\$ (155,323)	11,945,362	589,370	—	—	12,379,409
Total capital outlay	(155,323)	11,945,362	589,370	—	—	12,379,409
Total expenditures	219,538	11,945,362	2,206,347	74,636	—	14,445,883
Revenues over (under) expenditures	577,990	(11,945,362)	11,883,110	(54,618)	58,626	519,746
Other financing sources (uses):						
Transfers in	14,613,749	11,246,167	9,620,350	54,618	—	35,534,884
Transfer out	(4,104,149)	—	(25,540,953)	—	(11,280,726)	(40,925,828)
Unrealized loss on surplus assets	(903,921)	—	—	—	—	(903,921)
Unrealized proceeds-surplus assets	620,000	—	—	—	—	620,000
Total financing sources (uses)	10,225,679	11,246,167	(15,920,603)	54,618	(11,280,726)	(5,674,865)
Revenues and other financing sources under expenditures and other financing uses	10,803,669	(699,195)	(4,037,493)	—	(11,222,100)	(5,155,119)
Fund balances – beginning of year	39,080,434	—	10,435,395	—	28,819,243	78,335,072
Fund balances – end of year	\$ 49,884,103	(699,195)	6,397,902	—	17,597,143	73,179,953

KANSAS CITY PUBLIC SCHOOLS

Capital Projects Fund—
Schedule of Revenues, Expenditures and Changes in Fund Balance- by Project
June 30, 2012

Function	Capital Projects L-T-D Fund	QSCB-ARRA Capital Projects	General Capital Projects	Child Nutrition Capital Projects	Building Corp Capital Projects	Total Capital Projects funds
Fund balance:						
Nonspendable						
Advances	\$ —	—	2,584,270	—	—	2,584,270
Restricted						
Encumbrances- QSCB	—	59,411	—	—	—	59,411
Encumbrances-grants	—	—	28,452	—	—	28,452
Capital Projects-QSCB	—	—	—	—	17,597,143	17,597,143
Property Held for Sale	4,141,900	—	—	—	—	4,141,900
Total Restricted	<u>4,141,900</u>	<u>59,411</u>	<u>28,452</u>	<u>—</u>	<u>17,597,143</u>	<u>21,826,906</u>
Committed						
Encumbrances-Cornerstone	799,870	—	—	—	—	799,870
Cafeteria Modernization	650,000	—	—	—	—	650,000
Cornerstone/Transformation Plan	44,292,333	—	—	—	—	44,292,333
Total Committed	<u>45,742,203</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>45,742,203</u>
Assigned						
Future equipment purchases	—	—	3,785,180	—	—	3,785,180
Total Assigned	<u>—</u>	<u>—</u>	<u>3,785,180</u>	<u>—</u>	<u>—</u>	<u>3,785,180</u>
Unassigned	<u>—</u>	<u>(758,606)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(758,606)</u>
Total fund balance	\$ <u>49,884,103</u>	<u>(699,195)</u>	<u>6,397,902</u>	<u>—</u>	<u>17,597,143</u>	<u>73,179,953</u>

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CAPITAL ASSETS

KANSAS CITY PUBLIC SCHOOLS

Capital Assets Used in the Operation of Governmental Funds by Source

June 30, 2012
(with comparative totals for June 30, 2011)

	Total	
	2012	2011
Capital assets (gross):		
Land	\$ 30,646,301	30,646,301
Buildings	416,153,701	404,172,910
Improvements other than buildings	33,034,747	32,566,824
Impairment-closed buildings	56,890,198	59,775,442
Equipment, furniture, and vehicles	31,356,175	31,084,171
Construction in progress	2,846,929	3,299,040
Total	<u>\$ 570,928,051</u>	<u>561,544,688</u>
Investment in capital assets by source:		
General fund	\$ 302,419	377,370
Capital projects	570,113,332	560,430,737
Special revenue	446,277	656,378
Trust and agency	13,127	13,127
Donations	52,896	67,076
Total	<u>\$ 570,928,051</u>	<u>561,544,688</u>

KANSAS CITY PUBLIC SCHOOLS

Schedule of Changes of Capital Assets Used in the Operation of Governmental Funds by Function and Activity

Year Ended June 30, 2012

Classification	Beginning balance July 1, 2011	Adjustments	Additions	Retirements	Construction- in-progress transfers	Ending balance June 30, 2012
High schools	\$ 210,060,206	(99,391)	6,491,966	(128,639)	—	216,324,142
Middle schools	94,471,492	109,620	38,027	(8,347)	—	94,610,792
Elementary schools	223,873,907	(500,208)	5,903,617	(3,059,006)	—	226,218,310
Administration	29,840,043	489,979	747,954	(150,098)	—	30,927,878
Construction in progress	3,299,040	—	2,312,976	—	(2,765,087)	2,846,929
Total	\$ 561,544,688	—	15,494,540	(3,346,090)	(2,765,087)	570,928,051

KANSAS CITY PUBLIC SCHOOLS

Capital Assets Used in the Operation of Governmental Funds by Function and Activity

June 30, 2012

Classification		Land	Buildings	Improvements other than buildings	Impaired assets	Equipment, furniture, vehicles	Construction- in-progress	Total
High schools	\$	10,628,381	178,363,740	10,788,962	9,335,337	7,207,721	—	216,324,141
Middle schools		5,618,450	61,230,174	4,897,173	21,317,595	1,547,400	—	94,610,792
Elementary schools		11,545,906	164,438,850	15,837,116	26,237,266	8,159,173	—	226,218,311
Administration		2,853,564	12,120,937	1,511,496	—	14,441,881	—	30,927,878
Construction-in-progress		—	—	—	—	—	2,846,929	2,846,929
Total	\$	<u>30,646,301</u>	<u>416,153,701</u>	<u>33,034,747</u>	<u>56,890,198</u>	<u>31,356,175</u>	<u>2,846,929</u>	<u>570,928,051</u>

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STATISTICAL SECTION

Statistical Section

This section provides detail information to enable the reader to gain a better understanding of the District's financial statements, note disclosures and required supplementary information.

Contents

Financial Trends – These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Table 1 – Table 4

Revenue Capacity – These schedules contain information to help the reader assess the District's most significant local revenue sources, the property tax.

Table 5 – Table 8

Debt Capacity – These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Table 9 – Table 11

Demographic And Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Table 12 – Table 13

Note: Personal income data is currently not available.

Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

Table 14

Sources: Unless otherwise noted, the information in these schedules comes from the comprehensive annual report for the relevant year. Schedules presenting government-wide information begin in fiscal year 2002, when GASB 34 was implemented.

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Table 1

KANSAS CITY PUBLIC SCHOOLS

Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

Classification	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities:										
Invested in capital assets, net of related debt	\$ 325,699	\$ 320,182	\$ 331,473	\$ 371,354	\$ 351,989	\$ 373,750	\$ 367,206	\$ 355,084	\$ 286,221	\$ 276,092
Restricted	24,503	25,484	10,594	12,489	60,705	61,244	80,562	91,949	104,562	121,029
Unrestricted	110,811	99,271	105,853	114,368	115,956	136,244	139,480	147,063	219,797	204,002
Total governmental activities, net of assets	\$ 461,013	\$ 444,937	\$ 447,920	\$ 498,211	\$ 528,650	\$ 571,238	\$ 587,248	\$ 594,096	\$ 610,580	\$ 601,123
Business-type activities:										
Unrestricted	\$ 178	\$ 39	\$ 180	\$ 522	\$ 1,426	\$ 1,829	\$ 1,108	\$ 79	\$ 468	\$ 200
Total business-type activities, net of assets	\$ 178	\$ 39	\$ 180	\$ 522	\$ 1,426	\$ 1,829	\$ 1,108	\$ 79	\$ 468	\$ 200
Primary government:										
Invested in capital assets, net of related debt	\$ 325,699	\$ 320,182	\$ 331,473	\$ 371,354	\$ 351,989	\$ 373,750	\$ 367,206	\$ 355,084	\$ 286,221	\$ 276,092
Restricted	24,503	25,484	10,594	12,489	60,705	61,244	80,562	91,949	104,562	121,029
Unrestricted	110,990	99,310	106,033	114,890	117,382	138,073	140,588	147,142	220,265	204,202
Total primary government, net of assets	\$ 461,192	\$ 444,976	\$ 448,100	\$ 498,734	\$ 530,076	\$ 573,067	\$ 588,356	\$ 594,175	\$ 611,048	\$ 601,323

Table 2

KANSAS CITY PUBLIC SCHOOLS

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

Classification	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental activities:										
Administration	\$ 13,150	\$ 20,646	\$ 20,874	\$ 25,512	\$ 23,464	\$ 25,502	\$ 24,876	\$ 23,648	\$ 22,421	\$ 25,482
Instruction	101,298	116,388	149,927	175,175	193,545	193,304	174,168	182,163	171,850	174,693
Support services	46,820	52,810	67,768	76,835	79,253	77,738	93,921	86,582	79,487	74,611
Operation of facilities	28,746	29,462	41,589	40,936	44,578	40,000	38,682	36,317	34,423	34,927
Pupil transportation	12,102	12,863	15,258	17,211	18,703	22,132	23,988	23,126	21,958	21,433
Facilities improvements and renovation	2,123	15,724	225	7,909	1,413	403	612	—	1,168	2,772
Community and adult services	9,194	11,748	9,644	8,478	11,557	6,226	6,237	5,407	5,599	5,287
Interest on long-term debt	3,716	2,044	1,990	2,791	3,902	4,982	6,023	6,969	6,834	9,300
Total governmental activities expenses	\$ 217,149	\$ 261,685	\$ 307,276	\$ 354,846	\$ 376,416	\$ 370,287	\$ 368,507	\$ 364,212	\$ 343,740	\$ 348,505
Business-type activities										
Community services	\$ 151	\$ 29	\$ 32	\$ 194	\$ 389	\$ 693	\$ 121	\$ 3,586	\$ 5,226	\$ 6,275
Total business-type activities expenses	151	29	32	194	389	693	121	3,586	5,226	6,275
Total primary government expenses	\$ 217,300	\$ 261,714	\$ 307,308	\$ 355,040	\$ 376,805	\$ 370,980	\$ 368,628	\$ 367,798	\$ 348,966	\$ 354,780
Program Revenues										
Governmental activities:										
Charges for services	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Administration	2	—	—	—	—	—	—	—	—	—
Instruction	3	—	34	—	20	—	50	69	—	218
Support services	766	935	685	1,992	3,763	3,741	3,596	4,007	3,528	4,167
Operation of facilities	6	41	49	61	69	65	70	61	556	466
Pupil transportation	79	32	19	4	—	13	7	—	8	—
Facilities improvements and renovation	—	—	—	—	—	—	—	—	—	—
Community and adult services	0	2	25	156	88	—	60	741	253	89
Interest on long-term debt	—	—	—	—	—	—	—	—	—	—
Operating grants and contributions	—	—	—	—	—	—	—	—	—	—
Administration	—	183	43	—	—	10	10	22	54	14
Instruction	30,402	45,623	56,153	37,711	34,431	37,816	84,511	84,675	74,089	74,078
Support services	9,440	16,901	18,018	18,068	12,807	14,884	16,113	14,327	16,467	14,929
Operation of facilities	—	—	7	—	—	—	55	—	—	—
Pupil transportation	2,910	3,057	5,496	6,405	7,104	8,297	8,421	8,875	8,210	8,868
Facilities improvements and renovation	—	—	—	—	—	—	—	—	—	—
Community and adult services	2,398	971	528	670	895	1,227	2,714	1,557	976	1,128
Interest on long-term debt	—	—	—	—	—	—	—	—	—	—

KANSAS CITY PUBLIC SCHOOLS
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

Classification	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Capital grants and contributions										
Administration	—	10	—	—	—	—	—	—	—	—
Instruction	813	111	804	37	620	82	51	818	1,264	731
Support services	25	1	—	—	37	617	5,362	4,684	22,024	385
Operation of facilities	249	183	230	189	—	40	11	—	—	—
Pupil transportation	—	—	—	—	—	—	—	—	—	—
Facilities improvements and renovation	—	—	—	495	—	—	251	—	3,649	7,847
Community and adult services	—	—	—	12	861	—	—	16	—	8
Interest on long-term debt	1,956	—	—	—	—	—	—	—	—	—
Total governmental activities program revenue	49,049	68,050	82,090	65,801	60,695	66,792	121,282	119,852	131,078	112,928
Business-type activities:										
Charges for services	291	46	97	287	728	1,240	146	3,197	5,743	6,819
Total business-type activities program revenues	291	46	97	287	728	1,240	146	3,197	5,743	6,819
Total primary governmental program revenues	49,340	68,097	82,187	66,088	61,423	68,032	121,428	123,049	136,821	119,747
Net (expense)/revenue	\$ (168,100)	\$ (193,635)	\$ (225,186)	\$ (289,045)	\$ (315,721)	\$ (303,495)	\$ (247,225)	\$ (244,360)	\$ (212,662)	\$ (235,577)
Governmental activities	139	17	64	93	339	547	25	(389)	517	544
Business-type activities	(167,961)	(193,617)	(225,122)	(288,952)	(315,382)	(302,948)	(247,200)	(244,749)	(212,145)	(235,033)
Total primary government net expense	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	\$ 138,277	\$ 146,191	\$ 144,211	\$ 152,705	\$ 159,256	\$ 146,230	\$ 146,230	\$ 135,885	\$ 138,240	\$ 125,895
Prop C Sales tax	15,128	15,831	16,659	20,180	23,051	28,187	28,187	27,995	26,281	25,077
Other local revenues	6,067	3,363	2,249	3,600	2,100	1,935	1,935	2,558	2,186	2,264
County governmental contributions	4,287	3,489	3,295	4,209	4,025	6,356	6,356	3,949	3,626	3,625
State aid-basic formula	18,970	20,150	44,028	70,172	89,732	47,106	47,106	53,593	42,441	40,840
Grants and entitlements not restricted to specific programs	441	561	328	821	1,051	1,820	1,820	1,730	1,483	1,376
Investment earnings	1,007	906	1,753	4,500	10,486	9,747	9,747	9,609	7,613	10,978
Special item	—	—	(38,038)	—	—	—	—	—	—	973
Extraordinary item	—	161	—	1,419	(17,319)	—	—	—	—	—
Transfers	—	—	410	1,000	750	(1,004)	(1,004)	—	249	264
Total governmental activities	184,176	190,652	174,895	258,606	273,133	240,377	240,377	235,319	222,119	211,292

KANSAS CITY PUBLIC SCHOOLS

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

Classification	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Business-type activities:										
Investment earnings	—	2	4	3	8	—	—	—	—	—
Transfers	—	(161)	(410)	(1,000)	(750)	1,004	1,004	—	(249)	(265)
Total business-type activities	—	(159)	(406)	(997)	(742)	1,004	1,004	—	(249)	(265)
Total primary government	\$ 184,176	\$ 190,493	\$ 174,489	\$ 257,610	\$ 272,391	\$ 241,381	\$ 241,381	\$ 235,319	\$ 221,870	\$ 211,027
Change in Net Assets										
Governmental activities	\$ 16,076	\$ (2,983)	\$ (50,291)	\$ (30,439)	\$ (42,587)	\$ (63,118)	\$ (6,848)	\$ (9,041)	\$ 9,457	\$ (24,285)
Business-type activities	139	(141)	(342)	(904)	(403)	1,551	1,029	(389)	268	279
Total primary government	\$ 16,215	\$ (3,125)	\$ (50,633)	\$ (31,343)	\$ (42,990)	\$ (61,567)	\$ (5,819)	\$ (9,430)	\$ 9,725	\$ (24,006)

Table 3

KANSAS CITY PUBLIC SCHOOLS

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Modified accrual basis of accounting)

(Amounts expressed in thousands)

(unaudited)

Classification	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Nonspendable										
Restricted	\$ 837	\$ 289	\$ 520	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assigned	1,467	897	2,256	—	—	—	—	—	—	—
Unassigned	61,504	51,236	37,255	—	—	—	—	—	—	—
Reserved				1,853	5,243	2,565	701	1,434	356	2,440
Unreserved:										
Designated:										
Grant activity	—	—	—	2,742	4,041	2,394	9,946	—	—	—
Reserve for Contingency	—	—	—	5,000	—	—	—	—	—	—
Undesignated	—	—	—	37,701	35,593	57,919	55,034	44,703	45,975	48,764
Total general fund	\$ 63,808	\$ 52,422	\$ 40,847	\$ 47,296	\$ 44,877	\$ 62,878	\$ 65,681	\$ 46,137	\$ 46,331	\$ 51,204
All other governmental funds										
Nonspendable	\$ 2,619	\$ 2,567	\$ 1,675	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Restricted	45,336	56,904	46,043	—	—	—	—	—	—	—
Committed	45,742	34,655	25,781	—	—	—	—	—	—	—
Assigned	3,785	7,904	15,126	—	—	—	—	—	—	—
Unassigned	(759)	—	—	—	—	—	—	—	—	—
Reserved										
Teachers' funds	—	—	—	—	—	—	—	1,078	—	—
Grant activity funds	—	—	—	—	—	—	—	—	1,397	1,157
Other special revenue funds	—	—	—	—	—	—	—	—	—	—
Debt service funds	—	—	—	11,968	60,171	58,093	71,484	84,227	97,278	113,570
Capital projects funds	—	—	—	10,075	4,381	3,522	4,424	5,792	5,481	10,100
Nonmajor funds	—	—	—	239	382	733	1,133	2,118	1,006	1,278
Unreserved, reported in:										
Designated:										
Long-term building maintenance	—	—	—	11,299	9,588	15,275	14,167	15,476	15,543	8,472
Transition period funding	—	—	—	—	—	—	1,120	2,528	6,147	7,023
Technology plan	—	—	—	2,784	7,008	8,901	9,947	13,336	14,292	20,877
Sports Complex	—	—	—	—	—	—	—	—	—	—
CIP Eserow	—	—	—	12,600	—	—	—	—	—	—
Pension cost	—	—	—	—	—	—	—	—	—	—
Compensated absences	—	—	—	21,138	21,814	22,318	22,528	19,442	28,021	27,101
E-Rate/E-Rate support	—	—	—	1,848	1,835	1,821	1,510	1,235	3,006	19,451
Undesignated:										
Special revenue funds	—	—	—	(110)	372	(727)	(393)	16,433	8,841	8,175
Capital projects funds	—	—	—	6,964	17,110	22,436	26,261	28,586	26,498	20,681
Permanent funds	—	—	—	124	121	148	139	141	137	136
Total all other governmental funds	\$ 96,723	\$ —	\$ 88,625	\$ 83,906	\$ 122,782	\$ 132,520	\$ 152,320	\$ 190,392	\$ 227,098	\$ 237,670

The District implemented GASB54 in fiscal year 2011.

Table 4

KANSAS CITY PUBLIC SCHOOLS

Changes in Fund Balances of Governmental Funds, and Debt Service Ratio

Last Ten Fiscal Years

(Modified accrual basis of accounting)

(Amounts expressed in thousands)

(unaudited)

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Property taxes	\$ 138,391	\$ 147,293	\$ 144,986	\$ 149,926	\$ 157,679	\$ 147,941	\$ 147,931	\$ 136,543	\$ 140,370	\$ 125,664
Prop C Sales tax	15,128	15,831	16,659	20,180	23,051	25,097	28,187	27,995	26,281	25,077
Other local revenues	8,647	5,581	5,375	11,836	15,527	20,324	14,871	15,631	16,174	25,457
County governmental contributions	4,287	3,489	3,295	4,209	4,025	3,433	6,357	3,949	3,626	3,625
State aid-basic formula	18,225	20,150	44,028	70,172	89,732	96,285	47,106	53,593	42,441	40,840
At risk		—	—	—	—	—	30,485	30,836	30,301	31,916
Other state	8,981	6,981	8,504	10,999	12,176	13,258	25,447	23,579	22,929	24,890
Federal	39,441	60,751	74,338	48,797	41,699	48,866	62,072	61,173	69,749	43,695
Tuition	25	10	52	13	4	77	37	274	57	101
Total revenues	233,126	260,086	297,236	316,132	343,893	355,281	362,493	353,573	351,928	321,265
Expenditures										
Administration	14,359	16,012	20,811	25,643	24,011	27,364	25,081	22,566	22,533	25,501
Instruction	92,571	105,754	136,551	160,407	176,156	178,472	164,151	166,442	157,832	160,852
Support services	45,983	54,740	73,343	75,984	74,219	74,311	84,975	75,569	69,422	69,636
Operation of facilities	27,624	29,569	41,205	41,286	44,483	39,375	39,552	35,073	34,341	34,654
Pupil transportation	12,102	12,863	15,258	17,211	18,703	22,133	23,985	23,125	21,959	21,432
Community and adult services	9,198	11,732	9,625	8,553	11,578	6,139	6,235	5,349	5,628	5,191
Facilities improvements and renovations	12,351	6,241	7,290	17,736	5,166	2,376	1,378	10,302	28,919	9,443
Debt service										
Principal	9,770	10,875	10,385	9,945	22,130	22,100	21,380	20,045	12,140	17,010
Interest	3,773	3,755	2,352	3,244	4,351	5,428	6,467	7,329	7,254	10,035
Total expenditures	227,730	251,541	316,822	360,009	380,797	377,698	371,204	365,800	360,028	353,754
Excess of revenues under expenditures	5,396	8,545	(19,586)	(43,877)	(36,904)	(22,417)	(8,711)	(12,227)	(8,100)	(32,489)
Other financing sources (uses)										
Transfers in										
Transfers out	21,691	25,348	112,411	176,079	144,715	144,715	191,837	199,010	197,779	227,859
Refunding bonds issued	(21,691)	(25,188)	(112,002)	(157,909)	(149,288)	(149,288)	(202,418)	(203,719)	(202,339)	(232,591)
Issuance of long term debt	—	—	—	—	—	—	—	—	102,350	—
Premium on bonds	—	16,274	17,880	—	—	—	—	—	—	—
Payment to refunded debt	—	—	—	(13,977)	—	—	—	—	8,927	—
Capital Leases	—	—	—	—	—	—	—	—	(114,262)	—
Unrealized proceeds - surplus assets	620	—	—	—	1,527	1,527	—	—	—	—
Unrealized loss on surplus assets	(904)	—	(595)	1,826	3,294	3,294	—	—	—	—
Sales of capital assets	968	—	161	1,401	—	—	—	—	—	—
Total other financing sources (uses)	684	16,435	17,856	7,420	409	248	(10,253)	(4,709)	202	1,460
Net change in fund balances	\$ 6,080	\$ 24,979	\$ (1,730)	\$ (36,457)	\$ (36,495)	\$ (22,169)	\$ (18,964)	\$ (16,936)	\$ (15,443)	\$ (35,761)
Debt service as a percentage of noncapital expenditures	6.3%	6.2%	4.2%	3.8%	6.2%	6.2%	6.1%	5.8%	3.5%	5.1%

Table 5

KANSAS CITY PUBLIC SCHOOLS

Assessed and Estimated Actual Value of Taxable Property (1)

Last Ten Calendar Years

Tax levy year	Real property (2)		Personal property (2)		Total		Ratio of total assessed Actual value
	Value	Actual value	Value	Actual value	Value	Actual value	
2011	2,089,006,959	9,094,590,836	658,069,420	1,974,405,701	2,747,076,379	11,068,996,537	25 %
2010	2,136,547,926	9,227,817,390	648,566,756	1,945,894,857	2,785,114,682	11,173,712,247	25
2009	2,134,968,810	9,215,327,571	656,797,975	1,970,590,984	2,791,766,785	11,185,918,555	25
2008	2,270,379,857	9,881,307,807	688,862,166	2,066,793,177	2,959,242,023	11,948,100,985	25
2007	2,458,068,509	10,743,151,553	742,016,617	2,226,272,478	3,200,085,126	12,969,424,602	25
2006	2,211,529,159	11,639,627,153	674,138,810	2,022,618,692	2,885,667,969	13,662,245,845	21
2005	2,198,143,237	9,726,019,934	677,475,726	2,032,630,441	2,875,618,963	11,758,650,375	24
2004	1,944,634,173	8,232,472,044	705,468,036	2,116,615,770	2,650,102,209	10,349,087,814	26
2003	1,934,514,727	8,323,442,115	731,754,452	2,195,482,904	2,666,269,179	10,518,925,019	25
2002	1,731,415,328	7,354,739,880	798,004,980	2,394,254,365	2,529,420,308	9,748,994,245	26

(1) Source: Assessed valuations were made by the Jackson County Assessment Department. Section 137.115 of the Missouri Revised Statutes classifies real property to one of three categories when assigning assessed value as a percentage of actual; Agriculture at 11%; residential at 19%; or commercial at 32%. Personal property is assessed at 33.33% of actual value.

(2) Locally assessed railroad and utility property is included in either real or personal property; merchants' and manufacturers' equipment is included in personal property.

Table 6

KANSAS CITY PUBLIC SCHOOLS

Property Tax Rates (1)—Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal year ended	City of Kansas City	City of Independence (3)	State of Missouri	Jackson County	Metropolitan Community Colleges	City of Sugar Creek (3)	Kansas City, Missouri Public Library	School District	Total (2)
2012	\$ 1.5294	\$ —	0.03	0.543	\$ 0.2329	\$ —	\$ 0.5000	4.95	7.79
2011	1.5294	—	0.03	0.543	0.2329	—	0.5000	4.95	7.79
2010	1.4678	—	0.03	0.543	0.2266	—	0.4991	4.95	7.72
2009	1.4678	—	0.03	0.570	0.2143	—	0.4731	4.95	7.71
2008	1.4632	0.65	0.03	0.570	0.2100	1.07	0.4500	4.95	9.39
2007	1.5055	0.66	0.03	0.570	0.2200	1.07	0.4700	4.95	9.48
2006	1.5055	0.69	0.03	0.570	0.2200	1.07	0.4700	4.95	9.51
2005	1.3196	0.75	0.03	0.570	0.2200	1.07	0.4900	4.95	9.40
2004	1.3159	0.75	0.03	0.570	0.2200	1.07	0.4900	4.95	9.40
2003	1.3400	0.75	0.03	0.570	0.2300	1.09	0.5000	4.95	9.46

(1) Source: Tax rates per \$100 assessed valuation as confirmed directly by taxing authorities.

(2) The District's boundaries are not wholly contained in Kansas City, Missouri, but overlap other cities. Consequently, the total does not represent the actual tax burden of individual taxpayers. The total is presented only as an indicator of the change in property tax rates.

(3) On November 6, 2007, voters approved a boundary change that eliminated District school sites located in the City of Independence and the City of Sugar Creek.

Table 7

KANSAS CITY PUBLIC SCHOOLS

Principal Property Taxpayers

June 30, 2012

		2011			2002		
Taxpayers	Type of Business	Assessed value(1)	Rank	Percentage of total assessed value	Assessed value(1)	Rank	Percentage of total assessed value
Hallmark & Crown Power	Real Estate/Retail/Hotel	\$ 71,346,178	1	2.6%		1	0.0%
Kansas City Power and Light	Utility	43,827,343	2	1.6		2	0.0
A T & T	Communications	38,555,277	3	1.4		8	0.0
J C Nichols & Highwoods Realty	Real Estate	26,827,301	4	1.0		4	0.0
Bayer & Mobay	Agricultural Research and Mfg	23,005,317	5	0.8		5	0.0
Southern Union Co	Utility	17,728,195	6	0.6		6	0.0
Twentieth Century Realty Inc	Real Estate	14,468,051	7	0.5			
FSP Grand Blvd	Real Estate	13,120,000	8	0.5		9	0.0
EHMD LLC	Real Estate	12,800,000	9	0.5			
Gateway Harrison Inc	Information Technology Services	12,612,598	10	0.5			
IBM Credit Corporation	Finance					3	0.0
Southwestern Bell	Communications					10	0.0
KCT Intermodal Transportation	Transportation					7	0.0
		\$ 274,290,260		10.0%	—		0.0%

Note: Total assessed value for 2011 was \$2,747,076,379 and 2002 was \$2,529,420,308

(1) Based on calendar year ended December 31, 2010 and December 31, 2002.

Source: Jackson County, Division of Finance, Collection Department reports.

Table 8

KANSAS CITY PUBLIC SCHOOLS

Property Tax Levies and Collections (1)

Last Ten Calendar Years

Tax levy year	Current tax levy (2)	Current tax collections	Percentage of levy collected	Delinquent tax collections	Total tax collections	Total collections as a percent of current levy (3)	Outstanding delinquent taxes (4)	Outstanding delinquent taxes as a percentage of current levy
2011	\$ 137,909,659	126,060,394	91.4%	\$ 9,641,611	\$ 135,702,005	98.4%	\$ 11,849,265	9%
2010	140,337,926	129,688,746	92.4%	13,048,624	142,737,370	101.7%	10,649,180	8%
2009	139,616,489	127,958,778	91.7%	11,173,379	139,132,157	99.7%	11,657,711	8%
2008	149,109,674	136,280,928	91.4%	11,310,642	147,591,570	99.0%	12,828,746	9%
2007	159,347,626	144,632,799	90.8%	9,125,735	153,758,534	96.5%	14,714,827	9%
2006	144,314,419	134,518,579	93.2%	10,018,326	144,536,905	100.2%	9,795,840	7%
2005	143,862,828	134,077,148	93.2%	11,644,108	145,721,256	101.3%	9,785,680	7%
2004	131,741,231	124,708,338	94.7%	8,850,541	133,558,879	101.4%	7,916,603	6%
2003	132,070,410	124,980,641	94.6%	15,274,849	140,255,490	106.2%	7,089,769	5%
2002	123,484,756	114,562,189	92.8%	11,047,615	125,609,804	101.7%	8,922,567	7%

(1) Table includes General Fund, Teachers' Fund, and Capital Projects Fund. While taxes are levied on a calendar-year basis, collections are reported on a fiscal-year basis.

(2) Includes real estate, personal property, and replacement merchants and manufacturers taxes, net of assessment and collection fees retained by Jackson County.

(3) Percentage includes collection of delinquent taxes.

(4) Includes protested taxes held by the county and all delinquent taxes outstanding at the end of the current tax levy year.

(5) Source: Jackson County, Division of Finance, Collection Department reports.

Table 9

KANSAS CITY PUBLIC SCHOOLS
Outstanding Debt by Type
Governmental Activities
Last Ten Fiscal Years

Fiscal year ended June 30	\$			Total Primary Government
	Leasehold Revenue Bonds	Capital Leases		
2012	47,459,000	—		47,459,000
2011	57,229,000	—		57,229,000
2010	51,830,000	—		51,830,000
2009	44,335,000	—		44,335,000
2008	67,185,000	495,408		67,680,408
2007	89,315,000	967,387		90,282,387
2006	110,855,000	—		110,855,000
2005	132,235,000	—		132,235,000
2004	152,280,000	—		152,280,000
2003	171,560,000	—		171,560,000

Table 10

KANSAS CITY PUBLIC SCHOOLS

Computation of Overlapping Debt

June 30, 2012

Jurisdiction	General obligation bonds outstanding (2)	Percentage applicable to District (1)	Amount applicable to District
City of Kansas City, Missouri	\$ 449,290,000	0.9300	\$ 417,839,700

(1) Source: Jackson County, Division of Finance, Collection Department reports KCMUSD is composed of three cities within its boundaries, of which the City of Kansas City, Missouri is 93%.

(2) Source: City of Kansas City, Missouri Tax Administration Department.

Table 11

KANSAS CITY PUBLIC SCHOOLS

Computation of Legal Debt Margin

June 30, 2012

Total assessed value, tax levy year 2011 (1)	
Legal debt margin—15% of assessed value (2)	\$ 2,747,076,379
	412,061,457

- (1) See Table 5.
- (2) The bonded indebtedness of the District is limited by Section 26(b) of the Missouri Constitution, Article VI, to 15% of the value of the taxable tangible property as shown by the last completed assessment for state and county purposes. The District had no outstanding general bonded debt at June 30, 2011.

Note: The District has not had outstanding general bonded debt for the last ten years. Therefore, the debt limit amount, total net debt applicable to the limit, legal debt margin amount and the ratio of either the legal debt margin to the debt limit or total debt applicable to the debt limit are not applicable.

Table 12

KANSAS CITY PUBLIC SCHOOLS

Demographic Statistics

Last Ten Fiscal Years

Fiscal year ended June 30	District population	September school membership	Ratio of membership to population	Regular school year average daily attendance	Ratio of attendance to membership
2012	\$ 193,837	15,403	8	13,732	89.2 %
2011	193,837	15,854	7	13,890	87.6
2010	193,837	17,104	7	15,451	90.3
2009	239,451	17,892	7	16,051	89.7
2008	239,451	22,429	9	19,381	86.4
2007	239,451	24,358	10	21,133	86.8
2006	239,451	25,750	11	22,633	88.0
2005	239,451	27,094	11	23,766	87.7
2004	239,451	26,939	11	24,307	90.2
2003	239,451	26,886	11	24,797	92.3

Source: Estimated District population is based on the 1991 census for 1999 through 2001 provided by the City Development Department; the City Planning Division provided the estimates for years from 2001 and after from the 2001 census data.

Note: Average daily attendance includes summer school attendance. Ratio of attendance to membership reflects average daily attendance of regular school year to September school membership.

Table 13

KANSAS CITY PUBLIC SCHOOLS

Property Value and Construction Costs

Last Ten Fiscal Years

Fiscal year ended June 30	Estimated actual property value (1)	Nonresidential construction (in millions)	Residential construction (in millions)
2012	\$ 11,068,996,537	26.3	15.5
2011	11,173,712,247	49.1	38.4
2010	11,185,918,555	27.1	51.3
2009	11,948,100,985	32.8	53.9
2008	12,969,424,032	47.2	63.9
2007	11,639,627,153	32.3	61.6
2006	11,758,650,375	13.2	36.3
2005	10,349,087,814	28.6	14.3
2004	10,518,925,019	151.9	85.0
2003	9,748,994,245	191.2	48.0

(1) See Table 6.

Source: Assessed valuations were made by the Jackson County Assessment Department. Estimated actual property values were calculated using percentages set forth in Section 137.115 of the Missouri Revised Statutes.

Table 14

KANSAS CITY PUBLIC SCHOOLS

Per-Pupil Costs
Last Ten Fiscal Years

Fiscal year ended June 30	Average daily attendance (2)	Eligible pupils (2)	Current expenditures per eligible pupil (1)	K-12 September enrollment	Pre-K Enrollment
2012	13,816	13,900	\$ 14,467	15,403	1,376
2011	14,067	14,244	14,117	15,854	1,483
2010	16,573	17,345	15,021	17,104	1,989
2009	17,384	18,186	16,570	17,892	2,139
2008	21,138	22,107	14,629	22,429	2,615
2007	23,087	24,144	13,275	24,358	2,494
2006	24,569	25,725	12,193	25,750	2,533
2005	25,449	26,605	11,590	27,094	2,428
2004	25,813	27,012	10,906	26,939	2,322
2003	25,784	26,771	10,907	26,886	2,499

- (1) Current expenditures as defined by the State of Missouri Department of Elementary and Secondary Education. For fiscal year 2012, expenditures include the General and Child Nutrition funds total instruction and support services expenditures net of food service revenues, divided by the total number of pupils. For fiscal years 2011-2012, expenditures include the General, Teachers' Grant Activity and Child Nutrition funds total instruction and support services expenditures net of food service revenues, divided by the total number of pupils.
- (2) Average daily attendance and Eligible pupil counts include K-12 students.