

KANSAS CITY
PUBLIC SCHOOLS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED
JUNE 30, 2015



KANSAS CITY PUBLIC SCHOOLS
(The School District of Kansas City, Missouri)

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2015
(With Independent Auditor's Report Thereon)

Prepared by
Business & Finance Division

KANSAS CITY PUBLIC SCHOOLS

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December 14, 2015

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, 2015, 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 position. 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. RSM US LLP, certified public accountants, has issued an unmodified opinion on the District's financial statements for the year ended June 30, 2015. 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*. Welch & Associates, LLP, certified public accountants, performed this audit. 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, 2 alternative schools, 2 middle schools, and 25 elementary schools for school year 2014-2015. 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 15,258 students (including pre-kindergarten) and employs over 2,300 principals, teachers, and other support staff.

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 60.3% of total revenues received by the District. During the fiscal year, the District was entitled to receive approximately \$133.1 million in property taxes for tax year 2014 based on its \$4.95 levy which was a 2.47% increase in property tax revenue when compared to tax year 2013. The increase in property tax revenue was attributed by an increase of \$14.0 million in property assessed valuation. Actual current taxes collected during the fiscal year totaled to \$122.1 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.

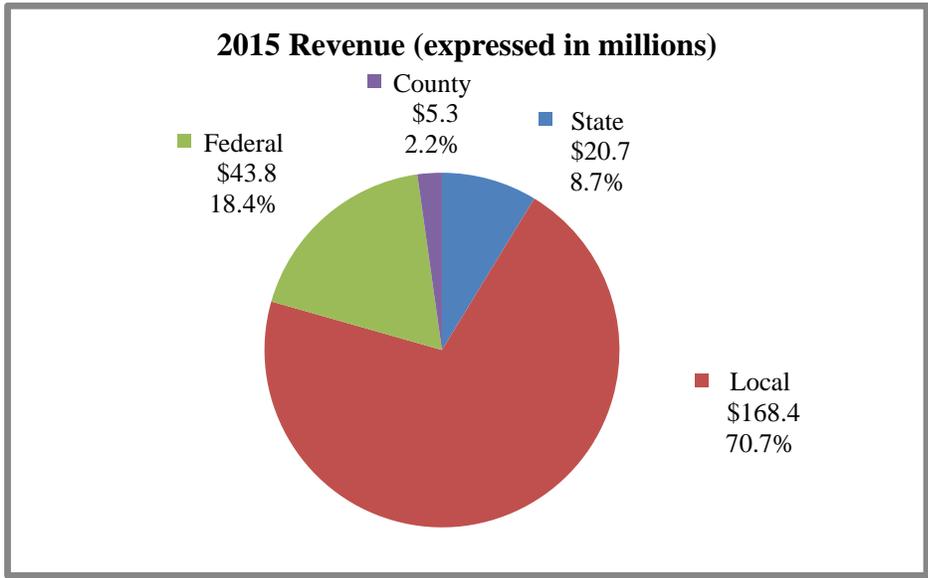
Revenues derived from State sources represent approximately 8.7% of total revenues received by the District. The District received approximately \$12.3 million for state aid, an increase of \$3.7 million or 43.9%. Beginning with fiscal year 2007, DESE implemented a new foundation formula that is based on current expenditures of the school districts meeting all performance standards established by the State Board of Education. The base 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 18.4% 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 Teacher Incentive. 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, 100% of our students were served as eligible for free or reduced lunch under the Community Eligibility Provision (CEP) program started during fiscal year 2014-2015.

Students with disabilities, as defined by the Individuals with Disabilities Education Act (IDEA), are those students who qualify for special education services and who have an Individualized Education Program (IEP) or commonly referred to as the Special Education program (SpEd). Special Education and related services for pre-school age is referred to as early childhood special education (ECSE). For school year 2014-2015, the District served 1,819 SpEd students and 163 ECSE students.

The District provided services to 3,526 LEP (Limited English proficient) and ELL (English Language Learners) during school year 2014-2015.

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 \$1.1 million in interest income was earned during the fiscal year.

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 Resources 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,

Allan H. Tunis
Interim Superintendent of Schools

Elaine Morgan
Director Finance & Benefit Services



Our Vision

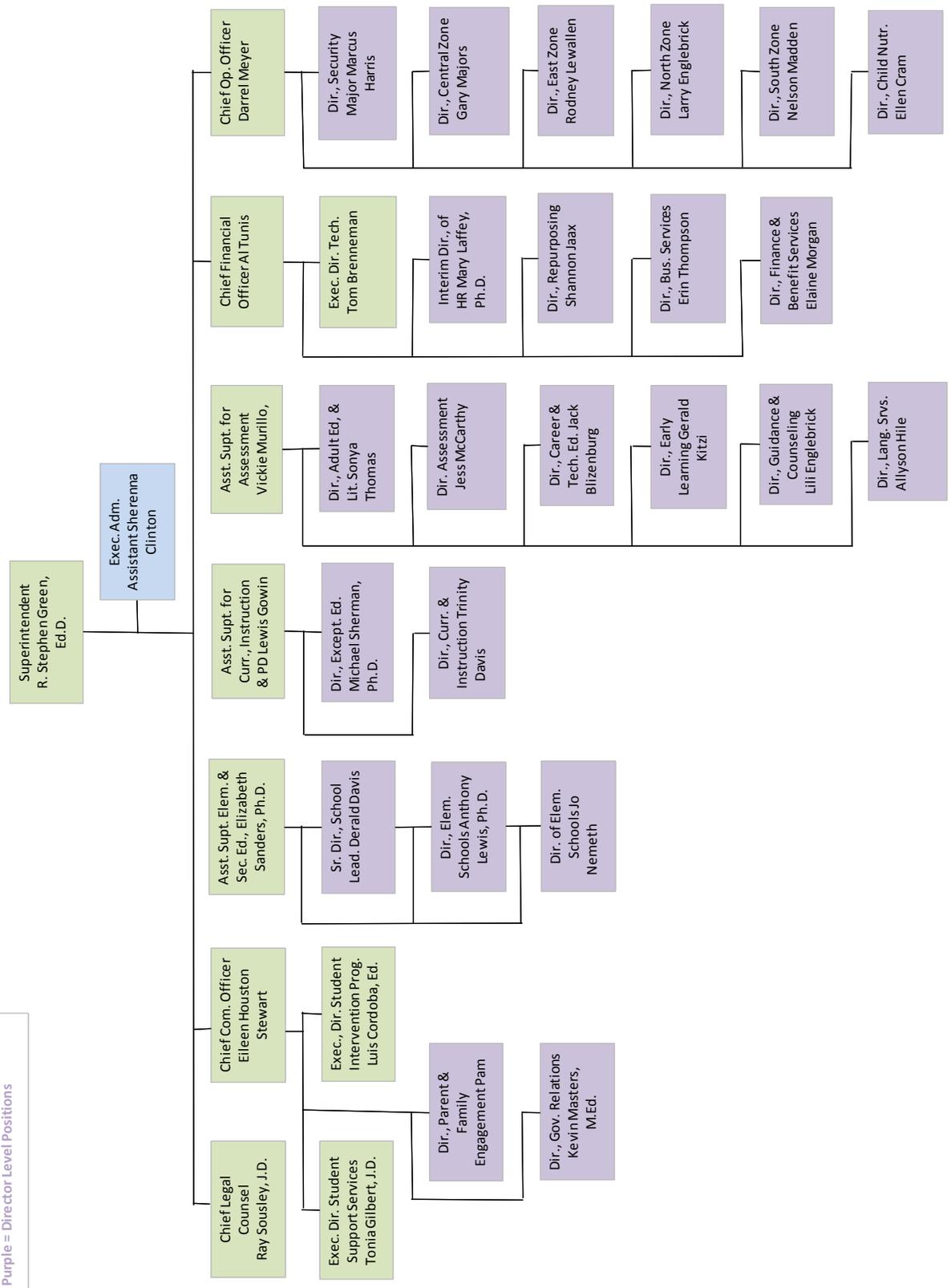
The Kansas City Public Schools (KCPS) envisions its schools as places where every student will develop deep understanding of the knowledge and skills necessary to pursue higher education, obtain family-supporting employment, contribute to the civic well-being of the community, and have the opportunity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

KCPS Organizational Chart
 Superintendent through Director Level
 Blue = Superintendent and Executive Team
 Purple = Director Level Positions



LIST OF PRINCIPAL OFFICIALS

June 30, 2015

BOARD OF EDUCATION

Executive Officers

Jon Hile, Chair
Curtis L. Rogers., Vice Chair

Treasurer
Allan Tunis

Secretary of the Board
Sandra Fette

Members

Carl Evans
Gunnar Hand
Amy Hartsfield
Pattie Mansur
Marisol Montero
Melissa Robinson
Airick L. West

SENIOR ADMINISTRATORS

R. Stephen Green, Ed. D., Superintendent
Lewis Gowin, Asst. Supt. of Curriculum, Instruction and Professional Development
Eileen Houston-Stewart, Chief Communications and Community Engagement Officer
Vickie Murillo, Ed. D. Asst. Supt. for Accountability, Assessment and Academic Precision
Ray E. Sousley, J.D., Chief Legal Counsel
Ann Sanders, PhD, Asst. Supt. for Elementary and Secondary Education
Allan Tunis, Chief Finance Officer
Thomas Brenneman, Executive Director of Technology
Luis Cordoba, Ed. D. Executive Director of Student Intervention Programs
Tonia Gilbert, J.D., Executive Director of Student Support and Community Services
Darrel Meyer, Chief of Operations

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Independent Auditor's Report

RSM US LLP

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

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the Kansas City Public Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kansas City Public Schools, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 4.f., Kansas City Public Schools adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pension* and GASB Statement No. 71, *Pension Contributions Made Subsequent to the Measurement Date*, which restated beginning net position, net pension liability and deferred outflows of resources of the governmental activities.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 18, the Budgetary Comparison Schedules on pages 57 through 64, the Schedule of Funding Progress on page 66, and the pension information on page 67, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kansas City Public Schools' basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, and the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory, statistical sections and other schedules, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 on our consideration of the Kansas City Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kansas City Public Schools' internal control over financial reporting and compliance.

RSM US LLP

Kansas City, Missouri
December 14, 2015

KANSAS CITY PUBLIC SCHOOLS

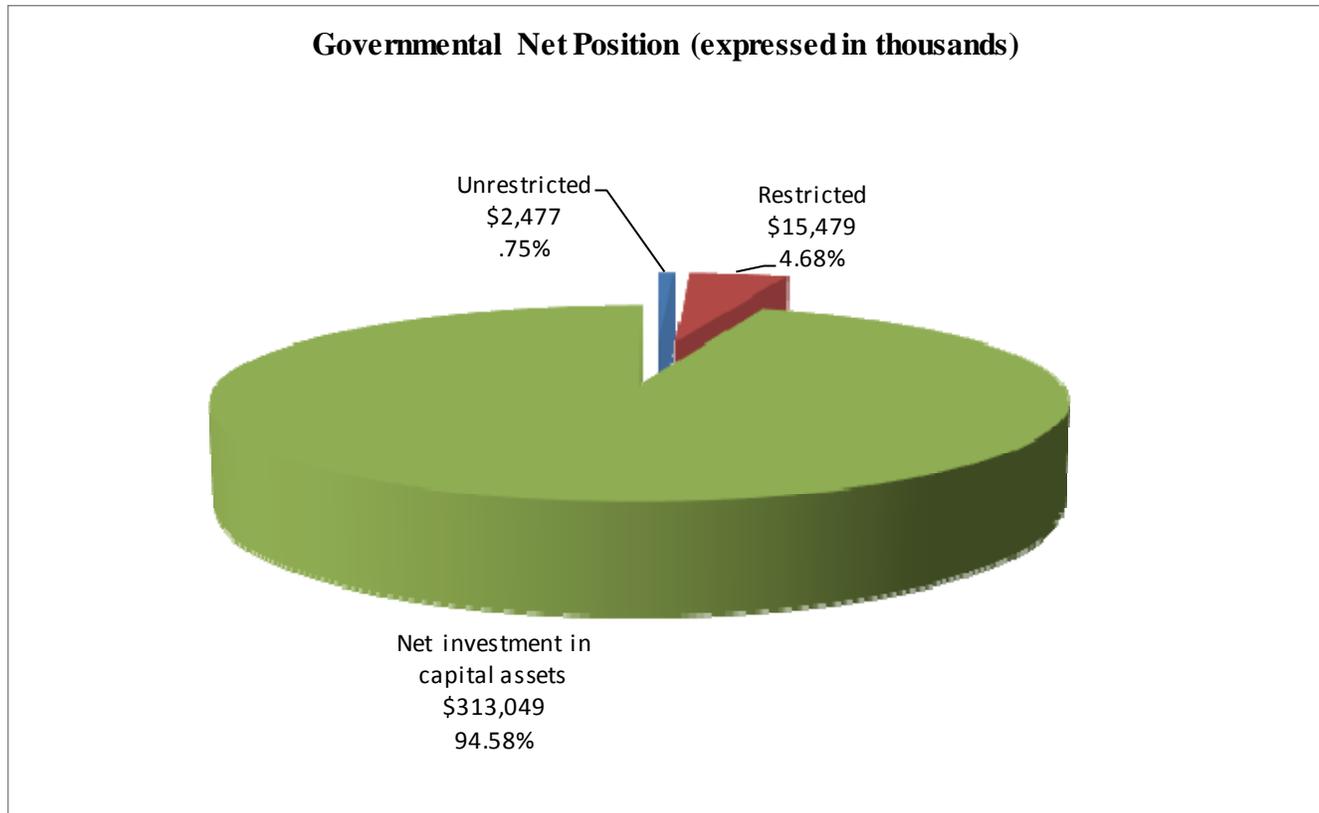
Management's Discussion and Analysis

June 30, 2015

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, 2015. 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 position for governmental activities, the District's assets exceeded its liabilities at the close of the fiscal year by \$331.00 million. Net position is reported in three components as shown in the graph below:



The most significant change in total net position was a decrease of \$102.1 million in unrestricted net position primarily due to the adoption of a new accounting principles *Governmental Accounting Standards Board (GASB) 68 Accounting and Financial Reporting for Pensions* and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 substantially changed the accounting and financial reporting requirements for the Public School Retirement System and the District. Implementing GASB Statement Nos. 68 and 71 resulted in first-time recognition of net pension liability - \$113,573,271; deferred outflows of resources - \$19,580,672; deferred inflows of resources - \$1,090,866; and pension expense - \$4,052,006. The 2014 amounts presented in the management's discussion and analysis have not been restated to reflect the change in the implementation of these standards.

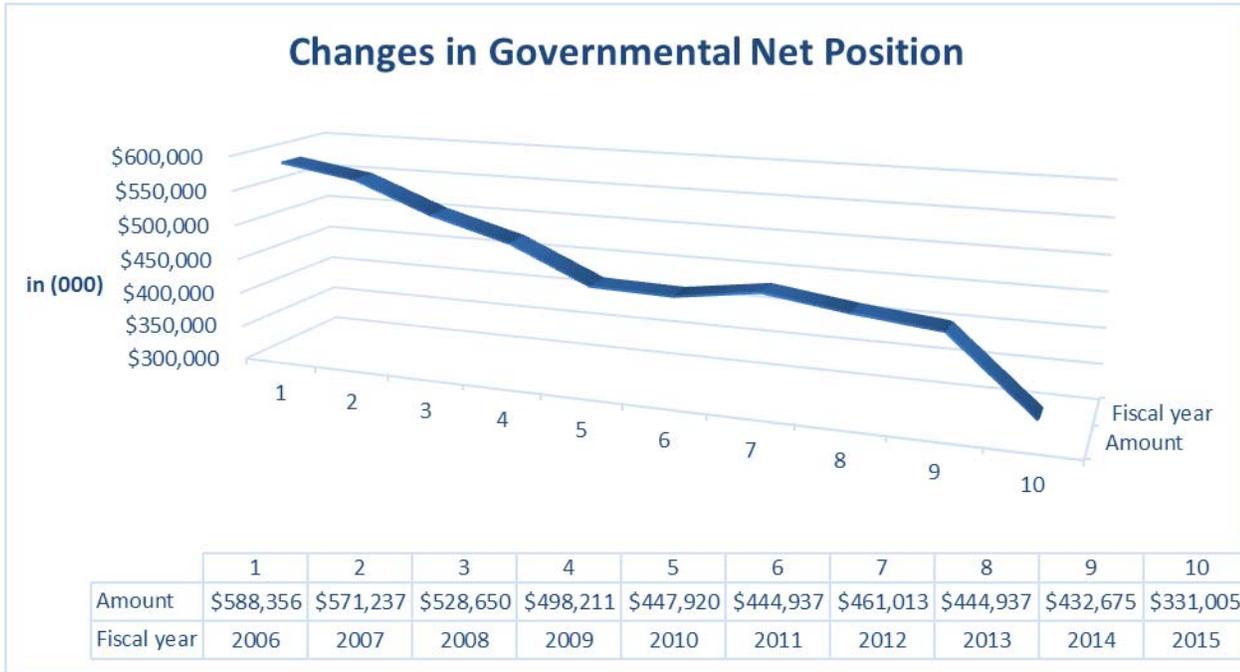
Net investment in capital assets increased \$1.78 million due primarily to a \$2.01 million reduction in debt obligations.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

The graph below shows the changes in net position and indicates the District's overall financial position decreased in fiscal year 2015 by 23.50% when compared to fiscal year 2014. Total assets decreased \$5.3 million or .81% and total liabilities increased \$109.2 million or 115.05%. The increase in liabilities is primarily attributable to the recognition of the net pension liability of \$113.6 million due to the implementation of GASB Statement No. 68.



The District's governmental funds (summarized in Table 1 below) reported an ending total fund balance of \$102.85 million, a decrease of \$12.32 million in comparison with the prior year. Approximately 55.10% of this amount, \$56.7 million, is available for spending at the District's discretion (unassigned fund balance).

Table 1—Summary of Governmental Fund Balances

	<u>FY15</u>	<u>Percentage of total</u>	<u>FY14</u>	<u>Percentage of total</u>	<u>Increase (decrease)</u>	<u>Unassigned portion</u>
General	\$ 57,787,808	56.2%	\$ 73,211,833	63.5%	\$ (15,424,025)	\$ 56,674,670
Capital projects	29,208,927	28.4%	28,177,288	24.5%	1,031,639	—
Nonmajor funds	15,855,275	15.4%	13,781,055	12.0%	2,074,220	—
	<u>\$ 102,852,010</u>	<u>100.0%</u>	<u>\$ 115,170,176</u>	<u>100.0%</u>	<u>\$ (12,318,166)</u>	<u>\$ 56,674,670</u>

Unassigned fund balance for the General Fund was \$56.7 million and represents 24.99% of total General Fund expenditures and transfers. Assigned fund balance in the General Fund for general operating encumbrances was \$.75 million. Restricted fund balance in the General Fund for workers compensation was \$.28 million. Overall, governmental fund balances decreased at June 30 primarily due to the transfer of operating general fund balance to CIP general fund and CIP capital project fund to be used for building renovations and large repair projects spending in the governmental funds; expenditures exceeded revenues in the amounts of \$7,439,177, \$4,122,356 and \$1,422,215 in the General, Capital Projects and Nonmajor funds, respectively.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

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 position represents information on all the District's assets, liabilities, and deferred outflows/inflows of resources with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. See Table 2—Net Position.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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 Position —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 Position —Business-Type Activities.

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.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

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 the General Fund and the Capital Projects Fund. Data for the other six 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.

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.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

Government-wide Financial Analysis

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

Table 2—Net Position (Expressed in Thousands)

	Governmental activities			Business-type activities			Total	
	2015 (as restated)	2014 (not restated)	Increase (decrease)	2015 (as restated)	2014 (not restated)	Increase (decrease)	2015 (as restated)	2014 (not restated)
Assets:								
Current and other assets	\$ 307,632	312,710	(5,078)	345	505	(160)	307,977	313,215
Capital assets	345,194	345,430	(236)	—	—	—	345,194	345,430
Total assets	<u>652,826</u>	<u>658,140</u>	<u>(5,314)</u>	<u>345</u>	<u>505</u>	<u>(160)</u>	<u>653,171</u>	<u>658,645</u>
Deferred Outflows of resources	19,581	—	19,581	—	—	—	19,581	—
Liabilities:								
Other liabilities	41,890	45,969	(4,079)	57	4	53	41,947	45,973
Long-term liabilities	162,253	48,959	113,294	—	—	—	162,253	48,959
Total liabilities	<u>204,143</u>	<u>94,928</u>	<u>109,215</u>	<u>57</u>	<u>4</u>	<u>53</u>	<u>204,200</u>	<u>94,932</u>
Deferred Inflows of Resources	137,259	130,537	6,722	—	—	—	137,259	130,537
Net position:								
Net investment in capital assets	313,049	311,276	1,773	—	—	—	313,049	311,276
Restricted	15,479	16,781	(1,302)	—	—	—	15,479	16,781
Unrestricted	2,477	104,618	(102,141)	288	501	(213)	2,765	105,119
Total net position	<u>\$ 331,005</u>	<u>432,675</u>	<u>(101,670)</u>	<u>288</u>	<u>501</u>	<u>(213)</u>	<u>331,293</u>	<u>433,176</u>

Overall, current and other assets decreased by 1.62%. Cash and investments decreased by \$11.69 million or 8.15%, as a result of expenditures in excess of revenue in the general, capital projects and nonmajor governmental funds. Long-term liabilities increased \$113.29 million due to the recognition of \$113.57 million net pension liability (adoption of GASB Statement No. 68), a \$1.10 million increase in the compensated absences balance, and an increase in claims payable of \$.63 million offset by the decrease in the bonds payable balance of \$2.01 million. Improvements to land, buildings and other than building were \$12.28 million; purchases of equipment, furniture, and vehicles (primarily computers and vehicles) were \$.67 million, less depreciation of \$9.82 million and retirements of \$3.37 million, resulting in a nominal change of \$.24 million (decrease).

Unrestricted net position of \$2.48 million includes management commitments, assignments and unassigned fund balances. The Board of Education has authorized management to assign funds for certain obligation that make up 22.49% of net position (excluding the prior period adjustment of \$91.03 million to net position due to the adoption of GASB Statement No. 68).

Fund balance has \$4.8 million in commitments, \$22.9 million in assignments, and \$56.7 million of unassigned fund balance. See footnote 2 for specific purposes within each category.

The changes in net position 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.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

Table 3A—Changes in Net Position —Governmental Activities highlights the District's revenues and expenses for the 2015 and 2014 fiscal years. The difference between revenues and expenses equals the change in net position. 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.

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

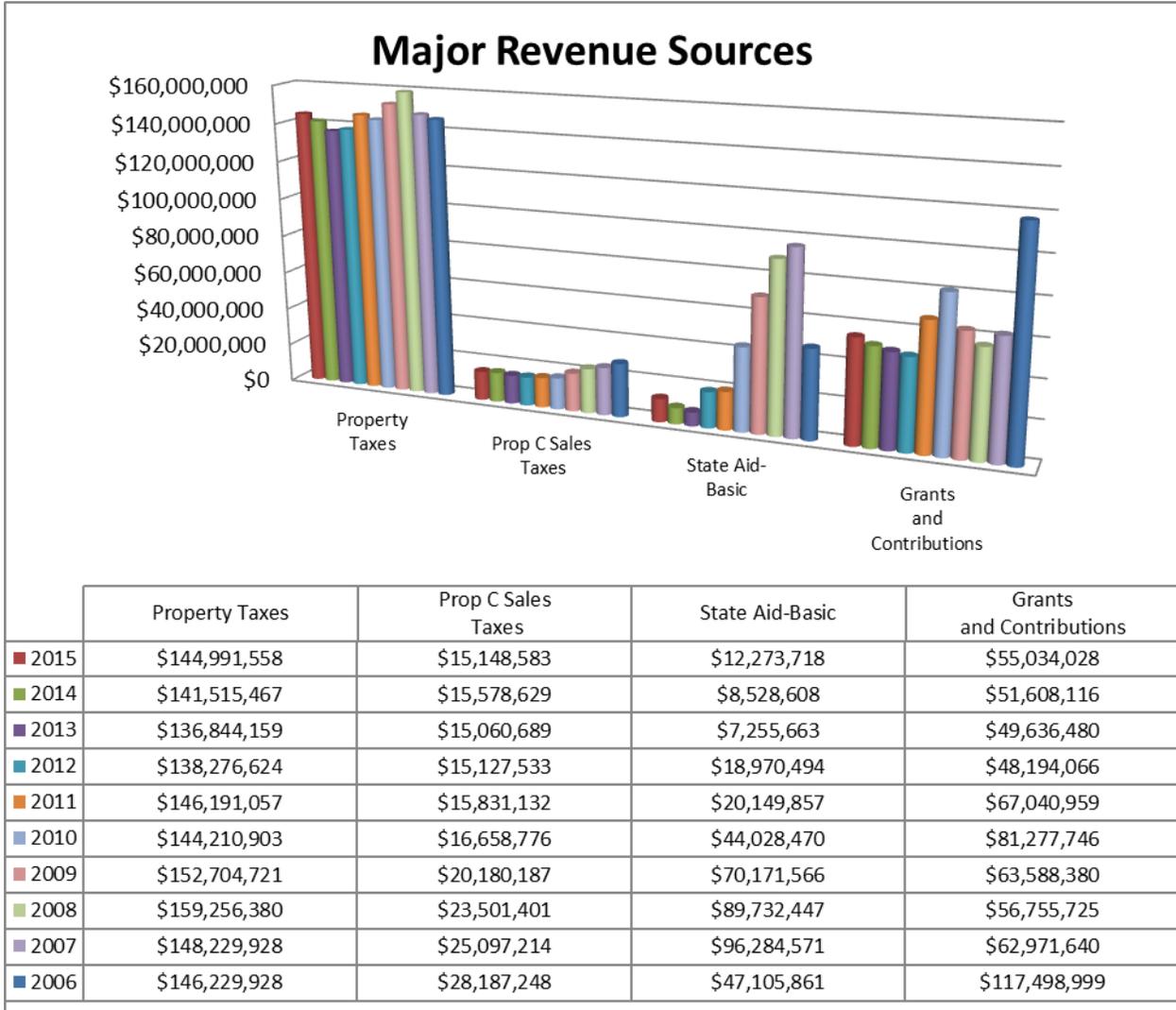
	Governmental activities		
	2015	2014 (not restated)	Increase (decrease)
Program revenues:			
Charges for services	\$ 3,830	2,366	1,464
Operating grants and contributions	52,380	49,715	2,665
Capital grants and contributions	2,654	1,893	761
General revenues:			
Property taxes	144,992	141,515	3,477
Prop C sales tax	15,149	15,579	(430)
Other local revenues	5,559	5,039	520
County governmental contributions	5,284	5,054	230
State aid—basic formula	12,274	8,529	3,745
Grants and entitlements	705	409	296
Sale of capital assets	545	659	(114)
Investment earnings	1,499	2,604	(1,105)
Total revenues	<u>244,871</u>	<u>233,362</u>	<u>11,509</u>
Program expenses:			
Administration	16,326	16,710	(384)
Instruction	118,825	105,802	13,023
Support services	58,340	51,572	6,768
Operation of facilities	34,467	33,744	723
Pupil transportation	12,124	11,443	681
Facilities Improvement and Renovation	2,604	14,637	(12,033)
Community and adult services	10,347	8,951	1,396
Interest on long-term debt	2,597	2,809	(212)
Total expenses	<u>255,630</u>	<u>245,668</u>	<u>9,962</u>
Excess (deficiency) before transfers	<u>(10,759)</u>	<u>(12,306)</u>	<u>1,547</u>
Transfers	121	43	78
Increase (decrease) in net position	<u>(10,638)</u>	<u>(12,263)</u>	<u>1,625</u>
Net position beginning of year, as restated	341,643	444,937	(103,294)
Net position end of year	<u>\$ 331,005</u>	<u>432,674</u>	<u>(101,669)</u>

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

A graph of major District revenues is shown below.



The most significant changes in revenues were:

State Aid distributed under the basic formula increased by 43.91% or approximately \$3.7 million. This increase is attributable to the approval of the summer school program with various community partners. The FY15 distribution was based on weighted average daily attendance (WADA) of 16,742 compared to WADA of 17,434 for FY14.

Revenues from federal programs (e.g., Title I, II and III) and School Improvement Grants (SIG) decreased by \$4 million or 17.95%; due primarily to timing of reimbursement.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

Reimbursements for meals served under the Child Nutritional Services program increased by \$1.64 million due primarily to an increase in reimbursement rate, and the expansion of a supper and summer feeding program for students.

Property tax revenue increased approximately \$3.5 million due to increases in the collection of real estate and personal property taxes, back taxes and M&M replacement tax of \$4.1 million, \$1.7 million and \$.202 million, respectively. These increases were offset by decreases in railroad and utility taxes, payments in lieu of tax, and M & M replacement back tax of \$.049 million, \$.085 million, and \$.77 million, respectively. In addition, the collection of back taxes during the months of July and August decreased by \$1.3 million in comparison to the same period in the prior year.

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

Instruction – The increase is due primarily to the District's continued implementation of a district-wide "One to One" initiative to put in each students hands laptop devices with educational software/curriculum.

Support services – A \$15.2 million increase due to the adoption of GASB Statement No. 68 of \$4 million and educational software purchases in support of the One to One initiative. An increase in the Child Nutrition Services program from expanding the supper and summer feeding program funded by the Department of Health and Senior Services. These programs send a child home with a prepared meal for their dinner during the school year, and provide breakfast and lunch over the summer.

Pupil transportation – Transportation costs increased as these costs are dependent on operational efficiencies, negotiating lower rates, managing service providers and adjusting school bell times.

Community and adult services – The increase is primarily due to the expansion of the Pre-K program with a Missouri Preschool Project grant. The grant added 11 classrooms, to serve 220 three & four year old children.

Principal on long term debt – Principal costs declined as the prior year payments included the final payment of the 2003 Series B bonds; debt retirements in the prior year were \$5.75 million compared to current year retirements of \$2.01 million.

KANSAS CITY PUBLIC SCHOOLS

Management’s Discussion and Analysis

June 30, 2015

Operation of facilities & facilities improvements and renovation – The increase is due to a continued focus on deferred infrastructure improvements and repair and maintenance projects primarily in school buildings and increased utility costs.

Description	FY15	Project Cost
Energy performance contracting	\$ 115,238	\$ 27,786,986
Building renovations, performed by internal construction crew	2,748,449	2,915,490
Central Middle	3,411,123	10,736,212
Northeast Middle	4,085,042	11,786,163
Roofing	1,325,752	1,874,648
Security systems	849,712	4,374,996
Asphalt and concrete	1,238,242	1,573,431
Heating, ventilation, air conditioning (HVAC)	489,396	1,776,883
Building exteriors	2,121,069	13,518,639
Other/misc	2,529,319	4,158,730
	<u>\$ 18,913,342</u>	

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

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

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Community services:			
Charges for services	\$ 301	227	74
Expenses	(393)	(57)	(336)
Revenue over expenditures before transfers	(92)	170	(262)
Investment Interest	-	-	-
Transfers	(121)	(43)	(78)
Increase (decrease) in net position	<u>\$ (213)</u>	<u>127</u>	<u>(340)</u>

The increase in revenue was due primarily to an increase in fees received from the community’s use of facilities as well as a new lease agreement executed January 1, 2015 for the State of Missouri to operate various social and support services at a Pre-K center.

KANSAS CITY PUBLIC SCHOOLS

Management’s Discussion and Analysis

June 30, 2015

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 76.97% 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 experienced a nominal increase from the prior year percentage of 77.63%. The increase in total expenditures of \$9.96 million was greater than the combined increases of the \$1.46 million in charges for services and \$3.43 million in grants and contributions.

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

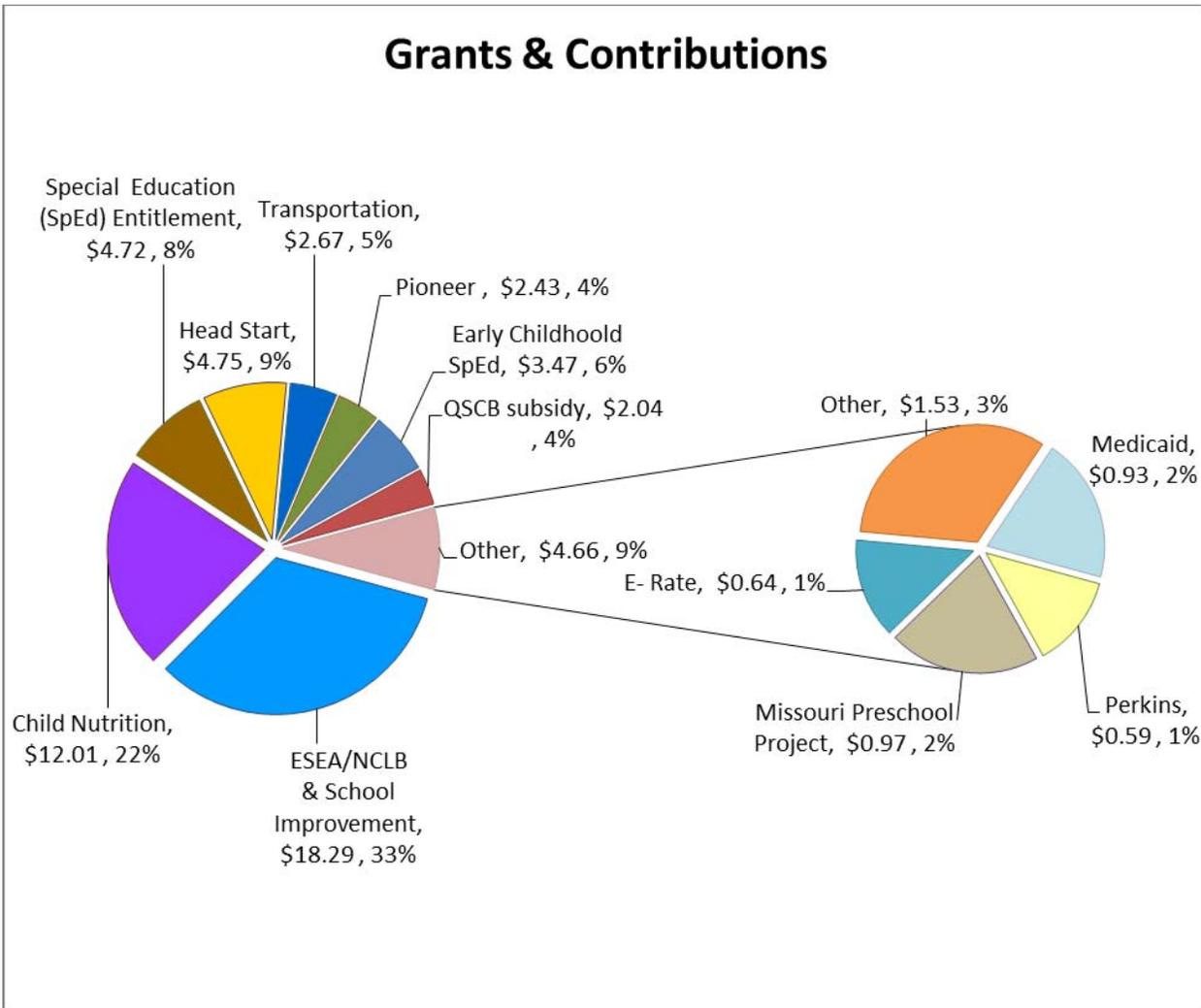
	Total cost of services	Net cost of services
Administration	\$ 16,326	16,300
Instruction	118,825	81,671
Support services	58,340	42,611
Operation of facilities	34,467	34,467
Pupil transportation	12,124	9,453
Facilities improvements and renovations	2,604	2,604
Community and adult services	10,347	9,106
Interest on long-term debt	2,597	554
Total	\$ 255,630	196,766

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

The District received program revenues specifically to offset the cost of certain functions/programs. The major source of this type of revenue, totaled \$55.0 million, is from grants and contributions (operating and capital). 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, 2015

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, 2015, 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-operating	\$ 81,695	280,000	430,056	54,906,911	55,698,662
Capital projects—operating	—	—	15,992,972	—	15,992,972
	<u>\$ 81,695</u>	<u>280,000</u>	<u>16,423,028</u>	<u>54,906,911</u>	<u>71,691,634</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 32.39% of total operating expenditures and transfers. The total operating fund balance decreased by 7.50% when compared to fiscal year 2014, due to a \$15.99 million transfer of fund balance to the CIP general fund and CIP capital projects fund used for capital improvement projects and district wide building repairs.

At the end of FY13, the district expended the balance of the Qualified School Construction Bonds issued in 2009 & 2010. With the district’s commitment to continue necessary building renovation and deferred maintenance projects, Administration with the Board of Director’s support, decided to use fund balance. The Board of Directors and Administration are exploring opportunities to seek additional funding to continue needed repairs and improvements.

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 16.1%. Based on the final assessed valuation received in September 2014 and collection trends, property taxes revenues were increased by \$5.4 million. The projection for local grants increased by \$2.8 million. Proposition C (sales taxes) and basic formula state aid increased by \$9.1 million due to the approval of 2014 summer school program with various community partners. Additional federal grant awards of \$14.4 million were received after the original budget was approved.

Budgeted expenditures increased by \$32.3 million or 16%. The increase was primarily due to funding school building repairs, student transportation cost, installation of school security systems, and summer school programs. In addition, local, state and federal grant awards for Missouri Pre-School Project, Special Education Entitlement, Pioneer, School Improvement, Partnership grants, Title I & III 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 \$32.5 million for revenues and transfers in, and an unfavorable budgeted variance for expenditure and transfers out of \$32.3 million, without a use of fund balance.

When compared to the prior year (see Table 5B), budgeted revenues and transfers in increased by 5.19% and expenditures and transfers out decreased by 5.17%.

KANSAS CITY PUBLIC SCHOOLS

Management’s Discussion and Analysis

June 30, 2015

Table 5A—Budget Comparison, Original to Final Budget, Fiscal Year 2015

	<u>Revenues and Transfers In</u>	<u>Expenditures and Transfers Out</u>
Original budget	\$ 201,726,801	201,635,268
Final budget	234,206,493	233,906,330
Increase	<u>\$ 32,479,692</u>	<u>32,271,062</u>

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

	<u>Revenues and transfers in</u>	<u>Expenditures and transfers out</u>
Fiscal year 2015 final budget	\$ 234,206,493	233,906,330
Fiscal year 2014 final budget	222,660,365	222,413,297
Increase (decrease)	<u>\$ 11,546,128</u>	<u>11,493,033</u>
Percentage of change	5.19%	5.17%

Major Funds—Financial Highlights

When compared to fiscal year 2014, General Fund revenues increased by \$1.18 million or .56%, and expenditures increased by \$15.58 million or 7.67%. The General Fund’s ending fund balance is used to balance the operating budget. The level of fund balance in the General Fund is decreased 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 Capital Projects Fund’s revenues increased by 8.27%. Other financing sources increased by \$3.07 million due to the combination of a \$.84 million or 8.36% decrease in transfers in, a decrease in realized proceeds and gain on sale of capital assets of \$.16 million, and a decrease in transfers out of \$4.07 million or 46.88%. Expenditures decreased by \$24.85 million or 61.61%; with the completion of two middle school total building renovations early in fiscal year 2015.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

Major projects for repairs, paid from the general fund, and facilities improvements and renovations, funded from the capital projects funds included:

Renovated and/or repaired existing space for classrooms, offices and restrooms including ceilings & walls, doors/hardware, lighting, painting, fixtures, flooring totalling \$2,748,449 at twenty-four schools.

Opened two moth-balled middle schools as part of a restructuring of grade levels contained in high school and elementary buildings. Entire buildings were renovated, with total replacement of classroom furniture and equipment. Project costs totaled \$7,496,165.

Projects included Asphalt & Concrete, Building Exteriors, Roof Replacement/Repair and HVAC Equipment Replacement & Temperature Controls totalling \$5,174,459.

Installation of a district-wide comprehensive integrated security system. It includes video security cameras, electronic card door access, intrusion alarms and a visitor management. Project cost during FY15 totalled \$849,712.

Classroom Furniture, Playground & Small Equipment totalling \$1,006,169.

On April 22, 2015, the board approved the designation and transfer of \$7 million of the operating capital projects fund balance to establish funds for the following capital improvement projects through December 2015:

Project	Estimated Cost
Athletics	
Athletics field	\$ 100,000
Gym floors	150,000
Educational Environment	
Summer renovation	400,000
Flooring	250,000
Restrooms	100,000
Miscellaneous	1,515,000
Safety & Security	
Card access, intrusion, video surveillance	3,030,000
Secured entry modification	580,000
School public address/intercom	100,000
Building Infrastructure	
Building exterior	525,000
HVAC	250,000
	<u>\$ 7,000,000</u>

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

Capital Assets and Debt Administration

Capital assets—The District's capital assets for its governmental activities as of June 30, 2015 amounts to \$345.2 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 \$235,720 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

	2015	2014
Land	\$ 30,407,846	30,646,301
Buildings	282,358,276	281,077,850
Improvements other than buildings	14,409,556	14,467,626
Equipment and furniture	2,710,663	2,840,172
Vehicles	117,600	160,010
Buildings-Impaired	14,857,044	14,857,044
Construction in progress	333,519	1,381,221
	<u>\$ 345,194,504</u>	<u>345,430,224</u>

Long-term debt— During fiscal year 2010, authorized as part of the American Recovery and Reinvestment Act of 2009, the District was awarded \$17.9 million in Qualified 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%. During fiscal year 2011, the District was again awarded Qualified 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%. However, as of March 1, 2013, Pursuant to the requirement of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions occurred including a reduction to refundable credits under section 6431 of the Internal Revenue Code applicable to certain qualified bonds. The effect of the sequestration during fiscal year 2015 resulted in a 7.3% reduction. Therefore, the amount of interest subsidy for the quarterly payments was reduced to a net interest rate subsidy of 4.98% and the District's net interest rate of 2.14%. The District is required to make lease payments to the Building Corporation in an amount sufficient to cover principal and interest payments each year. Approximately 1.83% of total District expenditures relate to payments of principal, interest, and bond-related costs. See notes 3(f) and 3(g) for additional information.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2015

Economic Factors That Impact Fiscal Year 2016 Budgets

- The fiscal year 2016 comprehensive operating budget was approved by the Board on May 27, 2015. Fiscal year 2016 projected current revenues of approximately \$220.9 million is a decrease of about \$25.7 million or (10.04%) when compared to fiscal year 2015.
 - Local tax revenues are estimated to decrease by \$3.5 million based on preliminary data. Subsequent information received to date indicates there will be an increase in local property tax revenue due to a re-assessment of real property.
 - Proposition C sales taxes increased by \$1.3 million based on the estimated increases in enrollment and per pupil funding rate.
 - Other local revenues including tuition, cafeteria sales and grants are projected to decrease by \$1.9 million.
 - State aid is expected to decline by approximately \$1.6 million as a result of estimated increase in charter schools enrollment.
 - Federal grants projection is a decrease of \$19.9 million pending the actual amount awarded from the government.
 - It is anticipated additional local, state and federal grants will be awarded during the fiscal year.
- Fiscal year 2016 expenditures of approximately \$220.5 million represent a decrease of approximately \$25.7 million (or 10.4%) 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: Director of Finance and Benefit Services.

BASIC FINANCIAL STATEMENTS

KANSAS CITY PUBLIC SCHOOLS

Statement of Net Position

June 30, 2015

	Governmental activities	Business-type activities	Total
Assets:			
Cash and investments	\$ 104,538,219	330,315	104,868,534
Restricted cash and investments	27,233,030	—	27,233,030
Taxes receivable (net of allowance for uncollectibles)	156,163,078	—	156,163,078
Interest receivable	250,159	—	250,159
Due from other governmental units	12,881,525	—	12,881,525
Prepaid expenses	81,695	—	81,695
Other receivables	576,912	14,932	591,844
Supplies inventories	110,930	—	110,930
Property held for sale	2,245,400	—	2,245,400
Other post-employment benefits	3,550,853	—	3,550,853
Capital assets (net of accumulated depreciation):			
Nondepreciable	45,598,409	—	45,598,409
Depreciable	299,596,095	—	299,596,095
Total assets	652,826,305	345,247	653,171,552
Deferred outflows of resources:			
Pension-related amounts	19,580,672	—	19,580,672
Liabilities:			
Accounts payable and other	13,509,271	52,365	13,561,636
Accrued salaries, benefits, and payroll taxes	27,388,060	2,390	27,390,450
Accrued interest payable	59,745	—	59,745
Unearned revenue	932,494	2,100	934,594
Long-term liabilities:			
Due within one year:			
Compensated absences	2,971,291	—	2,971,291
Revenue bonds	2,110,000	—	2,110,000
Due in more than one year:			
Compensated absences	12,410,756	—	12,410,756
Claims payable	1,153,021	—	1,153,021
Revenue bonds	30,035,000	—	30,035,000
Net pension liability	113,573,271	—	113,573,271
Total liabilities	204,142,909	56,855	204,199,764
Deferred inflows of resources:			
Pension-related amounts	1,090,866	—	1,090,866
Property taxes	136,168,423	—	136,168,423
Total deferred inflows of resources:	137,259,289	—	137,259,289
Net position:			
Net investment in capital assets	313,049,504	—	313,049,504
Restricted for:			
Workers' compensation	280,000	—	280,000
Permanent fund, nonexpendable corpus	35,000	—	35,000
Patron gifts	201,350	—	201,350
Compensated absences	12,261,639	—	12,261,639
Other restrictions	2,700,609	—	2,700,609
Unrestricted	2,476,677	288,392	2,765,069
Total net position	\$ 331,004,779	288,392	331,293,171

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Statement of Activities

Year ended June 30, 2015

Functions/programs	Expenses	Program revenues			Net revenue (expense) and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
Administration	\$ 16,325,943	74	26,300	—	(16,299,569)	—	(16,299,569)
Instruction	118,824,593	64,865	36,633,250	455,883	(81,670,595)	—	(81,670,595)
Support services	58,339,909	3,715,229	11,863,400	150,462	(42,610,818)	—	(42,610,818)
Operation of facilities	34,467,296	—	—	—	(34,467,296)	—	(34,467,296)
Pupil transportation	12,123,547	2,761	2,667,669	—	(9,453,117)	—	(9,453,117)
Facilities improvements and renovation	2,604,451	—	—	—	(2,604,451)	—	(2,604,451)
Community and adult services	10,347,372	47,026	1,189,389	4,973	(9,105,984)	—	(9,105,984)
Interest on long-term debt	2,596,630	—	—	2,042,702	(553,928)	—	(553,928)
Total governmental activities	255,629,741	3,829,955	52,380,008	2,654,020	(196,765,758)	—	(196,765,758)
Business-type activities:							
Community services	393,378	301,324	—	—	—	(92,054)	(92,054)
Total	\$ 256,023,119	4,131,279	52,380,008	2,654,020	(196,765,758)	(92,054)	(196,857,812)
General revenues:							
Property taxes					144,991,558	—	144,991,558
Prop C sales tax					15,148,583	—	15,148,583
Other local revenues					5,559,310	—	5,559,310
Intermediate/county					5,284,462	—	5,284,462
State aid—basic formula					12,273,718	—	12,273,718
Grants and entitlements not restricted to specific programs					704,845	—	704,845
Transfers					120,503	(120,503)	—
Sale of capital assets					545,079	—	545,079
Investment earnings					1,499,349	—	1,499,349
Total general revenues and transfers					186,127,407	(120,503)	186,006,904
Change in net position					(10,638,351)	(212,557)	(10,850,908)
Net position—beginning, as restated					341,643,130	500,949	342,144,079
Net position—ending					\$ 331,004,779	288,392	331,293,171

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Balance Sheet
Governmental Funds
June 30, 2015

Assets	General	Capital Projects	Nonmajor governmental funds	Total governmental funds
Cash and investments	\$ 74,252,110	27,394,925	2,891,184	104,538,219
Restricted cash and investments	280,000	—	26,953,030	27,233,030
Taxes receivable, net of allowance for uncollectibles	155,552,500	610,578	—	156,163,078
Interest receivable	214,740	—	35,419	250,159
Other receivables	117,505	371,969	87,438	576,912
Prepaid expenses	81,695	—	—	81,695
Due from other governments	11,999,999	381,190	500,336	12,881,525
Property held for sale	—	2,245,400	—	2,245,400
Total assets	\$ 242,498,549	31,004,062	30,467,407	303,970,018
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 12,429,805	962,074	270,404	13,662,283
Accrued salaries, benefits, and payroll taxes	13,088,344	—	14,299,716	27,388,060
Unearned revenue	932,494	—	—	932,494
Total liabilities	26,450,643	962,074	14,570,120	41,982,837
Deferred inflows of resources:				
Unavailable revenue-property taxes	149,505,188	610,578	—	150,115,766
Unavailable revenue-grants and services	8,754,910	222,483	42,012	9,019,405
Total deferred inflows of resources	158,260,098	833,061	42,012	159,135,171
Fund balances:				
Nonspendable	81,695	—	35,000	116,695
Restricted	280,000	2,245,400	15,820,023	18,345,423
Committed	—	4,810,386	252	4,810,638
Assigned	751,443	22,153,141	—	22,904,584
Unassigned	56,674,670	—	—	56,674,670
Total fund balances	57,787,808	29,208,927	15,855,275	102,852,010
Total liabilities, deferred inflows of resources and fund balances	\$ 242,498,549	31,004,062	30,467,407	303,970,018

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position

Governmental Funds

June 30, 2015

Fund balances—balance sheet	\$ 102,852,010
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	345,194,504
Other assets which are not a current financial resource of the governmental funds	110,930
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	(32,145,000)
Net pension liability	(113,573,271)
Accrued interest payable	(59,745)
Other post-employment benefits	3,550,853
Compensated absences	(15,229,035)
Claims payable	(1,153,021)
	<hr/>
	(158,609,219)
Receivables not collected within 60 days of year-end are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds:	
Deferred inflows of resources—property taxes	13,947,343
Deferred inflows of resources—grants	9,019,405
Pension related deferred outflows and inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:	
Deferred inflows of resources—pension related amounts	(1,090,866)
Deferred outflows of resources—pension related amounts	19,580,672
	<hr/>
Net position of governmental activities	\$ <u><u>331,004,779</u></u>

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, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
Revenues:				
Property taxes	\$ 136,177,305	7,897,245	—	144,074,550
Prop C sales tax	11,826,010	—	3,322,572	15,148,582
Other local, including investment income	7,429,985	1,030,554	1,058,255	9,518,794
Intermediate/county	5,284,463	—	—	5,284,463
State aid—basic formula	12,273,718	—	—	12,273,718
Other state	8,305,820	86,259	80,513	8,472,592
Federal	29,611,266	2,345,278	11,810,704	43,767,248
Tuition	361,816	—	—	361,816
Total revenues	<u>211,270,383</u>	<u>11,359,336</u>	<u>16,272,044</u>	<u>238,901,763</u>
Expenditures:				
Current:				
Administration	17,222,596	—	—	17,222,596
Instruction	106,114,330	—	646,067	106,760,397
Support services	38,936,544	—	12,432,145	51,368,689
Operation of facilities	34,354,846	—	—	34,354,846
Pupil transportation	12,116,868	—	6,679	12,123,547
Community and adult services	9,964,376	—	—	9,964,376
Debt service:				
Principal	—	—	2,009,000	2,009,000
Interest and fiscal charges	—	—	2,600,368	2,600,368
Capital outlay:				
Administration	—	4,145	—	4,145
Instruction	—	1,331,262	—	1,331,262
Support services	—	348,756	—	348,756
Operation of facilities	—	131,932	—	131,932
Community and adult services	—	373,739	—	373,739
Facilities improvement and renovation	—	13,291,858	—	13,291,858
Total expenditures	<u>218,709,560</u>	<u>15,481,692</u>	<u>17,694,259</u>	<u>251,885,511</u>
Revenues (under) expenditures	<u>(7,439,177)</u>	<u>(4,122,356)</u>	<u>(1,422,215)</u>	<u>(12,983,748)</u>
Other financing sources (uses):				
Transfers in	120,503	9,218,284	4,609,368	13,948,155
Transfers out	(8,105,351)	(4,609,368)	(1,112,933)	(13,827,652)
Sale of capital assets	—	545,079	—	545,079
Total other financing sources (uses)	<u>(7,984,848)</u>	<u>5,153,995</u>	<u>3,496,435</u>	<u>665,582</u>
Net change in fund balances	<u>(15,424,025)</u>	<u>1,031,639</u>	<u>2,074,220</u>	<u>(12,318,166)</u>
Fund balances, beginning of year	<u>73,211,833</u>	<u>28,177,288</u>	<u>13,781,055</u>	<u>115,170,176</u>
Fund balances, end of year	<u>\$ 57,787,808</u>	<u>29,208,927</u>	<u>15,855,275</u>	<u>102,852,010</u>

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, 2015

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

Net change in fund balances—total governmental funds	\$ (12,318,166)
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	13,357,708
Depreciation expense	(11,825,505)
	1,532,203
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	
Proceeds from sale of capital assets	(545,079)
Loss on disposal of capital assets	(1,222,844)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,810,203
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 position. In addition, governmental funds report the effect of 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	2,009,000
Accrued interest payable	3,737
	2,012,737
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	(660,657)
Pension-related amount, pension expense	(4,052,006)
Compensated absences	(1,107,629)
Claims payable	912,887
	(4,907,405)
Change in net position of governmental activities	\$ (10,638,351)

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Statement of Net Position—Proprietary Fund
June 30, 2015

	Nonmajor Enterprise Fund
Assets:	
Cash and investments	\$ 330,315
Due from other government	14,932
Total assets	345,247
Liabilities:	
Accrued salaries, benefits, and payroll taxes	2,390
Accounts payable	52,365
Unearned revenue	2,100
Total liabilities	56,855
Net position, unrestricted	\$ 288,392

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2015

	Nonmajor Enterprise Fund
Operating revenues:	
Charges for community support services	\$ 301,324
Total operating revenues	301,324
Operating expenses:	
Salaries, wages, and employee benefits	28,878
Other contractual services	54,063
Supplies and materials	1,948
Total operating expenses	84,889
Income before transfers	216,435
Transfers out	(428,992)
Change in net position	(212,557)
Total net position, beginning of year	500,949
Total net position, end of year	\$ 288,392

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Statement of Cash Flows—Proprietary Fund
Year ended June 30, 2015

	Nonmajor Enterprise Fund
Cash flows from operating activities:	
Receipts from customers and users	\$ 300,485
Payments to suppliers	(4,387)
Payments to employees	(29,382)
Net cash provided by operating activities	266,716
Cash flows from noncapital and related financing activities,	
Transfers to other funds	(428,992)
Net decrease in cash and cash equivalents	(162,276)
Cash and cash equivalents, beginning of year	492,591
Cash and cash equivalents, end of year	\$ 330,315
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 216,435
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in due from other government	(2,939)
Increase in unearned revenue	2,100
Increase in accounts payable	51,624
Decrease in accrued salaries, benefits and payroll taxes	(504)
Total adjustments	50,281
Net cash provided by operating activities	\$ 266,716

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Statement of Fiduciary Net Position

June 30, 2015

	Private Purpose Trust— Student Scholarship Fund
Assets:	
Investments	\$ 81,905
Due from community	2,996
Interest receivable	200
Total assets	<u>85,101</u>
Liabilities:	
Accounts payable	<u>72</u>
Total liabilities	<u>72</u>
Net position:	
Net position held in trust for other purposes	<u><u>\$ 85,029</u></u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2015

	Private Purpose Trust— Student Scholarship Fund
Additions:	
Contributions:	
Private donations	\$ 19,797
Transfer in	308,489
Total contributions	328,286
Investment income:	
Adjustment of investments to fair market value	578
Total investment income	578
Total additions	328,864
Deductions:	
Scholarship awards	328,667
Total deductions	328,667
Net increase in net position	197
Net position, beginning of year	84,832
Net position, end of year	\$ 85,029

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

(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, 2015 are included in the basic financial statements as the Debt Service Fund. 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 charter schools were operating during fiscal year 2015. 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 position 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 position reports the financial condition by disclosing the assets and deferred outflows of the District, and the liabilities and deferred inflows of the District.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

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 non-major funds aggregated in a single column. The fiduciary fund is reported separately.

(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, liabilities and deferred inflows/outflows are disclosed on the statement of net position. 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, and associated deferred inflows/outflows of resources, 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 inflows of resources for property taxes arise 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, pensions, 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, 2015

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 *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 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 *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 *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 debt service fund, which is a nonmajor fund. This fund accounts for resources that are restricted for payments made for principal and interest on long-term leasehold revenue bonded debt.

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.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

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.

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, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance*

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 position 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 quoted market prices 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, 2015

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

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. As part of the collective bargaining agreement with employee unions, the District holds funds in the Other Special Revenue major fund to pay vested unused vacation and accumulated paid time off.

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, 2015.

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. There were no advances between funds as of June 30, 2015.

All trade and property tax receivables are shown net of an allowance of approximately \$4.6 million 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, 2015 for real estate, personal property, merchants and manufacturers, and railroad and utility property was approximately \$2.85 billion.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

4. Inventories

Inventories are stated at cost on the first-in, first-out (FIFO) basis. When individual inventory items are purchased, they are recorded as assets. When they are consumed, they are recorded as expenditures in governmental funds or as expenses in proprietary funds.

Inventories purchased are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at USDA's assigned values, which approximate fair value at the date of receipt. Expenses for food items are recorded when used. The federal government donates surplus commodities to supplement the national school lunch programs. Commodity contributions received by the District are recorded as inventory and revenue at the date of receipt and recognized as an expenditure when consumed (consumption method).

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, 2015

The Board of Education has declared three 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 sixteen 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 paid time off (PTO) at the rate of one-half day per reporting period. Vested, unused PTO may be accumulated up to a maximum of 200 days. The value of unused PTO 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 PTO payments due to employees at June 30, 2015 of \$15.4 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, 2015 of \$12.3 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, 2015

8. Deferred Inflows/Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualified for reporting in this category. It is the deferred pension related amounts reported in the government-wide statement of net position. The pension-related deferred outflow consists of the unamortized portion of the net difference between projected and actual earnings on pension plan investments. It also consists of contributions made to the pension plan subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from two sources: property taxes and unreimbursed grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The statement of net position reports unavailable revenue for property taxes levied for future years. The statement of net pension also reports pension related deferred inflow, which consists of the unamortized portion of the change in the District's proportionate share of the net pension liability.

9. 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 position. Premiums on bonds, and deferred charge on refunding are amortized over the term of the related debt using a method which approximates the effective interest method. Bond issuance costs are recorded as an expense when incurred.

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.

10. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas City Public School Retirement System (KCPSRS) and additions to/deductions from KCPSRS' fiduciary net position have been determined on the same basis as they are reported by KCPSRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

11. Fund Balance and Net Position

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 by the Board of Education 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 to maintain at least \$25 million of unassigned fund balance 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.

In the government-wide financial statements and proprietary fund financial statements, net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, consists 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 position is reported as restricted when there are limitations imposed on its use, such as bond covenants, grantors, or laws and regulations. Restricted net position consists 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 investment in capital assets).

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

Net position restricted through legislation, outside parties or by law through constitutional provisions consist of \$280,000 for worker’s compensation, \$35,000 for nonexpendable corpus of permanent fund, \$201,350 for patron gifts, \$12,261,639 for compensated absences, and \$2,700,609 for other restrictions.

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

12. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

(2) Fund Balances

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

Fund Balances:	General	Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable:				
Patron gift	\$ -	-	35,000	35,000
Prepays	81,695	-	-	81,695
Total Nonspendable	81,695	-	35,000	116,695
Restricted:				
Grant restriction	-	-	-	-
Child nutritional services	-	-	2,901,826	2,901,826
Student activities	-	-	326,409	326,409
Patron gift	-	-	201,350	201,350
Property held for sale	-	2,245,400	-	2,245,400
Permanent fund	-	-	128,799	128,799
Compensated absences	-	-	12,261,639	12,261,639
Workers compensation	280,000	-	-	280,000
Total Restricted	280,000	2,245,400	15,820,023	18,345,423
Committed:				
Encumbrances	-	4,810,386	252	4,810,638
Total Committed	-	4,810,386	252	4,810,638
Assigned:				
Encumbrances	751,443	-	-	751,443
Future equipment purchases	-	22,153,141	-	22,153,141
Total Assigned	751,443	22,153,141	-	22,904,584
Unassigned:				
	56,674,670	-	-	56,674,670
Total fund balances	\$ 57,787,808	29,208,927	15,855,275	102,852,010

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

(3) Detailed Notes on All Funds

(a) Deposits and Investments

The District had the following investments at June 30, 2015:

Investment type	Fair value	Weighted average maturity (years)
U.S. Treasury obligations	\$ 280,000	.45
Government-sponsored enterprises	95,464,022	2.40
Certificates of deposit	9,988,000	.06
Total fair value	105,732,022	
Portfolio weighted average maturity		2.17

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 is 2.17 years.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

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 Home Loan Banks	Aaa	AA+
Repurchase agreement	Aa3	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. At the time the investments are purchased, the District seeks to follow 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 47.14% in callable U.S. Government agencies. At June 30, the District investments in Federal National Mortgage Association constituted approximately 62% of its total investment portfolio.

Collateralized repurchase agreements are limited to 50% of the total investments. At June 30, the District had 20.56% 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 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 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, 2015, the District had no deposits or investments exposed to custodial credit risk.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

(b) Capital Assets

Capital asset activity as of June 30, 2015 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	12,826	(251,281)	30,407,846
Construction in progress	1,381,221	333,519	(1,381,221)	333,519
Impairment- closed buildings	14,857,044	—	—	14,857,044
Total capital assets, not being depreciated	<u>46,884,566</u>	<u>346,345</u>	<u>(1,632,502)</u>	<u>45,598,409</u>
Capital assets, being depreciated:				
Buildings and improvements	467,849,653	11,662,465	(1,485,232)	478,026,886
Improvements other than buildings	42,031,266	1,647,498	(194,659)	43,484,105
Equipment and furniture	25,443,695	614,945	(1,270,583)	24,788,057
Vehicles	1,842,171	61,978	(168,481)	1,735,668
Total capital assets being depreciated	<u>537,166,785</u>	<u>13,986,886</u>	<u>(3,118,955)</u>	<u>548,034,716</u>
Less accumulated depreciation for:				
Buildings and improvements	(186,771,803)	(9,440,214)	543,407	(195,668,610)
Improvements other than buildings	(27,563,640)	(1,549,841)	38,932	(29,074,549)
Equipment and furniture	(22,603,523)	(731,062)	1,257,191	(22,077,394)
Vehicles	(1,682,161)	(104,388)	168,481	(1,618,068)
Total accumulated depreciation	<u>(238,621,127)</u>	<u>(11,825,505)</u>	<u>2,008,011</u>	<u>(248,438,621)</u>
Total capital assets, being depreciated, net	<u>298,545,658</u>	<u>2,161,381</u>	<u>(1,110,944)</u>	<u>299,596,095</u>
Governmental activities capital assets, net	<u>\$ 345,430,224</u>	<u>2,507,726</u>	<u>(2,743,446)</u>	<u>345,194,504</u>

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

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

Elementary schools	\$ 4,644,245
Middle schools	1,442,180
Senior high schools	5,208,438
Special education	5,330
	<hr/>
Total instruction	11,300,193
	<hr/>
Executive Administration	9,410
Food Service	16,662
Internal Services	5,878
Information technology	186,637
	<hr/>
Total support services	218,587
	<hr/>
Operation of facilities	67,878
Facilities improvements and renovation	238,847
	<hr/>
Total governmental activities depreciation expense	\$ 11,825,505
	<hr/> <hr/>

As of June 30, 2015 the District has eighteen schools with a total carrying value of \$25,034,255 that are idle and considered impaired. Management has determined two of these schools with a carrying value of \$10,177,211 are considered to be temporarily impaired. The remaining sixteen closed schools were accounted for at the lower of carrying value or fair value.

(c) Transfers

The following transfers were made during the fiscal year:

	<u>General</u>	<u>Capital</u>	<u>Nonmajor</u>	<u>Private Purpose</u>	
	<u>Fund</u>	<u>Projects</u>	<u>Governmental</u>	<u>Trust - Student</u>	
				<u>Scholarship</u>	<u>Total</u>
				<u>Fund</u>	
Transfers from:					
General Fund	\$ —	8,105,351	—	—	8,105,351
Capital Project Fund	—	—	4,609,368	—	4,609,368
Nonmajor governmental Fund	—	1,112,933	—	—	1,112,933
Enterprise fund	120,503	—	—	308,489	428,992
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 120,503	9,218,284	4,609,368	308,489	14,256,644
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The above fund transfers are the result of budget appropriations that required fund transfers. The Proprietary fund transferred \$308,489 to the Private Fiduciary Fund, the funds were used to award tuition scholarships to high school students earning dual credit at the local community college.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

(d) Accrued Salaries

School-based instructional staff, are compensated over a 12-month period beginning in August. Remaining salaries and related payroll taxes for the fiscal year have been accrued at June 30, 2015.

(e) 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 2009 Leasehold Revenue Qualified School Construction Bonds are payable through 2025. The total principal and interest remaining on the debt is \$19,048,571 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.

The 2010 Leasehold Revenue Qualified School Construction Bonds are payable through 2029. The total principal and interest remaining on the debt is \$23,525,873 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. The amount of interest subsidy reimbursed to the District from the federal government was \$786,249.

Bonds outstanding at June 30, 2015 are as follows:

<u>Purpose</u>	<u>Amount outstanding</u>	<u>Interest rate</u>	<u>Maturity year</u>
Series 2009	\$ 16,830,000	2.23%	2025
Series 2010	15,315,000	7.12%	2029
	<u>\$ 32,145,000</u>		

Equipment Lease Purchase Agreement

Equipment lease purchase agreement executed June 23, 2015 in the amount of \$27,786,986 held in an escrow account by the lender, to finance the energy performance contract for the purpose of the purchase and installation of specified energy saving equipment and provision of other services designed to save energy and reduce related costs for identified property and buildings owned by the District. As of June 30, 2015, there were no disbursements from the escrow account.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

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

	Leasehold Revenue Bonds	
	Principal	Interest
Year ending June 30:		
2016	\$ 2,110,000	1,442,054
2017	2,230,000	1,346,410
2018	2,350,000	1,247,174
2019	2,475,000	1,144,499
2020	2,620,000	1,038,131
2021-2025	15,600,000	3,441,504
2026-2029	4,760,000	769,672
Total	<u>\$ 32,145,000</u>	<u>10,429,444</u>

(f) Changes in Long-term Liabilities

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

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
Leasehold revenue bonds	\$ 34,154,000	—	(2,009,000)	32,145,000	2,110,000
Net pension liability	95,311,292	28,346,588	(10,084,609)	113,573,271	—
Compensated absences	14,284,660	3,915,666	(2,818,279)	15,382,047	2,971,291
Long-term liabilities	<u>\$ 143,749,952</u>	<u>32,262,254</u>	<u>(14,911,888)</u>	<u>161,100,318</u>	<u>5,081,291</u>

Compensated absences are liquidated by the Other Special Revenue Fund. Net pension liability is liquidated by the General Fund.

(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 \$280,000 as of June 30, 2015 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.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

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 2014 and 2015 are shown below.

	Beginning of fiscal year	Current claims and estimated changes	Claim payments	Balance at fiscal year-end
Fiscal year 2015:				
Claims and judgments	\$ 2,065,908	812,660	1,725,547	1,153,021
	\$ 2,065,908	812,660	1,725,547	1,153,021
Fiscal year 2014:				
Claims and judgments	\$ 912,000	1,412,222	258,314	2,065,908
	\$ 912,000	1,412,222	258,314	2,065,908

(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 dental insurance benefits to eligible retirees and their spouses.

Membership in the OPEB comprised the following at July 1, 2014:

Active employees	1,898
Retired participants medical	253
Retired participants spouse medical	39
Retired participants dental	1,263
Retired participants spouse dental	325

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. The 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 2015, the District contributed \$599,020 to the plan. Plan members receiving benefits from OPEB contributed \$2,694,193.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

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, 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 2015:

Annual Required Contribution	\$1,184,585
Interest on Net OPEB Obligation	(168,460)
Adjustment to ARC	<u>243,552</u>
Annual OPEB Cost (Expense)	<u>1,259,677</u>
 Contributions Made	 (599,020)
 Decrease in net OPEB Obligation (Asset)	 660,657
Net OPEB Asset – Beginning of Year	<u>(4,211,510)</u>
Net OPEB Asset – End of Year	<u>\$ (3, 550,853)</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2015, 2014, and 2013 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>
06/30/15	\$1,259,677	47.6%	\$(3,550,853)
06/30/14	\$1,088,158	183.4%	\$(4,211,510)
06/30/13	\$1,088,158	183.4%	\$(3,304,425)

As of July 1, 2014, the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$12,309,982 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,309,982. The covered payroll (annual payroll of active employees covered by the plan) was \$99,408,171 and the ratio of the UAAL to the covered payroll was 12.38%.

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.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

In July 1, 2014 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 8.5 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 compliance with certain of these standards, grouped into "Resource," "Process" and "Performance" categories.

In October 1999, the SBE voted to withdraw KCPS'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 DESE were Resource, Process and Performance. KCPS 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 review by DESE (applying Second Cycle standards), the SBE voted unanimously on April 17, 2002 to grant KCPS provisional accreditation, thus lifting the threat of a state takeover.

In the spring of 2008, DESE completed a full review of KCPS as part of MSIP Cycle 4. At that time, it required KCPS to complete a two-year accountability plan, the progress of which was reviewed quarterly by a Missouri Regional School Improvement Team (RSIT). The plan was approved on January 14, 2009. KCPS retained provisional accreditation. KCPS once again met all of the Resource and Process Standards at an accredited level in fiscal year 2009. KCPS met four of the fourteen Performance Standards. Nine were needed for full accreditation.

On September 20, 2011, the State Board of Education (SBE) voted to rescind the District's provisional accreditation effective January 1, 2012. In fiscal year 2012 KCPS met five of fourteen Performance Standards. The SBE noted the progress but expressed their desire to provide additional support so KCPS could achieve the necessary APR points needed to achieve full accreditation. Missouri statutes at that time allowed unaccredited school districts two years within which to improve before DESE could assume control. The Missouri legislature made a significant change to the law in early 2013, and Governor Jay Nixon signed the legislation which became effective on August 28, 2013. The new law authorized DESE to immediately exercise control over an unaccredited school district.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

In the fall of 2012 DESE announced that MSIP 4 was being retired and replaced with MSIP 5, a more stringent measure of a school district's progress in meeting Missouri's accreditation standards. The new standard defined provisional accreditation as 70 points, and full as 99 points. In August 2013 MSIP 5 scores for the 2013 fiscal year were announced. KCPS scored 84 of 140 points, falling in the middle of the provisional accreditation range. Shortly after the results were released, DESE officials announced that no school district's accreditation status would be modified until there were 3 years of data available using the MSIP 5 standards and measurements. KCPS made an appeal to the SBE for immediate provisional accreditation. On October 22, 2013 the SBE declined to award provisional accreditation to KCPS. The refusal of the SBE to grant provisional accreditation to KCPS resulted in KCPS being subject to the "transfer law" which allows students in unaccredited districts to transfer to fully accredited districts in abutting counties. The transfer law requires unaccredited school districts to pay for transportation and tuition. Despite being subject to the transfer law, few KCPS students met the deadline to apply for transfer before the close of the February 1, 2014 deadline.

Although approximately 25 students applied to transfer to an accredited school district, KCPS staff, students and Administration prevented their ability to transfer by their performance on the MSIP 5 tests. In early August, 2014, the SBE met at a special meeting and granted KCPS provisional accreditation. In late August, 2014, DESE announced that KCPS students scored 92.5 points, which had been known by the SBE when it voted to grant provisional accreditation. Provisional accreditation "mooted" the threat of the transfer law as well as the threat of a "state takeover."

On October 23, 2015, DESE released the District's Annual Progress Report (APR) revealing that KCPS earned 89.5 points under the new MSIP 5 standards, and will continue to be provisionally accredited. The standards now focus on Common Core, which meant new tests, methods and measures that cannot be compared to previous years. Fiscal year 2015 also marked the debut of computer-based testing for students in grades three through eight. Both the revised standards and the online exams mean that the fiscal year 2015 results set a new baseline for student performance. KCPS has thirteen fully accredited and eight provisionally accredited schools.

A three-year academic improvement plan and goals for the 2015-2016 school year set high standards and expectations to stay on track to reach full district-wide accreditation.

(d) Commitments

On June 24, 2015 the Board approved a one-year agreement for fiscal year 2015 with First Student to provide regular and special education transportation services for an amount not to exceed \$9,324,524. The contract is based on variable pricing dependent on the number of bus routes scheduled.

On May 27, 2015 the Board approved the second of three renewal options of the agreement with US Food to deliver food and general supplies for the child nutrition program for an amount not to exceed \$4,115,000.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

On August 12, 2013 the Board Chairman signed a contract with Pearson Education, Inc. to provide access to its portfolio of digital curriculum programs and training to teachers for use of these programs for the period August 1, 2013 to December 31, 2018. On September 22, 2014 the contract was amended to reflect a total amount of \$7,820,748 over the remaining life of the contract for these products and services.

(e) **Operating Leases**

The District has entered into operating leases for student laptops and tablets that are below the District's capitalization threshold. Lease expenditures for the current year were \$1,498,277 and the estimated remaining obligation is \$4.1 million through fiscal year 2018.

(f) **Pension Plan and Retirement Benefits**

As a result of the adoption of GASB Statement Nos. 68 and No. 71, the beginning net position of the governmental activities was restated. The effect on fiscal year 2014 is as follows:

Net position at June 30, 2014, as previously reported	\$	432,674,589
Net pension liability at June 30, 2014		(95,311,292)
Deferred outflows of resources related to to contributions made after June 30, 2013 measurement date		4,279,833
	\$	<u>341,643,130</u>

Plan description: The District contributes to the Kansas City Public School Retirement System (KCPSRS), 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 Kansas City 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 Kansas City Public School Retirement System rests with a board of trustees. Financial statements of the Kansas City Public School Retirement System can be obtained by writing to Kansas City Public School Retirement System, 4600 Paseo Boulevard, Kansas City, Missouri 64106 or by calling (816) 472-5912.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

Benefits provided: KCPSRS provides retirement, disability, and death benefits. Retirement benefits are determined based on the employee's average final salary and a multiplier based on the years of service. Employees, hired prior to January 1, 2014, are eligible for full retirement at age 60 with at least 5 years of covered employment or when the years of service plus the employee's age equals or exceeds 75 credits. Employees, hired after January 1, 2014, are eligible for full retirement at age 62 with at least 5 years of covered employment, or when the years of service plus the employee's age equals or exceeds 80 credits. Five years of service is required for disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Pre-retirement death benefits, at a minimum, are based on a calculation of the employee's contributions plus interest. Post retirement death benefits, at a minimum, are based on a calculation of accumulated contributions in excess of total benefits received.

Contributions: All regular and full-time employees must become members of the Retirement System as a condition of employment. From January 1, 1999 through December 31, 2013, members contributed 7.5% of regular annual compensation. During the 2013 Missouri legislative session, SB223 was passed allowing the Kansas City Public School Retirement System Board (KCPSRS) flexibility to increase the contribution rate in ½% increments annually, to a maximum of 9%. January 1, 2015 the rate increased to 8.5 percent. The District's contractually required contribution rate for the year ended June 30, 2015, was a blended rate of 8.25 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$8,507,740 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$113,573,271 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating governments. At December 31, 2014, the District's collective proportion was 62.829118 percent, which was a decrease of 1.182092 percent from its proportion measured as of December 31, 2013.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

For the year ended June 30, 2015, the District recognized pension expense of \$12,376,506. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 15,114,536	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	(1,090,866)
District contributions subsequent to the measurement date	4,466,136	-
Total \$	<u>19,580,672</u>	<u>(1,090,866)</u>

\$4,466,136 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The remaining amount of deferred outflows of resources are being amortized over a closed period equal to the average of the expected service lives of all participants as of the beginning of the measurement period, which was 2.63 years. The deferred inflows related to the difference between expected and actual investment earnings is being amortized over a closed 5-year period beginning in the current year. Amounts reported as deferred outflows of resources (other than contributions) and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 3,778,634	(669,243)
2017	3,778,634	(421,623)
2018	3,778,634	-
2019	3,778,634	-
Total	\$ <u>15,114,536</u>	<u>(1,090,866)</u>

There were no non-employer contributing entities at KCPSRS.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2014 rolled forward to December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50 percent
Salary increases	5.00 percent including price inflation
Investment rate of return	8.00 percent compounded annually, net of investment expense and including price inflation

Mortality rates were based on the IRS Prescribed Static Table: RP-2000 Healthy Non-Annuitant Table projected 15 years from valuation date for active members and 7 years for healthy retirees using Scale AA.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.5%	6.55%
International equity	15.0	7.23
Emerging market equity	10.0	9.48
Domestic fixed income- core	10.0	1.56
International (Dev.) fixed income	5.0	0.2
High yield	2.5	4.35
Low volatility alternatives	15.0	3.52
Private equity	5.0	11.53
Commodities	5.0	3.86
Real estate	10.0	4.4
Total	100%	

Discount rate: The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts and KC Library will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
District's proportionate share of the net pension liability	162,031,990	113,573,271	71,863,763

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued KCPSRS financial report; which can be located at www.kcpsrs.org.

Payable to the pension plan at June 30, 2015:

The District reported payables in the defined benefit pension plan of \$12,790,636 for legally required employer contributions and \$344,331 for legally required employee contributions which had been withheld from employee wages but not yet remitted to KCPSRS.

(g) New Pronouncements

As of June 30, 2015, 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. 72, *Fair Value Measurement and Application*, issued February 2015, will be effective for the KCPS with its year ending June 30, 2016. This Statement defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements.

This Statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. The related disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, will be effective for the District beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2015

GASB Statement No. 77, *Tax Abatement Disclosures*, issued August 2015, will be effective for KCPS beginning with its fiscal year ending June 30, 2017. This statement requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The disclosures about the government's own tax abatement agreements includes the purpose of the tax abatement program, the tax being abated, the amount of tax being abated, the provisions of recapturing abated taxes, the types of commitments made by tax abatement recipients, and other commitments made by government in tax abatement agreements. The disclosures about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues includes the name of the government entering into the abatement agreement, the tax being abated, and the amount of the reporting government's tax being abated.

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

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REQUIRED SUPPLEMENTARY INFORMATION

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property taxes	\$ 128,666,562	133,800,675	136,177,305	2,376,630
Prop C taxes	9,129,898	9,590,733	9,467,864	(122,869)
Other local	4,310,627	6,679,615	7,649,223	969,608
County	4,368,774	5,055,667	5,010,421	(45,246)
Basic formula	4,208,361	6,762,555	6,800,479	37,924
Other state	2,540,935	7,778,363	7,920,210	141,847
Federal sources	33,995,517	41,858,344	29,291,675	(12,566,669)
Tuition	—	3,890	47,076	43,186
Total revenues	<u>187,220,674</u>	<u>211,529,842</u>	<u>202,364,253</u>	<u>(9,165,589)</u>
Expenditures:				
Current:				
Administration:				
Board of education services:				
Salaries	78,000	78,000	56,050	21,950
Benefits	23,500	23,500	19,897	3,603
Purchased services	263,796	290,596	160,039	130,557
Supplies and materials	8,900	15,700	14,410	1,290
Total Board of education services	<u>374,196</u>	<u>407,796</u>	<u>250,396</u>	<u>157,400</u>
Executive administration:				
Salaries	1,682,092	1,591,581	1,660,680	(69,099)
Benefits	546,971	525,037	441,046	83,991
Purchased services	1,317,678	1,686,914	3,221,265	(1,534,351)
Supplies and materials	43,133	58,033	54,129	3,904
Total executive administration	<u>3,589,874</u>	<u>3,861,565</u>	<u>5,377,120</u>	<u>(1,515,555)</u>
Building level administration:				
Salaries	1,701,394	1,845,583	1,861,535	(15,952)
Benefits	781,835	846,704	805,518	41,186
Purchased services	301,893	296,697	334,687	(37,990)
Supplies and materials	58,194	50,167	53,338	(3,171)
Total building level administration	<u>2,843,316</u>	<u>3,039,151</u>	<u>3,055,078</u>	<u>(15,927)</u>
Total administration	<u>6,807,386</u>	<u>7,308,512</u>	<u>8,682,594</u>	<u>(1,374,082)</u>
Instruction:				
Elementary:				
Salaries	561,048	847,520	678,114	169,406
Benefits	262,178	399,652	279,061	120,591
Purchased services	1,895,273	1,965,817	1,515,061	450,756
Supplies and materials	1,493,591	2,321,003	3,207,926	(886,923)
Total elementary	<u>4,212,090</u>	<u>5,533,992</u>	<u>5,680,162</u>	<u>(146,170)</u>
Middle/junior high:				
Salaries	—	64,533	8,480	56,053
Benefits	—	33,963	110	33,853
Purchased services	60,783	128,564	70,105	58,459
Supplies and materials	15,280	1,477,085	1,594,470	(117,385)
Total middle/junior high	<u>76,063</u>	<u>1,704,145</u>	<u>1,673,165</u>	<u>30,980</u>

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Senior high:				
Salaries	335,248	264,897	223,229	41,668
Benefits	154,854	110,174	84,666	25,508
Purchased services	460,846	1,255,812	1,233,948	21,864
Supplies and materials	130,015	241,350	2,356,968	(2,115,618)
Total senior high	<u>1,080,963</u>	<u>1,872,233</u>	<u>3,898,811</u>	<u>(2,026,578)</u>
Summer school:				
Salaries	110,000	183,905	79,669	104,236
Benefits	19,358	61,844	8,715	53,129
Purchased services	2,504,000	7,346,884	7,385,621	(38,737)
Supplies and materials	30,000	188,597	44,903	143,694
Total summer school	<u>2,663,358</u>	<u>7,781,230</u>	<u>7,518,908</u>	<u>262,322</u>
Special education:				
Salaries	2,989,460	2,974,122	2,633,900	340,222
Benefits	1,618,292	1,612,714	1,312,095	300,619
Purchased services	3,992,618	5,947,034	5,069,338	877,696
Supplies and materials	684,059	707,949	233,289	474,660
Total special education	<u>9,284,429</u>	<u>11,241,819</u>	<u>9,248,622</u>	<u>1,993,197</u>
Culturally different:				
Salaries	1,436,147	1,362,937	1,239,113	123,824
Benefits	814,638	738,719	654,296	84,423
Purchased services	4,801,399	1,446,181	1,278,542	167,639
Supplies and materials	12,500	3,091,494	3,512,040	(420,546)
Total culturally different	<u>7,064,684</u>	<u>6,639,331</u>	<u>6,683,991</u>	<u>(44,660)</u>
Vocational instruction:				
Salaries	189,136	189,136	175,151	13,985
Benefits	74,903	74,903	60,570	14,333
Purchased services	128,651	121,085	83,933	37,152
Supplies and materials	251,415	309,093	256,949	52,144
Total vocational instruction	<u>644,105</u>	<u>694,217</u>	<u>576,603</u>	<u>117,614</u>
Student activities:				
Salaries	348,223	379,061	622,835	(243,774)
Benefits	87,500	95,726	99,973	(4,247)
Purchased services	236,558	252,340	263,687	(11,347)
Supplies and materials	114,768	160,243	146,954	13,289
Total student activities	<u>787,049</u>	<u>887,370</u>	<u>1,133,449</u>	<u>(246,079)</u>
Tuition to other districts				
Purchased services	300,000	675,513	869,987	(194,474)
Total tuition to other districts	<u>300,000</u>	<u>675,513</u>	<u>869,987</u>	<u>(194,474)</u>
Total instruction	<u>26,112,741</u>	<u>37,029,850</u>	<u>37,283,698</u>	<u>(253,848)</u>
Support services:				
Attendance/placement:				
Salaries	1,078,829	1,163,022	1,125,322	37,700
Benefits	405,971	428,121	390,226	37,895
Purchased services	335,305	536,760	586,809	(50,049)
Supplies and materials	8,070	24,902	20,278	4,624
Total attendance/placement	<u>1,828,175</u>	<u>2,152,805</u>	<u>2,122,635</u>	<u>30,170</u>

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Guidance/counseling:				
Salaries	—	—	—	—
Benefits	—	—	4,935	(4,935)
Purchased services	10,200	160,007	7,880	152,127
Supplies and materials	—	—	—	—
Total guidance/counseling	<u>10,200</u>	<u>160,007</u>	<u>12,815</u>	<u>147,192</u>
Health, psychology, and speech:				
Salaries	4,139,544	4,089,639	3,247,468	842,171
Benefits	1,556,009	1,512,652	1,108,633	404,019
Purchased services	12,250	12,243	10,236	2,007
Supplies and materials	53,000	47,000	35,725	11,275
Total health, psychology, and speech	<u>5,760,803</u>	<u>5,661,534</u>	<u>4,402,062</u>	<u>1,259,472</u>
Improvement of instruction:				
Curriculum development:				
Salaries	254,565	237,645	183,229	54,416
Benefits	99,991	104,404	80,105	24,299
Purchased services	1,133,475	3,153,308	2,639,811	513,497
Supplies and materials	100,229	326,436	248,236	78,200
Total curriculum development	<u>1,588,260</u>	<u>3,821,793</u>	<u>3,151,381</u>	<u>670,412</u>
Staff training:				
Purchased services	—	77,056	305	76,751
Total staff training	<u>—</u>	<u>77,056</u>	<u>305</u>	<u>76,751</u>
Educational media services:				
Salaries	255,497	118,967	75,578	43,389
Benefits	114,608	62,996	46,342	16,654
Purchased services	30,400	97,430	92,108	5,322
Supplies and materials	681,868	628,836	576,451	52,385
Total educational media services	<u>1,082,373</u>	<u>908,229</u>	<u>790,479</u>	<u>117,750</u>
Financial services:				
Salaries	6,273,112	6,358,713	6,467,123	(108,410)
Benefits	2,115,064	2,117,275	2,040,901	76,374
Purchased services	3,257,170	5,265,547	3,947,263	1,318,284
Supplies and materials	2,711,100	2,526,199	1,886,212	639,987
Total financial services	<u>14,356,446</u>	<u>16,267,734</u>	<u>14,341,499</u>	<u>1,926,235</u>
Internal service:				
Salaries	404,245	404,245	401,395	2,850
Benefits	151,739	151,739	140,364	11,375
Purchased services	92,000	105,000	41,797	63,203
Supplies and materials	47,000	34,000	28,526	5,474
Total internal service	<u>694,984</u>	<u>694,984</u>	<u>612,082</u>	<u>82,902</u>
Planning/research/evaluation:				
Development services:				
Salaries	355,954	304,554	257,352	47,202
Benefits	124,163	99,129	77,895	21,234
Purchased services	334,575	390,697	244,378	146,319
Supplies and materials	9,500	14,577	7,233	7,344
Total development services	<u>824,192</u>	<u>808,957</u>	<u>586,858</u>	<u>222,099</u>

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Admissions/communication services:				
Salaries	721,146	750,857	714,496	36,361
Benefits	237,028	237,028	206,639	30,389
Purchased services	56,776	202,766	171,374	31,392
Supplies and materials	5,976	15,922	15,847	75
Total admissions/communications	<u>1,020,926</u>	<u>1,206,573</u>	<u>1,108,356</u>	<u>98,217</u>
Human resource services:				
Salaries	880,304	975,397	1,000,265	(24,868)
Benefits	210,320	237,887	299,427	(61,540)
Purchased services	882,501	1,617,712	855,361	762,351
Supplies and materials	60,399	64,473	48,602	15,871
Total personnel services	<u>2,033,524</u>	<u>2,895,469</u>	<u>2,203,655</u>	<u>691,814</u>
Information technology:				
Salaries	1,731,712	1,736,712	1,916,449	(179,737)
Benefits	592,667	591,999	596,949	(4,950)
Purchased services	1,494,635	2,562,560	2,370,290	192,270
Supplies and materials	2,552,600	2,358,428	1,737,249	621,179
Total information technology	<u>6,371,614</u>	<u>7,249,699</u>	<u>6,620,937</u>	<u>628,762</u>
Total support services	<u>35,571,497</u>	<u>41,904,840</u>	<u>35,953,064</u>	<u>5,951,776</u>
Operation of facilities:				
Salaries	9,477,409	11,739,967	11,022,343	717,624
Benefits	3,943,830	4,594,934	4,012,916	582,018
Purchased services	8,181,593	13,057,504	10,108,787	2,948,717
Supplies and materials	142,057	980,030	905,730	74,300
Other purchased services	3,953,425	8,110,263	7,159,831	950,432
Other supplies and materials	1,339,125	2,462,825	2,050,054	412,771
Total operation of facilities	<u>27,037,439</u>	<u>40,945,523</u>	<u>35,259,661</u>	<u>5,685,862</u>
Pupil transportation:				
Purchased services	<u>10,550,177</u>	<u>12,187,913</u>	<u>12,116,868</u>	<u>71,045</u>
Total pupil transportation	<u>10,550,177</u>	<u>12,187,913</u>	<u>12,116,868</u>	<u>71,045</u>
Facility acquisition/asbestos				
Purchased services	<u>800,000</u>	<u>854,244</u>	<u>144,651</u>	<u>709,593</u>
Total facility acquisition/asbestos	<u>800,000</u>	<u>854,244</u>	<u>144,651</u>	<u>709,593</u>
Community and adult services:				
Adult basic education:				
Salaries	549,425	607,982	514,172	93,810
Benefits	177,833	203,102	159,216	43,886
Purchased services	34,399	43,053	26,188	16,865
Supplies and materials	53,637	52,196	48,971	3,225
Total adult basic education	<u>815,294</u>	<u>906,333</u>	<u>748,547</u>	<u>157,786</u>

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Community services:				
Salaries	\$ 931,445	1,328,652	1,201,858	126,794
Benefits	419,205	595,122	493,755	101,367
Purchased services	499,855	544,107	368,496	175,611
Supplies and materials	7,500	152,552	111,411	41,141
Total community services	<u>1,858,005</u>	<u>2,620,433</u>	<u>2,175,520</u>	<u>444,913</u>
Early Childhood:				
Salaries	1,782,604	4,623,499	3,590,450	1,033,049
Benefits	900,383	2,158,590	1,566,397	592,193
Purchased services	142,846	313,789	124,997	188,792
Supplies and materials	73,122	317,700	202,808	114,892
Total early childhood	<u>2,898,955</u>	<u>7,413,578</u>	<u>5,484,652</u>	<u>1,928,926</u>
Total community and adult services	<u>5,572,254</u>	<u>10,940,344</u>	<u>8,408,719</u>	<u>2,531,625</u>
Total expenditures	<u>112,451,494</u>	<u>151,171,226</u>	<u>137,849,255</u>	<u>13,321,971</u>
Revenues over expenditures	<u>74,769,180</u>	<u>60,358,616</u>	<u>64,514,998</u>	<u>4,156,382</u>
Other financing sources (uses):				
Transfers in	—	—	120,503	(120,503)
Transfers out	(85,714,420)	(88,663,859)	(80,059,526)	(8,604,333)
Total other financing sources	<u>(85,714,420)</u>	<u>(88,663,859)</u>	<u>(79,939,023)</u>	<u>(8,724,836)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ (10,945,240)</u>	<u>(28,305,243)</u>	<u>(15,424,025)</u>	<u>12,881,218</u>
Reconciliation to GAAP Basis:				
Activities reported within the Teachers' Fund				
(a sub-fund of the General Fund):				
Total revenue			12,133,200	
Total expenditures			(95,344,659)	
Total other financing sources			83,211,459	
Total reconciling items			<u>—</u>	
Revenues and other financing sources over expenditures			(15,424,025)	
Fund balance, beginning of year			<u>73,211,833</u>	
Fund balance, end of year			<u>\$ 57,787,808</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, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Prop C taxes	\$ 5,477,939	5,754,440	5,680,718	(73,722)
County	174,780	237,988	274,042	36,054
Basic formula	—	5,842,207	5,473,239	(368,968)
State	51,360	308,300	385,610	77,310
Federal	303,999	319,591	319,591	—
Total revenues	<u>6,008,078</u>	<u>12,462,526</u>	<u>12,133,200</u>	<u>(329,326)</u>
Expenditures:				
Current:				
Administration:				
Executive administration:				
Salaries	406,423	406,423	694,662	(288,239)
Benefits	111,003	111,003	111,920	(917)
Total executive administration	<u>517,426</u>	<u>517,426</u>	<u>806,582</u>	<u>(289,156)</u>
Building level administration:				
Salaries	6,118,014	6,115,052	6,348,540	(233,488)
Benefits	1,970,928	1,961,420	1,755,799	205,621
Total building level administration	<u>8,088,942</u>	<u>8,076,472</u>	<u>8,104,339</u>	<u>(27,867)</u>
Total administration	<u>8,606,368</u>	<u>8,593,898</u>	<u>8,910,921</u>	<u>(317,023)</u>
Instruction:				
Elementary:				
Salaries	23,542,312	23,549,560	23,123,178	426,382
Benefits	9,040,522	9,028,360	7,769,088	1,259,272
Total elementary	<u>32,582,834</u>	<u>32,577,920</u>	<u>30,892,266</u>	<u>1,685,654</u>
Middle:				
Salaries	1,680,082	1,680,862	1,403,907	276,955
Benefits	635,056	635,135	478,815	156,320
Total middle/junior high	<u>2,315,138</u>	<u>2,315,997</u>	<u>1,882,722</u>	<u>433,275</u>
Senior high:				
Salaries	11,145,413	11,091,483	11,855,796	(764,313)
Benefits	4,222,084	4,201,981	3,814,031	387,950
Total senior high	<u>15,367,497</u>	<u>15,293,464</u>	<u>15,669,827</u>	<u>(376,363)</u>
Other Instruction:				
Salaries	528,000	1,031,480	584,691	446,789
Benefits	77,063	96,664	64,734	31,930
Total summer school	<u>605,063</u>	<u>1,128,144</u>	<u>649,425</u>	<u>478,719</u>
Special education:				
Salaries	9,581,018	9,594,072	9,104,799	489,273
Benefits	3,413,302	3,426,430	2,878,736	547,694
Total special education	<u>12,994,320</u>	<u>13,020,502</u>	<u>11,983,535</u>	<u>1,036,967</u>

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Culturally different:				
Salaries	4,194,021	5,354,979	5,456,035	(101,056)
Benefits	1,542,525	1,826,569	1,554,806	271,763
Total culturally different	<u>5,736,546</u>	<u>7,181,548</u>	<u>7,010,841</u>	<u>170,707</u>
Vocational instruction:				
Salaries	936,644	938,805	879,926	58,879
Benefits	331,048	340,935	282,156	58,779
Total vocational instruction	<u>1,267,692</u>	<u>1,279,740</u>	<u>1,162,082</u>	<u>117,658</u>
Student activities:				
Salaries	528,750	448,462	535,278	(86,816)
Fringes	70,592	60,824	59,656	1,168
Total student activities	<u>599,342</u>	<u>509,286</u>	<u>594,934</u>	<u>(85,648)</u>
Total instruction	<u>71,468,432</u>	<u>73,306,601</u>	<u>69,845,632</u>	<u>3,460,969</u>
Support services:				
Attendance/placement:				
Salaries	—	22,828	19,518	3,310
Benefits	—	3,739	2,204	1,535
Total attendance/placement	<u>—</u>	<u>26,567</u>	<u>21,722</u>	<u>4,845</u>
Guidance/counseling:				
Salaries	2,253,983	2,429,367	2,370,913	58,454
Benefits	804,139	852,939	742,029	110,910
Total guidance/counseling	<u>3,058,122</u>	<u>3,282,306</u>	<u>3,112,942</u>	<u>169,364</u>
Health, psychology, and speech:				
Salaries	2,140,236	2,116,526	2,060,567	55,959
Benefits	770,759	764,543	675,236	89,307
Total health, psychology, and speech	<u>2,910,995</u>	<u>2,881,069</u>	<u>2,735,803</u>	<u>145,266</u>
Improvement of instruction:				
Current development:				
Salaries	5,408,979	7,332,829	5,321,286	2,011,543
Benefits	1,303,702	1,685,504	1,244,428	441,076
Total current developments	<u>6,712,681</u>	<u>9,018,333</u>	<u>6,565,714</u>	<u>2,452,619</u>
Staff training:				
Salaries	—	—	135,424	(135,424)
Benefits	—	—	18,079	(18,079)
Total staff training	<u>—</u>	<u>—</u>	<u>153,503</u>	<u>(153,503)</u>
Educational media services:				
Salaries	1,566,743	1,581,338	1,603,282	(21,944)
Benefits	541,697	543,279	500,401	42,878
Total educational media	<u>2,108,440</u>	<u>2,124,617</u>	<u>2,103,683</u>	<u>20,934</u>

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Planning/research/evaluation/ development services:				
Salaries	89,985	111,735	105,905	5,830
Benefits	31,272	34,176	21,784	12,392
Total planning/research/ evaluation/ development services	<u>121,257</u>	<u>145,911</u>	<u>127,689</u>	<u>18,222</u>
Total support services	<u>14,911,495</u>	<u>17,478,803</u>	<u>14,821,056</u>	<u>2,657,747</u>
Community and adult services:				
Adult basic education:				
Salaries	13,432	25,598	26,437	(839)
Benefits	1,793	6,471	7,222	(751)
Total adult basic education	<u>15,225</u>	<u>32,069</u>	<u>33,659</u>	<u>(1,590)</u>
Early Childhood				
Salaries	662,246	1,251,998	1,313,024	(61,026)
Benefits	249,832	463,016	420,367	42,649
Total early childhood	<u>912,078</u>	<u>1,715,014</u>	<u>1,733,391</u>	<u>(18,377)</u>
Total community and adult services	<u>927,303</u>	<u>1,747,083</u>	<u>1,767,050</u>	<u>(19,967)</u>
Total expenditures	<u>95,913,598</u>	<u>101,126,385</u>	<u>95,344,659</u>	<u>5,781,726</u>
Revenues under expenditures	<u>(89,905,520)</u>	<u>(88,663,859)</u>	<u>(83,211,459)</u>	<u>5,452,400</u>
Other financing sources:				
Transfers in	<u>89,905,520</u>	<u>88,663,859</u>	<u>83,211,459</u>	<u>(5,452,400)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balance, beginning of year			<u>—</u>	
Fund balance, end of year			<u>\$ —</u>	

See Note to Required Supplementary Information.

KANSAS CITY PUBLIC SCHOOLS

Note to the Required Supplementary Information

June 30, 2015

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) included in the Capital Project Fund activity is not appropriated annually, but as projects are established.

Budgets are not adopted for certain other nonmajor funds that include the Debt Service, Other Special Revenue, 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 approved by the Board during the fiscal year resulted in a 36.3% increase in the General Fund, 5.4% in the Teachers Fund, and 310.6% in the Capital Projects Fund.

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)
6/30/13	7/1/12	\$ -	\$ 12,731,277	\$ 12,731,277	0%	\$ 98,114,215	12.98%
6/30/14	7/1/12	\$ -	\$ 12,731,277	\$ 12,731,277	0%	\$ 98,114,215	12.98%
6/30/15	7/1/14	\$ -	\$ 12,309,982	\$ 12,309,982	0%	\$ 99,408,171	12.38%

The information presented as required supplementary information was determined as part of the July 1, 2014 actuarial valuation. The projected 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 8.5% for fiscal year ending 6/30/15 and for medical claims, reduced by decrements to an ultimate rate of 5% after eight years. The UAAL is being amortized as a level dollar amount over a period of 30 years.

KANSAS CITY PUBLIC SCHOOLS

Net Pension Liability Required Supplementary Information

Fiscal Year	Plan fiduciary net position as a % of the total pension liability	District's proportion of the net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered payroll	District's proportionate share of the net pension liability (asset) as a % of covered payroll
2015	79.44%	62.829118%	\$ 113,573,271	\$ 207,940,266	54.62%
2014	n/a	64.01121	95,311,292	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a
2009	n/a	n/a	n/a	n/a	n/a
2008	n/a	n/a	n/a	n/a	n/a
2007	n/a	n/a	n/a	n/a	n/a
2006	n/a	n/a	n/a	n/a	n/a

NOTE: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Schedule of Employer Contributions Required Supplementary Information

Fiscal Year	Statutory required contribution	Contributions in relation to the required contribution	Contribution deficiency (excess)	Contribution as a % of district's covered payroll
2015	\$ 8,324,500	8,324,500	-	4.00%
2014	7,719,216	7,719,216	-	n/a
2013	7,104,617	7,104,617	-	n/a
2012	9,593,660	9,593,660	-	n/a
2011	11,382,658	11,382,658	-	n/a
2010	12,335,504	12,335,504	-	n/a
2009	12,583,497	12,583,497	-	n/a
2008	12,591,876	12,591,876	-	n/a
2007	12,323,052	12,323,052	-	n/a
2006	12,519,761	12,519,761	-	n/a

NONMAJOR FUND FINANCIAL STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

KANSAS CITY PUBLIC SCHOOLS
 Nonmajor Governmental Funds—Combining Balance Sheet
 June 30, 2015

Assets	Special revenue				Permanent fund patron endowments	Total nonmajor governmental funds
	Child Nutritional services	Student activity	Other Special Revenue	Patron gift		
Cash and investments	\$ 2,551,922	339,262	—	—	—	2,891,184
Restricted cash and investments	—	—	26,588,913	200,725	163,392	26,953,030
Interest receivable	—	—	34,387	625	407	35,419
Other receivables	87,177	261	—	—	—	87,438
Due from other governments	500,336	—	—	—	—	500,336
Total assets	<u>\$ 3,139,435</u>	<u>339,523</u>	<u>26,623,300</u>	<u>201,350</u>	<u>163,799</u>	<u>30,467,407</u>
Liabilities, Deferred Inflows of Revenues and Fund Balance						
Liabilities:						
Accounts payable	\$ 104,530	12,862	153,012	—	—	270,404
Accrued salaries, benefits and payroll taxes	91,067	—	14,208,649	—	—	14,299,716
Total liabilities	<u>195,597</u>	<u>12,862</u>	<u>14,361,661</u>	<u>—</u>	<u>—</u>	<u>14,570,120</u>
Deferred inflows of resources						
Unavailable revenue - grants and services	42,012	—	—	—	—	42,012
Total deferred inflows of resources	<u>42,012</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>42,012</u>
Fund balance:						
Nonspendable	—	—	—	—	35,000	35,000
Restricted	2,901,826	326,409	12,261,639	201,350	128,799	15,820,023
Committed	—	252	—	—	—	252
Total fund balance	<u>2,901,826</u>	<u>326,661</u>	<u>12,261,639</u>	<u>201,350</u>	<u>163,799</u>	<u>15,855,275</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 3,139,435</u>	<u>339,523</u>	<u>26,623,300</u>	<u>201,350</u>	<u>163,799</u>	<u>30,467,407</u>

KANSAS CITY PUBLIC SCHOOLS
 Nonmajor Governmental Funds—
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year ended June 30, 2015

	Debt Service	Special revenue			Patron gift	Permanent fund patron endowments	Total nonmajor governmental funds
		Child Nutritional services	Student activity	Other Special Revenue			
Revenues:							
Prop C sales tax	\$ —	—	—	3,322,572	—	—	3,322,572
Local, including investment income	—	238,437	623,165	192,662	2,419	1,572	1,058,255
Other state	—	80,513	—	—	—	—	80,513
Federal	—	11,780,809	—	29,895	—	—	11,810,704
Total revenues	—	12,099,759	623,165	3,545,129	2,419	1,572	16,272,044
Expenditures:							
Current:							
Instruction	—	—	646,067	—	—	—	646,067
Support services	—	10,670,266	—	1,761,879	—	—	12,432,145
Transportation	—	—	6,679	—	—	—	6,679
Debt Service							
Principal	2,009,000	—	—	—	—	—	2,009,000
Interest & fiscal charges	2,600,368	—	—	—	—	—	2,600,368
Total expenditures	4,609,368	10,670,266	652,746	1,761,879	—	—	17,694,259
Revenues over (under) expenditures	(4,609,368)	1,429,493	(29,581)	1,783,250	2,419	1,572	(1,422,215)
Other financing sources (uses):							
Transfers in	4,609,368	—	—	—	—	—	4,609,368
Transfers out	—	(1,112,933)	—	—	—	—	(1,112,933)
Total other financing sources (uses)	4,609,368	(1,112,933)	—	—	—	—	3,496,435
Revenues over (under) expenditures and other financing sources (uses)	—	316,560	(29,581)	1,783,250	2,419	1,572	2,074,220
Fund balances, beginning of year	—	2,585,266	356,242	10,478,389	198,931	162,227	13,781,055
Fund balances, end of year	\$ —	2,901,826	326,661	12,261,639	201,350	163,799	15,855,275

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Local	\$ 459,959	538,413	238,437	(299,976)
State	—	—	80,513	80,513
Federal	10,156,172	11,904,807	11,780,809	(123,998)
Total revenues	<u>10,616,131</u>	<u>12,443,220</u>	<u>12,099,759</u>	<u>(343,461)</u>
Expenditures:				
Current:				
Support services:				
Salaries	2,931,002	3,271,860	3,174,722	97,138
Benefits	1,506,380	1,639,591	2,003,976	(364,385)
Purchased services	342,464	618,769	269,436	349,333
Supplies and materials	5,836,285	6,780,564	5,222,132	1,558,432
Total expenditures	<u>10,616,131</u>	<u>12,310,784</u>	<u>10,670,266</u>	<u>1,640,518</u>
Revenues over expenditures	<u>—</u>	<u>132,436</u>	<u>1,429,493</u>	<u>1,297,057</u>
Other financing sources (uses):				
Transfers out	<u>—</u>	<u>—</u>	<u>(1,112,933)</u>	<u>(1,112,933)</u>
Total other financing (uses)	<u>—</u>	<u>—</u>	<u>(1,112,933)</u>	<u>(1,112,933)</u>
Revenues over expenditures and other financing uses	<u>\$ —</u>	<u>132,436</u>	316,560	<u>184,124</u>
Fund balance, beginning of year			<u>2,585,266</u>	
Fund balance, end of year			<u>\$ 2,901,826</u>	

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property taxes	\$ 7,654,376	7,896,161	7,897,245	1,084
Other local	80,290	516,753	1,030,554	513,801
State	—	87,187	86,259	(928)
Federal	763,383	1,714,024	2,345,278	631,254
Total revenues	<u>8,498,049</u>	<u>10,214,125</u>	<u>11,359,336</u>	<u>1,145,211</u>
Expenditures:				
Capital outlay:				
Administration:				
Board of education services	2,000	2,000	—	2,000
Executive administration	—	159	—	159
Building level administration	—	—	4,145	(4,145)
Total administration	<u>2,000</u>	<u>2,159</u>	<u>4,145</u>	<u>(1,986)</u>
Instruction:				
Elementary	894,955	1,141,142	252,465	888,677
Middle/junior high	—	20,000	20,000	—
Senior high	—	2,966	4,445	(1,479)
Culturally different	—	613,533	946,958	(333,425)
Vocational instruction	40,500	266,057	104,641	161,416
Student activities	10,000	22,270	2,753	19,517
Total instruction	<u>945,455</u>	<u>2,065,968</u>	<u>1,331,262</u>	<u>734,706</u>
Support services:				
Health/psychology/speech/audiology	1,500	3,000	2,328	672
Improvement of instruction:				
Curriculum development	—	3,642	—	3,642
Educational media services	836	7,296	5,060	2,236
Finance/support services	1,500	24,097	24,096	1
Food service	—	406,122	160,427	245,695
Planning/research/development services	—	2,000	1,853	147
Admissions/communication services	3,250	2,000	—	2,000
Human resource services	—	1,853	1,852	1
Information technology service	—	230,549	153,140	77,409
Total support services	<u>7,086</u>	<u>680,559</u>	<u>348,756</u>	<u>331,803</u>
Operation of facilities	—	211,943	131,932	80,011
Community and adult services:				
Adult basic education	—	5,300	4,973	327
Community services	—	2,000	1,568	432
Early childhood	—	348,908	367,198	(18,290)
Total community and adult services	<u>—</u>	<u>356,208</u>	<u>373,739</u>	<u>(17,531)</u>
Facilities improvement and renovation:				
Capital outlay	—	24,439,791	13,291,858	11,147,933
Total facilities improvement and renovation	<u>—</u>	<u>24,439,791</u>	<u>13,291,858</u>	<u>11,147,933</u>

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Debt service:				
Principal	6,009,000	6,008,999	2,009,000	3,999,999
Interest	1,534,508	1,534,509	2,600,368	(1,065,859)
Total debt service	<u>7,543,508</u>	<u>7,543,508</u>	<u>4,609,368</u>	<u>2,934,140</u>
Total expenditures	<u>8,498,049</u>	<u>35,300,136</u>	<u>20,091,060</u>	<u>15,209,076</u>
Revenues under expenditures	<u>—</u>	<u>(25,086,011)</u>	<u>(8,731,724)</u>	<u>16,354,287</u>
Other financing sources (uses):				
Transfers in	—	—	9,218,284	9,218,284
Sale of capital assets	—	—	545,079	545,079
Total other financing sources	<u>—</u>	<u>—</u>	<u>9,763,363</u>	<u>9,763,363</u>
Revenues and other financing sources over expenditures and other financing sources	<u>\$ —</u>	<u>(25,086,011)</u>	<u>1,031,639</u>	<u>26,117,650</u>
Fund balance, beginning of year			<u>28,177,288</u>	
Fund balance, end of year			<u><u>29,208,927</u></u>	

KANSAS CITY PUBLIC SCHOOLS

Capital Projects Fund—
 Schedule of Revenues, Expenditures and Changes in Fund Balance—by Project
 Year ended June 30, 2015

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Child Nutrition Capital Projects	Total Capital Projects funds
Revenues:				
Property taxes	\$ —	7,897,245	—	7,897,245
Other local	—	1,030,554	—	1,030,554
State	—	86,259	—	86,259
Federal	—	2,194,816	150,462	2,345,278
Total revenues	—	11,208,874	150,462	11,359,336
Expenditures:				
Administration:				
Executive administration	—	4,145	—	4,145
Total administration	—	4,145	—	4,145
Instruction:				
Elementary schools	—	252,465	—	252,465
Middle schools	20,000	—	—	20,000
High schools	—	4,445	—	4,445
Culturally different	—	946,958	—	946,958
Vocational instruction	—	104,641	—	104,641
Student activities	—	2,753	—	2,753
Total instruction	20,000	1,311,262	—	1,331,262
Support services:				
Health/psychology/speech/audiology	—	2,328	—	2,328
Educational media services	—	5,060	—	5,060
Financial services	—	24,096	—	24,096
Food service	—	—	160,427	160,427
Planning/research/evaluation/ development services	—	1,853	—	1,853
Human resource services	—	1,852	—	1,852
Information technology services	153,140	—	—	153,140
Total support services	153,140	35,189	160,427	348,756
Operation of plant:				
Plant services	131,932	—	—	131,932
Total operation of plant	131,932	—	—	131,932
Community and adult services:				
Community services	—	373,739	—	373,739
Total community and adult services	—	373,739	—	373,739

KANSAS CITY PUBLIC SCHOOLS

Capital Projects Fund—
 Schedule of Revenues, Expenditures and Changes in Fund Balance—by Project
 Year ended June 30, 2015

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Child Nutrition Capital Projects	Total Capital Projects funds
Capital outlay:				
Operation of facilities	13,291,858	—	—	13,291,858
Total capital outlay	13,291,858	—	—	13,291,858
Total expenditures	13,596,930	1,724,335	160,427	15,481,692
Revenues over (under) expenditures	(13,596,930)	9,484,539	(9,965)	(4,122,356)
Other financing sources (uses):				
Transfers in	4,806,212	4,402,107	9,965	9,218,284
Transfer out	—	(4,609,368)	—	(4,609,368)
Sale of capital assets	32,000	513,079	—	545,079
Total financing sources (uses)	4,838,212	305,818	9,965	5,153,995
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	(8,758,718)	9,790,357	—	1,031,639
Fund balances – beginning of year	21,974,673	6,202,615	—	28,177,288
Fund balances – end of year	\$ 13,215,955	15,992,972	—	29,208,927

KANSAS CITY PUBLIC SCHOOLS

Capital Projects Fund—
 Schedule of Revenues, Expenditures and Changes in Fund Balance- by Project
 June 30, 2015

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Child Nutrition Capital Projects	Total Capital Projects funds
Fund balance:				
Restricted				
Property held for sale	\$ 2,245,400	—	—	2,245,400
Total Restricted	<u>2,245,400</u>	<u>—</u>	<u>—</u>	<u>2,245,400</u>
Committed				
Encumbrances-cornerstone	4,810,386	—	—	4,810,386
Total Committed	<u>4,810,386</u>	<u>—</u>	<u>—</u>	<u>4,810,386</u>
Assigned				
Future equipment purchases	6,160,169	15,992,972	—	22,153,141
Total Assigned	<u>6,160,169</u>	<u>15,992,972</u>	<u>—</u>	<u>22,153,141</u>
Total fund balance	\$ <u>13,215,955</u>	<u>15,992,972</u>	<u>—</u>	<u>29,208,927</u>

KANSAS CITY PUBLIC SCHOOLS

General Fund—
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Year ended June 30, 2015

<u>Function</u>	<u>Operating General</u>	<u>C-I-P General</u>	<u>Total General funds</u>
Revenues:			
Property taxes	\$ 136,177,305	—	136,177,305
Prop C sales tax	11,826,010	—	11,826,010
Other local, including investment income	7,429,985	—	7,429,985
Intermediate/county	5,284,463	—	5,284,463
State aid—basic formula	12,273,718	—	12,273,718
Other state	8,265,176	40,644	8,305,820
Federal	29,611,266	—	29,611,266
Tuition	361,816	—	361,816
Total revenues	<u>211,229,739</u>	<u>40,644</u>	<u>211,270,383</u>
Expenditures:			
Current:			
Administration	17,222,456	140	17,222,596
Instruction	104,568,231	1,546,099	106,114,330
Support services	35,827,748	3,108,796	38,936,544
Operation of facilities	29,399,457	4,955,389	34,354,846
Pupil transportation	12,116,868	—	12,116,868
Community and adult services	9,964,376	—	9,964,376
Total expenditures	<u>209,099,136</u>	<u>9,610,424</u>	<u>218,709,560</u>
Revenues over (under) expenditures	<u>2,130,603</u>	<u>(9,569,780)</u>	<u>(7,439,177)</u>
Other financing sources (uses):			
Transfers in	120,503	7,014,590	7,135,093
Transfers out	(15,119,941)	—	(15,119,941)
Total other financing sources (uses)	<u>(14,999,438)</u>	<u>7,014,590</u>	<u>(7,984,848)</u>
Net change in fund balances	<u>(12,868,835)</u>	<u>(2,555,190)</u>	<u>(15,424,025)</u>
Fund balances, beginning of year	68,567,497	4,644,336	73,211,833
Fund balances, end of year	<u>\$ 55,698,662</u>	<u>2,089,146</u>	<u>57,787,808</u>

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CAPITAL ASSETS

KANSAS CITY PUBLIC SCHOOLS

Capital Assets Used in the Operation of Governmental Funds by Source

June 30, 2015

(with comparative totals for June 30, 2014)

	Total	
	2015	2014
Capital assets (gross):		
Land	\$ 30,407,846	30,646,301
Buildings	478,026,886	467,849,653
Improvements other than buildings	43,484,105	42,031,266
Impairment-closed buildings	14,857,044	14,857,044
Equipment, furniture, and vehicles	26,523,725	27,285,866
Construction in progress	333,519	1,381,221
Total	\$ 593,633,125	584,051,351
Investment in capital assets by source:		
General fund	\$ 291,953	291,953
Capital projects	593,105,923	583,388,285
Special revenue	169,226	305,090
Trust and agency	13,127	13,127
Donations	52,896	52,896
Total	\$ 593,633,125	584,051,351

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, 2015

Classification	Beginning balance July 1, 2014	Adjustments	Additions	Retirements	Construction- in-progress transfers	Ending balance June 30, 2015
High schools	\$ 244,958,616	(255,426)	2,707,222	(532,169)	—	246,878,243
Middle schools	94,524,905	177,226	7,650,408	(15,560)	—	102,336,979
Elementary schools	216,663,007	135,397	2,462,542	(613,135)	—	218,647,811
Administration	26,523,602	(57,197)	1,179,540	(2,209,372)	—	25,436,573
Construction in progress	1,381,221	—	333,519	(1,381,221)	—	333,519
Total	\$ 584,051,351	—	14,333,231	(4,751,457)	—	593,633,125

KANSAS CITY PUBLIC SCHOOLS

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

June 30, 2015

Classification	Land	Buildings	Improvements other than buildings	Impaired assets	Equipment, furniture, vehicles	Construction- in-progress	Total
High schools	\$ 10,640,126	206,174,930	19,423,219	3,353,086	7,286,882	—	246,878,243
Middle schools	5,330,985	89,546,377	5,198,659	680,000	1,580,959	—	102,336,980
Elementary schools	11,834,452	170,080,482	16,943,884	10,823,958	8,965,036	—	218,647,812
Administration	2,602,283	12,225,097	1,918,343	—	8,690,848	—	25,436,571
Construction-in-progress	—	—	—	—	—	333,519	333,519
Total	\$ 30,407,846	478,026,886	43,484,105	14,857,044	26,523,725	333,519	593,633,125

STATISTICAL SECTION

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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.

Table 1

KANSAS CITY PUBLIC SCHOOLS

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

(unaudited)

Classification	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities:										
Net investment in capital assets	\$ 313,050	\$ 311,276	\$ 296,176	\$ 325,699	\$ 320,182	\$ 331,473	\$ 371,354	\$ 351,989	\$ 373,750	\$ 367,206
Restricted	15,479	16,781	25,587	24,503	25,484	10,594	12,489	60,705	61,244	80,562
Unrestricted	2,477	104,618	123,174	110,811	99,271	105,853	114,368	115,956	136,244	139,480
Total governmental activities, net of position	\$ 331,005	\$ 432,675	\$ 444,937	\$ 461,013	\$ 444,937	\$ 447,920	\$ 498,211	\$ 528,650	\$ 571,238	\$ 587,248
Business-type activities:										
Unrestricted	\$ 288	\$ 501	\$ 374	\$ 178	\$ 39	\$ 180	\$ 522	\$ 1,426	\$ 1,829	\$ 1,108
Total business-type activities, net of position	\$ 288	\$ 501	\$ 374	\$ 178	\$ 39	\$ 180	\$ 522	\$ 1,426	\$ 1,829	\$ 1,108
Primary government:										
Net investment in capital assets	\$ 313,050	\$ 311,276	\$ 296,176	\$ 325,699	\$ 320,182	\$ 331,473	\$ 371,354	\$ 351,989	\$ 373,750	\$ 367,206
Restricted	15,479	16,781	25,587	24,503	25,484	10,594	12,489	60,705	61,244	80,562
Unrestricted	2,765	105,119	123,548	110,990	99,310	106,033	114,890	117,382	138,073	140,588
Total primary government, net of position	\$ 331,293	\$ 433,176	\$ 445,311	\$ 461,192	\$ 444,976	\$ 448,100	\$ 498,734	\$ 530,076	\$ 573,067	\$ 588,356

The District adopted GASB Statement Nos. 68 and 71 in 2015, which restated beginning net position of governmental activities. Prior years have not been restated.

Table 2

KANSAS CITY PUBLIC SCHOOLS

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

Classification	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses										
Governmental activities:										
Administration	\$ 16,326	\$ 16,710	\$ 11,521	\$ 13,150	\$ 20,646	\$ 20,874	\$ 25,512	\$ 23,464	\$ 25,502	\$ 24,876
Instruction	118,825	105,802	100,639	101,298	116,388	149,927	175,175	193,545	193,304	174,168
Support services	58,340	51,572	51,372	46,820	52,810	67,768	76,835	79,253	77,738	93,921
Operation of facilities	34,467	33,744	52,366	28,746	29,462	41,589	40,936	44,578	40,000	38,682
Pupil transportation	12,124	11,443	11,847	12,102	12,863	15,258	17,211	18,703	22,132	23,988
Facilities improvements and renovation	2,604	14,638	3,829	2,123	15,724	225	7,909	1,413	403	612
Community and adult services	10,347	8,951	8,706	9,194	11,748	9,644	8,478	11,557	6,226	6,237
Interest on long-term debt	2,597	2,809	2,989	3,716	2,044	1,990	2,791	3,902	4,982	6,023
Total governmental activities expenses	\$ 255,630	\$ 245,667	\$ 243,269	\$ 217,149	\$ 261,685	\$ 307,276	\$ 354,846	\$ 376,416	\$ 370,287	\$ 368,507
Business-type activities										
Community services	\$ 393	\$ 57	\$ 57	\$ 151	\$ 29	\$ 32	\$ 194	\$ 389	\$ 693	\$ 121
Total governmental activities expenses	393	57	57	151	29	32	194	389	693	121
Total primary government expenses	\$ 256,023	\$ 245,725	\$ 243,326	\$ 217,300	\$ 261,714	\$ 307,308	\$ 355,040	\$ 376,805	\$ 370,980	\$ 368,628
Program Revenues										
Governmental activities:										
Charges for services	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Administration	65	28	165	3	—	34	—	20	—	50
Instruction	3,715	1,947	2,931	766	935	685	1,992	3,763	3,741	3,596
Support services	—	6	—	6	41	49	61	69	65	70
Operation of facilities	3	94	203	79	32	19	4	—	13	7
Pupil transportation	47	291	—	—	2	25	156	88	—	60
Community and adult services	26	20	—	—	183	43	—	—	10	10
Operating grants and contributions	36,633	33,449	32,774	30,402	45,623	56,153	37,711	34,431	37,816	84,511
Administration	11,863	11,694	10,476	9,440	16,901	18,018	18,068	12,807	14,884	16,113
Instruction	—	—	—	—	—	7	—	—	—	55
Support services	2,668	2,354	2,405	2,910	3,057	5,496	6,405	7,104	8,297	8,421
Operation of facilities	1,189	2,198	1,626	2,398	971	528	670	895	1,227	2,714
Pupil transportation										
Community and adult services										

KANSAS CITY PUBLIC SCHOOLS

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

Classification	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Capital grants and contributions										
Administration	—	—	—	—	10	—	—	—	—	—
Instruction	456	—	15	813	111	804	37	620	82	51
Support services	150	—	6	25	1	—	—	37	617	5,362
Operation of facilities	—	—	198	249	183	230	189	—	40	11
Pupil transportation	—	—	—	—	—	—	—	—	—	—
Facilities improvements and renovation	—	—	—	—	—	—	—	—	—	—
Community and adult services	5	—	—	—	—	—	495	—	—	251
Interest on long-term debt	2,043	1,893	2,136	1,956	—	—	12	861	—	—
Total governmental activities program revenue	<u>58,864</u>	<u>53,975</u>	<u>52,935</u>	<u>49,049</u>	<u>68,050</u>	<u>82,090</u>	<u>65,801</u>	<u>60,695</u>	<u>66,792</u>	<u>121,282</u>
Business-type activities:										
Charges for services	301	227	253	291	46	97	287	728	1,240	146
Total business-type activities program revenues	<u>301</u>	<u>227</u>	<u>253</u>	<u>291</u>	<u>46</u>	<u>97</u>	<u>287</u>	<u>728</u>	<u>1,240</u>	<u>146</u>
Total primary governmental program revenues	<u>\$ 59,166</u>	<u>\$ 54,201</u>	<u>\$ 53,188</u>	<u>\$ 49,340</u>	<u>\$ 68,097</u>	<u>\$ 82,187</u>	<u>\$ 66,088</u>	<u>\$ 61,423</u>	<u>\$ 68,032</u>	<u>\$ 121,428</u>
Net (expense)/revenue	\$ (196,766)	\$ (191,693)	\$ (190,333)	\$ (168,100)	\$ (193,635)	\$ (225,186)	\$ (289,045)	\$ (315,721)	\$ (303,495)	\$ (247,225)
Governmental activities	(92)	170	196	139	17	64	93	339	547	25
Business-type activities	<u>(196,858)</u>	<u>(191,523)</u>	<u>(190,137)</u>	<u>(167,961)</u>	<u>(193,617)</u>	<u>(225,122)</u>	<u>(288,952)</u>	<u>(315,382)</u>	<u>(302,948)</u>	<u>(247,200)</u>
Total primary government net expense	<u>\$ (196,858)</u>	<u>\$ (191,523)</u>	<u>\$ (190,137)</u>	<u>\$ (167,961)</u>	<u>\$ (193,617)</u>	<u>\$ (225,122)</u>	<u>\$ (288,952)</u>	<u>\$ (315,382)</u>	<u>\$ (302,948)</u>	<u>\$ (247,200)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 144,992	\$ 141,515	\$ 136,844	\$ 138,277	\$ 146,191	\$ 144,211	\$ 152,705	\$ 159,256	\$ 146,230	\$ 146,230
Prop C Sales tax	15,149	15,579	15,061	15,128	15,831	16,659	20,180	23,051	28,187	28,187
Other local revenues	5,559	5,039	7,256	6,067	3,363	2,249	3,600	2,100	1,935	1,935
County governmental contributions	5,284	5,054	5,284	4,287	3,489	3,295	4,209	4,025	6,356	6,356
State aid-basic formula	12,274	8,529	10,148	18,970	20,150	44,028	70,172	89,732	47,106	47,106
Grants and entitlements not restricted to specific programs	705	409	427	441	561	328	821	1,051	1,820	1,820
Gain on sale of capital assets	545	659	—	—	—	—	—	—	—	—
Investment earnings	1,499	2,604	(763)	1,007	906	1,753	4,500	10,486	9,747	9,747
Special item	—	—	—	—	—	(38,038)	—	—	—	—
Extraordinary item	—	—	—	—	161	—	1,419	(17,319)	—	—
Transfers	120	43	—	—	—	410	1,000	750	(1,004)	(1,004)
Total governmental activities	<u>186,127</u>	<u>179,431</u>	<u>174,257</u>	<u>184,177</u>	<u>190,652</u>	<u>174,895</u>	<u>258,606</u>	<u>273,133</u>	<u>240,377</u>	<u>240,377</u>

KANSAS CITY PUBLIC SCHOOLS

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

(unaudited)

Classification	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Business-type activities:										
Investment earnings	—	—	—	—	2	4	3	8	—	—
Transfers	(120)	(43)	—	—	(161)	(410)	(1,000)	(750)	1,004	1,004
Total business-type activities	(120)	(43)	—	—	(159)	(406)	(997)	(742)	1,004	1,004
Total primary government	\$ 186,007	\$ 179,388	\$ 174,257	\$ 184,176	\$ 190,493	\$ 174,489	\$ 257,610	\$ 272,391	\$ 241,381	\$ 241,381
Change in Net Position										
Governmental activities	\$ (10,639)	\$ (12,262)	\$ (16,076)	\$ 16,076	\$ (2,983)	\$ (50,291)	\$ (30,439)	\$ (42,587)	\$ (63,118)	\$ (6,848)
Business-type activities	(212)	127	196	139	(141)	(342)	(904)	(403)	1,551	1,029
Total primary government	\$ (10,851)	\$ (12,135)	\$ (15,880)	\$ 16,215	\$ (3,125)	\$ (50,633)	\$ (31,343)	\$ (42,990)	\$ (61,567)	\$ (5,819)

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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Fund										
Nonspendable	\$ 82	\$ 1,223	\$ —	\$ —	\$ —	\$ 520	\$ —	\$ —	\$ —	\$ —
Restricted	280	3,027	301	837	289	816	—	—	—	—
Assigned	751	3,997	479	1,467	897	2,256	—	—	—	—
Unassigned	56,675	64,965	64,782	61,504	51,236	37,255	—	—	—	—
Reserved							1,853	5,243	2,565	701
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
Total general fund	\$ 57,788	\$ 73,212	\$ 65,562	\$ 63,808	\$ 52,422	\$ 40,847	\$ 47,296	\$ 44,877	\$ 62,878	\$ 65,681
All other governmental funds										
Nonspendable	\$ 35	\$ 35	\$ 2,074	\$ 2,619	\$ 2,567	\$ 1,675	\$ —	\$ —	\$ —	\$ —
Restricted	18,065	16,348	28,802	45,336	56,904	46,043	—	—	—	—
Committed	4,811	19,373	31,770	45,742	34,655	25,781	—	—	—	—
Assigned	22,153	6,203	17,544	3,785	7,904	15,126	—	—	—	—
Unassigned	—	—	—	(759)	—	—	—	—	—	—
Reserved										
Debt service funds	—	—	—	—	—	—	11,968	60,171	58,093	71,484
Capital projects funds	—	—	—	—	—	—	10,075	4,381	3,522	4,424
Nonmajor funds	—	—	—	—	—	—	239	382	733	1,133
Unreserved, reported in:										
Designated:										
Long-term building maintenance	—	—	—	—	—	—	11,299	9,588	15,275	14,167
Transition period funding	—	—	—	—	—	—	—	—	—	1,120
Technology plan	—	—	—	—	—	—	2,784	7,008	8,901	9,947
CIP escrow	—	—	—	—	—	—	12,600	—	—	—
Compensated absences	—	—	—	—	—	—	21,138	21,814	22,318	22,528
E-Rate/E-Rate support	—	—	—	—	—	—	1,848	1,835	1,821	1,510
Undesignated:										
Special revenue funds	—	—	—	—	—	—	(110)	372	(727)	(393)
Capital projects funds	—	—	—	—	—	—	6,964	17,110	22,436	26,261
Permanent funds	—	—	—	—	—	—	124	121	148	139
Total all other governmental funds	\$ 45,064	\$ 41,959	\$ 80,190	\$ 96,723	\$ 102,029	\$ 88,625	\$ 83,906	\$ 122,782	\$ 132,520	\$ 152,320

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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Property taxes	\$ 144,075	\$ 139,195	\$ 142,138	\$ 138,391	\$ 147,293	\$ 144,986	\$ 149,926	\$ 157,679	\$ 147,941	\$ 147,931
Prop C-Sales tax	15,149	15,579	15,061	15,128	15,831	16,659	20,180	23,051	25,097	28,187
Other local revenues	9,519	11,054	8,702	8,647	5,581	5,375	11,836	15,527	20,324	14,871
County governmental contributions	5,284	5,054	5,284	4,287	3,489	3,295	4,209	4,025	3,433	6,357
State aid-basic formula	12,274	8,529	10,148	18,225	20,150	44,028	70,172	89,732	96,285	47,106
At risk										30,485
Other state	8,473	5,790	6,009	8,981	6,981	8,504	10,999	12,176	13,258	25,447
Federal	43,767	48,576	38,782	39,441	60,751	74,338	48,797	41,699	48,866	62,072
Tuition	362	5	283	25	10	52	13	4	77	37
Total revenues	238,902	233,783	226,407	233,126	260,086	297,236	316,132	343,893	355,281	362,493
Expenditures										
Administration	17,227	15,659	15,526	14,359	16,012	20,811	25,643	24,011	27,364	23,081
Instruction	108,092	95,329	91,352	92,571	105,754	136,551	160,407	176,156	178,472	164,151
Support services	51,717	54,967	51,560	45,983	54,740	73,343	75,984	74,219	74,311	84,975
Operation of facilities	34,487	34,296	29,478	27,624	29,569	41,205	41,286	44,483	39,375	39,552
Pupil transportation	12,124	11,443	11,847	12,102	12,863	15,258	17,211	18,703	22,133	23,985
Community and adult services	10,338	8,943	8,697	9,198	11,732	9,625	8,553	11,578	6,139	6,235
Facilities improvements and renovations	13,292	36,447	22,764	12,351	6,241	7,290	17,736	5,166	2,376	1,378
Debt service										
Principal	2,009	5,750	7,555	9,770	10,875	10,385	9,945	22,130	22,100	21,380
Interest	2,600	2,928	3,287	3,773	3,755	2,352	3,244	4,351	5,428	6,467
Total expenditures	251,886	265,763	242,066	227,730	251,541	316,822	360,009	380,797	377,698	371,204
Excess of revenues under expenditures	(12,984)	(31,980)	(15,659)	5,396	8,545	(19,586)	(43,877)	(36,904)	(22,417)	(8,711)
Other financing sources (uses)										
Transfers in	13,948	18,779	19,300	21,691	25,348	112,411	176,079	144,715	144,715	191,837
Transfers out	(13,828)	(18,736)	(19,300)	(21,691)	(25,188)	(112,002)	(157,909)	(149,288)	(149,288)	(202,418)
Issuance of long term debt					16,274	17,880				
Payment to refunded debt							(13,977)			
Capital Leases										
Unrealized proceeds - surplus assets				620				1,527	1,527	
Unrealized loss on surplus assets			(920)	(904)		(595)	1,826	3,294	3,294	
Sales of capital assets	545	1,356	1,798	968		161				
Total other financing sources (uses)	666	1,399	878	684	16,435	17,856	7,420	409	248	328
Net change in fund balances	\$ (12,318)	\$ (30,581)	\$ (14,781)	\$ 6,080	\$ 24,979	\$ (1,730)	\$ (36,457)	\$ (36,495)	\$ (22,169)	\$ (18,964)
Debt service as a percentage of noncapital expenditures	1.9%	3.8%	5.0%	6.3%	6.2%	4.2%	3.8%	6.2%	6.2%	6.1%

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	
2014	2,097,556,838	9,145,085,488	637,913,712	1,913,932,529	2,735,470,550	11,059,018,017	25 %
2013	2,099,953,272	9,147,153,397	621,468,398	1,864,591,653	2,721,421,670	11,011,745,050	25
2012	2,084,828,732	9,066,836,031	605,311,801	1,816,117,315	2,690,140,533	10,882,953,346	25
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

(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)
2015	\$ 1.5997	\$ —	0.03	0.514	0.2374	\$ —	0.5000	4.95	7.83
2014	1.5932	—	0.03	0.053	0.2329	—	0.5000	4.95	7.36
2013	1.5679	—	0.03	0.543	0.2329	—	0.5000	4.95	7.82
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

(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, 2015

Taxpayers	Type of Business	2014			2005		
		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	\$ 62,296,067	1	2.3%	70,887,106	1	2.5%
Kansas City Power and Light	Utility	43,305,742	2	1.6	32,980,657	2	1.1
A T & T	Communications	37,028,912	3	1.4	10,477,350	9	0.4
J C Nichols & Highwoods Realty	Real Estate	26,827,301	4	1.0	27,542,641	3	1.0
Town Pavilion Holdings LLC	Real Estate	22,252,269	5	0.8			
Southern Union Co	Utility	21,182,188	6	0.8	13,987,743	7	0.5
Bayer & Mobay	Agricultural Research and Mfg	21,456,107	7	0.8	21,899,264	4	0.8
Google Fiber Missouri LLC	Information Technology Services	20,968,091	8	0.8			
Twentieth Century Realty Inc	Real Estate	14,164,528	9	0.5	10,447,868	10	0.4
1200 Chiefs Owner LLC		12,800,000	10	0.5			
DST, Inc.	Information Technology Services				15,287,588	5	0.5
Southwestern Bell	Communications				14,950,994	6	0.5
IBM Credit Corporation	Finance				11,218,241	8	0.4
		\$ 282,281,205		10.5%	229,679,452		8.1%

Note: Total assessed value for 2014 was \$2,850,325,508 and 2005 was \$2,875,618,963

(1) Based on calendar year ended December 31, 2013 and December 31, 2004.

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
2014	\$ 135,405,792	130,008,627	96.0%	11,587,460	\$ 141,596,087	104.6%	5,397,165	4%
2013	136,480,977	129,727,584	95.1%	7,921,094	137,648,678	100.9%	6,753,393	5%
2012	130,100,895	120,106,398	92.3%	12,883,252	132,989,650	102.2%	9,994,497	8%
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%

(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		
2015	32,125,000	—		32,125,000
2014	34,154,000	—		34,154,000
2013	39,904,000	—		39,904,000
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

Table 10

KANSAS CITY PUBLIC SCHOOLS

Computation of Overlapping Debt

June 30, 2015

Jurisdiction	General obligation bonds outstanding (2)	Percentage applicable to District (1)	Amount applicable to District
City of Kansas City, Missouri	\$ 376,445,000	93%	\$ 350,093,850

(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, 2015

Total assessed value, tax levy year 2014 (1)	\$	2,735,470,548
Legal debt margin—15% of assessed value (2)		410,320,582

- (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, 2014.

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
2015	\$ 193,837	14,312	7 %	12,942	90.4 %
2014	193,837	14,192	7	12,833	90.4
2013	193,837	15,708	8	13,317	84.8
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

Source: Estimated District population is based on the 2001 census for 2001 through 2009 provided by the City Development Department; the City Planning Division provided the estimates for years from 2010 and after from the 2010 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)
2015	\$ 11,059,018,018	34.9	26.4
2014	11,011,745,050	24.7	44.8
2013	10,822,953,045	24.4	14.0
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

(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 94
2015	14,028	15,114	\$ 13,305	14,312	1,030
2014	12,857	12,977	15,496	14,192	1,111
2013	13,417	13,517	14,877	15,708	1,388
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

- (1) Current expenditures as defined by the State of Missouri Department of Elementary and Secondary Education. For fiscal years 2013- 2015, 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 2006-2012, 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.

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