



Kansas City, Missouri
SCHOOL DISTRICT

**Comprehensive Annual
Financial Report
For fiscal year ended
June 30, 2011**

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2011

(With Independent Auditors' Report Thereon)

Prepared by

Business & Finance Division

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Table of Contents

	Page
Introductory Section	
Letter of Transmittal	i - iv
Vision and Mission of District	v
Organizational Chart	vi
List of Principal Officials	vii
Financial Section	
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 18
Basic Financial Statements:	
Statement of Net Assets	19
Statement of Activities	20
Balance Sheet—Governmental Funds	21
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets	22
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Net Assets—Proprietary Fund	25
Statement of Revenues, Expenses, and Changes in Fund Net Assets—Proprietary Fund	26
Statement of Cash Flows—Proprietary Fund	27
Statement of Fiduciary Net Assets	28
Statement of Changes in Fiduciary Net Assets	29
Notes to Basic Financial Statements	30 - 56
Required Supplementary Information:	
Schedule of Budgetary Comparison—General Fund	57 - 61
Schedule of Budgetary Comparison—Teachers' Fund	62 - 64
Note to the Required Supplementary Information	65
Schedule of Funding Progress-OPEB	66

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Table of Contents

	Page
Nonmajor Fund Financial Statements and Schedules	
Nonmajor Governmental Funds—Combining Balance Sheet	67
Nonmajor Governmental Funds—Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	68
Child Nutritional Services Fund—Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual	69
Capital Projects Fund—Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual	70 – 71
Capital Projects Fund—Schedule of Revenues, Expenditures, and Changes in Fund Balance—by Project	72 – 75
Capital Assets Used in the Operation of Governmental Funds by Source	76
Schedule of Changes of Capital Assets Used in the Operation of Governmental Funds by Function and Activity	77
Capital Assets Used in the Operation of Governmental Funds by Function and Activity	78
Table	
Statistical Section (Unaudited)	
Table of contents	79
Net Assets by Component—Last Ten Fiscal Years	1 80
Changes in Net Assets—Last Ten Fiscal Years	2 81 – 83
Fund Balances of Governmental Funds—Last Ten Fiscal Years	3 84
Changes in Fund Balances of Governmental Funds and Debt Service Ratio — Last Ten Fiscal Years	4 85
Assessed and Estimated Actual Value of Taxable Property—Last Ten Calendar Years	5 86
Property Tax Rates—Direct and Overlapping Governments—Last Ten Fiscal Years	6 87
Principal Property Taxpayers	7 88
Property Tax Levies and Collections—Last Ten Calendar Years	8 89
Outstanding Debt by Type—Last Ten Fiscal Years	9 90
Computation of Overlapping Debt	10 91
Computation of Legal Debt Margin	11 92
Demographic Statistics—Last Ten Fiscal Years	12 93
Property Value and Construction Costs—Last Ten Fiscal Years	13 94
Per-Pupil Costs—Last Ten Fiscal Years	14 95



November 14, 2011

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, 2011, 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, 2011. 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 6 high schools, 1 vocational school, and 22 elementary schools for school year 2010-2011. 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 17,400 students (including pre-kindergarten) and employs over 2,300 administrators, principals, teachers, and 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

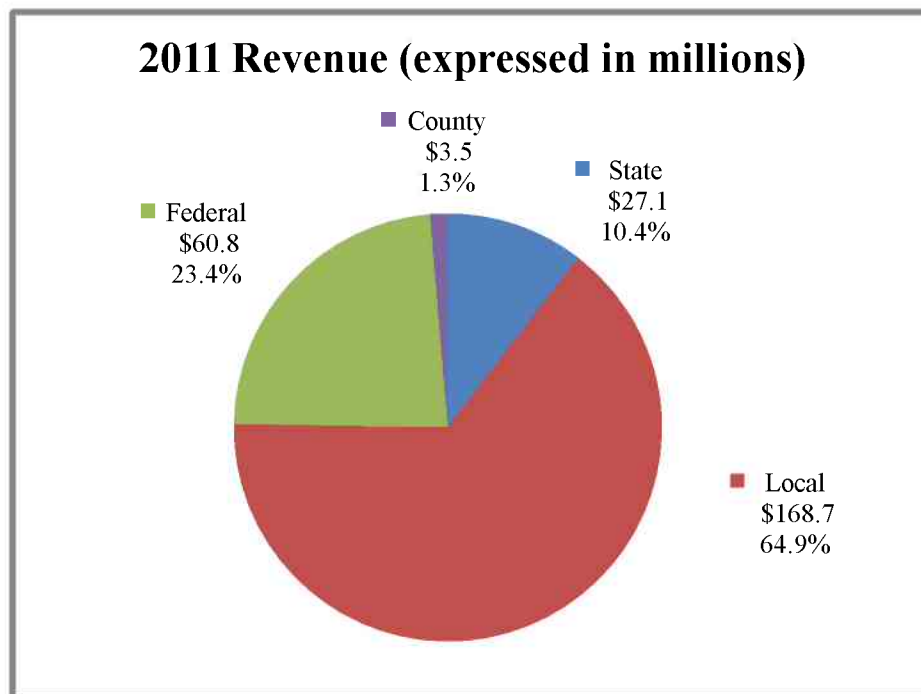
Local property taxes represent approximately 56.6% of total revenues received by the District. During the fiscal year, the District was entitled to receive approximately \$132.5 million in property taxes for tax year 2010 based on its \$4.95 levy which was a 3.1% decrease in property tax revenue when compared to tax year 2009. The decrease in property tax revenue was attributed by a decrease of \$24.2 million in property assessed valuation. Actual current taxes collected during the fiscal year totaled to \$121.3 million.

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

Revenues derived from State sources represent approximately 10.4% of total revenues received by the District. The District received approximately \$20.1 million for state aid, a decrease of \$32.4 million or 54.2%. 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 base target funding level is \$6,124 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 23.4% of the revenue received by the District. The major federal grant programs are Title I, Title IIA, Head Start, Exceptional Education (I.D.E.A), Jobs Bill, Medicaid and American Recovery and Reinvestment Act. 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 1,340 or 8.5% and exceptional education enrollment decreased by 294 or 13.3% 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 \$.9 million in interest income was earned during the fiscal year.

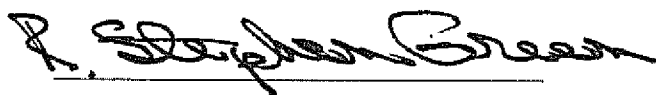
An independent trustee, Bank of New York Mellon Trust Company, manages the investment portfolio of the Building Corporation. Investments of approximately \$37.1 million, of which \$10.8 million is invested in long-term contract, were held by the trustee as of June 30, 2011.

ACKNOWLEDGEMENTS

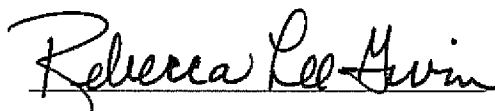
We express our appreciation to the Accounting & Investments staff for their dedicated efforts to prepare for the audit of our accounting records and preparation of this report. Support received from other departments of the Business & Finance Division and other departments of the District (including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

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

Respectfully,



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



Lee-Gwin, Ed.D.
Finance Officer

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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.

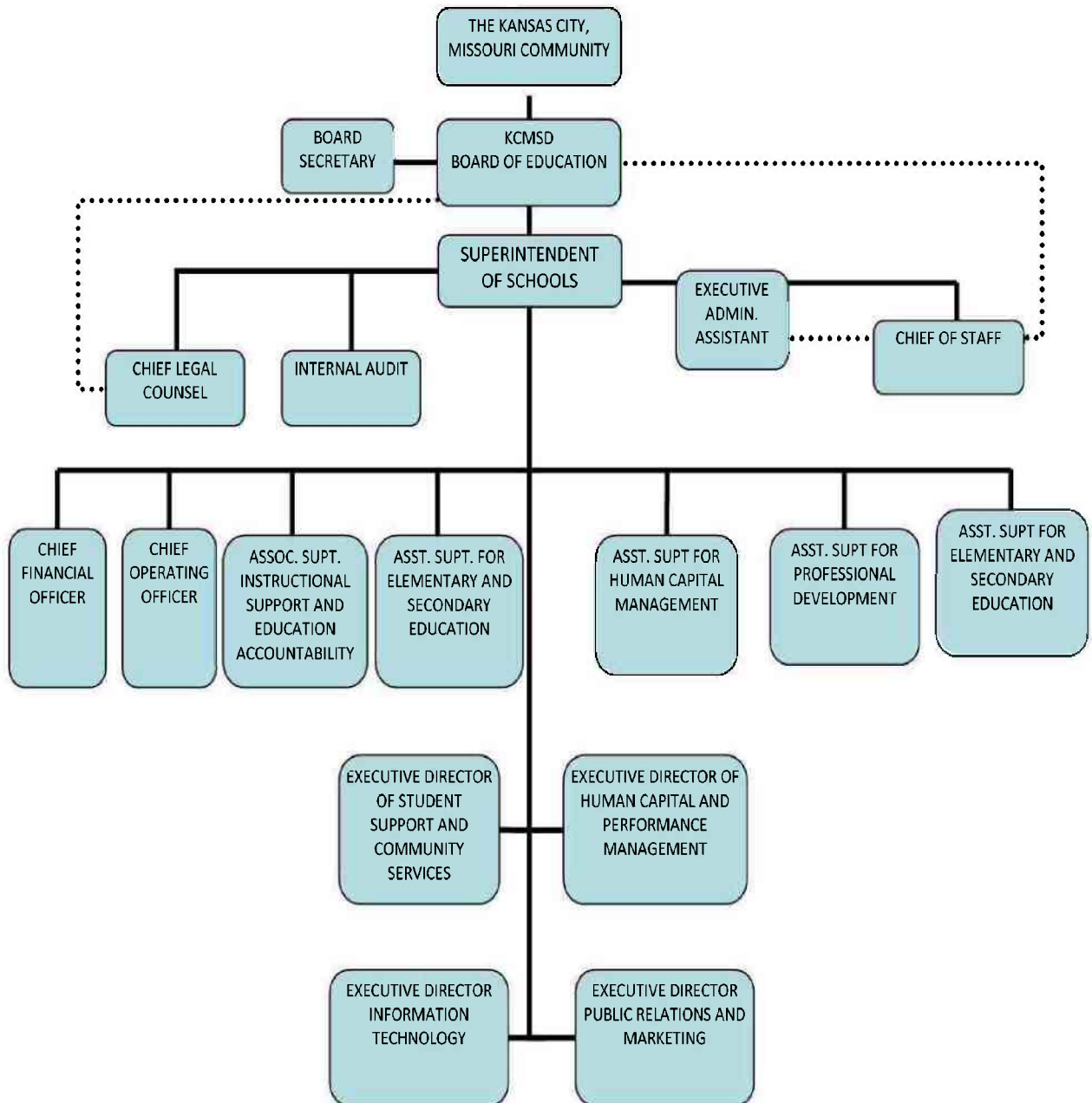
Mission of the District

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI



THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI
LIST OF PRINCIPAL OFFICIALS

June 30, 2011

BOARD OF EDUCATION

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.
Ray Wilson
vacancy

Treasurer

Rebecca Lee-Gwin

Secretary of the Board

Aisha Safir

SENIOR ADMINISTRATORS

J. Wm. Covington, Ed. D., Superintendent
Chace Ramey, J.D., Ph.D., Chief of Staff
MacKenzie Wagler, J.D., Chief Legal Counsel
Rebecca Lee-Gwin, Ed. D., Chief Finance Officer
Michael Rounds, Chief Operating Officer
MiUndrae Prince, Ph. D., Assoc Supt. for Educational Accountability and Instructional Support
Mary Esselman, Ed. D., Asst. Supt. for Professional Development, Assessment & Accountability
Anthony Moore, Ed. D., Assistant Superintendent for Human Resources
Regina Thompson, Ed. D. Asst. Supt. For Elementary and Secondary Education
Thomas Brenneman, Executive Director of Technology
Luis Cordoba, Executive Director for Student Support and Community Services
Eileen Houston-Stewart, Executive Director of Public Relations and Marketing
Leo T. M. Brown, Executive Director of Human Capital and Performance Management

This Page Intentionally Left Blank



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, 2011, 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. 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, 2011, 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.

As explained in Note 2 to the basic financial statements, the District adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changed its method of accounting for governmental funds' fund balance classifications.

The management's discussion and analysis on pages 3 through 18, the budgetary comparison information on pages 57 through 65 and schedule of funding progress of the other postemployment benefits plan on page 66 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

McGladrey & Pullen, LLP

Kansas City, Missouri
November 11, 2011

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

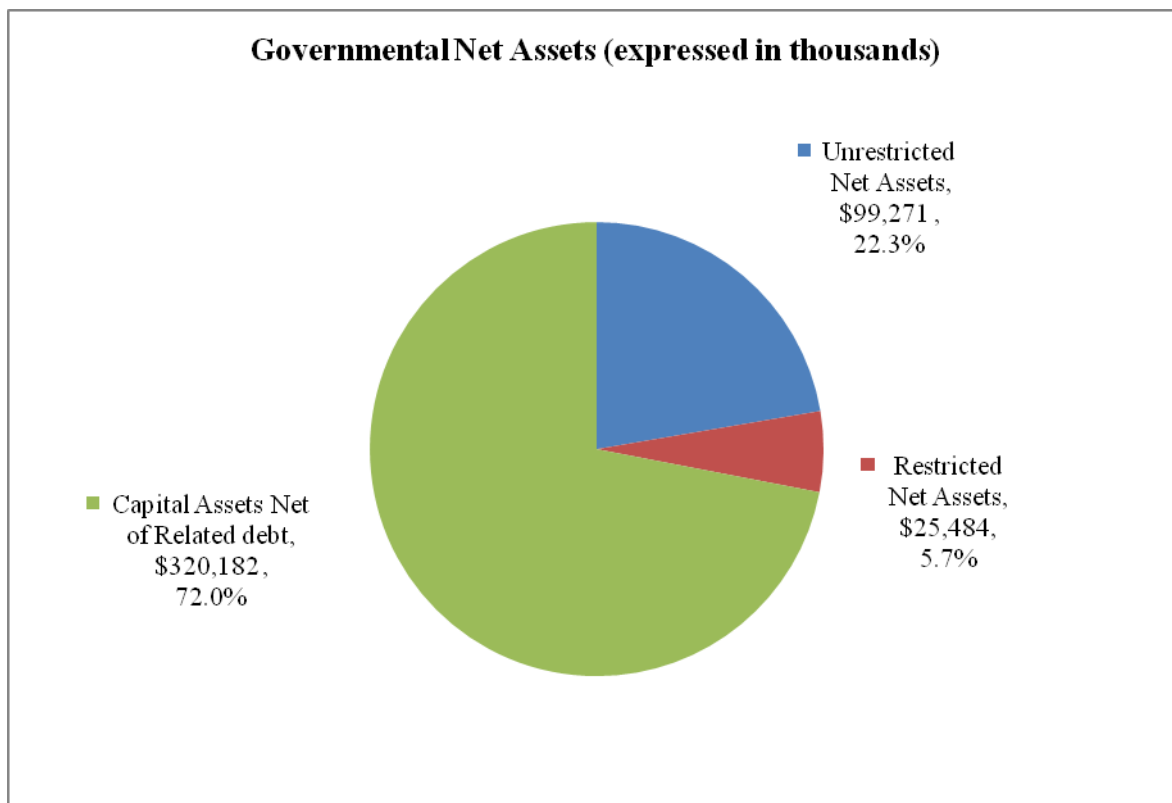
Management's Discussion and Analysis

June 30, 2011

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, 2011. 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 \$444.9 million. Net assets are reported in three components as shown in the graph below:



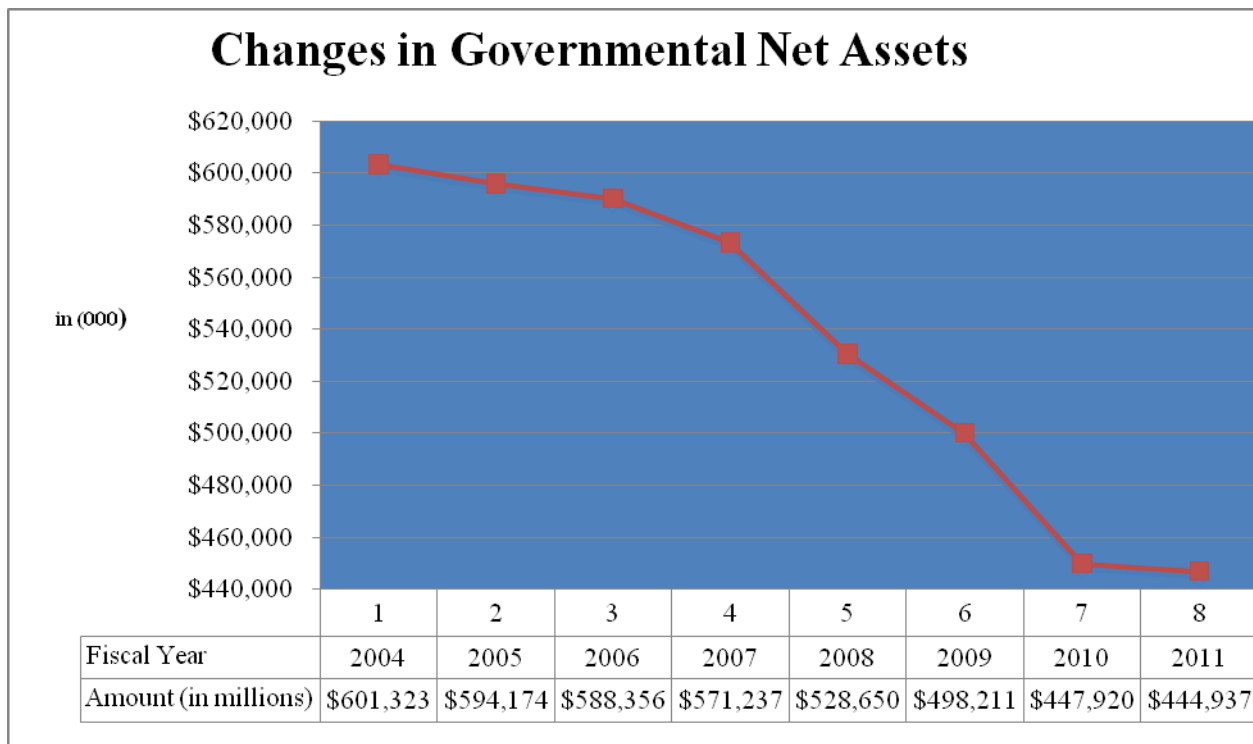
The most significant change in total net assets was a decrease of \$11.3 million in investment in capital assets, net of related debt as the result of the district's decision to close a number of school buildings triggering the impairment of assets and writing them down to the lesser of fair market value or book value. Restricted net assets increased \$14.9 million due to an increase in other restrictions. Unrestricted net assets decreased \$6.6 million primarily due to and savings created by further reductions in staffing, renegotiating contracts, and implementing operational efficiencies within the Operating and Child Nutritional Services budgets.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2011

The graph below shows the changes in net assets and indicates that our overall financial position declined in fiscal year 2011 by .66% when compared to fiscal year 2010. This decrease was primarily due to a \$2.69 million or (.38%) decrease in total assets and a \$.3 million or .1% increase in total liabilities.



The District's governmental funds (summarized in Table 1 below) reported an ending total fund balance of \$154.5 million, an increase of \$25.0 million in comparison with the prior year. Approximately 33.1% of this amount, \$51.2 million, is available for spending at the District's discretion (unassigned fund balance).

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2011

Table 1—Summary of Governmental Fund Balances

	FY11	Percentage of total	FY10	Percentage of total	Increase (decrease)	Unassigned portion
General	\$ 52,422,284	33.9%	\$ 40,846,786	31.5%	\$ 11,575,498	\$ 51,236,030
Other special revenue	13,677,088	8.9%	13,313,679	10.3%	363,409	—
Debt service	8,660,552	5.6%	10,083,684	7.8%	(1,423,132)	—
Capital projects	78,335,072	50.7%	64,582,026	49.9%	13,753,046	—
Nonmajor funds	1,356,255	0.9%	645,677	0.5%	710,578	—
	<u>\$ 154,451,251</u>	<u>100.0%</u>	<u>\$ 129,471,852</u>	<u>100.0%</u>	<u>\$ 24,979,399</u>	<u>\$ 51,236,030</u>

Unassigned fund balance for the General Fund was \$51.2 million and represents 23.6% of total General Fund expenditures and transfers. Assigned fund balance in the General Fund for general operating encumbrances was \$.9 million. Restricted fund balance in the General Fund for workers compensation and encumbrances for grants was \$.3 million. Overall, governmental fund balances increased at June 30 because of under spending in the General, Capital Projects 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.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2011

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

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

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

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

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

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

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

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

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2011

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

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

Government-wide Financial Analysis

As discussed earlier, net 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	
	2011	2010	Increase (decrease)	2011	2010	Increase (decrease)	2011	2010
Assets:								
Current and other assets	\$ 351,429	333,965	17,464	39	180	(141)	351,468	334,145
Capital assets	350,654	370,808	(20,154)	—	—	—	350,654	370,808
Total assets	702,083	704,773	(2,690)	39	180	(141)	702,122	704,953
Liabilities:								
Other liabilities	184,796	180,984	3,812	—	—	—	184,796	75,869
Long-term liabilities	72,350	75,869	(3,519)	—	—	—	72,350	180,984
Total liabilities	257,146	256,853	293	—	—	—	257,146	256,853
Net assets:								
Invested in capital assets, net of related debt	320,182	331,473	(11,291)	—	—	—	320,182	331,473
Restricted	25,484	10,594	14,890	—	—	—	25,484	10,594
Unrestricted	99,271	105,853	(6,582)	39	180	(141)	99,310	106,033
Total net assets	\$ 444,937	447,920	(2,983)	39	180	(141)	444,976	448,100

Cash and investments increased by \$21.8 million or 13.27%, caused by under spending in the General and the Child Nutritional Services funds, and \$16.3 million additions to the Capital Projects and Debt Service funds for proceeds 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 5.2%. Improvements to land, buildings and other than building were \$7.3 million; purchases of equipment, furniture, and vehicles (primarily computers and vehicles) were \$.5 million, less depreciation of \$11.4 million and retirements of \$31.9 million, resulting in a 5.4% decrease in capital assets. The overall change in long-term liabilities was a 4.6% decrease. The bonds payable balance increased by \$5.4 million, which includes \$16.3 million in Qualified School Construction bonds issued December, 2010. Compensated absences decreased by \$8.7 million due to a reduction in force at the end of the 2009-2010 school year.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2011

Unrestricted net assets of \$99.3 million include management commitments, assignments and unassigned fund balances. The Board of Education has authorized management to assign funds for certain obligations that make up 80% of the total net assets included in unrestricted net assets.

Fund balance has \$34.7 million in commitments, \$8.8 million in assignments, and \$51.2 million of unassigned fund balance. See footnote 2 for specific purposes within each category.

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 2011 and 2010 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, 2011

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

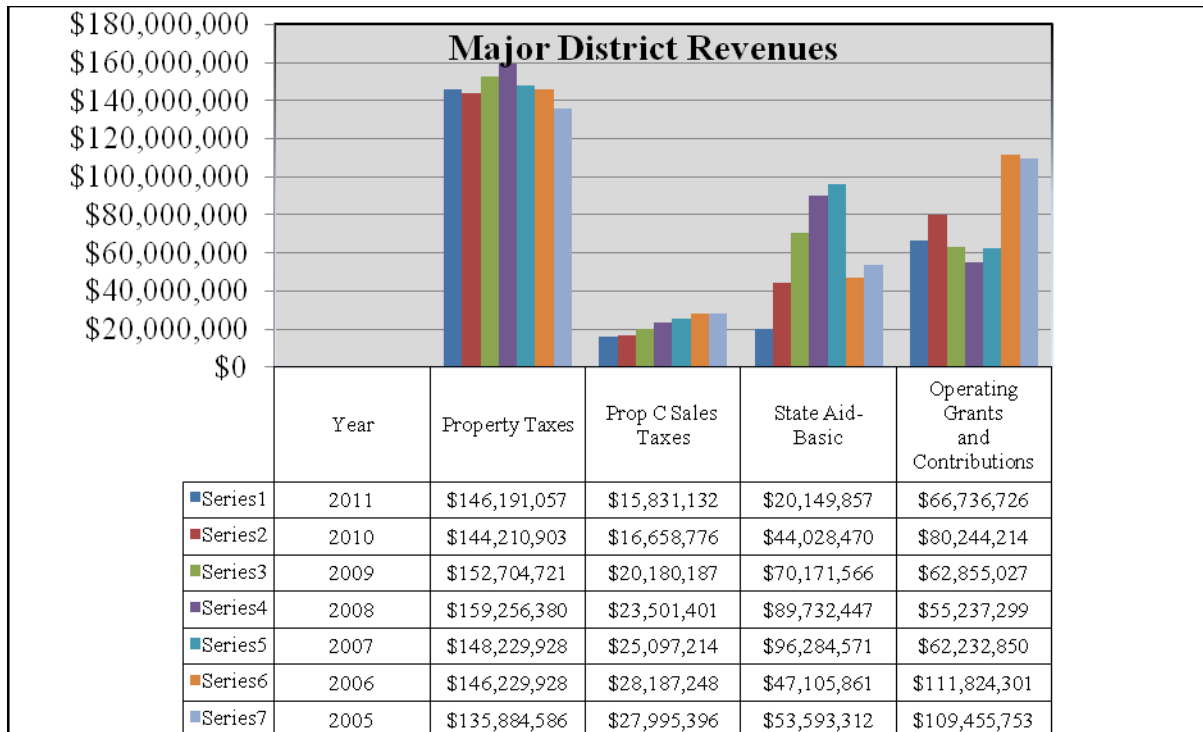
	Governmental activities		
	2011	2010	Increase (decrease)
Program revenues:			
Charges for services	\$ 1,010	812	198
Operating grants and contributions	66,737	80,244	(13,507)
Capital grants and contributions	304	1,033	(729)
General revenues:			
Property taxes	146,191	144,211	1,980
Prop C sales tax	15,831	16,659	(828)
Other local revenues	3,363	2,249	1,114
County governmental contributions	3,489	3,295	194
State aid—basic formula	20,150	44,028	(23,878)
Grants and entitlements	561	328	233
Investment earnings	906	1,753	(847)
Total revenues	258,542	294,612	(36,070)
Program expenses:			
Administration	20,646	20,874	(228)
Instruction	116,388	149,927	(33,539)
Support services	52,810	67,768	(14,958)
Operation of facilities	29,461	41,589	(12,128)
Pupil transportation	12,864	15,258	(2,394)
Facilities Improvement and Renovation	15,724	225	15,499
Community and adult services	11,748	9,644	2,104
Interest on long-term debt	2,044	1,990	54
Total expenses	261,685	307,275	(45,590)
Excess (deficiency) before transfers	(3,143)	(12,663)	9,520
Realized gain from sale of capital assets	—	—	—
Special item-loss on impaired assets	—	(38,038)	38,038
Transfers	160	410	(250)
Increase (decrease) in net assets	(2,983)	(50,291)	47,308
Net assets beginning of year	447,920	498,211	(50,291)
Net assets end of year	\$ 444,937	447,920	(2,983)

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2011

A graph of major District revenues is shown below.



The most significant changes in revenues were:

State Aid-Basic declined by \$23.9 million or 54.3%

Revenues from Consolidated Federal Programs increased by \$6.7 million.

Revenues from American Recovery and Reinvestment Act (ARRA) accounted for an increase of \$15.5 million. The revenue funded Entitlement, Consolidated Federal Programs, Jobs Bill, and Federal Budget Stabilization which funded a portion of the State's basic state aid.

Reimbursements for meals served under the Child Nutritional Services program decreased by \$2.2 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 \$.8 million or 5% because the state's funding distribution for FY11 was higher by 2.37% or \$6.5 million but the District's pupil count and average daily attendance declined in the current year.

Property tax revenue increased by 1.4% or approximately \$2.0 million due to a higher collection rate.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2011

State Aid distributed under the basic formula decreased by 53% or approximately \$23.5 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 FY11 distribution was based on weighted average daily attendance (WADA) of 20,670 compared to WADA of 25,573 for FY10.

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

Administration— The reduction is primarily due to a reduction of 10% in all administrative budgets district-wide.

Instruction – Teachers' salary and fringe benefits, and materials and supplies decreased primarily due to the declining enrollment. Funding was reduced in the equity program and theme support budgets.

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 reduce budgets 10%.

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

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

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Community services:			
Charges for services	\$ 46	96	(50)
Expenses	<u>(29)</u>	<u>(32)</u>	<u>3</u>
Revenue over expenditures before transfers	<u>17</u>	<u>64</u>	<u>(47)</u>
Investment Interest	2	4	(2)
Transfers	<u>(160)</u>	<u>(410)</u>	<u>250</u>
Increase (decrease) in net assets	\$ <u><u>(141)</u></u>	<u><u>(342)</u></u>	<u><u>201</u></u>

The decline in revenue was due primarily to a final lease payment of \$50,000 paid in fiscal year 2010.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2011

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 74.0% of the total cost) are costs that must be covered by unrestricted state funding and local taxes. When compared to the prior year, net cost of services as a percentage of total cost increased .9% because of the decrease in expenditures (\$45.6 million) greater than the decrease in operating and capital grants and contributions (\$14.2 million).

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

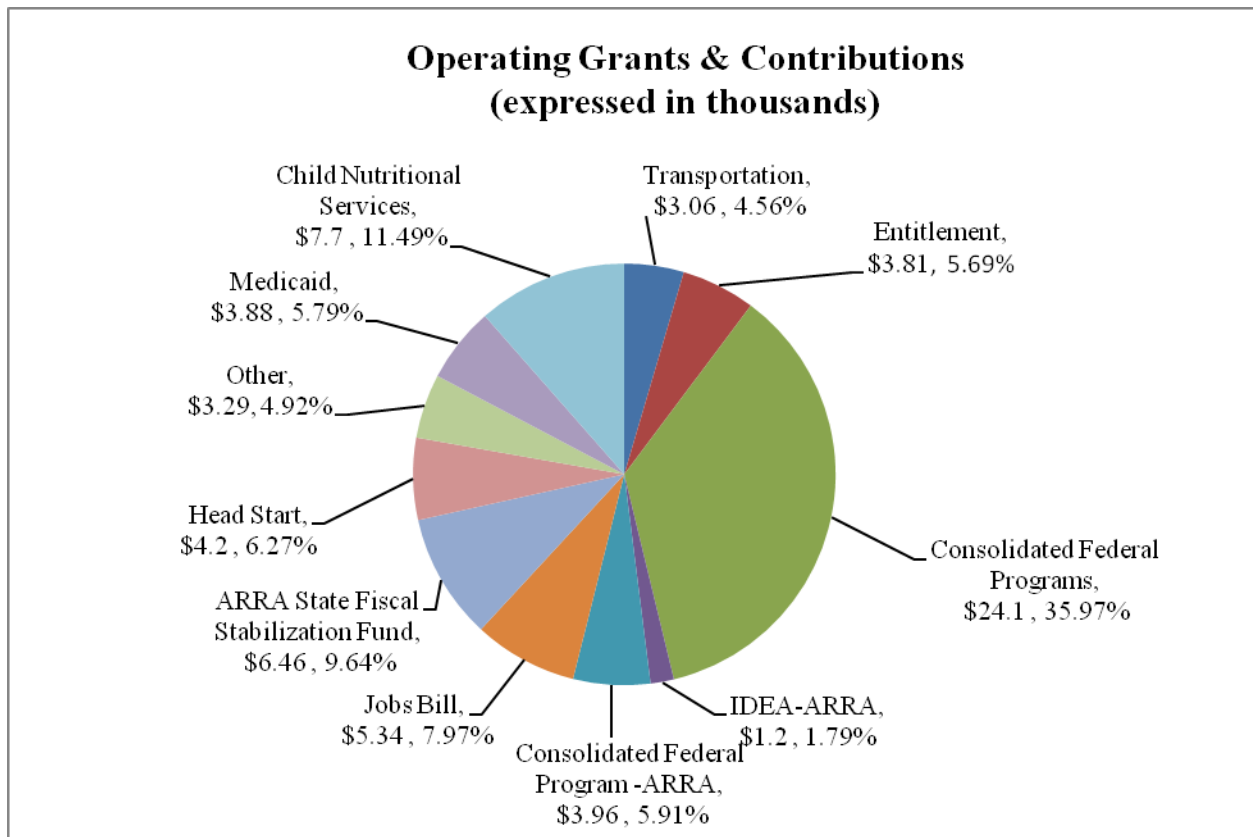
	Total cost of services	Net cost of services
Administration	\$ 20,646	20,453
Instruction	116,388	70,654
Support services	52,810	34,974
Operation of facilities	29,462	29,238
Pupil transportation	12,863	9,774
Facilities improvements and renovations	15,724	15,724
Community and adult services	11,748	10,774
Interest on long-term debt	2,044	2,044
Total	<u>\$ 261,685</u>	<u>193,635</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2011

The District received program revenues specifically to offset the cost of certain functions/programs. The major source of this type of revenue, that totaled \$67.0 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, 2011

The General Fund, and a portion of the Capital Projects Fund make up the District's operating budget. The fund balance in the Capital Projects—Operating Fund is used to cover debt service costs, reducing the required amount to be transferred from the General Fund. At June 30, 2011, the unassigned fund balance of the operating budget funds is shown below:

<u>Operating budget funds</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total fund balance</u>
General	\$ —	289,156	897,098	51,236,030	52,422,284
Capital projects—operating	2,531,622	—	7,903,775	—	10,435,397
	<u>\$ 2,531,622</u>	<u>289,156</u>	<u>8,800,873</u>	<u>51,236,030</u>	<u>62,857,681</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 25.3% of total operating expenditures and transfers. The total operating fund balance increased by 10.4% when compared to fiscal year 2010.

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 8.4%. Based on the final assessed valuation received in September 2010, property taxes increased by \$3.5 million. The projections for investment earnings, financial institutional tax and other local grants increased by \$1.5 million. Proposition C (sales taxes) and basic formula state aid decreased by \$0.68 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 \$9.2 million were received after the original budget was approved.

Expenditures and transfers out decreased by (9.94%). Budgeted expenditures increased by \$20 million primarily to transfer to capital projects for facilities infrastructure projects, and federal grant awards for Title I, Title II, School Improvement (SIG), and American Recovery and Reinvestment Act received after the original budget was approved.

When comparing the original budget to the final budget, there was a favorable variance of \$17.04 million for revenues and transfers in, and an unfavorable budgeted variance for expenditure and transfers out of \$20 million, increasing the use of fund balance from \$2.2 million to \$5.2 million.

When compared to the prior year (see Table 5B), budgeted revenues and transfers in decreased by 8.86% and expenditures and transfers out decreased by 10.87%.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2011

Table 5A—Budget Comparison, Original to Final Budget, Fiscal Year 2011

	<u>Revenues and Transfers In</u>	<u>Expenditures and Transfers Out</u>
Original budget	\$ 198,908,765	201,144,476
Final budget	<u>215,945,886</u>	<u>221,134,422</u>
Increase (decrease)	<u>\$ 17,037,121</u>	<u>19,989,946</u>

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

	<u>Revenues and transfers in</u>	<u>Expenditures and transfers out</u>
Fiscal year 2011 final budget	\$ 215,945,886	221,134,422
Fiscal year 2010 final budget	<u>236,937,919</u>	<u>248,097,948</u>
Increase (decrease)	<u>\$ (20,992,033)</u>	<u>(26,963,526)</u>
Percentage of change	(8.86)%	(10.87)%

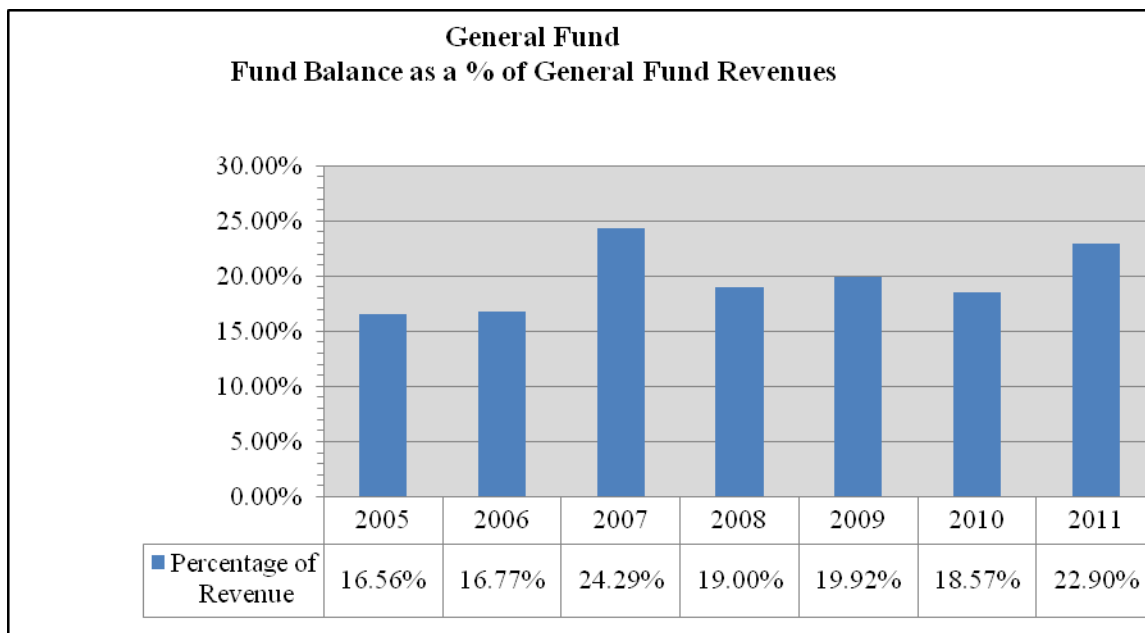
THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2011

Major Funds—Financial Highlights

When compared to fiscal year 2010, General Fund revenues and transfers in decreased by \$21.0 million or 8.9%, and expenditures and transfers decreased by \$27 million or 10.87%. The General Fund's ending fund balance is used to balance the operating budget. The level of fund balance in the General Fund is increased in relation to annual revenues, as shown in the graph below. This ratio is analyzed to determine if there is adequate budgetary carryover to meet unfunded emergencies and other unplanned needs.



The Debt Service Fund's revenues and other financing sources increased by \$1.86 million or 13.9% as a result of the interest income and the amount of the lease payment. Expenditures plus financing uses increased by \$1.4 million or 9.1% primarily because of increased principal and interest payments on bonds.

The Capital Projects Fund's revenues, transfers and other financing sources increased by \$4.7 million or 13.0% due to increased property taxes and federal grants. Expenditures increased by \$1.4 million or 9.2% primarily due to the purchase of equipment to provide laptop computers to teachers and replacement of classroom computers from grant funding, offset by a reduction in facility renovation projects.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2011

Capital Assets and Debt Administration

Capital assets—The District's investment in capital assets for its governmental activities as of June 30, 2011 amounts to \$346.2 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, building improvements, improvements other than buildings, impaired buildings, equipment, fixtures and vehicles. Capital assets decreased by \$20.2 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

	2011	2010
Land	\$ 30,646,301	31,784,639
Buildings	242,697,141	270,875,450
Improvements other than buildings	8,798,347	10,688,318
Equipment and furniture	743,553	1,605,416
Vehicles	268,698	231,022
Buildings-Impaired	59,775,442	49,757,660
Construction in progress	3,299,040	1,439,775
	<u>\$ 346,228,522</u>	<u>366,382,280</u>

Long-term debt—The Building Corporation issued leasehold revenue bonds to finance the District's major capital improvement projects in prior years with a \$23.08 million outstanding principal balance at the end of fiscal year 2011. In early fiscal year 2010, authorized as part of the American Recovery and Reinvestment Act of 2009, the District was awarded \$17.9 million in Quality School Construction bonds (QSCB) as one of one hundred school districts across the country. As the results of this award, in December, 2009, the Building Corporation issued, on behalf of the District, \$17.88 million in leasehold revenue bonds. A portion of the interest on the QSCB is paid by the federal government in the form of a quarterly tax credit to the owners of the QSCBs. The federal tax credit rate applicable to the QSCBs is 6.05 %. In addition, owners of the QSCBs are also being paid interest on the principal outstanding at an interest rate of 2.23%. In fiscal year 2011, the District was again awarded Quality School Construction Bonds (QSCBs). In December, 2010, the Building Corporation issued, on behalf of the District, \$16.27 million in leasehold revenue bonds at an interest rate of 7.120%. The federal government interest subsidy of 5.37%, results in a net interest rate paid by the District of 1.75%. The District is required to make lease payments to the Building Corporation in an amount sufficient to cover principal and interest payments each year. During the current fiscal year, approximately \$13.6 million was available to the Trustee in compliance with this requirement. Approximately 5.89% of total District expenditures relate to payments of principal, interest, and bond-related costs. See notes 3(e) and 3(f) for additional information.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2011

Economic Factors That Impact Fiscal Year 2012 Budgets

- The fiscal year 2011 comprehensive operating budget was approved by the Board on May 18, 2011. Fiscal year 2012 projected current revenues of approximately \$220.9 million is a decrease of about \$37.2 million (or 14.4%) when compared to fiscal year 2011.
 - Local revenue from property taxes decreased by \$1.3 million based on preliminary assessed valuation decrease of \$38.0 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 \$.2 million.
 - State aid is expected to decline by approximately \$13.5 million as a result of the reduction in the weighted average daily attendance factor.
 - Federal grants declined by \$19.7 million, however, it is anticipated that additional federal grants will be awarded during the fiscal year.
- Fiscal year 2012 expenditures of approximately \$223.4 million represent a decrease of about \$37.2 million (or 14.3%) when compared to the prior year.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for our citizens, taxpayers, investors, banks, and creditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to 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, 2011

	Governmental activities	Business-type activities	Total
Assets:			
Cash and investments	\$ 142,951,763	38,938	142,990,701
Restricted cash and investments	43,455,633	—	43,455,633
Taxes receivable (net of allowance for uncollectibles)	152,812,362	—	152,812,362
Interest receivable	630,158	—	630,158
Due from other governmental units	8,927,199	—	8,927,199
Due from community	13,915	—	13,915
Other receivables	71,516	—	71,516
Supplies inventories	80,008	—	80,008
Property held for sale	4,425,821	—	4,425,821
Other post-employment benefits	2,121,242	—	2,121,242
Bond issuance costs	364,681	—	364,681
Capital assets (net of accumulated depreciation):			
Nondepreciable	93,720,783	—	93,720,783
Depreciable	252,507,739	—	252,507,739
Total assets	<u>702,082,820</u>	<u>38,938</u>	<u>702,121,758</u>
Liabilities:			
Accounts payable and other	13,696,673	—	13,696,673
Accrued salaries, benefits, and payroll taxes	32,414,457	72	32,414,529
Claims payable	1,803,818	—	1,803,818
Accrued interest payable	532,611	—	532,611
Unearned revenue	131,928,236	—	131,928,236
Long-term liabilities:			
Due within one year:			
Compensated absences	3,713,647	—	3,713,647
Revenue bonds	9,770,000	—	9,770,000
Due in more than one year:			
Compensated absences	10,846,161	—	10,846,161
Claims payable	4,420,000	—	4,420,000
Revenue bonds	47,459,000	—	47,459,000
Unamortized premium on bonds, net of deferred charges	561,255	—	561,255
Total liabilities	<u>257,145,858</u>	<u>72</u>	<u>257,145,930</u>
Net assets:			
Invested in capital assets, net of related debt	320,182,161	—	320,182,161
Restricted for:			
Debt service	8,660,552	—	8,660,552
Workers' compensation	280,541	—	280,541
Permanent fund, nonexpendable corpus	35,000	—	35,000
Patron gifts	196,265	—	196,265
Compensated absences	13,677,088	—	13,677,088
Capital projects	1,501,170	—	1,501,170
Other restrictions	1,133,605	—	1,133,605
Unrestricted	99,270,580	38,866	99,309,446
Total net assets	<u>\$ 444,936,962</u>	<u>38,866</u>	<u>444,975,828</u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Activities

Year ended June 30, 2011

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	Business-type activities
Governmental activities:						
Administration	\$ 20,646,169	—	183,405	9,870	(20,452,894)	—
Instruction	116,388,335	—	45,623,349	110,510	(70,654,476)	—
Support services	52,810,337	934,525	16,901,063	1,075	(34,973,674)	—
Operation of facilities	29,461,601	40,969	—	182,778	(29,237,854)	—
Pupil transportation	12,863,494	32,180	3,057,496	—	(9,773,818)	—
Facilities improvements and renovation	15,723,643	—	—	—	(15,723,643)	—
Community and adult services	11,747,601	1,842	971,413	—	(10,774,346)	—
Interest on long-term debt	2,044,096	—	—	—	(2,044,096)	—
Total governmental activities	261,685,276	1,009,516	66,736,726	304,233	(193,634,801)	—
Business-type activities:						
Community services	28,539	46,031	—	—	—	17,492
Total	261,713,815	1,055,547	66,736,726	304,233	(193,634,801)	17,492
General revenues:						
Property taxes					146,191,057	—
Prop C sales tax					15,831,132	—
Other local revenues					3,362,956	—
Intermediate/county					3,489,487	—
State aid—basic formula					20,149,857	—
Grants and entitlements not restricted to specific programs					560,564	—
Investment earnings					906,092	1,625
Transfers					160,533	(160,533)
Total general revenues, special item and transfers					190,651,678	(158,908)
Change in net assets					(2,983,123)	(141,416)
Net assets—beginning					447,920,085	180,282
Net assets—ending					\$ 444,936,962	38,866

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Balance Sheet

Governmental Funds

June 30, 2011

Assets	General	Other Special Revenue	Debt Service	Capital Projects	Nonmajor governmental funds	Total governmental funds
Cash and investments	\$ 71,923,882	28,645,633	—	42,101,721	280,527	142,951,763
Restricted cash and investments	280,541	—	11,076,622	31,743,894	354,576	43,455,633
Taxes receivable, net of allowance for uncollectibles	148,646,764	—	—	4,165,598	—	152,812,362
Interest receivable	402,800	29,722	115,552	79,619	2,465	630,158
Other receivables	71,516	—	—	—	—	71,516
Due from other governments	7,560,581	—	—	—	1,366,618	8,927,199
Due from other community	—	—	—	—	13,915	13,915
Due from other funds	482,162	—	—	—	—	482,162
Advances to other funds	—	—	—	2,531,622	—	2,531,622
Property held for sale	—	—	—	4,425,821	—	4,425,821
Total assets	\$ 229,368,246	28,675,355	11,192,174	85,048,275	2,018,101	356,302,151
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 10,954,592	—	—	2,598,791	143,290	13,696,673
Accrued salaries, benefits, and payroll taxes	18,259,989	14,998,267	—	—	36,394	33,294,650
Advances from other funds	—	—	2,531,622	—	—	2,531,622
Due to other funds	—	—	—	—	482,162	482,162
Deferred revenue	147,731,381	—	—	4,114,412	—	151,845,793
Total liabilities	176,945,962	14,998,267	2,531,622	6,713,203	661,846	201,850,900
Fund balances:						
Nonspendable	—	—	—	2,531,622	35,000	2,566,622
Restricted	289,156	13,677,088	8,660,552	33,245,064	1,321,255	57,193,115
Committed	—	—	—	34,654,611	—	34,654,611
Assigned	897,098	—	—	7,903,775	—	8,800,873
Unassigned	51,236,030	—	—	—	—	51,236,030
Total fund balances	52,422,284	13,677,088	8,660,552	78,335,072	1,356,255	154,451,251
Total liabilities and fund balances	\$ 229,368,246	28,675,355	11,192,174	85,048,275	2,018,101	356,302,151

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, 2011

Fund balances—balance sheet	\$ 154,451,251
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	346,228,522
Federal food commodities	80,008
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	(57,229,000)
Unamortized premium on bonds net of deferred charges	(561,255)
Accrued interest payable	(532,611)
Bond issuance costs	364,681
Other post-employment benefits	2,121,242
Compensated absences	(13,679,615)
Claims payable	(6,223,818)
	<hr/> (75,740,376)
Deferred revenue—property taxes	16,149,689
Deferred revenue—grants	<hr/> 3,767,868
Net assets of governmental activities	<hr/> <hr/> \$ 444,936,962

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, 2011

	General	Other Special Revenue	Debt Service	Capital Projects	Nonmajor governmental funds	Total governmental funds
Revenues:						
Property taxes	\$ 135,986,691	—	—	11,306,374	—	147,293,065
Prop C sales tax	8,470,423	7,360,709	—	—	—	15,831,132
Other local	2,475,494	63,951	433,004	—	1,591,864	5,580,900
Intermediate/county	3,415,725	—	—	73,762	—	3,489,487
State aid—basic formula	20,149,857	—	—	—	—	20,149,857
Other state	6,922,128	—	—	—	58,679	6,980,807
Federal	51,528,058	1,436	—	1,620,497	7,601,084	60,751,075
Tuition	9,743	—	—	—	—	9,743
Total revenues	228,958,119	7,426,096	433,004	14,017,220	9,251,627	260,086,066
Expenditures:						
Current:						
Administration	15,811,020	—	—	—	—	15,811,020
Instruction	100,789,483	—	—	—	751,237	101,540,720
Support services	38,357,347	7,259,198	—	—	7,790,853	53,407,398
Operation of facilities	29,260,172	—	—	—	—	29,260,172
Pupil transportation	12,863,493	—	—	—	—	12,863,493
Community and adult services	11,606,360	—	—	—	—	11,606,360
Debt service:						
Bond issuance costs	—	—	188,301	—	—	188,301
Principal	—	—	10,875,000	—	—	10,875,000
Interest and fiscal charges	—	—	3,754,660	—	—	3,754,660
Capital outlay:						
Administration	—	—	—	12,585	—	12,585
Instruction	—	—	—	4,213,716	—	4,213,716
Support services	—	—	—	1,332,551	—	1,332,551
Operation of facilities	—	—	—	308,597	—	308,597
Community and adult services	—	—	—	126,107	—	126,107
Facilities improvement and renovation	—	—	—	6,240,520	—	6,240,520
Total expenditures	208,687,875	7,259,198	14,817,961	12,234,076	8,542,090	251,541,200
Revenues over (under) expenditures	20,270,244	166,898	(14,384,957)	1,783,144	709,537	8,544,866
Other financing sources (uses):						
Transfers in	10,457	196,511	14,629,660	10,510,790	1,041	25,348,459
Transfers out	(8,705,203)	—	(1,852,733)	(14,629,990)	—	(25,187,926)
Issuance of long-term debt	—	—	184,898	16,089,102	—	16,274,000
Total other financing sources (uses)	(8,694,746)	196,511	12,961,825	11,969,902	1,041	16,434,533
Net change in fund balances	11,575,498	363,409	(1,423,132)	13,753,046	710,578	24,979,399
Fund balances, beginning of year	40,846,786	13,313,679	10,083,684	64,582,026	645,677	129,471,852
Fund balances, end of year	\$ 52,422,284	13,677,088	8,660,552	78,335,072	1,356,255	154,451,251

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, 2011

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

Net change in fund balances—total governmental funds \$ 24,979,399

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	7,085,406
Depreciation expense	(11,414,584)
	<hr/>
	(4,329,178)

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	—
------------------------------------	---

Unrealized loss on impaired capital assets	(15,824,580)
--	--------------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(571,667)
--	-----------

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	(16,274,000)
Principal payment on revenue bonds	10,875,000
Bond issuance costs	188,301
Amortization on premium, deferred charges and bond issuance costs	160,443
Accrued interest payable	177,303
	<hr/>
	(4,872,953)

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	276,098
Compensated absences	2,318,576
Claims payable	(4,958,818)
	<hr/>
	(2,364,144)

Change in net assets of governmental activities	<hr/> <hr/> \$ (2,983,123)
---	----------------------------

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Net Assets—Proprietary Fund

June 30, 2011

	<u>Nonmajor Enterprise Fund</u>
Assets:	
Cash and Investments	\$ <u>38,938</u>
Total assets	<u>38,938</u>
Liabilities:	
Accrued salaries, benefits, and payroll taxes	<u>72</u>
Total liabilities	<u>72</u>
Net assets, unrestricted	\$ <u><u>38,866</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 Fund
Year ended June 30, 2011

	Nonmajor Enterprise Fund
Operating revenues:	
Charges for community support services	46,031
Total operating revenues	46,031
Operating expenses:	
Salaries, wages, and employee benefits	21,391
Other contractual services	7,148
Total operating expenses	28,539
Operating income	17,492
Nonoperating revenues, interest income	1,625
Income before transfers	19,117
Transfers out	(160,533)
Change in net assets	(141,416)
Total net assets, beginning of year	180,282
Total net assets, end of year	\$ 38,866

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Cash Flows—Proprietary Fund

Year ended June 30, 2011

	Nonmajor Enterprise Fund
Cash flows from operating activities:	
Receipts from customers and users	\$ 96,031
Payments to suppliers	(7,076)
Payments to employees	(21,391)
Net cash provided by operating activities	<u>67,564</u>
Cash flows from noncapital and related financing activities,	
Transfers to other funds	(160,533)
Cash flows from investing activities,	
Interest income received	<u>1,625</u>
Net (decrease) in cash and cash equivalents	(91,344)
Cash and cash equivalents, beginning of year	<u>130,282</u>
Cash and cash equivalents, end of year	<u><u>\$ 38,938</u></u>
Reconciliation of operating income to net cash	
provided by operating activities:	
Operating income	\$ 17,492
Adjustments to reconcile operating income to net cash	
provided by operating activities:	
Decrease in other receivable	50,000
Increase in accrued salaries, benefits and payroll taxes	<u>72</u>
Total adjustments	<u>50,072</u>
Net cash provided by operating activities	<u><u>\$ 67,564</u></u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Fiduciary Net Assets

June 30, 2011

	Private Purpose Trust— Student Scholarship Fund
Assets:	
Investments	\$ 507,679
Interest receivable	3,919
	<hr/>
Total assets	511,598
	<hr/>
Net assets:	
Net assets held in trust for other purposes	\$ 511,598
	<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, 2011

	Private Purpose Trust— Student Scholarship Fund
Additions:	
Contributions:	
Private donations	\$ <u>1,647</u>
Total contributions	<u>1,647</u>
Investment income:	
Interest	<u>3,662</u>
Total investment income	<u>3,662</u>
Total additions	<u>5,309</u>
Deductions:	
Scholarship awards	<u>23,160</u>
Total deductions	<u>23,160</u>
Net decrease	(17,851)
Net assets, beginning of year	<u>529,449</u>
Net assets, end of year	\$ <u><u>511,598</u></u>

See accompanying notes to basic financial statements.

This Page Intentionally Left Blank

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

(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, 2011 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 2011. 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, 2011

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. All current and noncurrent assets 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 reimbursement is received within 60 days of fiscal year-end. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. Expenditures are generally recognized in the accounting period when the related fund liabilities are incurred. Principal and interest on long-term indebtedness, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due and payable.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

The District has the following major governmental funds.

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

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

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

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

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

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

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

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

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

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

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

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

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

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.

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 SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

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

2. Restricted Cash and Investments

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 as of June 30, 2011.

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

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

Property taxes are recognized as a receivable at the time they become an enforceable legal claim. Property taxes are levied by the county assessor based on the assessed valuation of taxable property as of January 1 of each calendar year (tax lien date). Taxes are billed the following November 1 and become due on or before December 31. Tax bills not collected by December 31 are considered delinquent and the unpaid amount is subject to interest and penalties. The county is responsible for the collection and distribution of property taxes. Assessed values are established by the county's Department of Assessment and reviewed by the County Board of Equalization and the state tax commissioner. The total assessed value at January 1, 2011 for real estate, personal property, merchants and manufacturers, and railroad and utility property was approximately \$2.785 billion.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

4. Inventories

In the government-wide financial statements, inventories are valued at average cost and are unused federal commodities. Unused federal commodities at year-end are reported as 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.

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 SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

The Board of Education 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. The District also has twenty-five closed buildings which are no longer being used by the District, and therefore are not being depreciated. The District has recorded these buildings in the government-wide financial statements at the lower of 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.

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, 2011 of \$14.6 million have been recorded in the government-wide financial statements. Of this balance, \$.9 million is recorded as accrued liabilities in the Other Special Revenue Fund as they are considered due, for example, as a result of employee resignations and retirements. Within the governmental funds financial statements, there is a fund balance restriction at June 30, 2011 of \$13.7 million to cover these future payments. Payments of benefits to employees are made from the Other Special Revenue Fund.

7. Interfund Transactions

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

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 governmental fund financial statements, fund balances are classified as follows:

Nonspendable: Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation

Committed: Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

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

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

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

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

In the government-wide financial statements and proprietary fund financial statements, net 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 \$31,743,894.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

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 \$8,660,552 for debt service, \$280,541 for Worker's Compensation, \$35,000 for nonexpendable corpus of permanent fund, \$196,265 for patron gifts, \$13,677.088 for compensated absences, \$1,501,170 for capital projects, and \$1,133,605 for other restrictions.

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.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

(2) Fund Balances

In fiscal year 2011, the District adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The details for the District's fund balances are as follows:

Fund Balances:	General	Other Special Revenue	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable:						
Advances	\$ -	\$ -	\$ -	\$ 2,531,622	\$ -	\$ 2,531,622
Patron gift	-	-	-	-	35,000	35,000
Total Nonspendable	-	-	-	2,531,622	35,000	2,566,622
Restricted:						
Grant restriction	8,615	-	-	-	-	8,615
Child Nutritional Services	-	-	-	-	719,530	719,530
Debt service	-	-	8,660,552	-	-	8,660,552
Student activities	-	-	-	-	279,684	279,684
Patron gift	-	-	-	-	196,265	196,265
Property held for sale	-	-	-	4,425,821	-	4,425,821
Permanent fund	-	-	-	-	125,776	125,776
Compensated absences	-	13,677,088	-	-	-	13,677,088
Workers compensation	280,541	-	-	-	-	280,541
Encumbrances- QSCB	-	-	-	2,896,484	-	2,896,484
Capital projects- QSCB	-	-	-	25,922,759	-	25,922,759
Total Restricted	289,156	13,677,088	8,660,552	33,245,064	1,321,255	57,193,115
Committed:						
Encumbrances	-	-	-	501,946	-	501,946
Capital projects-Cornerstone	-	-	-	34,152,665	-	34,152,665
Total Committed	-	-	-	34,654,611	-	34,654,611
Assigned:						
Encumbrances	897,098	-	-	746,574	-	1,643,672
Future equipment purchases	-	-	-	7,157,201	-	7,157,201
Total Assigned	897,098	-	-	7,903,775	-	8,800,873
Unassigned:	51,236,030	-	-	-	-	51,236,030
Total fund balances	\$ 52,422,284	\$ 13,677,088	\$ 8,660,552	\$ 78,335,072	\$ 1,356,255	\$ 154,451,251

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

(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, 2011:

Investment type	Fair value	Weighted average maturity (years)
U.S. Treasury obligations	\$ 4,032,105	1.59
Government-sponsored enterprises	77,460,334	2.90
Repurchase agreements	41,137,000	2.59
Total fair value	122,629,439	
Portfolio weighted average maturity		2.75
Other cash and investments not subject to interest rate disclosure:		
Money market funds	32,047,742	
Certificates of deposit	31,984,000	
Deposits	292,832	
	64,324,574	
Total cash and investments	\$ 186,954,013	

Interest rate risk—The Board approved investment policy requires that the investment portfolio be structured so that securities mature to meet cash requirements for day-to-day operations. Primarily, operating funds are invested in short-term securities with a weighted average maturity of less than 12 months and securities are held to maturity. Investments may mature within no more than 5 years from date of purchase. The policy requires the District to adopt weighted average maturity limitations that do not exceed 3 years and is consistent with the investment objectives. The weighted average maturity for the District's portfolio is 2.8 years. The weighted average maturity for the investments of the Building Corporation is about 2.1 years.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

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

<u>Investment type</u>	<u>Moody's Investors Service</u>	<u>Standard & Poor's</u>
U. S. Treasury Obligations	Aaa	AAA
Government-sponsored enterprises		
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

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 17% of its investments in certificates of deposits and Missouri Securities Investment Program Term Series, and 41% in callable U.S. Government agencies.

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.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

(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	Other Special Revenue	Debt Service	Capital Projects	Nonmajor and other(1)	Total
Interest	\$ 402,800	29,722	115,552	79,619	6,384	634,077
Taxes	151,118,809	—	—	5,459,986	—	156,578,795
Due from other						
governments	7,560,581	—	—	—	1,366,618	8,927,199
Due from other funds	482,162	—	—	—	—	482,162
Advances to other funds	—	—	—	2,531,622	—	2,531,622
Community programs	—	—	—	—	13,915	13,915
Other receivables	71,516	—	—	—	—	71,516
Gross receivables	159,635,868	29,722	115,552	8,071,227	1,386,917	169,239,286
Less: allowance for uncollectible	(2,472,045)	—	—	(1,294,388)	—	(3,766,433)
Net total						
receivables	\$ 157,163,823	29,722	115,552	6,776,839	1,386,917	165,472,853

- (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, 2011

(c) Capital Assets

Capital asset activity as of June 30, 2011 is shown below:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Transfers/ retirements</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 31,784,639	—	(1,138,338)	30,646,301
Construction in progress	1,439,775	2,654,208	(794,943)	3,299,040
Impairment- closed buildings	49,757,660	—	10,017,782	59,775,442
Total capital assets, not being depreciated	<u>82,982,074</u>	<u>2,654,208</u>	<u>8,084,501</u>	<u>93,720,783</u>
Capital assets, being depreciated:				
Buildings and improvements	438,090,658	4,577,841	(38,495,589)	404,172,910
Improvements other than buildings	34,228,878	101,495	(1,763,549)	32,566,824
Equipment and furniture	29,165,720	377,434	(296,109)	29,247,045
Vehicles	1,889,476	169,371	(221,721)	1,837,126
Total capital assets being depreciated	<u>503,374,732</u>	<u>5,226,141</u>	<u>(40,776,968)</u>	<u>467,823,905</u>
Less accumulated depreciation for:				
Buildings and improvements	(167,215,208)	(8,759,819)	14,499,258	(161,475,769)
Improvements other than buildings	(23,540,560)	(1,283,773)	1,055,856	(23,768,477)
Equipment and furniture	(27,560,304)	(1,239,297)	296,109	(28,503,492)
Vehicles	(1,658,454)	(131,695)	221,721	(1,568,428)
Total accumulated depreciation	<u>(219,974,526)</u>	<u>(11,414,584)</u>	<u>16,072,944</u>	<u>(215,316,166)</u>
Total capital assets, being depreciated, net	<u>283,400,206</u>	<u>(6,188,443)</u>	<u>(24,704,024)</u>	<u>252,507,739</u>
Governmental activities capital assets, net	<u>\$ 366,382,280</u>	<u>(3,534,235)</u>	<u>(16,619,523)</u>	<u>346,228,522</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

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

Elementary schools	\$	4,425,867
Middle schools		1,908,944
Senior high schools		4,400,092
Other instruction		16,125
Special education		136,680
Total instruction		<u>10,887,708</u>
Executive Administration		3,650
Financial and internal services		1,644
Food Service		58,047
Information technology		114,106
Total support services		<u>177,447</u>
Operation of facilities		142,805
Internal Services		9,489
Facilities acquisition and construction		197,135
Total governmental activities depreciation expense	\$	<u><u>11,414,584</u></u>

As of June 30, 2011 the District has thirty-one schools with a total carrying value of \$95,462,985 that are idle and considered impaired. Management has determined six of these schools with a carrying value of \$ 35,687,544 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. In fiscal year 2011, the District recorded an additional \$15,824,580 of impairment loss in the government-wide statements due to a decrease in estimated market value of these impaired schools.

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

Interfund receivables, payables, and advances to and from at June 30, 2011 are as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Major funds:		
General	\$ 482,162	—
Capital Projects	2,531,622	—
Debt Service	—	2,531,622
Nonmajor fund:		
Special Revenue (Child Nutritional Services)	—	482,162
	<u>\$ 3,013,784</u>	<u>3,013,784</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

The purpose of the above inter-fund balances is to reflect the payables and receivables between certain funds at June 30, 2011. 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 \$.5 million is reclassified as a due to/from other funds. The District is required to make advance payments to the trustee for current debt service obligation of \$2.5 million, which is funded by proceeds from the sale of buildings and property tax revenue.

The following transfers were made during the fiscal year:

	General	Debt Service	Other Special Revenue	Capital Projects	Non Major	Total
Transfers from:						
General Fund	\$ -	-	47,146	8,658,057	-	8,705,203
Teachers'	-	-	-	-	-	-
Debt Service Fund	-	-	-	1,852,733	-	1,852,733
Capital Project Fund	-	14,629,660	-	-	330	14,629,990
Nonmajor governmental funds	-	-	-	-	-	-
Enterprise fund	10,457	-	149,365	-	711	160,533
	<u>\$ 10,457</u>	<u>14,629,660</u>	<u>196,511</u>	<u>10,510,790</u>	<u>1,041</u>	<u>25,348,459</u>

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

(e) *Accrued Salaries*

School-based instructional staff, are compensated over a 12-month period beginning in August and September. Remaining salaries and related payroll taxes for the fiscal year have been accrued at June 30, 2011.

(f) *Long-term Borrowings*

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

The District has pledged, as security for the 2003 series bonds issued by the Building Corporation, a portion of the District's property taxes. The 2003 series bonds are payable through 2014. Total principal and interest remaining on the 2003 series bond debt is \$25,140,780 with annual requirements ranging from \$6.0 to \$10.9 million. For the current year, principal and interest paid by the District were \$10.9 million and \$1.7 million, respectively.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

The 2009 Leasehold Revenue Qualified School Construction Bonds are payable through 2025. The total principal and interest remaining on the debt is \$21,687,613 with annual requirements ranging from \$.4 million to \$2.4 million. For the current year, interest paid by the District was \$.4 million. The amount of tax credits issued to the bondholder from the federal government was \$1.1 million. Principal payments begin in 2015.

The 2010 Leasehold Revenue Qualified School Construction Bonds are payable through 2029. The total principal and interest remaining on the debt is \$29,102,638 with annual requirements ranging from \$1.2 million to \$2.1 million. For the current year, interest paid by the District was \$.6 million. Principal payments begin in 2015.

Bonds outstanding at June 30, 2011 are as follows:

Purpose	Amount outstanding	Interest rate	Maturity year
Series 2003A	\$ 2,580,000	4.00% to 5.00%	2014
Series 2003B	20,495,000	4.00% to 5.00%	2014
Series 2009	17,880,000	2.23%	2025
Series 2010	16,274,000	7.12%	2029
	<u>\$ 57,229,000</u>		

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

	Governmental activities	
	Principal	Interest
Year ending June 30:		
2012	\$ 9,770,000	2,689,213
2013	7,555,000	2,203,933
2014	5,750,000	1,844,933
2015	2,009,000	1,534,508
2016	2,110,000	1,442,054
2017-2021	12,445,000	5,703,739
2022-2026	13,990,000	2,832,243
2027-2029	3,600,000	451,408
Total	<u>\$ 57,229,000</u>	<u>18,702,031</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

(g) *Changes in Long-term Liabilities*

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

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Leasehold revenue bonds	\$ 51,830,000	16,274,000	(10,875,000)	57,229,000	9,770,000
Compensated absences	<u>23,290,511</u>	<u>2,887,910</u>	<u>(11,618,613)</u>	<u>14,559,808</u>	<u>3,713,647</u>
Long-term liabilities	<u>\$ 75,120,511</u>	<u>19,161,910</u>	<u>(22,493,613)</u>	<u>71,788,808</u>	<u>13,483,647</u>

Compensated absences are liquidated by the Other Special Revenue Fund.

Prior period defeasance

During the year ended June 30, 2009 the District defeased portions of the Series 2003A and 2003B leasehold revenue bonds by placing proceeds from the 2008 sale of school buildings in an irrevocable trust to provide for all future debt service payments on these bonds. The advance refund was done to comply with federal tax law mandates on the use of the proceeds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's long-term debt. On June 30, 2011, \$13,144,600 of bonds outstanding are considered defeased.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

(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 \$280,541 as of June 30, 2011 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 2010 and 2011 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 2011:				
Claims and judgments	<u>1,265,000</u>	<u>5,491,434</u>	<u>532,616</u>	<u>6,223,818</u>
	<u>\$ 1,265,000</u>	<u>5,491,434</u>	<u>532,616</u>	<u>6,223,818</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, 2011

Membership in the OPEB comprised the following at July 1, 2010:

Active employees	3,079
Retired participants medical	409
Retired participants spouse medical	55
Retired participants dental	1,089
Retired participants spouse dental	283

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 2011, the District contributed \$1,680,943 to the plan. Plan members receiving benefits from OPEB contributed \$1,692,600.

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 2011:

Annual Required Contribution	\$ 1,371,934
Interest on Net OPEB Obligation	(73,806)
Adjustment to ARC	<u>106,717</u>
Annual OPEB Cost (Expense)	<u>1,404,845</u>
Contributions Made	<u>(1,680,943)</u>
Increase in net OPEB Obligation (Asset)	(276,098)
Net OPEB Asset – Beginning of Year	<u>(1,845,144)</u>
Net OPEB Asset – End of Year	<u>\$(2,121,242)</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2011, 2010, and 2009 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>
06/30/11	\$1,404,845	119.7%	\$(2,121,242)
06/30/10	\$1,850,169	104.0%	\$(1,845,144)
06/30/09	\$568,604	338.3%	\$(1,771,920)

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

As of July 1, 2010, the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$14,704,906 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,704,906. The covered payroll (annual payroll of active employees covered by the plan) was \$106,402,917 and the ratio of the UAAL to the covered payroll was 13.8%.

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, 2010 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 9 percent for medical claims, reduced by decrements to an ultimate rate of 5 percent after eight years. The UAAL is being amortized as a level dollar amount over a period of 30 years.

(c) *Status of Accreditation*

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

In October 1999, the SBE voted to withdraw the District's accreditation effective May 2000, due to the District's failure to meet the required MSIP standards during its Second Cycle accreditation review by the Department of Elementary and Secondary Education (DESE). The areas reviewed by the 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, 2011

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.

For fiscal year 2011, the district met three of fourteen performance standards. On September 20, 2011, the State Board of Education (SBE) voted to rescind the District's provisional accreditation effective January 1, 2012. The SBE noted the progress the district had made but expressed their desire to provide additional support to the District so it could achieve the necessary APR points needed to achieve accreditation. The District has two years to improve in its' performance standards and must meet at least nine standards to avoid State Intervention. Quarterly oversight reviews by a Missouri Regional School Improvement team will continue during this period of time.

(d) Commitments

On June 22, 2011 the Board approved a one-year agreement for fiscal year 2012 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 \$2,996,000 and the District expects similar expenditures in the next fiscal year.

On June 22, 2011 the Board approved a one-year agreement for fiscal year 2012 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 \$9,070,000 and the District expects similar expenditures in the next fiscal year.

Certain commitments have been made relating to approved projects from the 2009 and 2010 QSCB proceeds. Through June 30, 2011, the District has incurred \$5.0 million in expenditures relating to these projects, and has entered into contracts totaling approximately \$2.9 million.

(e) Contingent Liabilities

The District filed suit in Missouri state court 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 SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

The District's lawsuit alleged 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 because, among other reasons, it violates certain federal court orders and a settlement agreement between the State and the District arising from federal desegregation litigation.

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. While the state lawsuit was pending, the District successfully obtained an injunction from the federal court, which held the State's conduct violated the settlement agreement between the District and the State that was entered into as part of the federal desegregation litigation. The federal court injunction entitled the District to continue withholding from charter schools (through 2014), a per-pupil amount necessary for desegregation bond payments.

The District then filed claims in the state court lawsuit against the State and charter schools to recover monies that the State forced KCMSD to transfer to the charter schools prior to the federal court injunction.

On August 15, 2011, the state court entered summary judgment in favor of the District on its claims seeking to recover for the monies wrongfully diverted to the charter schools for the 2005-06 school year, prior to the federal court's ruling in the District's favor. The court entered judgment against the State for the principal amount of \$6,162,011, together with \$2,865,588 in prejudgment interest, for a total judgment of \$9,027,599. The court also entered judgment in favor of the District and against the charter schools for the principal amount of \$5,082,253, together with \$2,363,457 in prejudgment interest, for a total judgment of \$7,445,710. However, on September 30, 2011, the state court amended the judgment against the charter schools to reduce the amount of prejudgment interest to \$669,187, thereby reducing the total amount of the judgment against the charter schools to \$5,751,440. Because the judgments against the State and charter schools are for overlapping damages, \$9,027,599 is the maximum recovery that the District can collect. The District intends to seek partial reconsideration of this reduction in the amount of prejudgment interest. Post-judgment interest on the judgments will accrue at the rate of 9%.

Both the State and charter schools have given notice of their intent to appeal the state court's ruling in favor of the District.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

(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.

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, 2010, 2009 and 2008 were \$11,382,658, \$12,335,504 and \$12,583,497, 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 Education, on February 23, 2011, authorized \$3,000,000 for a one-time retirement incentive. To be eligible, a certified employee was required to be within six months of 75 points (age plus years of service) toward creditable service with a minimum of 10 years service within the Kansas City, Missouri School District, or a minimum of ten years of service at the time of application. 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.

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 base salary of \$25,000. 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.

One hundred thirty six certified and eighteen classified employees participated with retirement incentive payments, including all applicable payroll taxes for the year ended June 30, 2011, totaling \$3,000,000, which was paid prior to year-end.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

(h) New Pronouncements

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

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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. As a result, the District reclassified the fund balances for all governmental funds.
- GASB Statement No. 59, *Financial Instruments Omnibus*. 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*. This Statement had no effect to the District in the current year.

As of June 30, 2011, 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. 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*.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2011

- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.
- GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions* (an amendment of GASB Statement No. 53), issued July 2011, will be effective for the District, Board beginning with its year ending June 30, 2012. This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectibility of swap payments is considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied.

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

This Page Intentionally Left Blank

REQUIRED SUPPLEMENTARY INFORMATION

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2011

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Property taxes	\$ 130,702,759	134,176,214	135,986,691	1,810,477
Prop C taxes	9,928,026	10,132,089	9,894,458	(237,631)
Other local	1,723,185	3,219,224	2,485,235	(733,989)
County	3,236,369	3,445,867	3,245,523	(200,344)
Basic formula	12,372,520	12,847,795	9,429,694	(3,418,101)
Other state	5,574,513	7,271,922	6,514,007	(757,915)
Federal sources	35,371,393	44,527,544	44,528,441	897
Total revenues	198,908,765	215,620,655	212,084,049	(3,536,606)
Expenditures:				
Current:				
Administration:				
Board of Education services:				
Salaries	\$ 251,344	208,876	185,347	23,529
Benefits	84,916	77,691	66,079	11,612
Purchased services	497,987	576,500	316,581	259,919
Supplies and materials	20,000	19,500	8,406	11,094
Total Board of Education services	854,247	882,567	576,413	306,154
Executive administration:				
Salaries	1,205,259	1,516,414	1,880,555	(364,141)
Benefits	324,920	356,119	438,536	(82,417)
Purchased services	3,149,546	2,836,423	2,244,810	591,613
Supplies and materials	55,110	89,128	58,925	30,203
Total executive administration	4,734,835	4,798,084	4,622,826	175,258
Building level administration:				
Salaries	1,562,832	2,096,875	1,988,818	108,057
Benefits	710,358	917,271	840,650	76,621
Purchased services	107,085	135,833	175,778	(39,945)
Supplies and materials	50,220	64,238	41,929	22,309
Total building level administration	2,430,495	3,214,217	3,047,175	167,042
Total administration	8,019,577	8,894,868	8,246,414	648,454
Instruction:				
Elementary:				
Salaries	\$ 879,463	1,002,185	958,439	43,746
Benefits	396,180	452,940	546,991	(94,051)
Purchased services	2,560,120	8,173,229	7,807,696	365,533
Supplies and materials	1,431,176	1,703,745	1,923,767	(220,022)
Total elementary	5,266,939	11,332,099	11,236,893	95,206

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2011

	Original budget	Final budget	Actual	Variance with Final Budget
Senior high:				
Salaries	195,156	255,747	258,654	(2,907)
Benefits	71,418	132,243	100,169	32,074
Purchased services	607,970	214,896	177,637	37,259
Supplies and materials	887,863	493,136	480,103	13,033
Total senior high	1,762,407	1,096,022	1,016,563	79,459
Summer school:				
Salaries	431,713	486,156	41,447	444,709
Benefits	42,298	54,978	52,379	2,599
Purchased services	102,147	171,770	147	171,623
Supplies and materials	219,127	219,127	—	219,127
Total summer school	795,285	932,031	93,973	838,058
Special education:				
Salaries	2,789,030	2,904,101	2,632,219	271,882
Benefits	1,392,701	1,540,591	1,190,617	349,974
Purchased services	5,570,449	6,742,843	4,069,500	2,673,343
Supplies and materials	248,542	454,960	338,176	116,784
Total special education	10,000,722	11,642,495	8,230,512	3,411,983
Culturally different:				
Salaries	1,090,055	962,038	873,312	88,726
Benefits	533,582	494,030	430,308	63,722
Purchased services	9,026,211	4,637,794	2,519,397	2,118,397
Supplies and materials	746,687	1,381,127	1,028,616	352,511
Total culturally different	11,396,535	7,474,989	4,851,633	2,623,356
Vocational instruction:				
Salaries	111,989	111,989	116,226	(4,237)
Benefits	43,793	43,793	44,286	(493)
Purchased services	455,940	184,031	57,285	126,746
Supplies and materials	299,939	236,511	157,978	78,533
Total vocational instruction	911,661	576,324	375,775	200,549
Student activities:				
Salaries	359,409	407,759	374,782	32,977
Benefits	75,434	80,508	73,907	6,601
Purchased services	238,786	249,381	213,092	36,289
Supplies and materials	199,686	188,386	181,219	7,167
Total student activities	873,315	926,034	843,000	83,034
Total instruction	31,006,864	33,979,994	26,648,349	7,331,645
Support services:				
Attendance/placement:				
Salaries	\$ 1,206,145	1,225,570	1,057,471	168,099
Benefits	444,528	469,929	414,345	55,584
Purchased services	2,233,688	1,192,606	1,154,346	38,260
Supplies and materials	23,705	13,145	4,466	8,679
Total attendance/placement	3,908,066	2,901,250	2,630,628	270,622

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2011

	Original budget	Final budget	Actual	Variance with Final Budget
Guidance/counseling:				
Salaries	397,458	127,493	103,003	24,490
Benefits	168,134	48,558	56,815	(8,257)
Purchased services	4,623	4,873	5,646	(773)
Supplies and materials	612	612	285	327
Total guidance/counseling	570,827	181,536	165,749	15,787
Health, psychology, and speech:				
Salaries	1,887,444	1,936,009	1,744,040	191,969
Benefits	652,281	661,894	569,754	92,140
Purchased services	470,873	322,573	233,981	88,592
Supplies and materials	30,000	23,800	7,324	16,476
Total health, psychology, and speech	3,040,598	2,944,276	2,555,099	389,177
Improvement of instruction:				
Curriculum development:				
Salaries	393,129	409,335	323,755	85,580
Benefits	149,259	128,346	106,448	21,898
Purchased services	1,388,504	4,561,435	2,843,635	1,717,800
Supplies and materials	638,963	1,242,042	1,117,753	124,289
Total curriculum development	2,569,855	6,341,158	4,391,591	1,949,567
Staff training:				
Purchased services	540,097	238,947	35,033	203,914
Supplies and materials	10,000	82,603	51,792	30,811
Total staff training	550,097	321,550	86,825	234,725
Educational media services:				
Salaries	252,254	1,250	—	1,250
Benefits	78,152	96	390	(294)
Purchased services	14,430	10,930	7,768	3,162
Supplies and materials	888,182	770,482	692,087	78,395
Total educational media services	1,233,018	782,758	700,245	82,513
Financial services:				
Salaries	1,747,253	1,904,508	1,856,872	47,636
Benefits	567,377	627,890	634,061	(6,171)
Purchased services	372,460	285,692	213,766	71,926
Supplies and materials	35,700	47,410	35,026	12,384
Total financial services	2,722,790	2,865,500	2,739,725	125,775
Internal service:				
Salaries	419,046	388,546	355,234	33,312
Benefits	147,330	135,648	149,649	(14,001)
Purchased services	331,000	331,000	129,089	201,911
Supplies and materials	52,500	47,655	51,844	(4,189)
Total internal service	949,876	902,849	685,816	217,033

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2011

	Original budget	Final budget	Actual	Variance with Final Budget
Planning/research/evaluation:				
Development services:				
Salaries	345,222	295,765	234,955	60,810
Benefits	56,176	47,489	73,031	(25,542)
Purchased services	606,139	603,215	473,727	129,488
Supplies and materials	37,189	33,813	52,989	(19,176)
Total development services	1,044,726	980,282	834,702	145,580
Admissions/communication services:				
Salaries	269,300	287,297	346,585	(59,288)
Benefits	96,351	98,113	112,173	(14,060)
Purchased services	196,476	156,296	111,201	45,095
Supplies and materials	6,729	10,534	8,526	2,008
Total admissions/communications	568,856	552,240	578,485	(26,245)
Human Resource services:				
Salaries	1,022,415	1,178,419	1,178,654	(235)
Benefits	345,295	390,448	368,089	22,359
Purchased services	513,000	863,978	768,232	95,746
Supplies and materials	18,450	15,513	11,162	4,351
Total personnel services	1,899,160	2,448,358	2,326,137	122,221
Information technology:				
Salaries	1,549,130	2,058,220	1,916,045	142,175
Benefits	481,431	623,443	595,651	27,792
Purchased services	2,806,428	2,508,512	1,964,883	543,629
Supplies and materials	41,638	1,212,605	252,528	960,077
Total information technology	4,878,627	6,402,780	4,729,107	1,673,673
Total support services	23,936,496	27,624,537	22,424,109	5,200,428
Operation of facilities:				
Salaries	\$ 13,136,776	11,945,343	11,251,329	694,014
Benefits	5,034,870	4,535,428	4,317,541	217,887
Purchased services	9,696,476	9,591,143	10,637,295	(1,046,152)
Supplies and materials	73,997	358,629	139,538	219,091
Other purchased services	2,102,403	1,857,812	1,079,637	778,175
Other supplies and materials	1,823,572	1,931,174	2,331,099	(399,925)
Total operation of facilities	31,868,094	30,219,529	29,756,439	463,090
Pupil transportation:				
Purchased services	\$ 15,891,519	14,670,815	12,863,493	1,807,322
Total pupil transportation	15,891,519	14,670,815	12,863,493	1,807,322
Community and adult services:				
Adult basic education:				
Salaries	\$ 115,551	101,768	91,898	9,870
Benefits	50,713	40,757	39,020	1,737
Purchased services	12,410	46,853	37,908	8,945
Supplies and materials	14,519	59,384	55,416	3,968
Total adult basic education	193,193	248,762	224,242	24,520
Adult continuing education:				
Salaries	1,500	1,500	—	1,500
Benefits	175	175	—	175
Supplies and materials	—	45	—	45
Total adult continuing education	1,675	1,720	—	1,720

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2011

	Original budget	Final budget	Actual	Variance with Final Budget
Community services:				
Salaries	\$ 1,471,923	1,786,542	1,443,468	343,074
Benefits	576,263	609,915	500,601	109,314
Purchased services	1,781,281	2,288,761	2,153,670	135,091
Supplies and materials	123,921	181,870	115,161	66,709
Total community services	<u>3,953,388</u>	<u>4,867,088</u>	<u>4,212,900</u>	<u>654,188</u>
Early Childhood:				
Salaries	\$ 1,005,183	1,412,051	1,507,496	(95,445)
Benefits	493,807	685,988	643,907	42,081
Purchased services	283,158	482,441	191,052	291,389
Supplies and materials	127,241	470,839	255,674	215,165
Total early childhood	<u>1,909,389</u>	<u>3,051,319</u>	<u>2,598,129</u>	<u>453,190</u>
Total community services	<u>6,057,645</u>	<u>8,168,889</u>	<u>7,035,271</u>	<u>1,133,618</u>
Total expenditures	<u>116,780,195</u>	<u>123,558,632</u>	<u>106,974,075</u>	<u>16,584,557</u>
Revenues over (under) expenditures	<u>82,128,570</u>	<u>92,062,023</u>	<u>105,109,974</u>	<u>13,047,951</u>
Other financing sources (uses):				
Transfers in	—	325,231	10,457	314,774
Transfers out	<u>(84,364,281)</u>	<u>(97,575,790)</u>	<u>(93,544,933)</u>	<u>(4,030,857)</u>
Total other financing sources	<u>(84,364,281)</u>	<u>(97,250,559)</u>	<u>(93,534,476)</u>	<u>(3,716,083)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ (2,235,711)</u>	<u>(5,188,536)</u>	11,575,498	<u>16,764,034</u>
Reconciliation to GAAP Basis:				
Activities reported within the Teachers' Fund (a sub-fund of the General Fund):				
Total Revenue			24,236,213	
Total Expenditures			(106,075,943)	
Total other financing sources			<u>81,839,730</u>	
Total reconciling items			—	
Revenues and other financing sources over expenditures			11,575,498	
Fund balance, beginning of year			<u>40,846,786</u>	
Fund balance, end of year			<u>\$ 52,422,284</u>	

See Note to Required Supplementary Information.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year ended June 30, 2011

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Prop C taxes	\$ 5,956,815	6,079,252	5,936,674	(142,578)
County	261,538	242,510	170,202	(72,308)
Basic Formula	18,357,913	16,107,409	10,720,163	(5,387,246)
State	285,000	181,592	408,121	226,529
Federal	508,049	342,101	7,001,053	6,658,952
Other	5,209	5,209	—	(5,209)
Total revenues	25,374,524	22,958,073	24,236,213	1,278,140
Expenditures:				
Current:				
Administration:				
Executive administration:				
Salaries	\$ 375,000	375,000	419,600	(44,600)
Benefits	87,280	87,280	111,343	(24,063)
Total executive administration	462,280	462,280	530,943	(68,663)
Building level administration:				
Salaries	5,571,299	5,959,344	5,739,759	219,585
Benefits	1,518,066	1,604,787	1,976,019	(371,232)
Total building level administration	7,089,365	7,564,131	7,715,778	(151,647)
Total administration	7,551,645	8,026,411	8,246,721	(220,310)
Instruction:				
Elementary:				
Salaries	\$ 24,602,603	24,650,271	25,659,776	(1,009,505)
Benefits	8,025,871	8,005,179	9,002,057	(996,878)
Total elementary	32,628,474	32,655,450	34,661,833	(2,006,383)
Middle/junior high:				
Benefits	—	—	15,069	(15,069)
Total middle/junior high	—	—	15,069	(15,069)
Senior high:				
Salaries	15,530,603	15,432,015	15,762,025	(330,010)
Benefits	4,984,338	4,913,462	5,418,335	(504,873)
Total senior high	20,514,941	20,345,477	21,180,360	(834,883)
Other Instruction:				
Salaries	1,832,594	1,880,967	254,505	1,626,462
Benefits	156,075	185,385	75,688	109,697
Total summer school	1,988,669	2,066,352	330,193	1,736,159
Special education:				
Salaries	12,539,357	11,434,407	9,910,034	1,524,373
Benefits	3,773,720	3,441,030	3,410,188	30,842
Total special education	16,313,077	14,875,437	13,320,222	1,555,215

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year ended June 30, 2011

	Original budget	Final budget	Actual	Variance with Final Budget
Culturally different:				
Salaries	\$ 3,901,389	3,891,335	3,625,678	265,657
Benefits	1,218,724	1,249,128	1,253,122	(3,994)
Total culturally different	5,120,113	5,140,463	4,878,800	261,663
Vocational instruction:				
Salaries	1,076,676	1,054,168	993,622	60,546
Benefits	310,132	315,180	416,380	(101,200)
Total vocational instruction	1,386,808	1,369,348	1,410,002	(40,654)
Student activities:				
Salaries	702,855	633,653	502,608	131,045
Fringes	53,770	51,431	55,332	(3,901)
Total student activities	756,625	685,084	557,940	127,144
Total instruction	78,708,707	77,137,611	76,354,419	783,192
Support services:				
Attendance/placement:				
Salaries	—	79,108	95,376	(16,268)
Benefits	—	19,058	25,816	(6,758)
Total attendance/placement	—	98,166	121,192	(23,026)
Guidance/counseling:				
Salaries	2,850,140	2,784,395	2,806,499	(22,104)
Benefits	889,082	860,752	960,928	(100,176)
Total guidance/counseling	3,739,222	3,645,147	3,767,427	(122,280)
Health, psychology, and speech:				
Salaries	2,987,367	2,971,637	2,693,165	278,472
Benefits	930,031	936,721	866,831	69,890
Total health, psychology, and speech	3,917,398	3,908,358	3,559,996	348,362
Improvement of instruction:				
Current developments:				
Salaries	3,855,559	6,582,752	5,030,955	1,551,797
Benefits	938,314	1,591,064	1,294,924	296,140
Total current developments	4,793,873	8,173,816	6,325,879	1,847,937
Staff training:				
Salaries	86,041	236,497	165,958	70,539
Benefits	16,641	22,384	15,224	7,160
Total staff training	102,682	258,881	181,182	77,699
Educational media services:				
Salaries	2,129,820	2,051,281	2,042,480	8,801
Benefits	647,002	618,602	432,623	185,979
Total educational media	2,776,822	2,669,883	2,475,103	194,780

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year ended June 30, 2011

	Original budget	Final budget	Actual	Variance with Final Budget
Planning/research/evaluation/ development services:				
Salaries	\$ 156,262	156,262	191,254	(34,992)
Benefits	30,222	30,222	37,283	(7,061)
Total planning/research/ evaluation/ development services	186,484	186,484	228,537	(42,053)
Human Resource services:				
Salaries	—	55,000	69	54,931
Benefits	—	19,136	104,416	(85,280)
Total personnel services	—	74,136	104,485	(30,349)
Total support services	15,516,481	19,014,871	16,763,801	2,251,070
Community and adult services:				
Adult basic education:				
Salaries	341,705	452,140	424,993	27,147
Benefits	95,430	120,945	116,246	4,699
Total adult basic education	437,135	573,085	541,239	31,846
Adult continuing education:				
Salaries	2,975	3,161	306	2,855
Benefits	228	247	36	211
Total adult continuing education	3,203	3,408	342	3,066
Community services:				
Salaries	142,512	187,783	56,978	130,805
Benefits	10,902	26,535	56,066	(29,531)
Total community services	153,414	214,318	113,044	101,274
Early Childhood				
Salaries	1,819,422	2,913,811	3,112,318	(198,507)
Benefits	594,107	947,388	944,059	3,329
Total early childhood	2,413,529	3,861,199	4,056,377	(195,178)
Total community services	3,007,281	4,652,010	4,711,002	(58,992)
Total expenditures	104,784,114	108,830,903	106,075,943	2,754,960
Revenues under expenditures	(79,409,590)	(85,872,830)	(81,839,730)	4,033,100
Other financing sources:				
Transfers in	79,409,590	85,872,830	81,839,730	(4,033,100)
Revenues and other financing sources over (under) expenditures	\$ —	—	—	—
Fund balance, beginning of year			—	
Fund balance, end of year			\$ —	

See Note to Required Supplementary Information.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Note to the Required Supplementary Information

June 30, 2011

Budgetary Information

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

Major funds:

General

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

Capital Projects

Nonmajor funds:

Child Nutritional Services

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

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

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

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

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

The Board must approve expenditures in excess of appropriations at the fund level. Budgeted expenditure amendments during the fiscal year resulted in a 5.8% increase in the General Fund. The Board approved expenditure amendments in the Teachers' Fund of a 3.9% increase. Approved amendments to the Capital Project Fund increased by 302%.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Other Post-Employment Benefits Required Supplementary Information

Schedule of Funding Progress

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
6/30/09	7/1/09	\$ -	\$ 15,529,352	\$ 15,529,352	0%	\$ 156,649,042	9.91%
6/30/10	7/1/09	\$ -	\$ 15,529,352	\$ 15,529,352	0%	\$ 143,143,888	10.85%
6/30/11	7/1/10	\$ -	\$ 14,704,906	\$ 14,704,906	0%	\$ 106,402,917	13.82%

The information presented as required supplementary information was determined as part of the July 1, 2009 and July 1, 2010 actuarial valuations. 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 fiscal years ending 6/30/08 through 6/30/10 and 9% for fiscal year ending, 6/30/11 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, 2011

Assets	Special revenue			Permanent fund patron endowments	Total nonmajor governmental funds
	Child Nutritional services	Student activity	Patron gift		
Cash and investments	\$ 843	279,684	—	—	280,527
Restricted cash and investments	—	—	194,768	159,808	354,576
Interest receivable	—	—	1,497	968	2,465
Due from other governments	1,366,618	—	—	—	1,366,618
Due from Community	13,915	—	—	—	13,915
Total assets	\$ 1,381,376	279,684	196,265	160,776	2,018,101
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 143,290	—	—	—	143,290
Accrued salaries, benefits and payroll taxes	36,394	—	—	—	36,394
Due to other funds	482,162	—	—	—	482,162
Total liabilities	661,846	—	—	—	661,846
Fund balance :					
Nonspendable				35,000	35,000
Restricted	719,530	279,684	196,265	125,776	1,321,255
Total fund balance	719,530	279,684	196,265	160,776	1,356,255
Total liabilities and fund balance	\$ 1,381,376	279,684	196,265	160,776	2,018,101

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year ended June 30, 2011

	Child Nutritional services	Special revenue Student activity	Patron gift	Permanent fund patron endowments	Total nonmajor governmental funds
Revenues:					
Local	\$ 849,579	740,182	1,509	594	1,591,864
Other state	58,679	—	—	—	58,679
Federal	7,601,084	—	—	—	7,601,084
Total revenues	8,509,342	740,182	1,509	594	9,251,627
Expenditures:					
Current:					
Instruction	—	751,237	—	—	751,237
Support services	7,790,853	—	—	—	7,790,853
Total expenditures	7,790,853	751,237	—	—	8,542,090
Revenues over (under) expenditures	718,489	(11,055)	1,509	594	709,537
Other financing sources, transfers in:	1,041	—	—	—	1,041
Revenues and other financing sources over (under) expenditures and other financing sources	719,530	(11,055)	1,509	594	710,578
Fund balances, beginning of year	—	290,739	194,756	160,182	645,677
Fund balances, end of year	\$ 719,530	279,684	196,265	160,776	1,356,255

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, 2011

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Local	\$ 777,866	687,302	866,370	179,068
State	37,892	45,508	58,679	13,171
Federal	8,624,949	7,277,926	7,601,084	323,158
Total revenues	<u>9,440,707</u>	<u>8,010,736</u>	<u>8,526,133</u>	<u>515,397</u>
Expenditures:				
Current:				
Support services:				
Salaries	2,906,297	2,374,471	2,455,855	(81,384)
Benefits	1,246,170	1,093,206	1,233,541	(140,335)
Purchased services	315,450	339,850	442,450	(102,600)
Supplies and materials	4,872,790	4,203,209	3,675,798	527,411
Total expenditures	<u>9,340,707</u>	<u>8,010,736</u>	<u>7,807,644</u>	<u>203,092</u>
Revenues under expenditures	<u>100,000</u>	<u>—</u>	<u>718,489</u>	<u>718,489</u>
Other financing sources (uses):				
Transfers in	—	995,426	1,041	(994,385)
Transfers out	<u>(100,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>995,426</u>	<u>1,041</u>	<u>(994,385)</u>
Revenues over expenditures and other financing uses	<u>\$ —</u>	<u>995,426</u>	<u>719,530</u>	<u>(275,896)</u>
Fund balance (deficit), beginning of year			<u>—</u>	
Fund balance, end of year			<u>\$ 719,530</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, 2011

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Property taxes	\$ 10,698,454	11,231,607	11,306,374	74,767
Other local	129,129	383,201	1,016,587	633,386
County	113,813	18,830	73,762	54,932
State	—	3,900	—	(3,900)
Federal	421,887	5,383,635	1,620,497	(3,763,138)
Total revenues	11,363,283	17,021,173	14,017,220	(3,003,953)
Expenditures:				
Capital outlay:				
Administration:				
Executive administration	1,200	14,119	12,010	2,109
Building level administration	—	1,000	575	425
Total administration	1,200	15,119	12,585	2,534
Instruction:				
Elementary	—	100,849	61,419	39,430
Senior high	—	953	392	561
Summer school	29,254	104,749	—	104,749
Special education	4,485	408,816	169,794	239,022
Culturally different	146,405	3,880,137	3,807,122	73,015
Vocational instruction	266,082	488,606	148,752	339,854
Student activities	42,600	37,560	26,237	11,323
Total instruction	488,826	5,021,670	4,213,716	807,954
Support services:				
Attendance/placement	2,000	2,000	—	2,000
Guidance/counseling	—	—	—	—
Health/Psychology/Speech/Audiology	4,000	2,500	768	1,732
Improvement of instruction:				
Curriculum development	319,130	406,991	364,934	42,057
Educational media services	67,539	135,542	67,406	68,136
Finance/support services	—	5,425	5,468	(43)
Food service	100,000	—	745	(745)
Internal service	40,000	40,000	15,024	24,976
Planning/research/development services	—	79,526	122,262	(42,736)
Admissions/communication services	—	1,200	1,179	21
Information technology service	2,668,280	1,572,979	754,765	818,214
Total support services	3,200,949	2,246,163	1,332,551	913,612
Operation of facilities	1,179,768	714,517	308,597	405,920
Community and adult services:				
Adult basic education	—	50,355	126,107	(75,752)
Community services	5,000	5,000	—	5,000
Total community and adult services	5,000	55,355	126,107	(70,752)
Facilities acquisition and construction:				
Capital outlay	45,428,417	39,644,626	6,240,520	33,404,106
Other expenditures	—	6,295,902	—	6,295,902
Total facilities acquisition and construction	45,428,417	45,940,528	6,240,520	39,700,008

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, 2011

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Debt service:				
Principal	\$ 10,875,000	10,875,000	10,875,000	—
Interest	<u>2,074,254</u>	<u>2,672,920</u>	<u>3,754,660</u>	<u>(1,081,740)</u>
Total debt service	<u>12,949,254</u>	<u>13,547,920</u>	<u>14,629,660</u>	<u>(1,081,740)</u>
Total expenditures	<u>63,253,414</u>	<u>67,541,272</u>	<u>26,863,736</u>	<u>40,677,536</u>
Revenues under expenditures	<u>(51,890,131)</u>	<u>(50,520,099)</u>	<u>(12,846,516)</u>	<u>37,673,583</u>
Other financing sources (uses):				
Transfers in	558,232	6,685,584	10,510,460	3,824,876
Transfers out	—	—	—	—
Issuance of long-term debt	17,880,000	17,880,000	16,089,102	(1,790,898)
Unrealized loss on surplus assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources	<u>18,438,232</u>	<u>24,565,584</u>	<u>26,599,562</u>	<u>2,033,978</u>
Revenues and other financing sources under expenditures and other financing uses	<u>\$ (33,451,899)</u>	<u>(25,954,515)</u>	<u>13,753,046</u>	<u>39,707,561</u>
Fund balance, beginning of year			<u>64,582,026</u>	
Fund balance, end of year			<u>\$ 78,335,072</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, 2011

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	\$ —	—	11,306,374	—	—	11,306,374
Other local	180,914	—	786,982	1,075	47,616	1,016,587
County	—	—	73,762	—	—	73,762
Federal	—	—	1,620,497	—	—	1,620,497
Total revenues	180,914	—	13,787,615	1,075	47,616	14,017,220
Expenditures:						
Administration:						
Executive administration	—	—	12,010	—	—	12,010
Building administration	—	—	575	—	—	575
Total administration	—	—	12,585	—	—	12,585
Instruction:						
Elementary schools	—	—	61,419	—	—	61,419
High schools	—	—	392	—	—	392
Special education	—	—	169,794	—	—	169,794
Culturally different	—	—	3,807,122	—	—	3,807,122
Vocational instruction	—	—	148,752	—	—	148,752
Student activities	—	—	26,237	—	—	26,237
Total instruction	—	—	4,213,716	—	—	4,213,716

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, 2011

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	\$ —	—	768	—	—	768
Curriculum development	—	—	364,933	—	—	364,933
Educational media services	—	—	67,406	—	—	67,406
Financial services	—	—	5,468	—	—	5,468
Food service	—	—	—	745	—	745
Internal services	—	—	15,024	—	—	15,024
Planning/research/evaluation/ development services	—	—	122,262	—	—	122,262
Communications	—	—	1,179	—	—	1,179
Information technology services	272,223	—	482,543	—	—	754,766
Total support services	272,223	—	1,059,583	745	—	1,332,551
Operation of plant:						
Plant services	—	—	308,597	—	—	308,597
Total operation of plant	—	—	308,597	—	—	308,597
Community and adult services, community services	—	—	126,107	—	—	126,107
Total community and adult services	—	—	126,107	—	—	126,107

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, 2011

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	\$ 917,204	4,986,205	337,111	—	—	6,240,520
Total capital outlay	917,204	4,986,205	337,111	—	—	6,240,520
Total expenditures	1,189,427	4,986,205	6,057,699	745	—	12,234,076
Revenues over (under) expenditures	(1,008,513)	(4,986,205)	7,729,916	330	47,616	1,783,144
Other financing sources (uses):						
Transfers in	10,000,000	4,986,205	11,223,546	—	—	26,209,751
Transfer out	(712,756)	—	(24,629,660)	(330)	(4,986,205)	(30,328,951)
QSCB Bond proceeds	—	—	—	—	16,089,102	16,089,102
Total financing sources (uses)	9,287,244	4,986,205	(13,406,114)	(330)	11,102,897	11,969,902
Revenues and other financing sources under						
expenditures and other	8,278,731	—	(5,676,198)	—	11,150,513	13,753,046
financing uses	30,801,703	—	16,111,593	—	17,668,730	64,582,026
Fund balances – beginning of year						
Fund balances – end of year	\$ 39,080,434	—	10,435,395	—	28,819,243	78,335,072

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Capital Projects Fund—
Schedule of Revenues, Expenditures and Changes in Fund Balance- by Project
June 30, 2011

Function	Capital Projects L-T-D Fund	QSCB-ARRA Capital Projects	General Capital Projects	Child Nutrition Capital Projects	Building Corp Capital Projects	Total Capital Projects funds
Fund balance:						
Nonspendable						
Advances	\$ —	—	2,531,622	—	—	2,531,622
Restricted						
Encumbrances- QSCB	—	2,896,484	—	—	—	2,896,484
Capital Projects-QSCB	—	—	—	—	25,922,759	25,922,759
Property Held for Sale	4,425,821	—	—	—	—	4,425,821
Total Restricted	<u>4,425,821</u>	<u>2,896,484</u>	<u>—</u>	<u>—</u>	<u>25,922,759</u>	<u>33,245,064</u>
Committed						
Encumbrances-Cornerstone	501,946	—	—	—	—	501,946
Cornerstone/Transformation Plan	34,152,665	—	—	—	—	34,152,665
Total Committed	<u>34,654,611</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>34,654,611</u>
Assigned						
Encumbrances	—	—	746,574	—	—	746,574
Future equipment purchases	—	—	7,157,201	—	—	7,157,201
Total Assigned	<u>—</u>	<u>—</u>	<u>7,903,775</u>	<u>—</u>	<u>—</u>	<u>7,903,775</u>
Total fund balance	\$ <u>39,080,432</u>	<u>2,896,484</u>	<u>10,435,397</u>	<u>—</u>	<u>25,922,759</u>	<u>78,335,072</u>

This Page Intentionally Left Blank

CAPITAL ASSETS

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

June 30, 2011
(with comparative totals for June 30, 2010)

	Total	
	2011	2010
Capital assets (gross):		
Land	\$ 30,646,301	31,784,639
Buildings	404,172,910	438,090,658
Improvements other than buildings	32,566,824	34,228,878
Impairment-closed buildings	59,775,442	49,757,660
Equipment, furniture, and vehicles	31,084,171	31,055,196
Construction in progress	3,299,040	1,439,775
Total	<u>\$ 561,544,688</u>	<u>586,356,806</u>
Investment in capital assets by source:		
General fund	\$ 377,370	402,968
Capital projects	560,430,737	585,303,694
Special revenue	656,378	569,941
Trust and agency	13,127	13,127
Donations	67,076	67,076
Total	<u>\$ 561,544,688</u>	<u>586,356,806</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, 2011

Classification	Beginning balance July 1, 2010	Adjustments	Additions	Retirements	Construction- in-progress transfers	Ending balance June 30, 2011
High schools	\$ 211,972,925	(344,821)	2,806,647	(4,374,545)	—	210,060,206
Middle schools	118,866,028	(557,826)	38,623	(23,875,333)	—	94,471,492
Elementary schools	229,947,780	(4,894,981)	1,998,999	(3,177,891)	—	223,873,907
Administration	24,130,298	5,797,628	381,872	(469,755)	—	29,840,043
Construction in progress	1,439,775	—	2,654,208	—	(794,943)	3,299,040
Total	\$ 586,356,806	—	7,880,349	(31,897,524)	(794,943)	561,544,688

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

June 30, 2011

Classification	Land	Buildings	Improvements other than buildings	Impaired assets	Equipment, furniture, vehicles	Construction- in-progress	Total
High schools	\$ 10,628,380	172,072,886	10,771,566	9,335,337	7,252,037	—	210,060,206
Middle schools	5,618,450	61,228,988	4,690,362	21,317,595	1,616,097	—	94,471,492
Elementary schools	11,545,906	159,169,201	15,593,400	29,122,510	8,442,890	—	223,873,907
Administration	2,853,565	11,701,835	1,511,496	—	13,773,147	—	29,840,043
Construction-in-progress	—	—	—	—	—	3,299,040	3,299,040
Total	\$ 30,646,301	404,172,910	32,566,824	59,775,442	31,084,171	3,299,040	561,544,688

This Page Intentionally Left Blank

STATISTICAL SECTION

Statistical Section

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

Contents

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

Table 1 – Table 4

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

Table 5 – Table 8

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

Table 9 – Table 11

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

Table 12 – Table 13

Note: Personal income data is currently not available.

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

Table 14

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

Table 1

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Classification	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental activities:										
Invested in capital assets, net of related debt	\$ 320,182	\$ 331,473	\$ 371,354	\$ 351,989	\$ 373,750	\$ 367,206	\$ 355,084	\$ 286,221	\$ 276,092	\$ 282,333
Restricted	25,484	10,594	12,489	60,705	61,244	80,562	91,949	104,562	121,029	101,547
Unrestricted	99,271	105,853	114,368	115,956	136,244	139,480	147,063	219,797	204,002	241,529
Total governmental activities, net of assets	\$ 444,937	\$ 447,920	\$ 498,211	\$ 528,650	\$ 571,238	\$ 587,248	\$ 594,096	\$ 610,580	\$ 601,123	\$ 625,409
Business-type activities:										
Unrestricted	\$ 39	\$ 180	\$ 522	\$ 1,426	\$ 1,829	\$ 1,108	\$ 79	\$ 468	\$ 200	\$ (80)
Total business-type activities, net of assets	\$ 39	\$ 180	\$ 522	\$ 1,426	\$ 1,829	\$ 1,108	\$ 79	\$ 468	\$ 200	\$ (80)
Primary government:										
Invested in capital assets, net of related debt	\$ 320,182	\$ 331,473	\$ 371,354	\$ 351,989	\$ 373,750	\$ 367,206	\$ 355,084	\$ 286,221	\$ 276,092	\$ 282,333
Restricted	25,484	10,594	12,489	60,705	61,244	80,562	91,949	104,562	121,029	101,547
Unrestricted	99,310	106,033	114,890	117,382	138,073	140,588	147,142	220,265	204,202	241,449
Total primary government, net of assets	\$ 444,976	\$ 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 Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(unaudited)

Classification	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Expenses										
Governmental activities:										
Administration	\$ 20,646	\$ 20,874	\$ 25,512	\$ 23,464	\$ 25,502	\$ 24,876	\$ 23,648	\$ 22,421	\$ 25,482	\$ 23,285
Instruction	116,388	149,927	175,175	193,545	193,304	174,168	182,163	171,850	174,693	175,429
Support services	52,810	67,768	76,835	79,253	77,738	93,921	86,582	79,487	74,611	73,605
Operation of facilities	29,462	41,589	40,936	44,578	40,000	38,682	36,317	34,423	34,927	33,053
Pupil transportation	12,863	15,258	17,211	18,703	22,132	23,988	23,126	21,958	21,433	21,604
Facilities improvements and renovation	15,724	225	7,909	1,413	403	612	—	1,168	2,772	18,105
Community and adult services	11,748	9,644	8,478	11,557	6,226	6,237	5,407	5,599	5,287	4,980
Interest on long-term debt	2,044	1,990	2,791	3,902	4,982	6,023	6,969	6,834	9,300	11,056
Total governmental activities expenses	\$ 261,685	\$ 307,276	\$ 354,846	\$ 376,416	\$ 370,287	\$ 368,507	\$ 364,212	\$ 343,740	\$ 348,505	\$ 361,117
Business-type activities										
Community services	\$ 29	\$ 32	\$ 194	\$ 389	\$ 693	\$ 121	\$ 3,586	\$ 5,226	\$ 6,275	\$ 6,766
Total governmental activities expenses	\$ 29	\$ 32	\$ 194	\$ 389	\$ 693	\$ 121	\$ 3,586	\$ 5,226	\$ 6,275	\$ 6,766
Total primary government expenses	\$ 261,714	\$ 307,308	\$ 355,040	\$ 376,805	\$ 370,980	\$ 368,628	\$ 367,798	\$ 348,966	\$ 354,780	\$ 367,883
Program Revenues										
Governmental activities:										
Charges for services	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Administration	—	34	—	20	—	50	69	—	218	508
Instruction	935	685	1,992	3,763	3,741	3,596	4,007	3,528	4,167	3,886
Support services	41	49	61	69	65	70	61	556	466	746
Operation of facilities	32	19	4	—	13	7	—	8	—	—
Pupil transportation	—	—	—	—	—	—	—	—	—	—
Facilities improvements and renovation	—	—	—	—	—	—	—	—	—	—
Community and adult services	2	25	156	88	—	60	741	253	89	79
Interest on long-term debt	—	—	—	—	—	—	—	—	—	—
Operating grants and contributions	183	43	—	—	10	10	22	54	14	—
Administration	45,623	56,153	37,711	34,431	37,816	84,511	84,675	74,089	74,078	76,035
Instruction	16,901	18,018	18,068	12,807	14,884	16,113	14,327	16,467	14,929	16,038
Support services	—	7	—	—	—	55	—	—	—	—
Operation of facilities	—	—	—	—	—	—	—	—	—	—
Pupil transportation	3,057	5,496	6,405	7,104	8,297	8,421	8,875	8,210	8,868	9,250

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Classification	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Facilities improvements and renovation	—	—	—	—	—	—	—	—	—	—
Community and adult services	971	528	670	895	1,227	2,714	1,557	976	1,128	100
Interest on long-term debt	—	—	—	—	—	—	—	—	—	—
Capital grants and contributions	—	—	—	—	—	—	—	—	—	—
Administration	10	—	—	—	—	—	—	—	—	—
Instruction	111	804	37	620	82	51	818	1,264	731	831
Support services	1	—	—	37	617	5,362	4,684	22,024	385	273
Operation of facilities	183	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	68,050	82,090	65,801	60,695	66,792	121,282	119,852	131,078	112,928	118,487
Business-type activities:										
Charges for services	46	97	287	728	1,240	146	3,197	5,743	6,819	6,654
Total business-type activities program revenue:	46	97	287	728	1,240	146	3,197	5,743	6,819	6,654
Total primary governmental program revenue:	\$ 68,097	\$ 82,187	\$ 66,088	\$ 61,423	\$ 68,032	\$ 121,428	\$ 123,049	\$ 136,821	\$ 119,747	\$ 125,141
Net (expense)/revenue	\$ (193,635)	\$ (225,186)	\$ (289,045)	\$ (315,721)	\$ (303,495)	\$ (247,225)	\$ (244,360)	\$ (212,662)	\$ (235,577)	\$ (242,630)
Governmental activities	17	64	93	339	547	25	(389)	517	544	(112)
Business-type activities	\$ (193,617)	\$ (225,122)	\$ (288,952)	\$ (315,382)	\$ (302,948)	\$ (247,200)	\$ (244,749)	\$ (212,145)	\$ (235,033)	\$ (242,742)
Total primary government net expense										
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	\$ 146,191	\$ 144,211	\$ 152,705	\$ 159,256	\$ 146,230	\$ 146,230	\$ 135,885	\$ 138,240	\$ 125,895	\$ 149,176
Prop C Sales tax	15,831	16,659	20,180	23,051	28,187	28,187	27,995	26,281	25,077	25,962
Other local revenues	3,363	2,249	3,600	2,100	1,935	1,935	2,558	2,186	2,264	2,924
County governmental contributions	3,489	3,295	4,209	4,025	6,356	6,356	3,949	3,626	3,625	3,437
State aid-basic formula	20,150	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	561	328	821	1,051	1,820	1,820	1,730	1,483	1,376	1,482
Investment earnings:	906	1,753	4,500	10,486	9,747	9,747	9,609	7,613	10,978	13,696
Special item	161	(38,038)	1,419	(17,319)	—	—	—	—	973	—
Extraordinary item	—	—	1,000	750	(1,004)	(1,004)	—	249	264	248
Transfers	—	410	1,000	750	(1,004)	(1,004)	—	249	264	248
Total governmental activities	\$ 190,652	\$ 174,895	\$ 258,606	\$ 273,133	\$ 240,377	\$ 240,377	\$ 235,319	\$ 222,119	\$ 211,292	\$ 243,011

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Classification	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Business-type activities:										
Investment earnings	2	4	3	8	—	—	—	—	—	—
Transfers	(161)	(410)	(1,000)	(750)	1,004	1,004	—	(249)	(265)	(248)
Total business-type activities	(159)	(406)	(997)	(742)	1,004	1,004	—	(249)	(265)	(248)
Total primary government	\$ 190,493	\$ 174,489	\$ 257,610	\$ 272,391	\$ 241,381	\$ 241,381	\$ 235,319	\$ 221,870	\$ 211,027	\$ 242,763
Change in Net Assets										
Governmental activities	\$ (2,983)	\$ (50,291)	\$ (30,439)	\$ (42,587)	\$ (63,118)	\$ (6,848)	\$ (9,041)	\$ 9,457	\$ (24,285)	\$ 381
Business-type activities	(141)	(342)	(904)	(403)	1,551	1,029	(389)	268	279	(360)
Total primary government	\$ (3,125)	\$ (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 Ten Fiscal Years

(Modified accrual basis of accounting)

(Amounts expressed in thousands)

(unaudited)

Classification	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund										
Nonspendable	\$ —	\$ 520	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Restricted	289	816	—	—	—	—	—	—	—	—
Assigned	897	2,256	—	—	—	—	—	—	—	—
Unassigned	51,236	37,255	—	—	—	—	—	—	—	—
Reserved	—	—	1,853	5,243	2,565	701	1,434	356	2,440	4,364
Unreserved:										
Designated:										
Grant activity	—	—	2,742	4,041	2,394	9,946	—	—	—	—
Reserve for Contingency	—	—	5,000	—	—	—	—	—	—	—
Undesignated	—	—	37,701	35,593	57,919	55,034	44,703	45,975	48,764	25,000
Total general fund	\$ 52,422	\$ 40,847	\$ 47,296	\$ 44,877	\$ 62,878	\$ 65,681	46,137	46,331	51,204	29,364
All other governmental funds										
Nonspendable	\$ 2,567	\$ 1,675	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Restricted	56,904	46,043	—	—	—	—	—	—	—	—
Committed	34,655	25,781	—	—	—	—	—	—	—	—
Assigned	7,904	15,126	—	—	—	—	—	—	—	—
Reserved										
Teachers' funds	—	—	—	—	—	—	1,078	—	—	—
Grant activity funds	—	—	—	—	—	—	—	1,397	1,157	—
Other special revenue funds	—	—	—	—	—	—	—	—	—	—
Debt service funds	—	—	11,968	60,171	58,093	71,484	84,227	97,278	113,570	96,912
Capital projects funds	—	—	10,075	4,381	3,522	4,424	5,792	5,481	10,100	5,974
Nonmajor funds	—	—	239	382	733	1,133	2,118	1,006	1,278	1,632
Unreserved, reported in:										
Designated:										
Long-term building maintenance	—	—	11,299	9,588	15,275	14,167	15,476	15,543	8,472	8,263
Transition period funding	—	—	—	—	—	1,120	2,528	6,147	7,023	83,589
Technology plan	—	—	2,784	7,008	8,901	9,947	13,336	14,292	20,877	22,584
Sports Complex	—	—	—	—	—	—	—	—	—	—
CIP Eserow	—	—	12,600	—	—	—	—	—	—	—
Pension cost	—	—	—	—	—	—	—	28,021	27,101	26,320
Compensated absences	—	—	21,138	21,814	22,318	22,528	19,442	19,451	19,100	19,970
E-Rate/E-Rate support	—	—	1,848	1,835	1,821	1,510	1,235	3,006	—	—
Undesignated:										
Special revenue funds	—	—	(110)	372	(727)	(393)	16,433	8,841	8,175	10,813
Capital projects funds	—	—	6,964	17,110	22,436	26,261	28,586	26,498	20,681	19,081
Permanent funds	—	—	124	121	148	139	141	137	136	133
Total all other governmental funds	\$ 102,029	\$ 88,625	\$ 83,906	\$ 122,782	\$ 132,520	\$ 152,320	\$ 190,392	\$ 227,098	\$ 237,670	\$ 295,271

The District implemented GASB54 in fiscal year 2011.

Table 4

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Changes in Fund Balances of Governmental Funds, and Debt Service Ratio

Last Ten Fiscal Years

(Modified accrual basis of accounting)

(Amounts expressed in thousands)

(unaudited)

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues										
Property taxes	\$ 147,293	\$ 144,986	\$ 149,926	\$ 157,679	\$ 147,941	\$ 147,931	\$ 136,543	\$ 140,370	\$ 125,664	\$ 132,108
Prop C Sales tax	15,831	16,659	20,180	23,051	25,097	28,187	27,995	26,281	25,077	25,962
Other local revenues	5,581	5,375	11,836	15,527	20,324	14,871	15,631	16,174	25,457	31,368
County governmental contributions	3,489	3,295	4,209	4,025	3,433	6,357	3,949	3,626	3,625	3,437
State aid-basic formula	20,150	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	6,981	8,504	10,999	12,176	13,258	25,447	23,579	22,929	24,890	26,407
Federal	60,751	74,338	48,797	41,699	48,866	62,072	61,173	69,749	43,695	43,585
Tuition	10	52	13	4	77	37	274	57	101	406
Total revenues	260,086	297,236	316,132	343,893	355,281	362,493	353,573	351,928	321,265	342,323
Expenditures										
Administration	16,012	20,811	25,643	24,011	27,364	23,081	22,566	22,533	25,501	22,686
Instruction	105,754	136,551	160,407	176,156	178,472	164,151	166,442	157,832	160,852	153,018
Support services	54,740	73,343	75,984	74,219	74,311	84,975	75,569	69,422	69,636	66,013
Operation of facilities	29,569	41,205	41,286	44,483	39,375	39,552	35,073	34,341	34,654	31,541
Pupil transportation	12,863	15,258	17,211	18,703	22,133	23,985	23,125	21,959	21,432	21,601
Community and adult services	11,732	9,625	8,553	11,578	6,139	6,235	5,349	5,628	5,191	4,397
Facilities improvements and renovations	6,241	7,290	17,736	5,166	2,376	1,378	10,302	28,919	9,443	36,327
Debt service										
Principal	10,875	10,385	9,945	22,130	22,100	21,380	20,045	12,140	17,010	20,217
Interest	3,755	2,352	3,244	4,351	5,428	6,467	7,329	7,254	10,035	11,733
Total expenditures	251,541	316,822	360,009	380,797	377,698	371,204	365,800	360,028	353,754	367,533
Excess of revenues under expenditures	8,545	(19,586)	(43,877)	(36,904)	(22,417)	(8,711)	(12,227)	(8,100)	(32,489)	(25,210)
Other financing sources (uses)										
Transfers in	25,348	112,411	176,079	144,715	144,715	191,837	199,010	197,779	227,859	191,340
Transfers out	(25,188)	(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	16,274	17,880	—	—	—	—	—	—	—	—
Premium on bonds	—	—	—	—	—	—	—	8,927	—	3,161
Payment to refunded debt	—	—	(13,977)	—	—	—	—	(114,262)	—	(73,471)
Capital Leases	—	—	—	1,527	1,527	—	—	—	—	—
Unrealized proceeds - surplus assets	—	(595)	1,826	3,294	3,294	—	—	—	—	—
Sales of capital assets	—	161	1,401	161	—	328	—	202	1,460	650
Total other financing sources (uses)	16,435	17,856	7,420	409	248	(10,253)	(4,709)	(7,343)	(3,272)	(3,154)
Net change in fund balances	\$ 24,979	\$ (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	6.2%	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	
2010	2,136,547,926	9,227,817,390	648,566,756	1,945,894,857	2,785,114,682	11,173,712,247	25 %
2009	2,134,968,810	9,215,327,571	656,797,975	1,970,590,984	2,791,766,785	11,185,918,555	25
2008	2,270,379,857	9,881,307,807	688,862,166	2,066,793,177	2,959,242,023	11,948,100,985	25
2007	2,458,068,509	10,743,151,553	742,016,617	2,226,272,478	3,200,085,126	12,969,424,602	25
2006	2,211,529,159	11,639,627,153	674,138,810	2,022,618,692	2,885,667,969	13,662,245,845	21
2005	2,198,143,237	9,726,019,934	677,475,726	2,032,630,441	2,875,618,963	11,758,650,375	24
2004	1,944,634,173	8,232,472,044	705,468,036	2,116,615,770	2,650,102,209	10,349,087,814	26
2003	1,934,514,727	8,323,442,115	731,754,452	2,195,482,904	2,666,269,179	10,518,925,019	25
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

(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 19%; 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)
2011	\$ 1.5294	\$ —	0.03	0.543	\$ 0.2329	\$ —	0.5000	4.95	7.79
2010	1.4678	—	0.03	0.543	0.2266	—	0.4991	4.95	7.72
2009	1.4678	—	0.03	0.570	0.2143	—	0.4731	4.95	7.71
2008	1.4632	0.65	0.03	0.570	0.2100	1.07	0.4500	4.95	9.39
2007	1.5055	0.66	0.03	0.570	0.2200	1.07	0.4700	4.95	9.48
2006	1.5055	0.69	0.03	0.570	0.2200	1.07	0.4700	4.95	9.51
2005	1.3196	0.75	0.03	0.570	0.2200	1.07	0.4900	4.95	9.40
2004	1.3159	0.75	0.03	0.570	0.2200	1.07	0.4900	4.95	9.40
2003	1.3400	0.75	0.03	0.570	0.2300	1.09	0.5000	4.95	9.46
2002	1.3200	0.75	0.03	0.570	0.2300	1.09	0.5000	4.95	9.44

(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, 2011

2010

2001

Taxpayers	Type of Business	Assessed value(1)	Percentage of total assessed value		Assessed value(1)	Percentage of total assessed value	
			Rank	Rank		Rank	Rank
Hallmark & Crown Power	Real Estate/Retail/Hotel	\$ 71,759,464	1	1	59,177,906	2	2.3%
Kansas City Power and Light	Utility	42,064,938	2	2	71,108,369	1	2.8
J C Nichols & Highwoods Realty	Real Estate	29,482,856	3	3	30,798,346	3	1.2
A T & T	Communications	36,075,733	4	4	18,350,743	9	0.7
FSP Grand Blvd	Real Estate	16,848,320	5	5			
Southern Union Co	Utility	16,370,833	6	6	22,546,692	7	0.9
Twentieth Century Realty Inc	Real Estate	14,491,077	7	7			
Gateway Harrison Inc	Information Technology Services	14,664,832	8	8			
Bayer	Agricultural Research and Mfg	24,693,932	9	9	26,729,875	4	1.1
American Century Realty Inc	Real Estate	12,401,137	10	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
		\$ 278,853,122					
					318,710,410		12.6%

Note: Total assessed value for 2010 was \$2,785,114,682 and 2002 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
2010	\$ 140,337,926	129,688,746	92.4%	\$ 13,048,624	\$ 142,737,370	101.7%	\$ 10,649,180	8%
2009	139,616,489	127,958,778	91.7%	11,173,379	139,132,157	99.7%	11,657,711	8%
2008	149,109,674	136,280,928	91.4%	11,310,642	147,591,570	99.0%	12,828,746	9%
2007	159,347,626	144,632,799	90.8%	9,125,735	153,758,534	96.5%	14,714,827	9%
2006	144,314,419	134,518,579	93.2%	10,018,326	144,536,905	100.2%	9,795,840	7%
2005	143,862,828	134,077,148	93.2%	11,644,108	145,721,256	101.3%	9,785,680	7%
2004	131,741,231	124,708,338	94.7%	8,850,541	133,558,879	101.4%	7,916,603	6%
2003	132,070,410	124,980,641	94.6%	15,274,849	140,255,490	106.2%	7,089,769	5%
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%

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

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

(3) Percentage includes collection of delinquent taxes.

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

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

Table 9

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Outstanding Debt by Type

Governmental Activities

Last Ten Fiscal Years

Fiscal year ended June 30		Leasehold Revenue Bonds	Capital Leases	Total Primary Government
2011	\$	57,229,000	—	57,229,000
2010		51,830,000	—	51,830,000
2009		44,335,000	—	44,335,000
2008		67,185,000	495,408	67,680,408
2007		89,315,000	967,387	90,282,387
2006		110,855,000	—	110,855,000
2005		132,235,000	—	132,235,000
2004		152,280,000	—	152,280,000
2003		171,560,000	—	171,560,000
2002		188,570,000	—	188,570,000

Table 10

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Computation of Overlapping Debt

June 30, 2011

Jurisdiction	General obligation bonds outstanding (2)	Percentage applicable to District (1)	Amount applicable to District
City of Kansas City, Missouri	\$ 342,240,000	0.4455	\$ 152,467,920

(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, 2011

Total assessed value, tax levy year 2010 (1)	\$ 2,785,114,682
Legal debt margin—15% of assessed value (2)	417,767,202

(1) See Table 5.

(2) The bonded indebtedness of the District is limited by Section 26(b) of the Missouri Constitution, Article VI, to 15% of the value of the taxable tangible property as shown by the last completed assessment for state and county purposes. The District had no outstanding general bonded debt at June 30, 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

Fiscal year ended June 30		District population	September school membership	Ratio of membership to population		Regular school year average daily attendance	Ratio of attendance to membership	
2011	\$	239,451	15,854	7	%	13,890	87.6	%
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	

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

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

Table 13

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Property Value and Construction Costs

Last Ten Fiscal Years

Fiscal year ended June 30	Estimated actual property value (1)	Nonresidential construction (in millions)	Residential construction (in millions)
2011	\$ 11,173,712,247	49.1	38.4
2010	11,185,918,555	27.1	51.3
2009	11,948,100,985	32.8	53.9
2008	12,969,424,032	47.2	63.9
2007	11,639,627,153	32.3	61.6
2006	11,758,650,375	13.2	36.3
2005	10,349,087,814	28.6	14.3
2004	10,518,925,019	151.9	85.0
2003	9,748,994,245	191.2	48.0
2002	10,065,813,415	283.4	66.6

(1) See Table 6.

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

Table 14

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Per-Pupil Costs

Last Ten Fiscal Years

Fiscal year ended June 30	Average daily attendance (2)	Eligible pupils (2)		Current expenditures per eligible pupil (1)	K-12 September enrollment	Pre-K Enrollment
2011	14,067	14,244	\$	14,117	15,854	1,483
2010	16,573	17,345		15,021	17,104	1,989
2009	17,384	18,186		16,570	17,892	2,139
2008	21,138	22,107		14,629	22,429	2,615
2007	23,087	24,144		13,275	24,358	2,494
2006	24,569	25,725		12,193	25,750	2,533
2005	25,449	26,605		11,590	27,094	2,428
2004	25,813	27,012		10,906	26,939	2,322
2003	25,784	26,771		10,907	26,886	2,499
2002	25,663	26,429		10,483	27,973	2,702

- (1) Current expenditures as defined by the State of Missouri Department of Elementary and Secondary Education. For fiscal year 2011, expenditures include the General and Child Nutrition funds total instruction and support services expenditures net of food service revenues, divided by the total number of pupils. For fiscal years 2002-2010, expenditures include the General, Teachers' Grant Activity and Child Nutrition funds total instruction and support services expenditures net of food service revenues, divided by the total number of pupils.
- (2) Average daily attendance and Eligible pupil counts include K-12 students.

This Page Intentionally Left Blank