



Kansas City, Missouri  
SCHOOL DISTRICT

**Comprehensive Annual  
Financial Report  
For fiscal year ended  
June 30, 2010**



# **THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

## **Comprehensive Annual Financial Report**

For The Fiscal Year Ended June 30, 2010

(With Independent Auditors' Report Thereon)

Prepared by

Business & Finance Division



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Kansas City, Missouri  
SCHOOL DISTRICT

*At the heart of success.*

October 29, 2010

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, 2010, 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, 2010. 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 operated 9 high schools, 1 vocational school, 4 alternative schools, 3 middle schools, 3 early childhood centers and 37 elementary schools for school year 2009-2010. 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 19,161 students (including pre-kindergarten) and employs over 3,500 principals, teachers, and other support staff.

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

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



## ECONOMIC FACTORS

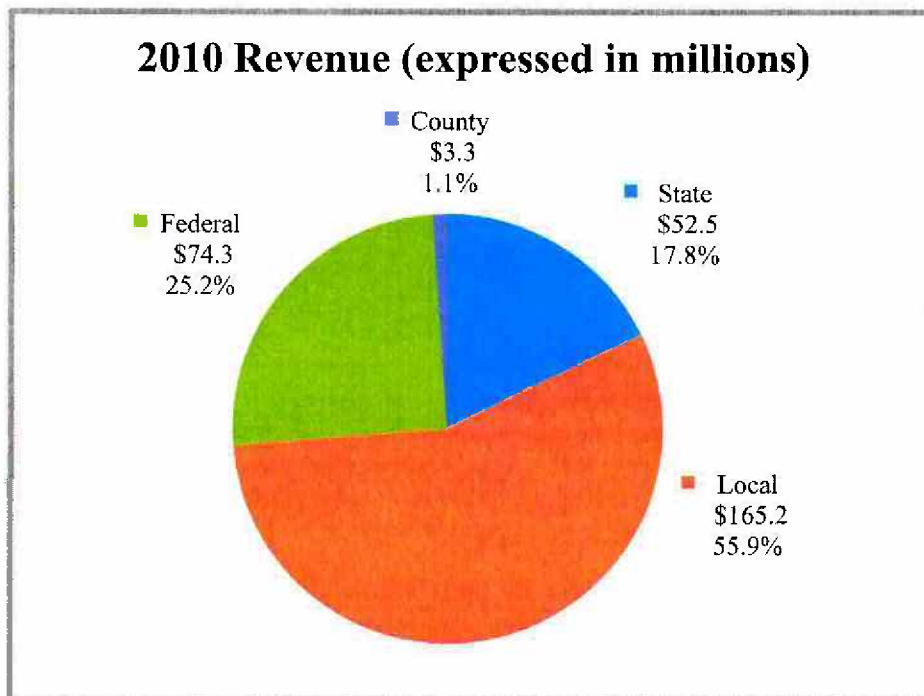
Local property taxes represent approximately 49.1% of total revenues received by the District. During the fiscal year, the District was entitled to receive approximately \$144.9 million in property taxes for tax year 2009 based on its \$4.95 levy which was a 3.3% decrease in property tax revenue when compared to tax year 2008. The decrease in property tax revenue was attributed by a decrease of \$167.5 million in property assessed valuation. Actual current taxes collected during the fiscal year totaled to \$128 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 17.8% of total revenues received by the District. The District received approximately \$52.5 million for state aid, a decrease of \$20.6 million or 35.2%. 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 25.2% of the revenue received by the District. The major federal grant programs are Title I, Title IIA, Head Start, Exceptional Education (I.D.E.A), Early Childhood Special Education (I.D.E.A.), Early Reading First, Medicaid and American Recovery and Reinvestment Act of 2009. Factors that impact the amount of federal funds the District is entitled to receive include free and reduced lunch eligibility counts and enrollment of exceptional education students. For the current year, free and reduced lunch eligibility counts declined by 513 or 3.6% and exceptional education enrollment increased by 18 or 0.9% 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 are in repurchase agreements, certificates of deposit and other federal obligations. Approximately \$1.8 million in interest income was earned during the fiscal year.

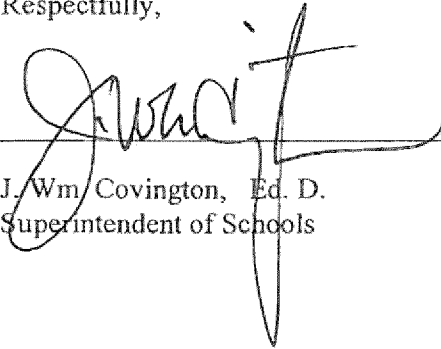
An independent trustee, Bank of New York Mellon Trust Company, manages the investment portfolio of the Building Corporation. Investments of approximately \$29.3 million, of which \$10 million is invested in long-term contract, were held by the trustee as of June 30, 2010.

## ACKNOWLEDGEMENTS

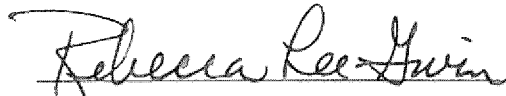
We express our appreciation to the Accounting & Investments staff for their dedicated efforts to prepare for the audit of our accounting records and preparation of this report. Support received from other departments of the Business & Finance Division and other departments of the District (including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

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

Respectfully,



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



Rebecca Lee-Gwin, Ed.D.  
Chief Finance Officer

## Vision of the District

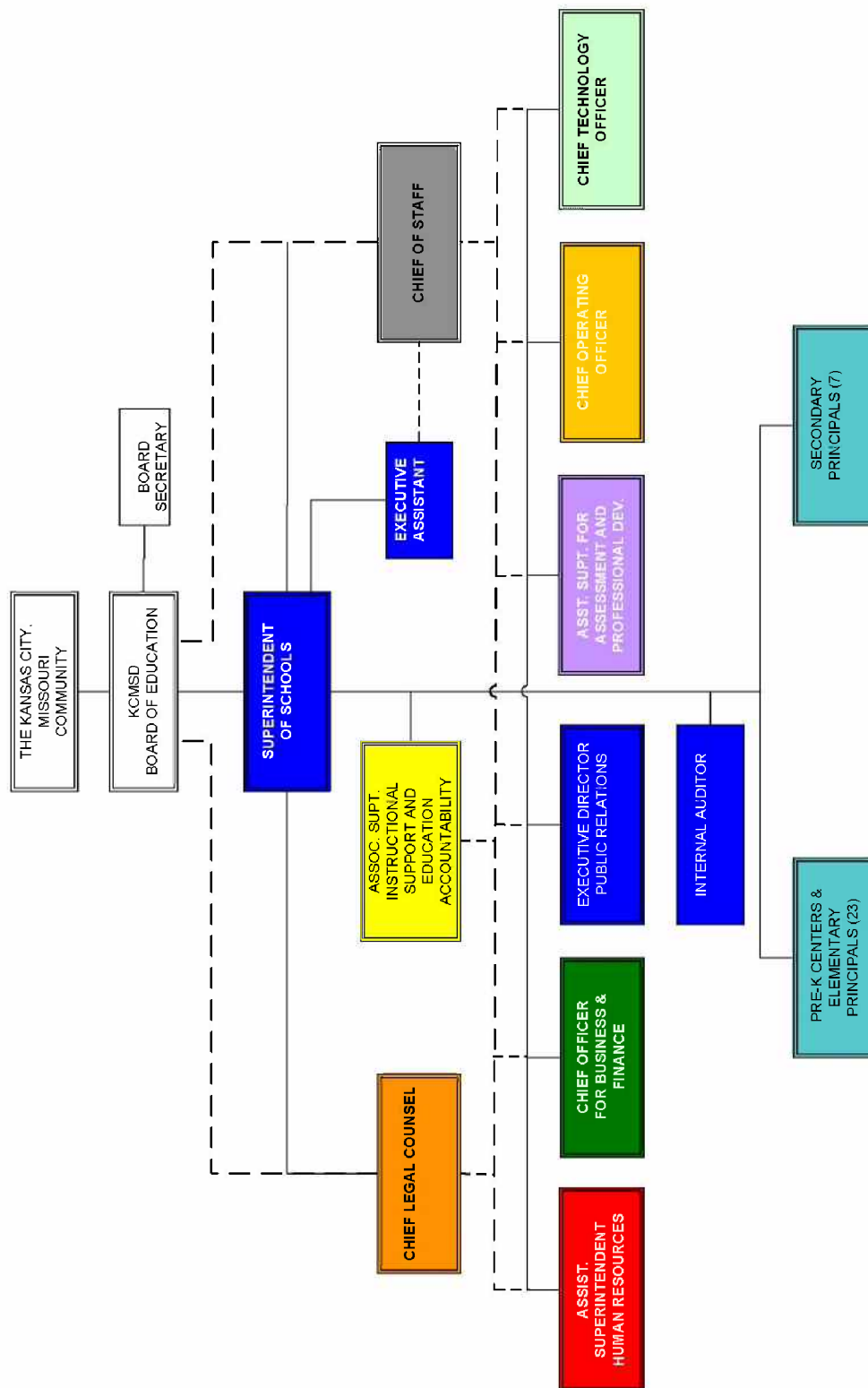
The Kansas City, Missouri School District envisions its schools as places where every student will develop deep understanding of the knowledge and skills necessary to pursue higher education, obtain family-supporting employment, contribute to the civic well-being of the community, and have the opportunity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

## Mission of the District

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.

Kansas City, Missouri  
SCHOOL DISTRICT



# LIST OF PRINCIPAL OFFICIALS

June 30, 2010

## *BOARD OF DIRECTORS*

### *Executive Officers*

Airick L. West, President  
Derek M. Richey, Vice President

### *Members*

Arthur A. Benson  
Kyleen Carroll  
Joseph Jackson  
Duane B. Kelly  
Crispin Rea Jr.  
Marilyn Simmons  
Ray Wilson

### *Treasurer*

Rebecca Lee-Gwin

### *Secretary of the Board*

Aisha Safir

## *SENIOR ADMINISTRATORS*

J. Wm. Covington, Ed. D., Superintendent  
Jeff McDaniels, J.D., Chief of Staff  
R. Chace Ramey, J.D., Ph. D., Chief Legal Counsel  
Rebecca Lee-Gwin, Ed. D., Chief Finance Officer  
David Dude, Chief Technology Officer  
Mary Esselman, Ed. D., Asst. Supt. for Professional Development, Assessment & Accountability  
Anthony Moore, Ed.D., Assistant Superintendent for Instruction  
MiUndrae Prince, Ph. D., Asst Superintendent for Federal Programs/Chief Compliance Officer  
Steve Harris, J.D., A.B.D., Assistant Superintendent of Human Resources  
Eileen Houston-Stewart, Executive Director of Public Relations  
Luis Cordoba, Executive Director for Student Support and Community Services

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The School District of Kansas City, Missouri (the District), as of and for the year ended June 30, 2010, 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, 2010, 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 28, 2010 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 18, and the budgetary comparison information on pages 53 through 63 and schedule of funding progress of the other postemployment benefits plan on page 64 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 28, 2010



## THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

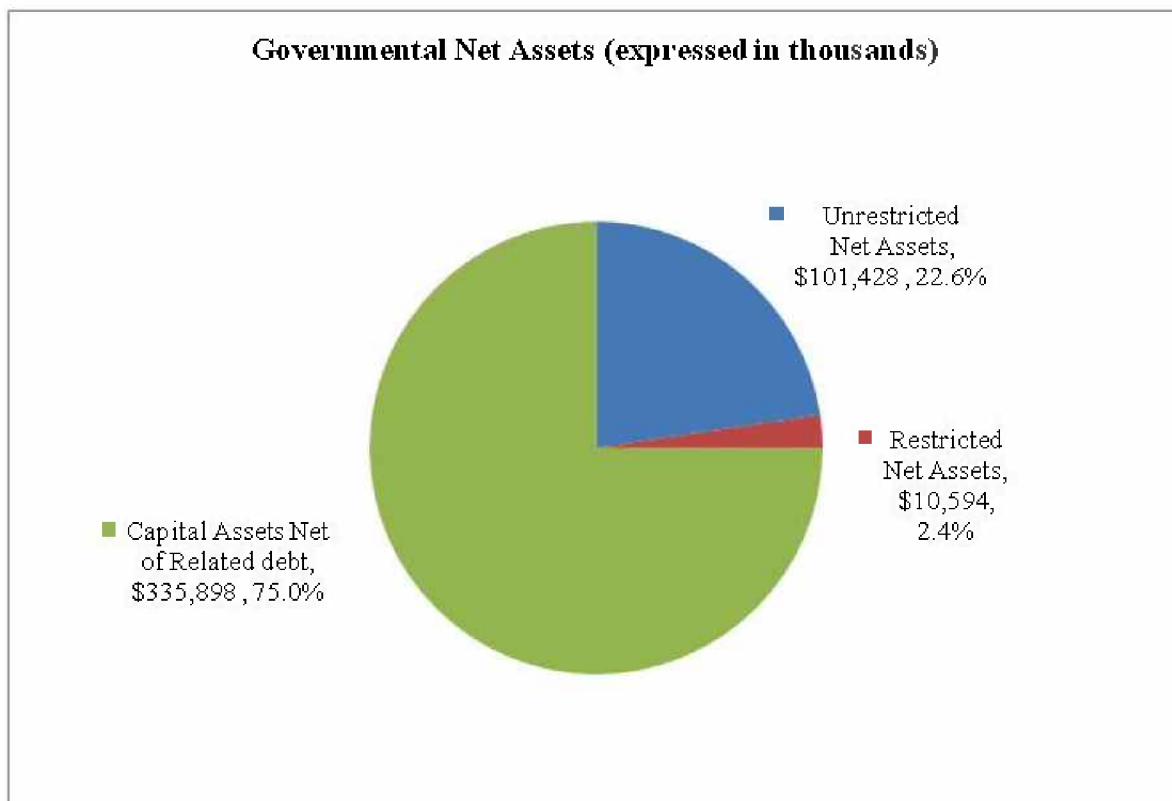
### Management's Discussion and Analysis

June 30, 2010

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, 2010. 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 \$447.9 million. Net assets are reported in three components as shown in the graph below:



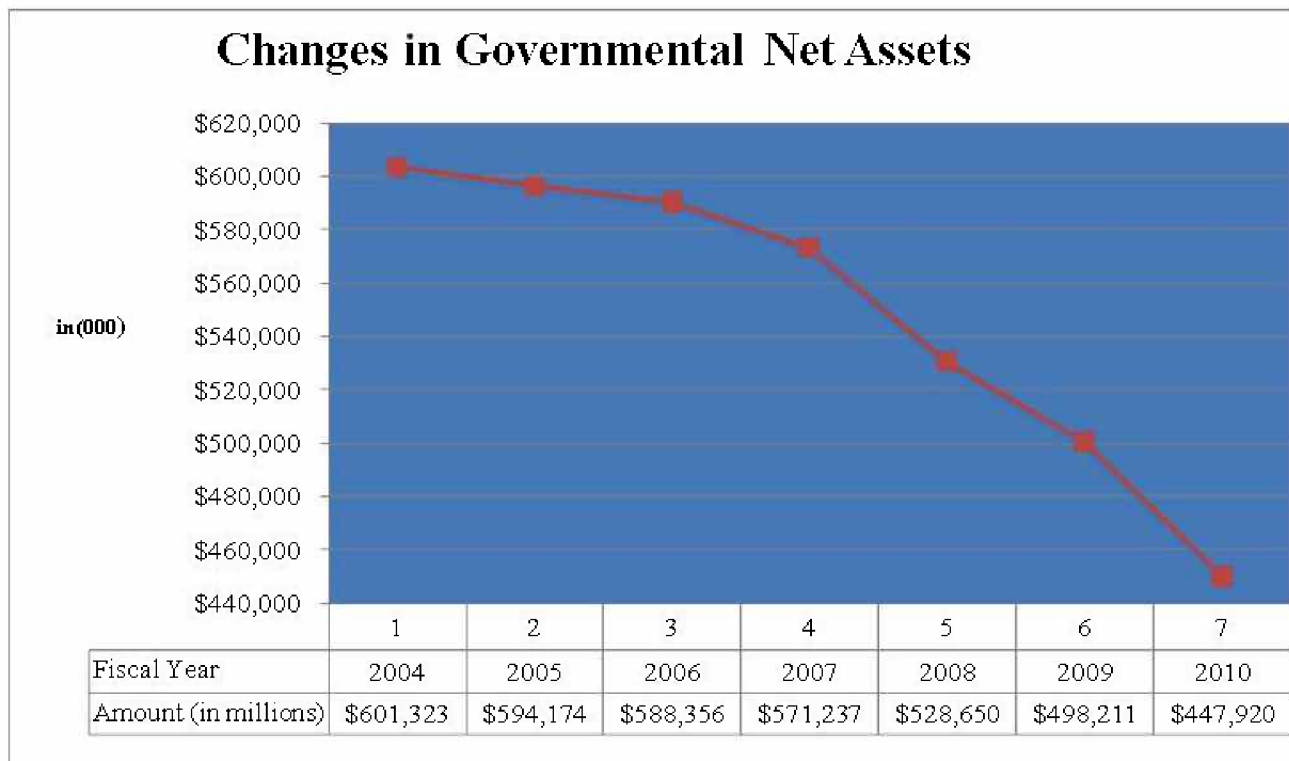
The most significant change in total net assets was a decrease of \$35 million in investment in capital assets, net of related debt as the result of the district's decision to close a number of school buildings triggering the impairment of assets and writing them down to the lesser of fair market value or book value. Restricted net assets decreased \$2.0 million due to a decrease in debt service reserves. Unrestricted net assets decreased \$12.9 million primarily due to the cost of the retirement incentive program and pay off of earned accumulated sick and vacation balances to terminating employees.

# THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

## Management's Discussion and Analysis

June 30, 2010

The graph below shows the changes in net assets and indicates that our overall financial position declined in fiscal year 2010 by 9.6% when compared to fiscal year 2009. This decrease was primarily due to a \$69.9 million or 9.9% increase in total assets and a \$120.1 million (or 87.9%) increase in total liabilities. The ratio of revenues to expenses is 85.4, which indicates on a District-wide basis, there was a 14.6% 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 \$129 million, a decrease of \$1.73 million in comparison with the prior year. Approximately 40.6% of this amount, \$50.7 million, is available for spending at the District's discretion (unreserved/undesignated fund balance).

**Table 1—Summary of Governmental Fund Balances**

	FY10	Percentage of total	FY09	Percentage of total	Increase (decrease)	Unreserved/ undesignated portion
General	\$ 40,846,786	31.5%	\$ 47,295,859	36.0%	\$ (6,449,073)	\$ 37,254,722
Other special revenue	13,313,679	10.3%	21,137,645	16.1%	(7,823,966)	60,000
Debt service	10,083,684	7.8%	11,967,633	9.1%	(1,883,949)	—
Capital projects	64,582,026	49.9%	50,548,010	38.6%	14,034,016	12,938,831
Nonmajor funds	645,677	0.5%	252,748	0.2%	392,929	415,921
	<u>\$ 129,471,852</u>	<u>100.0%</u>	<u>\$ 131,201,895</u>	<u>100.0%</u>	<u>\$ (1,730,043)</u>	<u>\$ 50,669,474</u>

# THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

## Management's Discussion and Analysis

June 30, 2010

Unreserved undesignated fund balance for the General Fund was \$37.2 million and represents 16.4% of total General Fund expenditures and transfers. Reserved fund balance in the General Fund for encumbrances, inventory, and workers compensation was \$2.55 million, a decrease of \$.7 million when compared to the prior year. Overall, governmental fund balances declined at June 30 because of deficit spending in the General, 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. 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, 2010

**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, and Child Nutritional Services fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with statutory requirements.

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

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

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

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

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

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

# THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

## Management's Discussion and Analysis

June 30, 2010

### 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	
	2010	2009	Increase (decrease)	2010	2009	Increase (decrease)	2010	2009
Assets:								
Current and other assets	\$ 333,965	218,295	115,670	180	522	(342)	334,145	218,817
Capital assets	370,808	416,625	(45,817)	—	—	—	370,808	416,625
Total assets	704,773	634,920	69,853	180	522	(342)	704,953	635,442
Liabilities:								
Long-term liabilities	75,869	67,665	8,204	—	—	—	75,869	67,665
Other liabilities	180,984	69,044	111,940	—	—	—	180,984	69,044
Total liabilities	256,853	136,709	120,144	—	—	—	256,853	136,709
Net assets:								
Invested in capital assets, net of related debt	335,898	371,354	(35,456)	—	—	—	335,898	371,354
Restricted	10,594	12,489	(1,895)	—	—	—	10,594	12,489
Unrestricted	101,428	114,368	(12,940)	180	522	(342)	101,608	114,890
Total net assets	\$ 447,920	498,211	(50,291)	180	522	(342)	448,100	498,733

Cash and investments decreased by \$13.1 million or 7%, caused by deficit spending in the General, Other Special Revenue, Debt Service and the Child Nutritional Services funds with an offset from an increase in the Capital Projects Fund, due primarily to \$17.7 million held by the Trustee from the issuance of Quality School Construction bonds. The bonds will provide a source of funding for improvements to buildings. Overall, current and other assets increased by 52%. Improvements to land, buildings and other than building were \$10.7 million; purchases of equipment, furniture, and vehicles (primarily computers and vehicles) were \$.1 million, less depreciation of \$14.7 million and retirements of \$42.2 million, resulting in a 10% decrease in capital assets. The overall change in long-term liabilities was a 12% increase. The bonds payable balance increased by \$7.5 million, which includes \$17.9 million in Qualified School Construction bonds issued December, 2009. Compensated absences increased by \$.9 million due to a reduction in force.

## THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

### Management's Discussion and Analysis

June 30, 2010

Unrestricted net assets of \$101.4 million include management designations and unreserved fund balances of \$88.7 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	\$	10,350,152
Sports Complex		5,000,000
Technology plan		6,493,992
E-rate/E-rate support		1,848,494
Contingency		516,728
Grant Activity		536,039
Compensated absences		13,253,679
	\$	<u>37,999,084</u>

Fund balance reserved for encumbrances, advances, inventory, capital projects and property held for sale was approximately \$30.2 million. The difference of \$(17.5) million represents certain accruals that will impact future cash flows.

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

Table 3A—Changes in Net Assets—Governmental Activities highlights the District's revenues and expenses for the 2010 and 2009 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, 2010

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

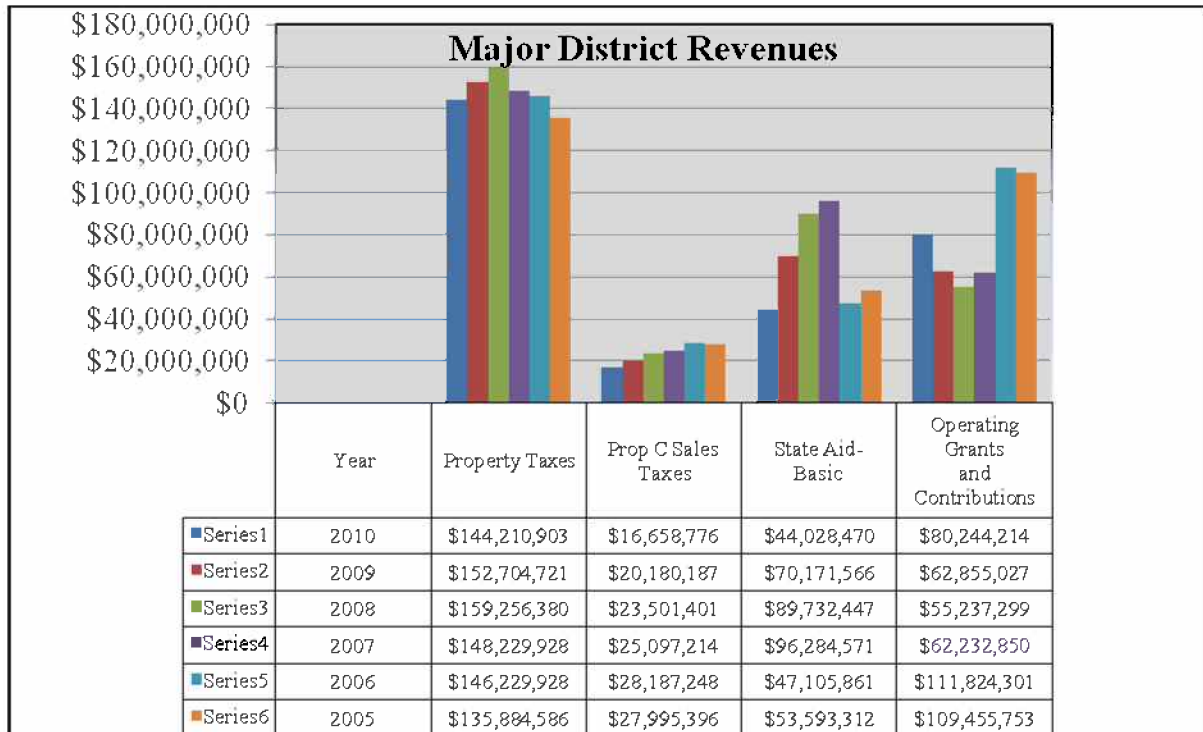
		<b>Governmental activities</b>		
		<b>2010</b>	2009	<b>Increase (decrease)</b>
Program revenues:				
Charges for services	\$	812	2,213	(1,401)
Operating grants and contributions		80,244	62,855	17,389
Capital grants and contributions		1,033	733	300
General revenues:				
Property taxes		144,211	152,705	(8,494)
Prop C sales tax		16,659	20,180	(3,521)
Other local revenues		2,249	3,600	(1,351)
County governmental contributions		3,295	4,209	(914)
State aid—basic formula		44,028	70,172	(26,144)
Grants and entitlements		328	821	(493)
Investment earnings		1,753	4,500	(2,747)
Total revenues		<u>294,612</u>	<u>321,988</u>	<u>(27,376)</u>
Program expenses:				
Administration		20,874	25,512	(4,638)
Instruction		149,927	175,174	(25,247)
Support services		67,768	76,835	(9,067)
Operation of facilities		41,589	40,936	653
Pupil transportation		15,258	17,211	(1,953)
Facilities Improvement and Renovation		225	7,909	(7,684)
Community and adult services		9,644	8,478	1,166
Interest on long-term debt		1,990	2,791	(801)
Total expenses		<u>307,275</u>	<u>354,846</u>	<u>(47,571)</u>
Excess (deficiency) before transfers		(12,663)	(32,858)	20,195
Realized gain from sale of capital assets		—	1,419	(1,419)
Special item-loss on impaired assets		(38,038)	—	(38,038)
Transfers		<u>410</u>	<u>1,000</u>	<u>(590)</u>
Increase (decrease) in net assets		(50,291)	(30,439)	(19,852)
Net assets beginning of year		<u>498,211</u>	<u>528,650</u>	<u>(30,439)</u>
Net assets end of year	\$	<u><u>447,920</u></u>	<u><u>498,211</u></u>	<u><u>(50,291)</u></u>

# THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

## Management's Discussion and Analysis

June 30, 2010

A graph of major District revenues is shown below.



The most significant changes in revenues were:

State Aid-Basic declined by \$26.1 million or 37%

Revenues from Consolidated Federal Programs decreased by \$2.4 million.

Revenues for Entitlement grant decreased by \$.96 million.

Revenues from American Recovery and Reinvestment Act (ARRA) accounted for an increase of \$25.8 million. The revenue funded Entitlement, Consolidated Federal Programs, and a portion of the State's basic state aid, transportation and Career Ladder programs.

Reimbursements for meals served under the Child Nutritional Services program decreased by \$.5 million due primarily to the decline in enrollment and the decision to change the focus of the summer school program, thus reducing the number of students participating.

Prop C sales tax declined by \$3.52 million or 17.5% because the state's funding distribution for FY10 was lower by 4.8% or \$35.2 million and the District's pupil count and average daily attendance declined in the current year.

Property tax revenue decreased by 5.5% or approximately \$8.5 million due to a 4.5% decrease in assessed valuation.



## THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

### Management's Discussion and Analysis

June 30, 2010

State Aid distributed under the basic formula decreased by 14.8% or approximately \$10.4 million. This reduction was caused by the decline in enrollment coupled with a reduction in the State's ability to fully fund the formula. The FY10 distribution was based on weighted average daily attendance (WADA) of 25,573 compared to WADA of 26,360 for FY09.

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

**Administration**— The reduction is primarily due to a reduction in legal judgments against the District and savings were realized in legal costs.

**Instruction** – Teachers' salary and fringe benefits, and materials and supplies decreased primarily due to the elimination of the operational costs of the seven schools closed due to declining enrollment. Funding was reduced in the equity program and theme support budgets. The Independence Annexation costs reflected in the prior year did not occur in the current year.

**Support Services**- The declining enrollment and the District's required budget reduction resulted in a decrease in expenditures primarily in Special Programs/Alternative Education, instructional materials and professional development, and information technology related to computer software, maintenance and communication expenses.

**Pupil Transportation** – Transportation costs declined primarily due for decline in enrollment.

**Operation of Facilities** -The reduction reflects the District's decision to consolidate and close seven schools due to declining enrollment.

**Community and Adult Services** – The increase was primarily the result of a service contract to operate the before and after school program.

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)**

	<b>2010</b>	<b>2009</b>	<b>Increase (Decrease)</b>
Community services:			
Charges for services	\$ 96	287	(191)
Expenses	(32)	(194)	162
Revenue over expenditures before transfers	64	93	(29)
Investment Interest	4	3	1
Transfers	(410)	(1,000)	590
Increase (decrease) in net assets	\$ (342)	(904)	562

The District did not participate as an after school tutoring provider under the Supplementary Education Services program funded by Title I. As a result, revenues decreased \$.19 million and expenditures decreased \$.16 million. Salary and fringe costs decreased by \$.16 million when compared to the prior year.

## THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

### Management's Discussion and Analysis

June 30, 2010

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 73% 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 10.2% because of the increase in operating grants and contributions.

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

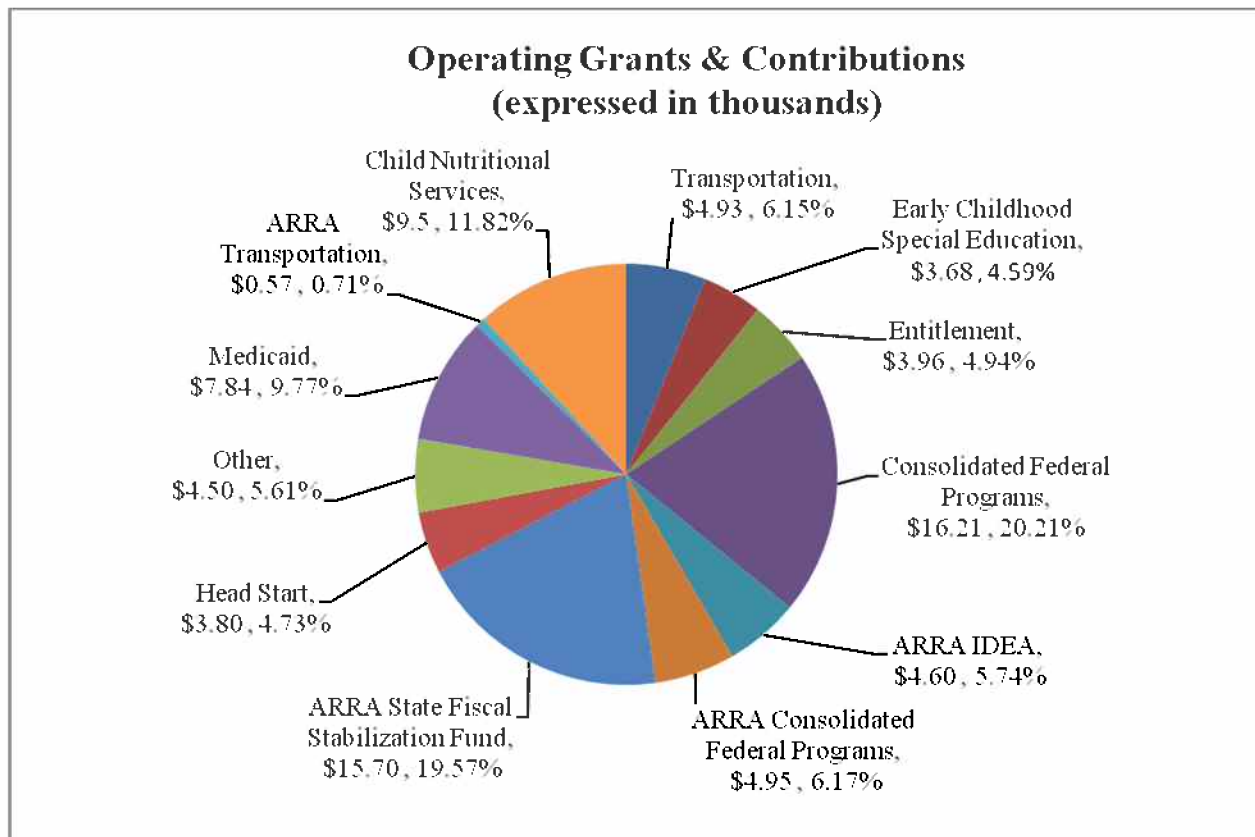
	<b>Total cost of services</b>	<b>Net cost of services</b>
Administration	\$ 20,874	20,831
Instruction	149,928	92,936
Support services	67,768	49,065
Operation of facilities	41,589	41,303
Pupil transportation	15,258	9,744
Facilities improvements and renovations	225	225
Community and adult services	9,644	9,092
Interest on long-term debt	1,990	1,990
Total	<u>\$ 307,276</u>	<u>225,186</u>

## THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

### Management's Discussion and Analysis

June 30, 2010

The District received program revenues specifically to offset the cost of certain functions/programs. The major source of this type of revenue, that totaled \$81.28 million, is from operating and capital grants and contributions. Operating and capital grants, and contributions are funds the District receives that are restricted to a particular purpose as show in the graph below.



### Financial Analysis of the District's Funds

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

## THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

### Management's Discussion and Analysis

June 30, 2010

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, 2010, the unreserved fund balance of the operating budget funds is shown below:

<b>Operating budget funds</b>	<b>Reserved</b>	<b>Unreserved</b>	<b>Total fund balance</b>
General	\$ 2,539,297	38,307,489	40,846,786
Capital projects—operating portion	1,549,036	14,562,557	16,111,593
	<u>\$ 4,088,333</u>	<u>52,870,046</u>	<u>56,958,379</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 28% of total operating expenditures and transfers. The total operating fund balance decreased by 8% when compared to fiscal year 2009.

#### General Fund Budgetary Highlights

Table 5A- Budget Comparison shows a summary of the major changes in the current year original and final budgets. The difference in revenues between the original and the final budgets is an increase of approximately 10.99%. Based on the final assessed valuation received in August 2009, property taxes increased by \$2.7 million. The projections for investment earnings, financial institutional tax and other local grants decreased by \$0.13 million. Proposition C (sales taxes) and basic formula state aid decreased by \$0.34 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 \$24.9 million were received after the original budget was approved.

Expenditures and transfers out increased by 10.12%. Budgeted expenditures increased by \$22.8 million primarily to fund certain salary increases approved by the Board under union agreements, and federal grant awards for Title I and Title II received after the original budget was approved.

When comparing the original budget to the final budget, there was a favorable variance of \$23.5 million for revenues and transfers in, and an unfavorable budgeted variance for expenditure and transfers out of \$22.8 million, decreasing the use of fund balance from \$11.8 million to \$11.1 million.

When compared to the prior year (see Table 5B), budgeted revenues and transfers in decreased by 7.91% and expenditures and transfers out decreased by 3.56%.

**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

Management's Discussion and Analysis

June 30, 2010

**Table 5A—Budget Comparison, Original to Final Budget, Fiscal Year 2010**

	<b>Revenues and Transfers In</b>	<b>Expenditures and Transfers Out</b>
Original budget	\$ 213,483,177	225,303,589
Final budget	236,937,919	248,097,948
Increase (decrease)	<u>\$ 23,454,742</u>	<u>22,794,359</u>

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

	<b>Revenues and transfers in</b>	<b>Expenditures and transfers out</b>
Fiscal year 2010 final budget	\$ 236,937,919	248,097,948
Fiscal year 2009 final budget	257,302,803	257,245,046
Increase (decrease)	<u>\$ (20,364,884)</u>	<u>(9,147,098)</u>
Percentage of change	(7.91)%	(3.56)%

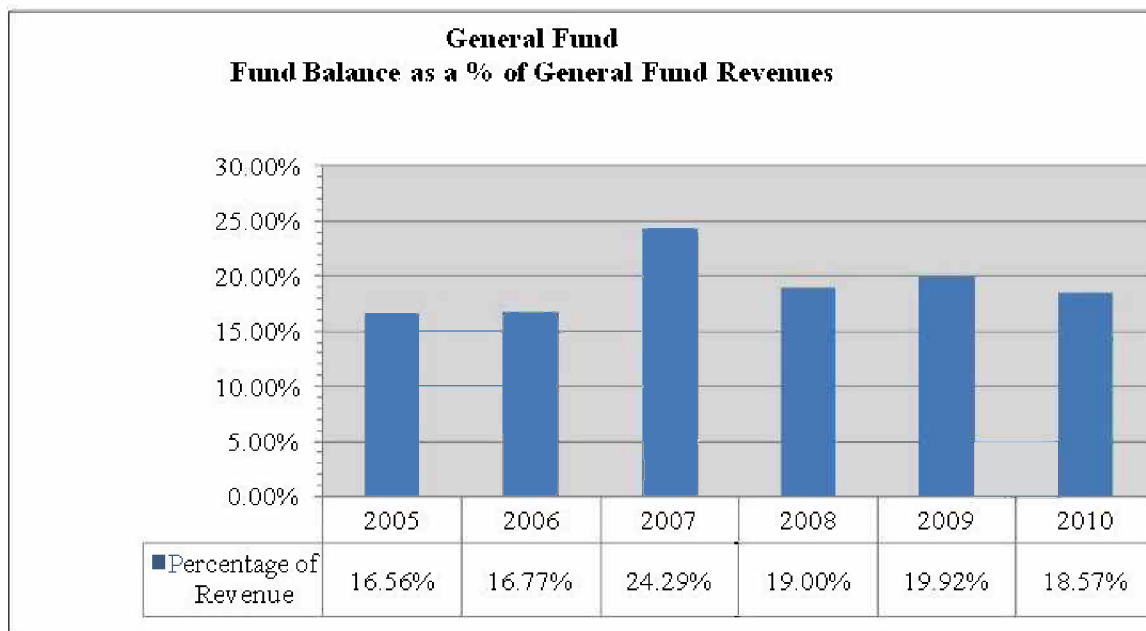
## THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

### Management's Discussion and Analysis

June 30, 2010

#### Major Funds—Financial Highlights

When compared to fiscal year 2009, General Fund revenues and transfers increased by \$20.4 million or 7.9%, and expenditures and transfers increased by \$9.14 million or 3.56%. 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, 2010

The Teachers' Fund revenues and expenditures decreased by \$17.2 million or 17.2% because of declining enrollment and consolidation and closure of seven schools.

The Other Special Revenue Fund increased by \$12 million or 496.85% as the results of a retirement incentive program, a reduction in force necessitated by the closure of almost half of the district schools, and cost cutting measures targeted in administrative and support function positions.

The Debt Service Fund's revenues and other financing sources decreased by \$2.1 million or 13.4% as a result of the decline in interest income earned on investments, the amount of the leased payment and proceeds from the sale of capital assets. Proceeds from the sale of capital assets were \$1.4 million in fiscal year 2009 compared to \$.2 million in fiscal year 2010. Expenditures plus financing uses decreased by \$48.3 million or 76% primarily because in fiscal year 2009 the District transferred \$30 million held by the Trustee, to the Capital Project Fund and 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 decreased by \$16 million or 30.45% due to the issuance of Quality School Construction bonds of \$17.9 million issued for rehabilitation and repairs to school buildings. Expenditures decreased by \$14.5 million primarily cause by a decrease in capital improvements projects of \$10.4 million completed during fiscal year 2009.

#### Capital Assets and Debt Administration

**Capital assets**—The District's investment in capital assets for its governmental activities as of June 30, 2010 amounts to \$366.4 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, building improvements, improvements other than buildings, impaired buildings, equipment, fixtures and vehicles. Capital assets decreased by \$45.2 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**

	<b>2010</b>	<b>2009</b>
Land	\$ 31,784,639	42,320,265
Buildings	270,875,450	347,771,911
Improvements other than buildings	10,688,318	12,887,289
Equipment and furniture	1,605,416	3,571,124
Vehicles	231,022	327,630
Buildings-Impaired	49,757,660	—
Construction in progress	1,439,775	4,725,777
	<u>\$ 366,382,280</u>	<u>411,603,996</u>

## THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

### Management's Discussion and Analysis

June 30, 2010

**Long-term debt**—The Building Corporation issued leasehold revenue bonds to finance the District's major capital improvement projects in prior years with a \$33.95 million outstanding principal balance at the end of fiscal year 2010. In early fiscal year 2010, authorized as part of the American Recovery and Reinvestment Act of 2009, the District was awarded \$17.88 million in Quality School Construction bonds (QSCB) as one of one hundred school districts across the country. As the results of this award, in December, 2009, the Building Corporation issued, on behalf of the District, \$17.88 million in leasehold revenue bonds. A portion of the interest on the QSCB is paid by the federal government in the form of a quarterly tax credit to the owners of the QSCBs. The federal tax credit rate applicable to the QSCBs is 6.05 %. In addition, owners of the QSCBs are also being paid interest on the principal outstanding at an interest rate of 2.23%. 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 \$12.7 million was available to the Trustee in compliance with this requirement. Approximately 4.1% of total District expenditures relate to payments of principal, interest, and bond-related costs. See notes 3(e) and 3(f) for additional information.

### Economic Factors That Impact Fiscal Year 2011 Budgets

- The fiscal year 2011 comprehensive operating budget was approved by the Board on June 23, 2010. Fiscal year 2011 projected current revenues of approximately \$245.1 million is a decrease of about \$59.2 million (or 19.5%) when compared to fiscal year 2010.
  - Local revenue from property taxes increased by \$3.5 million based on preliminary assessed valuation increase of \$25.5 million and the estimated collection rate of 91%.
  - Proposition C sales taxes declined by \$0.7 million as a result of the reduction in the weighted average daily attendance factor caused by declining enrollment.
  - Investment earnings, local grants and subsidies are expected to decline by \$1.4 million.
  - State aid is expected to decline by approximately \$30.7 million as a result of the reduction in the weighted average daily attendance factor.
  - Federal grants declined by \$18.9 million, however, it is anticipated that additional federal grants will be awarded during the fiscal year.
- Fiscal year 2011 expenditures of approximately \$247.7 million represent a decrease of about \$68.8 million (or 21.7%) when compared to the prior year. Thirty cost centers were closed at the end of fiscal year 2010.

### 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 Finance Officer.



## **BASIC FINANCIAL STATEMENTS**



# THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

## Statement of Net Assets

June 30, 2010

	<b>Governmental activities</b>	<b>Business-type activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and investments	\$ 134,698,531	130,282	134,828,813
Restricted cash and investments	29,903,277	—	29,903,277
Taxes receivable (net of allowance for uncollectibles)	150,299,844	—	150,299,844
Interest receivable	512,016	—	512,016
Due from other governmental units	15,616,518	—	15,616,518
Due from community/charter schools	—	50,000	50,000
Other receivables	322,999	—	322,999
Supplies inventories	563,918	—	563,918
Other post-employment benefits	1,845,144	—	1,845,144
Bond issuance costs	203,051	—	203,051
Capital assets (net of accumulated depreciation):			
Nondepreciable	82,982,074	—	82,982,074
Depreciable	283,400,206	—	283,400,206
Property held for sale	4,425,821	—	4,425,821
Total assets	<u>704,773,399</u>	<u>180,282</u>	<u>704,953,681</u>
<b>Liabilities:</b>			
Accounts payable and other	11,234,733	—	11,234,733
Accrued salaries, benefits, and payroll taxes	39,946,813	—	39,946,813
Claims payable	1,265,000	—	1,265,000
Accrued interest payable	709,914	—	709,914
Unearned revenue	127,827,974	—	127,827,974
Long-term liabilities:			
Due within one year:			
Compensated absences	10,908,200	—	10,908,200
Revenue bonds	10,875,000	—	10,875,000
Due in more than one year:			
Compensated absences	12,382,311	—	12,382,311
Revenue bonds	40,955,000	—	40,955,000
Unamortized premium on bonds, net of deferred charges	748,369	—	748,369
Total liabilities	<u>256,853,314</u>	<u>—</u>	<u>256,853,314</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	335,898,462	—	335,898,462
Restricted for:			
Debt service	10,083,684	—	10,083,684
Workers' compensation	280,088	—	280,088
Permanent fund, nonexpendable corpus	35,000	—	35,000
Patron gifts	194,756	—	194,756
Unrestricted	101,428,095	180,282	101,608,377
Total net assets	<u>\$ 447,920,085</u>	<u>180,282</u>	<u>448,100,367</u>

See accompanying notes to basic financial statements.

# THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

## Statement of Activities

Year ended June 30, 2010

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	\$ 20,873,570	—	42,943	—	(20,830,627)
Instruction	149,926,527	34,217	56,152,828	803,522	(92,935,960)
Support services	67,767,970	685,424	18,017,941	—	(49,064,605)
Operation of facilities	41,589,232	49,406	6,855	230,010	(41,302,961)
Pupil transportation	15,258,318	18,564	5,495,634	—	(9,744,120)
Facilities improvements and renovation	225,487	—	—	—	(225,487)
Community and adult services	9,644,186	24,593	528,013	—	(9,091,580)
Interest on long-term debt	1,990,362	—	—	—	(1,990,362)
Total governmental activities	307,275,652	812,204	80,244,214	1,033,532	(225,185,702)
Business-type activities:					
Community services	32,385	96,582	—	—	64,197
Total	307,308,037	908,786	80,244,214	1,033,532	(225,121,505)
General revenues:					
Property taxes					144,210,903
Prop C sales tax					16,658,776
Other local revenues					2,248,886
Intermediate/county					3,295,183
State aid—basic formula					44,028,470
Grants and entitlements not restricted to specific programs					327,697
Investment earnings					1,757,131
Special item-loss on impaired assets					(38,038,113)
Transfers					409,670
Total general revenues, special item and transfers					(405,982)
Change in net assets					(341,785)
Net assets—beginning					498,210,872
Net assets—ending					448,100,367

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Balance Sheet

Governmental Funds

June 30, 2010

Assets	General	Teachers'	Other Special Revenue	Debt Service	Capital Projects	Nonmajor governmental funds	Total governmental funds
Cash and investments	\$ 39,139,685	15,016,924	38,523,258	—	41,727,059	291,605	134,698,531
Restricted cash and investments	280,088	—	—	11,601,186	17,668,730	353,273	29,903,277
Taxes receivable, net of allowance for uncollectibles	145,134,733	1,026,821	—	—	4,138,290	—	150,299,844
Interest receivable	203,512	—	99,296	122,913	84,630	1,665	512,016
Other receivables	94,563	—	60,000	—	—	—	154,563
Due from other governments	14,173,611	—	—	—	330,829	1,112,078	15,616,518
Due from other community	—	—	—	—	—	168,436	168,436
Due from other funds	923,224	—	—	—	—	—	923,224
Advances to other funds	—	—	—	—	1,640,415	—	1,640,415
Supplies inventory	519,949	—	—	—	—	—	519,949
Property held for sale	—	—	—	—	4,425,821	—	4,425,821
Total assets	\$ 200,469,365	16,043,745	38,682,554	11,724,099	70,015,774	1,927,057	338,862,594
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 9,179,015	878,857	7,332,320	—	941,354	195,507	18,527,053
Accrued salaries, benefits, and payroll taxes	6,687,195	15,164,888	18,036,555	—	—	58,175	39,946,813
Advances from other funds	—	—	—	1,640,415	—	—	1,640,415
Due to other funds	—	—	—	—	—	923,224	923,224
Deferred revenue	143,756,369	—	—	—	4,492,394	104,474	148,353,237
Total liabilities	159,622,579	16,043,745	25,368,875	1,640,415	5,433,748	1,281,380	209,390,742
Fund balances:							
Reserved for:							
Encumbrances	1,739,260	—	—	—	4,215,591	—	5,954,851
Advances	—	—	—	—	1,640,415	—	1,640,415
Supplies inventory	519,949	—	—	—	—	—	519,949
Property held for sale	—	—	—	—	4,425,821	—	4,425,821
Debt service	—	—	—	10,083,684	—	—	10,083,684
Capital projects	—	—	—	—	17,668,730	—	17,668,730
Workers Compensation	280,088	—	—	—	—	—	280,088
Permanent fund, nonexpendable corpus	—	—	—	—	—	35,000	35,000
Patron gifts	—	—	—	—	—	194,756	194,756
Unreserved:							
Designated for:							
Grant activity	536,039	—	—	—	—	—	536,039
Long-term building maintenance	—	—	—	—	10,350,152	—	10,350,152
Technology plan	—	—	—	—	6,493,992	—	6,493,992
Sports Complex	—	—	—	—	5,000,000	—	5,000,000
Reserve for Contingency	516,728	—	—	—	—	—	516,728
Compensated absences	—	—	13,253,679	—	—	—	13,253,679
E-Rate/E-Rate support	—	—	—	—	1,848,494	—	1,848,494
Undesignated:							
General fund	37,254,722	—	—	—	—	—	37,254,722
Special revenue funds	—	—	60,000	—	—	290,739	350,739
Permanent fund	—	—	—	—	—	125,182	125,182
Capital projects fund	—	—	—	—	12,938,831	—	12,938,831
Total fund balances	40,846,786	—	13,313,679	10,083,684	64,582,026	645,677	129,471,852
Total liabilities and fund balances	\$ 200,469,365	16,043,745	38,682,554	11,724,099	70,015,774	1,927,057	338,862,594

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, 2010

Fund balances—balance sheet	\$ 129,471,852
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	366,382,280
Federal food commodities	43,969
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	(51,830,000)
Unamortized premium on bonds net of deferred charges	(748,369)
Accrued interest payable	(709,914)
Bond issuance costs	203,051
Other post-employment benefits	1,845,144
Compensated absences	(15,998,191)
Claims payable	(1,265,000)
	<u>(68,503,279)</u>
Deferred revenue—property taxes	17,287,735
Deferred revenue—grants	<u>3,237,528</u>
Net assets of governmental activities	<u>\$ 447,920,085</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, 2010

	General	Teachers'	Other Special Revenue	Debt Service	Capital Projects	Nonmajor governmental funds	Total governmental funds
Revenues:							
Property taxes	\$ 137,026,766	—	—	—	7,959,073	—	144,985,839
Prop C sales tax	10,411,735	6,247,041	—	—	—	—	16,658,776
Other local	2,167,660	21,319	297,480	273,190	1,041,464	1,573,426	5,374,539
Intermediate/county	3,053,592	241,591	—	—	—	—	3,295,183
State aid—basic formula	15,693,768	28,334,702	—	—	—	—	44,028,470
Other state	8,435,493	19,192	—	—	—	49,179	8,503,864
Federal	42,944,134	20,715,397	—	—	826,797	9,851,230	74,337,558
Tuition	18,563	33,303	—	—	—	—	51,866
Total revenues	219,751,711	55,612,545	297,480	273,190	9,827,334	11,473,835	297,236,095
Expenditures:							
Current:							
Administration	10,411,336	10,168,581	—	—	—	—	20,579,917
Instruction	30,383,023	104,014,608	—	—	—	1,142,385	135,540,016
Support services	24,156,639	22,895,915	14,472,764	—	—	11,007,886	72,533,204
Operation of facilities	41,179,443	—	—	—	—	—	41,179,443
Pupil transportation	15,258,317	—	—	—	—	—	15,258,317
Community and adult services	8,889,154	721,708	—	—	—	—	9,610,862
Debt service:							
Bond issuance costs	—	—	—	216,588	—	—	216,588
Principal	—	—	—	10,385,000	—	—	10,385,000
Interest and fiscal charges	—	—	—	2,352,478	—	—	2,352,478
Capital outlay:							
Administration	—	—	—	—	14,709	—	14,709
Instruction	—	—	—	—	1,011,241	—	1,011,241
Support services	—	—	—	—	810,189	—	810,189
Operation of facilities	—	—	—	—	25,607	—	25,607
Pupil transportation	—	—	—	—	—	—	—
Community and adult services	—	—	—	—	14,494	—	14,494
Facilities improvement and renovation	—	—	—	—	7,290,082	—	7,290,082
Total expenditures	130,277,912	137,800,812	14,472,764	12,954,066	9,166,322	12,150,271	316,822,147
Revenues over (under) expenditures	89,473,799	(82,188,267)	(14,175,284)	(12,680,876)	661,012	(676,436)	(19,586,052)
Other financing sources (uses):							
Transfers in	325,231	82,831,120	6,351,318	12,738,580	9,037,854	1,127,233	112,411,336
Transfers out	(96,248,103)	(642,853)	—	(2,314,262)	(12,738,580)	(57,868)	(112,001,666)
Unrealized loss on surplus assets	—	—	—	—	(595,000)	—	(595,000)
Issuance of long-term debt	—	—	—	211,270	17,668,730	—	17,880,000
Sale of surplus assets	—	—	—	161,339	—	—	161,339
Total other financing sources (uses)	(95,922,872)	82,188,267	6,351,318	10,796,927	13,373,004	1,069,365	17,856,009
Net change in fund balances	(6,449,073)	—	(7,823,966)	(1,883,949)	14,034,016	392,929	(1,730,043)
Fund balances, beginning of year	47,295,859	—	21,137,645	11,967,633	50,548,010	252,748	131,201,895
Fund balances, end of year	\$ 40,846,786	—	13,313,679	10,083,684	64,582,026	645,677	129,471,852

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, 2010

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

Net change in fund balances—total governmental funds	\$ (1,730,043)
--	----------------

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	7,560,930
Depreciation expense	(14,689,533)
	<hr/>
	(7,128,603)

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

Loss on disposal of capital assets	(55,000)
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Assets declared surplus-unrealized loss	(38,038,113)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,347,482)
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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:

Issuance of leasehold revenue bonds net of fees	(17,880,000)
Principal payment on revenue bonds	10,385,000
Bond issuance costs	216,588
Amortization on premium and deferred charges and bond issuance costs	173,548
Accrued interest payable	188,568
	<hr/>
	(6,916,296)

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	73,224
Compensated absences	6,396,598
Claims payable	(545,072)
	<hr/>
	5,924,750

Change in net assets of governmental activities	\$ <u><u>(50,290,787)</u></u>
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See accompanying notes to basic financial statements.



**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

**Statement of Net Assets—Proprietary Funds**

June 30, 2010

	<b>Nonmajor Enterprise Fund</b>
Assets:	
Cash and Investments	\$ 130,282
Other receivables, net of allowance for uncollectible	<u>50,000</u>
Total assets	<u>180,282</u>
 Net assets, unrestricted	 \$ <u><u>180,282</u></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, 2010

	<b>Nonmajor Enterprise Fund</b>
Operating revenues:	
Charges for community support services	96,582
Total operating revenues	96,582
Operating expenses:	
Salaries, wages, and employee benefits	32,385
Total operating expenses	32,385
Operating income	64,197
Nonoperating revenues, interest income	3,688
Income before transfers	67,885
Transfers out	(409,670)
Change in net assets	(341,785)
Total net assets, beginning of year	522,067
Total net assets, end of year	\$ 180,282

See accompanying notes to basic financial statements.

**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

Statement of Cash Flows—Proprietary Funds

Year ended June 30, 2010

	<b>Nonmajor Enterprise Fund</b>
Cash flows from operating activities:	
Receipts from customers and users	\$ 229,598
Payments to employees	<u>(32,385)</u>
Net cash provided by operating activities	<u>197,213</u>
Cash flows from noncapital and related financing activities,	
Transfers to other funds	(409,670)
Cash flows from investing activities,	
Interest income received	<u>3,688</u>
Net (decrease) in cash and cash equivalents	(208,769)
Cash and cash equivalents, beginning of year	<u>339,051</u>
Cash and cash equivalents, end of year	\$ <u><u>130,282</u></u>
Reconciliation of operating income to net cash	
provided by operating activities:	
Operating income	\$ 64,197
Adjustments to reconcile operating income (loss) to net cash	
provided by (used in) operating activities:	
Decrease in other receivable	<u>133,016</u>
Total adjustments	<u>133,016</u>
Net cash provided by operating activities	\$ <u><u>197,213</u></u>

See accompanying notes to basic financial statements.

**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

**Statement of Fiduciary Net Assets**

June 30, 2010

	<b>Private Purpose Trust— Student Scholarship Fund</b>
Assets:	
Investments	\$ 526,690
Interest receivable	2,759
	<hr/>
Total assets	529,449
	<hr/>
Net assets:	
Net assets held in trust for other purposes	\$ 529,449
	<hr/> <hr/>

See accompanying notes to basic financial statements.

**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

**Statement of Changes in Fiduciary Net Assets**

**Year Ended June 30, 2010**

	<b>Private Purpose Trust— Student Scholarship Fund</b>
Additions:	
Contributions:	
Private donations	\$ <u>76,245</u>
Total contributions	<u>76,245</u>
Investment income:	
Interest	<u>2,306</u>
Total investment income	<u>2,306</u>
Total additions	<u>78,551</u>
Deductions:	
Scholarship awards	<u>129,230</u>
Total deductions	<u>129,230</u>
Net decrease	(50,679)
Net assets, beginning of year	<u>580,128</u>
Net assets, end of year	\$ <u><u>529,449</u></u>

See accompanying notes to basic financial statements.

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# THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

## Notes to Basic Financial Statements

June 30, 2010

### (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, 2010 are included in the basic financial statements as Capital Projects and Debt Service Funds. The Building Corporation does not issue separate financial statements.

*Charter Schools*—Charter schools are established within the boundaries of the District by state statutes as local educational agencies. Twenty charter schools were operating during fiscal year 2010. 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, 2010

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, 2010

The *Teachers' Fund*, a special revenue fund, is used to account for the payment of payroll and fringe benefits 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 debt service fund is shown as major for public interest purposes.

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 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. Non-operating revenue is interest income.

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, 2010

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

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

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

##### **1. Deposits and Investments**

The District maintains a cash and investment pool that is available for use by all funds except those identified as component units and the student activity fund. Each participating fund's portion of the pool is recorded on the balance sheet or statement of net assets as 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, 2010

### 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, 2010.

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, 2009 for real estate, personal property, merchants and manufacturers, and railroad and utility property was approximately \$2.8 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, 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, 2010

### 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 has declared five closed buildings that will no longer be used by the District, but will be held for sale as surplus property. Once the decision is made by the Board to sell the building, it may be sold in compliance with bond covenants and state statutes. The District has recorded property held for sale in the governmental funds at the lower of net book value of the property or the estimated fair value.

### 6. Compensated Absences

District employees earn annual vacation leave at the following rates:

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

Vested unused vacation, up to a maximum of 60 days, is payable upon the date of termination or retirement.

# **THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

## **Notes to Basic Financial Statements**

June 30, 2010

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, 2010 of \$23.3 million have been recorded in the government-wide financial statements. Of this balance, \$7,292,320 is recorded as accrued liabilities in the Other Special Revenue Fund as they are considered due, for example, as a result of employee resignations and retirements. Within the governmental funds financial statements, management has designated fund balance at June 30, 2010 of \$13.2 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.

### **8. Long-term Obligations**

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

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

### **9. Fund Equity and Net Assets**

In the 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.

In the government-wide financial statements and proprietary fund financial statements, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent bond proceeds of \$17,668,730.

# THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

## Notes to Basic Financial Statements

June 30, 2010

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

Net assets restricted through legislation, outside parties or by law through constitutional provisions consist of \$10,083,684 for debt service, \$280,088 for Worker's Compensation, \$35,000 for nonexpendable corpus of permanent fund, and \$194,756 for patron gifts.

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

### 10. Use of Estimates

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

## (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, 2010:

*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, 2010, designated funds of \$10,350,152 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, 2010, designated funds of \$6,493,992 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, 2010, designated funds of \$1,848,494 were shown in the Capital Projects Fund.

# THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

## Notes to Basic Financial Statements

June 30, 2010

*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, 2010, designated funds of \$536,039 were shown in the General Fund.

*Sports Complex*—Management has designated a portion of fund balance for proceeds to be used for future construction of a sports complex. At June 30, 2010, designated funds of \$5,000,000 were shown in the 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, 2010, designated funds of \$516,728 were shown in the General Fund.

### (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, 2010:

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average maturity (years)</u>
U.S. Treasury obligations	\$ 4,031,652	2.59
Government-sponsored enterprises	81,658,968	2.02
Repurchase agreements	36,004,000	3.59
Certificates of deposit	24,960,000	.51
Total fair value	<u>146,654,620</u>	
Portfolio weighted average maturity		2.18
Other cash and investments not subject to a structured maturity date:		
Money market funds	18,306,352	
Deposits	297,808	
	<u>18,604,160</u>	
Total cash and investments	\$ 165,258,780	

# THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

## Notes to Basic Financial Statements

June 30, 2010

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 1.9 years. The weighted average maturity for the investments of the Building Corporation is about 4 years.

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:

Investment type	Moody's Investors Service	Standard & Poor's
U. S. Treasury Obligations	Aaa	AAA
Government-sponsored enterprises		
Fannie Mae	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
Federal National Mortgage Discount	AAA	AAA
Repurchase agreement	AAA	AAA
Repurchase agreement	Aa3	AAA
Certificate of deposit	NR	NR
Money market funds	NR	NR
Money market	P1	A1

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 15% of its investments in certificates of deposits, Missouri Securities Investment Program Term Series and 49% in callable U.S. Government agencies.



# THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

## Notes to Basic Financial Statements

June 30, 2010

Collateralized repurchase agreements are limited to 50% of the total investments. At June 30, the District had 22% of its investments in collateralized repurchase agreements.

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

### (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	\$ 203,512	—	99,296	122,913	84,630	4,424	—	514,775
Taxes	147,239,079	1,026,821	—	—	5,935,167	—	—	154,201,067
Due from other								
governments	14,173,611	—	—	—	330,829	1,112,078	—	15,616,518
Due from other funds	923,224	—	—	—	—	—	—	923,224
Advances to other funds	—	—	—	—	1,640,415	—	—	1,640,415
Community programs	—	—	—	—	—	168,436	50,000	218,436
Other receivables	94,563	—	60,000	—	—	—	—	154,563
Gross receivables	162,633,989	1,026,821	159,296	122,913	7,991,041	1,284,938	50,000	173,268,998
Less allowance for uncollectibles	(2,104,346)	—	—	—	(1,796,877)	—	—	(3,901,223)
Net total								
receivables	\$ 160,529,643	1,026,821	159,296	122,913	6,194,164	1,284,938	50,000	169,367,775

- (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, 2010

### (c) Capital Assets

Capital asset activity as of June 30, 2010 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	\$ 42,320,265	—	(10,535,626)	31,784,639
Construction in progress	4,725,777	889,699	(4,175,701)	1,439,775
Impairment- closed buildings	—	—	49,757,660	49,757,660
Total capital assets, not being depreciated	<u>47,046,042</u>	<u>889,699</u>	<u>35,046,333</u>	<u>82,982,074</u>
Capital assets, being depreciated:				
Buildings	550,993,420	9,219,483	(122,122,245)	438,090,658
Improvements other than buildings	41,449,326	1,491,627	(8,712,075)	34,228,878
Equipment and furniture	31,974,395	104,415	(2,913,090)	29,165,720
Vehicles	<u>1,858,069</u>	<u>31,407</u>	<u>—</u>	<u>1,889,476</u>
Total capital assets being depreciated	<u>626,275,210</u>	<u>10,846,932</u>	<u>(133,747,410)</u>	<u>503,374,732</u>
Less accumulated depreciation for:				
Buildings	(203,221,509)	(10,948,851)	46,955,152	(167,215,208)
Improvements other than buildings	(28,562,037)	(1,542,544)	6,564,021	(23,540,560)
Equipment and furniture	(28,403,271)	(2,070,123)	2,913,090	(27,560,304)
Vehicles	<u>(1,530,439)</u>	<u>(128,015)</u>	<u>—</u>	<u>(1,658,454)</u>
Total accumulated depreciation	<u>(261,717,256)</u>	<u>(14,689,533)</u>	<u>56,432,263</u>	<u>(219,974,526)</u>
Total capital assets, being depreciated, net	<u>364,557,954</u>	<u>(3,842,601)</u>	<u>(77,315,147)</u>	<u>283,400,206</u>
Governmental activities capital assets, net	<u>\$ 411,603,996</u>	<u>(2,952,902)</u>	<u>(42,268,814)</u>	<u>366,382,280</u>

# THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

## Notes to Basic Financial Statements

June 30, 2010

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

Elementary schools	\$ 6,242,565
Middle schools	2,631,257
Senior high schools	4,859,630
Other instruction	16,125
Special education	286,217
Total instruction	<u>14,035,794</u>
Improvement of instruction—curriculum development	508
Executive Administration	1,810
Financial and internal services	1,644
Food Service	75,868
Information technology	128,253
Total support services	<u>208,083</u>
Operation of facilities	134,728
Internal Services	14,559
Facilities acquisition and construction	296,369
Total governmental activities depreciation expense	<u>\$ 14,689,533</u>

As of June 30, 2010 the District has thirty-three schools with a total carrying value of \$106,292,660 that are idle and considered impaired. Management has determined eight of these schools with a carrying value of \$56,535,000 are considered to be temporarily impaired. The remaining twenty-five closed schools were accounted for at the lower of net book value or fair value. As a result, the District recorded a loss of \$38,038,113. The loss is recorded as a special item since it is within the control of management and infrequent in occurrence.

### *Interfund Receivables, Payables, and Transfers*

Interfund receivables,

payables, and advances to and from at June 30, 2010 are as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Major funds:		
General	\$ 923,224	—
Capital Projects	1,640,415	—
Debt Service	—	1,640,415
Nonmajor fund:		
Special Revenue (Child Nutritional Services)	—	923,224
	<u>\$ 2,563,639</u>	<u>2,563,639</u>

# THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

## Notes to Basic Financial Statements

June 30, 2010

The purpose of the above interfund balances is to reflect the payables and receivables between certain funds at June 30, 2010. 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 \$.9 million is reclassified as a due to/from other funds. The District is required to make advance payments to the trustee and \$1.64 million represents excess deposits after applying the proceeds from the sale of buildings to current debt service obligations.

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	\$ -	82,831,120	-	5,604,167	6,685,583	1,127,233	96,248,103
Teachers'	-	-	-	642,853	-	-	642,853
Debt Service Fund	-	-	-	-	2,314,262	-	2,314,262
Capital Project Fund	-	-	12,738,580	-	-	-	12,738,580
Nonmajor governmental funds	-	-	-	19,859	38,009	-	57,868
Enterprise fund	325,231	-	-	84,439	-	-	409,670
	<u>\$ 325,231</u>	<u>82,831,120</u>	<u>12,738,580</u>	<u>6,351,318</u>	<u>9,037,854</u>	<u>1,127,233</u>	<u>112,411,336</u>

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, 2010.

### (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 2003 series bonds issued by the Building Corporation, a portion of the District's property taxes. The 2003 series bonds are payable through 2014. Total principal and interest remaining on the 2003 series bond debt is \$37,691,310 with annual requirements ranging from \$6 to \$12.6 million. For the current year, principal and interest paid by the District were \$10.39 million and \$2.17 million, respectively.

# THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

## Notes to Basic Financial Statements

June 30, 2010

The 2009 Leasehold Revenue Qualified School Construction Bonds are payable through 2025. The total principal and interest remaining on the debt is \$22,086,337 with annual requirements ranging from \$398,724 to \$2.4 million. For the current year, interest paid by the District was \$182,749. Principal payments begin in 2015.

Bonds outstanding at June 30, 2010 are as follows:

<b>Purpose</b>	<b>Amount outstanding</b>	<b>Interest rate</b>	<b>Maturity year</b>
Series 2003A	\$ 6,605,000	4.00% to 5.00%	2014
Series 2003B	27,345,000	4.00% to 5.00%	2014
Series 2009	17,880,000	2.23%	2025
	<u>\$ 51,830,000</u>		

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

	<b>Governmental activities</b>	
	<b>Principal</b>	<b>Interest</b>
Year ending June 30:		
2011	\$ 10,875,000	2,074,254
2012	9,770,000	1,530,504
2013	7,555,000	1,045,224
2014	5,750,000	686,224
2015	1,050,000	392,870
2016-2020	6,735,000	1,563,035
2021-2025	10,095,000	655,536
Total	<u>\$ 51,830,000</u>	<u>7,947,647</u>

### (f) *Changes in Long-term Liabilities*

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

	<b>Beginning balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending balance</b>	<b>Due within one year</b>
Governmental activities:					
Leasehold revenue bonds	\$ 44,335,000	17,880,000	(10,385,000)	51,830,000	10,875,000
Compensated absences	22,394,789	4,511,602	(3,615,880)	23,290,511	10,908,200
Long-term liabilities	<u>\$ 66,729,789</u>	<u>22,391,602</u>	<u>(14,000,880)</u>	<u>75,120,511</u>	<u>21,783,200</u>

Compensated absences are liquidated by the Other Special Revenue Fund.

# THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

## Notes to Basic Financial Statements

June 30, 2010

### (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 \$280,088 as of June 30, 2010 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 2009 and 2010 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 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>
Fiscal year 2010:				
Claims and judgments	<u>719,928</u>	<u>989,072</u>	<u>444,000</u>	<u>1,265,000</u>
	<u>\$ 719,928</u>	<u>989,072</u>	<u>444,000</u>	<u>1,265,000</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, 2010

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 2010, 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 2010:

Annual Required Contribution	\$ 1,822,517
Interest on Net OPEB Obligation	(70,877)
Adjustment to ARC	<u>98,529</u>
Annual OPEB Cost (Expense)	<u>1,850,169</u>
Contributions Made	<u>(1,923,393)</u>
Increase in net OPEB Obligation (Asset)	(73,244)
Net OPEB Asset – Beginning of Year	<u>(1,771,920)</u>
Net OPEB Asset – End of Year	<u>\$(1,845,144)</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2010, 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>
06/30/10	\$1,850,169	103.96%	\$(1,845,144)
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, 2010

As of July 1, 2009, the most recent valuation date, 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 July 1, 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 UAAL is being amortized as a level dollar amount over a period of 30 years.

#### **(c) *Status of Accreditation***

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

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



## THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

### Notes to Basic Financial Statements

June 30, 2010

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

#### *(d) Commitments*

On June 25, 2008 the Board approved a three year agreement spanning fiscal years 2009-2011 with First Student to provide regular and special education transportation services. The contract is based on variable pricing dependent on the number of bus routes scheduled. Actual expenditures in the current year were \$3,730,000 and the District expects similar expenditures in the next fiscal year.

On June 25, 2008 the Board approved a three year agreement spanning fiscal years 2009-2011 with Durham School Services to provide regular and special education transportation services. The contract is based on variable pricing dependent on the number of bus routes scheduled. Actual expenditures in the current year were \$10,116,000 and the District expects similar expenditures in the next fiscal year

Certain commitments have been made relating to approved projects from the 2009 QSCB proceeds. Through June 30, 2010, the District has not incurred any expenditures relating to these projects, but has entered into contracts totaling approximately \$2.6 million.

#### *(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.

## THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

### Notes to Basic Financial Statements

June 30, 2010

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 prevailed in its federal court challenge, entitling the District to continue receiving per pupil allocation from charter schools through 2014.

At the same time, the District filed a separate action in state court against the State, to which the charter schools joined, to recover monies paid by the State to the charter schools prior to the federal court ruling that such payments violated settlement in *Jenkins* desegregation case. The District has also brought claims against the charter schools that received monies that should have gone to the District.

A decision is pending in the state court case on summary judgment motions on the District's claims against the state and charter schools to recover \$6,162,011 from the state or, alternatively, \$5,082,253 from the charter schools for monies wrongfully diverted by the State from the District to the charter schools for the 2005-06 school year, prior to the federal court's ruling in the District favor.

Further, 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 LEA's. 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. That ruling was affirmed by the State Supreme Court on August 3, 2010.

The District currently is involved in various other litigations, the outcome of which is uncertain. It is the opinion of management and legal counsel that final outcome of these other matters will not have a material impact on the District 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, 2010

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

The District's contributions to the Retirement System for the years ended December 31, 2009, 2008 and 2007 were \$12,335,504, \$12,583,497, and \$12,591,876, respectively, which was equal to the annual required contribution for the District.

#### ***(g) Early Retirement Incentive***

Due to declining enrollment, and the planned closing of school buildings, the District had to realign staffing levels. As part of this plan, the Board of Directors, on March 24, 2010, authorized \$4,000,000 for a one-time retirement incentive to qualifying certified employees. To be eligible, a certified employee was required to have 75 points (age plus years of service) toward creditable service with a minimum of 10 years of continuous service within the Kansas City, Missouri School District. Each participating full-time, certified, employee of the Public School Retirement System of the School District of Kansas City, Missouri received a one-time payment of \$20,000. Each employee could elect to direct the payment to a third party insurance annuity, take as taxable compensation or a combination of the two.

On April 28, 2010 the Board of Directors approved \$1,000,000 for a one-time retirement incentive to qualifying to classified employees. To be eligible, a classified employee was required to have 75 points (age plus years of service) toward creditable service with a minimum of 10 years of continuous service within the Kansas City, Missouri School District, and a minimum hourly rate of \$12.30. Each participating full-time, classified, employee of the Public School Retirement System of the School District of Kansas City, Missouri received a one-time payment of \$10,000. Each employee could elect to direct the payment to a third party insurance annuity, take as taxable compensation or a combination of the two.

Two hundred twenty one certified and sixty eight classified employees participated with retirement incentive payments, including all applicable payroll taxes for the year ended June 30, 2010, totaling \$5,048,585.

#### ***(h) Subsequent Event***

As part of the 2009 American Recovery and Reinvestment Act, the District as one of a hundred school districts across the country, has been awarded Quality School Construction Bonds (QSCB) for \$16.274 million. The District anticipates issuance of the bonds November, 2010. The QSCB provides tax credits, in lieu of interest, to bond holders. Because the federal government provides for the "interest" payment, the district is only responsible for repayment of the bond principal. The federal government covers all of the interest in the form of tax credits on these bonds, resulting in savings for renovation and improvement projects.

## THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

### Notes to Basic Financial Statements

June 30, 2010

#### (i) *New Pronouncements*

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

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. 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. This Statement had no effect to the District in the current year.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement improves 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. This Statement had no effect to the District in the current year.
- GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This Statement provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs. This statement had no effect to the District in the current year.

As of June 30, 2010, 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. 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 SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

### Notes to Basic Financial Statements

June 30, 2010

- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, issued January 2010, will be effective for the District beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. GASB 57 amends GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.
- GASB Statement No. 59, *Financial Instruments Omnibus*, issued June 2010, will be effective for the District beginning with its year ending June 30, 2011. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investment pools, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

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, 2010

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Revenues:				
Property taxes	\$ 133,680,615	136,423,077	137,026,766	603,689
Prop C taxes	10,657,405	10,396,701	10,411,735	15,034
Other local	3,063,213	2,934,422	2,167,660	(766,762)
County	3,550,351	3,350,183	3,053,592	(296,591)
Basic formula	19,435,936	19,358,107	15,693,768	(3,664,339)
Other state	10,627,782	6,794,242	8,435,493	1,641,251
Federal sources	32,467,874	57,355,956	42,944,134	(14,411,822)
Tuition	—	—	18,563	18,563
Total revenues	213,483,176	236,612,688	219,751,711	(16,860,977)
Expenditures:				
Current:				
Administration:				
Board of Education services:				
Salaries	\$ 256,344	256,344	240,566	15,778
Benefits	74,913	74,913	73,800	1,113
Purchased services	490,952	485,952	968,754	(482,802)
Supplies and materials	12,750	17,750	19,750	(2,000)
Total Board of Education services	834,959	834,959	1,302,870	(467,911)
Executive administration:				
Salaries	1,079,963	1,358,292	1,111,726	246,566
Benefits	273,026	332,744	306,671	26,073
Purchased services	2,525,445	3,820,799	4,272,232	(451,433)
Supplies and materials	91,129	71,352	43,047	28,305
Total executive administration	3,969,563	5,583,187	5,733,676	(150,489)
Building level administration:				
Salaries	2,016,752	2,175,042	2,317,032	(141,990)
Benefits	879,916	854,651	894,237	(39,586)
Purchased services	141,311	134,694	163,283	(28,589)
Supplies and materials	83,484	96,496	53,208	43,288
Total building level administration	3,121,463	3,260,883	3,427,760	(166,877)
Total administration	7,925,985	9,679,029	10,464,306	(785,277)
Instruction:				
Elementary:				
Salaries	\$ 1,686,575	1,877,086	1,762,319	114,767
Benefits	520,453	645,769	752,634	(106,865)
Purchased services	4,806,426	2,081,229	1,443,030	638,199
Supplies and materials	3,115,520	3,310,455	2,725,469	584,986
Total elementary	10,128,974	7,914,539	6,683,452	1,231,087

**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2010

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Middle/junior high:				
Salaries	20,745	59,328	49,170	10,158
Benefits	1,823	15,119	14,126	993
Purchased services	206,152	115,250	49,162	66,088
Supplies and materials	174,180	807,496	475,128	332,368
Total middle/junior high	402,900	997,193	587,586	409,607
Senior high:				
Salaries	94,947	312,780	299,092	13,688
Benefits	55,814	102,984	96,916	6,068
Purchased services	991,866	493,761	213,360	280,401
Supplies and materials	636,219	976,740	623,984	352,756
Total senior high	1,778,846	1,886,265	1,233,352	652,913
Summer school:				
Salaries	1,262,207	3,363,832	3,023,966	339,866
Benefits	320,133	1,223,346	1,216,133	7,213
Purchased services	297,980	283,538	72,372	211,166
Supplies and materials	918,187	904,891	259,128	645,763
Total summer school	2,798,507	5,775,607	4,571,599	1,204,008
Special education:				
Salaries	3,837,276	3,553,681	3,379,319	174,362
Benefits	1,588,700	1,583,716	1,390,450	193,266
Purchased services	8,283,068	6,987,280	4,602,753	2,384,527
Supplies and materials	370,822	412,818	135,580	277,238
Total special education	14,079,866	12,537,495	9,508,102	3,029,393
Culturally different:				
Salaries	1,342,719	1,448,621	1,344,672	103,949
Benefits	570,212	663,898	619,705	44,193
Purchased services	3,777,672	8,704,448	3,246,819	5,457,629
Supplies and materials	1,537,063	2,710,824	1,475,075	1,235,749
Total culturally different	7,227,666	13,527,791	6,686,271	6,841,520
Vocational instruction:				
Salaries	207,824	178,488	167,458	11,030
Benefits	72,943	60,689	60,740	(51)
Purchased services	83,420	185,407	131,691	53,716
Supplies and materials	326,529	283,996	160,367	123,629
Total vocational instruction	690,716	708,580	520,256	188,324

**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2010

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Student activities:				
Salaries	387,448	227,909	273,019	(45,110)
Benefits	47,533	37,700	55,274	(17,574)
Purchased services	531,320	397,841	248,271	149,570
Supplies and materials	193,735	277,218	140,138	137,080
Total student activities	1,160,036	940,668	716,702	223,966
Total instruction	38,267,511	44,288,138	30,507,320	13,780,818
Support services:				
Attendance/placement:				
Salaries	\$ 1,834,308	1,971,612	1,908,175	63,437
Benefits	617,560	663,818	637,330	26,488
Purchased services	3,934,948	2,693,207	1,607,117	1,086,090
Supplies and materials	27,117	71,334	—	71,334
Total attendance/placement	6,413,933	5,399,971	4,152,622	1,247,349
Guidance/counseling:				
Salaries	614,808	766,488	805,705	(39,217)
Benefits	228,500	265,927	295,542	(29,615)
Purchased services	153,670	19,286	1,966	17,320
Supplies and materials	14,430	16,430	4,959	11,471
Total guidance/counseling	1,011,408	1,068,131	1,108,172	(40,041)
Health, psychology, and speech:				
Salaries	1,618,714	1,478,414	1,346,986	131,428
Benefits	591,901	560,852	476,996	83,856
Purchased services	18,000	18,000	10,568	7,432
Supplies and materials	27,042	27,909	12,659	15,250
Total health, psychology, and speech	2,255,657	2,085,175	1,847,209	237,966
Improvement of instruction:				
Curriculum development:				
Salaries	353,902	459,451	430,312	29,139
Benefits	105,986	132,229	146,716	(14,487)
Purchased services	5,449,976	5,061,365	3,197,306	1,864,059
Supplies and materials	762,888	516,607	336,406	180,201
Total curriculum development	6,672,752	6,169,652	4,110,740	2,058,912
Staff training:				
Salaries	66,858	66,858	16,140	50,718
Benefits	15,410	15,410	2,296	13,114
Purchased services	645,524	378,830	31,130	347,700
Supplies and materials	24,500	106,986	74,076	32,910
Total staff training	752,292	568,084	123,642	444,442

**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2010

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Educational media services:				
Salaries	434,584	434,584	412,121	22,463
Benefits	155,617	155,617	144,347	11,270
Purchased services	27,650	177,650	158,305	19,345
Supplies and materials	942,131	974,502	668,728	305,774
Total educational media services	<u>1,559,982</u>	<u>1,742,353</u>	<u>1,383,501</u>	<u>358,852</u>
Financial services:				
Salaries	1,345,768	1,556,116	1,444,116	112,000
Benefits	376,474	458,438	427,687	30,751
Purchased services	402,778	394,777	330,687	64,090
Supplies and materials	59,514	62,214	68,469	(6,255)
Total financial services	<u>2,184,534</u>	<u>2,471,545</u>	<u>2,270,959</u>	<u>200,586</u>
Food service:				
Supplies and materials	190,961	61,029	41,529	19,500
Total food service	<u>190,961</u>	<u>61,029</u>	<u>41,529</u>	<u>19,500</u>
Internal service:				
Salaries	737,854	737,854	596,530	141,324
Benefits	227,625	227,625	191,488	36,137
Purchased services	119,375	121,775	(105,951)	227,726
Supplies and materials	5,394	6,694	23,164	(16,470)
Total internal service	<u>1,090,248</u>	<u>1,093,948</u>	<u>705,231</u>	<u>388,717</u>
Planning/research/evaluation:				
Development services:				
Salaries	434,800	434,800	424,323	10,477
Benefits	96,905	96,905	108,625	(11,720)
Purchased services	603,609	716,488	488,725	227,763
Supplies and materials	38,813	36,185	15,909	20,276
Total development services	<u>1,174,127</u>	<u>1,284,378</u>	<u>1,037,582</u>	<u>246,796</u>

**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2010

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Admissions/communication services:				
Salaries	321,639	301,692	312,370	(10,678)
Benefits	95,072	90,690	100,053	(9,363)
Purchased services	467,192	873,460	508,557	364,903
Supplies and materials	11,250	15,389	6,805	8,584
Total admissions/communications	895,153	1,281,231	927,785	353,446
Human Resource services:				
Salaries	1,291,682	1,335,004	1,290,969	44,035
Benefits	367,477	355,460	370,918	(15,458)
Purchased services	875,615	625,529	406,446	219,083
Supplies and materials	622,000	50,060	17,571	32,489
Total personnel services	3,156,774	2,366,053	2,085,904	280,149
Information technology:				
Salaries	1,835,055	1,831,904	1,554,380	277,524
Benefits	489,770	489,174	449,254	39,920
Purchased services	2,208,867	2,985,367	2,306,338	679,029
Supplies and materials	39,000	39,500	220,045	(180,545)
Total information technology	4,572,692	5,345,945	4,530,017	815,928
Total support services	31,930,513	30,937,495	24,324,893	6,612,602
Operation of facilities:				
Salaries	\$ 16,787,575	17,988,567	16,408,237	1,580,330
Benefits	5,906,103	6,167,857	5,727,370	440,487
Purchased services	11,600,143	12,006,787	15,088,325	(3,081,538)
Supplies and materials	48,600	73,825	64,051	9,774
Other purchased services	2,221,080	1,975,148	2,398,907	(423,759)
Other supplies and materials	1,056,000	1,316,649	1,770,696	(454,047)
Total operation of facilities	37,619,501	39,528,833	41,457,586	(1,928,753)
Pupil transportation:				
Purchased services	\$ 15,913,097	16,123,017	15,255,923	867,094
Supplies and materials	3,000	3,000	2,394	606
Total pupil transportation	15,916,097	16,126,017	15,258,317	867,700
Community and adult services:				
Adult basic education:				
Salaries	\$ 129,712	152,649	158,855	(6,206)
Benefits	50,464	55,430	57,171	(1,741)
Purchased services	6,223	31,326	24,412	6,914
Supplies and materials	25,195	41,272	29,867	11,405
Total adult basic education	211,594	280,677	270,305	10,372
Adult continuing education:				
Salaries	—	2,426	2,879	(453)
Benefits	—	240	300	(60)
Purchased services	—	1,000	850	150
Supplies and materials	—	2,000	147	1,853
Total adult continuing education	—	5,666	4,176	1,490

**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2010

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Community services:				
Salaries	\$ 2,196,088	2,393,330	1,865,459	527,871
Benefits	815,734	890,140	687,736	202,404
Purchased services	5,785,819	6,068,139	5,933,393	134,746
Supplies and materials	270,466	324,694	151,228	173,466
Total community services	9,068,107	9,676,303	8,637,816	1,038,487
Total community and adult services	9,279,701	9,962,646	8,912,297	1,050,349
Total expenditures	140,939,308	150,522,158	130,924,719	19,597,439
Revenues over (under) expenditures	72,543,868	86,090,530	88,826,992	2,736,462
Other financing sources (uses):				
Transfers in	—	325,231	325,231	—
Transfers out	(84,364,281)	(97,575,790)	(95,601,296)	(1,974,494)
Total other financing sources	(84,364,281)	(97,250,559)	(95,276,065)	(1,974,494)
Revenues and other financing sources over (under) expenditures	\$ <u>(11,820,413)</u>	<u>(11,160,029)</u>	(6,449,073)	<u>4,710,956</u>
Fund balance, beginning of year			47,295,859	
Fund balance, end of year			\$ <u>40,846,786</u>	

See Note to Required Supplementary Information.

**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

Schedule of Budgetary Comparison—Teachers' Fund

Year ended June 30, 2010

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Revenues:				
Prop C taxes	\$ 6,394,443	6,238,021	6,247,041	9,020
Local	—	—	21,319	21,319
County	356,478	356,478	241,591	(114,887)
Basic Formula	39,940,651	39,326,138	28,334,702	(10,991,436)
State	285,000	285,000	19,192	(265,808)
Federal	508,049	521,100	20,715,397	20,194,297
Other	5,209	19,528	33,303	13,775
Total revenues	47,489,830	46,746,265	55,612,545	8,866,280
Expenditures:				
Current:				
Administration:				
Executive administration:				
Salaries	\$ 262,500	375,000	373,049	1,951
Benefits	78,628	78,628	82,842	(4,214)
Total executive administration	341,128	453,628	455,891	(2,263)
Building level administration:				
Salaries	7,725,264	7,500,339	7,775,709	(275,370)
Benefits	1,792,473	1,840,950	1,992,344	(151,394)
Total building level administration	9,517,737	9,341,289	9,768,053	(426,764)
Total administration	9,858,865	9,794,917	10,223,944	(429,027)
Instruction:				
Elementary:				
Salaries	\$ 36,853,242	38,382,420	36,855,093	1,527,327
Benefits	10,187,378	10,629,898	10,940,152	(310,254)
Total elementary	47,040,620	49,012,318	47,795,245	1,217,073

**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

Schedule of Budgetary Comparison—Teachers' Fund

Year ended June 30, 2010

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Middle/junior high:				
Salaries	2,423,046	3,486,116	3,748,118	(262,002)
Benefits	643,693	977,759	1,076,423	(98,664)
Total middle/junior high	3,066,739	4,463,875	4,824,541	(360,666)
Senior high:				
Salaries	13,028,898	14,026,824	14,817,598	(790,774)
Benefits	3,548,102	3,850,073	4,155,180	(305,107)
Total senior high	16,577,000	17,876,897	18,972,778	(1,095,881)
Other Instruction:				
Salaries	2,753,159	4,372,304	3,315,884	1,056,420
Benefits	210,646	725,705	625,726	99,979
Total summer school	2,963,805	5,098,009	3,941,610	1,156,399
Special education:				
Salaries	18,519,883	18,639,888	15,819,182	2,820,706
Benefits	5,239,461	5,241,939	4,377,109	864,830
Total special education	23,759,344	23,881,827	20,196,291	3,685,536
Culturally different:				
Salaries	3,094,656	4,530,240	4,497,725	32,515
Benefits	877,487	1,252,704	1,208,603	44,101
Total culturally different	3,972,143	5,782,944	5,706,328	76,616
Vocational instruction:				
Salaries	1,686,675	1,667,329	1,570,292	97,037
Benefits	446,851	443,362	426,013	17,349
Total vocational instruction	2,133,526	2,110,691	1,996,305	114,386
Student activities:				
Salaries	697,808	889,119	865,597	23,522
Fringes	53,276	80,732	90,650	(9,918)
Total student activities	751,084	969,851	956,247	13,604
Total instruction	100,264,261	109,196,412	104,389,345	4,807,067



**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

Schedule of Budgetary Comparison—Teachers' Fund

Year ended June 30, 2010

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Support services:				
Guidance/counseling:				
Salaries	3,683,527	3,668,051	3,757,686	(89,635)
Benefits	1,002,736	1,006,092	1,050,466	(44,374)
Total guidance/counseling	4,686,263	4,674,143	4,808,152	(134,009)
Health, psychology, and speech:				
Salaries	1,214,619	1,200,056	1,279,644	(79,588)
Benefits	372,079	371,015	397,971	(26,956)
Total health, psychology, and speech	1,586,698	1,571,071	1,677,615	(106,544)
Improvement of instruction:				
Current developments:				
Salaries	7,789,036	8,446,513	6,828,347	1,618,166
Benefits	1,890,758	2,040,316	1,692,956	347,360
Total current developments	9,679,794	10,486,829	8,521,303	1,965,526
Staff training:				
Salaries	320,193	504,151	421,779	82,372
Benefits	61,786	80,442	57,328	23,114
Total staff training	381,979	584,593	479,107	105,486
Educational media services:				
Salaries	3,011,562	2,919,409	2,862,953	56,456
Benefits	771,913	738,424	761,658	(23,234)
Total educational media	3,783,475	3,657,833	3,624,611	33,222

**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

Schedule of Budgetary Comparison—Teachers' Fund

Year ended June 30, 2010

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Planning/research/evaluation/ development services:				
Salaries	\$ 149,137	157,137	116,547	40,590
Benefits	38,276	39,730	23,379	16,351
Total planning/research/ evaluation/ development services	187,413	196,867	139,926	56,941
Human Resource services:				
Salaries	—	—	3,031,773	(3,031,773)
Benefits	—	—	818,900	(818,900)
Total personnel services	—	—	3,850,673	(3,850,673)
Total support services	20,305,622	21,171,336	23,101,387	(1,930,051)
Community and adult services:				
Adult basic education:				
Salaries	356,167	388,465	356,058	32,407
Benefits	82,421	96,701	89,714	6,987
Total adult basic education	438,588	485,166	445,772	39,394
Adult continuing education:				
Salaries	—	8,071	9,602	(1,531)
Benefits	—	761	973	(212)
Total adult continuing education	—	8,832	10,575	(1,743)
Community services:				
Salaries	372,283	504,907	220,634	284,273
Benefits	56,260	66,406	52,008	14,398
Total community services	428,543	571,313	272,642	298,671
Total community and adult services	867,131	1,065,311	728,989	336,322
Total expenditures	131,295,879	141,227,976	138,443,665	2,784,311
Revenues under expenditures	(83,806,049)	(94,481,711)	(82,831,120)	11,650,591
Other financing sources:				
Transfers in	83,806,049	89,894,780	82,831,120	(7,063,660)
Revenues and other financing sources over (under) expenditures	\$ —	(4,586,931)	—	4,586,931
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, 2010

#### 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. 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 6.8% increase in the General Fund. The Board approved expenditure amendments in the Teachers' Fund of a 7.56% increase. Approved amendments to the Capital Project Fund increased by 14.68%.

## THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

### Required Supplementary Information

#### Schedule of Funding Progress

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
6/30/08	7/1/07	\$ -	\$ 5,271,862	\$ 5,271,862	0%	\$ 192,477,445	2.74%
6/30/09	7/1/09	\$ -	\$ 15,529,352	\$ 15,529,352	0%	\$ 178,255,302	8.71%
6/30/10	7/1/09	\$ -	\$ 15,529,352	\$ 15,529,352	0%	\$ 155,035,553	10.02%

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 July 1, 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, 2010

Assets	Special revenue			Permanent fund patron endowments	Total nonmajor governmental funds
	Child Nutritional services	Student activity	Patron gift		
Cash and investments	\$ 866	290,739	—	—	291,605
Restricted cash and investments	—	—	193,745	159,528	353,273
Interest receivable	—	—	1,011	654	1,665
Due from other governments	1,112,078	—	—	—	1,112,078
Due from Community/Charter Schools	168,436	—	—	—	168,436
Total assets	\$ 1,281,380	290,739	194,756	160,182	1,927,057
<b>Liabilities and Fund Balance</b>					
Liabilities:					
Accounts payable	\$ 195,507	—	—	—	195,507
Accrued salaries, benefits and payroll taxes	58,175	—	—	—	58,175
Due to other funds	923,224	—	—	—	923,224
Deferred revenue	104,474	—	—	—	104,474
Total liabilities	1,281,380	—	—	—	1,281,380
Fund balance :					
Reserved for:					
Permanent fund, nonexpendable corpus	—	—	—	35,000	35,000
Patron gifts	—	—	194,756	—	194,756
Unreserved:					
Undesignated:					
Special revenue funds	—	290,739	—	—	290,739
Permanent fund	—	—	—	125,182	125,182
Total fund balance	—	290,739	194,756	160,182	645,677
Total liabilities and fund balance	\$ 1,281,380	290,739	194,756	160,182	1,927,057

# THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year ended June 30, 2010

	Special revenue		Patron gift	Permanent fund patron endowments	Total nonmajor governmental funds
	Child Nutritional services	Student activity			
Revenues:					
Local	\$ 616,287	954,393	1,146	1,600	1,573,426
Other state	49,179	—	—	—	49,179
Federal	9,851,230	—	—	—	9,851,230
Total revenues	10,516,696	954,393	1,146	1,600	11,473,835
Expenditures:					
Current:					
Instruction	—	1,131,511	10,874	—	1,142,385
Support services	11,007,886	—	—	—	11,007,886
Total expenditures	11,007,886	1,131,511	10,874	—	12,150,271
Revenues over (under) expenditures	(491,190)	(177,118)	(9,728)	1,600	(676,436)
Other financing sources (uses):					
Transfers in	1,127,233	—	—	—	1,127,233
Transfers out	(57,868)	—	—	—	(57,868)
Total other financing sources	1,069,365	—	—	—	1,069,365
Revenues and other financing sources over (under) expenditures and other financing (uses)	578,175	(177,118)	(9,728)	1,600	392,929
Fund balances (deficit), beginning of year	(578,175)	467,857	204,484	158,582	252,748
Fund balances, end of year	\$ —	290,739	194,756	160,182	645,677

**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, 2010

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Revenues:				
Local	\$ 1,168,900	595,117	616,287	21,170
State	90,000	63,066	49,179	(13,887)
Federal	10,700,000	10,122,923	9,851,230	(271,693)
Total revenues	<u>11,958,900</u>	<u>10,781,106</u>	<u>10,516,696</u>	<u>(264,410)</u>
Expenditures:				
Current:				
Support services:				
Salaries	3,870,836	3,390,978	3,566,086	(175,108)
Benefits	1,367,014	1,434,242	1,522,321	(88,079)
Purchased services	831,000	988,905	416,391	572,514
Supplies and materials	5,790,050	5,346,223	5,522,946	(176,723)
Total expenditures	<u>11,858,900</u>	<u>11,160,348</u>	<u>11,027,744</u>	<u>132,604</u>
Revenues under expenditures	<u>100,000</u>	<u>(379,242)</u>	<u>(511,048)</u>	<u>(131,806)</u>
Other financing sources (uses):				
Transfers in	—	995,426	1,127,232	131,806
Transfers out	<u>(100,000)</u>	<u>—</u>	<u>(38,009)</u>	<u>(38,009)</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>995,426</u>	<u>1,089,223</u>	<u>93,797</u>
Revenues over expenditures and other financing uses	<u>\$ —</u>	<u>616,184</u>	<u>578,175</u>	<u>(38,009)</u>
Fund balance (deficit), beginning of year			<u>(578,175)</u>	
Fund balance, end of year			<u>\$ —</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, 2010

	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Revenues:				
Property taxes	\$ 6,510,006	8,028,822	7,959,073	(69,749)
Other local	214,086	158,842	1,041,464	882,622
State	3,900	92,750	—	(92,750)
Federal	708,043	1,913,538	826,797	(1,086,741)
Total revenues	7,436,035	10,193,952	9,827,334	(366,618)
Expenditures:				
Capital outlay:				
Administration:				
Executive administration	—	15,000	14,599	401
Building level administration	—	6,525	110	6,415
Total administration	—	21,525	14,709	6,816
Instruction:				
Elementary	5,000	38,280	15,510	22,770
Middle/junior high	50,000	159,694	116,007	43,687
Senior high	30,000	49,620	500	49,120
Summer school	—	97,600	15,940	81,660
Special education	3,900	411,950	339,800	72,150
Culturally different	546,332	923,202	271,641	651,561
Vocational instruction	118,711	359,284	191,307	167,977
Student activities	85,000	126,799	60,536	66,263
Total instruction	838,943	2,166,429	1,011,241	1,155,188
Support services:				
Attendance/placement	—	—	—	—
Guidance/counseling	—	—	—	—
Health/Psychology/Speech/Audiology	—	5,000	335	4,665
Improvement of instruction:				
Curriculum development	15,000	71,120	28,998	42,122
Educational media services	70,784	54,509	14,910	39,599
Finance/support services	81,900	65,696	3,210	62,486
Food service	240,000	178,009	38,009	140,000
Internal service	—	1,300	1,288	12
Planning/research/development services	—	828	—	828
Admissions/communication services	—	1,600	—	1,600
Information technology service	—	2,314,676	723,439	1,591,237
Total support services	407,684	2,692,738	810,189	1,882,549
Operation of facilities	441,190	421,864	25,607	396,257
Community and adult services:				
Adult basic education	—	7,115	14,494	(7,379)
Community services	28,000	1,000	—	1,000
Total community and adult services	28,000	8,115	14,494	(6,379)
Facilities acquisition and construction:				
Capital outlay	—	22,089,771	7,290,080	14,799,691
Other expenditures	—	759,620	2	759,618
Total facilities acquisition and construction	—	22,849,391	7,290,082	15,559,309

**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, 2010

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Debt service:				
Principal	\$ 10,160,000	10,160,000	10,385,000	(225,000)
Interest	2,806,405	2,806,405	2,353,580	452,825
Total debt service	<u>12,966,405</u>	<u>12,966,405</u>	<u>12,738,580</u>	<u>227,825</u>
Total expenditures	<u>14,682,222</u>	<u>41,126,467</u>	<u>21,904,902</u>	<u>19,221,565</u>
Revenues under expenditures	<u>(7,246,187)</u>	<u>(30,932,515)</u>	<u>(12,077,568)</u>	<u>18,854,947</u>
Other financing sources (uses):				
Transfers in	558,232	6,685,584	9,037,854	2,352,270
Issuance of long-term debt	17,880,000	17,880,000	17,668,730	(211,270)
Unrealized loss on surplus assets	<u>—</u>	<u>—</u>	<u>(595,000)</u>	<u>(595,000)</u>
Total other financing sources	<u>18,438,232</u>	<u>24,565,584</u>	<u>26,111,584</u>	<u>1,546,000</u>
Revenues and other financing sources under expenditures and other financing uses	<u>\$ 11,192,045</u>	<u>(6,366,931)</u>	<u>14,034,016</u>	<u>20,400,947</u>
Fund balance, beginning of year			<u>50,548,010</u>	
Fund balance, end of year			<u>\$ 64,582,026</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, 2010

Function	Capital Projects L-T-D Fund	QSCB-ARRA Capital Projects	Operating Capital Projects	Child Nutrition Capital Projects	Building Corp Capital Projects	Total Capital Projects funds
Revenues:						
Property taxes	\$ —	—	7,959,073	—	—	7,959,073
Other local	350,032	—	691,432	—	—	1,041,464
Federal	—	—	826,797	—	—	826,797
Total revenues	350,032	—	9,477,302	—	—	9,827,334
Expenditures:						
Administration:						
Executive administration	—	—	14,599	—	—	14,599
Building administration	—	—	110	—	—	110
Total administration	—	—	14,709	—	—	14,709
Instruction:						
Elementary schools	—	—	15,510	—	—	15,510
Middle schools	—	—	116,007	—	—	116,007
High schools	—	—	500	—	—	500
Summer schools	—	—	15,940	—	—	15,940
Special education	—	—	339,800	—	—	339,800
Culturally different	—	—	271,640	—	—	271,640
Vocational instruction	—	—	191,308	—	—	191,308
Student activities	—	—	60,536	—	—	60,536
Total instruction	—	—	1,011,241	—	—	1,011,241

# 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, 2010

Function	Capital Projects L-T-D Fund	QSCB-ARRA Capital Projects	Operating Capital Projects	Child Nutrition Capital Projects	Building Corp Capital Projects	Total Capital Projects funds
Support services:						
Health/Psychology/Speech/Audiology	\$ —	—	335	—	—	335
Curriculum development	—	—	28,998	—	—	28,998
Educational media services	—	—	14,910	—	—	14,910
Financial services	—	—	3,210	—	—	3,210
Food service	—	—	—	38,009	—	38,009
Internal services	—	—	1,288	—	—	1,288
Planning/research/evaluation/ development services	—	—	723,439	—	—	723,439
Total support services	—	—	772,180	38,009	—	810,189
Operation of plant:						
Plant services	—	—	25,607	—	—	25,607
Total operation of plant	—	—	25,607	—	—	25,607
Community and adult services, community services	—	—	14,494	—	—	14,494
Total community and adult services	—	—	14,494	—	—	14,494

# 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, 2010

Function	Capital Projects L-T-D Fund	QSCB-ARRA Capital Projects	Operating Capital Projects	Child Nutrition Capital Projects	Building Corp Capital Projects	Total Capital Projects funds
Capital outlay: Facilities	\$ 7,290,082	—	—	—	—	7,290,082
Total capital outlay	7,290,082	—	—	—	—	7,290,082
Total expenditures	7,290,082	—	1,838,231	38,009	—	9,166,322
Revenues over (under) expenditures	(6,940,050)	—	7,639,071	(38,009)	—	661,012
Other financing sources (uses):						
Transfers in	—	—	8,999,845	38,009	—	9,037,854
Transfer out	(2,841,515)	—	(9,897,065)	—	—	(12,738,580)
QSCB Bond proceeds	—	—	—	—	17,668,730	17,668,730
Unrealized loss on surplus assets	—	—	(595,000)	—	—	(595,000)
Total financing sources (uses)	(2,841,515)	—	(1,492,220)	38,009	17,668,730	13,373,004
Revenues and other financing sources under						
expenditures and other financing uses	(9,781,565)	—	6,146,851	—	17,668,730	14,034,016
Fund balances – beginning of year	40,583,268	—	9,964,742	—	—	50,548,010
Fund balances – end of year	\$ 30,801,703	—	16,111,593	—	17,668,730	64,582,026



# THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Capital Projects Fund—  
Schedule of Revenues, Expenditures and Changes in Fund Balance- by Project  
June 30, 2010

Function	Capital Projects L-T-D Fund	QSCB-ARRA Capital Projects	General Capital Projects	Child Nutrition Capital Projects	Building Corp Capital Projects	Total Capital Projects funds
Fund balance:						
Encumbrances	\$ 1,070,505	2,641,465	503,621	—	—	4,215,591
Advances	—		1,640,415	—	—	1,640,415
Technology Plan	6,493,992	—	—	—	—	6,493,992
CIP Escrow	10,350,152	—	—	—	—	10,350,152
QSCB Bonds	—	—	—	—	17,668,730	17,668,730
Sports Complex	5,000,000	—	—	—	—	5,000,000
E Rate/ E Rate support	1,848,494	—	—	—	—	1,848,494
Property held for sale	5,020,821	—	(595,000)	—	—	4,425,821
Undesignated	1,017,739	(2,641,465)	14,562,557	—	—	12,938,831
Total fund balance	\$ 30,801,703	—	16,111,593	—	17,668,730	64,582,026

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## **CAPITAL ASSETS**



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

June 30, 2010  
(with comparative totals for June 30, 2009)

	<b>Total</b>	
	<b>2010</b>	<b>2009</b>
Capital assets (gross):		
Land	\$ 31,784,639	42,320,265
Buildings	438,090,658	550,993,420
Improvements other than buildings	34,228,878	41,449,326
Impairment-closed buildings	49,757,660	—
Equipment, furniture, and vehicles	31,055,196	33,832,464
Construction in progress	1,439,775	4,725,777
Total	<u>\$ 586,356,806</u>	<u>673,321,252</u>
Investment in capital assets by source:		
General fund	\$ 402,968	479,155
Capital projects	585,303,694	671,956,514
Special revenue	569,941	805,380
Trust and agency	13,127	13,127
Donations	67,076	67,076
Total	<u>\$ 586,356,806</u>	<u>673,321,252</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, 2010

Classification	Beginning balance July 1, 2009	Adjustments	Additions	Retirements	Construction- in-progress transfers	Ending balance June 30, 2010
High schools	\$ 229,224,566	(111,263)	8,067,401	(25,207,779)	—	211,972,925
Middle schools	134,798,730	11,449	344,800	(16,288,951)	—	118,866,028
Elementary schools	279,363,445	(1,172,975)	2,115,642	(50,358,332)	—	229,947,780
Administration	25,208,734	1,272,789	319,091	(2,670,316)	—	24,130,298
Construction in progress	4,725,777	—	889,699	—	(4,175,701)	1,439,775
Total	\$ 673,321,252	—	11,736,633	(94,525,378)	(4,175,701)	586,356,806

# THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

June 30, 2010

Classification	Land	Buildings	Improvements other than buildings	Impaired assets	Equipment, furniture, vehicles	Construction- in-progress	Total
High schools	\$ 10,679,977	173,458,765	11,124,656	9,255,308	7,454,219	—	211,972,925
Middle schools	6,705,191	96,547,689	6,100,820	6,625,675	2,886,653	—	118,866,028
Elementary schools	11,545,906	156,382,367	15,491,906	33,876,677	12,650,924	—	229,947,780
Administration	2,853,565	11,701,837	1,511,496	—	8,063,400	—	24,130,298
Construction-in-progress	—	—	—	—	—	1,439,775	1,439,775
Total	\$ 31,784,639	438,090,658	34,228,878	49,757,660	31,055,196	1,439,775	586,356,806

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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 Nine Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)  
(unaudited)

Classification	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities:									
Invested in capital assets, net of related debt	\$ 335,898	\$ 371,354	\$ 351,989	\$ 373,750	\$ 367,206	\$ 355,084	\$ 286,221	\$ 276,092	\$ 282,333
Restricted	10,594	12,489	60,705	61,244	80,562	91,949	104,562	121,029	101,547
Unrestricted	101,428	114,368	115,956	136,244	139,480	147,063	219,797	204,002	241,529
Total governmental activities, net of assets	\$ 447,920	\$ 498,211	\$ 528,650	\$ 571,238	\$ 587,248	\$ 594,096	\$ 610,580	\$ 601,123	\$ 625,409
Business-type activities:									
Unrestricted	\$ 180	\$ 522	\$ 1,426	\$ 1,829	\$ 1,108	\$ 79	\$ 468	\$ 200	\$ (80)
Total business-type activities, net of assets	\$ 180	\$ 522	\$ 1,426	\$ 1,829	\$ 1,108	\$ 79	\$ 468	\$ 200	\$ (80)
Primary government:									
Invested in capital assets, net of related debt	\$ 335,898	\$ 371,354	\$ 351,989	\$ 373,750	\$ 367,206	\$ 355,084	\$ 286,221	\$ 276,092	\$ 282,333
Restricted	10,594	12,489	60,705	61,244	80,562	91,949	104,562	121,029	101,547
Unrestricted	101,608	114,890	117,382	138,073	140,588	147,142	220,265	204,202	241,449
Total primary government, net of assets	\$ 448,100	\$ 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 Nine Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)  
(unaudited)

Classification	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Expenses</b>									
Governmental activities:									
Administration	\$ 20,874	\$ 25,512	\$ 23,464	\$ 25,502	\$ 24,876	\$ 23,648	\$ 22,421	\$ 25,482	\$ 23,285
Instruction	149,927	175,175	193,545	193,304	174,168	182,163	171,850	174,693	175,429
Support services	67,768	76,835	79,253	77,738	93,921	86,582	79,487	74,611	73,605
Operation of facilities	41,589	40,936	44,578	40,000	38,682	36,317	34,423	34,927	33,053
Pupil transportation	15,258	17,211	18,703	22,132	23,988	23,126	21,958	21,433	21,604
Facilities improvements and renovation	225	7,909	1,413	403	612	—	1,168	2,772	18,105
Community and adult services	9,644	8,478	11,557	6,226	6,237	5,407	5,599	5,287	4,980
Interest on long-term debt	1,990	2,791	3,902	4,982	6,023	6,969	6,834	9,300	11,056
Total governmental activities expenses	\$ 307,276	\$ 354,846	\$ 376,416	\$ 370,287	\$ 368,507	\$ 364,212	\$ 343,740	\$ 348,505	\$ 361,117
Business-type activities									
Community services	\$ 32	\$ 194	\$ 389	\$ 693	\$ 121	\$ 3,586	\$ 5,226	\$ 6,275	\$ 6,766
Total governmental activities expenses	32	194	389	693	121	3,586	5,226	6,275	6,766
Total primary government expenses	\$ 307,308	\$ 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 Nine Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)  
(unaudited)

Classification	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	
<b>Program Revenues</b>										
Governmental activities:										
Charges for services	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Administration	—	—	—	—	—	—	—	—	—	—
Instruction	34	—	20	—	50	69	—	218	508	
Support services	685	1,992	3,763	3,741	3,596	4,007	3,528	4,167	3,886	
Operation of facilities	49	61	69	65	70	61	556	466	746	
Pupil transportation	19	4	—	13	7	—	8	—	—	
Facilities improvements and renovation	—	—	—	—	—	—	—	—	—	
Community and adult services	25	156	88	—	60	741	253	89	79	
Interest on long-term debt	—	—	—	—	—	—	—	—	—	
Operating grants and contributions										
Administration	43	—	—	10	10	22	54	14	—	
Instruction	56,153	37,711	34,431	37,816	84,511	84,675	74,089	74,078	76,035	
Support services	18,018	18,068	12,807	14,884	16,113	14,327	16,467	14,929	16,038	
Operation of facilities	7	—	—	—	55	—	—	—	—	
Pupil transportation	5,496	6,405	7,104	8,297	8,421	8,875	8,210	8,868	9,250	
Facilities improvements and renovation	—	—	—	—	—	—	—	—	—	
Community and adult services	528	670	895	1,227	2,714	1,557	976	1,128	100	
Interest on long-term debt	—	—	—	—	—	—	—	—	—	
Capital grants and contributions										
Administration	—	—	—	—	—	—	—	—	—	
Instruction	804	37	620	82	51	818	1,264	731	831	
Support services	—	—	37	617	5,362	4,684	22,024	385	273	
Operation of facilities	230	189	—	40	11	—	—	—	—	
Pupil transportation	—	—	—	—	—	—	—	—	—	
Facilities improvements and renovation	—	495	—	—	251	—	3,649	7,847	10,741	
Community and adult services	—	12	861	—	—	16	—	8	—	
Interest on long-term debt	—	—	—	—	—	—	—	—	—	
Total governmental activities program revenue	82,090	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 Nine Fiscal Years  
(accrual basis of accounting)  
(amounts expressed in thousands)  
(unaudited)

Classification	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Business-type activities:</b>									
Charges for services	97	287	728	1,240	146	3,197	5,743	6,819	6,654
Total business-type activities program revenues	97	287	728	1,240	146	3,197	5,743	6,819	6,654
Total primary governmental program revenues	\$ 82,187	\$ 66,088	\$ 61,423	\$ 68,032	\$ 121,428	\$ 123,049	\$ 136,821	\$ 119,747	\$ 125,141
<b>Net (expense)/revenue</b>									
Governmental activities	\$ (225,186)	\$ (289,045)	\$ (315,721)	\$ (303,495)	\$ (247,225)	\$ (244,360)	\$ (212,662)	\$ (235,577)	\$ (242,630)
Business-type activities	64	93	339	547	25	(389)	517	544	(112)
Total primary government net expense	\$ (225,122)	\$ (288,952)	\$ (315,382)	\$ (302,948)	\$ (247,200)	\$ (244,749)	\$ (212,145)	\$ (235,033)	\$ (242,742)
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental activities:									
Property taxes	\$ 144,211	\$ 152,705	\$ 159,256	\$ 146,230	\$ 146,230	\$ 135,885	\$ 138,240	\$ 125,895	\$ 149,176
Prop C Sales tax	16,659	20,180	23,051	28,187	28,187	27,995	26,281	25,077	25,962
Other local revenues	2,249	3,600	2,100	1,935	1,935	2,558	2,186	2,264	2,924
County governmental contributions	3,295	4,209	4,025	6,356	6,356	3,949	3,626	3,625	3,437
State aid-basic formula	44,028	70,172	89,732	47,106	47,106	53,593	42,441	40,840	46,086
Grants and entitlements not restricted to specific programs	328	821	1,051	1,820	1,820	1,730	1,483	1,376	1,482
Investment earnings	1,753	4,500	10,486	9,747	9,747	9,609	7,613	10,978	13,696
Special item	(38,038)	—	—	—	—	—	—	973	—
Extraordinary item	—	1,419	(17,319)	—	—	—	—	—	—
Transfers	410	1,000	750	(1,004)	(1,004)	—	249	264	248
Total governmental activities	174,895	258,606	273,133	240,377	240,377	235,319	222,119	211,292	243,011
Business-type activities:									
Investment earnings	4	3	8	—	—	—	—	—	—
Transfers	(410)	(1,000)	(750)	1,004	1,004	—	(249)	(265)	(248)
Total business-type activities	(406)	(997)	(742)	1,004	1,004	—	(249)	(265)	(248)
Total primary government	\$ 174,489	\$ 257,610	\$ 272,391	\$ 241,381	\$ 241,381	\$ 235,319	\$ 221,870	\$ 211,027	\$ 242,763
<b>Change in Net Assets</b>									
Governmental activities	\$ (50,291)	\$ (30,439)	\$ (42,587)	\$ (63,118)	\$ (6,848)	\$ (9,041)	\$ 9,457	\$ (24,285)	\$ 381
Business-type activities	(342)	(904)	(403)	1,551	1,029	(389)	268	279	(360)
Total primary government	\$ (50,633)	\$ (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 Nine Fiscal Years

(Modified accrual basis of accounting)

(Amounts expressed in thousands)

(unaudited)

Classification	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund									
Reserved	\$ 2,539	\$ 1,853	\$ 5,243	\$ 2,565	\$ 701	\$ 1,434	\$ 356	\$ 2,440	\$ 4,364
Unreserved:									
Designated:									
Grant activity	536	2,742	4,041	2,394	9,946	—	—	—	—
Reserve for Contingency	517	5,000	—	—	—	—	—	—	—
Undesignated	37,255	37,701	35,593	57,919	55,034	44,703	45,975	48,764	25,000
Total general fund	\$ 40,847	\$ 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	10,084	11,968	60,171	58,093	71,484	84,227	97,278	113,570	96,912
Capital projects funds	27,950	10,075	4,381	3,522	4,424	5,792	5,481	10,100	5,974
Nonmajor funds	230	239	382	733	1,133	2,118	1,006	1,278	1,632
Unreserved, reported in:									
Designated:									
Long-term building maintenance	10,350	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	6,494	2,784	7,008	8,901	9,947	13,336	14,292	20,877	22,584
Sports Complex	5,000	—	—	—	—	—	—	—	—
CIP Escrow	—	12,600	—	—	—	—	—	—	—
Pension cost	—	—	—	—	—	—	28,021	27,101	26,320
Compensated absences	13,254	21,138	21,814	22,318	22,528	19,442	19,451	19,100	19,970
E-Rate/E-Rate support	1,848	1,848	1,835	1,821	1,510	1,235	3,006	—	—
Undesignated:									
Special revenue funds	351	(110)	372	(727)	(393)	16,433	8,841	8,175	10,813
Capital projects funds	12,939	6,964	17,110	22,436	26,261	28,586	26,498	20,681	19,081
Permanent funds	125	124	121	148	139	141	137	136	133
Total all other governmental funds	\$ 88,625	\$ 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 Nine Fiscal Years  
(Modified accrual basis of accounting)  
(Amounts expressed in thousands)  
(unaudited)

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>Revenues</b>									
Property taxes	\$ 144,986	\$ 149,926	\$ 157,679	\$ 147,941	\$ 147,931	\$ 136,543	\$ 140,370	\$ 125,664	\$ 132,108
Prop C Sales tax	16,659	20,180	23,051	25,097	28,187	27,995	26,281	25,077	25,962
Other local revenues	5,375	11,836	15,527	20,324	14,871	15,631	16,174	25,457	31,368
County governmental contributions	3,295	4,209	4,025	3,433	6,357	3,949	3,626	3,625	3,437
State aid-basic formula	44,028	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	8,504	10,999	12,176	13,258	25,447	23,579	22,929	24,890	26,407
Federal	74,338	48,797	41,699	48,866	62,072	61,173	69,749	43,695	43,585
Tuition	52	13	4	77	37	274	57	101	406
Total revenues	297,236	316,132	343,893	355,281	362,493	353,573	351,928	321,265	342,323
<b>Expenditures</b>									
Administration	20,811	25,643	24,011	27,364	23,081	22,566	22,533	25,501	22,686
Instruction	136,551	160,407	176,156	178,472	164,151	166,442	157,832	160,852	153,018
Support services	73,343	75,984	74,219	74,311	84,975	75,569	69,422	69,636	66,013
Operation of facilities	41,205	41,286	44,483	39,375	39,552	35,073	34,341	34,654	31,541
Pupil transportation	15,258	17,211	18,703	22,133	23,985	23,125	21,959	21,432	21,601
Community and adult services	9,625	8,553	11,578	6,139	6,235	5,349	5,628	5,191	4,397
Facilities improvements and renovations	7,290	17,736	5,166	2,376	1,378	10,302	28,919	9,443	36,327
Debt service									
Principal	10,385	9,945	22,130	22,100	21,380	20,045	12,140	17,010	20,217
Interest	2,352	3,244	4,351	5,428	6,467	7,329	7,254	10,035	11,733
Total expenditures	316,822	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 Nine Fiscal Years

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

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Excess of revenues under expenditures	\$ (19,586)	\$ (43,877)	(36,904)	(22,417)	(8,711)	(12,227)	(8,100)	(32,489)	(25,210)
Other financing sources (uses)									
Transfers in	112,411	176,079	144,715	144,715	191,837	199,010	197,779	227,859	191,340
Transfers out	(112,002)	(157,909)	(149,288)	(149,288)	(202,418)	(203,719)	(202,339)	(232,591)	(193,874)
Refunding bonds issued	—	—	—	—	—	—	102,350	—	69,040
Issuance of long term debt	17,880	—	—	—	—	—	—	—	—
Premium on bonds	—	—	—	—	—	—	8,927	—	3,161
Payment to refunded debt	—	(13,977)	—	—	—	—	(114,262)	—	(73,471)
Capital Leases	—	—	—	—	—	—	—	—	—
Unrealized proceeds - surplus assets	(595)	1,826	1,527	1,527	—	—	202	—	—
Sales of capital assets	161	1,401	3,294	3,294	328	—	(7,343)	1,460	650
Total other financing sources (uses)	17,856	7,420	409	248	(10,253)	(4,709)	(7,343)	(3,272)	(3,154)
Net change in fund balances	\$ (1,730)	\$ (36,457)	\$ (36,495)	\$ (22,169)	\$ (18,964)	\$ (16,936)	\$ (15,443)	\$ (35,761)	\$ (28,364)
Debt service as a percentage of noncapital expenditures	4.2%	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	
2009	2,134,968,810	9,215,327,571	656,797,975	1,970,590,984	2,791,766,785	11,185,918,555	25 %
2008	2,270,379,857	9,881,307,807	688,862,166	2,066,793,177	2,959,242,023	11,948,100,985	25
2007	2,458,068,509	10,743,151,553	742,016,617	2,226,272,478	3,200,085,126	12,969,424,602	25
2006	2,211,529,159	11,639,627,153	674,138,810	2,022,618,692	2,885,667,969	13,662,245,845	21
2005	2,198,143,237	9,726,019,934	677,475,726	2,032,630,441	2,875,618,963	11,758,650,375	24
2004	1,944,634,173	8,232,472,044	705,468,036	2,116,615,770	2,650,102,209	10,349,087,814	26
2003	1,934,514,727	8,323,442,115	731,754,452	2,195,482,904	2,666,269,179	10,518,925,019	25
2002	1,731,415,328	7,354,739,880	798,004,980	2,394,254,365	2,529,420,308	9,748,994,245	26
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

(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)
2010	\$	—	\$	0.03	\$	0.2266	\$	—	7.72
2009	1.4678	—	0.03	0.57	0.2143	—	0.47	4.95	7.71
2008	1.4632	0.65	0.03	0.57	0.21	1.07	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

(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, 2010

2009

2001

Taxpayers	Type of Business	Assessed value(1)	Percentage of total assessed value		Assessed value(1)	Percentage of total assessed value	
			Rank			Rank	
Hallmark & Crown Power	Real Estate/Retail/Hotel	\$ 76,289,547	1		59,177,906	2	
Kansas City Power and Light	Utility	43,411,070	2		71,108,369	1	2.3%
J C Nichols & Highwoods Realty	Real Estate	29,482,856	3		30,798,346	3	2.8
A T & T	Communications	26,324,727	4		18,350,743	9	1.2
FSP Grand Blvd	Real Estate	16,848,320	5				0.7
Southern Union Co	Utility	16,370,833	6		22,546,692	7	0.9
Twentieth Century Realty Inc	Real Estate	15,681,730	7				
D S T Systems Inc	Information Technology Services	14,711,621	8				
Bayer	Agricultural Research and Mfg	14,224,228	9		26,729,875	4	1.1
American Century Realty Inc	Real Estate	12,730,834	10				
IBM Credit Corporation	Finance				26,561,860	5	1.1
Southwestern Bell	Communications				24,964,689	6	1.0
KCT Intermodal Transportation	Transportation				20,160,000	8	0.8
EHMD LLC	Real Estate				18,311,930	10	0.7
		\$ 266,075,766					
					9.5%		12.6%

Note: Total assessed value for 2009 was \$2,791,766,785 and 2001 was \$2,529,420,308

(1) Based on calendar year ended December 31, 2009 and December 31, 2001.

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
2009	\$ 139,616,489	\$ 127,958,778	91.7%	\$ 11,173,379	\$ 139,132,157	99.7%	\$ 11,657,711	8%
2008	149,109,674	136,280,928	91.4%	11,310,642	147,591,570	99.0%	12,828,746	9%
2007	159,347,626	144,632,799	90.8%	9,125,735	153,758,534	96.5%	14,714,827	9%
2006	144,314,419	134,518,579	93.2%	10,018,326	144,536,905	100.2%	9,795,840	7%
2005	143,862,828	134,077,148	93.2%	11,644,108	145,721,256	101.3%	9,785,680	7%
2004	131,741,231	124,708,338	94.7%	8,850,541	133,558,879	101.4%	7,916,603	6%
2003	132,070,410	124,980,641	94.6%	15,274,849	140,255,490	106.2%	7,089,769	5%
2002	123,484,756	114,562,189	92.8%	11,047,615	125,609,804	101.7%	8,922,567	7%
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%

(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

<b>Fiscal year ended June 30</b>		<b>Leasehold Revenue Bonds</b>	<b>Capital Leases</b>	<b>Total Primary Government</b>
2010	\$	51,830,000	—	51,830,000
2009		44,335,000	—	44,335,000
2008		67,185,000	495,408	67,680,408
2007		89,315,000	967,387	90,282,387
2006		110,855,000	—	110,855,000
2005		132,235,000	—	132,235,000
2004		152,280,000	—	152,280,000
2003		171,560,000	—	171,560,000
2002		188,570,000	—	188,570,000
2001		197,820,747	—	197,820,747

Table 10

**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

Computation of Overlapping Debt

June 30, 2010

<b>Jurisdiction</b>	<b>General obligation bonds outstanding (2)</b>	<b>Percentage applicable to District (1)</b>	<b>Amount applicable to District</b>
City of Kansas City, Missouri	\$ 309,785,000	0.4455	\$ 138,009,218

(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, 2010

Total assessed value, tax levy year 2009 (1)	\$ 2,791,766,785
Legal debt margin—15% of assessed value (2)	418,765,018

(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, 2010.

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

<b>Fiscal year ended June 30</b>		<b>District population</b>	<b>September school membership</b>	<b>Ratio of membership to population</b>		<b>Regular school year average daily attendance</b>	<b>Ratio of attendance to membership</b>	
2010	\$	239,451	17,104	7	%	15,451	90.3	%
2009		239,451	17,892	7		16,051	89.7	
2008		239,451	22,429	9		19,381	86.4	
2007		239,451	24,358	10		21,133	86.8	
2006		239,451	25,750	11		22,633	88.0	
2005		239,451	27,094	11		23,766	87.7	
2004		239,451	26,939	11		24,307	90.2	
2003		239,451	26,886	11		24,797	92.3	
2002		239,451	27,973	12		24,917	89.0	
2001		239,451	29,157	12		25,902	88.8	

**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

<b>Fiscal year ended June 30</b>	<b>Estimated actual property value (1)</b>	<b>Nonresidential construction (in millions)</b>	<b>Residential construction (in millions)</b>
2010	\$ 11,185,918,555	27.1	51.3
2009	11,948,100,985	32.8	53.9
2008	12,969,424,032	47.2	63.9
2007	11,639,627,153	32.3	61.6
2006	11,758,650,375	13.2	36.3
2005	10,349,087,814	28.6	14.3
2004	10,518,925,019	151.9	85.0
2003	9,748,994,245	191.2	48.0
2002	10,065,813,415	283.4	66.6
2001	9,535,549,090	212.5	40.7

(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

<b>Fiscal year ended June 30</b>	<b>Average daily attendance</b>	<b>Eligible pupils</b>	<b>Current expenditures per eligible pupil (1)</b>
2010	15,451	17,345	\$ 15,021
2009	17,384	18,186	16,570
2008	21,138	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

- (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.