

KANSAS CITY

PUBLIC SCHOOLS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED
JUNE 30, 2019



KANSAS CITY PUBLIC SCHOOLS

(The School District of Kansas City, Missouri)

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2019

(With Independent Auditor's Report Thereon)

Prepared by

Business & Finance Division

KANSAS CITY PUBLIC SCHOOLS

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December 11, 2019

Board of Directors and Citizens of the District
School District of Kansas City, Missouri
2901 Troost Avenue
Kansas City, MO 64109

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 Kansas City, Missouri School District (the District). This report is prepared and published to fulfill this requirement for the fiscal year ending June 30, 2019. In addition, the 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 which includes financial highlights, analysis, and a discussion of the District's financial condition. The report is located in the financial section after the independent auditor's 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 report including all disclosures. RSM US LLP, certified public accountants, has issued an unmodified ("clean") opinion on the District's financial statements for the year ended June 30, 2019. 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 is 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 seven-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 for QSCB Bond debt service.

The District operated six high schools, one career and technical education school, two alternative schools, three middle schools, and 23 elementary schools for school year 2018-2019. At all levels, there are comprehensive neighborhood and signature/magnet school curriculums. Among the signature/magnet theme curriculums are visual and performing arts, college preparatory, foreign languages, and Montessori. The District serves about 14,200 K-12 and 1,100 pre-k students, employing over 2,100 principals, teachers, and support staff.

The District provides a comprehensive curriculum to meet the needs of a diverse student population. Course offerings at the high schools vary from those that are considered college preparatory to those that prepare students to enter particular careers upon graduating from high school. Approximately 12% of the school population is served by the Special Education Department of the District and 32% of the student population is served by the English Language Learners Department. These percentages are among the highest in the state of Missouri and the City of Kansas City. Specially trained teachers provide services to students needing both modified programs and specialized instruction. The District has developed programs for exceptional pupils that include services for students with mental or orthopedic handicaps, speech or language disorders, learning disabilities, behavior disorders, and auditory or visual handicaps, cognitive disability, as well as services for pre-school disabled children. It is the goal of the District to provide appropriate instructional services for each child according to their individual and unique needs.

During the fiscal year 100% of our students were served as eligible for free or reduced lunch under the Community Eligibility Provision (CEP) program which started during fiscal year 2015-2016.

The District contracted with TransPar and First Student to provide transportation to eligible students attending neighborhood and signature schools. Resident students living one-half miles or more from school will be entitled to free transportation to and from school. Approximately 11,000 students were eligible for free transportation in the 2018-2019 fiscal year. One hundred and sixty-one buses were used in the transportation program with most buses running at least two, and in some cases three routes each morning and afternoon.

The Kansas City Public Schools Education Foundation provides annual program grants to the Kansas City Public Schools through its own fundraising efforts. The Foundation is a legally separate entity.

An elected seven-member board governs the District. The Kansas City Public School District Board of Directors (Board) is the basic level of government that has financial accountability and control over all activities related to public school education in the District. The District is not a component unit of another reporting entity. The Board meets and adopts the annual budget prior to July 1 each year, in compliance with section 67.010 of the Missouri statute. The budget serves as the foundation for the District's financial planning and control. The budget is prepared on a modified accrual basis, by fund and function and may be amended at this level only by the approval of a majority of the members of the Board. The administration may amend the budget at the object and location (school or building) level without seeking the approval of the Board. The

Board approved two budget amendments for the year ended June 30, 2019. The Board is required to conduct at least one public hearing before adopting the budget and setting the property tax levy.

The District is committed to developing, maintaining, and improving effective management systems and controls. The District makes conscientious efforts to employ and retain highly qualified employees through active recruitment and thorough evaluations. Further, operations are continually evaluated to assure they function effectively, efficiently, and provide appropriate levels of supervision and segregation of duties.

LOCAL ECONOMIC FACTORS

Local property taxes represent approximately 69% of total revenues reported by the District. During the fiscal year, the District was entitled to receive approximately \$151.8 million in property taxes for tax year 2018 based on its \$4.9599 operating levy; actual current taxes collected during the fiscal year totaled \$145.8 million. These revenues are shared with and passed through to Kansas City Charter Schools on a per pupil basis. The assessed valuation of real and personal property decreased from approximately \$3.185 billion to approximately \$3.178 billion or .24%. The difference between billed and collected is the county retention fee of 1.71% and delinquent taxes. Property tax abatement and tax increment financing redirect over \$30 million of commercial property taxes that would otherwise be available to the District and area Charter Schools.

Within the boundaries of Kansas City, Missouri are 14 school districts. Within the Kansas City Public School District are 21 charter schools. The number of school options inside the Kansas City Public School Boundaries places pressure on available revenues. The Kansas City Missouri Public School District employs roughly 2,400 personnel in varying positions with a \$161 million salary and benefit expense.

Kansas City has numerous medical and research facilities as well as many insurance and financial institutions. Retail shopping and tourism and events are a major portion of a thriving downtown Kansas City Market. Economic development continues to thrive in the downtown and other areas of the City.

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 \$2.8 million in interest income was earned during the fiscal year.

ACKNOWLEDGEMENTS

We express our appreciation to the Finance 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, Information Technology and Instruction) is very much appreciated.

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

Yours in education,



Mark T. Bedell Ed.D.
Superintendent of Schools



Linda D. Quinley
Chief Financial and Operations Officer



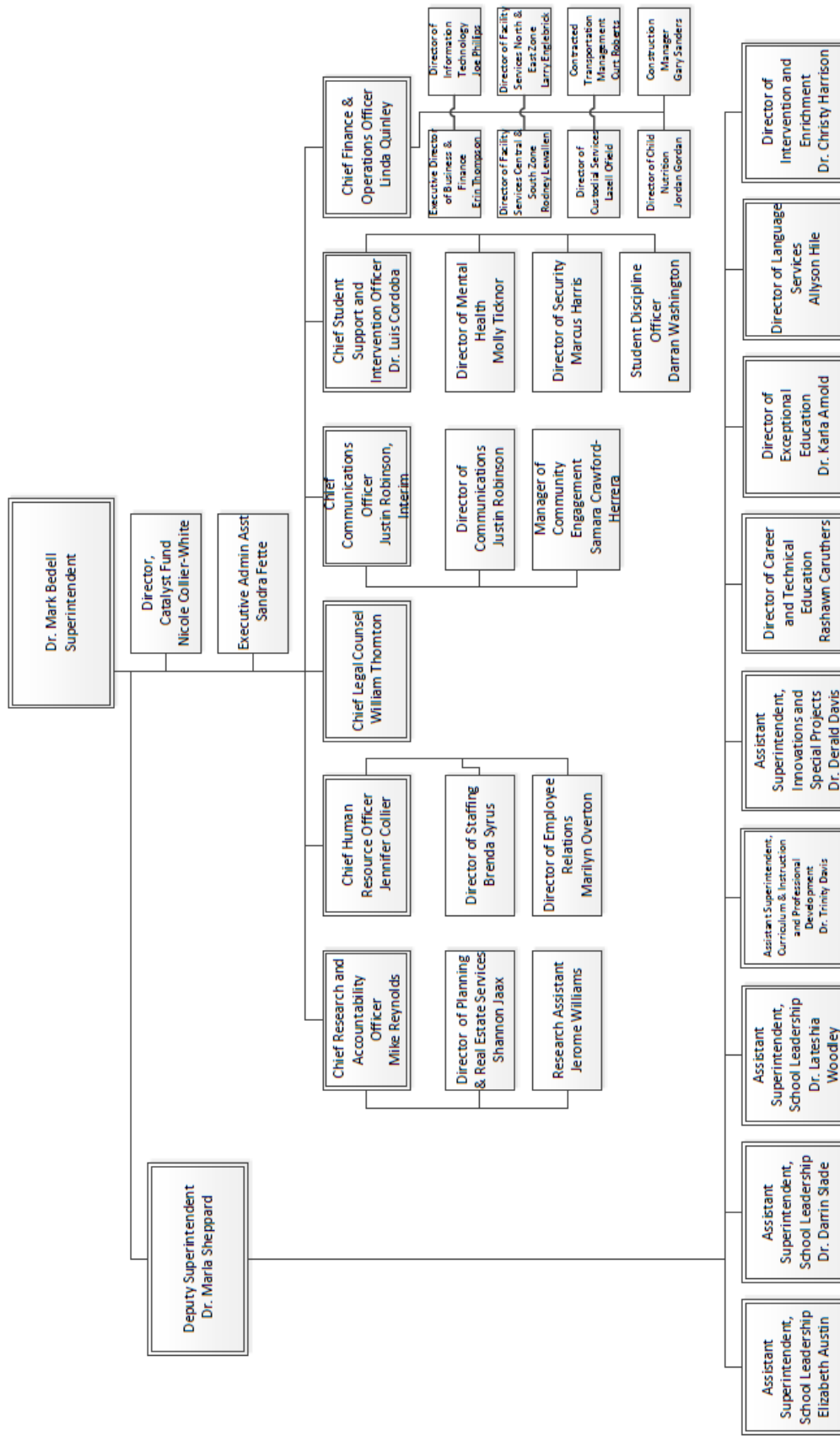
Our Vision

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.



LIST OF PRINCIPAL OFFICIALS

June 30, 2019

BOARD OF EDUCATION

Executive Officers

Pattie Mansur, Chair
Nate Hogan, Vice Chair

Treasurer

Manny R Abarca

Secretary of the Board

June Kolkmeier

Members

Rita M. Cortés
Marvia Jones
Mark Wasserstrom
Jennifer Wolfsie

SENIOR ADMINISTRATORS

Mark Bedell, Ed.D., Superintendent
Jennifer Collier, Ed.D., Chief Human Resources Officer
Luis Cordoba, Ed. D., Chief Student Support and Intervention Officer
Linda Quinley, Chief Financial and Operations Officer
Michael Reynolds, Chief Research and Accountability Officer
Justin Robinson, Interim Chief Communications Officer
Marla Sheppard, Ed.D., Deputy Superintendent
William Thornton, J.D., Chief Legal Counsel

Independent Auditor's Report

To the Board of Directors
The School District of 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, 2019, 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. 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, 2019, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 accompanying schedule of expenditures of federal awards (SEFA), as required by the Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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, and SEFA, 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 and statistical sections, 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.

RSM US LLP

Kansas City, Missouri
December 10, 2019

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

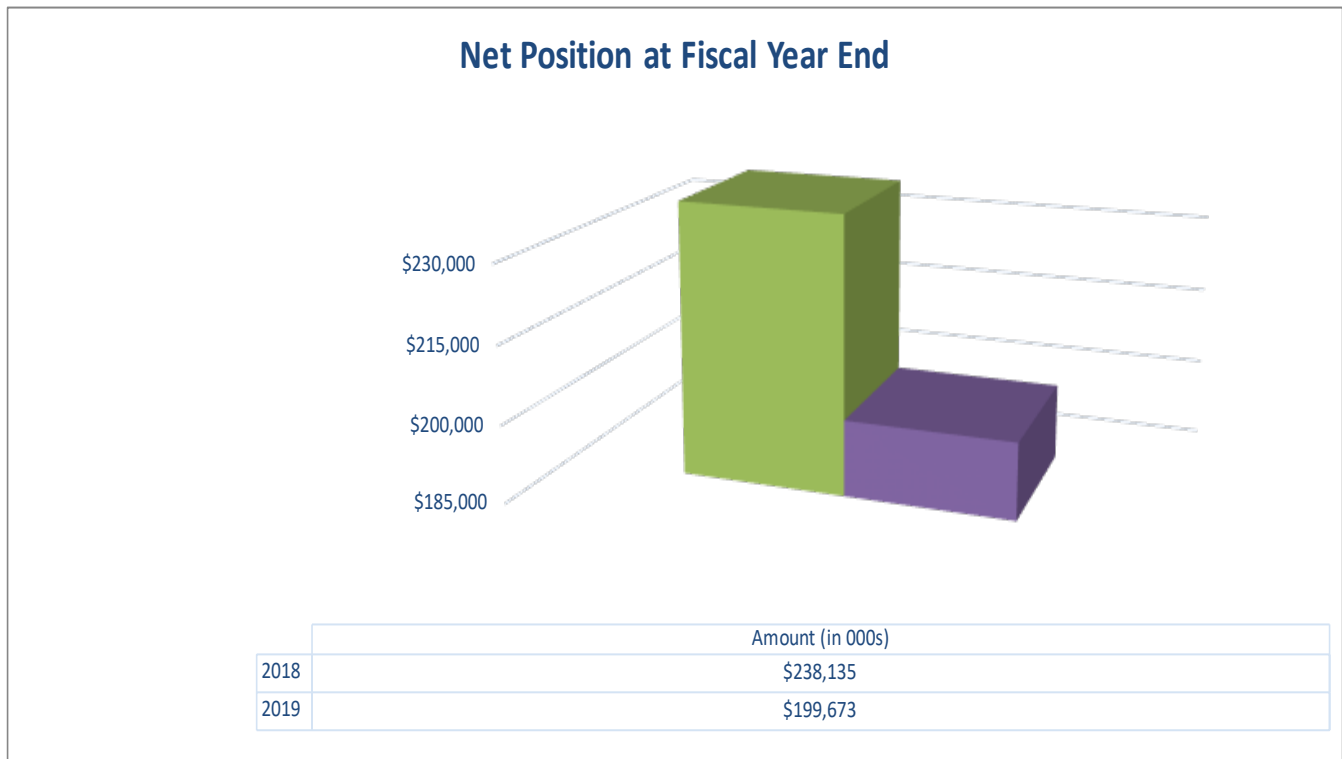
June 30, 2019

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, 2019 an element of GASB Statement No. 34. 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 \$199.7 million.

The graph below shows the changes in net position and indicates the District's overall financial position decreased in fiscal year 2019 by 16.15% when compared to fiscal year 2018. Total assets increased \$30.2 million primarily due to the increase in taxes receivable. This increase is primarily attributable to the increase in the 2019 tax year aggregate assessed valuation to \$4.003 billion.



The District's governmental funds (summarized in Table 1 below) reported an ending total fund balance of \$95.5 million, a decrease of \$16.29 million in comparison with the prior year. Approximately 51.50% of this amount, \$49.4 million, is available for spending at the District's discretion (unassigned fund balance).

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2019

Table 1—Summary of Governmental Fund Balances

	FY19	Percentage of total	FY18	Percentage of total	Increase (decrease)	Unassigned portion fiscal year 2019
General	\$ 53,501,671	56.02%	\$ 58,626,964	52.44%	(5,125,293)	49,400,350
Capital projects	27,156,500	28.44%	38,371,402	34.32%	(11,214,902)	-
Other special revenue	8,447,988	8.85%	9,134,740	8.17%	(686,752)	-
Nonmajor funds	6,394,754	6.70%	5,662,664	5.07%	732,090	-
	<u>\$ 95,500,913</u>	<u>100.00%</u>	<u>\$ 111,795,770</u>	<u>100.00%</u>	<u>(16,294,857)</u>	<u>49,400,350</u>

Unassigned fund balance as of June 30, 2019 for the General Fund was \$49.4 million and represents 21.40% of total General Fund expenditures and transfers compared to 23.51 % for fiscal year 2018. Assigned fund balance in the General Fund for general operating encumbrances and insurance reserves was \$3.7 million, decreased from the \$4.0 million reserves at year end 2018. Restricted fund balance in the General Fund for workers' compensation was \$0.28 million for both fiscal years 2019 and 2018. Overall, governmental fund balances decreased at June 30 primarily due to the completion of capital projects.

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.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2019

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.

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, the Other Special Revenue Fund and the Capital Projects Fund. Data for the other five 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.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2019

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.

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	
	2019	2018	Increase (decrease)	2019	2018	Increase (decrease)	2019	2018
Assets:								
Current and other assets	\$ 341,735	317,429	24,306	1,243	991	252	342,978	318,420
Capital assets	391,460	385,546	5,914	—	—	—	391,460	385,546
Total assets	733,195	702,975	30,220	1,243	991	252	734,438	703,966
Deferred outflows of resources	52,303	53,808	(1,505)	—	—	—	52,303	53,808
Liabilities:								
Other liabilities	30,986	29,884	1,102	103	168	(65)	31,088	30,052
Long-term liabilities	357,641	306,872	50,769	—	—	—	357,641	306,872
Total liabilities	388,627	336,756	51,871	103	168	(65)	388,729	336,924
Deferred inflows of resources	197,198	181,893	15,305	—	—	—	197,198	181,893
Net position:								
Net investment in capital assets	304,186	302,543	1,643	—	—	—	304,186	302,543
Restricted	16,873	29,535	(12,662)	—	—	—	16,873	29,535
Unrestricted	(121,385)	(93,943)	(27,442)	1,140	823	317	(120,245)	(93,120)
Total net position	\$ 199,673	238,135	(38,462)	1,140	823	317	200,814	238,958

Overall, governmental activities current and other assets increased by 7.66%; business activities current and other assets increased 25.43%. Long-term liabilities increased \$51.9 million due to an increase the net pension liability from \$172.35 million fiscal year 2018 to \$226.15 million fiscal year 2019. Current year improvements to buildings and other than buildings totaled \$19.8 million; the purchase of land totaled \$.02 million; and the purchases of equipment, furniture, and vehicles totaled \$.04 million, less depreciation expense of \$13.72 million, a net decrease in construction in progress of \$.49 million, and a decrease in the recorded value of closed building impairments of \$.12 million, resulted in a net increase of \$ 5.53 million in capital assets net of depreciation.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

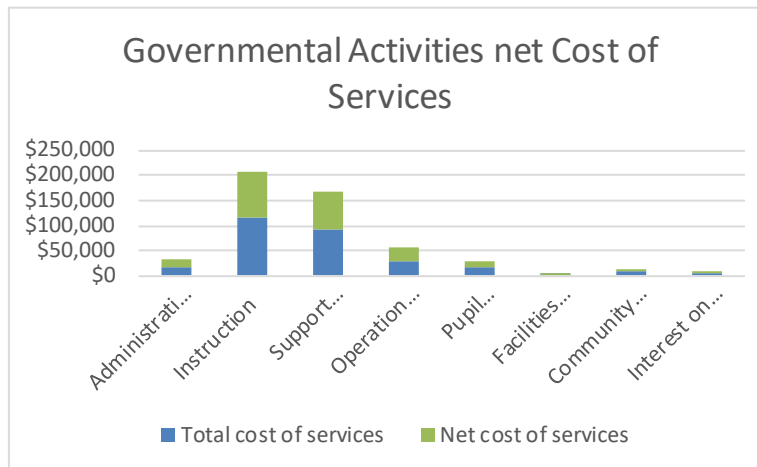
June 30, 2019

Unrestricted net position of (\$121.4) 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 12.94% of net position.

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

Table 3A—Changes in Net Position —Governmental Activities highlights the District's revenues and expenses for the 2019 and 2018 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)

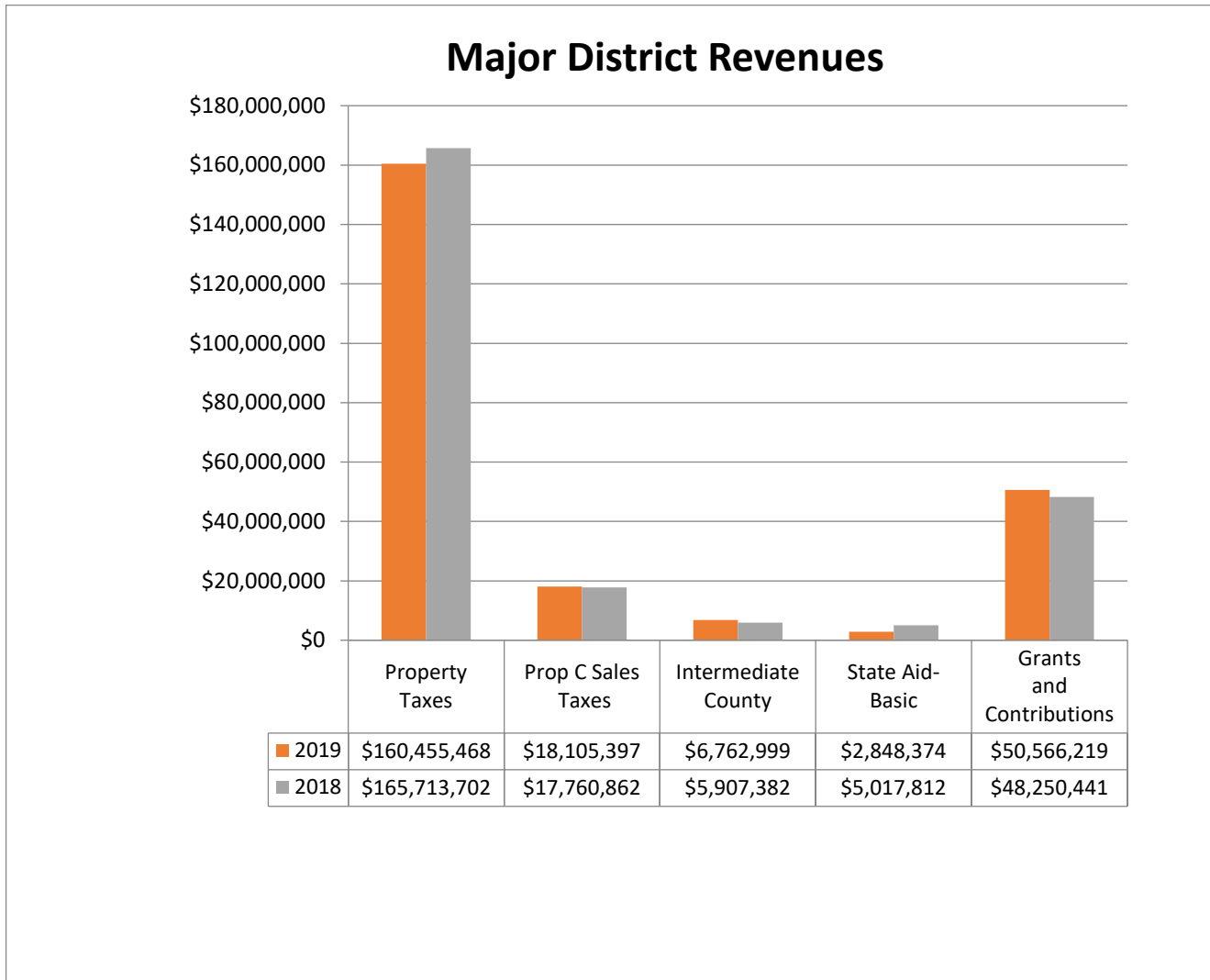


KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2019

A graph of major District revenues is shown below.



The most significant sources of revenues are:

Property Taxes (Local) 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. Property tax revenues are recognized as revenue in the fiscal year for which the taxes have been levied.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2019

During fiscal years 2019 and 2018, the District reported the following tax revenue:

Description	2019	2018	Increase / (decrease)
Real estate and property taxes	\$ 141,277,676	139,237,336	2,040,340
Railroad and utility taxes	4,258,417	3,795,930	462,487
Back taxes	1,902,695	5,560,366	(3,657,671)
Payments in lieu of tax	3,372,433	8,135,751	(4,763,318)
M & M replacement tax	9,644,248	8,984,319	659,929
	<u>\$ 160,455,468</u>	<u>165,713,702</u>	<u>(5,258,234)</u>

The total assessed valuation for tax year 2018 was approximately \$3.177 billion compared to the total assessed valuation for tax year 2017 of \$3.185 billion, a decrease of approximately (.24%).

Proposition C Sales Tax is a one-percent statewide sales tax collected and distributed to the District based on the prior year weighted average daily attendance (WADA). The District reported sales tax revenue of approximately \$18.1 million during fiscal year 2019; a modest increase of approximately 1.94% from fiscal year 2018. The sales tax rate per WADA increased to \$1,006.83 for fiscal year 2019 from \$988.30 for fiscal year 2018 or \$18.53 per WADA. The WADA decreased from 18,194.56 fiscal year 2018 to 18,121.17 fiscal year 2019.

Other local revenue is primarily comprised of interest on current, back and replacement taxes, taxes collected (levied on the intangible assets) from financial institutions operating within the District boundaries (FIT/Intangible tax), payments in lieu of taxes (as required by tax compliance agreements, industrial development plans issued under Chapter 100 or other tax abatement agreements), tuition and fees and rebates. Other local revenue increased approximately \$0.778 million.

Investment earnings on district owned funds (investments in overnight repurchase agreements, U.S. Treasuries, government-sponsored enterprise securities, commercial paper, and the MOSIP government investment pool) totaled approximately \$2.98 million for fiscal year 2019.

County revenue includes fines, state-assessed railroad and utility taxes and stock insurance. Fines are collected by Jackson County and distributed to the District based on the September membership (enrollment). State-assessed railroad and utility taxes are computed based on an average levy for all school Districts operating in Jackson County and applied against the total assessed valuation of railroad and utility properties as assessed by the state and distributed to the District based on the September membership. Stock insurance revenue is based on the prior year premiums collected from stock insurance companies conducting business within the county and is distributed based on the property tax levy. During fiscal year 2019, the District reported county revenue of approximately \$6.8 million compared to approximately \$5.9 million during fiscal year 2018, an increase of approximately \$0.85 million or 14.48%. This increase is primarily attributable to an increase in the county stock insurance collections.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2019

State Aid Basic Formula is a child-needs based education funding formula that is calculated based on weighted average daily attendance (WADA), the state adequacy target (target funding per student), the dollar value modifier (DVM or localized cost of living adjustment) and local effort (based on the District's assessed valuation and tax levy). The formula contains a "hold harmless" provision under which no district can receive less revenue, on a per-WADA basis, than the district received in the final year (2005-2006) of the old formula. The District recognized state aid for fiscal year 2019 in the amount of approximately \$2.8 million compared to approximately \$5.0 million for fiscal year 2018, a decrease of approximately \$2.2 million or 43.23%. This decrease is due to the net change in weighted average daily attendance for the District and for the charter schools. The Department of Elementary and Secondary Education withholds District state aid to share the appropriate local revenues due to the charter schools. As charter school enrollment increases and District enrollment decreases, more local taxation is passed to the charter schools resulting in a decrease of net state aid.

Federal revenues from federal programs, approximately 14.47% of total governmental fund revenue, increased from approximately \$34.5 million for fiscal year 2018 to approximately \$36.2 million for fiscal year 2019, an increase of approximately \$1.7 million. The District receives funding primarily from the following federal programs:

- The Elementary and Secondary Education Act (ESEA) of 1965 as amended by the Every Student Succeeds Act/ESSA (Title I. A Improving the Academic Achievement of the Disadvantaged, Title II Preparing, Training and Recruiting High Quality Teachers and Principals, and Title III Language Instruction for Limited English Proficient and Immigrant Students). ESSA federal funds reported as revenue by the District during fiscal year 2019 increased approximately \$3.0 million from the prior year – total fiscal year 2019 revenue of approximately \$14.34 million compared to approximately \$11.3 million during fiscal year 2018.
- The Individuals with Disabilities Education Act (IDEA) Part B defines students with disabilities as those children, ages three (3) to twenty-one (21), who have been properly evaluated in all areas related to the suspected disability (health, vision, hearing, social and emotional status, general intelligence, academic performance, communicative status, and motor disabilities) and who because of that disability, require special education and related services. (Includes early childhood special education – moderately and severely disabled children who are three (3) to five (5) years of age). The District reported revenue of approximately \$4.87 million from federal sources to operate its special education program during school year 2019 compared to approximately \$5.0 million during the prior year. In addition, the District reported approximately \$3.27 million from state sources for the special education program compared to approximately \$3.7 million during the prior year.
- Child nutrition services: The National School Lunch Program (NSLP); the School Breakfast Program (SBP); the Summer Food Service Program (SFSP) and the Child and Adult Care Food Program (CACFP). Revenue for the child nutrition program increased from approximately \$11.7 million reported during fiscal year 2018 to approximately \$12.38 million during fiscal year 2019.
- Head Start – A comprehensive child development program for pre-kindergarten children and their families. The District reported revenue of approximately \$5.0 million to operate the head start program for school years 2019, an increase of 8.37%.

KANSAS CITY PUBLIC SCHOOLS

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

Support services – During fiscal year 2018, the District adopted GASB Statement No. 75. This statement required the District to report a liability on the financial statements for the defined benefit OPEB (other post-employment benefits) plan. The Total OPEB Liability increased from approximately \$18.3 million fiscal year 2018 to \$20.0 million fiscal year 2019 primarily due to updated per-capita healthcare costs and retiree contribution rates, updated retirement and withdrawal assumptions, and an increase to estimate for the potential future excise taxes on high-cost plan benefits.

The net pension liability increased from approximately \$172.0 million as of June 30, 2018 to approximately \$226.1 million as of June 30, 2019. Total pension liability will increase or decrease as a result of changes in the benefit structure, actual versus expected experience, actuarial assumptions or other inputs. The most significant change in actuarial assumptions was a change in the discount rate from 7.75% to 7.57%. Deferred inflows of resources decreased from approximately \$29.0 million for fiscal year 2018 to approximately \$5.2 million for fiscal year 2019; deferred outflows of resources decreased from approximately \$53.8 million fiscal year 2018 to approximately \$50.6 million fiscal year 2019.

Operation of facilities & facilities improvement and renovation – Enrollment at Lincoln College Preparatory Academy (LCPA) middle school during the 2017-18 school year reached 1,045 students, placing the building at 102% capacity. In order to address the growing demand for LCPA, enhance the middle school and high school programming, and increase access to the program, the District reopened LCPA middle school for the 2019-20 school year. The project was largely completed during fiscal year 2019 for a total cost of \$16.4 million.

The \$3.9 million track and field project at LCPA was largely completed during fiscal year 2019. The project replaced the existing track and field with a new four-lane, 400-meter track and a new artificial turf field. The renovations made the track and field compliant for hosting official competition. This project was part of an ongoing plan to upgrade athletic facilities and increase athletic participation across the District, other projects include:

- \$2 million for a new track and field at Northeast High School
- \$4 million for a new athletic complex at East High School
- \$1.2 million for a new track and field at Central Academy of Excellence
- \$8.6 million for the Interscholastic League complex at Southeast High School

Principal on long term debt – Principal costs decreased \$0.97 million and interest costs increased by \$0.89 million due to the scheduled principal and interest payments required pursuant to the terms of the debt.

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.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2019

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

	<u>2019</u>	<u>2018</u>
Community services:		
Charges for services	\$ 561	540
Expenses	<u>(141)</u>	<u>(108)</u>
Revenue over expenditures before transfers	420	432
Transfers	<u>(102)</u>	<u>(74)</u>
Increase (decrease) \$	<u>318</u>	<u>358</u>

The increase in revenue was due primarily to an increase in fees received from the community's use of facilities. The increase in expenditures is a direct correlation of the increase in revenues.

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 82.35% 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 decreased from the prior year percentage of .17%. The increase in total expenditures of \$9.8 million was greater than the combined decrease of \$.105 million in charges for services and the \$2.30 million increase in grants and contributions.

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

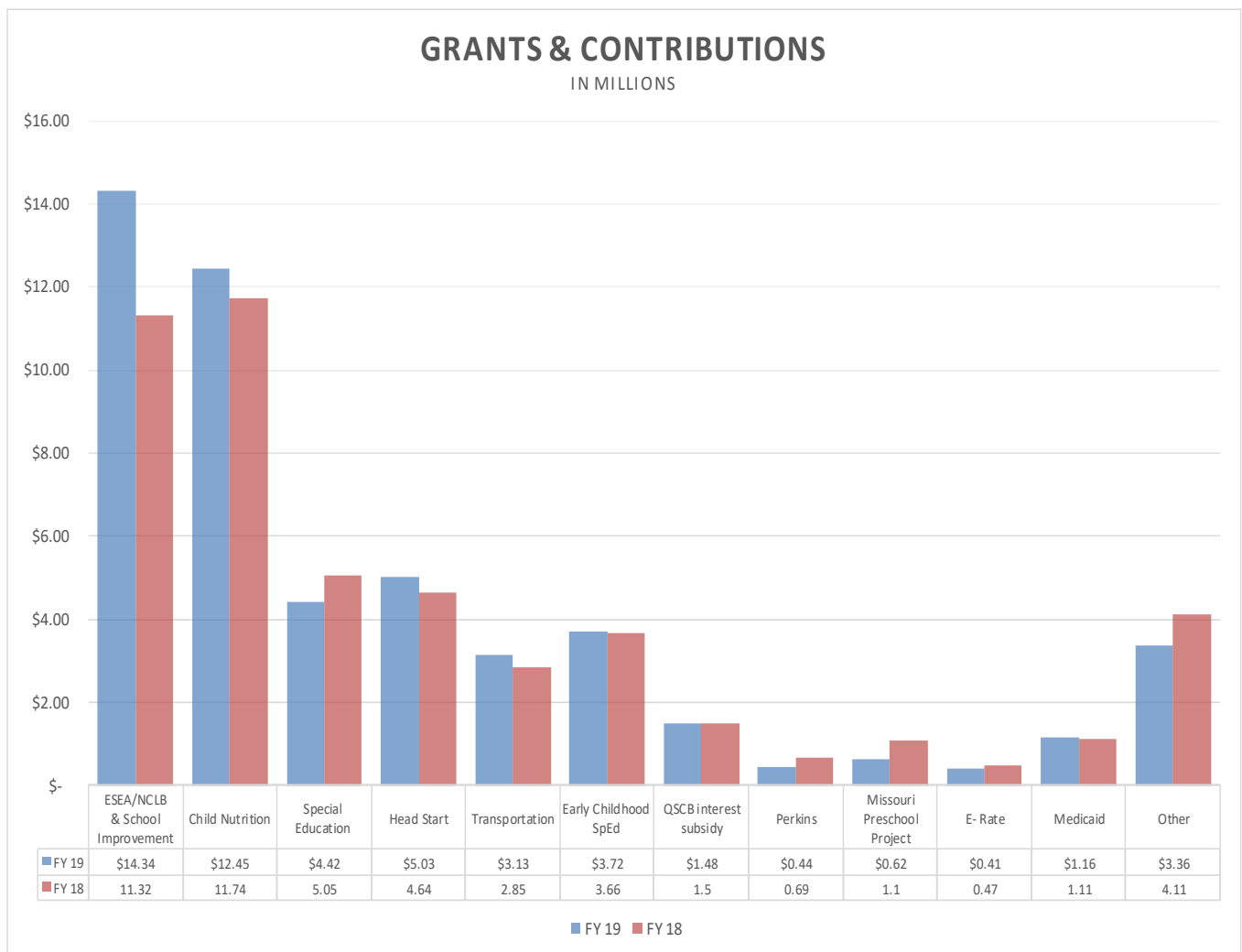
	<u>2019</u>		<u>2018</u>	
	<u>Total cost of services</u>	<u>Net cost of services</u>	<u>Total cost of services</u>	<u>Net cost of services</u>
Administration	\$ 17,561	17,561	16,195	16,195
Instruction	117,759	91,314	118,416	89,627
Support services	90,931	77,929	78,338	65,867
Operation of facilities	29,208	29,194	29,943	29,787
Pupil transportation	16,225	13,295	15,786	13,152
Facilities improvements and renovations	2,187	2,187	3,923	3,923
Community and adult services	11,053	3,928	12,125	9,000
Interest on long-term debt	<u>4,228</u>	<u>2,745</u>	<u>4,491</u>	<u>2,877</u>
Total	<u>\$ 289,152</u>	<u>238,153</u>	<u>279,217</u>	<u>230,428</u>

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The District received program revenues specifically to offset the cost of certain functions/programs. The major source of this type of revenue is from grants and contributions (operating and capital). Of the total \$50.6 million, 79% is from federal sources. The graph below depicts the operating and capital grants, and contributions the District received that are restricted to a particular purpose.



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, 2019

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, 2019, 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</u>
General-operating	\$	145,877	284,856	3,670,588	49,400,350	53,501,671
Capital projects—operating		—	—	16,845,918	—	16,845,918
	\$	<u>145,877</u>	<u>284,856</u>	<u>20,516,506</u>	<u>49,400,350</u>	<u>70,347,589</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 operating fund balance represents 23.29% of total operating expenditures and transfers. The total operating fund balance decreased by 8.7% when compared to fiscal year 2018 primarily due a \$7.93 million transfer to fund capital projects.

Budgetary Highlights

Table 5A- Budget Comparison shows a summary of the major changes in the current year original and final budgets. The difference in revenues between the original and the final budgets is an increase of approximately 7.6%. Projection for local revenues increased by \$4.5 million due to various local grants, and interest earned on investment. Additional state and federal grant awards of \$12.7 million were received after the original budget was approved.

Budgeted expenditures increased by \$16.1 million or 7.0%. The increase is primarily due to funding telephone services, building maintenance, libraries and summer school program. In addition, local, state and federal final grant awards for Special Education Entitlement, CTE Base & Performance Grant, Title I, IIA, III & IV, School Improvement, Head Start, Kemper Family Foundation, School Smart KC, Kauffman Foundation, Bloch Family Foundation, Baum Family Foundation, and various Partnership grants were received after the original budget was approved.

When comparing the original budget to the final budget, there was a favorable variance of \$17.5 million for revenues and transfers in, and an unfavorable budgeted variance for expenditure and transfers out of \$16.1 million, without a use of fund balance.

When compared to the prior year (see Table 5B), budgeted revenues and transfers increased by 2.83% and expenditures and transfers out increased by 4.78%.

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Management's Discussion and Analysis

June 30, 2019

Table 5A—Budget Comparison, Original to Final Budget, Fiscal Year 2019

	Revenues and Transfers In	Expenditures and Transfers Out
Original budget	\$ 229,264,962	230,544,364
Final budget	246,766,441	246,691,852
Increase	\$ 17,501,479	16,147,488
Percentage of change	7.63%	7.00%

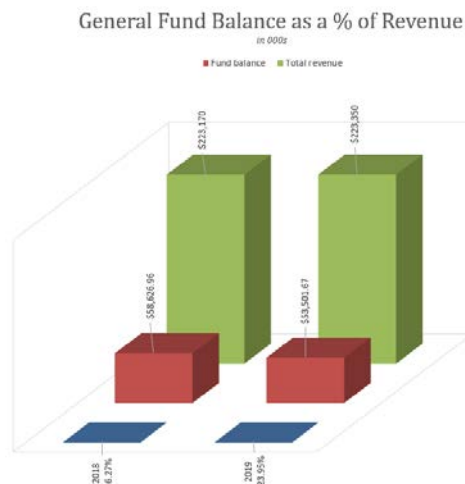
Table 5B—Budget Comparison, Current Year to Prior Year

	Revenues and transfers in	Expenditures and transfers out
Fiscal year 2019 final budget	\$ 246,766,441	246,691,852
Fiscal year 2018 final budget	239,970,770	235,432,686
Increase	\$ 6,795,671	11,259,166
Percentage of change	2.83%	4.78%

Major Funds—Financial Highlights

When compared to fiscal year 2018, General Fund revenues increased by \$.18 million or .08%, and expenditures increased by \$3.4 million or 1.58%. 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 11.48% due to the increase in replacement back taxes from the prior year. Expenditures decreased by \$.42 million primarily due to the completion of projects during fiscal year 2018.



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On August 24, 2016 the District issued \$51,035,000 of Certificates of Participation, Series 2016. These certificates are proportionate interests of the certificate owners in the rental payments made by the District in accordance with the lease agreement with the trustee. The Series 2016 Certificates of Participation were issued to establish funds for the following capital improvement projects through June 2019:

Project	Planned Cost	Total Funded
Athletics		
Gymnasium Upgrades	\$ 205,000	1,350,348
Track	1,565,000	-
Locker Rooms	520,000	28,436
Athletic Fields	2,650,000	9,306,808
Pools	400,000	269,122
	<u>5,340,000</u>	<u>10,954,714</u>
Educational Environment		
Classroom Upgrades	8,625,717	535,911
Flooring	2,500,000	8,336,561
Ceiling	1,000,000	388,373
Cafeteria Renovations	1,800,000	241,831
Restroom Renovations	1,250,000	4,248,411
Locker Repair Upgrade	300,000	837,441
Auditorium Upgrades	2,400,000	35,767
Window Replacement	819,283	743,439
Playgrounds	200,000	164,127
Signage	370,000	41,922
	<u>19,265,000</u>	<u>15,573,783</u>
Safety		
Building Access Control/Security Cameras	1,600,000	2,357,827
Secure Building Entry	250,000	588,106
Elevator Upgrades	3,000,000	414,315
Fire Alarm Systems	2,000,000	187,618
Fire Suppression - Food Prep Areas	350,000	421,659
Fencing	225,000	4,859
	<u>7,425,000</u>	<u>3,974,384</u>
Building Infrastructure		
Building Exteriors Renovations	2,320,000	4,608,518
Concrete	1,500,000	1,525,317
Roof Repair and Replacement	3,250,000	2,207,988
Parking Lot Maintenance & Repair	2,000,000	1,377,212
HVAC Equipment Replacement	5,850,000	4,312,368
Electrical Maintenance/Upgrades	250,000	1,779,488
	<u>15,170,000</u>	<u>15,810,891</u>
Information Technology	5,400,000	5,180,942
Timekeeping	-	107,620
Instruction	-	744,390
Engineering	-	118,875
Construction management fee	-	1,447,915
PROJECT TOTAL	<u>\$ 52,600,000</u>	<u>53,913,514</u>

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2019

Capital Assets and Debt Administration

Capital assets—The District's capital assets for its governmental activities as of June 30, 2019 amounts to \$391.5 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 increased by \$5.9 million 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

	2019	2018
Land	\$ 31,252,500	31,227,988
Buildings	322,610,112	317,063,735
Improvements other than buildings	25,033,804	23,855,716
Equipment and furniture	2,428,148	2,526,550
Vehicles	178,566	306,253
Buildings-Impaired	9,900,582	10,023,206
Construction in progress	56,084	543,179
	<u>\$ 391,459,796</u>	<u>385,546,627</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 2018 resulted in a 6.6% reduction. Therefore, the amount of interest subsidy for the quarterly payments was reduced to a net interest rate subsidy of 5.04% and the District's net interest rate of 2.08%. 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 3.5% 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, 2019

Economic Factors That Impact Fiscal Year 2020 Budgets

- The Board approved the fiscal year 2019 comprehensive budget on June 26, 2019. Fiscal year 2020 projected current revenues of approximately \$257.2 million is a decrease of about \$2.3 million or (0.90%) when compared to fiscal year 2019.
 - Local tax revenues are estimated to increase by \$14.5 million based on preliminary assessed valuations. Due to the significant increases in many property values to get them to market, an unusually large number of informal and formal appeals have been filed. Additionally, the state has formed an Interim Committee on Oversight of Local Taxation with the primary task of considering internet sales tax. The large increase in assessed valuation in Jackson County has also come under review by the committee. A group of neighborhood associations have requested their residential real estate be capped at 6 percent inside their boundaries. The Board of Equalization has not taken up this request.
 - Proposition C sales taxes decreased by \$0.42 million based on declining weighted average daily attendance for the District.
 - Other local revenues are projected to decrease by \$2.3 million mainly due to grants that ended in FY19. However, additional local revenues including sale of property and grants were received after the board approved the budget.
 - State aid is projected to decline by approximately \$6.3 million as a result of a decline from a three-year high WADA from 2016-17.
 - Federal grants are budgeted at a decrease of \$7.3 million until the actual amount of the grant is awarded by the government.
 - It is anticipated that additional local, state and federal grants will be awarded during the fiscal year. Federal grants awarded after the board adopted the budget are Title I, II, III & IV, Head Start and School Improvement Grant; and local grants were received from Baum Family Foundation, School Smart KC, Kauffman Foundation and Jackson County Community Children's Service Fund.
- Fiscal year 2020 expenditures of approximately \$257.2 million represent a decrease of about \$2.3 million or (0.87%) when compared to the prior year. Budgeted expenditures mainly decreased in summer school program due to less partners, and reduction in Title I and Head start program until the final award is received from the federal government.

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, 2901 Troost Avenue, Kansas City, Missouri 64109, Attn: Chief Financial and Operations Officer.

BASIC FINANCIAL STATEMENTS

KANSAS CITY PUBLIC SCHOOLS

Statement of Net Position

June 30, 2019

	Governmental activities	Business-type activities	Total
Assets:			
Cash and investments	\$ 100,521,448	1,188,732	101,710,180
Restricted cash and investments	16,762,674	—	16,762,674
Taxes receivable (net of allowance for uncollectibles)	210,490,850	—	210,490,850
Interest receivable	325,301	—	325,301
Due from other governmental units	11,236,858	—	11,236,858
Prepaid expenses	145,877	—	145,877
Other receivables	411,644	54,237	465,881
Supplies inventories	95,000	—	95,000
Property held for sale	1,745,400	—	1,745,400
Capital assets (net of accumulated depreciation):			
Nondepreciable	41,209,166	—	41,209,166
Depreciable	350,250,630	—	350,250,630
Total assets	<u>733,194,848</u>	<u>1,242,969</u>	<u>734,437,817</u>
Deferred outflows of resources:			
Pension-related amounts	50,627,244	—	50,627,244
Other post employment benefits	1,676,203	—	1,676,203
Total deferred outflows of resources	<u>52,303,447</u>	<u>—</u>	<u>52,303,447</u>
Liabilities:			
Accounts payable and other	16,478,457	72,878	16,551,335
Accrued salaries, benefits, and payroll taxes	14,036,059	2,185	14,038,244
Accrued interest payable	471,086	—	471,086
Unearned revenue	—	27,548	27,548
Long-term liabilities:			
Due within one year:			
Compensated absences	4,413,838	—	4,413,838
Revenue bonds	2,620,000	—	2,620,000
Lease purchase agreement	1,646,322	—	1,646,322
Certificates of participation	800,000	—	800,000
Due in more than one year:			
Compensated absences	11,218,773	—	11,218,773
Claims payable	295,000	—	295,000
Revenue bonds	20,360,000	—	20,360,000
Lease purchase agreement	20,041,304	—	20,041,304
Certificates of participation	47,110,000	—	47,110,000
Premium on COP	1,969,832	—	1,969,832
Total other post-employment benefits liability	21,016,401	—	21,016,401
Net pension liability	226,149,556	—	226,149,556
Total liabilities	<u>388,626,628</u>	<u>102,611</u>	<u>388,729,239</u>
Deferred inflows of resources:			
Pension-related amounts	5,241,068	—	5,241,068
Other post employment benefits	714,214	—	714,214
Property taxes	191,243,158	—	191,243,158
Total deferred inflows of resources	<u>197,198,440</u>	<u>—</u>	<u>197,198,440</u>
Net position:			
Net investment in capital assets	304,185,528	—	304,185,528
Restricted for:			
Workers' compensation	284,856	—	284,856
Permanent fund, nonexpendable corpus	35,000	—	35,000
Patron gifts	219,363	—	219,363
Compensated absences	8,447,988	—	8,447,988
Other restrictions	7,885,791	—	7,885,791
Unrestricted (deficit)	(121,385,299)	1,140,358	(120,244,941)
Total net position	<u>\$ 199,673,227</u>	<u>1,140,358</u>	<u>200,813,585</u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Statement of Activities

Year ended June 30, 2019

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	\$ 17,560,607	—	—	—	(17,560,607)	-	(17,560,607)
Instruction	117,758,505	21,000	26,423,018	—	(91,314,487)	-	(91,314,487)
Support services	90,931,342	155,737	12,822,058	24,987	(77,928,560)	-	(77,928,560)
Operation of facilities	29,207,905	—	14,028	—	(29,193,877)	-	(29,193,877)
Pupil transportation	16,225,259	—	2,930,678	—	(13,294,581)	-	(13,294,581)
Facilities improvements and renovation	2,187,473	—	—	—	(2,187,473)	-	(2,187,473)
Community and adult services	11,053,010	256,732	6,868,243	—	(3,928,035)	-	(3,928,035)
Interest on long-term debt	4,227,845	—	—	1,483,207	(2,744,638)	-	(2,744,638)
Total governmental activities	289,151,946	433,469	49,058,025	1,508,194	(238,152,258)	-	(238,152,258)
Business-type activities:							
Community services	141,351	561,236	—	—	-	419,885	419,885
Total	\$ 289,293,297	994,705	49,058,025	1,508,194	(238,152,258)	419,885	(237,732,373)
General revenues:							
Property taxes					160,455,468	-	160,455,468
Prop C sales tax					18,105,397	-	18,105,397
Other local revenues					6,973,948	-	6,973,948
Intermediate/county					6,762,999	-	6,762,999
State aid—basic formula					2,848,374	-	2,848,374
Grants and entitlements not restricted to specific programs					1,462,437	-	1,462,437
Transfers					102,199	(102,199)	-
Investment earnings					2,979,569	-	2,979,569
Total general revenues and transfers					199,690,391	(102,199)	199,588,192
Change in net position					(38,461,867)	317,686	(38,144,181)
Net position—beginning					238,135,094	822,672	238,957,766
Net position—ending					\$ 199,673,227	1,140,358	200,813,585

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2019

Assets	General	Capital Projects	Other Special Revenue	Nonmajor Governmental funds	Total Governmental funds
Cash and investments	\$ 70,763,290	23,716,410	-	6,041,748	100,521,448
Restricted cash and investments	971,106	4,848,854	10,549,301	393,413	16,762,674
Taxes receivable, net of allowance for uncollectibles	209,755,569	735,281	-	-	210,490,850
Interest receivable	284,972	-	38,806	1,523	325,301
Supplies inventories	-	-	-	95,000	95,000
Other receivables	408,078	-	-	3,566	411,644
Prepaid expenses	145,877	-	-	-	145,877
Due from other governments	11,019,779	142,423	-	74,656	11,236,858
Property held for sale	-	1,745,400	-	-	1,745,400
Total assets	<u>\$ 293,348,671</u>	<u>31,188,368</u>	<u>10,588,107</u>	<u>6,609,906</u>	<u>341,735,052</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 13,137,366	3,296,587	—	44,504	16,478,457
Accrued salaries, benefits, and payroll taxes	12,996,871	—	963,540	75,648	14,036,059
Compensated absences	—	—	1,176,579	—	1,176,579
Total liabilities	<u>26,134,237</u>	<u>3,296,587</u>	<u>2,140,119</u>	<u>120,152</u>	<u>31,691,095</u>
Deferred inflows of resources:					
Unavailable revenue-property taxes	201,943,731	735,281	—	—	202,679,012
Unavailable revenue-grants and services	11,769,032	—	—	95,000	11,864,032
Total deferred inflows of resources	<u>213,712,763</u>	<u>735,281</u>	<u>—</u>	<u>95,000</u>	<u>214,543,044</u>
Fund balances:					
Nonspendable	145,877	—	—	35,000	180,877
Restricted	284,856	1,745,400	8,447,988	6,359,754	16,837,998
Committed	—	3,201,810	—	—	3,201,810
Assigned	3,670,588	22,209,290	—	—	25,879,878
Unassigned	49,400,350	—	—	—	49,400,350
Total fund balances	<u>53,501,671</u>	<u>27,156,500</u>	<u>8,447,988</u>	<u>6,394,754</u>	<u>95,500,913</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 293,348,671</u>	<u>31,188,368</u>	<u>10,588,107</u>	<u>6,609,906</u>	<u>341,735,052</u>

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, 2019

Fund balances—balance sheet	\$ 95,500,913
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	391,459,796
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	(22,980,000)
Lease purchase agreement	(21,687,626)
Certificates of participation	(47,910,000)
Unamortized premium on bonds	(1,969,832)
Net pension liability	(226,149,556)
Accrued interest payable	(471,086)
Total other post-employment benefits liability	(21,016,401)
Compensated absences	(14,456,032)
Claims payable	(295,000)
	<hr/>
	(356,935,533)
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	11,435,854
Deferred inflows of resources—grants	11,864,032
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	(5,241,068)
Deferred outflows of resources—pension related amounts	50,627,244
Deferred inflows of resources—other post employment benefits	(714,214)
Deferred outflows of resources—other post employment benefits	1,676,203
	<hr/>
Net position of governmental activities	\$ <u>199,673,227</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, 2019

	General	Capital Projects	Other Special Revenue	Nonmajor governmental funds	Total governmental funds
Revenues:					
Property taxes	\$ 155,637,040	9,644,248	—	—	165,281,288
Prop C sales tax	17,127,748	—	977,649	—	18,105,397
Other local, including investment income	10,775,057	1,184,530	384,767	1,003,331	13,347,685
Intermediate/county	6,762,999	—	—	—	6,762,999
State aid—basic formula	2,848,374	—	—	—	2,848,374
Other state	7,436,302	—	—	71,647	7,507,949
Federal	22,484,354	1,392,322	—	12,351,449	36,228,125
Tuition	277,732	—	—	—	277,732
Total revenues	<u>223,349,606</u>	<u>12,221,100</u>	<u>1,362,416</u>	<u>13,426,427</u>	<u>250,359,549</u>
Expenditures:					
Current:					
Administration	18,011,186	—	—	—	18,011,186
Instruction	104,036,092	—	—	585,946	104,622,038
Support services	43,027,014	—	2,049,168	12,036,682	57,112,864
Operation of facilities	28,931,646	—	—	—	28,931,646
Pupil transportation	16,224,979	—	—	280	16,225,259
Community and adult services	11,050,132	—	—	—	11,050,132
Debt service:					
Principal	—	1,274,473	—	2,475,000	3,749,473
Interest and fiscal charges	—	3,475,866	—	1,916,328	5,392,194
Capital outlay:					
Instruction	—	316,161	—	—	316,161
Support services	—	1,220,551	—	—	1,220,551
Operation of facilities	—	241,639	—	—	241,639
Facilities improvement and renovation	450,388	19,433,074	—	—	19,883,462
Total expenditures	<u>221,731,437</u>	<u>25,961,764</u>	<u>2,049,168</u>	<u>17,014,236</u>	<u>266,756,605</u>
Revenues over (under) expenditures	<u>1,618,169</u>	<u>(13,740,664)</u>	<u>(686,752)</u>	<u>(3,587,809)</u>	<u>(16,397,056)</u>
Other financing sources (uses):					
Transfers in	1,250,078	8,064,969	—	4,391,328	13,706,375
Transfers out	(7,993,540)	(5,539,207)	-	(71,429)	(13,604,176)
Total other financing sources (uses)	<u>(6,743,462)</u>	<u>2,525,762</u>	<u>-</u>	<u>4,319,899</u>	<u>102,199</u>
Net change in fund balances	<u>(5,125,293)</u>	<u>(11,214,902)</u>	<u>(686,752)</u>	<u>732,090</u>	<u>(16,294,857)</u>
Fund balances, beginning of year	58,626,964	38,371,402	9,134,740	5,662,664	111,795,770
Fund balances, end of year	<u>\$ 53,501,671</u>	<u>27,156,500</u>	<u>8,447,988</u>	<u>6,394,754</u>	<u>95,500,913</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, 2019

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

Net change in fund balances—total governmental funds	\$ (16,294,857)
--	-----------------

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	19,784,196
Depreciation expense	(13,723,919)
	6,060,277

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.

Unrealized loss on impaired capital assets	(147,107)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

112,459

The issuance of long-term debt (e.g., bonds, COPs, 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 payments on certificates of participation	830,000
Payments on lease purchase agreement	1,589,939
Principal payment on revenue bonds	2,475,000
Amortization of bond premium	115,872
Accrued interest payable	18,881
	5,029,692

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	(950,639)
Pension-related amount, pension expense	(33,223,579)
Compensated absences	477,860
Claims payable	474,027
	(33,222,331)
Change in net position of governmental activities	\$ (38,461,867)

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Statement of Net Position—Proprietary Fund
June 30, 2019

	Nonmajor Enterprise Fund
	<hr/>
Assets:	
Cash and investments	\$ 1,188,732
Due from other government	<hr/> 54,237
Total assets	<hr/> 1,242,969 <hr/>
Liabilities:	
Accrued salaries, benefits, and payroll taxes	2,185
Accounts payable	72,878
Unearned revenue	<hr/> 27,548
Total liabilities	<hr/> 102,611 <hr/>
Net position, unrestricted	\$ <u><u>1,140,358</u></u>

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, 2019

	Nonmajor Enterprise Fund
Operating revenues:	
Charges for community support services	\$ 561,236
Total operating revenues	<u>561,236</u>
Operating expenses:	
Salaries, wages, and employee benefits	62,219
Other contractual services	75,066
Supplies and materials	<u>4,066</u>
Total operating expenses	<u>141,351</u>
Income before transfers	419,885
Transfers out	<u>(102,199)</u>
Change in net position	317,686
Total net position, beginning of year	<u>822,672</u>
Total net position, end of year	<u><u>\$ 1,140,358</u></u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Statement of Cash Flows—Proprietary Fund
Year ended June 30, 2019

	Nonmajor Enterprise Fund
	<hr/>
Cash flows from operating activities:	
Receipts from customers and users	\$ 527,391
Payments to suppliers	(154,346)
Payments to employees	(62,150)
	<hr/>
Net cash provided by operating activities	310,895
	<hr/>
Cash flows from noncapital and related financing activities,	
Transfers to other funds	(102,199)
	<hr/>
Net increase in cash and cash equivalents	208,696
Cash and cash equivalents, beginning of year	980,036
	<hr/>
Cash and cash equivalents, end of year	\$ 1,188,732
	<hr/> <hr/>
Reconciliation of operating income to net cash	
provided by operating activities:	
Operating income	\$ 419,885
Adjustments to reconcile operating income to net cash	
provided by operating activities:	
Increase in due from other government	(42,895)
Increase in unearned revenue	9,049
Decrease in accounts payable	(75,212)
Increase in accrued salaries, benefits and payroll taxes	68
	<hr/>
Total adjustments	(108,990)
	<hr/>
Net cash provided by operating activities	\$ 310,895
	<hr/> <hr/>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Statement of Fiduciary Net Position

June 30, 2019

	Private Purpose Trust— Student Scholarship Fund
Assets:	
Cash	\$ 208,180
Due from community	264
Interest receivable	808
Total assets	<u>209,252</u>
Liabilities:	
Accounts payable	<u>—</u>
Total liabilities	<u>—</u>
Net position:	
Net position held in trust for other purposes	<u><u>\$ 209,252</u></u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2019

	Private Purpose Trust— Student Scholarship Fund
Additions:	
Contributions:	
Private donations	\$ 38,376
Total contributions	38,376
Investment income:	
Adjustment of investments to fair market value	6,192
Total investment income	6,192
Total additions	44,568
Deductions:	
Scholarship awards	7,500
Total deductions	7,500
Net increase in net position	37,068
Net position, beginning of year	172,184
Net position, end of year	\$ 209,252

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

(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, 2019 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-one charter schools were operating during fiscal year 2019. 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.

The Kansas City Public Schools Education Foundation (the Foundation) provides annual program grants to the District through its own fundraising efforts. The Foundation is a legally separate entity and it has been excluded from the District's reporting entity because its assets are not significant to the District.

(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 of 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, 2019

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 prior to eligible expenditures being incurred 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, other post-employment benefits, 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, 2019

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

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

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

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

The District has one 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 primarily from salaries and fringe benefits.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

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* is a private purpose trust fund and 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.

Investments in the U.S. Treasuries and U.S. Agencies are recorded at fair value. Investments in certificates of deposit are recorded at amortized cost. The value of marketable securities is based on quoted market prices provided by a securities pricing company through the District's financial banking institution. The District's investment in the external investment pool (MOSIP) is not SEC-registered and is regulated by the State of Missouri. This external investment pool is reported at amortized cost or net asset value depending on the type of investment option.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

2. Restricted Cash and Investments

Certain proceeds of the series 2016 Certificates of Participation are classified as restricted assets. A trustee holds these resources and their use is limited by applicable bond covenants. 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

All trade and property tax receivables are shown net of an allowance of approximately \$4.43 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, 2019 for real estate, personal property, merchants and manufacturers, and railroad and utility property was approximately \$4.0 billion.

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 the acquisition 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).

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

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 the acquisition 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

The Board of Education has declared one closed building 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 nine 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.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

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. For employees hired before January 1, 2009, 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 200 days at 75% of total value of PTO. Employees hired after January 1, 2009 may accumulate 175 days, at a rate of 3% for each year of service up to 75% of total value of PTO.

Estimated vacation and PTO payments due to employees at June 30, 2019 of \$15.6 million have been recorded in the government-wide financial statements. Of this balance, \$1.2 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, 2019 of 8.4 million to cover these future payments. Payments of benefits to employees are made from the Other Special Revenue Fund.

7. Interfund Transactions

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, 2019.

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, 2019.

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, 2019

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 has two items that qualified for reporting in this category. It is the deferred pension related amounts and amounts related to the total other post-employment benefits (OPEB) liability 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, the difference between expected and actual plan experience and changes of plan assumptions. It also consists of contributions made to the pension plan subsequent to the measurement date. The amounts related to the total OPEB liability consist of changes in assumptions used to calculate the liability.

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 a deferred inflow of resources from property taxes levied for future years. The statement of net pension also reports pension and other post-employment benefit related deferred inflows, which consist of the unamortized portion of the change in the District's proportionate share of the net pension liability and the change in assumptions from the prior valuation of total OPEB 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.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

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.

11. Tax Abatements

The District is subject to property and sales tax abatements through various programs implemented by the city of Kansas City, Missouri. For purposes of GASB Statement No. 77, the "tax abatement" programs include: Tax Increment Financing (TIF), Enhanced Enterprise Zone, Chapter 99, Chapter 100, Chapter 353, LCRA sale/leaseback, and Port KC sale/leaseback. The financial impact of these tax abatement programs on the district during fiscal year 2019 is \$21,777,000 offset in part by PILOTs received of \$820,000. The financial impact of the Planned Industrial Expansion Authority (PIEA) tax abatement program is \$8,418,000 offset in part by PILOTs received of \$539,000.

12. 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.

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.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

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).

Net position restricted through legislation, outside parties or by law through constitutional provisions consist of \$284,856 for worker's compensation, \$35,000 for nonexpendable corpus of permanent fund, \$219,363 for patron gifts, \$8,447,988 for compensated absences and \$7,885,791 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.

13. 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.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

(2) Fund Balances

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

Fund Balances:	General	Capital Projects	Other Special Revenue	Nonmajor Governmental Funds	Total
Nonspendable:					
Patron gift	\$ -	-	-	35,000	35,000
Prepays	145,877	-	-	-	145,877
Total nonspendable	145,877	-	-	35,000	180,877
Restricted:					
Child nutritional services	-	-	-	5,697,249	5,697,249
Student activities	-	-	-	302,569	302,569
Patron gift	-	-	-	219,363	219,363
Property held for sale	-	1,745,400	-	-	1,745,400
Permanent fund	-	-	-	140,573	140,573
Compensated absences	-	-	8,447,988	-	8,447,988
Workers compensation	284,856	-	-	-	284,856
Total restricted	284,856	1,745,400	8,447,988	6,359,754	16,837,998
Committed:					
Encumbrances	-	3,201,810	-	-	3,201,810
Total committed	-	3,201,810	-	-	3,201,810
Assigned:					
Encumbrances	1,604,932	-	-	-	1,604,932
Future equipment purchases	-	16,845,918	-	-	16,845,918
Capital projects	-	5,363,372	-	-	5,363,372
Insurance	2,065,656	-	-	-	2,065,656
Total assigned	3,670,588	22,209,290	-	-	25,879,878
Unassigned	49,400,350	-	-	-	49,400,350
Total fund balances	\$ 53,501,671	27,156,500	8,447,988	6,394,754	95,500,913

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

(3) Detailed Notes on All Funds

(a) Deposits and Investments

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.

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.

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 0.25 years.

The District had the following investments in debt securities at June 30, 2019:

<u>Investment type</u>	<u>Investment balance</u>	<u>Weighted average maturity (years)</u>
U.S. Treasury obligations	\$ 50,140,672	0.35
Government-sponsored enterprises	8,595,138	0.20
Commercial paper	4,989,325	0.08
MOSIP – term	15,000,000	0.02
Total debt securities	<u>\$ 78,725,135</u>	
Portfolio weighted average maturity		0.25

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Notes to Basic Financial Statements

June 30, 2019

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:

Investment type	Moody's Investors Service	Standard & Poor's
U. S. Treasury Obligations	Aaa	AA+
Government-sponsored enterprises:		
Federal National Mortgage Association	Aaa	-
Commercial paper	P1	A1
Local Government Investment Pool:		
MOSIP Liquid Series	-	AAAm
MOSIP Term Series	-	AAAf

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 allow 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. Collateralized repurchase agreements are limited to 50% of the total investments. At June 30, 2019 the District's investments in Federal National Mortgage Association constituted approximately 7.18% of its total investment portfolio. The District's investments in U.S. Treasury obligations and local government investment pools are not subject to concentration of credit risk disclosures.

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, 2019, the District had no deposits or investments exposed to custodial credit risk.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

Fair value measurements—Fair value is 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. Fair value is a market based measurement, not an entity specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same—that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between the market and participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The District categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

Level 1 input—Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.

Level 2 input—Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 input—Inputs that are unobservable for the asset or liability which are typically based on the District's own assumptions as there is little, if any, related market activity.

Hierarchy—The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Inputs—If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

	Total	Level 1	Level 2
Investments:			
Repurchase agreements	\$ 40,607,000	\$ -	\$ 40,607,000
U.S. Treasuries	50,140,672	50,140,672	-
U.S. Agencies	8,595,138	-	8,595,138
Commercial paper	4,989,325	-	4,989,325
	104,332,135	\$ 50,140,672	\$ 54,191,463
Investments measured at net asset value			
MOSIP - term	15,000,000		
Investments measured at			
amortized cost:			
Local government investment pool - MOSIP	354,028		
Total investments	\$ 119,686,163		

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

(b) Capital Assets

Capital asset activity as of June 30, 2019 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	\$ 31,227,988	24,513	—	31,252,501
Construction in progress	543,178	56,083	(543,178)	56,083
Impairment- closed buildings	10,023,206	—	(122,624)	9,900,582
Total capital assets, not being depreciated	<u>41,794,372</u>	<u>80,596</u>	<u>(665,802)</u>	<u>41,209,166</u>
Capital assets, being depreciated:				
Buildings and improvements	544,857,741	17,292,749	—	562,150,490
Improvements other than buildings	56,564,917	2,511,248	—	59,076,165
Equipment and furniture	18,851,540	413,237	(311,656)	18,953,121
Vehicles	1,800,957	29,545	(94,049)	1,736,453
Total capital assets being depreciated	<u>622,075,155</u>	<u>20,246,779</u>	<u>(405,705)</u>	<u>641,916,229</u>
Less accumulated depreciation for:				
Buildings and improvements	(227,794,007)	(11,746,371)	—	(239,540,378)
Improvements other than buildings	(32,709,200)	(1,333,161)	—	(34,042,361)
Equipment and furniture	(16,324,989)	(507,138)	307,155	(16,524,972)
Vehicles	(1,494,704)	(137,249)	74,065	(1,557,888)
Total accumulated depreciation	<u>(278,322,900)</u>	<u>(13,723,919)</u>	<u>381,220</u>	<u>(291,665,599)</u>
Total capital assets, being depreciated, net	<u>343,752,255</u>	<u>6,522,860</u>	<u>(24,485)</u>	<u>350,250,630</u>
Governmental activities capital assets, net	<u>\$ 385,546,627</u>	<u>6,603,456</u>	<u>(690,287)</u>	<u>391,459,796</u>

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Notes to Basic Financial Statements

June 30, 2019

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

Elementary schools	\$	5,303,554
Middle schools		1,866,577
Senior high schools		5,979,461
Early childhood		2,878
Total instruction		<u>13,152,470</u>
Executive administration		9,165
Food service		5,802
Internal services		624
Student activities		1,157
Health/psych/speech/audiology		3,482
Information technology		112,212
Total support services		<u>132,442</u>
Operation of facilities		129,152
Facilities improvements and renovation		309,855
Total governmental activities depreciation expense	\$	<u><u>13,723,919</u></u>

As of June 30, 2019 the District has nine schools with a total carrying value of \$9,900,582 that are idle and considered impaired. These schools are accounted for at the lower of carrying value or fair value. Management has determined an additional seven buildings with a carrying value of \$29,700,811 are considered to be temporarily impaired.

(c) *Transfers*

The following transfers were made during the fiscal year:

	General Fund	Capital Projects	Nonmajor Governmental	Total
Transfers from:				
General fund	\$ —	7,993,540	—	7,993,540
Capital project fund	1,147,879	—	4,391,328	5,539,207
Nonmajor governmental fund	—	71,429	—	71,429
Enterprise fund	102,199	—	—	102,199
	<u>\$ 1,250,078</u>	<u>8,064,969</u>	<u>4,391,328</u>	<u><u>13,706,375</u></u>

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

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

(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, 2019.

(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 \$12,576,997 with annual requirements ranging from \$1.83 million to \$2.4 million. For the current year, interest paid by the District was \$.284 million. The amount of tax credits issued to the bondholder from the federal government was \$.772 million.

The 2010 Leasehold Revenue Qualified School Construction Bonds are payable through 2029. The total principal and interest remaining on the debt is \$15,652,310 with annual requirements ranging from \$1.05 million to \$1.22 million. For the current year, interest paid by the District was \$.860 million. The amount of interest subsidy reimbursed to the District from the federal government was \$.596 million.

On August 24, 2016, the District issued the Series 2016 Certificates of Participation in the amount of \$51,035,000. The Certificates mature in 2036 and require annual principal payments and semi-annual interest payments at a variable of 2%-5%. Proceeds were used for school renovations, rehabilitation, and other capital improvements. The total principal and interest remaining on the debt is \$65,604,888.

Bonds and certificates of participation outstanding at June 30, 2019 are as follows:

Series	Amount outstanding	Interest rate	Maturity year
Revenue bonds:			
Series 2009	\$ 11,670,000	2.23%	2025
Series 2010	11,310,000	7.12%	2029
Certificate of participation			
Series 2016	47,910,000	5.00%	2036
	<u>\$ 70,890,000</u>		

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Notes to Basic Financial Statements

June 30, 2019

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

	Revenue Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2020	\$ 2,620,000	1,038,131	800,000	1,495,869
2021	2,770,000	927,524	775,000	1,479,869
2022	2,930,000	812,599	750,000	1,448,869
2023	3,105,000	693,228	715,000	1,433,869
2024	3,295,000	568,893	640,000	1,419,569
2025-2029	8,260,000	1,208,931	14,030,000	6,411,444
2030-2034	—	—	20,785,000	3,579,700
2035-2036	—	—	9,415,000	425,700
Total	\$ 22,980,000	5,249,306	47,910,000	17,694,889

Equipment Lease Purchase Agreement

The equipment lease purchase agreement was executed June 23, 2015 in the amount of \$27,786,986 to finance the energy performance contract for the purpose of the purchase and installation of specified energy saving equipment and the provision of other services designed to save energy and reduce related costs for identified property and buildings owned by the District. The District recorded the liability for this agreement when eligible costs were incurred. The obligation bears interest at 3.5% with principal and interest due quarterly from 2015 through 2030. The total principal and interest remaining on the agreement is \$26,223,311.

The lease is secured by the capital assets purchased. Capital assets, net of accumulated depreciation, relating to this lease are \$25,914,156 as of June 30, 2019.

Aggregate maturities are as follows:

	Lease Purchase Agreement	
	Principal	Interest
Year ending June 30:		
2020	\$ 1,646,322	737,616
2021	1,704,703	679,234
2022	1,765,156	618,782
2023	1,827,752	556,185
2024	1,892,568	491,370
2025-2029	10,518,437	1,401,248
2030	2,332,688	51,250
Total	\$ 21,687,626	4,535,685

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Notes to Basic Financial Statements

June 30, 2019

(f) *Changes in Long-term Liabilities*

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

	Beginning balance, as restated	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
Leasehold revenue bonds	\$ 25,455,000	—	(2,475,000)	22,980,000	2,620,000
Certificate of participation	48,740,000	—	(830,000)	47,910,000	800,000
Net pension liability	172,353,704	53,795,852	—	226,149,556	—
Total OPEB liability	18,266,842	2,749,559	—	21,016,401	—
Compensated absences	15,924,290	3,935,977	(4,227,657)	15,632,610	4,413,838
Lease purchase agreement	23,277,565	—	(1,589,939)	21,687,626	1,646,322
Long-term liabilities	<u>\$ 304,017,401</u>	<u>60,481,388</u>	<u>(9,122,596)</u>	<u>355,376,193</u>	<u>9,480,160</u>

Compensated absences are liquidated by the Other Special Revenue Fund. Net pension liability and total OPEB liability are 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 \$284,856 as of June 30, 2019 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.

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Notes to Basic Financial Statements

June 30, 2019

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.

(b) *Post-Employment Benefits*

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

A. General Information about the OPEB Plan

Plan Description—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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided—The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms –

Membership in the OPEB comprised the following at July 1, 2018:

Active employees	1,697
Inactive employees and spouses	119

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Notes to Basic Financial Statements

June 30, 2019

B. Total OPEB Liability

The District's total OPEB liability of \$21,016,401 was measured as of June 30, 2019, and was determined based on an actuarial valuation prepared as of July 1, 2018 rolled forward to June 30, 2019 using generally accepted actuarial principles and methods.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary Increases	5.00 percent, including inflation
Discount Rate	3.45 percent at valuation date, 3.36 percent as of measurement date
Healthcare Cost Trend Rates	7.50 percent for 2018, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for 2025 and later years
Retirees' Share of Benefit-Related Costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates were based on the SOA RPH-2014 adjusted to 2006 Headcount-weighted Mortality, as appropriate, with adjustments for mortality improvements based on scale MP-2018. The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2018.

C. Changes in the Total OPEB Liability

Balance at June 30, 2018	\$ 18,266,842
Service cost	909,063
Interest	704,433
Differences between expected and actual experience	189
Changes in assumptions or other inputs	2,016,015
Benefits payments	(880,141)
Balance at June 30, 2019	<u>\$ 21,016,401</u>

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate—The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.36 percent) or 1 percentage point higher (4.36 percent) than the current discount rate:

	1% Decrease (2.36%)	Discount Rate (3.36%)	1% Increase (4.36%)
Total OPEB Liability	<u>\$ 25,521,222</u>	<u>\$ 21,016,401</u>	<u>\$ 17,510,831</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates—The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current healthcare cost trend rate:

	1% Decrease (6.5%)	Healthcare Cost Trend Rates (7.5%)	1% Increase (8.5%)
Total OPEB Liability	<u>\$ 17,167,185</u>	<u>\$ 21,016,401</u>	<u>\$ 25,890,511</u>

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$959,609. At June 30, 2019, the District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 157	\$ -
Changes of assumptions	<u>1,676,046</u>	<u>(714,214)</u>
Total	<u>\$ 1,676,203</u>	<u>\$ (714,214)</u>

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

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

Fiscal Year Ending June 30	Amount
2020 \$	217,284
2021	217,284
2022	217,284
2023	217,284
2024	193,482
Thereafter	<u>(100,629)</u>
\$	<u><u>961,989</u></u>

(c) *Commitments*

On June 22, 2016 the board approved an agreement with Kansas City Taxi doing business as Yellow Cab of Kansas City for a three-year agreement for a term of August 01, 2016 through July 31, 2019. The District reserved the right to allocate funds annually, and a corresponding not to exceed amount annually via annual fiscal year amendments. On July 12, 2017 the board approved the first amendment to provide a not to exceed amount of \$1,927,800. On June 27, 2018 the board approved a second amendment to increase the not to exceed amount to \$2,000,000.

On January 10, 2018 the board approved an agreement with All Copy Products for leased printer services for a sixty-month lease agreement with automatic renewals after the original term unless terminated. The total amount of this contract is \$1,500,000. The District executed a first amendment to extend the end term to March 31, 2023 to provide the vendor and KCPS with sixty months of actual usage.

On February 27, 2019 the board approved a three-year agreement from July 1, 2019 through June 30, 2022, with annual increases of 3% throughout the life of the contract and an option to extend up to two one-year periods, with Student Transportation of America to provide regular and special education transportation services for an amount not to exceed \$14,500,000 for the first year.

On June 26, 2019 the board approved a three-year agreement with Ferrellgas for a school bus propane fueling station and LPG supply for an estimated total of \$1,450,000.

(d) *Operating Leases*

The District has entered into an operating lease for 14 vehicles with a five-year lease term which includes an option to terminate the lease. Lease expenditures for the current year were \$35,345 and the estimated remaining obligation is \$311,981 through fiscal year 2024.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

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

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, 3100 Broadway, Suite 1211, Kansas City, Missouri 64111 or by calling (816) 472-5912.

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, 2016 the rate increased to 9.0 percent. The District's contractually required contribution rate for the year ended June 30, 2016, was 9.0% 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. The employer contribution for calendar year 2019 shall be 10.5%. The employer contribution rate for the eighteen-month period beginning January 1, 2020 through June 30, 2021 shall be 12.0%. At the point the system is fully funded the employer contribution will be recalculated annually increasing and decreasing depending on requirements to keep fully funded. The employer contribution will not exceed 12%. The changes are subject to statutory limitations. The employer contribution The employer contribution rate will continue to be at 12% until the Retirement System is fully funded. Employee contributions are capped at 9.0%. Contributions to the pension plan from the District were \$11,085,709 for the year ended June 30, 2019.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

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

At June 30, 2019, the District reported a liability of \$226,149,556 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward one year to December 31, 2018, using generally accepted actuarial principles and methods. 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, 2018, the District's collective proportion was 56.508114 percent, which was a decrease of .236696 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$33,223,579. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual Plan experience	\$ 582,214	(3,981,918)
Net difference between projected and actual earnings on pension plan investments	27,752,984	-
Changes of assumptions	15,371,984	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	(1,259,150)
District contributions subsequent to the measurement date	6,920,062	-
Total	\$ <u>50,627,244</u>	<u>(5,241,068)</u>

The \$6,920,062 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, 2019. The deferred outflows related to the difference between expected and actual investment earnings is being amortized over a closed 5-year period. The remaining amount of deferred outflows and inflows 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 each measurement period.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

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:

Year ended June 30:	Deferred Outflows/(Inflows) of Resources
2019	\$ 21,144,759
2020	4,457,405
2021	3,313,256
2022	9,550,694
Total	<u>\$ 38,466,114</u>

There were no non-employer contributing entities at KCPSRS.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	5.0 percent including price inflation
Investment rate of return	7.75 percent compounded annually, net of investment expense and including price inflation

Pre-retirement mortality rates were based on the RP-2014 Healthy Non-Annuitant Blue Collar Table with a one-year setback for females, projected 15 years from valuation date using Scale MP-2016. Post-retirement mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table with a one-year setback for females, projected 7 years from valuation date using Scale MP-2016.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2015 (dated October 3, 2016).

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	22.5%	6.8%
International Developed Equity	15.0	7.5%
International Emerging Equity	10.0	9.9%
Core Fixed Income	10.0	1.8%
High Yield	2.5	5.0%
International Fixed Income	5.0	1.3%
Real estate	10.0	4.6%
Commodities	5.0	4.3%
Hedge Fund of Funds	7.5	3.8%
GTAA	7.5	4.2%
Private equity	5.0	11.5%
Total	100%	

Discount rate (SEIR) The discount rate used to measure the total pension liability (TPL) at December 31, 2018 was 7.57 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. On that basis, the pension plan's fiduciary net position was projected to be depleted in the year 2069, and as a result, the Municipal Bond Index Rate was used in the determination of the SEIR. The long-term assumed rate of return on investments, net of expenses, of 7.75 percent was applied to years before 2069 and the Municipal Bond Index rate of 4.13% was applied to years on and after 2069, resulting in a SEIR of 7.57 percent. The Municipal Bond Index Rate was not used at the Prior Measurement Date to determine the SEIR (7.75%).

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

The projection of cash flows used to determine the discount rate assumed that plan contributions from members and employers will be made as follows:

- a. Employee contribution rate: 9.00 percent of covered compensation. Effective July 1, 2021, the lesser of (1) 9.00 percent of covered compensation, or (2) half of the actuarial required contribution rate, as determined in the valuation prepared for the prior calendar year.
- b. Employer contribution rate: 9.00 percent of covered compensation in 2018, 10.50 percent effective January 1, 2019, 12.00 percent effective January 1, 2020, then beginning July 1, 2021, the employer contribution rate will be the greater of (1) the actuarial required contribution rate, as determined in the valuation prepared for the prior calendar year, less the member contribution rate, or (2) 12.00 percent of pay, until the pension plan is fully funded. Once the pension plan is fully funded, the employer contribution rate may increase or decrease in subsequent years, depending on the valuation results and the employee contribution rate may decrease from 9.00 percent depending on valuation results. However, such changes are subject to statutory limitations.

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 7.57 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 (6.57 percent) or 1-percentage-point higher (8.57 percent) than the current rate:

	1% Decrease (6.57%)	Current Discount Rate (7.57%)	1% Increase (8.57%)
District's proportionate share of the net pension liability	\$ 282,314,152	226,149,556	178,600,780

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, 2019:

The District reported payables to the defined benefit pension plan of \$962,847 for legally required employer contributions and \$825,298 for legally required employee contributions which had been withheld from employee wages but not yet remitted to KCPSRS.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2019

(f) ***New Pronouncements***

GASB Statement No. 84, *Fiduciary Activities*, issued January 2017, will be effective for the District beginning with its fiscal year ending June 30, 2020. GASB 84 clarifies the criteria for identifying fiduciary activities, with the focus on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Activities meeting certain criteria should be reported in a fiduciary fund in the financial statements.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the District beginning with its fiscal year ending June 30, 2021, with earlier adoption encouraged. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the District must report the (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The Statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments, and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-lease components embedded in lease contracts (such as service agreements), and leases with related parties.

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

REQUIRED SUPPLEMENTARY INFORMATION

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2019

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Property taxes	\$ 157,117,044	156,414,428	155,637,040	(777,388)
Prop C taxes	11,398,099	11,408,158	11,315,873	(92,285)
Other local	6,645,453	10,642,633	10,701,682	59,049
County	5,263,471	6,166,946	6,592,903	425,957
Basic formula	3,245,997	2,299,149	1,954,699	(344,450)
Other state	9,743,108	10,265,524	7,391,376	(2,874,148)
Federal sources	18,549,326	30,645,151	22,179,102	(8,466,049)
Tuition	-	-	277,732	277,732
Total revenues	<u>211,962,498</u>	<u>227,841,989</u>	<u>216,050,407</u>	<u>(11,791,582)</u>
Expenditures:				
Current:				
Administration:				
Board of education services:				
Salaries	61,623	61,623	57,899	3,724
Benefits	22,590	22,590	20,330	2,260
Purchased services	361,526	358,326	325,113	33,213
Supplies and materials	7,600	12,800	13,125	(325)
Total Board of education services	<u>453,339</u>	<u>455,339</u>	<u>416,467</u>	<u>38,872</u>
Executive administration:				
Salaries	1,187,193	1,187,193	1,202,632	(15,439)
Benefits	376,708	376,708	343,561	33,147
Purchased services	1,447,770	1,333,818	2,549,181	(1,215,363)
Supplies and materials	45,180	55,241	44,101	11,140
Total executive administration	<u>3,056,851</u>	<u>2,952,960</u>	<u>4,139,475</u>	<u>(1,186,515)</u>
Building level administration:				
Salaries	1,954,935	1,937,250	2,083,301	(146,051)
Benefits	904,120	886,522	835,367	51,155
Purchased services	223,310	327,929	382,842	(54,913)
Supplies and materials	74,661	95,661	121,822	(26,161)
Total building level administration	<u>3,157,026</u>	<u>3,247,362</u>	<u>3,423,332</u>	<u>(175,970)</u>
Total administration	<u>6,667,216</u>	<u>6,655,661</u>	<u>7,979,274</u>	<u>(1,323,613)</u>
Instruction:				
Elementary:				
Salaries	632,560	681,074	729,197	(48,123)
Benefits	323,585	343,210	275,266	67,944
Purchased services	1,665,157	1,845,230	1,518,270	326,960
Supplies and materials	257,021	538,078	449,453	88,625
Total elementary	<u>2,878,323</u>	<u>3,407,592</u>	<u>2,972,186</u>	<u>435,406</u>
Middle/junior high:				
Salaries	-	-	2,975	(2,975)
Benefits	-	-	263	(263)
Purchased services	208,098	338,818	335,893	2,925
Supplies and materials	34,368	441,554	55,664	385,890
Total middle/junior high	<u>242,466</u>	<u>780,372</u>	<u>394,795</u>	<u>385,577</u>

(Continued)

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2019

	Original budget	Final budget	Actual	Variance with Final Budget
Senior high:				
Salaries	\$ 320,091	292,662	310,434	(17,772)
Benefits	138,803	121,003	116,464	4,539
Purchased services	1,370,534	1,524,221	1,461,165	63,056
Supplies and materials	164,728	215,697	187,056	28,641
Total senior high	1,994,156	2,153,583	2,075,119	78,464
Other instruction:				
Salaries	75,331	83,705	104,298	(20,593)
Benefits	7,220	38,043	34,260	3,783
Purchased services	4,419,033	4,059,796	533,275	3,526,521
Supplies and materials	62,811	68,684	34,004	34,680
Total special education	4,564,395	4,250,228	705,837	3,544,391
Special education:				
Salaries	3,102,174	3,352,950	2,850,456	502,494
Benefits	1,564,018	1,721,388	1,308,924	412,464
Purchased services	7,372,306	9,856,371	7,208,972	2,647,399
Supplies and materials	312,200	230,282	138,253	92,029
Total special education	12,350,698	15,160,991	11,506,605	3,654,386
Culturally different:				
Salaries	1,165,636	1,290,688	1,291,649	(961)
Benefits	700,377	692,221	630,118	62,103
Purchased services	3,957,729	2,515,810	2,438,718	77,092
Supplies and materials	81,571	3,389,868	3,191,432	198,436
Total culturally different	5,905,313	7,888,587	7,551,917	336,670
Vocational instruction:				
Salaries	149,730	180,792	169,586	11,206
Benefits	61,890	62,442	59,368	3,074
Purchased services	529,327	680,639	533,244	147,395
Supplies and materials	240,651	422,175	279,572	142,603
Total vocational instruction	981,598	1,346,048	1,041,770	304,278
Student activities:				
Salaries	730,749	750,895	869,611	(118,716)
Benefits	125,276	126,442	130,484	(4,042)
Purchased services	304,558	301,091	301,095	(4)
Supplies and materials	202,200	242,732	221,581	21,151
Total student activities	1,362,783	1,421,160	1,522,771	(101,611)
Tuition to other districts:				
Purchased services	400,000	400,000	445,389	(45,389)
Total tuition to other districts	400,000	400,000	445,389	(45,389)
Total instruction	30,679,732	36,808,561	28,216,389	8,592,172
Support services:				
Attendance/placement:				
Salaries	1,877,687	2,531,960	2,458,892	73,068
Benefits	740,058	990,168	829,838	160,330
Purchased services	127,350	775,317	555,777	219,540
Supplies and materials	36,900	52,828	49,872	2,956
Total attendance/placement	2,781,995	4,350,273	3,894,379	455,894

(Continued)

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2019

	Original budget	Final budget	Actual	Variance with Final Budget
Guidance/counseling:				
Salaries	\$ 313,416	370,824	398,740	(27,916)
Benefits	140,489	158,899	142,663	16,236
Purchased services	137,500	215,110	237,654	(22,544)
Supplies and materials	7,500	23,380	12,019	11,361
Total guidance/counseling	598,905	768,213	791,076	(22,863)
Health, psychology, and speech:				
Salaries	4,562,473	4,432,684	4,274,408	158,276
Benefits	1,746,093	1,640,392	1,401,073	239,319
Purchased services	1,500	1,500	24,555	(23,055)
Supplies and materials	38,211	62,494	58,082	4,412
Total health, psychology, and speech	6,348,277	6,137,070	5,758,118	378,952
Improvement of instruction:				
Curriculum development:				
Salaries	223,218	310,757	300,207	10,550
Benefits	86,613	112,372	93,441	18,931
Purchased services	2,133,099	3,651,554	3,025,609	625,945
Supplies and materials	264,072	312,729	274,036	38,693
Total curriculum development	2,707,002	4,387,412	3,693,293	694,119
Staff training:				
Purchased services	-	6,000	15,547	(9,547)
Supplies and materials	-	3,345	3,345	-
Total staff training	-	9,345	18,892	(9,547)
Educational media services:				
Purchased services	-	128,951	127,911	1,040
Supplies and materials	284,352	272,725	217,011	55,714
Total educational media services	284,352	401,676	344,922	56,754
Financial services:				
Salaries	7,708,092	7,871,398	7,675,973	195,425
Benefits	2,677,819	2,735,514	2,433,210	302,304
Purchased services	5,062,232	5,530,518	5,005,005	525,513
Supplies and materials	874,824	3,940,260	3,177,356	762,904
Total financial services	16,322,967	20,077,690	18,291,544	1,786,146
Total support services	29,043,498	36,131,679	32,792,224	3,339,455
Operation of facilities:				
Salaries	12,920,696	11,917,406	11,575,565	341,841
Benefits	5,292,776	4,419,713	4,134,140	285,573
Purchased services	9,520,643	9,567,750	9,490,508	77,242
Supplies and materials	345,850	328,739	207,312	121,427
Other purchased services	2,172,360	3,178,699	2,313,786	864,913
Other supplies and materials	1,145,000	1,339,146	1,303,352	35,794
Total operation of facilities	31,397,325	30,751,453	29,024,663	1,726,790
Pupil transportation:				
Salaries	-	10,588	10,542	46
Benefits	-	1,761	1,970	(209)
Purchased services	15,008,332	15,122,393	16,209,313	(1,086,920)
Supplies and materials	2,500	2,500	3,154	(654)
Total pupil transportation	15,010,832	15,137,242	16,224,979	(1,087,737)

KANSAS CITY PUBLIC SCHOOLS

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2019

	Original budget	Final budget	Actual	Variance with Final Budget
Facility acquisition/asbestos				
Purchased services	\$ 420,000	1,192,816	426,790	766,026
Supplies and materials	-	250,013	23,598	226,415
Total facility acquisition/asbestos	420,000	1,442,829	450,388	992,441
Community and adult services:				
Adult basic education:				
Salaries	210,691	210,691	180,290	30,401
Benefits	94,670	85,621	59,693	25,928
Purchased services	9,000	14,896	13,123	1,773
Supplies and materials	11,800	10,891	9,516	1,375
Total adult basic education	326,161	322,099	262,622	59,477
Community services:				
Salaries	767,002	1,295,166	1,340,891	(45,725)
Benefits	313,905	529,254	474,269	54,985
Purchased services	844,188	848,608	780,554	68,054
Supplies and materials	23,750	139,111	82,794	56,317
Total community services	1,948,845	2,812,139	2,678,508	133,631
Early Childhood:				
Salaries	2,022,506	4,907,678	4,171,724	735,954
Benefits	759,307	2,049,368	1,621,570	427,798
Purchased services	78,800	577,393	239,646	337,747
Supplies and materials	67,800	234,465	130,909	103,556
Total early childhood	2,928,413	7,768,904	6,163,849	1,605,055
Total community and adult services	5,203,419	10,903,142	9,104,979	1,798,163
Total expenditures	118,422,022	137,830,567	123,792,896	14,037,671
Revenues over expenditures	93,540,476	90,011,422	92,257,511	2,246,089
Other financing sources (uses):				
Transfers in	-	-	1,250,078	(1,250,078)
Transfers out	(95,635,768)	(95,321,599)	(98,632,882)	3,311,283
Total other financing sources	(95,635,768)	(95,321,599)	(97,382,804)	2,061,205
Revenues and other financing sources over (under) expenditures	\$ (2,095,292)	(5,310,177)	(5,125,293)	184,884
Reconciliation to GAAP Basis:				
Activities reported within the Teachers' Fund (a sub-fund of the General Fund):				
Total revenue			8,276,849	
Total expenditures			(98,916,191)	
Total other financing sources			90,639,342	
Total reconciling items			-	
Revenues and other financing sources over expenditures			(5,125,293)	
Fund balance, beginning of year			58,626,964	
Fund balance, end of year			\$ 53,501,671	

See Note to Required Supplementary Information.

KANSAS CITY PUBLIC SCHOOLS

Note to the Required Supplementary Information

June 30, 2019

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 16% increase in the General Fund, .3% in the Teachers Fund, 289% in the Capital Projects Fund and 3.04% in the Child Nutritional Services Fund.

KANSAS CITY PUBLIC SCHOOLS

Schedule of Changes in the Total OPEB Liability and Related Ratios Required Supplement Information

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 909,063	\$ 1,169,924
Interest	704,433	608,874
Benefit payments	(880,141)	(1,403,849)
Differences between expected and actual	189	-
Changes in assumptions	2,016,015	(959,648)
Net change in total OPEB liability	2,749,559	(584,699)
Total OPEB liability—beginning	18,266,842	18,851,541
Total OPEB liability—ending	<u>\$ 21,016,401</u>	<u>\$ 18,266,842</u>
Covered payroll	\$ 113,148,130	\$ 107,918,134
Total OPEB liability as a percentage of covered payroll	18.57%	16.93%

Notes to Schedule:

Note GASB Statement No. 75 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.

Changes to assumptions:

	<u>2019</u>	<u>2018</u>
Changes of assumptions and other inputs reflect the changes in the discount rate each period.	3.36%	3.45%
Health care cost trend rates used in each period	7.5% decreasing 0.5% per year to an ultimate rate of 4.5% for 2026 and later years	8.5% decreasing 0.5% per year to an ultimate rate of 4.5% for 2025 and later years

KANSAS CITY PUBLIC SCHOOLS
Required Supplementary Information
Kansas City Public School Retirement System

Schedule of Employer Contributions

Fiscal Year	Statutory required contribution	Contributions in relation to the required contribution	Contribution deficiency (excess)	Contribution as a % of district's covered payroll
2019	\$ 10,917,591	\$ 10,917,591	-	9.73%
2018	9,578,553	9,578,553	-	8.93%
2017	9,586,293	9,586,293	-	8.94%
2016	8,786,297	8,786,297	-	8.41%
2015	8,324,500	8,324,500	-	8.01%
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

Net Pension Liability

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
2019	60.10%	56.508114%	\$ 226,149,556	\$ 112,171,812	201.61%
2018	69.31%	56.744811%	\$ 172,353,704	\$ 107,243,972	160.71%
2017	70.09%	59.045964%	\$ 158,248,820	\$ 107,282,763	147.51%
2016	70.93%	60.790116%	\$ 158,472,857	\$ 104,510,704	151.63%
2015	79.44%	62.829118%	\$ 113,573,271	\$ 103,970,133	109.24%
2014	n/a	64.011121%	\$ 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

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.

Changes in actuarial assumptions and methods:

- June 30, 2019
 - Non-disabled mortality tables were updated to reflect an additional year of mortality improvements.

(continued)

KANSAS CITY PUBLIC SCHOOLS

Required Supplementary Information

Kansas City Public School Retirement System

- June 30, 2018
 - The investment return assumption was lowered from 8.00% to 7.75%
 - The inflation assumption was lowered from 3.00% to 2.75%
 - The assumed interest rate credited on employee account balances was lowered from 5.00% to 3.25%.
 - The general wage increase assumption was set at 3.50%.
 - The payroll growth assumption was set at 3.00%.
 - The mortality assumption was changed to the RP-2014 Blue Collar Mortality table, with a one-year age setback for females, no adjustment for males. Mortality improvements are projected 7 years from the valuation date for retirees and beneficiaries and 15 years for actives, using Scale MP-2016.
 - Retirement rates were modified to partially reflect observed experience.
 - Termination rates were changed to be pure service-based rates.
 - Disability rates were reduced by 50%.
 - The amortization of the UAAL was changed to a “layered” approach with new pieces of UAAL amortized over a closed 20-year period beginning on the valuation date. The UAAL as of January 1, 2017 is being amortized over a closed 30-year period. Amortization payments are determined under the level percent of payroll method.
- June 30, 2017
 - Non-disabled mortality tables were updated to reflect an additional year of mortality improvements.
- June 30, 2016
 - Non-disabled mortality tables were updated to reflect an additional year of mortality improvements.
- June 30, 2015
 - Non-disabled mortality tables were updated to reflect an additional year of mortality improvements.

NONMAJOR FUND FINANCIAL STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

KANSAS CITY PUBLIC SCHOOLS

Nonmajor Governmental Funds—Combining Balance Sheet

June 30, 2019

Assets	Special revenue			Permanent fund	Total nonmajor
	Child nutritional services	Student activity	Patron gift	patron endowments	governmental funds
Cash and investments	\$ 5,708,838	332,910	—	—	6,041,748
Restricted cash and investments	—	—	218,519	174,894	393,413
Interest receivable	—	—	844	679	1,523
Supplies inventories	95,000	—	—	—	95,000
Other receivables	3,566	—	—	—	3,566
Due from other governments	74,656	—	—	—	74,656
Total assets	<u>\$ 5,882,060</u>	<u>332,910</u>	<u>219,363</u>	<u>175,573</u>	<u>6,609,906</u>
Liabilities, Deferred Inflows of Resources and Fund Balance					
Liabilities:					
Accounts payable	\$ 14,163	30,341	—	—	44,504
Accrued salaries, benefits and payroll taxes	75,648	—	—	—	75,648
Total liabilities	<u>89,811</u>	<u>30,341</u>	<u>—</u>	<u>—</u>	<u>120,152</u>
Deferred inflows of resources					
Unavailable revenue - grants and services	95,000	—	—	—	95,000
Total deferred inflows of resources	<u>95,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>95,000</u>
Fund balance:					
Nonspendable	—	—	—	35,000	35,000
Restricted	5,697,249	302,569	219,363	140,573	6,359,754
Total fund balance	<u>5,697,249</u>	<u>302,569</u>	<u>219,363</u>	<u>175,573</u>	<u>6,394,754</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 5,882,060</u>	<u>332,910</u>	<u>219,363</u>	<u>175,573</u>	<u>6,609,906</u>

KANSAS CITY PUBLIC SCHOOLS

Nonmajor Governmental Funds— Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Year ended June 30, 2019

		Special revenue			Permanent fund patron endowments	Total nonmajor governmental funds
	Debt Service	Child nutritional services	Student activity	Patron gift		
Revenues:						
Local, including investment income	\$ -	300,265	690,446	7,563	5,057	1,003,331
Other state	-	71,647	-	-	-	71,647
Federal	-	12,351,449	-	-	-	12,351,449
Total revenues	-	12,723,361	690,446	7,563	5,057	13,426,427
Expenditures:						
Current:						
Instruction	-	-	585,946	-	-	585,946
Support services	-	12,036,682	-	-	-	12,036,682
Transportation	-	-	280	-	-	280
Debt Service:						
Principal	2,475,000	-	-	-	-	2,475,000
Interest & fiscal charges	1,916,328	-	-	-	-	1,916,328
Total expenditures	4,391,328	12,036,682	586,226	-	-	17,014,236
Revenues over (under) expenditures	(4,391,328)	686,679	104,220	7,563	5,057	(3,587,809)
Other financing sources (uses):						
Transfers in	4,391,328	-	-	-	-	4,391,328
Transfers out	-	(71,429)	-	-	-	(71,429)
Total other financing sources (uses)	4,391,328	(71,429)	-	-	-	4,319,899
Revenues over (under) expenditures and other financing sources (uses)	-	615,250	104,220	7,563	5,057	732,090
Fund balances, beginning of year	-	5,081,999	198,349	211,800	170,516	5,662,664
Fund balances, end of year	\$ -	5,697,249	302,569	219,363	175,573	6,394,754

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2019

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Local	\$ 220,653	481,986	300,265	(181,721)
State	-	-	71,647	71,647
Federal	12,211,105	12,022,804	12,351,449	328,645
Total revenues	<u>12,431,758</u>	<u>12,504,790</u>	<u>12,723,361</u>	<u>218,571</u>
Expenditures:				
Current:				
Support services:				
Salaries	4,410,356	3,792,866	3,724,314	68,552
Benefits	1,940,058	1,827,258	1,595,076	232,182
Purchased services	385,300	368,275	287,940	80,335
Supplies and materials	5,671,044	6,511,843	6,429,352	82,491
Total expenditures	<u>12,406,758</u>	<u>12,500,242</u>	<u>12,036,682</u>	<u>463,560</u>
Revenues over expenditures	<u>25,000</u>	<u>4,548</u>	<u>686,679</u>	<u>682,131</u>
Other financing sources (uses):				
Transfers out	<u>-</u>	<u>(4,548)</u>	<u>(71,429)</u>	<u>(66,881)</u>
Total other financing (uses)	<u>-</u>	<u>(4,548)</u>	<u>(71,429)</u>	<u>(66,881)</u>
Revenues over expenditures and other financing uses	<u>\$ 25,000</u>	<u>-</u>	<u>615,250</u>	<u>615,250</u>
Fund balance, beginning of year			<u>5,081,999</u>	
Fund balance, end of year			<u>\$ 5,697,249</u>	

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2019

	Original budget	Final budget	Actual	Variance with final budget
Revenues:				
Property taxes	\$ 8,853,157	9,642,610	9,644,248	1,638
Other local	2,000	303,964	1,184,530	880,566
Federal	648,629	1,236,899	1,392,322	155,423
Total revenues	9,503,786	11,183,473	12,221,100	1,037,627
Expenditures:				
Capital outlay:				
Administration:				
Board of education services	2,000	-	-	-
Executive administration	1,406	1,406	-	1,406
Total administration	3,406	1,406	-	1,406
Instruction:				
Elementary	-	14,569	4,999	9,570
Middle schools	-	1,442	-	1,442
Senior high	-	11,385	1,385	10,000
Culturally different	-	612,321	69,468	542,853
Vocational instruction	72,773	182,773	172,904	9,869
Student activities	25,000	45,379	67,405	(22,026)
Total instruction	97,773	867,869	316,161	551,708
Support services:				
Attendance	-	6,750	-	6,750
Improvement instruction	-	1,000	783	217
Educational media services	-	3,060	3,054	6
Child nutrition	-	-	96,521	(96,521)
Admissions	-	1,000	6,203	(5,203)
Planning research	-	3,060	1,400	1,660
Information technology	429,200	1,494,999	1,112,590	382,409
Total support services	429,200	1,509,869	1,220,551	289,318
Operation of facilities	475,000	794,718	241,639	553,079
Facilities improvement and renovation:				
Capital outlay	-	25,137,276	19,433,074	5,704,202
Total facilities improvement and renovation	-	25,137,276	19,433,074	5,704,202

(Continued)

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2019

	Original budget	Final budget	Actual	Variance with final budget
Debt service:				
Principal	4,894,939	4,894,939	1,274,473	3,620,466
Interest	3,475,859	3,475,859	3,475,866	(7)
Total debt service	8,370,798	8,370,798	4,750,339	3,620,459
Total expenditures	9,376,177	36,681,936	25,961,764	10,720,172
Revenues under expenditures	127,609	(25,498,463)	(13,740,664)	11,757,799
Other financing sources (uses):				
Transfers in	-	4,548	8,064,969	8,060,421
Transfers out	-	-	(5,539,207)	(5,539,207)
Total other financing sources	-	4,548	2,525,762	2,521,214
Revenues and other financing sources over expenditures and other financing sources	\$ 127,609	(25,493,915)	(11,214,902)	14,279,013
Fund balance, beginning of year			38,371,402	
Fund balance, end of year			27,156,500	

KANSAS CITY PUBLIC SCHOOLS
Capital Projects Fund—
Schedule of Revenues, Expenditures and Changes in Fund Balance—by Project
Year ended June 30, 2019

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Child Nutrition Capital Projects	Bond Capital Projects	Eliminations	Total Capital Projects funds
Revenues:						
Property taxes	\$ —	9,644,248	—	—	—	9,644,248
Other local	—	987,184	105	197,241	—	1,184,530
Federal	—	1,367,335	24,987	—	—	1,392,322
Total revenues	—	11,998,767	25,092	197,241	—	12,221,100
Expenditures:						
Administration:						
Instruction:						
Elementary schools	—	4,999	—	—	—	4,999
Senior high	—	1,385	—	—	—	1,385
Culturally different	—	69,468	—	—	—	69,468
Vocational instruction	—	172,904	—	—	—	172,904
Student activities	22,055	45,350	—	—	—	67,405
Total instruction	22,055	294,106	—	—	—	316,161
Support services:						
Improvement instruction	—	783	—	—	—	783
Educational media services	—	3,054	—	—	—	3,054
Child nutrition	—	—	96,521	—	—	96,521
Admissions	—	6,203	—	—	—	6,203
Planning research	—	1,400	—	—	—	1,400
Information technology	290,023	205,602	—	616,965	—	1,112,590
Total support services	290,023	217,042	96,521	616,965	—	1,220,551
Operation of plant:						
Plant services	—	232,739	—	8,900	—	241,639
Total operation of plant	—	232,739	—	8,900	—	241,639
Debt service:						
Principal	—	1,274,473	—	—	—	1,274,473
Interest and fiscal charges	—	3,475,866	—	—	—	3,475,866
Total debt service	—	4,750,339	—	—	—	4,750,339
Facilities improvement and renovation:						
Operation of facilities	8,128,637	78,303	—	11,226,134	—	19,433,074
Total facilities improvement and renovation	8,128,637	78,303	—	11,226,134	—	19,433,074
Total expenditures	8,440,715	5,572,529	96,521	11,851,999	—	25,961,764
Revenues over (under) expenditures	(8,440,715)	6,426,238	(71,429)	(11,654,758)	—	(13,740,664)
Other financing sources (uses):						
Transfers in	202,566	8,000,022	71,429	—	(209,048)	8,064,969
Transfers out	—	(4,600,376)	—	(1,147,879)	209,048	(5,539,207)
Total financing sources (uses)	202,566	3,399,646	71,429	(1,147,879)	—	2,525,762
Net change in fund balances	(8,238,149)	9,825,884	—	(12,802,637)	—	(11,214,902)
Fund balances – beginning of year	18,642,446	7,020,034	—	12,708,922	—	38,371,402
Fund balances – end of year	\$ 10,404,297	16,845,918	—	(93,715)	—	27,156,500

KANSAS CITY PUBLIC SCHOOLS

Capital Projects Fund—
Schedule of Revenues, Expenditures and Changes in Fund Balance- by Project
June 30, 2019

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Child Nutrition Capital Projects	Bond Capital Projects	Total Capital Projects funds
Fund balance:					
Restricted					
Property held for sale	\$ 1,745,400	-	-	-	1,745,400
Total Restricted	<u>1,745,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,745,400</u>
Committed					
Encumbrances	3,201,810	-	-	-	3,201,810
Total Committed	<u>3,201,810</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,201,810</u>
Assigned					
Future equipment purchases	5,457,087	16,845,918	-	(93,715)	22,209,290
Total Assigned	<u>5,457,087</u>	<u>16,845,918</u>	<u>-</u>	<u>(93,715)</u>	<u>22,209,290</u>
Total fund balance	\$ <u>10,404,297</u>	<u>16,845,918</u>	<u>-</u>	<u>(93,715)</u>	<u>27,156,500</u>

KANSAS CITY PUBLIC SCHOOLS

General Fund— Schedule of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2019

Function	Operating General	C-I-P General	Bond Capital Projects General	Eliminations	Total General funds
Revenues:					
Property taxes	\$ 155,637,040	—	—	—	155,637,040
Prop C sales tax	17,127,748	—	—	—	17,127,748
Other local, including investment income	10,761,029	14,028	—	—	10,775,057
Intermediate/county	6,762,999	—	—	—	6,762,999
State aid—basic formula	2,848,374	—	—	—	2,848,374
Other state	7,436,302	—	—	—	7,436,302
Federal	22,484,354	—	—	—	22,484,354
Tuition	277,732	—	—	—	277,732
Total revenues	223,335,578	14,028	—	—	223,349,606
Expenditures:					
Current:					
Administration	18,011,186	—	—	—	18,011,186
Instruction	104,029,211	5,182	1,699	—	104,036,092
Support services	40,708,364	2,228,271	90,379	—	43,027,014
Operation of facilities	28,843,941	44,213	43,492	—	28,931,646
Pupil transportation	16,224,979	—	—	—	16,224,979
Community and adult services	11,050,132	—	—	—	11,050,132
Capital outlay	426,790	—	23,598	—	450,388
Total expenditures	219,294,603	2,277,666	159,168	—	221,731,437
Revenues over (under) expenditures	4,040,975	(2,263,638)	(159,168)	—	1,618,169
Other financing sources (uses):					
Transfers in	102,199	2,228,271	1,147,879	(2,228,271)	1,250,078
Transfers out	(10,221,811)	—	—	2,228,271	(7,993,540)
Total other financing sources (uses)	(10,119,612)	2,228,271	1,147,879	—	(6,743,462)
Net change in fund balances	(6,078,637)	(35,367)	988,711	—	(5,125,293)
Fund balances, beginning of year	61,810,318	(2,425,454)	(757,900)	—	58,626,964
Fund balances, end of year	\$ 55,731,681	(2,460,821)	230,811	—	53,501,671

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2019

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Prop C taxes	\$ 6,838,860	6,844,895	6,789,524	(55,371)
Local	-	66,000	73,375	7,375
County	355,311	170,097	170,097	-
Basic formula	-	354,736	893,675	538,939
State	308,300	-	44,926	44,926
Federal	296,207	305,251	305,252	1
Total revenues	<u>7,798,678</u>	<u>7,740,979</u>	<u>8,276,849</u>	<u>535,870</u>
Expenditures:				
Current:				
Administration:				
Executive administration:				
Salaries	426,252	426,252	457,286	(31,034)
Benefits	113,252	113,252	119,024	(5,772)
Total executive administration	<u>539,504</u>	<u>539,504</u>	<u>576,310</u>	<u>(36,806)</u>
Building level administration:				
Salaries	6,870,514	7,049,371	7,460,901	(411,530)
Benefits	2,205,886	2,268,080	2,092,332	175,748
Total building level administration	<u>9,076,400</u>	<u>9,317,451</u>	<u>9,553,233</u>	<u>(235,782)</u>
Total administration	<u>9,615,904</u>	<u>9,856,955</u>	<u>10,129,543</u>	<u>(272,588)</u>
Instruction:				
Elementary:				
Salaries	26,881,284	26,382,123	26,626,767	(244,644)
Benefits	9,940,406	9,772,046	8,722,924	1,049,122
Total elementary	<u>36,821,690</u>	<u>36,154,169</u>	<u>35,349,691</u>	<u>804,478</u>
Middle:				
Salaries	3,056,774	2,720,830	2,425,866	294,964
Benefits	1,125,505	1,046,326	823,844	222,482
Total middle/junior high	<u>4,182,279</u>	<u>3,767,156</u>	<u>3,249,710</u>	<u>517,446</u>
Senior high:				
Salaries	10,087,974	10,799,832	10,658,327	141,505
Benefits	3,723,553	3,986,841	3,541,378	445,463
Total senior high	<u>13,811,527</u>	<u>14,786,673</u>	<u>14,199,705</u>	<u>586,968</u>
Other Instruction:				
Salaries	621,067	902,793	702,498	200,295
Benefits	59,372	87,763	70,649	17,114
Total summer school	<u>680,439</u>	<u>990,556</u>	<u>773,147</u>	<u>217,409</u>
Special education:				
Salaries	8,961,077	9,371,227	8,404,748	966,479
Benefits	3,059,783	3,110,237	2,700,110	410,127
Total special education	<u>12,020,860</u>	<u>12,481,464</u>	<u>11,104,858</u>	<u>1,376,606</u>

(Continued)

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2019

	Original budget	Final budget	Actual	Variance with Final Budget
Culturally different:				
Salaries	\$ 6,662,232	6,652,536	6,889,430	(236,894)
Benefits	2,314,580	2,356,839	2,162,768	194,071
Total culturally different	8,976,812	9,009,375	9,052,198	(42,823)
Vocational instruction:				
Salaries	1,382,474	1,397,852	1,233,449	164,403
Benefits	473,745	484,089	404,480	79,609
Total vocational instruction	1,856,219	1,881,941	1,637,929	244,012
Student activities:				
Salaries	745,204	732,758	900,274	(167,516)
Benefits	71,388	70,926	83,735	(12,809)
Total student activities	816,592	803,684	984,009	(180,325)
Total instruction	79,166,418	79,875,018	76,351,247	3,523,771
Support services:				
Attendance/placement:				
Salaries	-	-	225	(225)
Benefits	-	-	22	(22)
Total attendance/placement	-	-	247	(247)
Guidance/counseling:				
Salaries	2,721,135	2,766,064	2,659,748	106,316
Benefits	921,588	941,918	824,802	117,116
Total guidance/counseling	3,642,723	3,707,982	3,484,550	223,432
Health, psychology, and speech:				
Salaries	2,637,481	1,240,234	1,180,961	59,273
Benefits	772,548	421,450	374,317	47,133
Total health, psychology, and speech	3,410,029	1,661,684	1,555,278	106,406
Improvement of instruction:				
Current development:				
Salaries	2,304,690	2,891,178	2,731,171	160,007
Benefits	734,297	868,215	764,685	103,530
Total current developments	3,038,987	3,759,393	3,495,856	263,537
Educational media services:				
Salaries	1,570,953	1,543,293	1,363,547	179,746
Benefits	515,982	506,798	435,207	71,591
Total educational media	2,086,935	2,050,091	1,798,754	251,337
Financial Services				
Salaries	-	63,447	90,163	(26,716)
Benefits	-	5,025	6,545	(1,520)
Total financial services	-	68,472	96,708	(28,236)
Total support services	12,178,674	11,247,622	10,431,393	816,229

(Continued)

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2019

	Original budget	Final budget	Actual	Variance with Final Budget
Community and adult services:				
Adult basic education:				
Salaries	\$ 22,807	47,399	54,102	(6,703)
Benefits	-	6,000	18,782	(12,782)
Total adult basic education	22,807	53,399	72,884	(19,485)
Early Childhood				
Salaries	1,383,916	1,569,860	1,461,837	108,023
Benefits	403,446	470,644	469,287	1,357
Total early childhood	1,787,362	2,040,504	1,931,124	109,380
Total community and adult services	1,810,169	2,093,903	2,004,008	89,895
Total expenditures	102,771,165	103,073,498	98,916,191	4,157,307
Revenues under expenditures	(94,972,487)	(95,332,519)	(90,639,342)	4,693,177
Other financing sources:				
Transfers in	94,972,487	95,332,519	90,639,342	(4,693,177)
Revenues and other financing sources over (under) expenditures	-	-	-	-
Fund balance, beginning of year			—	
Fund balance, end of year			\$ —	

See Note to Required Supplementary Information.

CAPITAL ASSETS

KANSAS CITY PUBLIC SCHOOLS

Capital Assets Used in the Operation of Governmental Funds by Source

June 30, 2019

(with comparative totals for June 30, 2018)

	Total	
	2019	2018
Capital assets (gross):		
Land	\$ 31,252,501	31,227,988
Buildings	562,150,490	544,857,741
Improvements other than buildings	59,076,165	56,564,917
Impairment-closed buildings	9,900,582	10,023,206
Equipment, furniture, and vehicles	20,689,574	20,652,497
Construction in progress	56,083	543,178
Total	<u>\$ 683,125,395</u>	<u>663,869,527</u>
Investment in capital assets by source:		
General fund	\$ 448,846	329,003
Capital projects	681,156,901	661,826,897
Special revenue	1,453,625	1,647,604
Trust and agency	13,127	13,127
Donations	52,896	52,896
Total	<u>\$ 683,125,395</u>	<u>663,869,527</u>

KANSAS CITY PUBLIC SCHOOLS

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

Year Ended June 30, 2019

Classification	Beginning balance July 1, 2018	Adjustments	Additions	Retirements	Construction- in-progress transfers	Ending balance June 30, 2019
High schools	\$ 282,960,459	14,467	4,455,394	(100,516)	-	287,329,804
Middle schools	114,459,201	(22,127,314)	12,458,218	(66,384)	-	104,723,721
Elementary schools	235,484,018	22,138,910	2,897,099	(161,836)	-	260,358,191
Administration	30,422,671	(82,145)	516,663	(199,593)	-	30,657,596
Construction in progress	543,178	-	56,083	(543,178)	-	56,083
Total	\$ <u>663,869,527</u>	<u>(56,082)</u>	<u>20,383,457</u>	<u>(1,071,507)</u>	<u>-</u>	<u>683,125,395</u>

KANSAS CITY PUBLIC SCHOOLS

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

June 30, 2019

Classification	Land	Buildings	Improvements other than buildings	Impaired assets	Equipment, furniture, vehicles	Construction- in-progress	Total
High schools	\$ 9,994,919	236,009,779	31,799,333	2,689,519	6,836,254	—	287,329,804
Middle schools	4,320,628	96,823,584	2,649,571	—	929,938	—	104,723,721
Elementary schools	12,812,441	211,819,463	22,572,813	7,211,063	5,942,411	—	260,358,191
Administration	4,124,513	17,497,664	2,054,448	—	6,980,971	—	30,657,596
Construction-in-progress	—	—	—	—	—	56,083	56,083
Total	\$ <u>31,252,501</u>	<u>562,150,490</u>	<u>59,076,165</u>	<u>9,900,582</u>	<u>20,689,574</u>	<u>56,083</u>	<u>683,125,395</u>

Kansas City Public Schools

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Identifying Number	Expenditures
U.S. Department of Education:			
Passed through Missouri Department of Elementary and Secondary Education:			
Title I	84.010A	S010A170025 & S010A180025	\$ 10,358,671
Title I - School Improvement 1003A	84.010A	S010A170025	826,383
Title ID - Prevention & Intervention	84.010A	S010A170025	51,272
Title IV, Part A	84.424A	S424A170026 & S424A180026	444,501
Subtotal			<u>11,680,827</u>
Individuals with Disabilities Education Act (IDEA):			
Entitlement	84.027A	H027A170040	4,051,088
Early Childhood Special Education (611)	84.027A	H027A180040	672,498
Subtotal			<u>4,723,586</u>
Early Childhood Special Education (619)	84.173A	H171A180103	149,537
Subtotal			<u>4,873,123</u>
Title III, English Language Learners	84.365	S365A170025	577,501
Title III, Language Instruction Immigrant	84.365A	S365A170025	184,999
School Improvement Grant CADRE IV	84.377A	S377A140026	788,756
Title II, Part A	84.367A	S367A170024 & S367A180024	1,202,249
Carl D. Perkins Vocational Education Act (P.L. 98-524),			
Title I, Part C, Migrant Education	84.011A	S011A170025 & S011A180025	16,287
Title II, Part C, Improvement and Expansion	84.048A	V048A170025 & V048A180025	709,480
Total U.S. Department of Education			<u>\$ 20,033,222</u>

Kansas City Public Schools

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Identifying Number	Expenditures
U.S. Department of Army:			
Direct program - ROTC Salary Grant	12.999	N/A	\$ 305,252
U.S. Department of Agriculture:			
Passed through Missouri Department of Elementary and Secondary Education:			
Food Distribution (noncash) (1)	10.555	N/A	825,589
National School Lunch Program (1)	10.555	20188N109943 & 20199N109943	6,797,255
National School Breakfast Program (1)	10.553	20188N109943 & 20199N109943	2,860,841
National School Snack Program (1)	10.553	20188N109943 & 20199N109943	51,961
Subtotal			<u>10,535,646</u>
Food & Nutrition Services Equipment	10.579	20188N810343	24,987
National School Fruit & Vegetable Program	10.582	20188L160343 & 20199L160343	411,358
Passed through Missouri Department of Health and Senior Services:			
Child and Adult Care Food Program (1)	10.558	ERS46111932	1,383,023
Summer Nutrition Program	10.559	ERS0461932S	21,424
Total U.S. Department of Agriculture			<u>12,376,438</u>
U.S. Department of Labor			
Passed through Full Employment Council			
WIOA Youth activities	17.259	AA-30771-18-60-a-29	75,141
U.S. Department of Health and Human Services:			
Passed through Missouri Department of Elementary and Secondary Education			
JAG TANF Grant	93.558	1701MDTANF	30,000
Homeless Children & Youth	84.196A	S196A160026 & S196A170026	130,711
Refugee Children School Impact	93.566	1701MORSOC & 1801MORSOC	141,771
Subtotal			<u>302,482</u>
Passed through Mid America Regional Council			
Early Head Start Expansion	93.600	07HP000084	311,577
Head Start	93.600	07CH7056	4,534,851
Total U.S. Department of Health and Human Services			<u>5,148,910</u>
Total expenditures of federal awards			<u>\$ 37,938,963</u>

See notes to schedule of expenditures of federal awards.
There were no amounts paid to subrecipients.

(1) Included in Child Nutrition Cluster amount of \$10,557,070.

KANSAS CITY PUBLIC SCHOOLS
Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Kansas City Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Significant Accounting Policies

Revenue from federal awards is recognized when Kansas City Public Schools has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period in which the liability is incurred. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3. Noncash Assistance

The schedule includes federal awards in the form of noncash assistance (food commodities) received during the year in the amount of \$825,888 related to the U.S. Department of Agriculture passed through the Missouri Department of Elementary and Secondary Education—CFDA No. 10.555.

Note 4. Subrecipients

There were no federal awards passed through to subrecipients for the year ended June 30, 2019.

Note 5. Indirect Cost Rate

The Kansas City Public Schools has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

STATISTICAL SECTION

Statistical Section

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

Contents

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

Table 1 – Table 4

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

Table 5 – Table 8

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

Table 9 – Table 11

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

Table 12 – Table 13

Note: Personal income data is currently not available.

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

Table 14

Sources: Unless otherwise noted, the information in these schedules comes from the comprehensive annual report for the relevant year.

Table 1

KANSAS CITY PUBLIC SCHOOLS

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

(amounts expressed in thousands)

Classification	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental activities:										
Net investment in capital assets	\$ 304,186	302,544	\$ 317,613	\$ 318,262	\$ 313,050	\$ 311,276	\$ 296,176	\$ 325,699	\$ 320,182	\$ 331,473
Restricted	16,873	29,536	12,281	14,847	15,479	16,781	25,587	24,503	25,484	10,594
Unrestricted	(121,385)	(93,944)	(42,264)	(25,324)	2,477	104,618	123,174	110,811	99,271	105,853
Total governmental activities, net of position	<u>\$ 199,673</u>	<u>238,135</u>	<u>\$ 287,630</u>	<u>\$ 307,785</u>	<u>\$ 331,005</u>	<u>\$ 432,675</u>	<u>\$ 444,937</u>	<u>\$ 461,013</u>	<u>\$ 444,937</u>	<u>\$ 447,920</u>
Business-type activities:										
Unrestricted	\$ 1,140	823	\$ 465	\$ 433	\$ 288	\$ 501	\$ 374	\$ 178	\$ 39	\$ 180
Total business-type activities, net of position	<u>\$ 1,140</u>	<u>823</u>	<u>\$ 465</u>	<u>\$ —</u>	<u>\$ 288</u>	<u>\$ 501</u>	<u>\$ 374</u>	<u>\$ 178</u>	<u>\$ 39</u>	<u>\$ 180</u>
Primary government:										
Net investment in capital assets	\$ 304,186	302,544	\$ 317,613	\$ 318,262	\$ 313,050	\$ 311,276	\$ 296,176	\$ 325,699	\$ 320,182	\$ 331,473
Restricted	16,873	29,536	12,281	14,847	15,479	16,781	25,587	24,503	25,484	10,594
Unrestricted	(120,245)	(93,121)	(41,799)	(24,891)	2,765	105,119	123,548	110,990	99,310	106,033
Total primary government, net of position	<u>\$ 200,814</u>	<u>238,958</u>	<u>\$ 288,095</u>	<u>\$ 308,218</u>	<u>\$ 331,293</u>	<u>\$ 433,176</u>	<u>\$ 445,311</u>	<u>\$ 461,192</u>	<u>\$ 444,976</u>	<u>\$ 448,100</u>

The District adopted GASB Statement Nos. 68 and 71 in 2015, which restated beginning net position of governmental activities.

The District adopted GASB Statement No. 75 in 2018, 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)

Classification	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses										
Governmental activities:										
Administration	\$ 17,561	16,195	\$ 16,035	\$ 17,416	\$ 16,326	\$ 16,710	\$ 11,521	\$ 13,150	\$ 20,646	\$ 20,874
Instruction	117,759	118,416	115,241	127,841	118,825	105,802	100,639	101,298	116,388	149,927
Support services	90,931	78,338	69,642	57,780	58,340	51,572	51,372	46,820	52,810	67,768
Operation of facilities	29,208	29,943	30,741	33,451	34,467	33,744	52,366	28,746	29,462	41,589
Pupil transportation	16,225	15,786	15,802	12,725	12,124	11,443	11,847	12,102	12,863	15,258
Facilities improvements and renovation	2,187	3,922	1,051	826	2,604	14,638	3,829	2,123	15,724	225
Community and adult services	11,053	12,125	12,222	12,353	10,347	8,951	8,706	9,194	11,748	9,644
Interest on long-term debt	4,228	4,491	5,749	3,332	2,597	2,809	2,989	3,716	2,044	1,990
Total governmental activities expenses	<u>\$ 289,152</u>	<u>279,216</u>	<u>\$ 266,483</u>	<u>\$ 265,724</u>	<u>\$ 255,630</u>	<u>\$ 245,667</u>	<u>\$ 243,269</u>	<u>\$ 217,149</u>	<u>\$ 261,685</u>	<u>\$ 307,276</u>
Business-type activities										
Community services	\$ 141	108	\$ 107	\$ 116	\$ 393	\$ 57	\$ 57	\$ 151	\$ 29	\$ 32
Total business-type activities expenses	<u>141</u>	<u>108</u>	<u>107</u>	<u>116</u>	<u>393</u>	<u>57</u>	<u>57</u>	<u>151</u>	<u>29</u>	<u>32</u>
Total primary government expenses	<u>\$ 289,293</u>	<u>279,324</u>	<u>\$ 266,591</u>	<u>\$ 265,840</u>	<u>\$ 256,023</u>	<u>\$ 245,725</u>	<u>\$ 243,326</u>	<u>\$ 217,300</u>	<u>\$ 261,714</u>	<u>\$ 307,308</u>
Program Revenues										
Governmental activities:										
Charges for services										
Administration	\$ —	—	\$ 9	\$ 3	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ —
Instruction	21	42	11	147	65	28	165	3	—	34
Support services	156	252	1,328	1,690	3,715	1,947	2,931	766	935	685
Operation of facilities	—	—	21	3	—	6	—	6	41	49
Pupil transportation	—	—	—	3	3	94	203	79	32	19
Community and adult services	257	245	112	151	47	291	—	—	2	25
Operating grants and contributions										
Administration	—	—	119	—	26	20	—	—	183	43
Instruction	26,423	28,743	30,901	29,015	36,633	33,449	32,774	30,402	45,623	56,153
Support services	12,822	12,219	12,895	13,572	11,863	11,694	10,476	9,440	16,901	18,018
Operation of facilities	14	132	2	—	2	—	—	—	—	7
Pupil transportation	2,931	2,634	2,117	2,708	2,668	2,354	2,405	2,910	3,057	5,496
Community and adult services	6,868	2,881	2,250	1,446	1,189	2,198	1,626	2,398	971	528
Capital grants and contributions										
Administration	—	—	—	—	—	—	—	—	10	—
Instruction	—	3	5	—	456	—	15	813	111	804
Support services	25	—	298	—	150	—	6	25	1	—
Operation of facilities	—	25	225	—	225	—	198	249	183	230
Community and adult services	—	—	—	—	5	—	—	—	—	—
Interest on long-term debt	1,483	1,614	1,739	1,743	2,043	1,893	2,136	1,956	—	—
Total governmental activities program revenue	<u>51,000</u>	<u>48,789</u>	<u>52,031</u>	<u>50,481</u>	<u>58,864</u>	<u>53,975</u>	<u>52,935</u>	<u>49,049</u>	<u>68,050</u>	<u>82,090</u>

Business-type activities:										
Charges for services	561	540	381	412	301	227	253	291	46	97
Total business-type activities program revenues	561	540	381	412	301	227	253	291	46	97
Total primary governmental program revenues	\$ 51,561	\$ 49,329	\$ 52,412	\$ 50,893	\$ 59,166	\$ 54,201	\$ 53,188	\$ 49,340	\$ 68,097	\$ 82,187

Net (expense)/revenue										
Governmental activities	\$ (238,152)	(230,427)	\$ (214,452)	\$ (215,243)	\$ (196,766)	\$ (191,693)	\$ (190,333)	\$ (168,100)	\$ (193,635)	\$ (225,186)
Business-type activities	420	432	273	295	(92)	170	196	139	17	64
Total primary government net expense	\$ (237,732)	(229,995)	\$ (214,179)	\$ (214,947)	\$ (196,858)	\$ (191,523)	\$ (190,137)	\$ (167,961)	\$ (193,617)	\$ (225,122)

**General Revenues and Other Changes in
Net Position**

Governmental activities:										
Property taxes	\$ 160,455	165,714	\$ 158,869	\$ 146,959	\$ 144,992	\$ 141,515	\$ 136,844	\$ 138,277	\$ 146,191	\$ 144,211
Prop C Sales tax	18,105	17,761	17,798	17,616	15,149	15,579	15,061	15,128	15,831	16,659
Other local revenues	6,974	5,119	4,341	7,706	5,559	5,039	7,256	6,067	3,363	2,249
County governmental contributions	6,763	5,907	5,672	4,964	5,284	5,054	5,284	4,287	3,489	3,295
State aid-basic formula	2,848	5,018	6,626	12,365	12,274	8,529	10,148	18,970	20,150	44,028
Grants and entitlements not restricted to specific programs	1,462	146	7	743	705	409	427	441	561	328
Gain (loss) on sale of capital assets	-	(317)	—	—	545	659	—	—	—	—
Investment earnings	2,980	1,884	743	1,519	1,499	2,604	(763)	1,007	906	1,753
Special item	—	—	—	—	—	—	—	—	—	(38,038)
Extraordinary item	—	—	—	—	—	—	—	—	161	—
Transfers	102	74	242	150	120	43	—	—	—	410
Total governmental activities	199,690	201,306	194,298	192,023	186,127	179,431	174,257	184,177	190,652	174,895
Business-type activities:										
Investment earnings	—	—	—	—	—	—	—	—	2	4
Transfers	(102)	(74)	(242)	(150)	(120)	(43)	—	—	(161)	(410)
Total business-type activities	(102)	(74)	(242)	(150)	(120)	(43)	—	—	(159)	(406)
Total primary government	\$ 199,588	201,232	\$ 194,056	\$ 191,872	\$ 186,007	\$ 179,388	\$ 174,257	\$ 184,176	\$ 190,493	\$ 174,489

Change in Net Position

Governmental activities	\$ (38,462)	(29,121)	\$ (20,154)	\$ (23,220)	\$ (10,639)	\$ (12,262)	\$ (16,076)	\$ 16,076	\$ (2,983)	\$ (50,291)
Business-type activities	318	358	31	145	(212)	127	196	139	(141)	(342)
Total primary government	\$ (38,144)	(28,763)	\$ (20,123)	\$ (23,075)	\$ (10,851)	\$ (12,135)	\$ (15,880)	\$ 16,215	\$ (3,125)	\$ (50,633)

Table 3

KANSAS CITY PUBLIC SCHOOLS
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

Classification	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Fund										
Nonspendable	\$ 146	1,193	\$ 5	\$ 5	\$ 82	\$ 1,223	\$ —	\$ —	\$ —	\$ 520
Restricted	285	284	281	280	280	3,027	301	837	289	816
Assigned	3,671	3,961	3,294	2,726	751	3,997	479	1,467	897	2,256
Unassigned	49,400	53,189	55,929	54,023	56,675	64,965	64,782	61,504	51,236	37,255
Total general fund	<u>\$ 53,502</u>	<u>58,627</u>	<u>\$ 59,509</u>	<u>\$ 57,035</u>	<u>\$ 57,788</u>	<u>\$ 73,212</u>	<u>\$ 65,562</u>	<u>\$ 63,808</u>	<u>\$ 52,422</u>	<u>\$ 40,847</u>
All other governmental funds										
Nonspendable	\$ 35	35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 2,074	\$ 2,619	\$ 2,567	\$ 1,675
Restricted	16,553	29,217	16,501	17,888	18,065	16,348	28,802	45,336	56,904	46,043
Committed	3,202	193	4,411	3,847	4,811	19,373	31,770	45,742	34,655	25,781
Assigned	22,209	23,724	45,055	12,400	22,153	6,203	17,544	3,785	7,904	15,126
Unassigned	—	—	—	—	—	—	—	(759)	—	—
Total all other governmental funds	<u>\$ 41,999</u>	<u>53,169</u>	<u>\$ 66,002</u>	<u>\$ 34,170</u>	<u>\$ 45,064</u>	<u>\$ 41,959</u>	<u>\$ 80,190</u>	<u>\$ 96,723</u>	<u>\$ 102,029</u>	<u>\$ 88,625</u>

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)

Table 4

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
Property taxes	\$ 165,281	166,781	\$ 156,704	\$ 144,378	\$ 144,075	\$ 139,195	\$ 142,138	\$ 138,391	\$ 147,293	\$ 144,986
Prop C Sales tax	18,105	17,761	17,798	17,616	15,149	15,579	15,061	15,128	15,831	16,659
Other local revenues	13,348	9,748	9,706	11,600	9,519	11,055	8,702	8,647	5,581	5,375
County governmental contributions	6,763	5,907	5,672	4,964	5,284	5,054	5,284	4,287	3,489	3,295
State aid-basic formula	2,848	5,018	6,626	12,365	12,274	8,529	10,148	18,225	20,150	44,028
Other state	7,508	8,709	7,125	7,560	8,473	5,790	6,009	8,981	6,981	8,504
Federal	36,228	34,521	42,634	44,423	43,767	48,576	38,782	39,441	60,751	74,338
Tuition	278	266	168	416	362	5	283	25	10	52
Total revenues	250,360	248,710	246,432	243,321	238,902	233,783	226,407	233,126	260,086	297,236
Expenditures										
Administration	18,011	15,761	17,334	15,446	17,227	15,659	15,526	14,359	16,012	20,811
Instruction	104,938	105,594	103,335	109,321	108,092	95,329	91,352	92,571	105,754	136,551
Support services	58,333	55,640	57,848	53,852	51,717	54,967	51,560	45,983	54,740	73,343
Operation of facilities	29,173	30,603	31,921	32,170	34,487	34,296	29,478	27,624	29,569	41,205
Pupil transportation	16,225	15,786	15,802	12,725	12,124	11,443	11,847	12,102	12,863	15,258
Community and adult services	11,050	12,134	12,367	11,445	10,338	8,943	8,697	9,198	11,732	9,625
Facilities improvements and renovations	19,883	18,538	30,330	29,502	13,292	36,447	22,764	12,351	6,241	7,290
Debt service										
Principal	3,749	4,720	5,173	3,601	2,009	5,750	7,555	9,770	10,875	10,385
Interest	5,392	4,504	5,303	3,336	2,600	2,928	3,287	3,773	3,755	2,352
Total expenditures	266,757	263,280	279,413	271,397	251,886	265,763	242,066	227,730	251,541	316,822
Excess of revenues under expenditures	(16,397)	(14,570)	(32,980)	(28,076)	(12,984)	(31,980)	(15,659)	5,396	8,545	(19,586)
Other financing sources (uses)										
Transfers in	13,706	14,883	9,748	6,339	13,948	18,779	19,300	21,691	25,348	112,411
Transfers out	(13,604)	(14,809)	(9,506)	(6,189)	(13,828)	(18,736)	(19,300)	(21,691)	(25,188)	(112,002)
Issuance of long term debt	—	—	51,035	—	—	—	—	—	16,274	17,880
Premium on long-term debt	—	—	2,317	—	—	—	—	—	—	—
Capital Leases/lease purchase agreemer	—	—	11,640	16,147	—	—	—	—	—	—
Unrealized proceeds - surplus assets	—	—	—	—	—	—	—	620	—	—
Unrealized loss on surplus assets	—	—	—	(300)	—	—	(920)	(904)	—	(595)
Sales of capital assets	—	781	2,053	431	545	1,356	1,798	968	—	161
Total other financing sources (uses)	102	855	67,287	16,428	666	1,399	878	684	16,435	17,856
Net change in fund balances	\$ (16,295)	(13,715)	\$ 34,307	\$ (11,648)	\$ (12,318)	\$ (30,581)	\$ (14,781)	\$ 6,080	\$ 24,979	\$ (1,730)
Debt service as a percentage of noncapital expenditures	3.7%	4.3%	4.3%	2.9%	1.9%	3.8%	5.0%	6.3%	6.2%	4.2%

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
	Value	Actual value	Value	Actual value	Value	Actual value	total assessed Actual value
2018	\$ 2,459,975,479	\$ 10,673,756,937	\$ 717,661,888	\$ 2,153,200,984	3,177,637,367	12,826,957,921	25 %
2017	2,478,583,172	10,666,103,205	706,641,826	2,120,137,492	3,185,224,998	12,786,240,697	25
2016	2,206,661,482	9,638,832,171	692,101,904	2,076,513,363	2,898,763,386	11,715,345,534	25
2015	2,177,107,405	9,504,761,520	673,218,103	2,019,856,295	2,850,325,508	11,524,617,815	25
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

- (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	State of Missouri	Jackson County	Metropolitan Community Colleges	Kansas City, Missouri Public Library	School District	Total (2)
2019	\$ 1.6783	\$ 0.03	\$ 0.701	\$ 0.2305	\$ 0.5065	\$ 4.96	\$ 8.11
2018	1.6006	0.03	0.485	0.2297	0.4676	4.96	7.77
2017	1.5906	0.03	0.503	0.2339	0.4940	4.96	7.81
2016	1.5806	0.03	0.496	0.2343	0.4933	4.95	7.78
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

(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.

Table 7

KANSAS CITY PUBLIC SCHOOLS

Principal Property Taxpayers

June 30, 2019

		Tax Year 2018			Tax Year 2009		
Taxpayers	Type of Business			Percentage of total			Percentage of total
		Assessed value(1)	Rank	assessed value	Assessed value(1)	Rank	assessed value
Hallmark & Crown Properties	Greeting cards, hotel and retail sales	65,808,997	1	2.07%	76,289,547	1	2.73%
Kansas City Power & Light	Utilities	61,785,850	2	1.94	43,411,070	2	
Google Fiber Missouri LLC	Communications	41,128,789	3	1.29			—
Southern Union Company	Transportation	38,624,716	4	1.22	16,370,833	6	0.59
Country Club Plaza JV LLLC	Real estate investment	38,323,217	5	1.21			
Town Pavilion Holdings LLC	Retail shopping center	24,229,114	6	0.76			
Southwestern Bell	Communications	18,853,741	7	0.59			—
AT & T Services Corp	Communications	18,337,006	8	0.58	26,324,727	4	0.94
Twentieth Century Realty Inc	Real estate	13,454,144	9	0.42	15,681,730	7	
1200 Chiefs Owner LLC	Commercial & industrial building operation	12,800,000	10	0.40			
JC Nichols & Highwoods Realty	Real estate investment	-			29,482,856	3	1.06
FSP Grand Blvd	Real estate	-			16,848,320	5	0.60
DST, Inc.	Investment, securities, finance	-			14,711,621	8	0.53
Bayer	Agricultural research and mfg	-			14,224,228	9	0.51
American Century Realty Inc	Investment, securities, finance	-			12,730,834	10	0.46
		<u>\$ 333,345,574</u>		<u>10.49%</u>	<u>266,075,766</u>		<u>9.53%</u>

Note: Total assessed value for 2018 was \$3,177,637,367 and 2009 was \$2,791,766,785

(1) Based on calendar year ended December 31, 2018 and December 31, 2009.

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

<u>Tax levy year</u>	<u>Current tax levy (2)</u>	<u>Current tax collections</u>	<u>Percentage of levy collected</u>	<u>Delinquent tax collections</u>	<u>Total tax collections</u>	<u>Total collections as a percent of current levy (3)</u>	<u>Outstanding delinquent taxes (4)</u>	<u>Outstanding delinquent taxes as a percentage of current levy</u>
2018	\$ 151,811,701	147,632,343	97.2%	\$ 8,720,622	\$ 156,352,965	103.0%	\$ 11,435,855	8%
2017	152,478,548	145,810,859	95.6%	9,439,450	155,250,309	101.8%	16,341,716	11%
2016	141,314,785	130,897,819	92.6%	11,152,184	142,050,003	100.5%	16,608,841	12%
2015	138,687,992	123,114,788	88.8%	7,158,783	130,273,571	93.9%	15,573,204	11%
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%

(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		Leasehold Revenue Bonds	Lease Purchase Agreement	Certificates of Participation	Total Primary Government
2019	\$	22,980,000	21,687,626	47,910,000	92,577,626
2018		25,455,000	23,277,565	48,740,000	97,472,565
2017		27,805,000	24,813,052	49,575,000	102,193,052
2016		30,035,000	14,655,924	—	44,690,924
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

Table 10**KANSAS CITY PUBLIC SCHOOLS**

Computation of Overlapping Debt

June 30, 2019

Jurisdiction	General obligation bonds outstanding (2)	Percentage applicable to District (1)	Amount applicable to District
City of Kansas City, Missouri	\$ 356,755,000	100%	\$ 356,755,000

(1) Source: District boundaries are within the city limits of Kansas City, Missouri

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

Table 11

KANSAS CITY PUBLIC SCHOOLS

Computation of Legal Debt Margin

June 30, 2019

Total assessed value, tax levy year 2018 (1)	\$	3,177,637,367
Legal debt margin—15% of assessed value (2)		476,645,605

(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, 2019.

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
2019	193,837	14,096	7.27	%	12,535	88.9
2018	193,837	14,124	7.29		12,904	91.4
2017	193,837	14,161	7.31		13,224	93.4
2016	193,837	14,662	7.56		13,273	90.5
2015	193,837	14,312	7.38		12,942	90.4
2014	193,837	14,192	7.32		12,833	90.4
2013	193,837	15,708	8.10		13,317	84.8
2012	193,837	15,403	7.95		13,732	89.2
2011	193,837	15,854	6.62		13,890	87.6
2010	193,837	17,104	7.14		15,451	90.3

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)
2019	\$ 12,826,957,921	\$ 120.9	\$ 143.8
2018	12,786,240,696	54.5	78.3
2017	11,715,345,535	38.8	112.9
2016	11,527,617,815	26.5	46.5
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

(1) See Table 5.

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
2019	13,358	13,985	\$ 15,045	13,985	1,099
2018	13,969	14,614	13,763	14,124	1,162
2017	14,210	14,871	13,744	14,161	1,104
2016	14,527	15,190	15,280	14,662	992
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

(1) Current expenditures as defined by the State of Missouri Department of Elementary and Secondary Education.

(2) Average daily attendance and Eligible pupil counts include K-12 students.