

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2009

(With Independent Auditors' Report Thereon)

Prepared by

Business & Finance Division

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

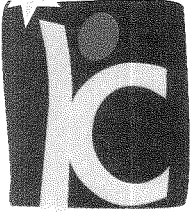
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Kansas City, Missouri
SCHOOL DISTRICT

At the heart of success.

October 21, 2009

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, 2009, will be submitted to the Department of Elementary and Secondary Education. In addition, this report provides the Department of Elementary and Secondary Education (DESE), citizens, financial institutions, grantor agencies, and other interested parties with reliable information concerning the financial condition of the District.

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

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

McGladrey & Pullen, LLP, certified public accountants, have issued an unqualified opinion on the District's financial statements for the year ended June 30, 2009. The independent auditor's report is located in the front of the financial section of this report.

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

DISTRICT PROFILE

Kansas City, Missouri is the central city of a growing bi-state metropolitan area with a population of approximately 1.6 million people. The bi-state area consists of 144 municipalities and approximately 4,800 square miles in seven counties of Northwest Missouri and four counties in Northeast Kansas. The District is located within the taxing jurisdiction of Jackson County with a population of approximately 239,451 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 operates 9 high schools, 6 middle schools, 1 vocational school, 4 alternative schools, 3 early childhood centers and 41 elementary schools. 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 20,300 students (includes pre-kindergarten) and employs over 3,900 principals, teachers, and other support staff.

The Board is required to adopt balanced budgets by the end of each fiscal year in compliance with section 67.010 of the Missouri statute. The budgets serve as a financial plan supporting all educational programs. A preliminary budget is required to be presented to the Board on or before April 1, unless this deadline is modified by the Superintendent with the consent of the Board. Budget holders are requested to identify requirements and needs for their schools/departments. This information is summarized by cost center by the Budget & 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 budgets are prepared on a modified accrual basis of accounting using a statutory fund structure (i.e., general fund, teacher's fund). The District is required to disclose estimated revenue by fund and source and proposed expenditures by fund, activity and object. Therefore, the legal level of budgetary control for proposed expenditures is at the fund, activity and object level.

ECONOMIC FACTORS

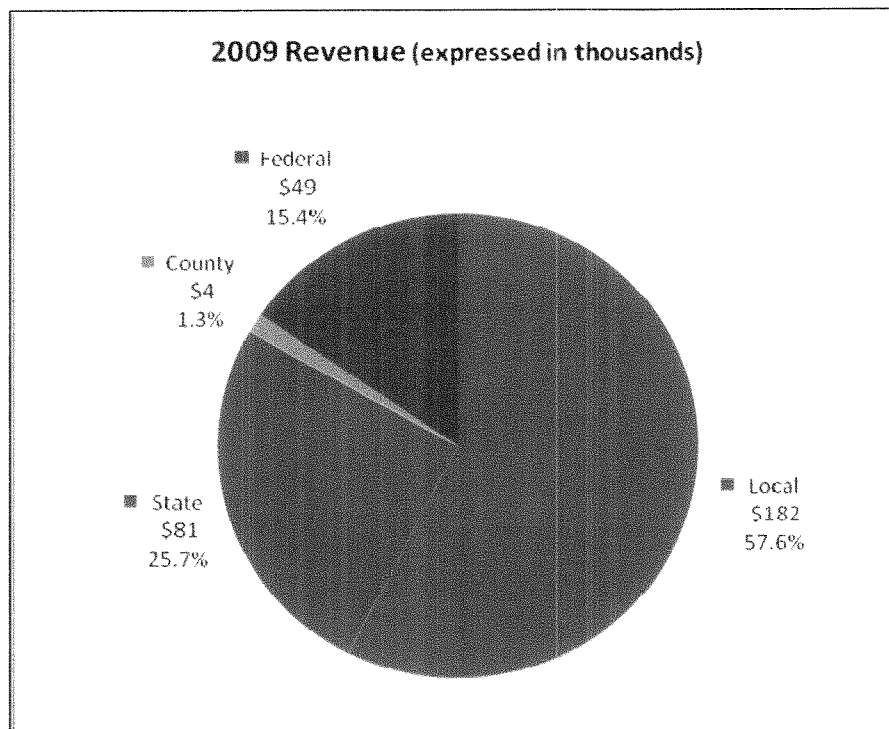
Local property taxes represent approximately 47.4% of total revenues received by the District. During the fiscal year, the District was entitled to receive approximately \$149.1 million in property taxes for tax year 2008 based on its \$4.95 levy which was a 6.4% decrease in property tax revenue when compared to tax year 2007. The decrease in property tax revenue was attributed by a decrease of \$275.1 million in

property assessed valuation primarily caused by the annexation of school sites located in Independence, Missouri and Sugar Creek, Missouri. Actual current taxes collected during the fiscal year totaled to \$136.3 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 25.7% of total revenues received by the District. The District received approximately \$81 million for state aid, a decrease of \$20.7 million or 20.3%. 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 \$6,117 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 15% of the revenue received by the District. The major federal grant programs are Title I, II, III, & IV, Head Start, Exceptional Education, School Improvement and Medicaid. Factors that impact the amount of federal funds the District is entitled to receive include free and reduced lunch counts and enrollment for exceptional education students. For the current year, free and reduced lunch counts declined by 3,317 or 18.7% and exceptional education enrollment declined by 566 or 21.9% 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 in repurchase agreements, certificates of deposit and other federal obligations had an average yield of 1.5% at year end. Approximately \$4.5 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 \$12 million, of which \$10 million is invested in long-term contract, were held by the trustee as of June 30, 2009. The average yield on these investments at year end was 2.8%.

RISK MANAGEMENT

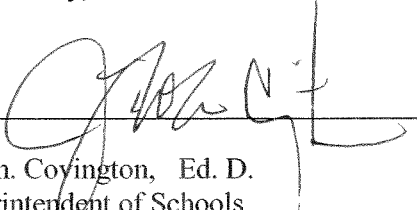
Resources are accumulated in an Internal Service Fund for workers compensation and unemployment self-insurance programs. The District's workers compensation self-insured program ended in November 1999. The District had approximately \$282,000 set aside to cover the cost of these claims. Commercial insurances policies were purchased to cover current and future claims relating to workers compensation and other risks of loss. The District continues to participate in the State Employment Security Program as it relates to unemployment claims. Since substantially all of the outstanding workers compensation claims under the self-insured program have been settled, the surplus funds were transferred to the General Fund at June 30, 2009.

ACKNOWLEDGEMENTS

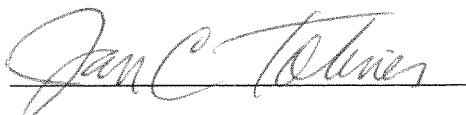
We express our appreciation to the Accounting & Investments staff for their dedicated efforts to prepare for the audit of our accounting records and preparation of this report. Support received from other departments of the Business & Finance Division and other departments of the District (including Internal Audit, Legal, 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,



J. Wm. Coyington, Ed. D.
Superintendent of Schools



Jan C. Toliver, CPA
(I) Associate Supt. of Business & Finance

Mission and Vision of the District

Mission

The mission of the Kansas City, Missouri School District (KCMSD) 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:

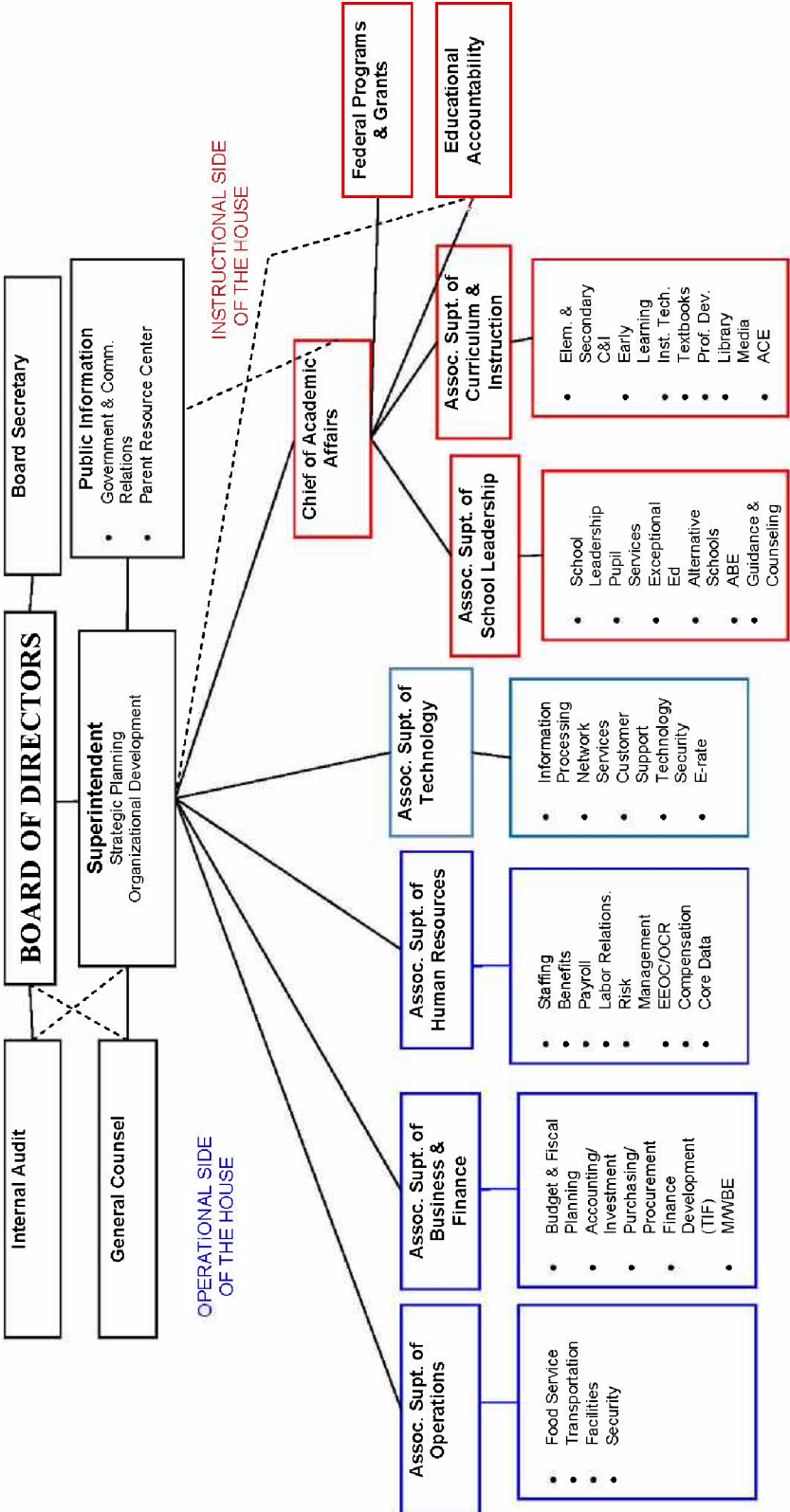
- Inquiry-based instruction that involves active-learning, and is project-oriented, collaborative, student-centered, and facilitated by meaningful professional development
- Successful instructional settings where teachers continually coach each child to develop deep understanding and educational proficiency, 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

Vision

The Kansas City, Missouri School District 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.

School District of Kansas City, Missouri

Organizational Chart



LIST OF PRINCIPAL OFFICIALS

June 30, 2009

BOARD OF DIRECTORS

Executive Officers

Marilyn Y. Simmons, President
Arthur A. Benson, Vice President
Helen J. Ragsdale, Treasurer

Members

Cokethea N. Hill
Duane B. Kelly
Joel Pelofsky
Derek M. Richey
Airick L. West
Ray Wilson

Secretary of the Board

Aisha Safir

SENIOR ADMINISTRATORS

Clive H. Coleman, Ph.D., (I) Superintendent
Joshua Douglass, General Counsel
Jan C. Toliver, (I) Associate Supt. of Business & Finance
Don Bell, Associate Supt. for School Leadership

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The School District of Kansas City, Missouri (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The School District of Kansas City, Missouri, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2009 on our consideration of the District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 17, and the Budgetary Comparison Information on pages 55 through 65 and Schedule of Funding Progress of the Other Post-Employment Benefits Plan on page 66 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Kansas City, Missouri
October 12, 2009

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

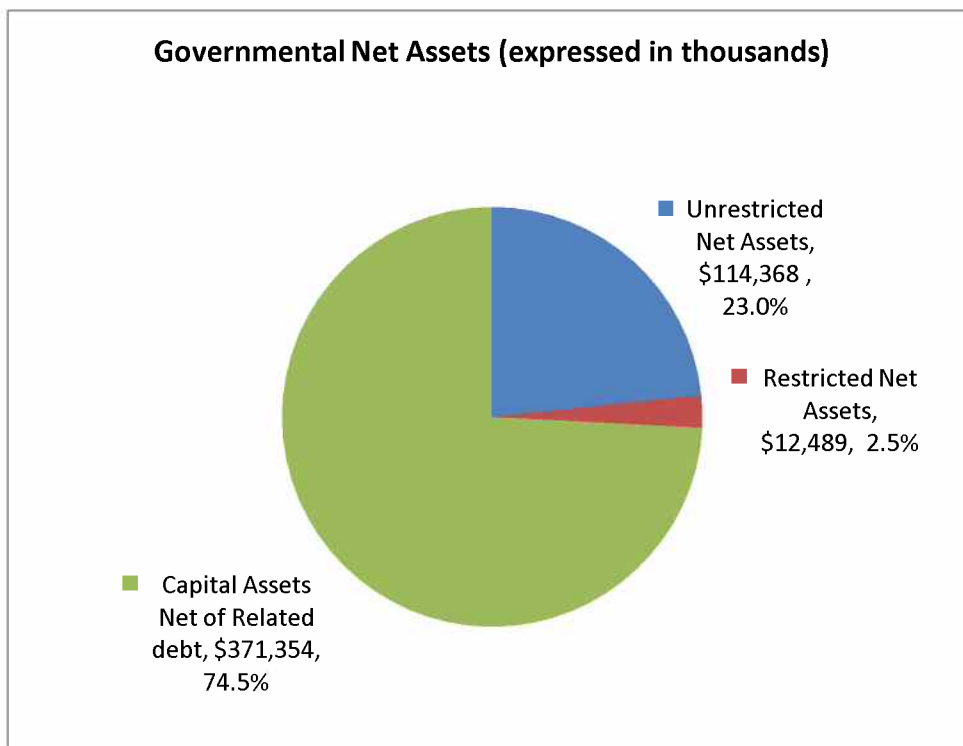
Management's Discussion and Analysis

June 30, 2009

The Business and Finance Division of the School District of Kansas City, Missouri (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, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

In the statement of net assets for governmental activities, the District's assets exceeded its liabilities at the close of the fiscal year by \$498.2 million. Net assets are reported in three components as shown in the graph below:



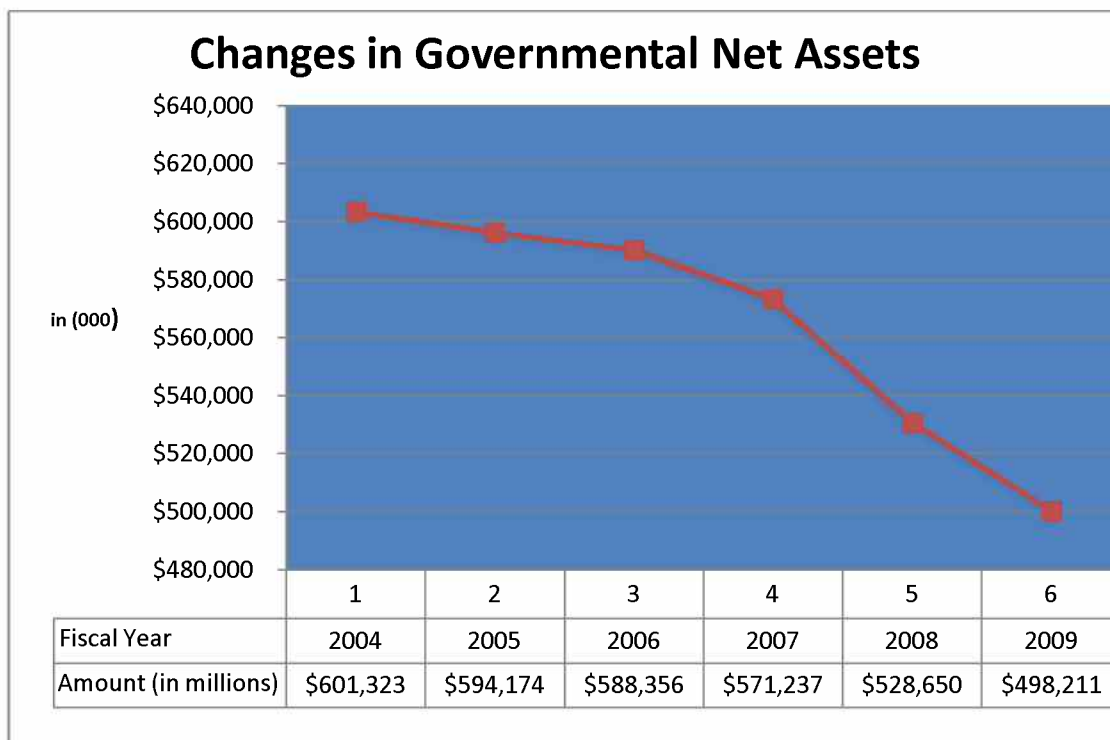
The most significant change in total net assets was a decrease in restricted net asset of approximately \$48 million. During the fiscal year, \$30 million held by the Trustee, Bank of New York Mellon, was transferred to the capital projects fund. In addition, proceeds from the sale of buildings were used to defease a portion of the leasehold revenue bonds.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2009

The graph below shows the changes in net assets and indicates that our overall financial position declined in fiscal year 2009 by 5.8% when compared to fiscal year 2008. This decrease was primarily due to a \$55.7 million (or 8.1%) decrease in total assets and a \$25.3 million (or 15.6%) decrease in total liabilities. The ratio of expenses to revenues is 91.5%, which indicates on a District-wide basis, there was an 8.5% shortfall in revenue to cover current year costs.



The District's governmental funds (summarized in Table 1 below) reported an ending total fund balance of \$131.2 million, a decrease of \$36.5 million in comparison with the prior year. Approximately 34.1% of this amount, \$44.7 million, is available for spending at the District's discretion (unreserved/undesignated fund balance).

Table 1—Summary of Governmental Fund Balances

	FY09	Percentage of total	FY08	Percentage of total	Increase (decrease)	Unreserved/ undesignated portion
General	\$ 47,295,859	36.0 %	\$ 44,876,850	26.8%	\$ 2,419,009	\$ 37,701,384
Other special revenue	21,137,645	16.1 %	21,813,740	13.0%	(676,095)	—
Debt service	11,967,633	9.1 %	60,171,002	35.9%	(48,203,369)	—
Capital projects	50,548,010	38.5 %	39,921,608	23.8%	10,626,402	6,963,959
Nonmajor funds	252,748	0.2 %	875,574	0.5%	(622,826)	13,264
	<u>\$ 131,201,895</u>	<u>100.0 %</u>	<u>\$ 167,658,774</u>	<u>100.0%</u>	<u>\$ (36,456,879)</u>	<u>\$ 44,678,607</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2009

Unreserved undesignated fund balance for the General Fund was \$37.7 million and represents 14.9% of total General Fund expenditures and transfers. Reserved fund balance in the General Fund for encumbrances and inventory was \$1.6 million, a decrease of \$3.7 million when compared to the prior year. Overall, governmental fund balances declined at June 30 because of deficit spending in the Other Special Revenue, Debt Service and Nonmajor Governmental Funds.

Overview of the Financial Statements

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

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

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

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

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

The business-type activities of the District include a Community Service Fund used to account for the activities related to the community use of facilities, and student tutoring provided under the Supplementary Educational Services program. See Table 3B—Changes in Net Assets—Business-Type Activities.

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2009

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 nine 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, Teachers' 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 portion of its capital project, Child Nutritional Services fund and Administrative Service Center Fund. A budgetary comparison statement has been provided for these funds, except for the Administrative Service Fund, to demonstrate compliance with statutory requirements.

Proprietary funds—The District maintains two types of proprietary funds. First, enterprise 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. Second, internal service funds are an accounting device used to accumulate and allocate cost internally among the District's various functions. Internal service funds account for activity related to printing/duplicating and distribution services and risk management programs. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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. Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report.

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.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2009

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

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

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

Government-wide Financial Analysis

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

Table 2—Net Assets (Expressed in Thousands)

	Governmental activities			Business-type activities			Total	
	2009	2008	Increase (decrease)	2009	2008	Increase (decrease)	2009	2008
Assets:								
Current and other assets	\$ 218,295	269,945	(51,650)	522	1,426	(904)	218,817	271,371
Capital assets	416,625	420,691	(4,066)	—	—	—	416,625	420,691
Total assets	634,920	690,636	(55,716)	522	1,426	(904)	635,442	692,062
Liabilities:								
Long-term liabilities	67,665	90,137	(22,472)	—	—	—	67,665	90,137
Other liabilities	69,044	71,849	(2,805)	—	—	—	69,044	71,849
Total liabilities	136,709	161,986	(25,277)	—	—	—	136,709	161,986
Net assets:								
Invested in capital assets, net of related debt	371,354	351,989	19,365	—	—	—	371,354	351,989
Restricted	12,489	60,705	(48,216)	—	—	—	12,489	60,705
Unrestricted	114,368	115,956	(1,588)	522	1,426	(904)	114,890	117,382
Total net assets	\$ 498,211	528,650	(30,439)	522	1,426	(904)	498,733	530,076

Cash and investments decreased by \$45.2 million or 20.3%, caused by deficit spending in the Other Special Revenue, Debt Service and the Child Nutritional Services funds. In the Debt Service Fund, \$30 million held by the Trustee was transferred to the Capital Projects Fund. The transfer provided a source of funding for improvements to buildings and funding for the technology plan. Overall, current assets decreased by 8.2%. Improvements to land, buildings and other than building were \$10.2 million; purchases of equipment, furniture, and vehicles (primarily computers and vehicles) were \$.7 million, less depreciation of \$15.9 million and retirements of \$5.6 million, resulting in a 1% decrease in capital assets. The overall change in long-term liabilities was a 24.9% reduction. The bonds payable balance declined by \$22.8 million, which includes \$12.9 million advance refund to an escrow agent, for principal payment on revenue bonds. Compensated absences increased by \$1.1 million.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2009

Unrestricted net assets of \$114.4 million include management designations and unreserved fund balances of \$102.1 million. The board of directors has authorized management to designate funds for certain obligations that make up 11.5% of the total net assets included in unrestricted net assets. These fund balance designations are summarized below:

Management designations for:		
Long-term building maintenance	\$	11,298,532
CIP Escrow		12,599,545
Technology plan		2,783,551
E-rate/E-rate support		1,848,494
Contingency		5,000,000
Grant Activity		2,741,641
Compensated absences		21,137,645
	\$	<u>57,409,408</u>

Fund balance reserved for encumbrances, inventory, workers compensation, and capital assets declared surplus was approximately \$16.9 million. The difference of \$(4.6) million represents certain accruals that will impact future cash flows.

The changes in net assets for the business-type activities primarily relates to the District's tutoring program and community use of facilities reported in the Community Service Fund. The District was eligible to serve as a vendor under the Title I tutoring program. The cost of this service and the reimbursements was accounted for in the Community Service Fund.

Table 3A—Changes in Net Assets—Governmental Activities highlights the District's revenues and expenses for the 2009 and 2008 fiscal years. The difference between revenues and expenses equals the change in net assets. Revenue is divided into two major components, program revenue and general revenue. Program revenue is defined as charges for services, operating and capital grants, and contributions. General revenue is defined as the primary unrestricted funding sources, such as property taxes, sales taxes, and basic state aid.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2009

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

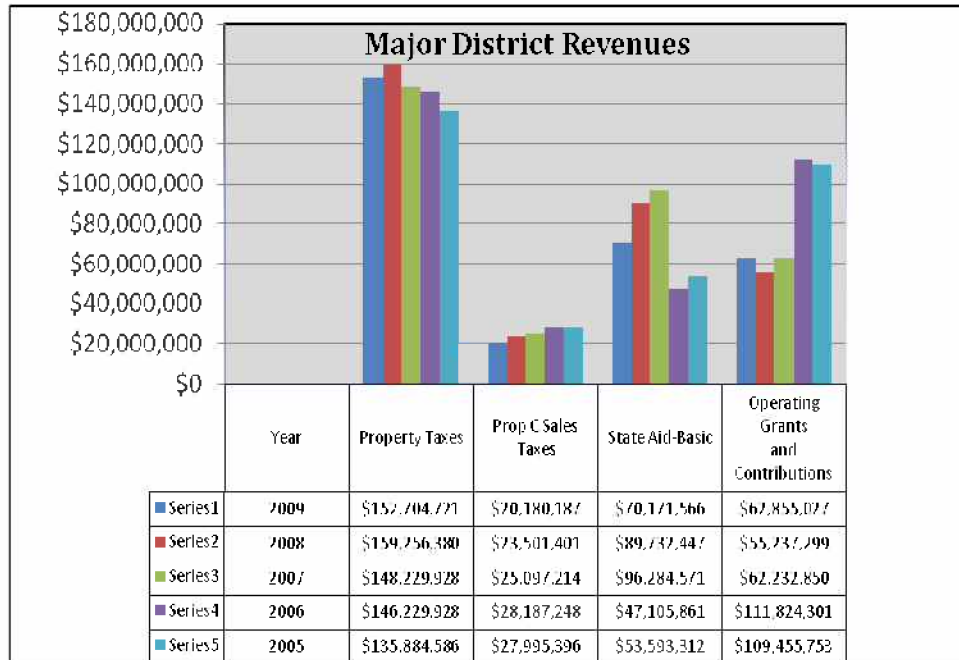
	Governmental activities		
	2009	2008	Increase (decrease)
Program revenues:			
Charges for services	\$ 2,213	3,940	(1,727)
Operating grants and contributions	62,855	55,237	7,618
Capital grants and contributions	733	1,518	(785)
General revenues:			
Property taxes	152,705	159,256	(6,551)
Prop C sales tax	20,180	23,052	(2,872)
Other local revenues	3,600	2,100	1,500
County governmental contributions	4,209	4,025	184
State aid—basic formula	70,172	89,733	(19,561)
Grants and entitlements	821	1,051	(230)
Investment earnings	4,500	10,486	(5,986)
Total revenues	321,988	350,398	(28,410)
Program expenses:			
Administration	25,512	23,464	2,048
Instruction	175,174	193,545	(18,371)
Support services	76,835	79,253	(2,418)
Operation of facilities	40,936	44,579	(3,643)
Pupil transportation	17,211	18,703	(1,492)
Facilities Improvement and Renovation	7,909	1,413	6,496
Community and adult services	8,478	11,557	(3,079)
Interest on long-term debt	2,791	3,902	(1,111)
Total expenses	354,846	376,416	(21,570)
Excess (deficiency) before transfers	(32,858)	(26,018)	(6,840)
Realized gain (loss) from sale of capital assets	1,419	(17,319)	18,738
Transfers	1,000	750	250
Increase (decrease) in net assets	(30,439)	(42,587)	12,148
Net assets beginning of year	528,650	571,237	(42,587)
Net assets end of year	\$ 498,211	528,650	(30,439)

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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A graph of major District revenues is shown below.



The most significant changes in revenues were:

- Operating grants and contributions (primarily federal grants) increase 13.8% or \$7.6 million that impacted the following programs:
- Medicaid reimbursements increased by \$6.4 million because \$1.4 million related to services provided in fiscal year 2008 was collected during the fiscal year.
- Revenues from Consolidated Federal Programs increased by \$4.7 million.
- Revenues for Entitlement grant decreased by \$1.8 million.
- Reimbursements for meals served under the Child Nutritional Services program decreased by \$.7 million due primarily to the loss of the schools to the Independence School district.
- Prop C sales tax declined by \$2.87 million or 12.5% because the funding distribution is based on pupil count and the District's average daily attendance declined in the current year.
- Property tax revenue decreased by 4.1% or approximately \$6.6 million because of a 1% decrease in assessed valuation.
- State Aid distributed under the basis formula decreased by 21.8% or approximately \$19.6 million. This reduction was caused by the decline in enrollment. The FY09 distribution was based to FY07 weighted average daily attendance (WADA) of 26,360 compared to WADA of 29,573 for FY08.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

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

- Administration—The cost of legal services and the amount paid for legal settlement increased by \$2.4 million.
- Instruction – Teachers' salary and fringe benefits, and materials and supplies decreased primarily due to a decline in enrollment during the fiscal year.
- Operation of Facilities – Due to the loss of 7 buildings in the Independence Annexation in fiscal year 2008, Utility cost decreased by approximately \$1.4 million. Use of consultants and other outside contractors declined by \$3.7 million.
- Pupil Transportation – Transportation costs declined by approximately \$1.5 million primarily due for decline in enrollment.
- Community and Adult Services – The 26% decline was primarily caused by reduction in salary and fringe cost of the extended day program and a reduction in contract services.
- Interest on long-term debt – When the outstanding leasehold revenue bonds were refinanced in 2003, the principal payment decreased from \$28 million in fiscal year 2008 to \$13 million in fiscal year 2009.

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

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

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>
Community services:			
Charges for services	\$ 287	728	(441)
Expenses	(194)	(389)	195
Revenue over expenditures before transfers	<u>93</u>	<u>339</u>	<u>(246)</u>
Investment Interest	—	8	(8)
Transfers	(1,000)	(750)	(250)

The District provided after school tutoring under the Supplementary Education Services program funded by Title I. As a result, revenues decreased \$.44 million and expenditures decreased \$.19 million. Salary and fringe costs decreased by \$.2 million and materials/supplies decreased by \$.02 million when compared to the prior year.

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 81.5% of the total cost) are costs that must be covered by unrestricted state funding and local taxes. When compared to the prior year, net cost of services as a percentage of total cost decreased 8.5% because of the implementation of the new foundation formula. This formula reduced the amount of funding allocated to specific categories to be applied toward certain program expenditures. As a result, the District is required to classify more State Aid as general revenue.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

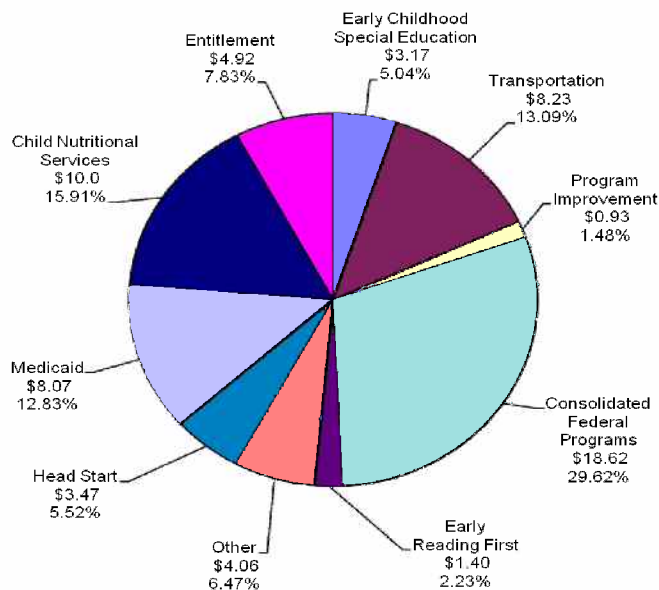
June 30, 2009

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

	Total cost of services	Net cost of services
Administration	\$ 25,512	25,511
Instruction	175,174	137,427
Support services	76,835	56,775
Operation of facilities	40,936	40,686
Pupil transportation	17,211	10,801
Facilities improvements and renovations	7,909	7,414
Community and adult services	8,478	7,640
Interest on long-term debt	2,791	2,791
Total	\$ 354,846	289,045

The District received program revenues specifically to offset the cost of certain functions/programs. The major source of this type of revenue, that totaled \$62.9 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.

Operating Grants & Contributions
(expressed in thousands)



THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2009

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 unreserved, undesignated fund balance serves as a useful measure of net resources available for spending at the end of the fiscal year.

The General Fund, Teachers' Fund, and a portion of the Capital Projects Fund make up the District's operating budget. Revenue is transferred to the Teachers' Fund to cover expenditures, leaving a zero fund balance. 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, 2009, the unreserved fund balance of the operating budget funds is shown below:

Operating budget funds	Reserved	Unreserved	Total fund balance
General	\$ 1,852,834	45,443,025	47,295,859
Capital projects—operating portion	4,018,519	5,946,223	9,964,742
	<u>\$ 5,871,353</u>	<u>51,389,248</u>	<u>57,260,601</u>

As a measure of the operating budget liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total expenditures. The total fund balance represents 21.9% of total operating expenditures and transfers. The total operating fund balance increased by 4.4% when compared to fiscal year 2008.

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 increased of approximately 4.8%. Based on the final assessed valuation received in August 2009, property taxes increased by \$1.8 million. The projections for investment earnings, financial institutional tax and other local grants increased by \$4.9 million. Proposition C (sales taxes) and basic formula state aid decreased by \$3.9 million because of the decline in the weighted average daily attendance and DESE's adjustment for Charter Schools average daily attendance. Additional federal grant awards of \$7.8 million were received after the original budget was approved. Also, the District eliminated its Internal Service Funds during the fiscal year that resulted in transfers of surplus fund balance to the General Fund of approximately \$17.2 million.

Expenditures and transfers out increased by 2.7%. Budgeted expenditures increased by \$8.8 million primarily to fund certain salary increases approved by the Board under union agreements, additional materials and supplies as a result of the Independence Annexation and federal grant awards for Title I and Title II received after the original budget was approved.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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When comparing the original budget to the final budget, there was a favorable variance of \$25.8 million for revenues and transfers in, and an unfavorable budgeted variance for expenditure and transfers out of \$6.8 million, reducing the use of fund balance from \$19 million to \$.1 million. This deficit was funded by a one time transfer from the Internal Service Funds of \$14.8 million and the transfer of \$1 million from the Enterprise fund.

When compared to the prior year (see Table 5B), budgeted revenues and transfers in decreased by 2.7% and expenditures and transfers out decreased by 8%.

Table 5A—Budget Comparison, Original to Final Budget, Fiscal Year 2009

	Revenues and Transfers In	Expenditures and Transfers Out
Original budget	\$ 231,454,438	250,450,097
Final budget	257,302,803	257,245,046
Increase (decrease)	<u>\$ 25,848,365</u>	<u>6,794,949</u>

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

	Revenues and transfers in	Expenditures and transfers out
Fiscal year 2009 final budget	\$ 257,302,803	257,245,046
Fiscal year 2008 final budget	<u>264,351,244</u>	<u>280,661,971</u>
Increase (decrease)	<u>\$ (7,048,441)</u>	<u>(23,416,925)</u>
Percentage of change	(2.67)%	(8.34)%

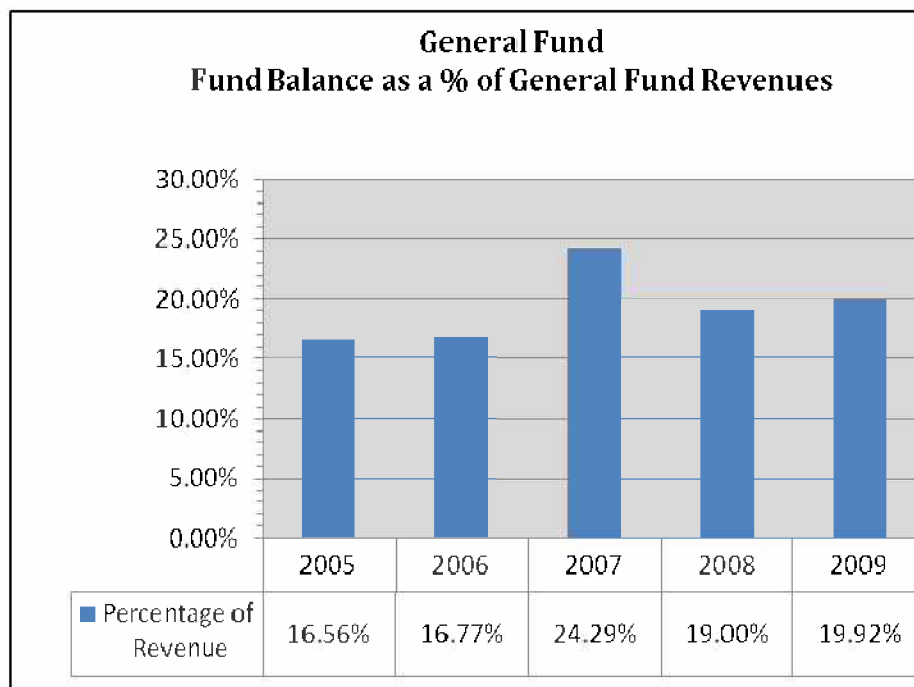
THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

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Major Funds—Financial Highlights

- When compared to fiscal year 2008, General Fund revenues and transfers increased by \$7.1 million or 2.9%, and expenditures and transfers decreased by \$11.6 million or 4.4%. The General Fund's ending fund balance is used to balance the operating budget. The level of fund balance in the General Fund is declining 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 SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2009

- The Teachers' Fund revenues and expenditures decreased by \$20.2 million or 11.4% because of declining enrollment.
- There were no significant changes in fund balance in the Other Special Revenue Fund.
- The Debt Service Fund's revenues and other financing sources decreased by \$26.5 million or 63.2% as a result of the decline in interest income earned on investments and the amount of the leased payment. Proceeds from the sale of capital assets were \$12.9 million in fiscal year 2008 compared to \$1.4 million in fiscal year 2009. Expenditures plus financing uses increased by \$23.7 million or 59% primarily because the annual principal and interest payment decline from \$26.5 million in fiscal year 2008 to \$13.2 million for fiscal year 2009. In addition, the District transferred \$30 million held by the Trustee, to the Capital Project Fund. Proceeds from the sale of capital assets of approximately \$14 million were placed in escrow for the defeasance a portion of the leasehold revenue bonds.
- The Capital Projects Fund's revenues and other financing sources increased by \$28.8 million or 121.4% primarily caused by the transfer of \$30 million from the Trustee that was held in escrow to fund future capital improvements. Expenditures increased by \$16.0 million primarily caused by an increase in capital improvements projects of \$12.7 million completed during the fiscal year and the reduction in the amount required for the lease payment to the Building Corporation which presents the principal and interest payments on the leasehold revenue bonds.

Capital Assets and Debt Administration

Capital assets—The District's investment in capital assets for its governmental activities as of June 30, 2009 amounts to \$411.6 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, building improvements, improvements other than buildings, equipment, fixtures and vehicles. Capital assets decreased by \$5.9 million during the fiscal year. Table 6 below shows capital asset by function for governmental activities. Also see note 3(c) for additional information.

Table 6—Capital Assets, Net of Depreciation

	2009	2008
Land	\$ 42,320,265	42,537,492
Buildings	347,771,911	353,445,366
Improvements other than buildings	12,887,289	14,241,682
Equipment and furniture	3,571,124	6,858,068
Vehicles	327,630	161,548
Construction in progress	4,725,777	253,111
	\$ 411,603,996	417,497,267

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2009

Long-term debt—The Building Corporation issued leasehold revenue bonds to finance the District's major capital improvement projects in prior years. At year-end, the outstanding principal balance on bonds was \$44.3 million. The District is required to make lease payments to the Building Corporation in an amount sufficient to cover principal and interest payments each year. During the current fiscal year, approximately \$13.5 million was available to the Trustee in compliance with this requirement. Approximately 3.7% of total District expenditures relate to payments of principal, interest, and bond-related costs. See notes 3(f) and 3(g) for additional information.

Economic Factors That Impact Fiscal Year 2010 Budgets

- The fiscal year 2010 comprehensive operating budget was approved by the Board on June 24, 2009. Fiscal year 2010 projected current revenues of approximately \$280.4 million is a decrease of about \$62 million (or 18%) when compared to fiscal year 2009.
 - Local revenue from property taxes declined by \$8.6 million as a result of a reduction in assessed valuation of \$161.2 million and the estimated collection rate of 91%.
 - Proposition C sales taxes declined by \$3.9 million as a result of the reduction in the weighted average daily attendance factor caused by declining enrollment.
 - Financial institution taxes are expected to decline by \$1.3 million.
 - Investment earnings, local grants and subsidies are expected to decline by \$7.2 million.
 - State aid is expected to decline by approximately \$12 million as a result of the reduction in the weighted average daily attendance factor.
 - Federal grants declined by \$10 million, however, it is anticipated that additional federal grants will be awarded during the fiscal year.
- Fiscal year 2010 expenditures of approximately \$298.8 million represent a decrease of about \$46.9 million (or 13.6%) when compared to the prior year. Seven school buildings were closed at the end of fiscal year 2009.
- Approximately \$18.4 million of fund balance was used to balance the fiscal year 2010 comprehensive operating budget.

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 the School District of Kansas City, Missouri, 1211 McGee, 6th Floor, Kansas City, Missouri 64106, Attn: Chief Financial Officer.

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BASIC FINANCIAL STATEMENTS

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Net Assets

June 30, 2009

	Governmental activities	Business-type activities	Total
Assets:			
Cash and investments	\$ 164,898,608	339,051	165,237,659
Restricted cash and investments	12,633,012	—	12,633,012
Taxes receivable (net of allowance for uncollectibles)	22,881,369	—	22,881,369
Interest receivable	1,044,608	—	1,044,608
Due from other governmental units	13,552,993	—	13,552,993
Due from community/charter schools	—	183,016	183,016
Other receivables	573,569	—	573,569
Supplies inventories	938,861	—	938,861
Other post-employment benefits	1,771,920	—	1,771,920
Capital assets (net of accumulated depreciation):			
Nondepreciable	47,046,042	—	47,046,042
Depreciable	364,557,954	—	364,557,954
Assets declared surplus	5,020,821	—	5,020,821
Total assets	634,919,757	522,067	635,441,824
Liabilities:			
Accounts payable and other	16,909,169	—	16,909,169
Accrued salaries, benefits, and payroll taxes	47,591,030	—	47,591,030
Claims payable	719,928	—	719,928
Accrued interest payable	898,482	—	898,482
Unearned revenue	2,925,033	—	2,925,033
Long-term liabilities:			
Due within one year:			
Compensated absences	7,947,715	—	7,947,715
Revenue bonds	10,385,000	—	10,385,000
Due in more than one year:			
Compensated absences	14,447,074	—	14,447,074
Revenue bonds	33,950,000	—	33,950,000
Unamortized premium on bonds	935,454	—	935,454
Total liabilities	136,708,885	—	136,708,885
Net assets:			
Invested in capital assets, net of related debt	371,354,363	—	371,354,363
Restricted for:			
Debt service	11,967,633	—	11,967,633
Workers' compensation	282,013	—	282,013
Permanent fund, nonexpendable corpus	35,000	—	35,000
Patron gifts	204,484	—	204,484
Unrestricted	114,367,379	522,067	114,889,446
Total net assets	\$ 498,210,872	522,067	498,732,939

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Activities

Year ended June 30, 2009

Functions/programs	Expenses	Program revenues		Net revenue (expense) and changes in net assets	
		Charges for services	Operating grants and contributions	Capital grants and contributions	
Governmental activities:					
Administration	\$ 25,511,653	—	200	—	(25,511,453)
Instruction	175,174,540	—	37,710,740	36,748	(137,427,052)
Support services	76,834,841	1,991,557	18,068,455	—	(56,774,829)
Operation of facilities	40,935,994	61,038	—	189,371	(40,685,585)
Pupil transportation	17,210,708	4,006	6,405,162	—	(10,801,540)
Facilities improvements and renovation	7,909,185	—	—	495,408	(7,413,777)
Community and adult services	8,478,426	156,028	670,469	11,827	(7,640,102)
Interest on long-term debt	2,791,030	—	—	—	(2,791,030)
Total governmental activities	354,846,377	2,212,629	62,855,026	733,354	(289,045,368)
Business-type activities:					
Community services	193,625	286,665	—	—	93,040
Total	355,040,002	2,499,294	62,855,026	733,354	(288,952,328)
General revenues:					
Property taxes					152,704,721
Prop C sales tax					20,180,187
Other local revenues					3,600,380
Intermediate/county					4,209,103
State aid—basic formula					70,171,566
Grants and entitlements not restricted to specific programs					—
Investment earnings					820,620
Gain from sale of capital assets					4,503,652
Transfers					1,419,399
				(1,000,000)	—
Total general revenues and transfers				(996,654)	257,609,628
Change in net assets				(903,614)	(31,342,700)
Net assets—beginning				1,425,681	530,075,639
Net assets—ending				522,067	498,732,939
				\$	498,210,872

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Balance Sheet

Governmental Funds

June 30, 2009

Assets	General	Teachers'	Other Special Revenue	Debt Service	Capital Projects	Nonmajor governmental funds	Total governmental funds
Cash and investments	\$ 53,323,654	19,133,565	42,081,890	—	49,889,137	470,362	164,898,608
Restricted cash and investments	282,013	—	—	11,990,760	—	360,239	12,633,012
Taxes receivable, net of allowance for uncollectibles	19,672,495	1,035,025	—	—	2,190,145	—	22,897,665
Interest receivable	398,675	—	233,229	293,194	115,833	3,677	1,044,608
Other receivables	14,064	—	—	—	—	—	14,064
Due from other governments	11,444,314	175,951	—	—	980,472	935,960	13,536,697
Due from other community	—	—	—	—	—	559,505	559,505
Due from other funds	410,325	—	—	—	316,321	—	726,646
Supplies inventory	775,818	—	—	—	—	—	775,818
Assets declared surplus	—	—	—	—	5,020,821	—	5,020,821
Total assets	\$ 86,321,358	20,344,541	42,315,119	12,283,954	58,512,729	2,329,743	222,107,444
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 9,964,774	965,323	1,529,696	—	4,794,102	1,184,970	18,438,865
Accrued salaries, benefits, and payroll taxes	7,034,338	19,379,218	19,647,778	—	—	—	46,061,334
Due to other funds	—	—	—	316,321	—	410,325	726,646
Deferred revenue	22,026,387	—	—	—	3,170,617	481,700	25,678,704
Total liabilities	39,025,499	20,344,541	21,177,474	316,321	7,964,719	2,076,995	90,903,549
Fund balances:							
Reserved for:							
Encumbrances	795,003	—	—	—	10,033,108	—	10,828,111
Supplies inventory	775,818	—	—	—	—	—	775,818
Debt service	—	—	—	11,967,633	—	—	11,967,633
Capital assets declared surplus	—	—	—	—	5,020,821	—	5,020,821
Workers Compensation	282,013	—	—	—	—	—	282,013
Permanent fund, nonexpendable corpus	—	—	—	—	—	35,000	35,000
Patron gifts	—	—	—	—	—	204,484	204,484
Unreserved:							
Designated for:							
Grant activity	2,741,641	—	—	—	—	—	2,741,641
Long-term building maintenance	—	—	—	—	11,298,532	—	11,298,532
CIP Escrow	—	—	—	—	12,599,545	—	12,599,545
Technology plan	—	—	—	—	2,783,551	—	2,783,551
Reserve for Contingency	5,000,000	—	—	—	—	—	5,000,000
Compensated absences	—	—	21,137,645	—	—	—	21,137,645
E-Rate/E-Rate support	—	—	—	—	1,848,494	—	1,848,494
Undesignated:							
General fund	37,701,384	—	—	—	—	—	37,701,384
Special revenue funds	—	—	—	—	—	(110,318)	(110,318)
Permanent fund	—	—	—	—	—	123,582	123,582
Capital projects fund	—	—	—	—	6,963,959	—	6,963,959
Total fund balances	47,295,859	—	21,137,645	11,967,633	50,548,010	252,748	131,201,895
Total liabilities and fund balances	\$ 86,321,358	20,344,541	42,315,119	12,283,954	58,512,729	2,329,743	222,107,444

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets
Governmental Funds
June 30, 2009

Fund balances—balance sheet	\$ 131,201,895
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	411,603,996
Federal food commodities	163,043
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	(44,335,000)
Unamortized premium on bonds net of deferred charges	(935,454)
Accrued interest payable	(898,482)
Other post-employment benefits	1,771,920
Compensated absences	(22,394,789)
Claims payable	(719,928)
	<hr/>
	(67,511,733)
Deferred revenue—property taxes	<hr/> 22,753,671
Net assets of governmental activities	\$ <u><u>498,210,872</u></u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI
Statement of Revenues, Expenditures,
and Changes in Fund Balances—Governmental Funds
Year ended June 30, 2009

	General	Teachers'	Other Special Revenue	Debt Service	Capital Projects	Nonmajor governmental funds	Total governmental funds
Revenues:							
Property taxes	\$ 142,237,401	—	—	—	7,688,471	—	149,925,872
Prop C sales tax	12,612,616	7,567,571	—	—	—	—	20,180,187
Other local	7,235,543	9,762	380,669	867,264	1,360,411	1,981,916	11,835,565
Intermediate/county	3,947,565	261,538	—	—	—	—	4,209,103
State aid—basic formula	23,270,915	46,900,651	—	—	—	—	70,171,566
Other state	10,389,551	543,290	—	—	—	66,362	10,999,203
Federal	37,672,281	1,474,332	—	—	133,158	9,517,210	48,796,981
Tuition	4,006	9,268	—	—	—	—	13,274
Total revenues	237,369,878	56,766,412	380,669	867,264	9,182,040	11,565,488	316,131,751
Expenditures:							
Current:							
Administration	11,725,306	13,852,089	—	—	—	—	25,577,395
Instruction	38,600,247	117,740,634	—	—	—	976,485	157,317,366
Support services	34,926,214	23,671,769	2,424,842	—	—	12,957,866	73,980,691
Operation of facilities	40,488,850	—	—	—	—	—	40,488,850
Pupil transportation	17,210,741	—	—	—	—	—	17,210,741
Community and adult services	7,686,729	846,291	—	—	—	—	8,533,020
Debt service:							
Administrative	—	—	—	49,056	—	—	49,056
Principal	—	—	—	9,945,000	—	—	9,945,000
Interest	—	—	—	3,244,368	—	—	3,244,368
Capital outlay:							
Administration	—	—	—	—	16,146	—	16,146
Instruction	—	—	—	—	3,089,560	—	3,089,560
Support services	—	—	—	—	2,003,062	—	2,003,062
Operation of facilities	—	—	—	—	797,447	—	797,447
Pupil transportation	—	—	—	—	—	—	—
Community and adult services	—	—	—	—	20,022	—	20,022
Facilities improvement and renovation	—	—	—	—	17,735,961	—	17,735,961
Total expenditures	150,638,087	156,110,783	2,424,842	13,238,424	23,662,198	13,934,351	360,008,685
Revenues over (under) expenditures	86,731,791	(99,344,371)	(2,044,173)	(12,371,160)	(14,480,158)	(2,368,863)	(43,876,934)
Other financing sources (uses):							
Transfers in	18,170,479	100,029,222	1,368,078	13,189,368	41,522,073	1,800,000	176,079,220
Transfers out	(102,483,261)	(684,851)	—	(36,444,689)	(18,241,976)	(53,963)	(157,908,740)
Payment to escrow for advance refunded debt	—	—	—	(13,977,489)	—	—	(13,977,489)
Unrealized proceeds- surplus assets	—	—	—	—	1,826,463	—	1,826,463
Sale of capital assets	—	—	—	1,400,601	—	—	1,400,601
Total other financing sources (uses)	(84,312,782)	99,344,371	1,368,078	(35,832,209)	25,106,560	1,746,037	7,420,055
Net change in fund balances	2,419,009	—	(676,095)	(48,203,369)	10,626,402	(622,826)	(36,456,879)
Fund balances, beginning of year	44,876,850	—	21,813,740	60,171,002	39,921,608	875,574	167,658,774
Fund balances, end of year	\$ 47,295,859	—	21,137,645	11,967,633	50,548,010	252,748	131,201,895

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year ended June 30, 2009

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

Net change in fund balances—total governmental funds	\$ (36,456,879)
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	15,395,385
Depreciation expense	(15,861,217)
	(465,832)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	
Proceeds from sale of capital assets	(1,400,601)
Gain on sale of capital assets	1,314,924
	(85,677)
Assets declared surplus-unrealized proceeds	(1,826,463)
Assets declared surplus-unrealized loss	(3,515,299)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,837,311
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. In addition, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:	
Principal payment on revenue bonds	22,850,000
Principal payment on capital lease	495,408
Amortization on premium and deferred charges, net	187,056
Accrued interest payable	453,338
	23,985,802
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	1,354,789
Compensated absences	(1,060,160)
Claims payable	(36,199)
	258,430
Internal service funds are used by management to charge the costs of Administrative Service Center and Risk Management to individual funds. These funds were closed and a transfer is recorded in the funds, however, the net assets were already reported in the governmental activities.	(17,170,479)
Change in net assets of governmental activities	\$ (30,439,086)

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Net Assets—Proprietary Funds

June 30, 2009

	Nonmajor Enterprise Fund
Assets:	
Current assets:	
Cash and Investments	\$ 339,051
Restricted cash and investments	—
Interest receivable	—
Other receivables, net of allowance for uncollectible	183,016
Supplies inventories	—
Total current assets	<u>522,067</u>
Noncurrent assets:	
Machinery and equipment	—
Less accumulated depreciation	—
Total capital assets (net of accumulated depreciation)	<u>—</u>
Total noncurrent assets	<u>—</u>
Total assets	<u>522,067</u>
Liabilities:	
Current liabilities:	
Accounts payable	—
Claims and judgments	—
Total current liabilities	<u>—</u>
Total liabilities	<u>—</u>
Net assets:	
Invested in capital assets	—
Restricted for:	
Workers' compensation	—
Unrestricted	<u>522,067</u>
Total net assets	<u>\$ 522,067</u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI
Statement of Revenues, Expenses, and Changes in Fund Net Assets—
Proprietary Funds
Year ended June 30, 2009

	Nonmajor Enterprise Fund	Internal Service Funds
Operating revenues:		
Charges for tutoring program	\$ 254,695	—
Charges for community support services	31,970	—
Charges for administrative services	—	—
Total operating revenues	<u>286,665</u>	<u>—</u>
Operating expenses:		
Salaries, wages, and employee benefits	193,625	—
Utilities, supplies, and materials	—	—
Other contractual services	—	—
Other	—	—
Depreciation	—	—
Total operating expenses	<u>193,625</u>	<u>—</u>
Operating income (loss)	<u>93,040</u>	<u>—</u>
Nonoperating revenues, interest income	<u>3,346</u>	<u>—</u>
Income (loss) before transfers	96,386	—
Transfers in	—	—
Transfers out	<u>(1,000,000)</u>	<u>(17,183,872)</u>
Change in net assets	(903,614)	(17,183,872)
Total net assets, beginning of year	<u>1,425,681</u>	<u>17,183,872</u>
Total net assets, end of year	<u><u>\$ 522,067</u></u>	<u><u>—</u></u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Cash Flows—Proprietary Funds

Year ended June 30, 2009

	Nonmajor Enterprise Fund	Internal Service Funds
Cash flows from operating activities:		
Receipts from customers and users	\$ 332,674	—
Receipts from interfund services provided	—	—
Receipts from insurance claims	—	—
Payments to suppliers	—	—
Payments to employees	(193,625)	—
Net cash (used in) operating activities	<u>139,049</u>	<u>—</u>
Cash flows from noncapital and related financing activities:		
Transfers to other funds	(1,000,000)	(17,424,285)
Transfers from other funds	—	—
Net cash provided by (used in) noncapital and related financing activities	<u>(1,000,000)</u>	<u>(17,424,285)</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	—	—
Net cash (used in) capital and related financing activities	<u>—</u>	<u>—</u>
Cash flows from investing activities:		
Interest income received	3,346	—
Net cash provided by investing activities	<u>3,346</u>	<u>—</u>
Net (decrease) in cash and cash equivalents	(857,605)	(17,424,285)
Cash and cash equivalents, beginning of year	<u>1,196,656</u>	<u>17,424,285</u>
Cash and cash equivalents, end of year	<u>\$ 339,051</u>	<u>—</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 93,040	—
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	—	—
Decrease in other receivable	46,009	—
Increase in inventories	—	—
Decrease in due from community/charter schools	—	—
Decrease in accounts payable	—	—
Decrease in claims payable	—	—
Total adjustments	<u>46,009</u>	<u>—</u>
Net cash (used in) operating activities	<u>\$ 139,049</u>	<u>—</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Cash Flows—Proprietary Funds (Continued)

Year ended June 30, 2009

	Nonmajor Enterprise Fund	Internal Service Funds
Noncash, transfer of assets and liabilities to General Fund:		
Interest receivable	\$ —	(204,798)
Other receivables	—	(43,006)
Supplies inventories	—	(240,009)
Accounts payable	—	68,371
Claims payable	—	673,248
Noncash, transfer of capital assets	—	(13,393)
	<u>\$ —</u>	<u>240,413</u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Fiduciary Net Assets

June 30, 2009

	Private Purpose Trust— Student Scholarship Fund
Assets:	
Investments	\$ 573,558
Interest receivable	6,570
Total assets	<u>580,128</u>
Liabilities:	
Accounts payable	<u>—</u>
Total liabilities	<u>—</u>
Net assets:	
Net assets held in trust for other purposes	\$ <u><u>580,128</u></u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Changes in Fiduciary Net Assets

June 30, 2009

	Private Purpose Trust— Student Scholarship Fund
Additions:	
Contributions:	
Private donations	\$ <u>152,440</u>
Total contributions	<u>152,440</u>
Investment income:	
Interest	<u>20,148</u>
Total investment income	<u>20,148</u>
Total additions	<u>172,588</u>
Deductions:	
Scholarship awards	<u>87,461</u>
Total deductions	<u>87,461</u>
Net increase	85,127
Net assets, beginning of year	<u>495,001</u>
Net assets, end of year	\$ <u><u>580,128</u></u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

(a) *Reporting Entity*

The School District of Kansas City, Missouri (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, 2009 are included in the basic financial statements as a Debt Service Fund. The Building Corporation does not issue separate financial statements.

Charter Schools—Charter schools are established within the boundaries of the District by state statutes as local educational agencies. Eighteen charter schools were operating during fiscal year 2009. Under current Missouri statutes, charter schools are allowed to be a Local Education Agency (LEA). All charter schools are currently operating as LEA's. Accordingly, the accounts of these charter schools are not included in these financial statements.

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

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

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

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

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

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

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

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

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 SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

- The *Teachers' Fund*, a special revenue fund, is used to account for the payment of payroll and health insurance for certified staff.
- The *Other Special Revenue Fund* is used to account for the accumulation of resources for and payment of employee compensated absences and District contributions to the retirement plan.
- The *Debt Service Fund* is used to account for accumulation of resources and payments made for principal and interest on long-term leasehold revenue bonded debt.
- The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition, construction, or renovation of capital facilities and the purchase of equipment, furniture, and fixtures.

The other governmental funds of the District are considered non-major. 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 non-major 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 non-major enterprise fund:

- The *Community Service Fund* is an enterprise fund type and accounts for accumulation and allocation of costs associated with tutoring services provided by external vendors, 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, utilities, materials and supplies, and contractual services. Non-operating revenues are interest income, transfers, and insurance recoveries.

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.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

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

Exchange transactions between funds are reported as program revenues and/or expenditures in the appropriate fund and functional activity. Goods and services (postage, printing, and food service catering) provided by one fund for another fund are processed as interfund transactions and the receivable/payable balances are adjusted monthly to cash for each fund affected. The effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

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

1. Deposits and Investments

The District maintains a cash and investment pool that is available for use by all funds except those identified as component units and the student activity fund. Each participating fund's portion of the pool is recorded on the balance sheet or statement of net assets as 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.

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.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

2. Restricted Cash and Investments

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

3. Receivables and Payables

Within the fund financial statements, activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" or "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". There were no internal balances at June 30, 2009.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

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, 2008 for real estate, personal property, merchants and manufacturers, and railroad and utility property was approximately \$2.9 billion.

4. Inventories

In the government-wide financial statements, inventories are valued at average cost and include items such as general maintenance, printing and duplicating supplies, postage and unused federal commodities. Inventories are recorded on the consumption method, whereby expenses are recognized at the time of issuance from inventory. Unused federal commodities at year-end are reported as deferred revenue, as title does not pass to the District until the commodities are used.

In fund financial statements, inventories are valued at average cost and include items listed above, except unused federal commodities. Inventories are recorded on the consumption method, whereby expenditures are recognized at the time of issuance from inventory. Inventories in the governmental funds are offset by a fund balance reserve, which indicates that this amount does not represent available spendable resources.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

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

The Board of Directors declared five closed buildings that will no longer be used for educational purposes as surplus property. Once property is declared surplus by the Board, it may be sold in compliance with bond covenants and State statutes. The Governmental Accounting Standard Board Statement No. 42- Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries (GASB 42) required that the capital assets that are idle be disclosed separately. Therefore, the District has disclosed the carrying value of these assets as “assets declared surplus” in the statement of net assets.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

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 60 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, 2009 of \$22.7 million have been recorded in the government-wide financial statements. Within the governmental funds financial statements, management has designated fund balance at June 30, 2009 of \$21.1 million to cover these future payments. Payments of benefits to employees are made from the Other Special Revenue Fund.

7. Interfund Transactions

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

8. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations of the District are reported as liabilities in the governmental activities statement of net assets. Bond discounts and issuance costs are reported as deferred charges. Deferred charges and premiums on bonds are amortized over the term of the related debt.

In the governmental fund financial statements, bond premiums, discounts, 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. Issuance costs are recorded as debt service expenditures when incurred.

9. Fund Equity

In the government-wide financial statements and proprietary fund financial statements, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, such as bond covenants, grantors, or laws and regulations.

In the fund financial statements, governmental funds record reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent management plans for financial resource utilization in a future period.

10. Use of Estimates

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

11. Restricted Net Assets

Restricted net assets consist of assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation as reduced by recorded liabilities which are payable for those assets (except for bonds used to acquire capital assets which are presented as a reduction of net assets invested in capital assets).

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

(2) Stewardship, Compliance, and Accountability

Fund Designations

In the fund financial statements, fund equity has been designated to represent managerial plans for financial resource utilization in a future period. The District has the following designations of fund balance at June 30, 2009:

- *Designation for Compensated Absences*—Management has designated a portion of fund balance for the payment of accumulated vested vacation and sick leave to retiring or terminating employees. A liability related to this designation is shown in the government-wide statement of net assets.
- *Designated for Long-term Building Maintenance*—The Board designated fund balance is to be used for the long-term maintenance and renovation of school buildings. At June 30, 2009, designated funds of \$11,298,532 were shown in the Capital Projects Fund.
- *Designated for Technology Plan*—The Board authorized the development of a Technology Plan and designated \$25,000,000 to fund the cost of improving the use of computer information technology for instruction and business management. At June 30, 2009, designated funds of \$2,783,551 were shown in the Capital Projects Fund.
- *E-Rate/E-Rate Support*—During the fiscal year, funds were set aside for the District's estimated costs related to implementation of the E-Rate Grant. At June 30, 2009, designated funds of \$1,848,494 were shown in the Capital Projects Fund.
- *Designated for Grant Activity* – Management has designated a portion of fund balance related to local, state and federal grant activity on a life-to-date basis. Revenues and expenditures are tracked by program number to ensure that the funds are used for their intended purposes. At June 30, 2009, designated funds of \$2,741,641 were shown in the General Fund.
- *CIP Escrow*- Management has designated a portion of fund balance for proceeds to be used for future capital improvement projects. The Board authorized the investment of a portion of the desegregation settlement which was held by the Trustee, Bank of New York Mellon. Approximately \$30 million was transferred from the debt service fund to the capital projects fund during the fiscal year. At June 30, 2009, designated funds of \$12,599,545 were shown in the CIP Capital Projects Fund.
- *Reserve for Contingency*- Management has designated a portion of fund balance to be held for unanticipated events and/or emergencies. At June 30, 2009, designated funds of \$5,000,000 were shown in the General Fund.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

(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, 2009:

Investment type	Fair value	Weighted average maturity (years)
U.S. Treasury obligations	\$ 4,033,577	4.59
Government-sponsored enterprises	83,571,007	2.46
Repurchase agreements	31,020,000	5.59
Certificates of deposit	58,437,000	0.28
Total fair value	177,061,584	
Portfolio weighted average maturity		3.23
Other cash and investments not subject to a structured maturity date:		
Money market funds	879,306	
Deposits	503,339	
	1,382,645	
Total cash and investments	\$ 178,444,229	

Interest rate risk—The Board approved investment policy requires that the investment portfolio be structured so that securities mature to meet cash requirements for day-to-day operations. Primarily, operating funds are invested in short-term securities with a weighted average maturity of less than 12 months and securities are held to maturity. Investments may mature within no more than 5 years from date of purchase. The policy requires the District to adopt weighted average maturity limitations that do not exceed 3 years and is consistent with the investment objectives. The weighted average maturity for the District's portfolio is 2.25 years. The weighted average maturity for the investments of the Building Corporation is about 5 years.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

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 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		
Freddie MAC	Aaa	AAA
Federal Home Loan Bank	Aaa	AAA
Federal Home Loan Mortgage Corporation	AAA	AAA
Federal National Mortgage Association	AAA	AAA
Federal National Mortgage Association Global	AAA	AAA
Federal National Mortgage Association Step-Up	Aaa	AAA
Repurchase agreement	AAA	AAA
Repurchase agreement	Aa3	AAA
Certificate of deposit	NR	NR
Money market funds	NR	NR

Concentration of credit risk - The District's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the District to meet its anticipated cash requirements. The District follows diversification standards published by the Office of Missouri State Treasurer. Those standards allows for no more than 60% of the total investment portfolio to be in U.S. Government agencies and no more than 30% to be in U.S. Government callable agencies. At June 30, the District had 33% of its investments in certificates of deposits, Missouri Securities Investment Program Term Series and 47% in callable U.S. Government agencies.

Collateralized repurchase agreements are limited to 50% of the total investments. At June 30, the District had 17.5% 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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

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, the District and the Building Corporation had \$874,196 in bank balances and in money market funds exposed to custodial credit risk due to the balance not being insured and uncollateralized.

(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:

	General	Teachers'	Other Special Revenue	Debt Service	Capital Projects	Nonmajor and other(1)	Enterprise Fund	Total
Interest	\$ 398,675	—	233,229	293,194	115,833	10,247	—	1,051,178
Taxes	23,216,748	1,040,150	—	—	3,367,132	—	—	27,624,030
Due from other								
governments	11,444,314	175,951	—	—	980,472	952,256	—	13,552,993
Due from other funds	410,325	—	—	—	316,321	—	—	726,646
Community programs	—	—	—	—	—	559,505	186,016	745,521
Other receivables	14,064	—	—	—	—	—	—	14,064
Gross receivables	35,484,126	1,216,101	233,229	293,194	4,779,758	1,522,008	186,016	43,714,432
Less allowance for uncollectibles	(3,544,253)	(5,125)	—	—	(1,176,987)	(16,296)	(3,000)	(4,745,661)
Net total								
receivables	\$ 31,939,873	1,210,976	233,229	293,194	3,602,771	1,505,712	183,016	38,968,771

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

(c) Capital Assets

Capital asset activity as of June 30, 2009 is shown below:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers/ retirements</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 42,537,492	—	(217,227)	42,320,265
Construction in progress	253,111	4,562,818	(90,152)	4,725,777
Total capital assets, not being depreciated	<u>42,790,603</u>	<u>4,562,818</u>	<u>(307,379)</u>	<u>47,046,042</u>
Capital assets, being depreciated:				
Buildings	551,326,837	10,056,921	(10,390,338)	550,993,420
Improvements other than buildings	41,381,177	187,260	(119,111)	41,449,326
Equipment and furniture	31,906,458	367,596	(299,659)	31,974,395
Vehicles	<u>1,547,127</u>	<u>310,942</u>	<u>—</u>	<u>1,858,069</u>
Total capital assets being depreciated	<u>626,161,599</u>	<u>10,922,719</u>	<u>(10,809,108)</u>	<u>626,275,210</u>
Less accumulated depreciation for:				
Buildings	(197,881,471)	(10,528,487)	5,188,449	(203,221,509)
Improvements other than buildings	(27,139,495)	(1,541,653)	119,111	(28,562,037)
Equipment and furniture	(25,048,390)	(3,646,217)	291,336	(28,403,271)
Vehicles	<u>(1,385,579)</u>	<u>(144,860)</u>	<u>—</u>	<u>(1,530,439)</u>
Total accumulated depreciation	<u>(251,454,935)</u>	<u>(15,861,217)</u>	<u>5,598,896</u>	<u>(261,717,256)</u>
Total capital assets, being depreciated, net	<u>374,706,664</u>	<u>(4,938,498)</u>	<u>(5,210,212)</u>	<u>364,557,954</u>
Governmental activities capital assets, net	<u>\$ 417,497,267</u>	<u>(375,680)</u>	<u>(5,517,591)</u>	<u>411,603,996</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

Assets declared surplus were elementary school sites and an administrative center as disclosed on the statement of net assets are summarized below:

<u>Building Name</u>	<u>Net Book Value</u>	<u>Appraised Value</u>	<u>Carrying Value</u>
Bingham	\$ 2,977,914	3,200,000	2,977,914
Greenwood	765,668	165,000	165,000
Faxon	1,715,012	75,000	75,000
Manchester	743,200	520,000	520,000
Marborough	1,347,364	500,000	500,000
Elementary II	1,651,980	-	-
Switzer Annex	751,007	1,000,000	751,007
Switzer/Old West	31,900	715,000	31,900
Seven Oaks	192,087	-	-
	<u>\$ 10,176,132</u>	<u>6,175,000</u>	<u>5,020,821</u>

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

Elementary schools	\$ 7,416,674
Middle schools	2,877,341
Senior high schools	4,508,966
Other instruction	16,125
Special education	322,172
Total instruction	<u>15,141,278</u>
Improvement of instruction—curriculum development	2,014
Financial and internal services	7,935
Information technology	254,550
Total support services	<u>264,499</u>
Operation of facilities	172,546
Facilities acquisition and construction	282,894
Governmental funds depreciation expense	<u>15,861,217</u>
Total depreciation expense	<u>\$ 15,861,217</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

In July, 2009 the District closed the following schools with net book value as of June 30, 2009 as follows:

<u>Building Name</u>	<u>Net Book Value</u>
Blenheim	\$ 3,567,810
Bryant	2,445,829
Chick	3,718,583
Cook	2,559,632
Graceland	3,609,808
Meservey	2,748,377
Pershing	1,660,221
Thacher	669,948
	<u>\$ 20,980,208</u>

Interfund Receivables, Payables, and Transfers

Interfund receivable and payable balances at June 30, 2009 are as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Major funds:		
General	\$ 410,325	—
Capital Projects	316,321	—
Debt Service	—	316,321
Nonmajor fund:		
Special Revenue (Child Nutritional Services)	—	410,325
	<u>\$ 726,646</u>	<u>726,646</u>

The purpose of the above interfund balances is to reflect the payables and receivables between certain funds at June 30, 2009. The Child Nutritional Services Fund receives reimbursements from the state after submission of actual meal count data each month. Since there is about a 60-day delay in receiving these reimbursements, the General Fund covers required disbursements, and at year-end, the negative cash balance of \$.4 million is reclassified as a due to/from other funds. The District is required to make advance payments to the trustee and \$.3 million represents excess deposits after applying the proceeds from the sale of buildings to current debt service obligations.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

The following transfers were made during the fiscal year:

	Transfers to						Total
	General	Teachers'	Debt Service	Other Special Revenue	Capital Projects	Nonmajor	
Transfers from:							
General Fund	\$ -	100,029,222	-	658,014	-	1,800,000	102,487,236
Teachers'	-	-	-	680,876	-	-	680,876
Debt Service Fund	-	-	-	-	36,444,690	-	36,444,690
Capital Project Fund	-	-	13,189,368	-	5,052,608	-	18,241,976
Internal Service Funds	17,170,479	-	-	-	-	-	17,170,479
Nonmajor governmental funds	-	-	-	29,188	24,775	-	53,963
Enterprise fund	1,000,000	-	-	-	-	-	1,000,000
	<u>\$ 18,170,479</u>	<u>100,029,222</u>	<u>13,189,368</u>	<u>1,368,078</u>	<u>41,522,073</u>	<u>1,800,000</u>	<u>176,079,220</u>

The District closed the internal service funds as of July 1, 2008 by transferring \$17,170,479 net assets into the General Fund.

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

(d) *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, 2009.

(e) *Long-term Borrowings*

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

The District has pledged, as security for the bonds issued by the Building Corporation, a portion of the District's property taxes. The bonds are payable through 2014. Total principal and interest remaining on the debt is \$50,247,140 with annual requirements ranging from \$6 to \$13.5 million. For the current year, principal and interest paid by the District were \$9.95 million and \$3.24 million, respectively.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

Bonds outstanding at June 30, 2009 are as follows:

Purpose	Amount outstanding	Interest rate	Maturity year
Series 2003A	\$ 10,440,000	4.00% to 5.00%	2014
Series 2003B	33,895,000	4.00% to 5.00%	2014
	<u>\$ 44,335,000</u>		

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

	Governmental activities	
	Principal	Interest
Year ending June 30:		
2010	\$ 10,385,000	2,170,830
2011	10,875,000	1,675,530
2012	9,770,000	1,131,780
2013	7,555,000	646,500
2014	5,750,000	287,500
Total	<u>\$ 44,335,000</u>	<u>5,912,140</u>

(f) *Changes in Long-term Liabilities*

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

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
Leasehold revenue bonds	\$ 67,185,000	—	(22,850,000)	44,335,000	10,385,000
Compensated absences	21,334,629	9,760,886	(8,700,726)	22,394,789	7,947,715
Capital lease	495,408	—	(495,408)	—	—
Long-term liabilities	<u>\$ 89,015,037</u>	<u>9,760,886</u>	<u>(32,046,134)</u>	<u>66,729,789</u>	<u>18,332,715</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

Compensated absences are liquidated from the Other Special Revenue Fund. The capital lease is liquidated from the Capital Projects Fund and General Fund.

The District deposited \$13,977,489 into an irrevocable trust with an escrow agent to advance refund \$12,905,000 of leasehold revenue bonds and provide for all future debt service payments on the \$10,745,000 2003A and \$2,160,000 Series 2003B bonds.

As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the Governmental Activities. The advance refund was done to comply with federal tax law mandates on the use of the proceeds from the 2008 sale of schools.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

(4) Other Information

(a) Risk Management

Resources are accumulated in the General Fund for workers' compensation, unemployment, and general liability. 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 \$282,013 as of June 30, 2009 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 2008 and 2009 is shown below.

	<u>Beginning of fiscal year</u>	<u>Current claims and estimated changes</u>	<u>Claim payments</u>	<u>Balance at fiscal year-end</u>
Fiscal year 2008:				
Claims and judgments	<u>1,178,500</u>	<u>(494,771)</u>	<u>—</u>	<u>683,729</u>
	<u>\$ 1,178,500</u>	<u>(494,771)</u>	<u>—</u>	<u>683,729</u>
Fiscal year 2009:				
Claims and judgments	<u>683,729</u>	<u>36,199</u>	<u>—</u>	<u>719,928</u>
	<u>\$ 683,729</u>	<u>36,199</u>	<u>—</u>	<u>719,928</u>

(b) Post Employment Benefits

School District of Kansas City, Missouri Post Employment Benefit Plan (OPEB)

The School District of Kansas City Missouri's 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.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

Membership in the OPEB comprised the following at July 1, 2009:

Active employees	4,921
Retired participants medical	355
Retired participants spouse medical	49
Retired participants dental	1,009
Retired participants spouse dental	282

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 2009, the District contributed \$1,923,393 to the plan. Plan members receiving benefits from OPEB contributed \$2,200,747.

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 2009:

Annual Required Contribution	\$ 562,094
Interest on Net OPEB Obligation	(16,685)
Adjustment to ARC	<u>23,195</u>
Annual OPEB Cost (Expense)	<u>568,604</u>
Contributions Made	<u>(1,923,393)</u>
Increase in net OPEB Obligation (Asset)	(1,354,789)
Net OPEB Asset – Beginning of Year	<u>(417,131)</u>
Net OPEB Asset – End of Year	<u>\$(1,771,920)</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2009 and 2008 (transition year) 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>
06/30/09	\$568,604	338.27%	\$(1,771,920)
06/30/08	\$583,475	171.49%	\$ (417,131)

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

As of June 30, 2009 the plan was zero percent funded. The actuarial accrued liability for benefits was \$15,529,352, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,529,352. The covered payroll (annual payroll of active employees covered by the plan) was \$178,255,302 and the ratio of the UAAL to the covered payroll was 8.71%.

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 June 30, 2009 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 10 percent for medical claims, reduced by decrements to an ultimate rate of 5 percent after four years. The UA is being amortized as a level dollar amount over a period of 30 years.

(c) *Status of Accreditation*

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

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

In January 2004, the state completed a full-scale accreditation review under Third Cycle standards, covering all Resource, Process, and Performance criteria. The District retained its provisional accreditation status. Two additional points are needed to obtain full accreditation status.

A team of reviewers from the DESE conducted an on-site accreditation review beginning the week of April 28, 2008 and provided the review results to the District. The District created the Missouri School Improvement Plan. Implementation is ongoing. All actions are scheduled to be completed by Spring 2011.

(d) Commitments

On May 23, 2007 the Board approved an agreement with Kansas City Area Life Sciences Institute, Inc., to provide curriculum materials, professional development, assessment and support for a science education reform program that features hands-on, inquiry-based learning. The total cost of these goods and services is \$1,125,000. Annual expenditures of \$375,000 will be paid through July 15, 2009.

(e) Contingent Liabilities

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

The District's lawsuit alleges the Board of Fund Commissioners' determination was arbitrary and capricious and the statute authorizing the Board of Fund Commissioners to make this determination is unconstitutional.

Fourteen charter schools located within the District's boundaries intervened in this case along with their organization, the Missouri Charter Public Schools Association, and alleged a counterclaim against the School District for the monies withheld from 1999 until April 2005. The District's motion for summary judgment on the Association's counterclaim was denied. The Association's motion for summary judgment was granted and later reversed by the Court. The District's claim that the funding mechanism for charter schools is unconstitutional is pending.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

At the same time, the District filed a motion to enforce in the Jenkins litigation (the desegregation lawsuit). This motion was granted by the Court. The Court held that the State could not take action to jeopardize the financial stability of the District. The State Court stayed all proceedings in the case pending the federal court's decision in Jenkins. The Eighth Circuit upheld the decision and ordered the State to continue allowing the District to withhold funds necessary to redeem desegregation related bonds.

The Eighth Circuit's ruling makes many of the issues in the case moot. However, the District's claim under Article X Section 11(g) of the Constitution and the Hancock Amendment claims for repayment of all the local monies paid the charter schools since their inception in 1999 is still active. In addition, the District's claim for \$6.1 million which was improperly withheld from the District and paid to the charter schools from April 2005 to May 2006 is still pending. The District will request a trial setting for the remaining issues at the status conference with Judge Beetem.

The District and three taxpayers filed suit on July 21, 2006 for declaratory and injunctive relief with regard to a new statute which grants charter schools the status of local educational agencies, or LEAs. This lawsuit alleges that the new statute requires the District to pay part of its local tax revenues to independent charter schools in violation of the Missouri Constitution.

The Missouri Charter Public Schools Association (the same organization involved in the Board of Fund Commissioners case, discussed above) intervened in the case. The State prevailed after trial and the matter is currently pending at the appellate court level.

The District currently is involved in various other litigations, the outcome of which is uncertain. It is the opinion of management and legal counsel the final outcome of these other matters will not have a material impact on the District's financial condition.

(f) Pension Plan

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

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

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

The District's contributions to the Retirement System for the years ended December 31, 2008, 2007 and 2006 were \$ 12,583,497, \$12,591,876 and \$12,323,052, respectively, which was equal to the annual required contribution for the District.

(g) New Pronouncements

The District implemented the following Governmental Accounting Standard Board (GASB) Statements during the year:

- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*: This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This standard requires the District to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. This Statement had no effect to the District in the current year.
- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*: This Statement establishes consistent standards for the reporting of land and other real estate held as investments. Endowments were previously required to report their land and other real estate held for investment purposes at historical cost. However, such investments are reported at fair value by similar entities, such as pension plans. The Statement requires endowments to report land and other real estate investments at fair value. The changes in the fair value are to be reported as investment income. This statement had no effect to the District.

As of June 30, 2009, 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. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the District beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2009

- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the District beginning with its year ending June 30, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.
- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the District beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.

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

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REQUIRED SUPPLEMENTARY INFORMATION

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2009

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Property taxes	\$ 139,311,816	141,103,445	142,237,401	1,133,956
Prop C taxes	14,088,732	13,089,878	12,612,616	(477,262)
Other local	3,673,772	8,642,633	7,235,543	(1,407,090)
County	3,281,343	3,550,351	3,947,565	397,214
Basic formula	25,327,985	23,120,482	23,270,915	150,433
Other state	11,779,334	11,077,960	10,389,551	(688,409)
Federal sources	33,055,068	40,940,034	37,672,281	(3,267,753)
Tuition	—	—	4,006	4,006
Total revenues	230,518,050	241,524,783	237,369,878	(4,154,905)
Expenditures:				
Current:				
Administration:				
Board of Education services:				
Salaries	289,131	253,131	258,065	(4,934)
Benefits	94,927	81,526	80,226	1,300
Purchased services	377,325	363,348	416,815	(53,467)
Supplies and materials	15,750	21,227	50,541	(29,314)
Total Board of Education services	777,133	719,232	805,647	(86,415)
Executive administration:				
Salaries	1,358,450	981,276	1,047,522	(66,246)
Benefits	379,404	298,603	283,262	15,341
Purchased services	3,037,816	5,774,205	5,734,627	39,578
Supplies and materials	105,635	75,329	41,540	33,789
Total executive administration	4,881,305	7,129,413	7,106,951	22,462
Building level administration:				
Salaries	2,537,670	2,473,003	2,605,749	(132,746)
Benefits	1,054,227	988,048	958,017	30,031
Purchased services	183,105	235,870	173,679	62,191
Supplies and materials	98,311	135,610	124,797	10,813
Total building level administration	3,873,313	3,832,531	3,862,242	(29,711)
Total administration	9,531,751	11,681,176	11,774,840	(93,664)
Instruction:				
Elementary:				
Salaries	1,687,990	3,232,926	3,264,425	(31,499)
Benefits	(1,214,891)	1,395,823	1,290,663	105,160
Purchased services	5,767,312	1,178,964	864,672	314,292
Supplies and materials	3,187,614	3,561,604	2,824,420	737,184
Total elementary	9,428,025	9,369,317	8,244,180	1,125,137

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2009

	Original budget	Final budget	Actual	Variance with Final Budget
Middle/junior high:				
Salaries	\$ 131,916	56,353	51,960	4,393
Benefits	62,968	14,595	16,650	(2,055)
Purchased services	402,245	113,199	124,040	(10,841)
Supplies and materials	185,644	228,472	368,615	(140,143)
Total middle/junior high	782,773	412,619	561,265	(148,646)
Senior high:				
Salaries	113,317	311,383	299,004	12,379
Benefits	(954,328)	87,067	105,390	(18,323)
Purchased services	2,465,753	297,900	385,529	(87,629)
Supplies and materials	1,220,968	2,773,341	3,063,318	(289,977)
Total senior high	2,845,710	3,469,691	3,853,241	(383,550)
Summer school:				
Salaries	2,624,505	3,065,970	2,846,688	219,282
Benefits	945,443	972,855	892,935	79,920
Purchased services	892,186	376,687	551,840	(175,153)
Supplies and materials	2,288,189	1,859,186	1,894,754	(35,568)
Total summer school	6,750,323	6,274,698	6,186,217	88,481
Special education:				
Salaries	4,107,964	3,755,534	3,733,708	21,826
Benefits	805,876	1,522,382	1,451,976	70,406
Purchased services	6,374,684	6,764,193	5,765,559	998,634
Supplies and materials	383,234	347,813	268,173	79,640
Total special education	11,671,758	12,389,922	11,219,416	1,170,506
Culturally different:				
Salaries	1,515,167	1,623,366	1,408,802	214,564
Benefits	777,734	753,368	637,340	116,028
Purchased services	3,858,218	4,312,851	3,003,016	1,309,835
Supplies and materials	831,260	2,155,615	1,619,760	535,855
Total culturally different	6,982,379	8,845,200	6,668,918	2,176,282
Vocational instruction:				
Salaries	176,885	184,098	182,184	1,914
Benefits	69,785	64,082	64,799	(717)
Purchased services	46,334	178,977	149,226	29,751
Supplies and materials	223,980	543,239	469,254	73,985
Total vocational instruction	516,984	970,396	865,463	104,933

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2009

	Original budget	Final budget	Actual	Variance with Final Budget
Student activities:				
Salaries	\$ 429,792	431,605	469,236	(37,631)
Benefits	53,236	52,322	63,255	(10,933)
Purchased services	353,098	341,706	323,953	17,753
Supplies and materials	155,279	288,260	235,187	53,073
Total student activities	991,405	1,113,893	1,091,631	22,262
Total instruction	39,969,357	42,845,736	38,690,331	4,155,405
Support services:				
Attendance/placement:				
Salaries	2,663,535	2,341,188	2,394,232	(53,044)
Benefits	945,979	874,534	758,548	115,986
Purchased services	2,882,308	2,830,750	2,698,941	131,809
Supplies and materials	32,200	43,176	71,838	(28,662)
Total attendance/placement	6,524,022	6,089,648	5,923,559	166,089
Guidance/counseling:				
Salaries	732,527	738,102	804,258	(66,156)
Benefits	287,177	298,937	297,366	1,571
Purchased services	50,050	35,250	44,791	(9,541)
Supplies and materials	14,900	16,400	14,319	2,081
Total guidance/counseling	1,084,654	1,088,689	1,160,734	(72,045)
Health, psychology, and speech:				
Salaries	1,981,277	1,572,946	1,616,267	(43,321)
Benefits	698,607	610,539	567,780	42,759
Purchased services	15,000	17,750	7,443	10,307
Supplies and materials	22,109	24,809	19,324	5,485
Total health, psychology, and speech	2,716,993	2,226,044	2,210,814	15,230
Improvement of instruction:				
Curriculum development:				
Salaries	514,348	672,672	468,226	204,446
Benefits	138,895	186,412	137,103	49,309
Purchased services	1,790,632	6,641,897	4,836,841	1,805,056
Supplies and materials	200,410	1,399,451	764,073	635,378
Total curriculum development	2,644,285	8,900,432	6,206,243	2,694,189
Staff training:				
Salaries	134,275	157,775	166,487	(8,712)
Benefits	50,784	48,729	36,705	12,024
Purchased services	1,167,546	844,307	543,113	301,194
Supplies and materials	219,426	216,921	200,339	16,582
Total staff training	1,572,031	1,267,732	946,644	321,088

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2009

	Original budget	Final budget	Actual	Variance with Final Budget
Educational media services:				
Salaries	\$ 434,742	344,420	374,875	(30,455)
Benefits	154,114	122,755	129,111	(6,356)
Purchased services	46,700	52,260	38,792	13,468
Supplies and materials	1,292,100	1,353,670	1,234,487	119,183
Total educational media services	1,927,656	1,873,105	1,777,265	95,840
Financial services:				
Salaries	1,567,189	1,372,085	1,340,562	31,523
Benefits	490,739	376,743	390,111	(13,368)
Purchased services	589,121	598,644	576,252	22,392
Supplies and materials	54,759	67,707	56,465	11,242
Total financial services	2,701,808	2,415,179	2,363,390	51,789
Food service:				
Salaries	16,967	—	(3,392)	3,392
Benefits	10,396	—	(239)	239
Purchased services	—	—	—	—
Supplies and materials	180,529	284,216	250,427	33,789
Total food service	207,892	284,216	246,796	37,420
Internal service:				
Salaries	480,937	407,882	645,166	(237,284)
Benefits	137,010	114,729	202,154	(87,425)
Purchased services	48,000	71,793	(69,122)	140,915
Supplies and materials	6,400	8,200	(67,268)	75,468
Total internal service	672,347	602,604	710,930	(108,326)
Planning/research/evaluation:				
Development services:				
Salaries	679,952	571,581	686,546	(114,965)
Benefits	168,041	124,621	180,618	(55,997)
Purchased services	795,755	783,266	803,995	(20,729)
Supplies and materials	47,400	47,808	26,664	21,144
Total development services	1,691,148	1,527,276	1,697,823	(170,547)

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2009

	Original budget	Final budget	Actual	Variance with Final Budget
Admissions/communication services:				
Salaries	\$ 512,453	294,359	310,502	(16,143)
Benefits	165,286	95,786	94,421	1,365
Purchased services	428,966	859,576	860,989	(1,413)
Supplies and materials	9,500	31,019	12,511	18,508
Total admissions/communications	1,116,205	1,280,740	1,278,423	2,317
Human Resource services:				
Salaries	1,323,913	1,412,666	1,418,761	(6,095)
Benefits	454,187	374,376	398,004	(23,628)
Purchased services	1,016,896	1,105,257	965,951	139,306
Supplies and materials	24,000	20,500	19,909	591
Total personnel services	2,818,996	2,912,799	2,802,625	110,174
Information technology:				
Salaries	1,836,519	1,757,571	1,842,120	(84,549)
Benefits	494,951	437,139	508,536	(71,397)
Purchased services	3,867,978	4,260,967	4,881,092	(620,125)
Supplies and materials	190,930	189,930	533,077	(343,147)
Total information technology	6,390,378	6,645,607	7,764,825	(1,119,218)
Total support services	32,068,415	37,114,071	35,090,071	2,024,000
Operation of facilities:				
Salaries	17,710,496	16,153,482	16,691,033	(537,551)
Benefits	6,602,331	5,921,006	5,765,263	155,743
Purchased services	11,476,147	11,786,295	12,565,930	(779,635)
Supplies and materials	37,600	57,053	141,024	(83,971)
Other purchased services	2,605,693	2,391,017	2,841,424	(450,407)
Other supplies and materials	908,775	1,371,799	2,810,267	(1,438,468)
Total operation of facilities	39,341,042	37,680,652	40,814,941	(3,134,289)
Pupil transportation:				
Salaries	—	—	—	—
Benefits	—	—	—	—
Purchased services	18,547,600	18,177,678	17,209,448	968,230
Supplies and materials	6,610	6,610	1,811	4,799
Total pupil transportation	18,554,210	18,184,288	17,211,259	973,029
Community and adult services:				
Adult basic education:				
Salaries	230,647	185,334	640,283	(454,949)
Benefits	93,663	67,322	177,001	(109,679)
Purchased services	86,111	38,962	31,868	7,094
Supplies and materials	23,007	70,735	40,403	30,332
Total adult basic education	433,428	362,353	889,555	(527,202)
Adult continuing education:				
Salaries	—	4,948	6,631	(1,683)
Benefits	—	211	648	(437)
Purchased services	—	4,875	4,134	741
Supplies and materials	—	2,995	1,712	1,283
Total adult continuing education	—	13,029	13,125	(96)

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund (continued)

Year ended June 30, 2009

	Original budget	Final budget	Actual	Variance with Final Budget
Community services:				
Salaries	\$ 3,952,292	4,341,669	4,385,319	(43,650)
Benefits	1,336,279	1,333,690	1,214,987	118,703
Purchased services	981,390	1,017,711	761,401	256,310
Supplies and materials	317,735	737,276	444,016	293,260
Total community services	6,587,696	7,430,346	6,805,723	624,623
Total community and adult services	7,021,124	7,805,728	7,708,403	97,325
Facilities/acquisition and construction:				
Salaries	—	—	—	—
Benefits	—	—	—	—
Purchased services	—	—	—	—
Supplies and materials	—	—	—	—
Other purchased services	—	—	—	—
Total facilities/acquisition and construction	—	—	—	—
Total expenditures	146,485,899	155,311,651	151,289,845	4,021,806
Revenues over (under) expenditures	84,032,151	86,213,132	86,080,033	(133,099)
Other financing sources (uses):				
Transfers in	936,388	15,778,020	18,170,479	(2,392,459)
Transfers out	(103,964,198)	(101,933,395)	(101,831,503)	(101,892)
Total other financing sources	(103,027,810)	(86,155,375)	(83,661,024)	(2,494,351)
Revenues and other financing sources over (under) expenditures	\$ (18,995,659)	57,757	2,419,009	2,361,252
Fund balance, beginning of year			44,876,850	
Fund balance, end of year			\$ 47,295,859	

See Note to Required Supplementary Information.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—Teachers' Fund

Year ended June 30, 2009

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Prop C taxes	\$ 8,453,239	7,853,927	7,567,571	(286,356)
Local	—	—	9,762	9,762
County	356,478	356,478	261,538	(94,940)
Basic Formula	52,868,065	47,497,780	46,900,651	(597,129)
State	480,400	469,800	543,290	73,490
Federal	508,049	502,813	1,474,332	971,519
Other	5,209	9,268	9,268	—
Total revenues	62,671,440	56,690,066	56,766,412	76,346
Expenditures:				
Current:				
Administration:				
Executive administration:				
Salaries	270,000	170,000	119,188	50,812
Benefits	88,071	39,818	24,934	14,884
Total executive administration	358,071	209,818	144,122	65,696
Building level administration:				
Salaries	10,787,799	11,138,819	11,204,783	(65,964)
Benefits	2,773,173	2,656,922	2,579,377	77,545
Total building level administration	13,560,972	13,795,741	13,784,160	11,581
Total administration	13,919,043	14,005,559	13,928,282	77,277
Instruction:				
Elementary:				
Salaries	45,799,555	41,153,425	41,419,624	(266,199)
Benefits	14,131,945	10,588,193	11,523,070	(934,877)
Total elementary	59,931,500	51,741,618	52,942,694	(1,201,076)

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—Teachers' Fund

Year ended June 30, 2009

	Original budget	Final budget	Actual	Variance with Final Budget
Middle/junior high:				
Salaries	\$ 4,129,496	5,498,243	5,591,195	(92,952)
Benefits	1,226,510	1,362,547	1,575,844	(213,297)
Total middle/junior high	5,356,006	6,860,790	7,167,039	(306,249)
Senior high:				
Salaries	15,302,693	15,912,561	15,797,865	114,696
Benefits	4,711,319	3,875,166	4,256,015	(380,849)
Total senior high	20,014,012	19,787,727	20,053,880	(266,153)
Other Instruction:				
Salaries	5,141,456	4,707,860	4,747,719	(39,859)
Benefits	470,330	442,071	422,375	19,696
Total summer school	5,611,786	5,149,931	5,170,094	(20,163)
Special education:				
Salaries	22,036,424	19,369,538	20,214,965	(845,427)
Benefits	6,732,743	4,933,159	5,276,656	(343,497)
Total special education	28,769,167	24,302,697	25,491,621	(1,188,924)
Culturally different:				
Salaries	3,120,385	4,340,598	3,411,754	928,844
Benefits	978,218	1,028,795	863,707	165,088
Total culturally different	4,098,603	5,369,393	4,275,461	1,093,932
Vocational instruction:				
Salaries	1,977,126	1,900,179	1,800,856	99,323
Benefits	565,224	510,814	461,755	49,059
Total vocational instruction	2,542,350	2,410,993	2,262,611	148,382
Student activities:				
Salaries	803,404	801,817	804,011	(2,194)
Fringes	62,644	63,411	71,453	(8,042)
Total student activities	866,048	865,228	875,464	(10,236)
Total instruction	127,189,472	116,488,377	118,238,864	(1,750,487)

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—Teachers' Fund

Year ended June 30, 2009

	Original budget	Final budget	Actual	Variance with Final Budget
Support services:				
Attendance/placement:				
Salaries	\$ 125,608	58,499	28,335	30,164
Benefits	56,021	13,438	6,233	7,205
Total attendance/placement	181,629	71,937	34,568	37,369
Guidance/counseling:				
Salaries	4,486,010	4,503,336	4,329,956	173,380
Benefits	1,332,350	1,230,125	1,152,893	77,232
Total guidance/counseling	5,818,360	5,733,461	5,482,849	250,612
Health, psychology, and speech:				
Salaries	1,089,520	1,311,446	1,339,082	(27,636)
Benefits	385,169	300,325	350,802	(50,477)
Total health, psychology, and speech	1,474,689	1,611,771	1,689,884	(78,113)
Improvement of instruction:				
Current developments:				
Salaries	8,405,337	9,802,530	8,110,900	1,691,630
Benefits	2,138,988	2,305,473	1,929,583	375,890
Total current developments	10,544,325	12,108,003	10,040,483	2,067,520
Staff training:				
Salaries	904,235	750,801	2,223,173	(1,472,372)
Benefits	247,190	149,099	289,307	(140,208)
Total staff training	1,151,425	899,900	2,512,480	(1,612,580)
Educational media services:				
Salaries	3,154,470	3,090,176	3,210,131	(119,955)
Benefits	898,202	849,870	803,446	46,424
Total educational media	4,052,672	3,940,046	4,013,577	(73,531)
Financial services:				
Salaries	53,724	53,724	—	53,724
Benefits	15,738	14,779	—	14,779
Total financial services	69,462	68,503	—	68,503

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—Teachers' Fund (continued)

Year ended June 30, 2009

	Original budget	Final budget	Actual	Variance with Final Budget
Planning/research/evaluation/ development services:				
Salaries	\$ 157,759	105,009	—	105,009
Benefits	47,012	33,804	—	33,804
Total planning/research/ evaluation/ development services	204,771	138,813	—	138,813
Human Resource services:				
Salaries	—	—	—	—
Benefits	—	—	—	—
Total personnel services	—	—	—	—
Information technology:				
Salaries	46,284	—	—	—
Benefits	—	—	—	—
Total technology services	46,284	—	—	—
Total support services	23,543,617	24,572,434	23,773,841	798,593
Community and adult services:				
Adult basic education:				
Salaries	398,712	507,621	—	507,621
Benefits	137,907	125,927	—	125,927
Total adult basic education	536,619	633,548	—	633,548
Adult continuing education:				
Salaries	—	10,768	—	10,768
Benefits	—	1,232	—	1,232
Total adult continuing education	—	12,000	—	12,000
Community services:				
Salaries	1,316,591	1,010,793	786,457	224,336
Benefits	130,296	100,750	70,467	30,283
Total community services	1,446,887	1,111,543	856,924	254,619
Total community and adult services	1,983,506	1,757,091	856,924	900,167
Total expenditures	166,635,638	156,823,461	156,797,911	25,550
Revenues under expenditures	(103,964,198)	(100,133,395)	(100,031,499)	101,896
Other financing sources:				
Transfers in	103,964,198	100,133,395	100,031,499	(101,896)
Revenues and other financing sources over (under) expenditures	\$ —	—	—	—
Fund balance, beginning of year			—	
Fund balance, end of year			\$ —	

See Note to Required Supplementary Information.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Note to the Required Supplementary Information

June 30, 2008

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:	Nonmajor funds:
General	Child Nutritional Services
Teachers'	
Capital Projects	

The project (life-to-date) budget included in the Capital Project Fund activity is not appropriated annually and, therefore, is not reflected in the accompanying budgetary comparison schedules. In addition, 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 reappropriated 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 and the Risk Management Fund. In the budgetary comparison schedules, these fringe costs are recorded as expenditures.

The Board must approve expenditures in excess of appropriations at the fund level. Budgeted expenditure amendments during the fiscal year resulted in a 6.0% increase in the General Fund. The Board approved expenditure amendments in the Teachers' Fund of a 5.8% decrease. Approved amendments to the Capital Project Fund increased by 67.3%.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Other Post-Employment Benefits Required Supplementary Information

Schedule of Funding Progress

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)
6/30/08	\$ -	\$ 5,271,862	\$ 5,271,862	0%	\$192,477,445	2.74%
6/30/09	\$ -	\$15,529,352	\$ 15,529,352	0%	\$178,255,302	8.71%

Note: The District implemented GASB Statement No. 45 in fiscal year 2008.

The information presented as required supplementary information was determined as part of the June 30, 2009 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 10% for medical claims, reduced by decrements to an ultimate rate of 5% after four years. The UAAL is being amortized as a level dollar amount over a period of 30 years.

NONMAJOR FUND FINANCIAL STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Nonmajor Governmental Funds—Combining Balance Sheet

June 30, 2009

Assets	Special revenue			Permanent fund patron endowments	Total nonmajor governmental funds
	Child Nutritional services	Student activity	Patron gift		
Cash and investments	\$ 2,505	467,857	—	—	470,362
Restricted cash and investments	—	—	203,053	157,186	360,239
Interest receivable	—	—	2,281	1,396	3,677
Due from other governments	935,960	—	—	—	935,960
Due from Community/Charter Schools	559,505	—	—	—	559,505
Total assets	\$ 1,497,970	467,857	205,334	158,582	2,329,743
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 1,184,120	—	850	—	1,184,970
Due to other funds	410,325	—	—	—	410,325
Deferred revenue	481,700	—	—	—	481,700
Total liabilities	2,076,145	—	850	—	2,076,995
Fund balance (deficit):					
Reserved for:					
Permanent fund, nonexpendable corpus	—	—	—	35,000	35,000
Patron gifts	—	—	204,484	—	204,484
Unreserved:					
Undesignated:					
Special revenue funds	(578,175)	467,857	—	—	(110,318)
Permanent fund	—	—	—	123,582	123,582
Total fund balance	(578,175)	467,857	204,484	158,582	252,748
Total liabilities and fund balance	\$ 1,497,970	467,857	205,334	158,582	2,329,743

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Nonmajor Governmental Funds—
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year ended June 30, 2009

	Child Nutritional services	Special revenue Student activity	Patron gift	Permanent fund patron endowments	Total nonmajor governmental funds
Revenues:					
Local	\$ 1,050,082	922,686	6,703	2,445	1,981,916
Other state	66,362	—	—	—	66,362
Federal	9,517,210	—	—	—	9,517,210
Total revenues	10,633,654	922,686	6,703	2,445	11,565,488
Expenditures:					
Current:					
Instruction	—	965,930	10,555	—	976,485
Support services	12,957,866	—	—	—	12,957,866
Total expenditures	12,957,866	965,930	10,555	—	13,934,351
Revenues over (under) expenditures	(2,324,212)	(43,244)	(3,852)	2,445	(2,368,863)
Other financing sources (uses):					
Transfers in	1,800,000	—	—	—	1,800,000
Transfers out	(53,963)	—	—	—	(53,963)
Total other financing sources (uses)	1,746,037	—	—	—	1,746,037
Revenues and other financing sources over (under) expenditures and other financing (uses)	(578,175)	(43,244)	(3,852)	2,445	(622,826)
Fund balances, beginning of year	—	511,101	208,336	156,137	875,574
Fund balances , end of year	\$ (578,175)	467,857	204,484	158,582	252,748

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year ended June 30, 2009

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Local	\$ 2,326,453	1,407,798	1,050,082	(357,716)
State	90,000	90,000	66,362	(23,638)
Federal	11,800,000	10,850,000	9,517,210	(1,332,790)
Total revenues	<u>14,216,453</u>	<u>12,347,798</u>	<u>10,633,654</u>	<u>(1,714,144)</u>
Expenditures:				
Current:				
Support services:				
Salaries	4,400,137	4,210,423	3,775,556	434,867
Benefits	2,441,251	2,391,136	1,898,978	492,158
Purchased services	842,942	956,189	1,032,199	(76,010)
Supplies and materials	6,368,123	6,490,050	6,280,320	209,730
Total expenditures	<u>14,052,453</u>	<u>14,047,798</u>	<u>12,987,053</u>	<u>1,060,745</u>
Revenues under expenditures	164,000	(1,700,000)	(2,353,399)	(653,399)
Other financing sources (uses):				
Transfers in	—	1,800,000	1,800,000	—
Transfers out	<u>—</u>	<u>—</u>	<u>(24,776)</u>	<u>(24,776)</u>
Total other financing sources (uses)	<u>—</u>	<u>1,800,000</u>	<u>1,775,224</u>	<u>(24,776)</u>
Revenues over expenditures and other financing uses	<u>\$ 164,000</u>	<u>100,000</u>	<u>(578,175)</u>	<u>(678,175)</u>
Fund balance, beginning of year			<u>—</u>	
Fund balance, end of year			<u>\$ (578,175)</u>	

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year ended June 30, 2009

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Property taxes	\$ 6,738,574	7,671,289	7,688,471	17,182
Other local	356,698	974,792	1,360,411	385,619
State	68,975	36,291	—	(36,291)
Federal	384,627	2,263,298	133,158	(2,130,140)
Other sources	—	—	—	—
Total revenues	7,548,874	10,945,670	9,182,040	(1,763,630)
Expenditures:				
Capital outlay:				
Administration:				
Board of education services	3,500	4,118	3,354	764
Executive administration	25,645	7,000	579	6,421
Building level administration	6,000	20,628	12,213	8,415
Total administration	35,145	31,746	16,146	15,600
Instruction:				
Elementary	25,866	283,303	200,783	82,520
Middle/junior high	54,000	42,084	31,932	10,152
Senior high	60,000	559,841	392,078	167,763
Summer school	19,000	19,000	1,460	17,540
Special education	23,510	20,799	15,175	5,624
Culturally different	307,157	1,948,148	1,629,535	318,613
Vocational instruction	183,711	518,097	577,674	(59,577)
Student activities	90,000	217,603	240,923	(23,320)
Total instruction	763,244	3,608,875	3,089,560	519,315
Support services:				
Attendance/placement	10,000	10,491	6,481	4,010
Guidance/counseling	6,950	7,214	5,579	1,635
Health/Psychology/Speech/Audiology	—	3,250	3,249	1
Improvement of instruction:				
Curriculum development	564,978	288,080	227,417	60,663
Staff training	7,000	540	2,545	(2,005)
Educational media services	93,639	241,643	111,025	130,618
Finance/support services	19,000	9,238	2,236	7,002
Food service	164,000	146,800	56,575	90,225
Internal service	2,000	1,118	39,072	(37,954)
Planning/research/development services	18,500	10,071	10,022	49
Admissions/communication services	11,700	1,364	4,985	(3,621)
Personnel services	11,000	2,000	—	2,000
Information technology service	1,176,150	3,888,965	1,533,876	2,355,089
Total support services	2,084,917	4,610,774	2,003,062	2,607,712
Operation of facilities	149,638	640,608	797,447	(156,839)
Pupil transportation	5,580	—	—	—
Community and adult services:				
Adult basic education	1,280	19,595	19,596	(1)
Community services	47,350	5,426	426	5,000
Total community and adult services	48,630	25,021	20,022	4,999
Facilities acquisition and construction:				
Capital outlay	13,642,670	27,994,360	17,735,961	10,258,399
Other expenditures	16,000	—	—	—
Total facilities acquisition and construction	13,658,670	27,994,360	17,735,961	10,258,399

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year ended June 30, 2009

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Debt service:				
Principal	\$ 13,189,368	13,189,368	9,945,000	3,244,368
Interest	—	—	3,244,368	(3,244,368)
Total debt service	<u>13,189,368</u>	<u>13,189,368</u>	<u>13,189,368</u>	<u>—</u>
Total expenditures	<u>29,935,192</u>	<u>50,100,752</u>	<u>36,851,566</u>	<u>13,249,186</u>
Revenues under expenditures	<u>(22,386,318)</u>	<u>(39,155,082)</u>	<u>(27,669,526)</u>	<u>11,485,556</u>
Other financing sources (uses):				
Transfers in	3,251,135	5,187,372	41,522,073	36,334,701
Transfers out	(326,367)	—	(5,052,608)	(5,052,608)
Unrealized proceeds- surplus assets	—	—	1,826,463	1,826,463
Sale of capital assets	—	—	—	—
Total other financing sources	<u>2,924,768</u>	<u>5,187,372</u>	<u>38,295,928</u>	<u>33,108,556</u>
Revenues and other financing sources under expenditures and other financing uses	<u>\$ (19,461,550)</u>	<u>(33,967,710)</u>	<u>10,626,402</u>	<u>44,594,112</u>
Fund balance, beginning of year			<u>39,921,608</u>	
Fund balance, end of year			<u>\$ 50,548,010</u>	

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Capital Projects Fund—
Schedule of Revenues, Expenditures and Changes in Fund Balance—by Project
Year ended June 30, 2009

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Child Nutrition Capital Projects	Total Capital Projects funds
Revenue:				
Property taxes	\$ —	7,688,471	—	7,688,471
Other local	974,611	385,800	—	1,360,411
Other state	—	—	—	—
Federal	—	133,158	—	133,158
Total revenues	974,611	8,207,429	—	9,182,040
Expenditures:				
Administration:				
Board of education	—	3,354	—	3,354
Executive administration	—	579	—	579
Building administration	—	12,213	—	12,213
Total administration	—	16,146	—	16,146
Instruction:				
Elementary schools	—	200,783	—	200,783
Middle schools	—	31,932	—	31,932
High schools	—	392,078	—	392,078
Summer schools	—	1,460	—	1,460
Special education	—	15,175	—	15,175
Culturally different	—	1,629,535	—	1,629,535
Vocational instruction	—	577,674	—	577,674
Student activities	—	240,923	—	240,923
Total instruction	—	3,089,560	—	3,089,560

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Capital Projects Fund—
Schedule of Revenues, Expenditures and Changes in Fund Balance—by Project
Year ended June 30, 2009

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Child Nutrition Capital Projects	Total Capital Projects funds
Support services:				
Attendance/SW/Pa	\$ —	6,481	—	6,481
Guidance/counseling:	—	5,579	—	5,579
Health/Psychology/Speech/Audiology	—	3,249	—	3,249
Curriculum development	—	227,417	—	227,417
Staff training	—	2,545	—	2,545
Educational media services	—	111,025	—	111,025
Financial services	—	2,236	—	2,236
Food service	—	31,800	24,775	56,575
Internal services	—	39,072	—	39,072
Planning/research/evaluation/ development services	—	10,022	—	10,022
Communications	—	4,985	—	4,985
Personnel services	—	—	—	—
Information technology services	283,412	1,250,464	—	1,533,876
Total support services	283,412	1,694,875	24,775	2,003,062
Pupil transportation	—	—	—	—
Total pupil transportation	—	—	—	—
Operation of plant:				
Plant services	—	797,447	—	797,447
Total operation of plant	—	797,447	—	797,447
Community and adult services, community services	—	20,022	—	20,022
Total community and adult services	—	20,022	—	20,022

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Capital Projects Fund—
Schedule of Revenues, Expenditures and Changes in Fund Balance—by Project
Year ended June 30, 2009

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Child Nutrition Capital Projects	Total Capital Projects funds
Capital outlay: Facilities	\$ 17,735,961	—	—	17,735,961
Total capital outlay	17,735,961	—	—	17,735,961
Total expenditures	18,019,373	5,618,050	24,775	23,662,198
Revenues over (under) expenditures	(17,044,762)	2,589,379	(24,775)	(14,480,158)
Other financing sources (uses):				
Transfers in	41,497,298	—	24,775	41,522,073
Transfer out	(15,726,014)	(2,515,962)	—	(18,241,976)
Capital lease	—	—	—	—
Unrealized proceeds- surplus assets	1,826,463	—	—	1,826,463
Sale of capital assets	—	—	—	—
Total financing sources (uses)	27,597,747	(2,515,962)	24,775	25,106,560
Revenues and other financing sources under				
expenditures and other financing uses	10,552,985	73,417	—	10,626,402
Fund balances – beginning of year	30,030,283	9,891,325	—	39,921,608
Fund balances – end of year	\$ 40,583,268	9,964,742	—	50,548,010

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Capital Projects Fund—
Schedule of Revenues, Expenditures and Changes in Fund Balance- by Project (continued)
June 30, 2009

Function	Capital Projects L-T-D Fund	General Capital Projects	Child Nutrition Capital Projects	Total Capital Projects funds
Fund balance:				
Encumbrances	\$ 6,014,589	4,018,519	—	10,033,108
Long-term building maintenance	11,298,532	—	—	11,298,532
Technology Plan	2,783,551	—	—	2,783,551
CIP Escrow	12,599,545	—	—	12,599,545
E Rate/ E Rate support	1,848,494	—	—	1,848,494
Capital assets declared surplus	5,020,821	—	—	5,020,821
Undesignated	1,017,736	5,946,223	—	6,963,959
Total fund balance	\$ 40,583,268	9,964,742	—	50,548,010

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INTERNAL SERVICE FUNDS

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Internal Service Funds

Combining Statement of Revenues, Expenses, and
Changes in Net Assets

Year ended June 30, 2009

	Administrative Service Center	Risk Management	Total
Operating revenues:			
Charges for administrative services	\$ —	—	—
Total operating revenues	—	—	—
Operating expenses:			
Salaries, wages, and employee benefits	—	—	—
Utilities, supplies, and materials	—	—	—
Other contractual services	—	—	—
Other	—	—	—
Depreciation	—	—	—
Total operating expenses	—	—	—
Operating income (loss)	—	—	—
Nonoperating revenues (expenses):			
Interest earnings	—	—	—
Total nonoperating revenues (expenses)	—	—	—
Loss before transfers	—	—	—
Transfers in	—	—	—
Transfers out	(351,573)	(16,832,299)	(17,183,872)
Change in net assets	(351,573)	(16,832,299)	(17,183,872)
Total net assets beginning of year	351,573	16,832,299	17,183,872
Total net assets ending of year	\$ —	—	—

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Internal Service Funds

Combining Statement of Cash Flows

Year ended June 30, 2009

	Administrative Service Center	Risk Management	Total
Cash flows from operating activities:			
Receipts from interfund services provided	\$ —	—	—
Receipts from insurance claim	—	—	—
Payments to suppliers	—	—	—
Payments to employees	—	—	—
Net cash provided by (used in) operating activities	—	—	—
Cash flows from noncapital and related financing activities:			
Transfers to other funds	(161,174)	(17,263,111)	(17,424,285)
Transfers from other funds	—	—	—
Net cash provided by (used in) noncapital financing activities	(161,174)	(17,263,111)	(17,424,285)
Cash flows from capital and related financing activities:			
Sale of capital assets	—	—	—
Net cash used in capital and related financing activities	—	—	—
Cash flows from investing activities:			
Interest income received	—	—	—
Net cash provided by investing activities	—	—	—
Net increase (decrease) in cash and cash equivalents	(161,174)	(17,263,111)	(17,424,285)
Cash and cash equivalents, beginning of year	161,174	17,263,111	17,424,285
Cash and cash equivalents, end of year	\$ —	—	—
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ —	—	—
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation expense	—	—	—
Decrease in other receivable	—	—	—
Decrease in inventory	—	—	—
Decrease in A/P and accrued salaries/fringes	—	—	—
Decrease in claims payable	—	—	—
Total adjustments	—	—	—
Net cash provided by (used in) operating activities	\$ —	—	—
Noncash, transfer of assets and liabilities to General Fund:			
Interest receivable	\$ —	(204,798)	(204,798)
Other receivables	(140)	(42,866)	(43,006)
Supplies inventories	(240,009)	—	(240,009)
Accounts payable	63,143	5,228	68,371
Claims payable	—	673,248	673,248
Noncash, transfer of capital assets	(13,393)	—	(13,393)
	\$ (190,399)	430,812	240,413

CAPITAL ASSETS

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI
Capital Assets Used in the Operation of Governmental Funds by Source

June 30, 2009
(with comparative totals for June 30, 2008)

	Total	
	2009	2008
Capital assets (gross):		
Land	\$ 42,320,265	42,537,492
Buildings	550,993,420	551,326,837
Improvements other than buildings	41,449,326	41,381,177
Equipment, furniture, and vehicles	33,832,464	33,453,585
Construction in progress	4,725,777	253,111
Total	<u>\$ 673,321,252</u>	<u>668,952,202</u>
Investment in capital assets by source:		
General fund	\$ 479,155	404,204
Capital projects	671,956,514	667,470,902
Special revenue	805,380	857,346
Trust and agency	13,127	13,127
Internal service	—	139,547
Donations	67,076	67,076
Total	<u>\$ 673,321,252</u>	<u>668,952,202</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year Ended June 30, 2009

Classification	Beginning balance July 1, 2008	Adjustments	Additions	Retirements	Construction- in-progress transfers	Ending balance June 30, 2009
High schools	\$ 220,457,170	247,282	8,540,730	(20,616)	—	229,224,566
Middle schools	135,695,761	(1,198,938)	325,557	(23,650)	—	134,798,730
Elementary schools	288,024,131	730,811	1,501,724	(10,893,221)	—	279,363,445
Administration	24,522,029	220,845	554,708	(88,848)	—	25,208,734
Construction in progress	253,111	—	4,562,818	—	(90,152)	4,725,777
Total	\$ 668,952,202	—	15,485,537	(11,026,335)	(90,152)	673,321,252

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

June 30, 2009

Classification	Land	Buildings	Improvements other than buildings	Equipment, furniture, vehicles	Vehicles	Construction- in-progress	Total
High schools	\$ 17,890,133	186,192,673	17,428,631	7,568,421	144,708	—	229,224,566
Middle schools	6,916,090	118,907,866	6,069,332	2,900,442	5,000	—	134,798,730
Elementary schools	14,660,478	234,198,844	16,634,525	13,869,598	—	—	279,363,445
Administration	2,853,564	11,694,037	1,316,838	7,635,934	1,708,361	—	25,208,734
Construction-in-progress	—	—	—	—	—	4,725,777	4,725,777
Total	\$ 42,320,265	550,993,420	41,449,326	31,974,395	1,858,069	4,725,777	673,321,252

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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

Note: The District is gathering prior year data about its operations for disclosure in future reports.

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Classification	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities:								
Invested in capital assets, net of related debt	\$ 371,354	\$ 351,989	\$ 373,750	\$ 367,206	\$ 355,084	\$ 286,221	\$ 276,092	\$ 282,333
Restricted	12,489	60,705	61,244	80,562	91,949	104,562	121,029	101,547
Unrestricted	114,368	115,956	136,244	139,480	147,063	219,797	204,002	241,529
Total governmental activities, net of assets	\$ 498,211	\$ 528,650	\$ 571,238	\$ 587,248	\$ 594,096	\$ 610,580	\$ 601,123	\$ 625,409
Business-type activities:								
Unrestricted	\$ 522	\$ 1,426	\$ 1,829	\$ 1,108	\$ 79	\$ 468	\$ 200	\$ (80)
Total business-type activities, net of assets	\$ 522	\$ 1,426	\$ 1,829	\$ 1,108	\$ 79	\$ 468	\$ 200	\$ (80)
Primary government:								
Invested in capital assets, net of related debt	\$ 371,354	\$ 351,989	\$ 373,750	\$ 367,206	\$ 355,084	\$ 286,221	\$ 276,092	\$ 282,333
Restricted	12,489	60,705	61,244	80,562	91,949	104,562	121,029	101,547
Unrestricted	114,890	117,382	138,073	140,588	147,142	220,265	204,202	241,449
Total primary government, net of assets	\$ 498,734	\$ 530,076	\$ 573,067	\$ 588,356	\$ 594,175	\$ 611,048	\$ 601,323	\$ 625,329

Table 2

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Expenses	Classification	Fiscal Year							
		2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities:									
Administration		\$ 25,512	\$ 23,464	\$ 25,502	\$ 24,876	\$ 23,648	\$ 22,421	\$ 25,482	\$ 23,285
Instruction		175,175	193,545	193,304	174,168	182,163	171,850	174,693	175,429
Support services		76,835	79,253	77,738	93,921	86,582	79,487	74,611	73,605
Operation of facilities		40,936	44,578	40,000	38,682	36,317	34,423	34,927	33,053
Pupil transportation		17,211	18,703	22,132	23,988	23,126	21,958	21,433	21,604
Facilities improvements and renovation		7,909	1,413	403	612	—	1,168	2,772	18,105
Community and adult services		8,478	11,557	6,226	6,237	5,407	5,599	5,287	4,980
Interest on long-term debt		2,791	3,902	4,982	6,023	6,969	6,834	9,300	11,056
Total governmental activities expenses		\$ 354,846	\$ 376,416	\$ 370,287	\$ 368,507	\$ 364,212	\$ 343,740	\$ 348,505	\$ 361,117
Business-type activities									
Community services		\$ 194	\$ 389	\$ 693	\$ 121	\$ 3,586	\$ 5,226	\$ 6,275	\$ 6,766
Total governmental activities expenses		194	389	693	121	3,586	5,226	6,275	6,766
Total primary government expenses		\$ 355,040	\$ 376,805	\$ 370,980	\$ 368,628	\$ 367,798	\$ 348,966	\$ 354,780	\$ 367,883

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Classification	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Program Revenues								
Governmental activities:								
Charges for services	\$	\$	\$	\$	\$	\$	\$	\$
Administration	—	—	—	—	—	—	—	—
Instruction	—	20	—	50	69	—	218	508
Support services	1,992	3,763	3,741	3,596	4,007	3,528	4,167	3,886
Operation of facilities	61	69	65	70	61	556	466	746
Pupil transportation	4	—	13	7	—	8	—	—
Facilities improvements and renovation	—	—	—	—	—	—	—	—
Community and adult services	156	88	—	60	741	253	89	79
Interest on long-term debt	—	—	—	—	—	—	—	—
Operating grants and contributions								
Administration	0	—	10	10	22	54	14	—
Instruction	37,711	34,431	37,816	84,511	84,675	74,089	74,078	76,035
Support services	18,068	12,807	14,884	16,113	14,327	16,467	14,929	16,038
Operation of facilities	—	—	—	55	—	—	—	—
Pupil transportation	6,405	7,104	8,297	8,421	8,875	8,210	8,868	9,250
Facilities improvements and renovation	—	—	—	—	—	—	—	—
Community and adult services	670	895	1,227	2,714	1,557	976	1,128	100
Interest on long-term debt	—	—	—	—	—	—	—	—
Capital grants and contributions								
Administration	—	—	—	—	—	—	—	—
Instruction	37	620	82	51	818	1,264	731	831
Support services	—	37	617	5,362	4,684	22,024	385	273
Operation of facilities	189	—	40	11	—	—	—	—
Pupil transportation	—	—	—	—	—	—	—	—
Facilities improvements and renovation	495	—	—	—	—	—	—	—
Community and adult services	12	861	—	251	—	3,649	7,847	10,741
Interest on long-term debt	—	—	—	—	16	—	8	—
Total governmental activities program revenue	65,801	60,695	66,792	121,282	119,852	131,078	112,928	118,487

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Classification	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Business-type activities:								
Charges for services	287	728	1,240	146	3,197	5,743	6,819	6,654
Total business-type activities program revenues	287	728	1,240	146	3,197	5,743	6,819	6,654
Total primary governmental program revenues	\$ 66,088	\$ 61,423	\$ 68,032	\$ 121,428	\$ 123,049	\$ 136,821	\$ 119,747	\$ 125,141
Net (expense)/revenue								
Governmental activities	\$ (289,045)	\$ (315,721)	\$ (303,495)	\$ (247,225)	\$ (244,360)	\$ (212,662)	\$ (235,577)	\$ (242,630)
Business-type activities	93	339	547	25	(389)	517	544	(112)
Total primary government net expense	\$ (288,952)	\$ (315,382)	\$ (302,948)	\$ (247,200)	\$ (244,749)	\$ (212,145)	\$ (235,033)	\$ (242,742)
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Property taxes	\$ 152,705	\$ 159,256	\$ 146,230	\$ 146,230	\$ 135,885	\$ 138,240	\$ 125,895	\$ 149,176
Prop C Sales tax	20,180	23,051	28,187	28,187	27,995	26,281	25,077	25,962
Other local revenues	3,600	2,100	1,935	1,935	2,558	2,186	2,264	2,924
County governmental contributions	4,209	4,025	6,356	6,356	3,949	3,626	3,625	3,437
State aid-basic formula	70,172	89,732	47,106	47,106	53,593	42,441	40,840	46,086
Grants and entitlements not restricted to specific programs	821	1,051	1,820	1,820	1,730	1,483	1,376	1,482
Investment earnings	4,500	10,486	9,747	9,747	9,609	7,613	10,978	13,696
Special item, gain on sale of capital asset							973	
Extraordinary item	1,419	(17,319)	—	—	—	—	—	—
Transfers	1,000	750	(1,004)	(1,004)	—	249	264	248
Total governmental activities	258,606	273,133	240,377	240,377	235,319	222,119	211,292	243,011
Business-type activities:								
Investment earnings	3	8	—	—	—	—	—	—
Transfers	(1,000)	(750)	1,004	1,004	—	(249)	(265)	(248)
Total business-type activities	(997)	(742)	1,004	1,004	—	(249)	(265)	(248)
Total primary government	\$ 257,610	\$ 272,391	\$ 241,381	\$ 241,381	\$ 235,319	\$ 221,870	\$ 211,027	\$ 242,763
Change in Net Assets								
Governmental activities	\$ (30,439)	\$ (42,587)	\$ (63,118)	\$ (6,848)	\$ (9,041)	\$ 9,457	\$ (24,285)	\$ 381
Business-type activities	(904)	(403)	1,551	1,029	(389)	268	279	(360)
Total primary government	\$ (31,343)	\$ (42,990)	\$ (61,567)	\$ (5,819)	\$ (9,430)	\$ 9,725	\$ (24,006)	\$ 21

Table 3

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Fund Balances of Governmental Funds

Last Eight Fiscal Years

(Modified accrual basis of accounting)

(Amounts expressed in thousands)

(unaudited)

Classification	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
General Fund								
Reserved	\$ 1,853	\$ 5,243	\$ 2,565	\$ 701	\$ 1,434	\$ 356	\$ 2,440	\$ 4,364
Unreserved:								
Designated:								
Grant activity	2,742	4,041	2,394	9,946	—	—	—	—
Reserve for Contingency	5,000	—	—	—	—	—	—	—
Undesignated	37,701	35,593	57,919	55,034	44,703	45,975	48,764	25,000
Total general fund	\$ 47,296	\$ 44,877	\$ 62,878	\$ 65,681	46,137	46,331	51,204	29,364
All other governmental funds								
Reserved								
Teachers' funds	\$ —	\$ —	\$ —	\$ —	\$ 1,078	\$ —	\$ —	\$ —
Grant activity funds	—	—	—	—	—	1,397	1,157	—
Other special revenue funds	—	—	—	—	—	—	—	—
Debt service funds	11,968	60,171	58,093	71,484	84,227	97,278	113,570	96,912
Capital projects funds	15,054	4,381	228	4,424	5,792	5,481	10,100	5,974
Nonmajor funds	239	382	733	1,133	2,118	1,006	1,278	1,632
Unreserved, reported in:								
Designated:								
Long-term building maintenance	11,299	9,588	15,275	14,167	15,476	15,543	8,472	8,263
Transition period funding	—	—	—	1,120	2,528	6,147	7,023	83,589
Technology plan	2,784	7,008	8,901	9,947	13,336	14,292	20,877	22,584
CIP Escrow	12,600	—	—	—	—	—	—	—
Pension cost	—	—	—	—	—	28,021	27,101	26,320
Compensated absences	21,138	21,814	22,318	22,528	19,442	19,451	19,100	19,970
E-Rate/E-Rate support	1,848	1,835	1,821	1,510	1,235	3,006	—	—
Capital assets declared surplus	—	—	3,294	—	—	—	—	—
Undesignated:								
Special revenue funds	(110)	372	(727)	(393)	16,433	8,841	8,175	10,813
Capital projects funds	6,964	17,110	22,436	26,261	28,586	26,498	20,681	19,081
Permanent funds	124	121	148	139	141	137	136	133
Total all other governmental funds	\$ 83,906	\$ 122,782	\$ 132,520	\$ 152,320	\$ 190,392	\$ 227,098	\$ 237,670	\$ 295,271

Table 4

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI
Changes in Fund Balances of Governmental Funds, and Debt Service Ratio

Last Eight Fiscal Years

(Modified accrual basis of accounting)
(Amounts expressed in thousands)
(unaudited)

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Revenues								
Property taxes	\$ 149,926	\$ 157,679	\$ 147,941	\$ 147,931	\$ 136,543	\$ 140,370	\$ 125,664	\$ 132,108
Prop C Sales tax	20,180	23,051	25,097	28,187	27,995	26,281	25,077	25,962
Other local revenues	11,836	15,527	20,324	14,871	15,031	16,174	25,457	31,368
County governmental contributions	4,209	4,025	3,433	6,357	3,949	3,626	3,625	3,437
State aid-basic formula	70,172	89,732	96,285	47,106	53,593	42,441	40,840	46,086
At risk	—	—	—	30,485	30,836	30,301	31,916	32,964
Other state	10,999	12,176	13,258	25,447	23,579	22,929	24,890	26,407
Federal	48,797	41,699	48,866	62,072	61,173	69,749	43,695	43,585
Tuition	13	4	77	37	274	57	101	406
Total revenues	316,132	343,893	355,281	362,493	353,573	351,928	321,265	342,323
Expenditures								
Administration	25,643	24,011	27,364	23,081	22,566	22,533	25,501	22,686
Instruction	160,407	176,156	178,472	164,151	166,442	157,832	160,852	153,018
Support services	75,984	74,219	74,311	84,975	75,569	69,422	69,636	66,013
Operation of facilities	41,286	44,483	39,375	39,552	35,073	34,341	34,654	31,541
Pupil transportation	17,211	18,703	22,133	23,985	23,125	21,959	21,432	21,601
Community and adult services	8,553	11,578	6,139	6,235	5,349	5,628	5,191	4,397
Facilities improvements and renovations	17,736	5,166	2,376	1,378	10,302	28,919	9,443	36,327
Debt service								
Principal	9,945	22,130	22,100	21,380	20,045	12,140	17,010	20,217
Interest	3,244	4,351	5,428	6,467	7,329	7,254	10,035	11,733
Total expenditures	360,009	380,797	377,698	371,204	365,800	360,028	353,754	367,533

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI
Changes in Fund Balances of Governmental Funds, and Debt Service Ratio

Last Eight Fiscal Years

(Modified accrual basis of accounting)
(Amounts expressed in thousands)
(unaudited)

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Excess of revenues under expenditures	\$ (43,877)	(36,904)	(22,417)	(8,711)	(12,227)	(8,100)	(32,489)	(25,210)
Other financing sources (uses)								
Transfers in	176,079	144,715	144,715	191,837	199,010	197,779	227,859	191,340
Transfers out	(157,909)	(149,288)	(149,288)	(202,418)	(203,719)	(202,339)	(232,591)	(193,874)
Refunding bonds issued	—	—	—	—	—	102,350	—	69,040
Premium on bonds	—	—	—	—	—	8,927	—	3,161
Payment to refunded debt	(13,977)	—	—	—	—	(114,262)	—	(73,471)
Capital Leases	—	1,527	1,527	—	—	—	—	—
Unrealized proceeds - surplus assets	1,826	3,294	3,294	—	—	202	1,460	650
Sales of capital assets	1,401	1,401	—	328	—	(7,343)	(3,272)	(3,154)
Total other financing sources (uses)	7,420	1,649	248	(10,253)	(4,709)	(7,343)	(3,272)	(3,154)
Net change in fund balances	\$ (36,457)	\$ (35,255)	\$ (22,169)	\$ (18,964)	\$ (16,936)	\$ (15,443)	\$ (35,761)	\$ (28,364)
Debt service as a percentage of noncapital expenditures	3.8%	6.2%	6.2%	6.1%	5.8%	3.5%	5.1%	5.8%

Table 5

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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	
2008	2,261,595,842	9,844,622,434	663,402,044	1,990,405,173	2,924,997,886	11,835,027,607	25 %
2007	2,438,068,509	10,743,151,553	742,016,617	2,226,272,478	3,200,085,126	12,969,424,602	25
2006	2,211,529,159	11,639,627,153	674,138,810	2,022,618,692	2,885,667,969	13,662,245,845	21
2005	2,198,143,237	9,726,019,934	677,475,726	2,032,630,441	2,875,618,963	11,758,650,375	24
2004	1,944,634,173	8,232,472,044	705,468,036	2,116,615,770	2,650,102,209	10,349,087,814	26
2003	1,934,514,727	8,323,442,115	731,754,452	2,195,482,904	2,666,269,179	10,518,925,019	25
2002	1,731,415,328	7,354,739,880	798,004,980	2,394,254,365	2,529,420,308	9,748,994,245	26
2001	1,753,974,583	7,432,410,586	877,713,163	2,633,402,829	2,631,687,746	10,065,813,415	26
2000	1,636,145,314	6,896,641,256	879,547,981	2,638,907,834	2,515,693,295	9,535,549,090	26
1999	1,626,157,470	6,720,152,544	824,707,480	2,474,369,877	2,450,864,950	9,194,522,421	27

(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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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)
2009	\$ 1.4678	\$ —	0.03	0.57	0.21	\$ —	0.47	4.95	7.71
2008	1.4632	0.65	0.03	0.57	0.21		0.45	4.95	9.39
2007	1.5055	0.66	0.03	0.57	0.22	1.07	0.47	4.95	9.48
2006	1.5055	0.69	0.03	0.57	0.22	1.07	0.47	4.95	9.51
2005	1.3196	0.75	0.03	0.57	0.22	1.07	0.49	4.95	9.40
2004	1.3159	0.75	0.03	0.57	0.22	1.07	0.49	4.95	9.40
2003	1.34	0.75	0.03	0.57	0.23	1.09	0.50	4.95	9.46
2002	1.32	0.75	0.03	0.57	0.23	1.09	0.50	4.95	9.44
2001	1.32	0.75	0.03	0.56	0.23	1.08	0.50	4.95	9.42
2000	1.32	0.75	0.03	0.56	0.23	1.08	0.50	4.95	9.42

(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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Principal Property Taxpayers

June 30, 2009

2008

2000

Taxpayers	Type of Business	Assessed value(1)	Rank	Percentage of total assessed value	Assessed value(1)	Rank	Percentage of total assessed value
Hallmark & Crown Power	Real Estate/Retail/Hotel	\$ 66,853,049	1	2.3%	58,496,770	2	2.7%
Kansas City Power and Light	Utility	39,871,622	2	1.4	40,738,950	1	3.4
J C Nichols & Highwoods Realty	Real Estate	30,256,155	3	1.0	31,955,773		1.1
A T & T	Communications	25,733,566	4	0.9	41,872,004	3	2.0
Kansas City Star	Newspaper	23,079,769	5	0.8		4	1.7
Twentieth Century Realty, Inc	Real Estate	17,250,784	6	0.6			0.0
FSP Grand Blvd	Real Estate	16,848,000	7	0.6		9	0.5
Bayer	Agricultural Research and Mfg	15,719,167	8	0.5	26,695,042	6	1.2
D S T Systems, Inc	Information Technology Services	15,619,242	9	0.5			0.0
Southern Union Co	Utility	13,979,669	10	0.5	18,080,991		
Charles H Hunter, Trustee	Real Estate				27,556,590	5	1.3
IBM Credit Corporation	Finance				17,606,140	7	1.2
GST Steel Company	Manufacturer				15,786,024	8	0.9
Southwestern Bell	Communications				15,677,128	10	0.4
		\$ 265,211,023		9.2%	294,465,412		16.4%

Note: Total assessed value for 2008 was \$2,924,997,886 and 2000 was \$2,515,693,295.

(1) Based on calendar year ended December 31, 2008 and December 31, 1999.

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

Table 8

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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
2008	\$ 149,109,674	\$ 136,280,928	91.4%	\$ 11,310,642	\$ 147,591,570	99.0%	\$ 12,828,746	9%
2007	159,347,626	144,632,799	90.8%	9,125,735	153,758,534	96.5%	14,714,827	9%
2006	144,314,419	134,518,579	93.2%	10,018,326	144,536,905	100.2%	9,795,840	7%
2005	143,862,828	134,077,148	93.2%	11,644,108	145,721,256	101.3%	9,785,680	7%
2004	131,741,231	124,708,338	94.7%	8,850,541	133,558,879	101.4%	7,916,603	6%
2003	132,070,410	124,980,641	94.6%	15,274,849	140,255,490	106.2%	7,089,769	5%
2002	123,484,756	114,562,189	92.8%	11,047,615	125,609,804	101.7%	8,922,567	7%
2001	127,392,885	120,947,659	94.9%	10,800,986	131,748,645	103.4%	6,445,226	5%
2000	122,562,408	115,523,875	94.3%	7,824,944	123,348,819	100.6%	7,038,533	6%
1999	121,690,043	113,565,036	93.3%	7,569,092	121,134,128	99.5%	8,125,007	7%

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

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

(3) Percentage includes collection of delinquent taxes.

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

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

Table 9

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Outstanding Debt by Type

Governmental Activities

Last Ten Fiscal Years

Fiscal year ended June 30		Leasehold Revenue Bonds	Capital Leases	Total Primary Government
2009	\$	44,335,000	—	44,335,000
2008		67,185,000	495,408	67,680,408
2007		89,315,000	967,387	90,282,387
2006		110,855,000	—	110,855,000
2005		132,235,000	—	132,235,000
2004		152,280,000	—	152,280,000
2003		171,560,000	—	171,560,000
2002		188,570,000	—	188,570,000
2001		197,820,747	—	197,820,747
2000		229,495,000	—	229,495,000

Table 10

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Computation of Overlapping Debt

June 30, 2009

Jurisdiction	General obligation bonds outstanding (2)	Percentage applicable to District (1)	Amount applicable to District
City of Kansas City, Missouri	\$ 293,280,000	0.4455	\$ 130,656,240

(1) Source: Jackson County, Division of Finance, Collection Department reports KCMSD 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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Computation of Legal Debt Margin

June 30, 2009

Total assessed value, tax levy year 2008 (1)	\$ 3,200,085,126
Legal debt margin—15% of assessed value (2)	480,012,769

(1) See Table 6.

(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, 2009.

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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	
2009	\$	239,451	17,892	7	%	16,051	89.7	%
2008		239,451	22,429	9		19,381	86.4	
2007		239,451	24,358	10		21,133	86.8	
2006		239,451	25,750	11		22,633	88.0	
2005		239,451	27,094	11		23,766	87.7	
2004		239,451	26,939	11		24,307	90.2	
2003		239,451	26,886	11		24,797	92.3	
2002		239,451	27,973	12		24,917	89.0	
2001		239,451	29,157	12		25,902	88.8	
2000		282,066	31,213	11		27,690	88.7	

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

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

Table 13

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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)
2009	\$ 11,835,027,607	32.8	53.9
2008	12,969,424,032	47.2	63.9
2007	11,639,627,153	32.3	61.6
2006	11,758,650,375	13.2	36.3
2005	10,349,087,814	28.6	14.3
2004	10,518,925,019	151.9	85.0
2003	9,748,994,245	191.2	48.0
2002	10,065,813,415	283.4	66.6
2001	9,535,549,090	212.5	40.7
2000	9,194,522,421	62.4	18.0

(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**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI****Per-Pupil Costs****Last Ten Fiscal Years**

Fiscal year ended June 30	Average daily attendance	Eligible pupils	Current expenditures per eligible pupil (1)
2009	16,051	18,186	\$ 16,570
2008	19,381	22,107	14,629
2007	23,087	24,144	13,275
2006	24,569	25,725	12,193
2005	25,449	26,605	11,590
2004	25,813	27,012	10,906
2003	25,784	26,771	10,907
2002	25,663	26,429	10,483
2001	26,915	27,929	9,301
2000	28,707	29,725	8,376

- (1) Current expenditures per eligible pupil as reported to the State of Missouri DESE. Using the General, Teachers', Grant Activity, and Child Nutrition funds total instructions and support services expenditures less food service revenues.