

KANSAS CITY

PUBLIC SCHOOLS



Comprehensive Annual Financial Report

For fiscal year ended

June 30, 2013

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

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2013

(With Independent Auditor's Report Thereon)

Prepared by
Business & Finance Division

KANSAS CITY PUBLIC SCHOOLS

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November 5, 2013

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

The Board of Directors and Citizens:

Missouri revised statute section 165.111 requires an audit to be performed at least biennially of the financial records of all funds of the District. In compliance with this statute, the Comprehensive Annual Financial Report (CAFR) of the School District of Kansas City, Missouri (the District) for the fiscal year ended June 30, 2013, will be submitted to the Department of Elementary and Secondary Education. In addition, this report provides the Department of Elementary and Secondary Education (DESE), citizens, financial institutions, grantor agencies, and other interested parties with reliable information concerning the financial condition of the District. This letter of transmittal is designed to be read in conjunction with the Management Discussion and Analysis report. Financial highlights and a discussion of the District's financial condition are provided in the Management Discussion and Analysis report. This report is located in the financial section after the independent auditors report and provides an overview of the District's financial condition at the district-wide level and at the fund level. The district-wide level reports on changes in assets and liabilities or net position. The fund level reports provide a more detailed focus on all the funds of the District and demonstrative compliance with Missouri statutes.

District management is responsible for establishing and maintaining internal controls designed to ensure that District resources are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and, 2) the valuation of cost and benefits requires estimates by management. This report was prepared by the Business & Finance Division who is responsible for the accuracy of the data, completeness and fairness of the presentation including all disclosures. There were no financial policies that had a significant impact on current fiscal year's financial statements. McGladrey LLP, certified public accountants, have issued an unmodified opinion on the District's financial statements for the year ended June 30, 2013. The independent auditor's report is located in the front of the financial section of this report.

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

DISTRICT PROFILE

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

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

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

The District operated 7 high schools, 1 vocational school, 2 alternative school, and 24 elementary schools for school year 2012-2013. At all levels, there are comprehensive community and magnet school curriculums. Among the magnet theme curriculums are visual and performing arts, college preparatory, foreign languages, and Montessori. The District serves about 16,917 students (including pre-kindergarten) and employs over 2,300 principals, teachers, and other support staff.

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

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

ECONOMIC FACTORS

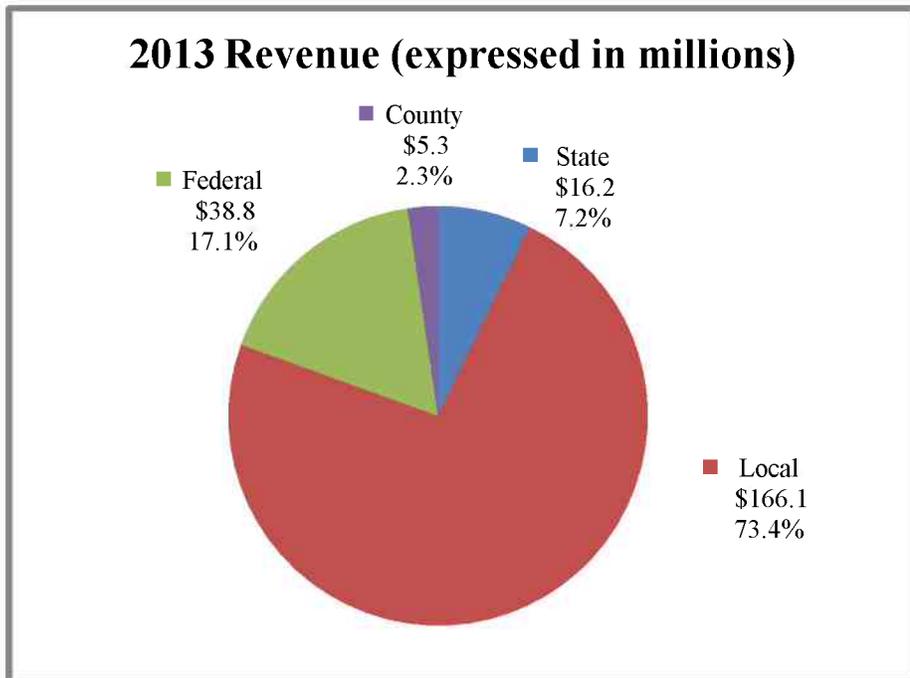
Local property taxes represent approximately 62.8% of total revenues received by the District. During the fiscal year, the District was entitled to receive approximately \$130.1 million in property taxes for tax year 2012 based on its \$4.95 levy which was a 5.7% decrease in property tax revenue when compared to tax year 2011. The decrease in property tax revenue was attributed by a decrease of \$56.9 million in property assessed valuation. Actual current taxes collected during the fiscal year totaled to \$120.1 million.

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

Revenues derived from State sources represent approximately 7.2% of total revenues received by the District. The District received approximately \$10.1 million for state aid, a decrease of \$17.1 million or 40.4%. Beginning with fiscal year 2007, DESE implemented a new foundation formula that is based on current expenditures of the school districts meeting all performance standards established by the State Board of Education. The based target funding level is \$6,131 per weighted average daily attendance. This amount is adjusted by a dollar value modifier and the school districts local effort. Under the new formula, the District will receive state aid at least equal to the amount it received for fiscal year 2006. Economic factors that influence the foundation formula are gaming revenue, level of State appropriation, reassessments submitted by the County Assessor, growth (i.e., average daily attendance), and the local property tax levy.

Revenues from federal grants represent about 38.8% of the revenue received by the District. The major federal grant programs are Title I, Title IIA, Head Start, Exceptional Education (I.D.E.A), Early Childhood Special Education (I.D.E.A.), Math & Science, Medicaid and Teacher Incentive. Factors that impact the amount of federal funds the District is entitled to receive include free and reduced lunch eligibility counts and enrollment of exceptional education students. For the current year, 84.5% of our students are free or reduced lunch eligible. Exceptional education enrollment increased by 13 or .07% when compared to the prior year.

The graph below shows the four major sources of revenue:



CASH MANAGEMENT

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

An independent trustee, Bank of New York Mellon Trust Company, manages the investment portfolio of the Building Corporation. Investments of approximately \$16.7 million, of which \$6.5 million is invested in long-term contract, were held by the trustee as of June 30, 2013.

ACKNOWLEDGEMENTS

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

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

Respectfully,



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



Allan H. Tunis
Chief Finance Officer

KANSAS CITY PUBLIC SCHOOLS

Our Vision

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

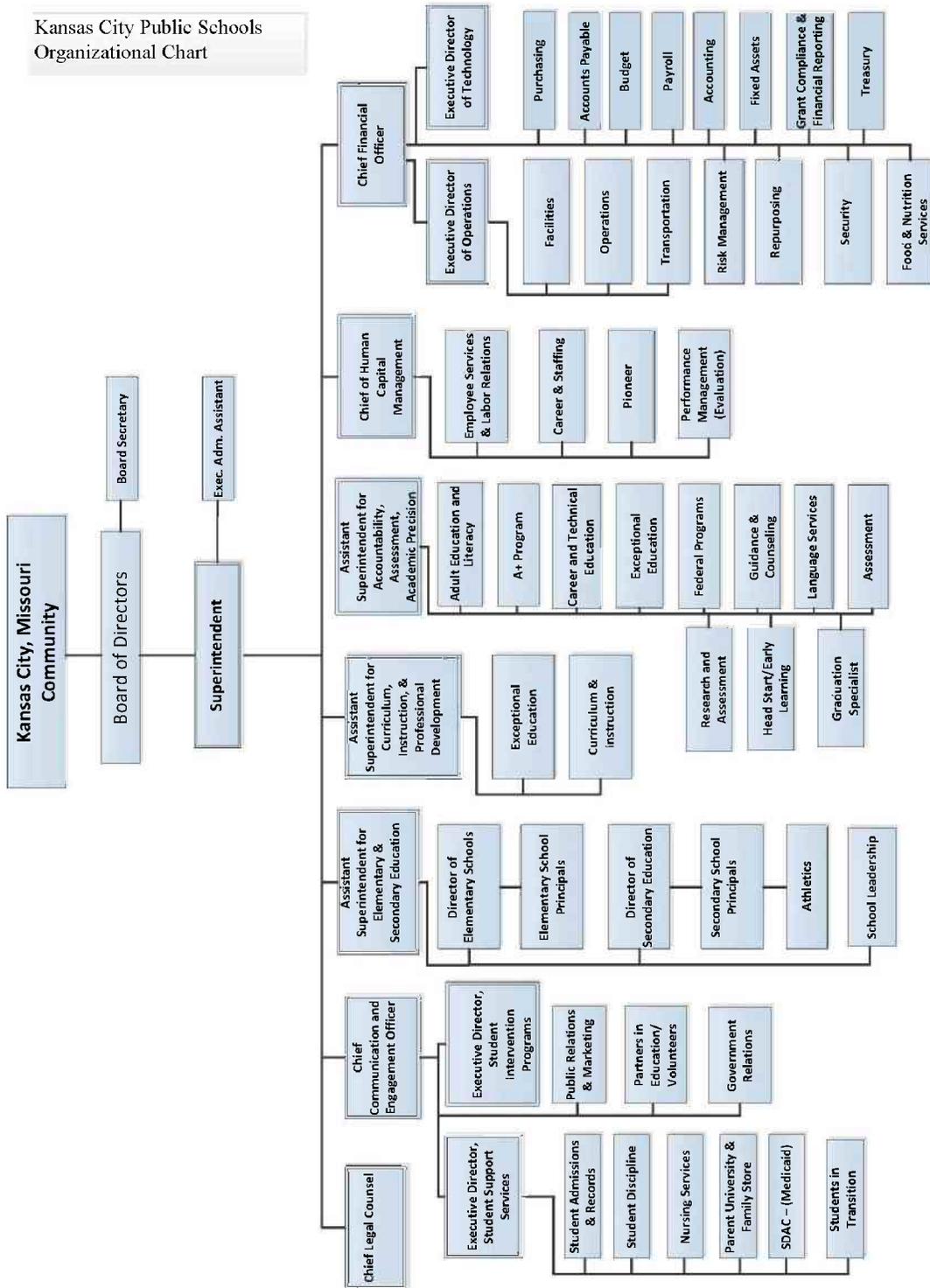
Our Mission

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

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

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

Kansas City Public Schools
Organizational Chart



LIST OF PRINCIPAL OFFICIALS

June 30, 2013

BOARD OF EDUCATION

Executive Officers

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

Treasurer

Joseph Jackson Sr.

Secretary of the Board

Sandra Nunnaley

Members

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

SENIOR ADMINISTRATORS

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

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Independent Auditor's Report

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

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, 2013, and the related notes to the financial statements, which collectively comprise the Kansas City Public Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kansas City Public Schools, as of June 30, 2013, 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 on pages 3 through 18, the Budgetary Comparison Schedules on pages 55 through 62, and the Schedule of Funding Progress on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013 on our consideration of the Kansas City Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kansas City Public Schools' internal control over financial reporting and compliance.

McGladrey LLP

Kansas City, Missouri
November 4, 2013

KANSAS CITY PUBLIC SCHOOLS

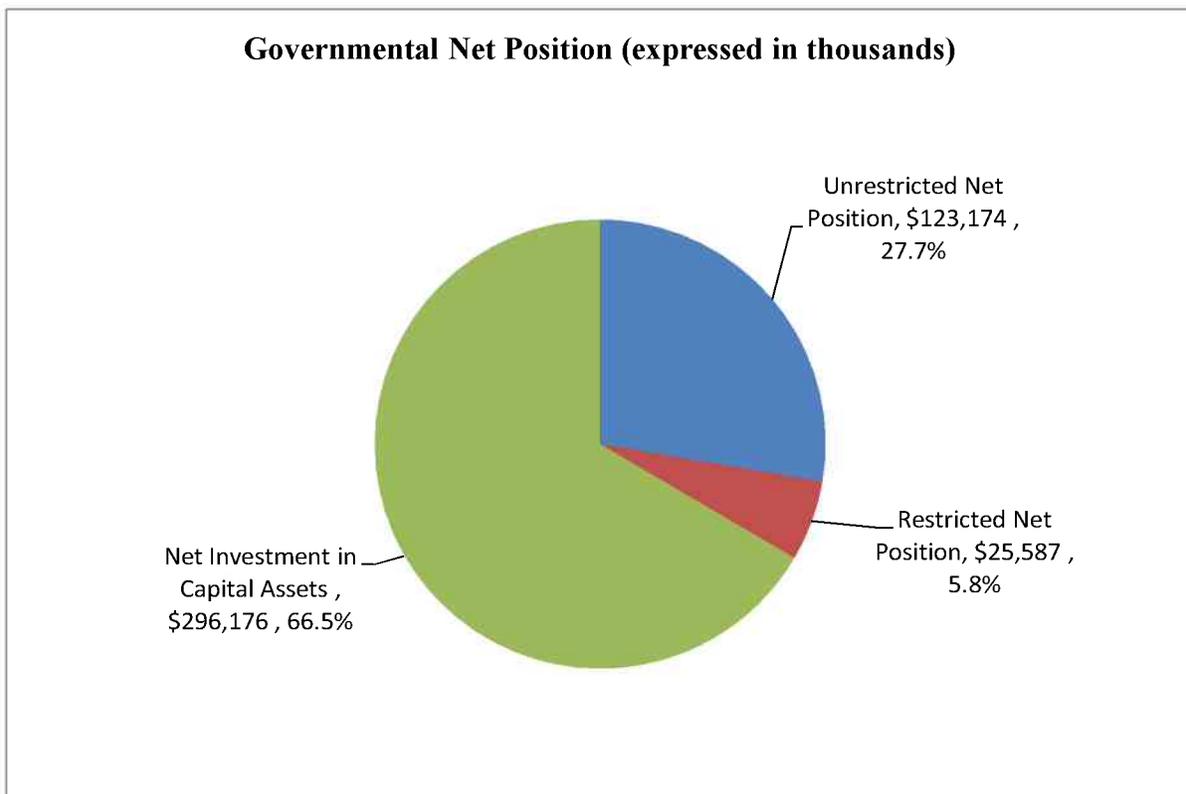
Management's Discussion and Analysis

June 30, 2013

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, 2013. 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 \$444.9 million. Net position is reported in three components as shown in the graph below:



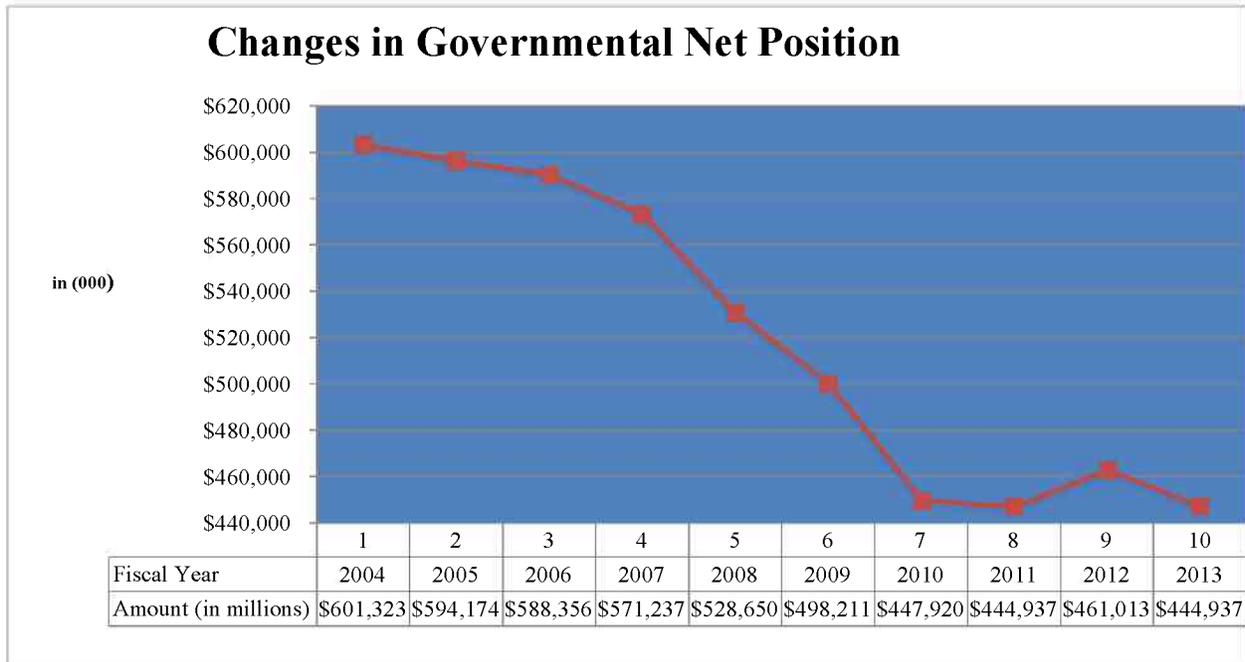
The most significant change in total net position was a decrease in net investment in capital assets of \$29.5 million due to a reduction of \$7.6 million in debt obligations and appraisals of properties. There was an increase of \$12.4 million in unrestricted net position primarily due to major building renovation projects in school buildings.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

The graph below shows the changes in net position and indicates that our overall financial position decreased in fiscal year 2013 by 3.68% when compared to fiscal year 2012. This decrease was primarily due to a \$19.46 million or 2.82% decrease in total assets and a \$3.38 million or (1.48%) decrease in total liabilities.



The District's governmental funds (summarized in Table 1 below) reported an ending total fund balance of \$145.75 million, a decrease of \$14.8 million in comparison with the prior year. Approximately 44.44% of this amount, \$64.8 million, is available for spending at the District's discretion (unassigned fund balance).

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

Table 1—Summary of Governmental Fund Balances

	FY13	Percentage of total	FY12	Percentage of total	Increase (decrease)	Unassigned portion
General	\$ 65,561,518	45.0%	\$ 63,807,535	31.5%	\$ 1,753,983	\$ 64,782,155
Other special revenue	11,799,005	8.1%	13,113,159	10.3%	(1,314,154)	—
Debt service	9,855,351	6.8%	8,683,378	7.8%	1,171,973	—
Capital projects	55,927,950	38.4%	73,179,953	49.9%	(17,252,003)	—
Nonmajor funds	2,607,258	1.8%	1,747,293	0.5%	859,965	—
	<u>\$ 145,751,082</u>	<u>100.0%</u>	<u>\$ 160,531,318</u>	<u>100.0%</u>	<u>\$ (14,780,236)</u>	<u>\$ 64,782,155</u>

Unassigned fund balance for the General Fund was \$64.8 million and represents 31.4% of total General Fund expenditures and transfers. Assigned fund balance in the General Fund for general operating encumbrances was \$.5 million. Restricted fund balance in the General Fund for workers compensation was \$.3 million. Overall, governmental fund balances decreased at June 30 because of spending in the Capital Projects Governmental Funds.

Overview of the Financial Statements

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

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

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

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

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

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

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

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

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

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

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

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

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

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

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

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

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

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	
	2013	2012	Increase (decrease)	2013	2012	Increase (decrease)	2013	2012
Assets:								
Current and other assets	\$ 338,065	343,663	(5,598)	378	181	197	338,443	344,185
Capital assets	331,926	346,221	(14,295)	—	—	—	331,926	346,221
Total assets	669,991	689,884	(19,893)	378	181	197	670,369	690,406
Deferred Outflows of resources	773	341	432	—	—	—	773	341
Liabilities:								
Other liabilities	39,710	38,242	1,468	4	3	1	39,714	169,976
Long-term liabilities	56,399	62,239	(5,840)	—	—	—	56,399	62,239
Total liabilities	96,109	100,481	(4,372)	4	3	1	96,113	232,215
Deferred Inflows of Resources	129,718	128,731	987	—	—	—	129,718	128,731
Net position:								
Net investment in capital assets	296,176	325,699	(29,523)	—	—	—	296,176	325,699
Restricted	25,587	24,503	1,084	—	—	—	25,587	24,503
Unrestricted	123,174	110,811	12,363	374	178	196	123,548	110,989
Total net position	\$ 444,937	461,013	(16,076)	374	178	196	445,311	461,191

Cash and investments decreased by \$6.1 million or 3.45%, caused by reduction in the net income of the general, other special revenue and capital projects funds. Overall, current and other assets decreased by 1.44%. Improvements to land, buildings and other than building were \$5.3 million; purchases of equipment, furniture, and vehicles (primarily computers and vehicles) were \$.5 million, less depreciation of \$9.95 million and retirements of \$1.3 million, resulting in a net change of (\$14.3) million. The overall change in long-term liabilities was an (9.38%) decrease. The bonds payable balance decreased by \$5.75 million.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

Unrestricted net position of \$123.5 million includes management commitments, assignments and unassigned fund balances. The Board of Education has authorized management to assign funds for certain obligations that make up 95.0% of the total net position included in unrestricted net position.

Fund balance has \$31.8 million in commitments, \$18.0 million in assignments, and \$64.8 million of unassigned fund balance. See footnote 2 for specific purposes within each category.

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

Table 3A—Changes in Net Position —Governmental Activities highlights the District's revenues and expenses for the 2013 and 2012 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.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

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

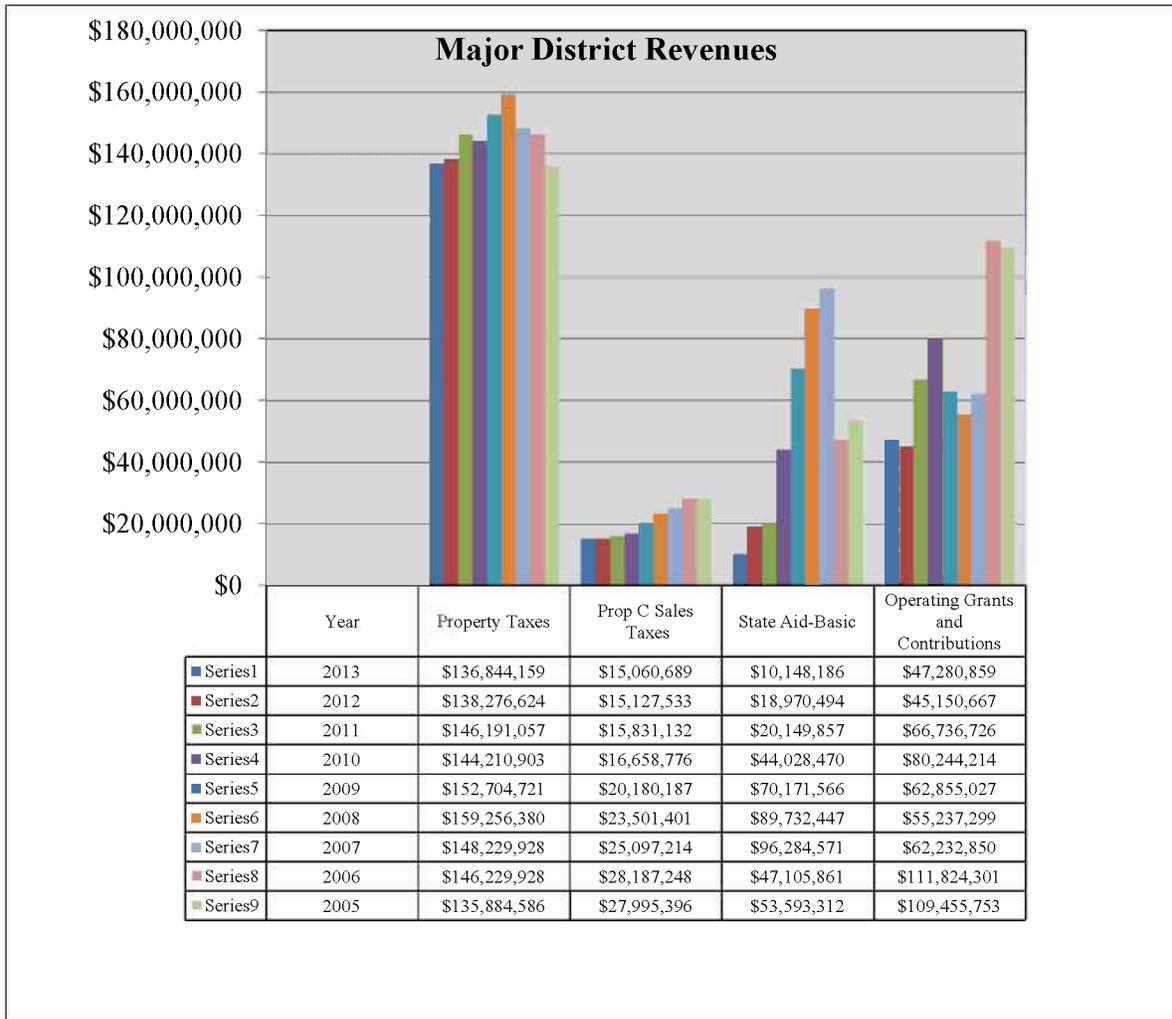
	Governmental activities		
	2013	2012	Increase (decrease)
Program revenues:			
Charges for services	\$ 3,298	855	2,443
Operating grants and contributions	47,281	45,151	2,130
Capital grants and contributions	2,356	3,043	(687)
General revenues:			
Property taxes	136,844	138,277	(1,433)
Prop C sales tax	15,061	15,127	(66)
Other local revenues	7,256	6,067	1,189
County governmental contributions	5,284	4,287	997
State aid—basic formula	10,148	18,970	(8,822)
Grants and entitlements	427	441	(14)
Investment earnings	(763)	1,007	(1,770)
Total revenues	<u>227,192</u>	<u>233,225</u>	<u>(6,033)</u>
Program expenses:			
Administration	11,521	13,150	(1,629)
Instruction	100,639	101,298	(659)
Support services	51,372	46,820	4,552
Operation of facilities	52,365	28,746	23,619
Pupil transportation	11,847	12,102	(255)
Facilities Improvement and Renovation	3,829	2,123	1,706
Community and adult services	8,706	9,194	(488)
Interest on long-term debt	2,989	3,716	(727)
Total expenses	<u>243,268</u>	<u>217,149</u>	<u>26,119</u>
Excess (deficiency) before transfers	<u>(16,076)</u>	<u>16,076</u>	<u>(32,152)</u>
Transfers	<u>—</u>	<u>—</u>	<u>—</u>
Increase (decrease) in net position	<u>(16,076)</u>	<u>16,076</u>	<u>(32,152)</u>
Net position beginning of year	<u>461,013</u>	<u>444,937</u>	<u>16,076</u>
Net position end of year	<u>\$ 444,937</u>	<u>461,013</u>	<u>(16,076)</u>

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

A graph of major District revenues is shown below.



The most significant changes in revenues were:

State Aid-Basic declined by \$8.8 million or 46.5%

Revenues from Consolidated Federal Programs decreased by \$6.4 million.

In FY13, ARRA funded a School Improvement Grant 1003 (g) for \$2.8 million.

Reimbursements for meals served under the Child Nutritional Services program increased by \$.82 million due primarily to an increase in reimbursement rate, and the expansion of a supper feeding program for students.

Property tax revenue increased by 2.79% or approximately \$3.8 million due the percentage of levy collected from 92.0% in FY12 to 93.15% in FY13.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

State Aid distributed under the basic formula decreased by 46.51% or approximately \$8.8 million. This reduction was caused by the decline in enrollment coupled with a reduction in the State's ability to fully fund the formula. The FY13 distribution was based on weighted average daily attendance (WADA) of 18,060 compared to WADA of 19,593 for FY12.

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

Administration— The decrease is primarily due to savings from using internal legal counsel staff rather than outside firms to resolve matters, off year where there were no costs to hold a board of directors election, and elimination of and or vacancies in administrator positions.

Support Services- A \$1.5 million increase in Health, psych & speech and \$2.9 million in curriculum development funded by SIG and Teacher Incentive grants.

Pupil Transportation – Transportation costs declined due to operational efficiencies.

Operation of Facilities -The increase is due to a focus on a number of deferred infrastructure repair and maintenance projects primarily in school buildings and increased utility costs.

Facilities improvement and renovation- Increase reflects use of Quality School Improvement Bonds and local resources to repair and renovate district school buildings. Three major renovation projects were undertaken in FY13, and completed in early fall, 2013; the renovation of the Interscholastic League stadium, and the air conditioning and renovation of East and Northeast High schools.

Community and Adult Services- Reduction reflects the use of certified instructors rather than certified teachers in the Head Start program.

Interest on long term debt- Interest costs declined due to the retirement of the 2003 Series A bonds in FY12.

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

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

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
Community services:			
Charges for services	\$ 253	290	(37)
Expenses	(57)	(151)	94
Revenue over expenditures before transfers	<u>196</u>	<u>139</u>	<u>57</u>
Investment Interest	—	—	—
Transfers	—	—	—
Increase (decrease) in net position	<u>\$ 196</u>	<u>139</u>	<u>57</u>

The decrease in revenue was due primarily to no longer providing Supplemental Education Services, offset by increased parking lot revenues from Sprint Center events.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

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

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

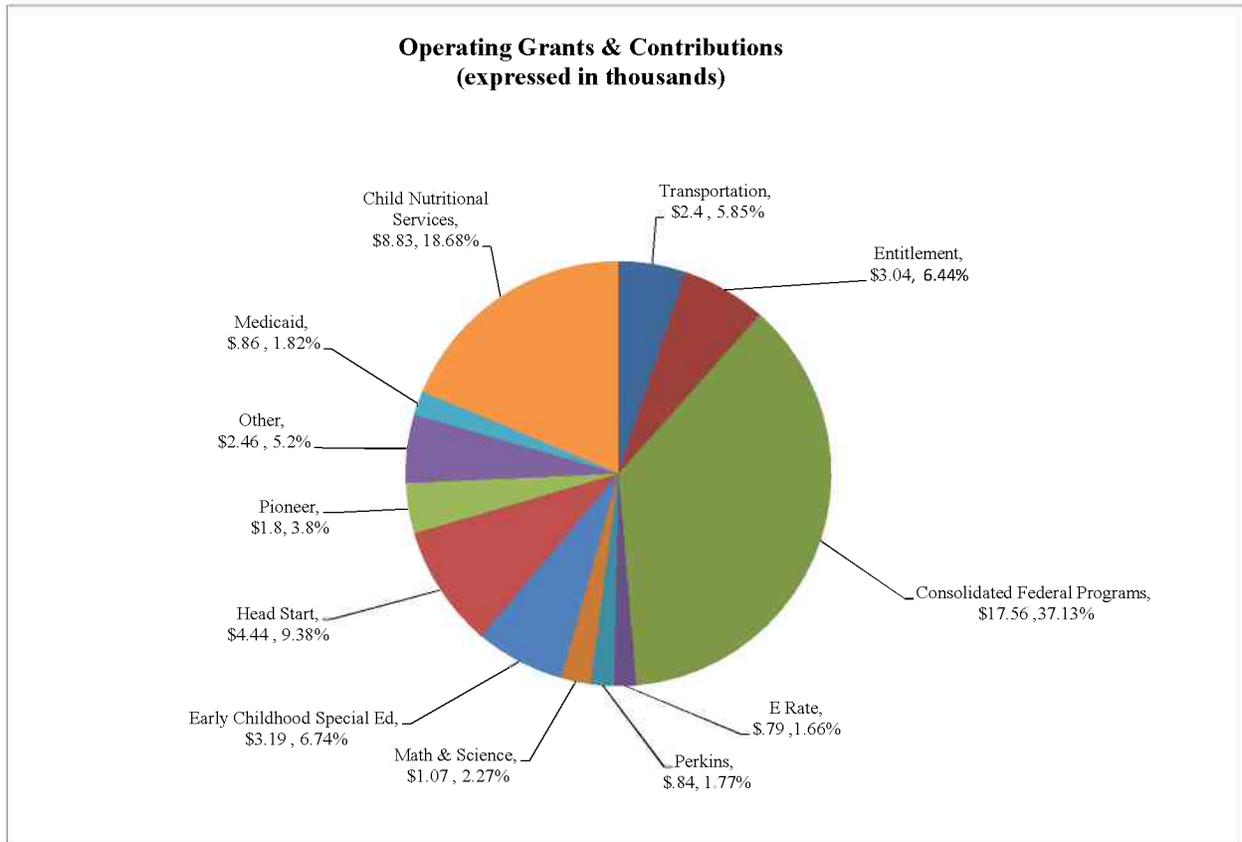
	Total cost of services	Net cost of services
Administration	\$ 11,521	11,521
Instruction	100,639	67,685
Support services	51,372	37,959
Operation of facilities	52,365	52,167
Pupil transportation	11,847	9,239
Facilities improvements and renovations	3,829	3,829
Community and adult services	8,706	7,080
Interest on long-term debt	2,989	853
Total	\$ 243,268	190,333

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

The District received program revenues specifically to offset the cost of certain functions/programs. The major source of this type of revenue, that totaled \$49.64 million, is from operating and capital grants and contributions. Operating and capital grants, and contributions are funds the District receives that are restricted to a particular purpose as show in the graph below.



Financial Analysis of the District's Funds

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

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

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, 2013, the unassigned fund balance of the operating budget funds is shown below:

<u>Operating budget funds</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total fund balance</u>
General	\$ —	300,721	478,642	64,782,155	65,561,518
Capital projects—operating	2,038,754	—	17,543,856	—	19,582,610
	<u>\$ 2,038,754</u>	<u>300,721</u>	<u>18,022,498</u>	<u>64,782,155</u>	<u>85,144,128</u>

As a measure of the operating budget liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total expenditures. The total fund balance represents 41.07% of total operating expenditures and transfers. The total operating fund balance increased by 21.28% when compared to fiscal year 2012.

General Fund Budgetary Highlights

Table 5A- Budget Comparison shows a summary of the major changes in the current year original and final budgets. The difference in revenues between the original and the final budgets is an increase of approximately 12.7%. Based on the final assessed valuation received in September 2012 and collection trends, property taxes revenues were increased by \$2.5 million. The projection for local grants increased by \$2.5 million. Proposition C (sales taxes) and basic formula state aid increased by \$1.7 million because of increased state funding. Additional federal grant awards of \$16.1 million were received after the original budget was approved.

Expenditures and transfers out increased by 14.4%. Budgeted expenditures increased by \$10.8 million primarily due to federal grant awards for School Improvement, K-8 Math & Science, Entitlement, Literacy Now, Culturally Different and Head Start received after the original budget was approved.

When comparing the original budget to the final budget, there was a favorable variance of \$23.2 million for revenues and transfers in, and an unfavorable budgeted variance for expenditure and transfers out of \$27.1 million, increasing the use of fund balance to \$4.5 million from \$8.4 million.

When compared to the prior year (see Table 5B), budgeted revenues and transfers in increased by 3.5% and expenditures and transfers out increased by 3.48%.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

Table 5A—Budget Comparison, Original to Final Budget, Fiscal Year 2013

	Revenues and Transfers In	Expenditures and Transfers Out
Original budget	\$ 183,095,531	187,643,447
Final budget	206,263,480	218,018,435
Increase	\$ 23,167,949	30,374,988

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

	Revenues and transfers in	Expenditures and transfers out
Fiscal year 2013 final budget	\$ 206,263,480	218,018,435
Fiscal year 2012 final budget	199,115,444	207,480,660
Increase (decrease)	\$ 7,148,036	10,537,775
Percentage of change	3.59%	5.08%

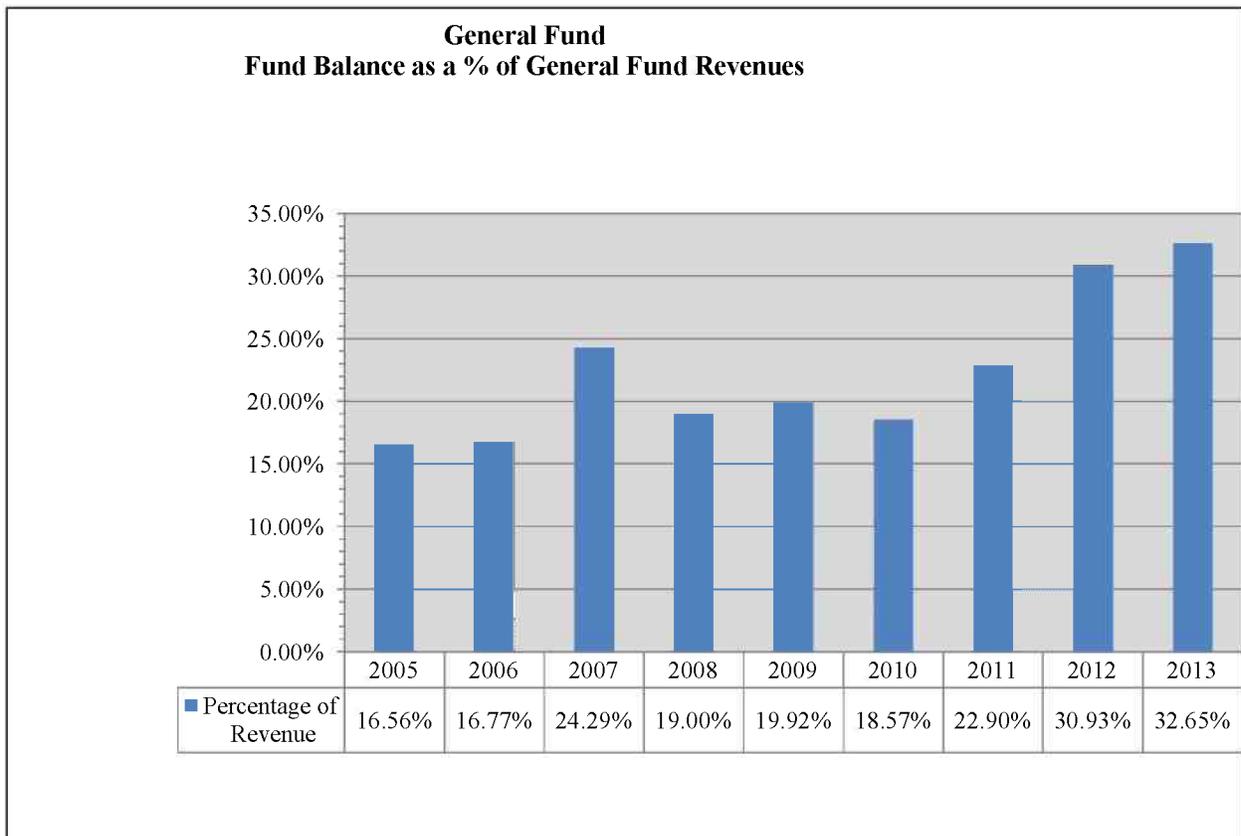
KANSAS CITY PUBLIC SCHOOLS

Management’s Discussion and Analysis

June 30, 2013

Major Funds—Financial Highlights

When compared to fiscal year 2012, General Fund revenues and transfers in decreased by \$4.54 million or 2.19%, and expenditures and transfers increased by \$5.09 million or 2.6%. The General Fund’s ending fund balance is used to balance the operating budget. The level of fund balance in the General Fund is increased in relation to annual revenues, as shown in the graph below. This ratio is analyzed to determine if there is adequate budgetary carryover to meet unfunded emergencies and other unplanned needs.



The Debt Service Fund’s revenues and other financing sources decreased by \$2.19 million or 15.4% as a result of the amount of the lease payment. Expenditures plus financing uses decreased by \$3.34 million or 23.53% primarily because of decreased principal and interest payments on bonds.

The Capital Projects Fund’s revenues, transfers and other financing sources decreased by \$2.73 million or 11.52% Expenditures increased by \$9.36 million or 32.4% due facility improvement and renovation projects.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2013

Capital Assets and Debt Administration

Capital assets—The District's investment in capital assets for its governmental activities as of June 30, 2013 amounts to \$331.9 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, building improvements, improvements other than buildings, impaired buildings, equipment, fixtures and vehicles. Capital assets decreased by \$14,295,218 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

	2013	2012
Land	\$ 30,646,301	30,646,301
Buildings	256,416,420	246,518,135
Improvements other than buildings	8,041,828	8,045,326
Equipment and furniture	1,003,258	1,015,417
Vehicles	238,651	258,727
Buildings-Impaired	30,986,801	56,890,198
Construction in progress	4,592,556	2,846,929
	<u>\$ 331,925,815</u>	<u>346,221,033</u>

Long-term debt—The Building Corporation issued leasehold revenue bonds to finance the District's major capital improvement projects in prior years with a \$5.75 million outstanding principal balance at the end of fiscal year 2013. In early fiscal year 2010, authorized as part of the American Recovery and Reinvestment Act of 2009, the District was awarded \$17.9 million in Quality School Construction bonds (QSCB) as one of one hundred school districts across the country. As the results of this award, in December, 2009, the Building Corporation issued, on behalf of the District, \$17.88 million in leasehold revenue bonds. A portion of the interest on the QSCB is paid by the federal government in the form of a quarterly tax credit to the owners of the QSCBs. The federal tax credit rate applicable to the QSCBs is 6.05%. In addition, owners of the QSCBs are also being paid interest on the principal outstanding at an interest rate of 2.23%. In fiscal year 2011, the District was again awarded Quality School Construction Bonds (QSCBs). In December, 2010, the Building Corporation issued, on behalf of the District, \$16.27 million in leasehold revenue bonds at an interest rate of 7.120%. The federal government interest subsidy of 5.37%, results in a net interest rate paid by the District of 1.75%. 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 resulted in an 8.75% reduction. Therefore, the amount of interest subsidy for the March and June payments were reduced to a net interest rate subsidy of 4.90% and the District's net interest rate of 2.22%. The District is required to make lease payments to the Building Corporation in an amount sufficient to cover principal and interest payments each year. During the current fiscal year, approximately \$10.84 million was available to the Trustee in compliance with this requirement. Approximately 4.48% 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, 2013

Economic Factors That Impact Fiscal Year 2014 Budgets

- The fiscal year 2014 comprehensive operating budget was approved by the Board on May 22, 2013. Fiscal year 2014 projected current revenues of approximately \$215.9 million is a decrease of about \$16.7 million or (7.2%) when compared to fiscal year 2013.
 - Local revenue from property taxes decreased by \$2.4 million based on estimated assessed valuation decrease of \$55.8 million and the estimated collection rate of 92%.
 - Proposition C sales taxes increased by \$.5 million based on the estimated increase in the per pupil funding rate
 - Investment earnings, local grants and subsidies are expected to decrease by \$ 1.0 million.
 - State aid is expected to decline by approximately \$.7 million as a result of the reduction in the weighted average daily attendance factor.
 - Federal grants are expected to decrease by \$12.9 million, however, it is anticipated that additional federal grants will be awarded during the fiscal year.
- Fiscal year 2014 expenditures of approximately \$215.9 million represent a decrease of about \$21.4 million (or 9.0%) when compared to the prior year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

KANSAS CITY PUBLIC SCHOOLS

Statement of Net Position

June 30, 2013

	Governmental activities	Business-type activities	Total
Assets:			
Cash and investments	\$ 153,415,441	378,294	153,793,735
Taxes receivable (net of allowance for uncollectibles)	147,353,900	—	147,353,900
Interest receivable	410,986	—	410,986
Due from other governmental units	11,596,976	—	11,596,976
Other receivables	1,975,213	—	1,975,213
Supplies inventories	25,915	—	25,915
Restricted cash and investments	17,381,036	—	17,381,036
Property held for sale	2,601,900	—	2,601,900
Other post-employment benefits	3,304,425	—	3,304,425
Capital assets (net of accumulated depreciation):			
Nondepreciable	66,225,658	—	66,225,658
Depreciable	265,700,157	—	265,700,157
Total assets	669,991,607	378,294	670,369,901
Deferred Outflows of resources:			
Deferred charge on refunding	773,349	—	773,349
Liabilities:			
Accounts payable and other	14,432,709	—	14,432,709
Accrued salaries, benefits, and payroll taxes	24,842,061	2,138	24,844,199
Claims payable	210,000	—	210,000
Accrued interest payable	181,168	—	181,168
Unearned revenue	44,030	2,100	46,130
Long-term liabilities:			
Due within one year:			
Compensated absences	2,948,500	—	2,948,500
Revenue bonds	5,750,000	—	5,750,000
Due in more than one year:			
Compensated absences	12,033,392	—	12,033,392
Claims payable	702,000	—	702,000
Revenue bonds	34,154,000	—	34,154,000
Unamortized premium on bonds	811,532	—	811,532
Total liabilities	96,109,392	4,238	96,113,630
Deferred Inflows of Resources:			
Unavailable revenue- property taxes	129,718,440	—	129,718,440
Net position:			
Net investment in capital assets	296,175,876	—	296,175,876
Restricted for:			
Debt service	9,855,351	—	9,855,351
Workers' compensation	284,112	—	284,112
Permanent fund, nonexpendable corpus	35,000	—	35,000
Patron gifts	196,895	—	196,895
Compensated absences	11,799,005	—	11,799,005
Capital projects	1,024,725	—	1,024,725
Other restrictions	2,391,971	—	2,391,971
Unrestricted	123,174,189	374,056	123,548,245
Total net position	\$ 444,937,124	374,056	445,311,180

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Statement of Activities

Year ended June 30, 2013

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Administration	\$ 11,521,004	—	—	—
Instruction	100,639,043	164,935	32,773,947	15,183
Support services	51,372,214	2,930,768	10,476,256	6,199
Operation of facilities	52,365,709	—	—	198,122
Pupil transportation	11,846,805	202,771	2,404,502	—
Facilities improvements and renovation	3,828,947	—	—	—
Community and adult services	8,705,889	—	1,626,154	—
Interest on long-term debt	2,988,798	—	—	2,136,117
Total governmental activities	243,268,409	3,298,474	47,280,859	2,355,621
Business-type activities:				
Community services	57,092	252,867	—	—
Total	243,325,501	3,551,341	47,280,859	2,355,621
General revenues:				
Property taxes				
Prop C sales tax				
Other local revenues				
Intermediate/county				
State aid—basic formula				
Grants and entitlements not restricted to specific programs				
Investment earnings (loss)				
Total general revenues				
Change in net position				
Net position—beginning				
Net position—ending				

See accompanying notes to basic financial statements.

Net revenue (expense) and changes in net position		
Governmental activities	Business-type activities	Total
(11,521,004)	—	(11,521,004)
(67,684,978)	—	(67,684,978)
(37,958,991)	—	(37,958,991)
(52,167,587)	—	(52,167,587)
(9,239,532)	—	(9,239,532)
(3,828,947)	—	(3,828,947)
(7,079,735)	—	(7,079,735)
(852,681)	—	(852,681)
(190,333,455)	—	(190,333,455)
—	195,775	195,775
(190,333,455)	195,775	(190,137,680)
136,844,159	—	136,844,159
15,060,689	—	15,060,689
7,255,663	—	7,255,663
5,284,110	—	5,284,110
10,148,186	—	10,148,186
427,118	—	427,118
(762,572)	—	(762,572)
174,257,353	—	174,257,353
(16,076,102)	195,775	(15,880,327)
461,013,226	178,281	461,191,507
\$ 444,937,124	374,056	445,311,180

KANSAS CITY PUBLIC SCHOOLS

Balance Sheet
Governmental Funds
June 30, 2013

Assets	General	Other Special Revenue	Debt Service	Capital Projects	Nonmajor governmental funds	Total governmental funds
Cash and investments	\$ 73,786,777	24,488,124	—	53,872,250	1,268,290	153,415,441
Restricted cash and investments	284,112	—	11,777,154	4,965,593	354,177	17,381,036
Taxes receivable, net of allowance for uncollectibles	146,169,452	—	—	1,184,448	—	147,353,900
Interest receivable	220,708	45,384	116,951	26,741	1,202	410,986
Other receivables	1,975,213	—	—	—	—	1,975,213
Due from other governments	10,222,166	—	—	211,394	1,163,416	11,596,976
Due from other funds	1,009,059	—	—	—	—	1,009,059
Advances to other funds	—	—	—	2,038,754	—	2,038,754
Property held for sale	—	—	—	2,601,900	—	2,601,900
Total assets	<u>\$ 233,667,487</u>	<u>24,533,508</u>	<u>11,894,105</u>	<u>64,901,080</u>	<u>2,787,085</u>	<u>337,783,265</u>
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 7,057,850	306,001	—	6,869,730	110,053	14,343,634
Accrued salaries, benefits, and payroll taxes	12,649,786	12,428,502	—	—	69,774	25,148,062
Advances from other funds	—	—	2,038,754	—	—	2,038,754
Due to other funds	—	—	—	1,009,059	—	1,009,059
Unearned revenue	44,030	—	—	—	—	44,030
Total liabilities	<u>19,751,666</u>	<u>12,734,503</u>	<u>2,038,754</u>	<u>7,878,789</u>	<u>179,827</u>	<u>42,583,539</u>
Deferred Inflows of resources:						
Unavailable revenue- property taxes	139,499,318	—	—	1,094,341	—	140,593,659
Unavailable revenue- grants	8,854,985	—	—	—	—	8,854,985
Total deferred inflows of resources	<u>148,354,303</u>	<u>—</u>	<u>—</u>	<u>1,094,341</u>	<u>—</u>	<u>149,448,644</u>
Fund balances:						
Nonspendable	—	—	—	2,038,754	35,000	2,073,754
Restricted	300,721	11,799,005	9,855,351	4,575,775	2,572,258	29,103,110
Committed	—	—	—	31,769,565	—	31,769,565
Assigned	478,642	—	—	17,543,856	—	18,022,498
Unassigned	64,782,155	—	—	—	—	64,782,155
Total fund balances	<u>65,561,518</u>	<u>11,799,005</u>	<u>9,855,351</u>	<u>55,927,950</u>	<u>2,607,258</u>	<u>145,751,082</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 233,667,487</u>	<u>24,533,508</u>	<u>11,894,105</u>	<u>64,901,080</u>	<u>2,787,085</u>	<u>337,783,265</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, 2013

Fund balances—balance sheet	\$ 145,751,082
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	331,925,815
Federal food commodities	25,915
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	(39,904,000)
Unamortized premium on bonds	(811,532)
Deferred charge on refunding	773,349
Accrued interest payable	(181,168)
Arbitrage liability	(89,075)
Other post-employment benefits	3,304,425
Compensated absences	(14,675,891)
Claims payable	(912,000)
	(52,495,892)
Deferred inflows of resources—property taxes	10,875,219
Deferred inflows of resources—grants	8,854,985
Net position of governmental activities	\$ 444,937,124

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, 2013

	General	Other Special Revenue	Debt Service	Capital Projects	Nonmajor governmental funds	Total governmental funds
Revenues:						
Property taxes	\$ 131,397,504	—	—	10,740,678	—	142,138,182
Prop C sales tax	14,149,445	911,244	—	—	—	15,060,689
Other local, including investment loss	6,985,697	(234,921)	434,467	183,760	1,333,320	8,702,323
Intermediate/county	5,170,568	—	—	113,542	—	5,284,110
State aid—basic formula	10,148,186	—	—	—	—	10,148,186
Other state	5,940,878	—	—	—	67,912	6,008,790
Federal	26,740,948	11,308	—	2,138,921	9,890,782	38,781,959
Tuition	283,323	—	—	—	—	283,323
Total revenues	<u>200,816,549</u>	<u>687,631</u>	<u>434,467</u>	<u>13,176,901</u>	<u>11,292,014</u>	<u>226,407,562</u>
Expenditures:						
Current:						
Administration	15,518,978	—	—	—	—	15,518,978
Instruction	88,297,725	—	—	—	661,966	88,959,691
Support services	39,251,924	2,001,785	—	—	9,735,142	50,988,851
Operation of facilities	29,404,514	—	—	—	—	29,404,514
Pupil transportation	11,846,805	—	—	—	—	11,846,805
Community and adult services	8,687,299	—	—	—	—	8,687,299
Debt service:						
Principal	—	—	7,555,000	—	—	7,555,000
Interest and fiscal charges	—	—	3,287,071	—	—	3,287,071
Capital outlay:						
Administration	—	—	—	6,857	—	6,857
Instruction	—	—	—	2,392,387	—	2,392,387
Support services	—	—	—	571,299	—	571,299
Operation of facilities	73,559	—	—	—	—	73,559
Community and adult services	—	—	—	9,905	—	9,905
Facilities improvement and renovation	—	—	—	22,763,828	—	22,763,828
Total expenditures	<u>193,080,804</u>	<u>2,001,785</u>	<u>10,842,071</u>	<u>25,744,276</u>	<u>10,397,108</u>	<u>242,066,044</u>
Revenues over (under) expenditures	<u>7,735,745</u>	<u>(1,314,154)</u>	<u>(10,407,604)</u>	<u>(12,567,375)</u>	<u>894,906</u>	<u>(15,658,482)</u>
Other financing sources (uses):						
Transfers in	748,194	—	10,840,673	7,710,994	—	19,299,861
Transfers out	(7,676,053)	—	—	(11,588,867)	(34,941)	(19,299,861)
Unrealized loss on property held for sale	—	—	—	(920,000)	—	(920,000)
Sale of capital assets	946,097	—	738,904	113,245	—	1,798,246
Total other financing sources (uses)	<u>(5,981,762)</u>	<u>—</u>	<u>11,579,577</u>	<u>(4,684,628)</u>	<u>(34,941)</u>	<u>878,246</u>
Net change in fund balances	<u>1,753,983</u>	<u>(1,314,154)</u>	<u>1,171,973</u>	<u>(17,252,003)</u>	<u>859,965</u>	<u>(14,780,236)</u>
Fund balances, beginning of year	63,807,535	13,113,159	8,683,378	73,179,953	1,747,293	160,531,318
Fund balances, end of year	<u>\$ 65,561,518</u>	<u>11,799,005</u>	<u>9,855,351</u>	<u>55,927,950</u>	<u>2,607,258</u>	<u>145,751,082</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, 2013

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

Net change in fund balances—total governmental funds	\$ (14,780,236)
--	-----------------

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	23,147,706
Depreciation expense	(9,953,044)
	13,194,662

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

Proceeds from sale of capital assets	(1,798,246)
Loss on disposal of capital assets	(2,430,224)
Unrealized loss on impaired capital assets	(23,261,410)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	479,637
--	---------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In addition, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal payment on revenue bonds	7,555,000
Amortization on premium and deferred charges	(303,230)
Arbitrage liability	47,895
Accrued interest payable	299,384
	7,599,049

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	907,085
Compensated absences	(265,591)
Claims payable	4,279,172
	4,920,666

Change in net position of governmental activities	\$ <u><u>(16,076,102)</u></u>
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See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Statement of Net Position—Proprietary Fund
June 30, 2013

		Nonmajor Enterprise Fund
		<u> </u>
Assets:		
Cash and Investments	\$	<u>378,294</u>
Total assets		<u>378,294</u>
Liabilities:		
Accrued salaries, benefits, and payroll taxes		2,138
Unearned Revenue		<u>2,100</u>
Total liabilities		<u>4,238</u>
 Net position, unrestricted	 \$	 <u><u>374,056</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, 2013

	Nonmajor Enterprise Fund
Operating revenues:	
Charges for community support services	<u>252,867</u>
Total operating revenues	<u>252,867</u>
Operating expenses:	
Salaries, wages, and employee benefits	31,916
Other contractual services	<u>25,176</u>
Total operating expenses	<u>57,092</u>
Change in net position	195,775
Total net position, beginning of year	<u>178,281</u>
Total net position, end of year	<u>\$ 374,056</u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Statement of Cash Flows—Proprietary Fund
Year ended June 30, 2013

		Nonmajor Enterprise Fund
		<u> </u>
Cash flows from operating activities:		
Receipts from customers and users	\$	263,367
Payments to suppliers		(25,440)
Payments to employees		(31,916)
		<u> </u>
Net cash provided by operating activities		206,011
		<u> </u>
Net increase in cash and cash equivalents		206,011
Cash and cash equivalents, beginning of year		172,283
		<u> </u>
Cash and cash equivalents, end of year	\$	<u><u>378,294</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	195,775
Adjustments to reconcile operating income to net cash provided by operating activities:		
Decrease in due from other government		8,400
Increase in unearned revenue		2,100
(Decrease) in accrued salaries, benefits and payroll taxes		(264)
		<u> </u>
Total adjustments		10,236
		<u> </u>
Net cash provided by operating activities	\$	<u><u>206,011</u></u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Statement of Fiduciary Net Position

June 30, 2013

	Private Purpose Trust— Student Scholarship Fund
Assets:	
Investments	\$ 272,287
Interest receivable	998
Total assets	<u>273,285</u>
Net position:	
Net position held in trust for other purposes	<u>\$ 273,285</u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2013

		Private Purpose Trust— Student Scholarship Fund
Additions:		
Contributions:		
Private donations	\$	<u>12,316</u>
Total contributions		<u>12,316</u>
Investment income:		
Adjustment of investments to fair market value		<u>2,160</u>
Total investment income		<u>2,160</u>
Total additions		<u>14,476</u>
Deductions:		
Scholarship awards		<u>121,949</u>
Total deductions		<u>121,949</u>
Net decrease		(107,473)
Net position, beginning of year		<u>380,758</u>
Net position, end of year	\$	<u><u>273,285</u></u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

(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, 2013 are included in the basic financial statements as Capital Projects and Debt Service Funds. The Building Corporation does not issue separate financial statements.

Charter Schools—Charter schools are established within the boundaries of the District by state statutes as local educational agencies. Twenty-one charter schools were operating during fiscal year 2013. Under current Missouri statutes, charter schools are allowed to be a Local Education Agency (LEA). All charter schools are currently operating as LEA's. Accordingly, the accounts of these charter schools are not included in these financial statements.

(b) Government-wide and Fund Financial Statements

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

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

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. All current and noncurrent assets, 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 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 arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. For property taxes, available is defined as expected to be received within 60 days of fiscal year-end. Federal, state, and local grant revenues received as reimbursement for specific purposes is recognized when the related reimbursement is received within 60 days of fiscal year-end. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. Expenditures are generally recognized in the accounting period when the related fund liabilities are incurred. Principal and interest on long-term indebtedness, as well as expenditures related to compensated absences and claims and judgments, are recorded in the governmental funds when payment is due and payable.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

The District adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* in the current year. The adoption of these Statements changed the presentation of the basic financial statements to a statement of net position format and reclassified certain assets and liabilities to deferred inflows/outflows of resources.

The District has the following major governmental funds.

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

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

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

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

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

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

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

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

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

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

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

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

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

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

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

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

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

(d) *Assets, Liabilities, Deferred Inflows/Outflows of Resources and Net Position or Fund Balance*

1. Deposits and Investments

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

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

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

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

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

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

2. Restricted Cash and Investments

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

3. Receivables and Payables

Within the fund financial statements, activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" or "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". There were no internal balances as of June 30, 2013.

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

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

Property taxes are recognized as a receivable at the time they become an enforceable legal claim. Property taxes are levied by the county assessor based on the assessed valuation of taxable property as of January 1 of each calendar year (tax lien date). Taxes are billed the following November 1 and become due on or before December 31. Tax bills not collected by December 31 are considered delinquent and the unpaid amount is subject to interest and penalties. The county is responsible for the collection and distribution of property taxes. Assessed values are established by the county's Department of Assessment and reviewed by the County Board of Equalization and the state tax commissioner. The total assessed value at January 1, 2013 for real estate, personal property, merchants and manufacturers, and railroad and utility property was approximately \$2.72 billion.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

4. Inventories

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

5. Capital Assets

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

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

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

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

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

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

6. Compensated Absences

District employees earn annual vacation leave at the following rates:

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

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

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

Estimated vacation and sick leave payments due to employees at June 30, 2013 of \$14.98 million have been recorded in the government-wide financial statements. Of this balance, \$.3 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, 2013 of \$11.8 million to cover these future payments. Payments of benefits to employees are made from the Other Special Revenue Fund.

7. Interfund Transactions

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

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

8. Deferred Inflows/Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 government has only one type of item that qualifies for reporting in this category, unavailable revenue. The governmental funds report unavailable revenues from two sources: property taxes and unreimbursed grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The statement of net position reports unavailable revenue for property taxes levied for future years.

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.

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

10. 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.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

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

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

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

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

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 investment in capital assets excludes unspent bond proceeds of \$4,965,593.

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 \$9,855,351 for debt service, \$284,112 for worker's compensation, \$35,000 for nonexpendable corpus of permanent fund, \$196,895 for patron gifts, \$11,799,005 for compensated absences, \$1,024,725 for capital projects, and \$2,391,971 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.

11. Use of Estimates

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

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

(2) Fund Balances

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

Fund Balances:	General	Other Special Revenue	Debt Service	Capital Projects	Governmental Funds	Total
Nonspendable:						
Advances	\$ -	\$ -	\$ -	\$ 2,038,754	\$ -	\$ 2,038,754
Patron gift	-	-	-	-	35,000	35,000
Total Nonspendable	-	-	-	2,038,754	35,000	2,073,754
Restricted:						
Grant restriction	16,609	-	-	-	-	16,609
Child Nutritional Services	-	-	-	-	1,920,810	1,920,810
Debt service	-	-	9,855,351	-	-	9,855,351
Student activities	-	-	-	-	331,069	331,069
Patron gift	-	-	-	-	196,895	196,895
Property held for sale	-	-	-	2,601,900	-	2,601,900
Permanent fund	-	-	-	-	123,484	123,484
Compensated absences	-	11,799,005	-	-	-	11,799,005
Workers compensation	284,112	-	-	-	-	284,112
Encumbrances- QSCB	-	-	-	1,024,725	-	1,024,725
Capital projects- QSCB	-	-	-	949,150	-	949,150
Total Restricted	300,721	11,799,005	9,855,351	4,575,775	2,572,258	29,103,110
Committed:						
Encumbrances	-	-	-	9,543,683	-	9,543,683
Capital projects-Cafeteria Modernization	-	-	-	299,430	-	299,430
Capital projects-Cornerstone	-	-	-	21,926,452	-	21,926,452
Total Committed	-	-	-	31,769,565	-	31,769,565
Assigned:						
Encumbrances	478,642	-	-	-	-	478,642
Future equipment purchases	-	-	-	17,543,856	-	17,543,856
Total Assigned	478,642	-	-	17,543,856	-	18,022,498
Unassigned:						
	64,782,155	-	-	-	-	64,782,155
Total fund balances	\$ 65,561,518	\$ 11,799,005	\$ 9,855,351	\$ 55,927,950	\$ 2,607,258	\$ 145,751,082

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

(3) Detailed Notes on All Funds

(a) Deposits and Investments

The District and the Building Corporation had the following cash and investments at June 30, 2013:

Investment type	Fair value	Weighted average maturity (years)
U.S. Treasury obligations	\$ 283,474	.38
Government-sponsored enterprises	116,533,215	4.30
Repurchase agreements	29,211,000	.60
Total fair value	146,027,689	
 Portfolio weighted average maturity		 2.45
 Other cash and investments not subject to interest rate disclosure:		
Money market funds	10,076,242	
Certificates of deposit	5,000,000	
Commercial Paper	9,998,219	
Deposits	344,908	
	25,419,369	
 Total cash and investments	 \$ 171,447,058	

Interest rate risk—The Board approved investment policy requires that the investment portfolio be structured so that securities mature to meet cash requirements for day-to-day operations. Primarily, operating funds are invested in short-term securities with a weighted average maturity of less than 12 months and securities are held to maturity. Investments may mature within no more than 5 years from date of purchase. The policy requires the District to adopt weighted average maturity limitations that do not exceed 3 years and is consistent with the investment objectives. The weighted average maturity for the District’s portfolio, excluding Building Corporation, is 4.21 years. The weighted average maturity for the investments of the Building Corporation is about .59 years.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

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

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

Concentration of credit risk—The District's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the District to meet its anticipated cash requirements. At the time the investments are purchased, the District seeks to follow diversification standards published by the Office of Missouri State Treasurer. Those standards allows for no more than 60% of the total investment portfolio to be in U.S. Government agencies and no more than 30% to be in U.S. Government callable agencies. At June 30, the District had 3% of its investments in certificates of deposits and Missouri Securities Investment Program Term Series, and 68% in callable U.S. Government agencies.

Collateralized repurchase agreements are limited to 50% of the total investments. At June 30, the District had 17% of its investments in collateralized repurchase agreements.

Custodial credit risk—For deposits, this is the risk that, in the event of a bank failure, the District and its component unit deposits may not be returned. Collateral is required by state statute for demand deposits and certificates of deposit. The fair value of the collateral must equal 100% of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are governed by State Statutes and include United States Government agency bonds and securities; general obligation bonds of any of the 50 states; general obligation bonds of any Missouri county, certain cities, and special districts; and revenue bonds of certain Missouri agencies. For investments, there is the risk that, in the event of the failure of the counterparty, the District and its component units will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2013, the District and the Building Corporation had no deposits or investments exposed to custodial credit risk.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

(b) Receivables

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

	<u>General</u>	<u>Other Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor and other(1)</u>	<u>Total</u>
Interest	\$ 220,708	45,384	116,951	26,741	2,200	411,984
Taxes	149,122,065	—	—	1,591,681	—	150,713,746
Due from other						
governments	10,222,166	—	—	211,394	1,163,416	11,596,976
Other receivables	<u>1,975,213</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,975,213</u>
Gross receivables	161,540,152	45,384	116,951	1,829,816	1,165,616	164,697,919
Less: allowance for uncollectibles	<u>(2,952,613)</u>	<u>—</u>	<u>—</u>	<u>(407,233)</u>	<u>—</u>	<u>(3,359,846)</u>
Net total						
receivables	<u>\$ 158,587,539</u>	<u>45,384</u>	<u>116,951</u>	<u>1,422,583</u>	<u>1,165,616</u>	<u>161,338,073</u>

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

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

(c) **Capital Assets**

Capital asset activity as of June 30, 2013 is shown below:

	Beginning balance	Additions	Transfers/ retirements	Ending balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 30,646,301	—	—	30,646,301
Construction in progress	2,846,929	2,876,872	(1,131,245)	4,592,556
Impairment- closed buildings	56,890,198	—	(25,903,397)	30,986,801
Total capital assets, not being depreciated	90,383,428	2,876,872	(27,034,642)	66,225,658
Capital assets, being depreciated:				
Buildings and improvements	416,153,701	19,793,821	(1,602,057)	434,345,465
Improvements other than buildings	33,034,747	1,239,201	—	34,273,948
Equipment and furniture	29,453,343	283,742	(1,132,886)	28,604,199
Vehicles	1,902,832	85,315	(5,000)	1,983,147
Total capital assets being depreciated	480,544,623	21,402,079	(2,739,943)	499,206,759
Less accumulated depreciation for:				
Buildings and improvements	(169,635,566)	(8,315,017)	21,536	(177,929,047)
Improvements other than buildings	(24,989,421)	(1,242,700)	—	(26,232,121)
Equipment and furniture	(28,437,926)	(289,937)	1,126,924	(27,600,939)
Vehicles	(1,644,105)	(105,390)	5,000	(1,744,495)
Total accumulated depreciation	(224,707,018)	(9,953,044)	1,153,460	(233,506,602)
Total capital assets, being depreciated, net	255,837,605	11,449,035	(1,586,483)	265,700,157
Governmental activities capital assets, net	\$ 346,221,033	14,325,907	(28,621,125)	331,925,815

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

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

Elementary schools	\$	4,226,621
Middle schools		1,059,826
Senior high schools		4,220,787
Special education		5,330
Total instruction		9,512,564
Executive Administration		6,493
Food Service		16,130
Information technology		116,324
Total support services		138,947
Operation of facilities		87,238
Internal Services		9,075
Facilities acquisition and construction		205,220
Total governmental activities depreciation expense	\$	9,953,044

As of June 30, 2013 the District has twenty-seven schools with a total carrying value of \$55,291,997 that are idle and considered impaired. Management has determined five of these schools with a carrying value of \$24,305,196 are considered to be temporarily impaired. The remaining twenty-two closed schools were accounted for at the lower of carrying value or fair value.

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

Interfund receivables, payables, and advances to and from at June 30, 2013 are as follows:

Fund	Receivables	Payables
Major funds:		
General Fund	\$ 1,009,059	—
Capital Projects	2,038,754	1,009,059
Debt Service	—	2,038,754
	\$ 3,047,813	3,047,813

The purpose of the above inter-fund balances is to reflect the payables and receivables between certain funds at June 30, 2013. The District is required to make advance payments to the trustee for current debt service obligation of \$2.0 million, which is funded by proceeds from the sale of buildings and property tax revenue. The \$1.0 million represents unreimbursed QSCB expenditures. The District is reimbursed by the Building Corporation upon proof the vendor has been paid.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

The following transfers were made during the fiscal year:

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Transfers from:				
General Fund	\$ -	-	7,676,053	7,676,053
Capital Project Fund	748,194	10,840,673	-	11,588,867
Nonmajor governmental Fund		-	34,941	34,941
	<u>\$ 748,194</u>	<u>10,840,673</u>	<u>7,710,994</u>	<u>19,299,861</u>

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

(e) Accrued Salaries

School-based instructional staff, are compensated over a 12-month period beginning in August and September. Remaining salaries and related payroll taxes for the fiscal year have been accrued at June 30, 2013.

(f) Long-term Borrowings

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

The District has pledged, as security for the 2003 series bonds issued by the Building Corporation, a portion of the District's property taxes. The 2003 series bonds are payable through 2014. Total principal and interest remaining on the 2003 series bond debt is \$6,037,500, payable in February, 2014. For the current year, principal and interest paid by the District were \$7.6 million and \$.6 million, respectively.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

The 2009 Leasehold Revenue Qualified School Construction Bonds are payable through 2025. The total principal and interest remaining on the debt is \$20,890,165 with annual requirements ranging from \$.4 million to \$2.4 million. For the current year, interest paid by the District was \$.4 million. The amount of tax credits issued to the bondholder from the federal government was \$1.1 million. Principal payments begin in 2015.

The 2010 Leasehold Revenue Qualified School Construction Bonds are payable through 2029. The total principal and interest remaining on the debt is \$26,785,220 with annual requirements ranging from \$1.2 million to \$2.1 million. For the current year, interest paid by the District was \$1.2 million. The amount of interest subsidy reimbursed to the District from the federal government was \$835,899. Principal payments begin in 2015.

Bonds outstanding at June 30, 2013 are as follows:

<u>Purpose</u>	<u>Amount outstanding</u>	<u>Interest rate</u>	<u>Maturity year</u>
Series 2003B	\$ 5,750,000	4.00% to 5.00%	2014
Series 2009	17,880,000	2.23%	2025
Series 2010	16,274,000	7.12%	2029
	<u>\$ 39,904,000</u>		

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

	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year ending June 30:		
2014	5,750,000	1,844,933
2015	2,009,000	1,534,508
2016	2,110,000	1,442,054
2017	2,230,000	1,346,410
2018	2,350,000	1,247,174
2019-2023	13,900,000	4,615,982
2024-2028	10,335,000	1,712,676
2029	1,220,000	65,148
Total	<u>\$ 39,904,000</u>	<u>13,808,885</u>

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

(g) Changes in Long-term Liabilities

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

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Leasehold revenue bonds	\$ 47,459,000	—	(7,555,000)	39,904,000	5,750,000
Compensated absences	<u>14,603,625</u>	<u>2,162,391</u>	<u>(1,784,124)</u>	<u>14,981,892</u>	<u>2,948,500</u>
Long-term liabilities	<u>\$ 62,062,625</u>	<u>2,162,391</u>	<u>(9,339,124)</u>	<u>54,885,892</u>	<u>8,698,500</u>

Compensated absences are liquidated by the Other Special Revenue Fund.

Prior period defeasance

During the year ended June 30, 2009 the District defeased portions of the Series 2003A and 2003B leasehold revenue bonds by placing proceeds from the 2008 sale of school buildings in an irrevocable trust to provide for all future debt service payments on these bonds. The advance refund was done to comply with federal tax law mandates on the use of the proceeds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's long-term debt. On June 30, 2013, \$7,068,225 of bonds outstanding are considered defeased.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

(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 \$284,112 as of June 30, 2013 are for the self-insured portion of the workers compensation program's reserve requirement. A commercial insurance policy is purchased to cover current and future workers' compensation claims. Pursuant to 288.090:3(1)(a) of the Missouri Revised Statutes, the District participates in the State Employment Security Program on a reimbursable basis and pays claims in lieu of contributions. The District maintains a general liability reserve to cover claims in excess of existing commercial insurance coverage that is funded by contributions from the General Fund.

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District purchases commercial insurance. Claim settlements have not exceeded commercial insurance coverage for each of the past three fiscal years. Changes for the claims liability for fiscal years 2012 and 2013 is shown below.

	Beginning of fiscal year	Current claims and estimated changes	Claim payments	Balance at fiscal year-end
Fiscal year 2013:				
Claims and judgments	5,191,172	(3,597,205)	681,967	912,000
	\$ 5,191,172	(3,597,205)	681,967	912,000
Fiscal year 2012:				
Claims and judgments	6,223,818	(283,524)	749,122	5,191,172
	\$ 6,223,818	(283,524)	749,122	5,191,172

(b) Post-Employment Benefits

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

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

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

Membership in the OPEB comprised the following at July 1, 2012:

Active employees	1,869
Retired participants medical	453
Retired participants spouse medical	65
Retired participants dental	1,614
Retired participants spouse dental	320

The annual required contribution (ARC) is the basic annual expense recognized under GASB Statement No. 45, though there is no requirement to fund the ARC. ARC is calculated under the actuarial cost method that was chosen and is made up of the normal cost plus amortization of the unfunded actuarial accrued liability (UAAL - excess of the past service liability over the actuarial value of the assets). The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually. For fiscal year 2013, the District contributed \$1,995,243 to the plan. Plan members receiving benefits from OPEB contributed \$2,168,907.

Other Post-employment Benefit cost expense is computed based on the annual required contribution (ARC) of the District. The annual required contribution is an amount of funding that if funded on a regular basis, it is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components that make up the District's OPEB Cost for 2013:

Annual Required Contribution	\$1,045,397
Interest on Net OPEB Obligation	(95,894)
Adjustment to ARC	<u>138,655</u>
Annual OPEB Cost (Expense)	<u>1,088,158</u>
 Contributions Made	 (1,995,243)
 Increase in net OPEB Obligation (Asset)	 (907,085)
Net OPEB Asset – Beginning of Year	<u>(2,397,340)</u>
Net OPEB Asset – End of Year	<u>\$(3,304,425)</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2013, 2012, and 2011 are as follows in the table below:

<u>Fiscal Yr Ended</u>	<u>OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
06/30/13	\$1,088,158	183.4%	\$(3,304,425)
06/30/12	\$1,409,770	119.6%	\$(2,397,340)
06/30/11	\$1,404,845	119.7%	\$(2,121,242)

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

As of July 1, 2012, the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$12,731,277 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,731,277. The covered payroll (annual payroll of active employees covered by the plan) was \$98,114,215 and the ratio of the UAAL to the covered payroll was 13.0%.

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

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

In July 1, 2012 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the District's own investments calculated based on the funded level of the plan at the valuation date, and an annual health care cost trend rate of 8.5 percent for medical claims, reduced by decrements to an ultimate rate of 5 percent after eight years. The UAAL is being amortized as a level dollar amount over a period of 30 years.

(c) *Status of Accreditation*

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

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

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

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

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

In the fall of 2012 DESE announced that MSIP 4 was being retired and replaced with MSIP 5, a more stringent measure of a district's progress in meeting Missouri's accreditation standards. The new standard defined provisional accreditation as 70 points, and full as 98 points. In August, 2013 MSIP 5 scores for the 2012-2013 school year were announced. The District scored 84 of 140 points, falling in the middle of the provisional accreditation range. Shortly after the results were released, DESE officials announced that no Missouri district's accreditation status would be modified until there were 3 years of data available using the MSIP 5 standards and measurements. The District has made an appeal to the SBE for the provisional accreditation to be restored immediately. On October 22, 2013 the SBE declined to award the District provisional accreditation. Failure by the SBE to grant provisional accreditation to the District could result in requests by students seeking to transfer to a fully accredited district within the three surrounding counties. Should that happen the District would be required to transport and pay tuition. The Missouri legislature goes in to session in January, 2014, but has already started working on changes to the transfer law which could prevent these transfers and the resulting costs to the district.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

(d) Commitments

On March 27, 2013 the Board approved a one-year agreement for fiscal year 2014 with First Student to provide regular and special education transportation services for an amount not to exceed \$10,786,744. On July 24, 2013, the contract was amended and reduced to \$9,571,066. The contract is based on variable pricing dependent on the number of bus routes scheduled.

On June 26, 2013 the Board approved a \$4,500,000 one-year agreement for fiscal year 2014 with US Food to deliver food and general supplies for the child nutrition program.

On August 12, 2013 the Board Chairman signed a contract with Pearson Education, Inc. to provide access to its portfolio of digital curriculum programs and training to teachers for use of these programs for the period August 1, 2013 to December 31, 2018. The District will pay \$5,387,768 in FY14 for these products and services and a total amount of \$17,162,768 over the life of the contract.

(e) Pension Plan

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

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

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

The District's contributions to the Retirement System for the years ended December 31, 2012, 2011 and 2010 were \$7,104,617, \$9,593,660 and \$11,382,658, respectively, which was equal to the annual required contribution for the District.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2013

(f) *New Pronouncements*

As of June 30, 2013, the GASB has issued the following statements not yet implemented by the District. The statements which might impact the District are as follows:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012, will be effective for the District beginning with its year ending June 30, 2015. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. This Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, will be effective for the District beginning with its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement provides guidance for: determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and reporting the disposal of government operations that have been transferred or sold.
- GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued April 2013, will be effective for the District beginning with its year ending June 30, 2014. This Statement provides accounting and financial reporting guidance to state and local governments that offer nonexchange financial guarantees and for governments that receive guarantees on their obligations. This Statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement. A nonexchange financial guarantee is a credit enhancement or assurance offered by a guarantor without receiving equal or approximately equal value in exchange. The guarantor agrees to pay an obligation holder in the event that the issuer of the obligation is not able to make its required payments to the obligation holder. Nonexchange financial guarantees can include guarantees by a state for bonds issued by local governments within that state or guarantees of mortgage loans to individuals, if equal or approximately equal value is not received in exchange.

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, 2013

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property taxes	\$ 126,415,779	128,904,259	131,397,504	2,493,245
Prop C taxes	8,629,568	9,548,333	9,412,930	(135,403)
Other local	2,701,742	5,190,120	6,956,743	1,766,623
County	2,936,376	3,915,460	4,995,855	1,080,395
Basic formula	5,928,987	6,697,879	6,482,394	(215,485)
Other state	7,146,168	6,570,187	5,889,518	(680,669)
Federal sources	29,336,911	45,409,242	26,436,949	(18,972,293)
Tuition	—	28,000	160,000	132,000
Total revenues	<u>183,095,531</u>	<u>206,263,480</u>	<u>191,731,893</u>	<u>(14,531,587)</u>
Expenditures:				
Current:				
Administration:				
Board of Education services:				
Salaries	\$ 79,024	75,841	48,847	26,994
Benefits	22,195	22,608	14,661	7,947
Purchased services	420,340	422,175	343,188	78,987
Supplies and materials	3,150	6,315	5,315	1,000
Total Board of Education services	<u>524,709</u>	<u>526,939</u>	<u>412,011</u>	<u>114,928</u>
Executive administration:				
Salaries	1,601,045	1,468,881	1,325,585	143,296
Benefits	472,313	429,657	295,372	134,285
Purchased services	2,678,937	2,886,138	2,095,039	791,099
Supplies and materials	61,583	95,850	74,025	21,825
Total executive administration	<u>4,813,878</u>	<u>4,880,526</u>	<u>3,790,021</u>	<u>1,090,505</u>
Building level administration:				
Salaries	1,625,405	1,801,942	1,804,697	(2,755)
Benefits	687,854	750,889	671,860	79,029
Purchased services	103,287	204,507	279,310	(74,803)
Supplies and materials	29,085	69,146	56,491	12,655
Total building level administration	<u>2,445,631</u>	<u>2,826,484</u>	<u>2,812,358</u>	<u>14,126</u>
Total administration	<u>7,784,218</u>	<u>8,233,949</u>	<u>7,014,390</u>	<u>1,219,559</u>
Instruction:				
Elementary:				
Salaries	\$ 425,378	523,894	494,981	28,913
Benefits	187,449	231,195	187,160	44,035
Purchased services	2,150,538	794,956	347,059	447,897
Supplies and materials	959,178	935,824	868,848	66,976
Total elementary	<u>3,722,543</u>	<u>2,485,869</u>	<u>1,898,048</u>	<u>587,821</u>

KANSAS CITY PUBLIC SCHOOLS

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2013

	Original budget	Final budget	Actual	Variance with Final Budget
Senior high:				
Salaries	89,492	218,899	209,693	9,206
Benefits	40,000	100,462	74,115	26,347
Purchased services	185,800	452,922	389,730	63,192
Supplies and materials	603,775	590,674	463,926	126,748
Total senior high	<u>919,067</u>	<u>1,362,957</u>	<u>1,137,464</u>	<u>225,493</u>
Summer school:				
Salaries	155,000	155,000	39,491	115,509
Benefits	13,570	13,570	3,892	9,678
Purchased services	4,000	4,000	—	4,000
Supplies and materials	63,878	63,878	16,841	47,037
Total summer school	<u>236,448</u>	<u>236,448</u>	<u>60,224</u>	<u>176,224</u>
Special education:				
Salaries	3,037,950	3,206,798	2,597,145	609,653
Benefits	1,417,713	1,440,765	1,065,852	374,913
Purchased services	5,401,654	5,638,944	4,484,902	1,154,042
Supplies and materials	791,089	1,574,347	1,024,821	549,526
Total special education	<u>10,648,406</u>	<u>11,860,854</u>	<u>9,172,720</u>	<u>2,688,134</u>
Culturally different:				
Salaries	767,036	1,693,106	1,456,742	236,364
Benefits	404,214	793,221	614,061	179,160
Purchased services	7,173,869	3,439,821	2,293,905	1,145,916
Supplies and materials	264,300	2,565,798	2,274,510	291,288
Total culturally different	<u>8,609,419</u>	<u>8,491,946</u>	<u>6,639,218</u>	<u>1,852,728</u>
Vocational instruction:				
Salaries	115,786	156,064	126,579	29,485
Benefits	46,343	57,276	43,112	14,164
Purchased services	163,070	53,399	54,344	(945)
Supplies and materials	301,162	356,508	314,975	41,533
Total vocational instruction	<u>626,361</u>	<u>623,247</u>	<u>539,010</u>	<u>84,237</u>
Student activities:				
Salaries	405,259	403,277	451,582	(48,305)
Benefits	91,312	91,872	67,931	23,941
Purchased services	205,841	255,200	254,233	967
Supplies and materials	84,268	111,237	109,296	1,941
Total student activities	<u>786,680</u>	<u>861,586</u>	<u>883,042</u>	<u>(21,456)</u>
Tuition to Other Districts				
Purchased services	534,696	394,696	490,042	(95,346)
Total student activities	<u>534,696</u>	<u>394,696</u>	<u>490,042</u>	<u>(95,346)</u>
Total instruction	<u>26,083,620</u>	<u>26,317,603</u>	<u>20,819,768</u>	<u>5,497,835</u>
Support services:				
Attendance/placement:				
Salaries	\$ 942,257	848,334	770,843	77,491
Benefits	332,298	291,482	221,090	70,392
Purchased services	1,246,677	131,277	145,411	(14,134)
Supplies and materials	15,230	11,621	7,058	4,563
Total attendance/placement	<u>2,536,462</u>	<u>1,282,714</u>	<u>1,144,402</u>	<u>138,312</u>

KANSAS CITY PUBLIC SCHOOLS

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2013

	Original budget	Final budget	Actual	Variance with Final Budget
Guidance/counseling:				
Purchased services	28,997	16,289	9,540	6,749
Total guidance/counseling	28,997	16,289	9,540	6,749
Health, psychology, and speech:				
Salaries	2,069,340	3,512,243	3,191,392	320,851
Benefits	734,329	1,115,551	928,411	187,140
Purchased services	918,483	450,075	448,914	1,161
Supplies and materials	18,475	29,475	22,357	7,118
Total health, psychology, and speech	3,740,627	5,107,344	4,591,074	516,270
Improvement of instruction:				
Curriculum development:				
Salaries	143,678	238,012	198,022	39,990
Benefits	56,021	77,930	60,200	17,730
Purchased services	2,689,506	4,251,778	3,422,441	829,337
Supplies and materials	227,958	767,083	562,697	204,386
Total curriculum development	3,117,163	5,334,803	4,243,360	1,091,443
Staff training:				
Purchased services	—	3,985	5,055	(1,070)
Supplies and materials	—	—	16,132	(16,132)
Total staff training	—	3,985	21,187	(17,202)
Educational media services:				
Salaries	131,652	148,378	102,304	46,074
Benefits	68,194	70,790	49,052	21,738
Purchased services	—	103,321	19,965	83,356
Supplies and materials	863,251	1,122,426	845,890	276,536
Total educational media services	1,063,097	1,444,915	1,017,211	427,704
Financial services:				
Salaries	1,935,396	2,157,791	1,977,751	180,040
Benefits	677,028	744,575	565,395	179,180
Purchased services	162,190	157,690	134,013	23,677
Supplies and materials	43,770	41,350	35,664	5,686
Total financial services	2,818,384	3,101,406	2,712,823	388,583
Internal service:				
Salaries	440,448	456,683	427,786	28,897
Benefits	151,857	155,546	127,047	28,499
Purchased services	131,000	103,000	74,795	28,205
Supplies and materials	44,404	97,404	98,948	(1,544)
Total internal service	767,709	812,633	728,576	84,057

KANSAS CITY PUBLIC SCHOOLS

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2013

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Planning/research/evaluation:				
Development services:				
Salaries	303,724	342,640	331,377	11,263
Benefits	87,240	104,291	79,023	25,268
Purchased services	483,800	507,318	427,619	79,699
Supplies and materials	5,750	7,689	2,941	4,748
Total development services	<u>880,514</u>	<u>961,938</u>	<u>840,960</u>	<u>120,978</u>
Admissions/communication services:				
Salaries	504,844	685,384	626,703	58,681
Benefits	155,539	220,281	153,602	66,679
Purchased services	39,000	129,083	93,950	35,133
Supplies and materials	6,682	15,576	14,345	1,231
Total admissions/communications	<u>706,065</u>	<u>1,050,324</u>	<u>888,600</u>	<u>161,724</u>
Human Resource services:				
Salaries	1,250,750	1,294,175	1,117,759	176,416
Benefits	407,106	417,492	303,815	113,677
Purchased services	779,607	766,221	582,791	183,430
Supplies and materials	37,549	40,427	19,148	21,279
Total personnel services	<u>2,475,012</u>	<u>2,518,315</u>	<u>2,023,513</u>	<u>494,802</u>
Information technology:				
Salaries	2,003,642	2,054,711	1,839,072	215,639
Benefits	659,820	655,954	483,243	172,711
Purchased services	2,484,150	2,582,731	2,027,661	555,070
Supplies and materials	1,056,500	1,348,167	1,220,707	127,460
Total information technology	<u>6,204,112</u>	<u>6,641,563</u>	<u>5,570,683</u>	<u>1,070,880</u>
Total support services	<u>24,338,142</u>	<u>28,276,229</u>	<u>23,791,929</u>	<u>4,484,300</u>
Operation of facilities:				
Salaries	\$ 9,396,575	11,169,077	10,680,371	488,706
Benefits	3,559,486	3,738,968	3,386,298	352,670
Purchased services	9,078,172	8,675,721	9,535,156	(859,435)
Supplies and materials	336,659	159,005	152,309	6,696
Other purchased services	4,387,897	3,514,733	3,503,848	10,885
Other supplies and materials	1,263,802	2,108,409	2,146,532	(38,123)
Total operation of facilities	<u>28,022,591</u>	<u>29,365,913</u>	<u>29,404,514</u>	<u>(38,601)</u>
Pupil transportation:				
Purchased services	\$ 10,964,254	11,903,839	11,846,805	57,034
Total pupil transportation	<u>10,964,254</u>	<u>11,903,839</u>	<u>11,846,805</u>	<u>57,034</u>
Facility acquisition/asbestos				
Purchased services	\$ —	93,145	53,725	39,420
Supplies and materials	—	—	4,885	(4,885)
Total facility acquisition/asbestos	<u>—</u>	<u>93,145</u>	<u>58,610</u>	<u>34,535</u>
Community and adult services:				
Adult basic education:				
Salaries	\$ 530,216	569,127	561,794	7,333
Benefits	166,146	170,681	146,682	23,999
Purchased services	46,451	65,826	62,549	3,277
Supplies and materials	65,069	91,456	87,785	3,671
Total adult basic education	<u>807,882</u>	<u>897,090</u>	<u>858,810</u>	<u>38,280</u>

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2013

	Original budget	Final budget	Actual	Variance with Final Budget
Community services:				
Salaries	\$ 651,020	999,089	836,653	162,436
Benefits	239,495	403,969	299,722	104,247
Purchased services	1,598,957	1,682,502	689,154	993,348
Supplies and materials	19,700	114,252	71,785	42,467
Total community services	2,509,172	3,199,812	1,897,314	1,302,498
Early Childhood:				
Salaries	\$ 1,031,400	4,096,888	3,413,048	683,840
Benefits	446,567	1,728,011	1,181,556	546,455
Purchased services	1,573,404	154,817	78,123	76,694
Supplies and materials	78,055	276,591	156,264	120,327
Total early childhood	3,129,426	6,256,307	4,828,991	1,427,316
Total community and adult services	6,446,480	10,353,209	7,585,115	2,768,094
Total expenditures	103,639,305	114,543,887	100,521,131	14,022,756
Revenues over expenditures	79,456,226	91,719,593	91,210,762	(508,831)
Other financing sources (uses):				
Sale of capital assets	—	—	946,097	(946,097)
Transfers in	—	—	748,194	(748,194)
Transfers out	(85,979,618)	(103,474,548)	(91,151,070)	(12,323,478)
Total other financing sources	(85,979,618)	(103,474,548)	(89,456,779)	(14,017,769)
Revenues and other financing sources over (under) expenditures	\$ (6,523,392)	(11,754,955)	1,753,983	13,508,938
Reconciliation to GAAP Basis:				
Activities reported within the Teachers' Fund (a sub-fund of the General Fund):				
Total Revenue			9,833,689	
Total Expenditures			(93,008,706)	
Total other financing sources			83,175,017	
Total reconciling items			—	
Revenues and other financing sources over expenditures			1,753,983	
Fund balance, beginning of year			63,807,535	
Fund balance, end of year			\$ 65,561,518	

See Note to Required Supplementary Information.

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2013

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Prop C taxes	\$ 5,177,741	5,729,000	5,647,758	(81,242)
Local	—	—	(9,933)	(9,933)
County	261,538	41,553	174,713	133,160
Basic Formula	48,847	4,309,046	3,665,792	(643,254)
State	181,592	84,491	51,360	(33,131)
Federal	345,132	303,909	303,999	90
Tuition	5,209	5,209	—	(5,209)
Total revenues	<u>6,020,059</u>	<u>10,473,208</u>	<u>9,833,689</u>	<u>(639,519)</u>
Expenditures:				
Current:				
Administration:				
Executive administration:				
Salaries	\$ 385,000	976,975	954,691	22,284
Benefits	100,861	161,353	128,817	32,536
Total executive administration	<u>485,861</u>	<u>1,138,328</u>	<u>1,083,508</u>	<u>54,820</u>
Building level administration:				
Salaries	5,494,052	6,271,897	6,002,403	269,494
Benefits	1,624,811	1,845,639	1,503,451	342,188
Total building level administration	<u>7,118,863</u>	<u>8,117,536</u>	<u>7,505,854</u>	<u>611,682</u>
Total administration	<u>7,604,724</u>	<u>9,255,864</u>	<u>8,589,362</u>	<u>666,502</u>
Instruction:				
Elementary:				
Salaries	\$ 23,084,890	24,068,330	23,764,125	304,205
Benefits	8,027,597	8,320,143	6,629,040	1,691,103
Total elementary	<u>31,112,487</u>	<u>32,388,473</u>	<u>30,393,165</u>	<u>1,995,308</u>
Senior high:				
Salaries	12,697,947	13,403,761	13,781,277	(377,516)
Benefits	4,459,460	4,707,715	3,754,266	953,449
Total senior high	<u>17,157,407</u>	<u>18,111,476</u>	<u>17,535,543</u>	<u>575,933</u>
Summer School:				
Salaries	568,000	654,000	476,168	177,832
Benefits	43,960	44,320	45,868	(1,548)
Total summer school	<u>611,960</u>	<u>698,320</u>	<u>522,036</u>	<u>176,284</u>
Special education:				
Salaries	10,410,187	10,604,307	9,067,089	1,537,218
Benefits	3,294,821	3,124,903	2,473,535	651,368
Total special education	<u>13,705,008</u>	<u>13,729,210</u>	<u>11,540,624</u>	<u>2,188,586</u>

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2013

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Culturally different:				
Salaries	\$ 3,017,471	5,705,051	4,813,705	891,346
Benefits	<u>1,055,376</u>	<u>1,752,002</u>	<u>1,253,962</u>	<u>498,040</u>
Total culturally different	<u>4,072,847</u>	<u>7,457,053</u>	<u>6,067,667</u>	<u>1,389,386</u>
Vocational instruction:				
Salaries	902,234	905,135	873,639	31,496
Benefits	<u>300,598</u>	<u>288,425</u>	<u>232,340</u>	<u>56,085</u>
Total vocational instruction	<u>1,202,832</u>	<u>1,193,560</u>	<u>1,105,979</u>	<u>87,581</u>
Student activities:				
Salaries	638,003	631,040	557,694	73,346
Fringes	<u>48,805</u>	<u>49,256</u>	<u>52,285</u>	<u>(3,029)</u>
Total student activities	<u>686,808</u>	<u>680,296</u>	<u>609,979</u>	<u>70,317</u>
Total instruction	<u>68,549,349</u>	<u>74,258,388</u>	<u>67,774,993</u>	<u>6,483,395</u>
Support services:				
Guidance/counseling:				
Salaries	2,625,691	2,988,843	2,675,226	313,617
Benefits	<u>846,450</u>	<u>958,323</u>	<u>718,087</u>	<u>240,236</u>
Total guidance/counseling	<u>3,472,141</u>	<u>3,947,166</u>	<u>3,393,313</u>	<u>553,853</u>
Health, psychology, and speech:				
Salaries	2,666,171	2,117,307	2,106,864	10,443
Benefits	<u>892,885</u>	<u>683,463</u>	<u>580,462</u>	<u>103,001</u>
Total health, psychology, and speech	<u>3,559,056</u>	<u>2,800,770</u>	<u>2,687,326</u>	<u>113,444</u>
Improvement of instruction:				
Current developments:				
Salaries	5,579,915	8,350,367	5,973,076	2,377,291
Benefits	<u>929,731</u>	<u>1,672,156</u>	<u>1,233,246</u>	<u>438,910</u>
Total current developments	<u>6,509,646</u>	<u>10,022,523</u>	<u>7,206,322</u>	<u>2,816,201</u>
Staff training:				
Salaries	—	38,155	38,155	—
Benefits	<u>—</u>	<u>3,859</u>	<u>3,529</u>	<u>330</u>
Total staff training	<u>—</u>	<u>42,014</u>	<u>41,684</u>	<u>330</u>
Educational media services:				
Salaries	1,612,407	1,841,704	1,675,728	165,976
Benefits	<u>515,864</u>	<u>582,823</u>	<u>425,243</u>	<u>157,580</u>
Total educational media	<u>2,128,271</u>	<u>2,424,527</u>	<u>2,100,971</u>	<u>323,556</u>

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2013

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Planning/research/evaluation/ development services:				
Salaries	\$ 71,774	84,950	86,209	(1,259)
Benefits	19,404	27,653	18,339	9,314
Total planning/research/ evaluation/ development services	<u>91,178</u>	<u>112,603</u>	<u>104,548</u>	<u>8,055</u>
Total support services	<u>15,760,292</u>	<u>19,349,603</u>	<u>15,534,164</u>	<u>3,815,439</u>
Community and adult services:				
Adult basic education:				
Salaries	10,000	25,000	15,150	9,850
Benefits	766	2,769	1,345	1,424
Total adult basic education	<u>10,766</u>	<u>27,769</u>	<u>16,495</u>	<u>11,274</u>
Early Childhood				
Salaries	57,022	890,739	865,020	25,719
Benefits	17,524	300,134	228,672	71,462
Total early childhood	<u>74,546</u>	<u>1,190,873</u>	<u>1,093,692</u>	<u>97,181</u>
Total community and adult services	<u>85,312</u>	<u>1,218,642</u>	<u>1,110,187</u>	<u>108,455</u>
Total expenditures	<u>91,999,677</u>	<u>104,082,497</u>	<u>93,008,706</u>	<u>11,073,791</u>
Revenues under expenditures	<u>(85,979,618)</u>	<u>(93,609,289)</u>	<u>(83,175,017)</u>	<u>10,434,272</u>
Other financing sources:				
Transfers in	<u>85,979,618</u>	<u>93,609,289</u>	<u>83,175,017</u>	<u>(10,434,272)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balance, beginning of year			<u>—</u>	
Fund balance, end of year			<u>\$ —</u>	

See Note to Required Supplementary Information.

KANSAS CITY PUBLIC SCHOOLS

Note to the Required Supplementary Information

June 30, 2013

Budgetary Information

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

Major funds:

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

Nonmajor funds:

Child Nutritional Services

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

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

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

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

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

The Board must approve expenditures in excess of appropriations at the fund level. Budgeted expenditure amendments during the fiscal year resulted in a 10.52% increase in the General Fund. The Board approved expenditure amendments in the Teachers' Fund of a 13.13% increase. Approved amendments to the Capital Project Fund increased by 109.47%.

KANSAS CITY PUBLIC SCHOOLS

Other Post-Employment Benefits Required Supplementary Information

Schedule of Funding Progress

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
6/30/11	7/1/10	\$ -	\$ 14,704,906	\$ 14,704,906	0%	\$ 106,402,917	13.82%
6/30/12	7/1/10	\$ -	\$ 14,704,906	\$ 14,704,906	0%	\$ 92,812,873	15.84%
6/30/13	7/1/12	\$ -	\$ 12,731,277	\$ 12,731,277	0%	\$ 98,114,215	12.98%

The information presented as required supplementary information was determined as part of the July 1, 2012 actuarial valuation. The projected unit credit method was used. The actuarial assumptions include a 4% investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 8.5% for fiscal year ending 6/30/12 and for medical claims, reduced by decrements to an ultimate rate of 5% after eight years. The UAAL is being amortized as a level dollar amount over a period of 30 years.

NONMAJOR FUND FINANCIAL STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

KANSAS CITY PUBLIC SCHOOLS
Nonmajor Governmental Funds—Combining Balance Sheet
June 30, 2013

Assets	Special revenue			Permanent fund patron endowments	Total nonmajor governmental funds
	Child Nutritional services	Student activity	Patron gift		
Cash and investments	\$ 937,221	331,069	—	—	1,268,290
Restricted cash and investments	—	—	196,165	158,012	354,177
Interest receivable	—	—	730	472	1,202
Due from other governments	1,163,416	—	—	—	1,163,416
Total assets	\$ 2,100,637	331,069	196,895	158,484	2,787,085
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 110,053	—	—	—	110,053
Accrued salaries, benefits and payroll taxes	69,774	—	—	—	69,774
Total liabilities	179,827	—	—	—	179,827
Fund balance :					
Nonspendable	—	—	—	35,000	35,000
Restricted	1,920,810	331,069	196,895	123,484	2,572,258
Total fund balance	1,920,810	331,069	196,895	158,484	2,607,258
Total liabilities and fund balance	\$ 2,100,637	331,069	196,895	158,484	2,787,085

KANSAS CITY PUBLIC SCHOOLS
 Nonmajor Governmental Funds—
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year ended June 30, 2013

	<u>Child Nutritional services</u>	<u>Special revenue Student activity</u>	<u>Patron gift</u>	<u>Permanent fund patron endowments</u>	<u>Total nonmajor governmental funds</u>
Revenues:					
Local, including investment loss	\$ 641,609	693,918	482	(2,689)	1,333,320
Other state	67,912	—	—	—	67,912
Federal	9,890,782	—	—	—	9,890,782
Total revenues	<u>10,600,303</u>	<u>693,918</u>	<u>482</u>	<u>(2,689)</u>	<u>11,292,014</u>
Expenditures:					
Current:					
Instruction	—	661,966	—	—	661,966
Support services	9,735,142	—	—	—	9,735,142
Total expenditures	<u>9,735,142</u>	<u>661,966</u>	<u>—</u>	<u>—</u>	<u>10,397,108</u>
Revenues over (under) expenditures	<u>865,161</u>	<u>31,952</u>	<u>482</u>	<u>(2,689)</u>	<u>894,906</u>
Other financing uses, transfers out:	<u>(34,941)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(34,941)</u>
Revenues over (under) expenditures and other financing uses	830,220	31,952	482	(2,689)	859,965
Fund balances, beginning of year	<u>1,090,590</u>	<u>299,117</u>	<u>196,413</u>	<u>161,173</u>	<u>1,747,293</u>
Fund balances, end of year	<u>\$ 1,920,810</u>	<u>331,069</u>	<u>196,895</u>	<u>158,484</u>	<u>2,607,258</u>

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2013

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Local	\$ 506,235	770,910	641,609	(129,301)
State	—	—	67,912	67,912
Federal	<u>9,793,225</u>	<u>9,920,926</u>	<u>9,890,782</u>	<u>(30,144)</u>
Total revenues	<u>10,299,460</u>	<u>10,691,836</u>	<u>10,600,303</u>	<u>(91,533)</u>
Expenditures:				
Current:				
Support services:				
Salaries	2,866,756	2,948,853	2,832,777	116,076
Benefits	1,242,393	1,672,910	1,598,654	74,256
Purchased services	475,807	419,012	231,273	187,739
Supplies and materials	<u>5,714,504</u>	<u>5,522,437</u>	<u>5,072,438</u>	<u>449,999</u>
Total expenditures	<u>10,299,460</u>	<u>10,563,212</u>	<u>9,735,142</u>	<u>828,070</u>
Revenues over expenditures	<u>—</u>	<u>128,624</u>	<u>865,161</u>	<u>736,537</u>
Other financing sources (uses):				
Transfers out	<u>—</u>	<u>—</u>	<u>(34,941)</u>	<u>(34,941)</u>
Total other financing (uses)	<u>—</u>	<u>—</u>	<u>(34,941)</u>	<u>(34,941)</u>
Revenues over expenditures and other financing uses	<u>\$ —</u>	<u>128,624</u>	830,220	<u>701,596</u>
Fund balance, beginning of year			<u>1,090,590</u>	
Fund balance, end of year			<u>\$ 1,920,810</u>	

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2013

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property taxes	\$ 11,126,207	10,684,014	10,740,678	56,664
Other local	154,329	108,750	183,760	75,010
County	16,594	15,398	113,542	98,144
Federal	—	3,250,832	2,138,921	(1,111,911)
Total revenues	<u>11,297,130</u>	<u>14,058,994</u>	<u>13,176,901</u>	<u>(882,093)</u>
Expenditures:				
Capital outlay:				
Administration:				
Board of education services	2,000	2,000	—	2,000
Executive administration	1,100	1,100	6,857	(5,757)
Building level administration	—	5,000	—	5,000
Total administration	<u>3,100</u>	<u>8,100</u>	<u>6,857</u>	<u>1,243</u>
Instruction:				
Elementary	—	9,288	9,108	180
Senior high	—	1,678	1,478	200
Special education	10,000	10,947	10,947	—
Culturally different	—	2,382,219	2,282,228	99,991
Vocational instruction	—	67,000	62,693	4,307
Student activities	21,100	29,781	25,933	3,848
Total instruction	<u>31,100</u>	<u>2,500,913</u>	<u>2,392,387</u>	<u>108,526</u>
Support services:				
Attendance/placement	2,000	—	—	—
Improvement of instruction:				
Curriculum development	224,000	386,799	60,257	326,542
Educational media services	64,625	40,295	14,045	26,250
Finance/support services	—	4,901	4,679	222
Food service	—	128,624	37,524	91,100
Admissions/communication services	—	10,000	—	10,000
Human resource services	—	1,200	1,187	13
Information technology service	270,000	871,154	453,607	417,547
Total support services	<u>560,625</u>	<u>1,442,973</u>	<u>571,299</u>	<u>871,674</u>
Community and adult services:				
Adult basic education	—	9,911	9,905	6
Total community and adult services	<u>—</u>	<u>9,911</u>	<u>9,905</u>	<u>6</u>
Facilities improvement and renovation:				
Capital outlay	18,781,830	47,309,223	22,763,828	24,545,395
Total facilities improvement and renovation	<u>18,781,830</u>	<u>47,309,223</u>	<u>22,763,828</u>	<u>24,545,395</u>

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2013

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Debt service:				
Principal	\$ 7,555,000	7,555,000	7,555,000	—
Interest	2,203,933	2,203,933	3,285,673	(1,081,740)
Total debt service	<u>9,758,933</u>	<u>9,758,933</u>	<u>10,840,673</u>	<u>(1,081,740)</u>
Total expenditures	<u>29,135,588</u>	<u>61,030,053</u>	<u>36,584,949</u>	<u>24,445,104</u>
Revenues under expenditures	<u>(17,838,458)</u>	<u>(46,971,059)</u>	<u>(23,408,048)</u>	<u>23,563,011</u>
Other financing sources (uses):				
Transfers in	17,226,301	17,226,301	7,696,045	(9,530,256)
Transfers out	—	—	(733,245)	(733,245)
Sale of capital assets	—	—	113,245	113,245
Unrealized loss on property held for sale	—	—	(920,000)	(920,000)
Total other financing sources	<u>17,226,301</u>	<u>17,226,301</u>	<u>6,156,045</u>	<u>(11,070,256)</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ (612,157)</u>	<u>(29,744,758)</u>	<u>(17,252,003)</u>	<u>12,492,755</u>
Fund balance, beginning of year			<u>73,179,953</u>	
Fund balance, end of year			<u>\$ 55,927,950</u>	

KANSAS CITY PUBLIC SCHOOLS

Capital Projects Fund—
Schedule of Revenues, Expenditures and Changes in Fund Balance—by Project
Year ended June 30, 2013

Function	Capital Projects L-T-D Fund	QSCB-ARRA Capital Projects	Operating Capital Projects	Child Nutrition Capital Projects	Building Corp Capital Projects	Total Capital Projects funds
Revenues:						
Property taxes	\$ —	—	10,740,678	—	—	10,740,678
Other local	191,988	—	(47,267)	2,583	36,456	183,760
County	—	—	113,542	—	—	113,542
Federal	—	—	2,138,921	—	—	2,138,921
Total revenues	<u>191,988</u>	<u>—</u>	<u>12,945,874</u>	<u>2,583</u>	<u>36,456</u>	<u>13,176,901</u>
Expenditures:						
Administration:						
Executive administration	—	—	6,857	—	—	6,857
Total administration	<u>—</u>	<u>—</u>	<u>6,857</u>	<u>—</u>	<u>—</u>	<u>6,857</u>
Instruction:						
Elementary schools	—	—	9,108	—	—	9,108
High schools	—	—	1,478	—	—	1,478
Special education	—	—	10,947	—	—	10,947
Culturally different	—	—	2,282,228	—	—	2,282,228
Vocational instruction	—	—	62,693	—	—	62,693
Student activities	—	—	25,933	—	—	25,933
Total instruction	<u>—</u>	<u>—</u>	<u>2,392,387</u>	<u>—</u>	<u>—</u>	<u>2,392,387</u>
Support services:						
Curriculum development	\$ —	—	60,257	—	—	60,257
Educational media services	—	—	14,045	—	—	14,045
Financial services	—	—	4,680	—	—	4,680
Food service	—	—	—	37,524	—	37,524
Human Resource services	—	—	1,187	—	—	1,187
Information technology services	30,277	—	423,329	—	—	453,606
Total support services	<u>30,277</u>	<u>—</u>	<u>503,498</u>	<u>37,524</u>	<u>—</u>	<u>571,299</u>
Community and adult services:						
Adult basic education	—	—	9,905	—	—	9,905
Total community and adult services	<u>—</u>	<u>—</u>	<u>9,905</u>	<u>—</u>	<u>—</u>	<u>9,905</u>
Capital outlay:						
Operation of facilities	\$ 7,805,833	14,945,580	12,415	—	—	22,763,828
Total capital outlay	<u>7,805,833</u>	<u>14,945,580</u>	<u>12,415</u>	<u>—</u>	<u>—</u>	<u>22,763,828</u>
Total expenditures	<u>7,836,110</u>	<u>14,945,580</u>	<u>2,925,062</u>	<u>37,524</u>	<u>—</u>	<u>25,744,276</u>
Revenues over (under) expenditures	<u>(7,644,122)</u>	<u>(14,945,580)</u>	<u>10,020,812</u>	<u>(34,941)</u>	<u>36,456</u>	<u>(12,567,375)</u>
Other financing sources (uses):						
Transfers in	—	15,644,775	14,004,569	34,941	—	29,684,285
Transfer out	(7,061,761)	—	(10,840,673)	—	(15,659,724)	(33,562,158)
Realized loss on surplus assets	(920,000)	—	—	—	—	(920,000)
Realized proceeds-surplus assets	113,245	—	—	—	—	113,245
Total financing sources (uses)	<u>(7,868,516)</u>	<u>15,644,775</u>	<u>3,163,896</u>	<u>34,941</u>	<u>(15,659,724)</u>	<u>(4,684,628)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>(15,512,638)</u>	<u>699,195</u>	<u>13,184,708</u>	<u>—</u>	<u>(15,623,268)</u>	<u>(17,252,003)</u>
Fund balances – beginning of year	49,884,103	(699,195)	6,397,902	—	17,597,143	73,179,953
Fund balances – end of year	<u>\$ 34,371,465</u>	<u>—</u>	<u>19,582,610</u>	<u>—</u>	<u>1,973,875</u>	<u>55,927,950</u>

KANSAS CITY PUBLIC SCHOOLS

Capital Projects Fund—
 Schedule of Revenues, Expenditures and Changes in Fund Balance- by Project
 June 30, 2013

Function	Capital Projects L-T-D Fund	QSCB-ARRA Capital Projects	General Capital Projects	Child Nutrition Capital Projects	Building Corp Capital Projects	Total Capital Projects funds
Fund balance:						
Nonspendable						
Advances	\$ —	—	2,038,754	—	—	2,038,754
Restricted						
Encumbrances- QSCB	—	1,024,725	—	—	—	1,024,725
Capital Projects-QSCB	—	(1,024,725)	—	—	1,973,875	949,150
Property Held for Sale	2,601,900	—	—	—	—	2,601,900
Total Restricted	<u>2,601,900</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,973,875</u>	<u>4,575,775</u>
Committed						
Encumbrances-Cornerstone	9,543,683	—	—	—	—	9,543,683
Cafeteria Modernization	299,430	—	—	—	—	299,430
Cornerstone/Transformation Plan	21,926,452	—	—	—	—	21,926,452
Total Committed	<u>31,769,565</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>31,769,565</u>
Assigned						
Future equipment purchases	—	—	17,543,856	—	—	17,543,856
Total Assigned	<u>—</u>	<u>—</u>	<u>17,543,856</u>	<u>—</u>	<u>—</u>	<u>17,543,856</u>
Total fund balance	\$ <u>34,371,465</u>	<u>—</u>	<u>19,582,610</u>	<u>—</u>	<u>1,973,875</u>	<u>55,927,950</u>

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CAPITAL ASSETS

KANSAS CITY PUBLIC SCHOOLS

Capital Assets Used in the Operation of Governmental Funds by Source

June 30, 2013

(with comparative totals for June 30, 2012)

	Total	
	2013	2012
Capital assets (gross):		
Land	\$ 30,646,301	30,646,301
Buildings	434,345,465	416,153,701
Improvements other than buildings	34,273,948	33,034,747
Impairment-closed buildings	30,986,801	56,890,198
Equipment, furniture, and vehicles	30,587,346	31,356,175
Construction in progress	4,592,556	2,846,929
Total	\$ 565,432,417	570,928,051
Investment in capital assets by source:		
General fund	\$ 285,556	302,419
Capital projects	564,696,022	570,113,332
Special revenue	397,943	446,277
Trust and agency	—	13,127
Donations	52,896	52,896
Total	\$ 565,432,417	570,928,051

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, 2013

Classification	Beginning balance July 1, 2012	Adjustments	Additions	Retirements	Construction- in-progress transfers	Ending balance June 30, 2013
High schools	\$ 216,324,142	(227,032)	18,135,039	(6,114,742)	—	228,117,407
Middle schools	94,610,792	(311,730)	18,666	(10,456,603)	—	83,861,125
Elementary schools	226,218,310	429,328	3,033,648	(11,197,646)	—	218,483,640
Administration	30,927,878	109,434	214,726	(874,349)	—	30,377,689
Construction in progress	2,846,929	—	2,876,872	—	(1,131,245)	4,592,556
Total	\$ 570,928,051	—	24,278,951	(28,643,340)	(1,131,245)	565,432,417

KANSAS CITY PUBLIC SCHOOLS

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

June 30, 2013

Classification		Land	Buildings	Improvements other than buildings	Impaired assets	Equipment, furniture, vehicles	Construction- in-progress	Total
High schools	\$	10,628,380	195,144,948	12,026,633	3,353,086	6,964,359	—	228,117,406
Middle schools		5,329,905	61,241,057	4,897,173	10,885,210	1,507,780	—	83,861,125
Elementary schools		11,834,452	165,739,475	15,838,646	16,748,505	8,322,563	—	218,483,641
Administration		2,853,564	12,219,985	1,511,496	—	13,792,644	—	30,377,689
Construction-in-progress		—	—	—	—	—	4,592,556	4,592,556
Total	\$	30,646,301	434,345,465	34,273,948	30,986,801	30,587,346	4,592,556	565,432,417

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STATISTICAL SECTION

Statistical Section

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

Contents

Financial Trends – These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time. Table 1 – Table 4

Revenue Capacity – These schedules contain information to help the reader assess the District's most significant local revenue sources, the property tax. Table 5 – Table 8

Debt Capacity – These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future. Table 9 – Table 11

Demographic And Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place. Table 12 – Table 13

Note: Personal income data is currently not available.

Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs. Table 14

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

Table 1

KANSAS CITY PUBLIC SCHOOLS

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

Classification	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities:										
Net investment in capital assets	\$ 296,176	\$ 325,699	\$ 320,182	\$ 331,473	\$ 371,354	\$ 351,989	\$ 373,750	\$ 367,206	\$ 355,084	\$ 286,221
Restricted	25,587	24,503	25,484	10,594	12,489	60,705	61,244	80,562	91,949	104,562
Unrestricted	123,174	110,811	99,271	105,853	114,368	115,956	136,244	139,480	147,063	219,797
Total governmental activities, net of position	\$ 444,937	\$ 461,013	\$ 444,937	\$ 447,920	\$ 498,211	\$ 528,650	\$ 571,238	\$ 587,248	\$ 594,096	\$ 610,580
Business-type activities:										
Unrestricted	\$ 374	\$ 178	\$ 39	\$ 180	\$ 522	\$ 1,426	\$ 1,829	\$ 1,108	\$ 79	\$ 468
Total business-type activities, net of position	\$ 374	\$ 178	\$ 39	\$ 180	\$ 522	\$ 1,426	\$ 1,829	\$ 1,108	\$ 79	\$ 468
Primary government:										
Net Investment in capital assets	\$ 296,176	\$ 325,699	\$ 320,182	\$ 331,473	\$ 371,354	\$ 351,989	\$ 373,750	\$ 367,206	\$ 355,084	\$ 286,221
Restricted	25,587	24,503	25,484	10,594	12,489	60,705	61,244	80,562	91,949	104,562
Unrestricted	123,548	110,990	99,310	106,033	114,890	117,382	138,073	140,588	147,142	220,265
Total primary government, net of position	\$ 445,311	\$ 461,192	\$ 444,976	\$ 448,100	\$ 498,734	\$ 530,076	\$ 573,067	\$ 588,356	\$ 594,175	\$ 611,048

Table 2

KANSAS CITY PUBLIC SCHOOLS

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

Classification	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Governmental activities:										
Administration	\$ 11,521	\$ 13,150	\$ 20,646	\$ 20,874	\$ 25,512	\$ 23,464	\$ 25,502	\$ 24,876	\$ 23,648	\$ 22,421
Instruction	100,639	101,298	116,388	149,927	175,175	193,545	193,304	174,168	182,163	171,850
Support services	51,372	46,820	52,810	67,768	76,835	79,253	77,738	93,921	86,582	79,487
Operation of facilities	52,366	28,746	29,462	41,589	40,936	44,578	40,000	38,682	36,317	34,423
Pupil transportation	11,847	12,102	12,863	15,258	17,211	18,703	22,132	23,988	23,126	21,958
Facilities improvements and renovation	3,829	2,123	15,724	225	7,909	1,413	403	612	—	1,168
Community and adult services	8,706	9,194	11,748	9,644	8,478	11,557	6,226	6,237	5,407	5,599
Interest on long-term debt	2,989	3,716	2,044	1,990	2,791	3,902	4,982	6,023	6,969	6,834
Total governmental activities expenses	\$ 243,268	\$ 217,149	\$ 261,685	\$ 307,276	\$ 354,846	\$ 376,416	\$ 370,287	\$ 368,507	\$ 364,212	\$ 343,740
Business-type activities										
Community services	\$ 57	\$ 151	\$ 29	\$ 32	\$ 194	\$ 389	\$ 693	\$ 121	\$ 3,586	\$ 5,226
Total governmental activities expenses	57	151	29	32	194	389	693	121	3,586	5,226
Total primary government expenses	\$ 243,326	\$ 217,300	\$ 261,714	\$ 307,308	\$ 355,040	\$ 376,805	\$ 370,980	\$ 368,628	\$ 367,798	\$ 348,966
Program Revenues										
Governmental activities:										
Charges for services	\$ —	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Administration	165	3	—	34	—	20	—	50	69	—
Instruction	2,931	766	935	685	1,992	3,763	3,741	3,596	4,007	3,528
Support services	—	6	41	49	61	69	65	70	61	556
Operation of facilities	203	79	32	19	4	—	13	7	—	8
Pupil transportation	—	—	—	—	—	—	—	—	—	—
Facilities improvements and renovation	—	—	2	25	156	88	—	60	741	253
Community and adult services	—	—	—	—	—	—	—	—	—	—
Interest on long-term debt	—	—	—	—	—	—	—	—	—	—
Operating grants and contributions	—	—	—	—	—	—	—	—	—	—
Administration	—	—	183	43	—	—	10	10	22	54
Instruction	32,774	30,402	45,623	56,153	37,711	34,431	37,816	84,511	84,675	74,089
Support services	10,476	9,440	16,901	18,018	18,068	12,807	14,884	16,113	14,327	16,467
Operation of facilities	—	—	—	7	—	—	—	55	—	—
Pupil transportation	2,405	2,910	3,057	5,496	6,405	7,104	8,297	8,421	8,875	8,210
Facilities improvements and renovation	—	—	—	—	—	—	—	—	—	—
Community and adult services	1,626	2,398	971	528	670	895	1,227	2,714	1,557	976
Interest on long-term debt	—	—	—	—	—	—	—	—	—	—

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

Classification	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Capital grants and contributions										
Administration	—	—	10	—	—	—	—	—	—	—
Instruction	15	813	111	804	37	620	82	51	818	1,264
Support services	6	25	1	—	—	37	617	5,362	4,684	22,024
Operation of facilities	198	249	183	230	189	—	40	11	—	—
Pupil transportation	—	—	—	—	—	—	—	—	—	—
Facilities improvements and renovation	—	—	—	—	495	—	—	251	—	—
Community and adult services	—	—	—	—	12	861	—	—	16	—
Interest on long-term debt	2,136	1,956	—	—	—	—	—	—	—	—
Total governmental activities program revenue	52,935	49,049	68,050	82,090	65,801	60,695	66,792	121,282	119,852	131,078
Business-type activities:										
Charges for services	253	291	46	97	287	728	1,240	146	3,197	5,743
Total business-type activities program revenues	253	291	46	97	287	728	1,240	146	3,197	5,743
Total primary governmental program revenues	53,188	49,340	68,097	82,187	66,088	61,423	68,032	121,428	123,049	136,821
Net (expense)/revenue	\$ (190,333)	\$ (168,100)	\$ (193,635)	\$ (225,186)	\$ (289,045)	\$ (315,721)	\$ (303,495)	\$ (247,225)	\$ (244,360)	\$ (212,662)
Governmental activities	196	139	17	64	93	339	547	25	(389)	517
Business-type activities	(190,138)	(167,961)	(193,617)	(225,122)	(288,952)	(315,382)	(302,948)	(247,200)	(244,749)	(212,145)
Total primary government net expense	\$ 136,844	\$ 138,277	\$ 146,191	\$ 144,211	\$ 152,705	\$ 159,256	\$ 146,230	\$ 146,230	\$ 135,885	\$ 138,240
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	15,061	15,128	15,831	16,659	20,180	23,051	28,187	28,187	27,995	26,281
Prop C Sales tax	7,256	6,067	3,363	2,249	3,600	2,100	1,935	1,935	2,558	2,186
Other local revenues	5,284	4,287	3,489	3,295	4,209	4,025	6,356	6,356	3,949	3,626
County governmental contributions	10,148	18,970	20,150	44,028	70,172	89,732	47,106	47,106	53,593	42,441
State aid-basic formula	427	441	561	328	821	1,051	1,820	1,820	1,730	1,483
Grants and entitlements not restricted to specific programs	(763)	1,007	906	1,753	4,500	10,486	9,747	9,747	9,609	7,613
Investment earnings	—	—	—	(38,038)	—	—	—	—	—	—
Special item	—	—	161	—	1,419	(17,319)	—	—	—	—
Extraordinary item	—	—	—	410	1,000	750	(1,004)	(1,004)	—	—
Transfers	—	—	—	—	—	—	—	—	—	249
Total governmental activities	174,257	184,177	190,652	174,895	258,606	273,133	240,377	240,377	235,319	222,119

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

Classification	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Business-type activities:										
Investment earnings	—	—	2	4	3	8	—	—	—	—
Transfers	—	—	(161)	(410)	(1,000)	(750)	1,004	1,004	—	(249)
Total business-type activities	—	—	(159)	(406)	(997)	(742)	1,004	1,004	—	(249)
Total primary government	\$ 174,257	\$ 184,176	\$ 190,493	\$ 174,489	\$ 257,610	\$ 272,391	\$ 241,381	\$ 241,381	\$ 235,319	\$ 221,870
Change in Net Position										
Governmental activities	\$ (16,076)	\$ 16,076	\$ (2,983)	\$ (50,291)	\$ (30,439)	\$ (42,587)	\$ (63,118)	\$ (6,848)	\$ (9,041)	\$ 9,457
Business-type activities	196	139	(141)	(342)	(904)	(403)	1,551	1,029	(389)	268
Total primary government	\$ (15,880)	\$ 16,215	\$ (3,125)	\$ (50,633)	\$ (31,343)	\$ (42,990)	\$ (61,567)	\$ (5,819)	\$ (9,430)	\$ 9,725

Table 3

KANSAS CITY PUBLIC SCHOOLS

Fund Balances of Governmental Funds

Last Ten Fiscal Years

(Modified accrual basis of accounting)

(Amounts expressed in thousands)

(unaudited)

Classification	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund										
Nonspendable	\$ —	\$ —	\$ —	\$ 520	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Restricted	301	837	289	816	—	—	—	—	—	—
Assigned	479	1,467	897	2,256	—	—	—	—	—	—
Unassigned	64,782	61,504	51,236	37,255	—	—	—	—	—	—
Reserved	—	—	—	—	1,853	5,243	2,565	701	1,434	356
Unreserved:										
Designated:										
Grant activity	—	—	—	—	2,742	4,041	2,394	9,946	—	—
Reserve for Contingency	—	—	—	—	5,000	—	—	—	—	—
Undesignated	—	—	—	—	37,701	35,593	57,919	55,034	44,703	45,975
Total general fund	\$ 65,562	\$ 63,808	\$ 52,422	\$ 40,847	\$ 47,296	\$ 44,877	\$ 62,878	\$ 65,681	\$ 46,137	\$ 46,331
All other governmental funds										
Nonspendable	\$ 2,074	\$ 2,619	\$ 2,567	\$ 1,675	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Restricted	28,802	45,336	56,904	46,043	—	—	—	—	—	—
Committed	31,770	45,742	34,655	25,781	—	—	—	—	—	—
Assigned	17,544	3,785	7,904	15,126	—	—	—	—	—	—
Unassigned	—	(759)	—	—	—	—	—	—	—	—
Reserved										
Teachers' funds	—	—	—	—	—	—	—	—	1,078	—
Grant activity funds	—	—	—	—	—	—	—	—	—	1,397
Other special revenue funds	—	—	—	—	—	—	—	—	—	—
Debt service funds	—	—	—	—	11,968	60,171	58,093	71,484	84,227	97,278
Capital projects funds	—	—	—	—	10,075	4,381	3,522	4,424	5,792	5,481
Nonmajor funds	—	—	—	—	239	382	733	1,133	2,118	1,006
Unreserved, reported in:										
Designated:										
Long-term building maintenance	—	—	—	—	11,299	9,588	15,275	14,167	15,476	15,543
Transition period funding	—	—	—	—	—	—	—	1,120	2,528	6,147
Technology plan	—	—	—	—	2,784	7,008	8,901	9,947	13,336	14,292
Sports Complex	—	—	—	—	—	—	—	—	—	—
CIP Escrow	—	—	—	—	12,600	—	—	—	—	—
Pension cost	—	—	—	—	—	—	—	—	—	—
Compensated absences	—	—	—	—	21,138	21,814	22,318	22,528	19,442	28,021
E-Rate/E-Rate support	—	—	—	—	1,848	1,835	1,821	1,510	1,235	3,006
Undesignated:										
Special revenue funds	—	—	—	—	(110)	372	(727)	(393)	16,433	8,841
Capital projects funds	—	—	—	—	6,964	17,110	22,436	26,261	28,586	26,498
Permanent funds	—	—	—	—	124	121	148	139	141	137
Total all other governmental funds	\$ 80,190	\$ 96,723	\$ 102,029	\$ 88,625	\$ 83,906	\$ 122,782	\$ 132,520	\$ 152,320	\$ 190,392	\$ 227,098

The District implemented GASB54 in fiscal year 2011.

Table 4

KANSAS CITY PUBLIC SCHOOLS
 Changes in Fund Balances of Governmental Funds, and Debt Service Ratio

	Fiscal Year									
	Last Ten Fiscal Years									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Property taxes	\$ 142,138	\$ 138,391	\$ 147,293	\$ 144,986	\$ 149,926	\$ 157,679	\$ 147,941	\$ 147,931	\$ 136,543	\$ 140,370
Prop C Sales tax	15,061	15,128	15,831	16,659	20,180	23,051	25,097	28,187	27,995	26,281
Other local revenues	8,702	8,647	5,581	5,375	11,836	15,527	20,324	14,871	15,631	16,174
County governmental contributions	5,284	4,287	3,489	3,295	4,209	4,025	3,433	6,357	3,949	3,626
State aid-basic formula	10,148	18,225	20,150	44,028	70,172	89,732	96,285	47,106	53,593	42,441
At risk										
Other state	6,009	8,981	6,981	8,504	10,999	12,176	13,258	30,485	30,836	30,301
Federal	38,782	39,441	60,751	74,338	48,797	41,699	48,866	25,447	23,579	22,929
Tuition	283	25	10	52	13	4	77	62,072	61,173	69,749
Total revenues	226,408	233,126	260,086	297,236	316,132	343,893	355,281	362,493	353,573	351,928
Expenditures										
Administration	15,526	14,359	16,012	20,811	25,643	24,011	27,364	23,081	22,566	22,533
Instruction	91,352	92,571	105,754	136,551	160,407	176,156	178,472	164,151	166,442	157,832
Support services	51,560	45,983	54,740	73,343	75,984	74,219	74,311	84,975	75,569	69,422
Operation of facilities	29,478	27,624	29,569	41,205	41,286	44,483	39,375	39,552	35,073	34,341
Pupil transportation	11,847	12,102	12,863	15,258	17,211	18,703	22,133	23,985	23,125	21,959
Community and adult services	8,697	9,198	11,732	9,625	8,553	11,578	6,139	6,235	5,349	5,628
Facilities improvements and renovations	22,764	12,351	6,241	7,290	17,736	5,166	2,376	1,378	10,302	28,919
Debt service										
Principal	7,555	9,770	10,875	10,385	9,945	22,130	22,100	21,380	20,045	12,140
Interest	3,287	3,773	3,755	2,352	3,244	4,351	5,428	6,467	7,329	7,254
Total expenditures	242,066	227,730	251,541	316,822	360,009	380,797	377,698	371,204	365,800	360,028
Excess of revenues under expenditures	(15,658)	5,396	8,545	(19,586)	(43,877)	(36,904)	(22,417)	(8,711)	(12,227)	(8,100)
Other financing sources (uses)										
Transfers in	19,300	21,691	25,348	112,411	176,079	144,715	144,715	191,837	199,010	197,779
Transfers out	(19,300)	(21,691)	(25,188)	(112,002)	(157,909)	(149,288)	(149,288)	(202,418)	(203,719)	(202,339)
Refunding bonds issued										102,350
Issuance of long term debt			16,274	17,880						
Premium on bonds										8,927
Payment to refunded debt										(114,262)
Capital Leases										
Unrealized proceeds - surplus assets		620			1,826					
Unrealized loss on surplus assets	(920)	(904)		(595)			1,527			
Sales of capital assets	1,798	968		161			3,294			
Total other financing sources (uses)	878	684	16,435	17,856	7,420	409	248	328		202
Net change in fund balances	(14,780)	6,080	24,979	(1,730)	(36,457)	(36,495)	(22,169)	(18,964)	(4,709)	(7,343)
Debt service as a percentage of noncapital expenditures	5.0%	6.3%	6.2%	4.2%	3.8%	6.2%	6.2%	6.1%	5.8%	3.5%

Table 5

KANSAS CITY PUBLIC SCHOOLS

Assessed and Estimated Actual Value of Taxable Property (1)

Last Ten Calendar Years

Tax levy year	Real property (2)		Personal property (2)		Total		Ratio of total assessed Actual value
	Value	Actual value	Value	Actual value	Value	Actual value	
2012	2,084,828,732	9,066,836,031	605,311,801	1,816,117,315	2,690,140,533	10,882,953,346	25 %
2011	2,089,006,959	9,094,590,836	658,069,420	1,974,405,701	2,747,076,379	11,068,996,537	25
2010	2,136,547,926	9,227,817,390	648,566,756	1,945,894,857	2,785,114,682	11,173,712,247	25
2009	2,134,968,810	9,215,327,571	656,797,975	1,970,590,984	2,791,766,785	11,185,918,555	25
2008	2,270,379,857	9,881,307,807	688,862,166	2,066,793,177	2,959,242,023	11,948,100,985	25
2007	2,458,068,509	10,743,151,553	742,016,617	2,226,272,478	3,200,085,126	12,969,424,602	25
2006	2,211,529,159	11,639,627,153	674,138,810	2,022,618,692	2,885,667,969	13,662,245,845	21
2005	2,198,143,237	9,726,019,934	677,475,726	2,032,630,441	2,875,618,963	11,758,650,375	24
2004	1,944,634,173	8,232,472,044	705,468,036	2,116,615,770	2,650,102,209	10,349,087,814	26
2003	1,934,514,727	8,323,442,115	731,754,452	2,195,482,904	2,666,269,179	10,518,925,019	25

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

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

Table 6

KANSAS CITY PUBLIC SCHOOLS

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

Fiscal year ended	City of Kansas City	City of Independence (3)	State of Missouri	Jackson County	Metropolitan Community Colleges	City of Sugar Creek (3)	Kansas City, Missouri Public Library	School District	Total (2)
2013	\$ 1.5679	—	0.03	0.543	0.2329	—	0.5000	4.95	7.82
2012	1.5294	—	0.03	0.543	0.2329	—	0.5000	4.95	7.79
2011	1.5294	—	0.03	0.543	0.2329	—	0.5000	4.95	7.79
2010	1.4678	—	0.03	0.543	0.2266	—	0.4991	4.95	7.72
2009	1.4678	—	0.03	0.570	0.2143	—	0.4731	4.95	7.71
2008	1.4632	0.65	0.03	0.570	0.2100	1.07	0.4500	4.95	9.39
2007	1.5055	0.66	0.03	0.570	0.2200	1.07	0.4700	4.95	9.48
2006	1.5055	0.69	0.03	0.570	0.2200	1.07	0.4700	4.95	9.51
2005	1.3196	0.75	0.03	0.570	0.2200	1.07	0.4900	4.95	9.40
2004	1.3159	0.75	0.03	0.570	0.2200	1.07	0.4900	4.95	9.40

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

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

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

Table 7

KANSAS CITY PUBLIC SCHOOLS

Principal Property Taxpayers

June 30, 2013

Taxpayers	Type of Business	2012			2003		
		Assessed value(1)	Rank	Percentage of total assessed value	Assessed value(1)	Rank	Percentage of total assessed value
Hallmark & Crown Power	Real Estate/Retail/Hotel	\$ 61,763,628	1	2.3%	65,469,190	1	2.5%
Kansas City Power and Light	Utility	43,882,955	2	1.6	32,313,702	2	1.2
A T & T	Communications	42,232,323	3	1.6			
J C Nichols & Highwoods Realty	Real Estate	26,827,301	4	1.0	27,458,691	3	1.0
Town Pavilion Holdings LLC	Real Estate	22,247,150	5	0.8			
Bayer & Mobay	Agricultural Research and Mfg	22,247,150	6	0.8	22,634,306	5	0.8
Southern Union Co	Utility	17,728,195	7	0.7	23,223,093	4	0.9
FSP Grand Blvd	Real Estate	13,120,000	8	0.5			
EHMD LLC	Real Estate	12,800,000	9	0.5	15,071,841	9	0.6
Gateway Harrison Inc	Information Technology Services	12,612,598	10	0.5			
IBM Credit Corporation	Finance				17,331,763	6	0.7
Southwestern Bell	Communications				15,307,941	8	0.6
DST, Inc.	Information Technology Services				15,404,391	7	0.6
City Center Square Equities LLC	Real Estate				12,757,538	10	0.5
		\$ 275,461,300		10.2%	246,972,456		9.3%

Note: Total assessed value for 2012 was \$2,690,140,533 and 2003 was \$2,666,269,179

(1) Based on calendar year ended December 31, 2011 and December 31, 2002.

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

Table 8

KANSAS CITY PUBLIC SCHOOLS

Property Tax Levies and Collections (1)

Last Ten Calendar Years

Tax levy year	Current tax levy (2)	Current tax collections	Percentage of levy collected	Delinquent tax collections	Total tax collections	Total collections as a percent of current levy (3)	Outstanding delinquent taxes (4)	Outstanding delinquent taxes as a percentage of current levy
2012	\$ 130,100,895	120,106,398	92.3%	\$ 12,883,252	\$ 132,989,650	102.2%	\$ 9,994,497	8%
2011	137,909,659	126,060,394	91.4%	9,641,611	135,702,005	98.4%	11,849,265	9%
2010	140,337,926	129,688,746	92.4%	13,048,624	142,737,370	101.7%	10,649,180	8%
2009	139,616,489	127,958,778	91.7%	11,173,379	139,132,157	99.7%	11,657,711	8%
2008	149,109,674	136,280,928	91.4%	11,310,642	147,591,570	99.0%	12,828,746	9%
2007	159,347,626	144,632,799	90.8%	9,125,735	153,758,534	96.5%	14,714,827	9%
2006	144,314,419	134,518,579	93.2%	10,018,326	144,536,905	100.2%	9,795,840	7%
2005	143,862,828	134,077,148	93.2%	11,644,108	145,721,256	101.3%	9,785,680	7%
2004	131,741,231	124,708,338	94.7%	8,850,541	133,558,879	101.4%	7,916,603	6%
2003	132,070,410	124,980,641	94.6%	15,274,849	140,255,490	106.2%	7,089,769	5%

- (1) Table includes General Fund, Teachers' Fund, and Capital Projects Fund. While taxes are levied on a calendar-year basis, collections are reported on a fiscal-year basis.
- (2) Includes real estate, personal property, and replacement merchants and manufacturers taxes, net of assessment and collection fees retained by Jackson County.
- (3) Percentage includes collection of delinquent taxes.
- (4) Includes protested taxes held by the county and all delinquent taxes outstanding at the end of the current tax levy year.
- (5) Source: Jackson County, Division of Finance, Collection Department reports.

Table 9

KANSAS CITY PUBLIC SCHOOLS

Outstanding Debt by Type

Governmental Activities

Last Ten Fiscal Years

Fiscal year ended June 30	\$			Total Primary Government
	Leasehold Revenue Bonds	Capital Leases		
2013	39,904,000	—	—	39,904,000
2012	47,459,000	—	—	47,459,000
2011	57,229,000	—	—	57,229,000
2010	51,830,000	—	—	51,830,000
2009	44,335,000	—	—	44,335,000
2008	67,185,000	495,408	—	67,680,408
2007	89,315,000	967,387	—	90,282,387
2006	110,855,000	—	—	110,855,000
2005	132,235,000	—	—	132,235,000
2004	152,280,000	—	—	152,280,000

Table 10

KANSAS CITY PUBLIC SCHOOLS

Computation of Overlapping Debt

June 30, 2013

Jurisdiction	General obligation bonds outstanding (2)	Percentage applicable to District (1)	Amount applicable to District
City of Kansas City, Missouri	\$ 434,835,000	93%	\$ 404,396,550

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

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

Table 11

KANSAS CITY PUBLIC SCHOOLS

Computation of Legal Debt Margin

June 30, 2013

Total assessed value, tax levy year 2012 (1)	\$	2,690,140,533
Legal debt margin—15% of assessed value (2)		403,521,080

- (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, 2013.

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
2013	\$ 193,837	15,708	8 %	13,317	84.8 %
2012	193,837	15,403	8	13,732	89.2
2011	193,837	15,854	7	13,890	87.6
2010	193,837	17,104	7	15,451	90.3
2009	239,451	17,892	7	16,051	89.7
2008	239,451	22,429	9	19,381	86.4
2007	239,451	24,358	10	21,133	86.8
2006	239,451	25,750	11	22,633	88.0
2005	239,451	27,094	11	23,766	87.7
2004	239,451	26,939	11	24,307	90.2

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)
2013	\$ 10,822,953,045	24.4	14.0
2012	11,068,996,537	26.3	15.5
2011	11,173,712,247	49.1	38.4
2010	11,185,918,555	27.1	51.3
2009	11,948,100,985	32.8	53.9
2008	12,969,424,032	47.2	63.9
2007	11,639,627,153	32.3	61.6
2006	11,758,650,375	13.2	36.3
2005	10,349,087,814	28.6	14.3
2004	10,518,925,019	151.9	85.0

(1) See Table 6.

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

Table 14

KANSAS CITY PUBLIC SCHOOLS

Per-Pupil Costs
Last Ten Fiscal Years

Fiscal year ended June 30	Average daily attendance (2)	Eligible pupils (2)	Current expenditures per eligible pupil (1)	K-12 September enrollment	Pre-K Enrollment
2013	13,417	13,517	\$ 14,877	15,708	1,388
2012	13,816	13,900	14,467	15,403	1,376
2011	14,067	14,244	14,117	15,854	1,483
2010	16,573	17,345	15,021	17,104	1,989
2009	17,384	18,186	16,570	17,892	2,139
2008	21,138	22,107	14,629	22,429	2,615
2007	23,087	24,144	13,275	24,358	2,494
2006	24,569	25,725	12,193	25,750	2,533
2005	25,449	26,605	11,590	27,094	2,428
2004	25,813	27,012	10,906	26,939	2,322

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

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