



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED
JUNE 30, 2016



KANSAS CITY PUBLIC SCHOOLS

(The School District of Kansas City, Missouri)

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2016

(With Independent Auditor's Report Thereon)

Prepared by

Business & Finance Division

KANSAS CITY PUBLIC SCHOOLS

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December 7, 2016

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, 2016, 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 auditor's report and provides an overview of the District's financial condition at the district-wide level and at the fund level. The district-wide level reports on changes in assets and liabilities or net position. The fund level reports provide a more detailed focus on all the funds of the District and demonstrative compliance with Missouri statutes.

District management is responsible for establishing and maintaining internal controls designed to ensure that District resources are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and, 2) the valuation of cost and benefits requires estimates by management. This report was prepared by the Business & Finance Division who is responsible for the accuracy of the data, completeness and fairness of the presentation including all disclosures. RSM US LLP, certified public accountants, has issued an unmodified opinion on the District's financial statements for the year ended June 30, 2016. The independent auditor's report is located in the front of the financial section of this report.

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

DISTRICT PROFILE

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

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

- School District of Kansas City, Missouri Building Corporation – provide financing for QSCB Bond debt service.

The District operated 6 high schools, 1 vocational school, 1 alternative school, 2 middle schools, and 23 elementary schools for school year 2015-2016. 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 15,568 students (including pre-kindergarten) and employs over 2,100 principals, teachers, and support staff.

The Board is required to adopt balanced budgets by the end of each fiscal year in compliance with section 67.010 of the Missouri statute. The budgets serve as a financial plan supporting all educational programs. A preliminary budget is required to be presented to the Board on or before April 1, unless this deadline is modified by the Superintendent with the consent of the Board. Budget holders are requested to identify requirements and needs for their schools/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 57.49% of total revenues reported by the District. During the fiscal year, the District was entitled to receive approximately \$138.7 million in property taxes for tax year 2015 based on its \$4.95 levy; actual current taxes collected during the fiscal year totaled \$123.1 million. The assessed valuation of real and personal property increased from approximately \$2.735 billion to approximately \$2.85 billion or 4.20%. As a result, reported property tax revenue for fiscal year 2016 increased 1.36% from the prior year.

The difference between billed and collected is the county retention fee of 1.69% and delinquent taxes. Property tax abatement and tax increment financing limit the District's ability to receive significant increases in property taxes that would be generated as a result of economic growth.

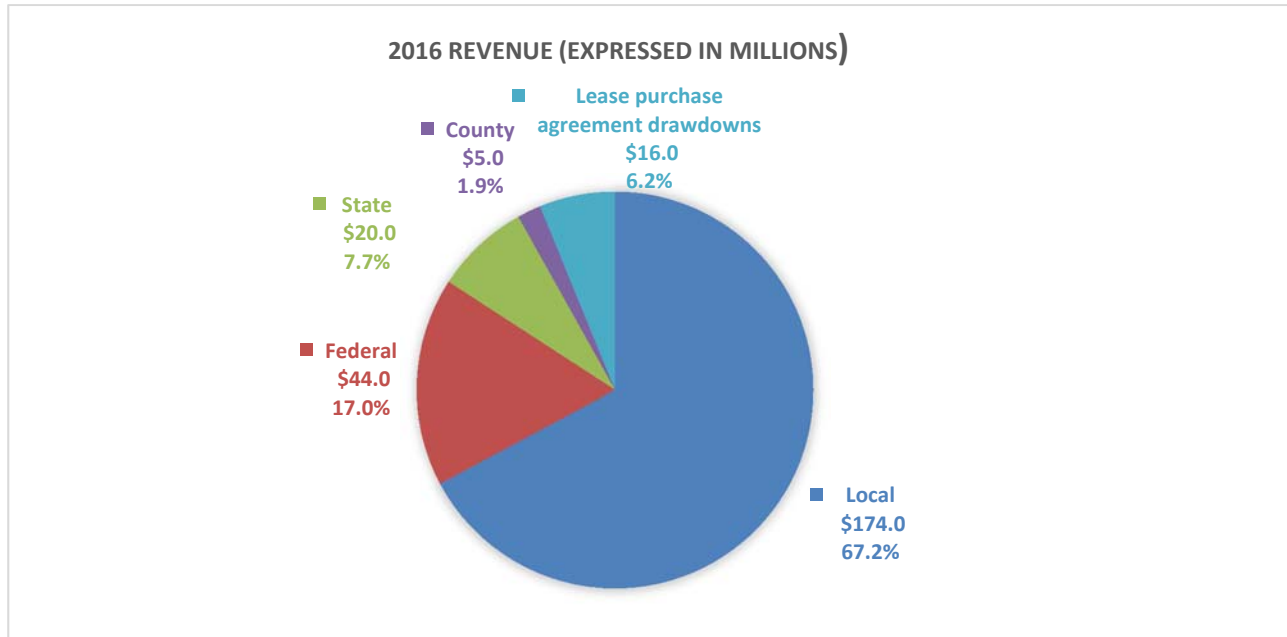
Revenues derived from State sources represent approximately 7.77% of total revenues received by the District. The District received approximately \$12.365 million for state aid, an increase of \$.091 million or .75%. In fiscal year 2007, DESE implemented a new foundation formula that is based on current expenditures of the school districts meeting all performance standards established by the State Board of Education. The base target funding level is \$6,146 per weighted average daily attendance. This amount is adjusted by a dollar value modifier and the school districts local effort. Under this 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, reimbursement and subsidies represent about 17.0% of the revenue received by the District. The major federal grant programs are Title I, Title IIA, Head Start, Exceptional Education (I.D.E.A), Early Childhood Special Education (I.D.E.A.), Teacher Incentive. Factors that impact the amount of federal funds the District is entitled to receive include free and reduced lunch eligibility counts and enrollment of exceptional education students. Beginning fiscal year , 100% of our students were served as eligible for free or reduced lunch under the Community Eligibility Provision (CEP) program started during fiscal year 2015-2016.

Students with disabilities, as defined by the Individuals with Disabilities Education Act (IDEA), are those students who qualify for special education services and who have an Individualized Education Program (IEP) or commonly referred to as the Special Education program (SpEd). Special Education and related services for pre-school age is referred to as early childhood special education (ECSE). For fiscal year 2015-2016, the District served 1,825 SpEd students and 200 ECSE students, 12.93% of district enrollment.

The District provided services to 3,530 LEP (Limited English proficient) and ELL (English Language Learners) during fiscal year 2015-2016 representing 22.55% of enrollment.

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 \$.815 million in interest income was earned during the fiscal year.

ACKNOWLEDGEMENTS

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

Mark T. Bedell Ed.D.
Superintendent of Schools

Allan H. Tunis
Chief Financial Officer



Our Vision

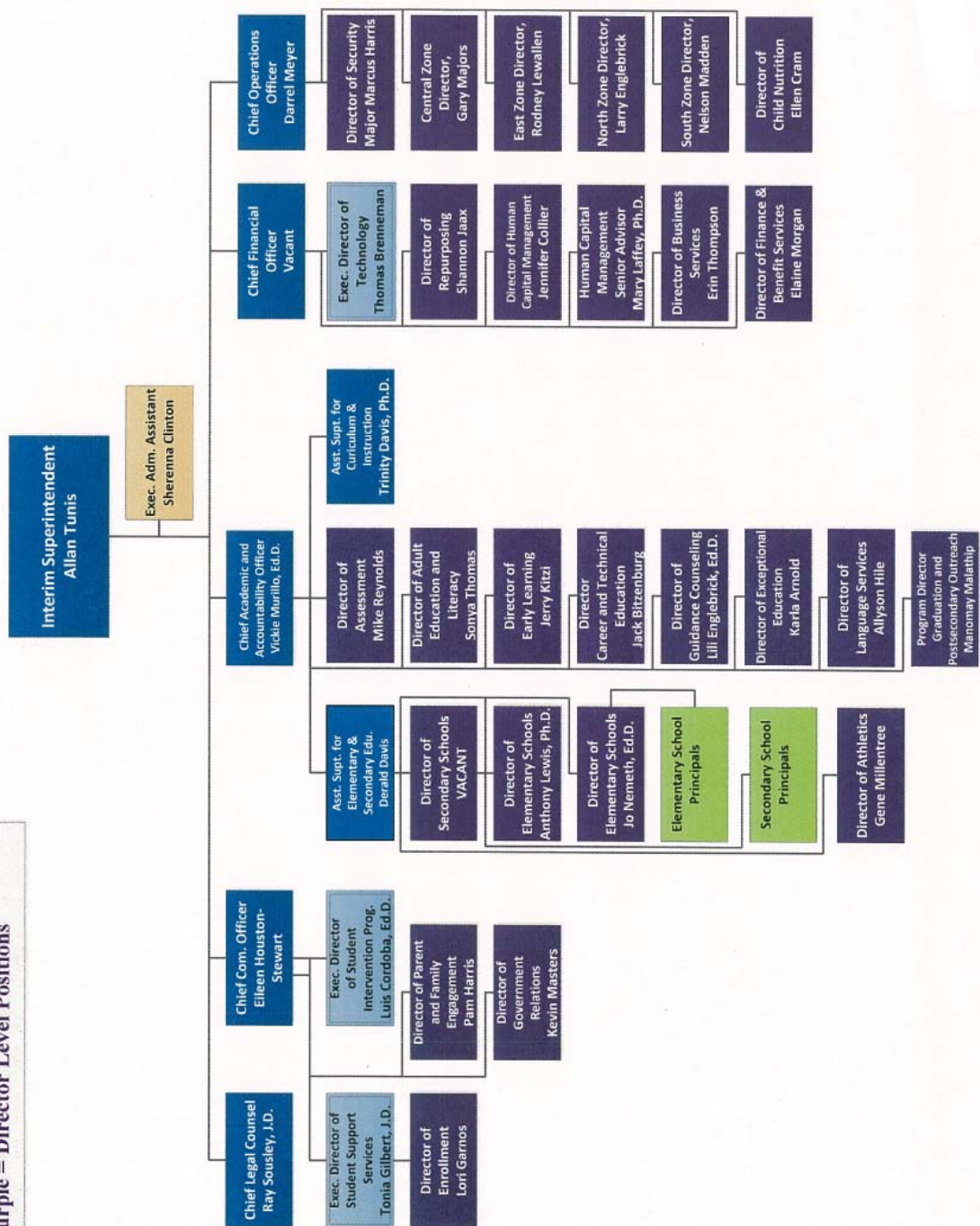
The Kansas City Public Schools (KCPS) envisions its schools as places where every student will develop deep understanding of the knowledge and skills necessary to pursue higher education, obtain family-supporting employment, contribute to the civic well-being of the community, and have the opportunity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

Our Mission

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

- Inquiry-based instruction that involves active-learning, and is project-oriented, collaborative, and facilitated by meaningful professional development
- Successful instructional settings where teachers continually coach each child to develop deep understanding and educational proficiency, while meeting all Adequate Yearly Progress goals
- Cooperative planning among principals and teachers to ensure attainment of district goals
- Substantial autonomy to each learning community
- Accountability for executing and achieving the school district's vision, goals, and objectives articulated in the Accountability Plan.

KCPS Organizational Chart
Superintendent through Director Level
Blue = Superintendent and Executive Team
Purple = Director Level Positions



LIST OF PRINCIPAL OFFICIALS

June 30, 2016

BOARD OF EDUCATION

Executive Officers

Melissa Robinson, Chair
Pattie, Mansur, Vice Chair

Treasurer

Matthew Oates

Secretary of the Board

Sandra Fette

Members

Carl Evans
John Fierro
Amy Hartsfield
Natalie Lewis
Ajia Morris
Jennifer Wolfsie

SENIOR ADMINISTRATORS

Allan Tunis, Interim Superintendent
Trinity Davis, Ed.D., Asst. Supt. of Curriculum, Instruction and Professional Development
Vickie Murillo, Ed. D. Asst. Supt. for Accountability, Assessment and Academic Precision
Ray E. Sousley, J.D., Chief Legal Counsel
Derald Davis, Ed. D., Assistant Supt. Of School Leadership
Thomas Brenneman, Executive Director of Technology
Luis Cordoba, Ed. D. Executive Director of Student Intervention Programs
Tonia Gilbert, J.D., Executive Director of Student Support and Community Services
Darrel Meyer, Chief of Operations

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The School District of Kansas City, Missouri (Kansas City Public Schools) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Kansas City Public Schools' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Kansas City Public Schools, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 18, the Budgetary Comparison Schedules on pages 57 through 60, the Schedule of Funding Progress on page 62, and the pension information on page 63, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kansas City Public Schools' basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, and the accompanying schedule of expenditures of federal awards (SEFA), as required by the Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2016 on our consideration of the Kansas City Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kansas City Public Schools' internal control over financial reporting and compliance.

RSM US LLP

Kansas City, Missouri
December 6, 2016

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2016

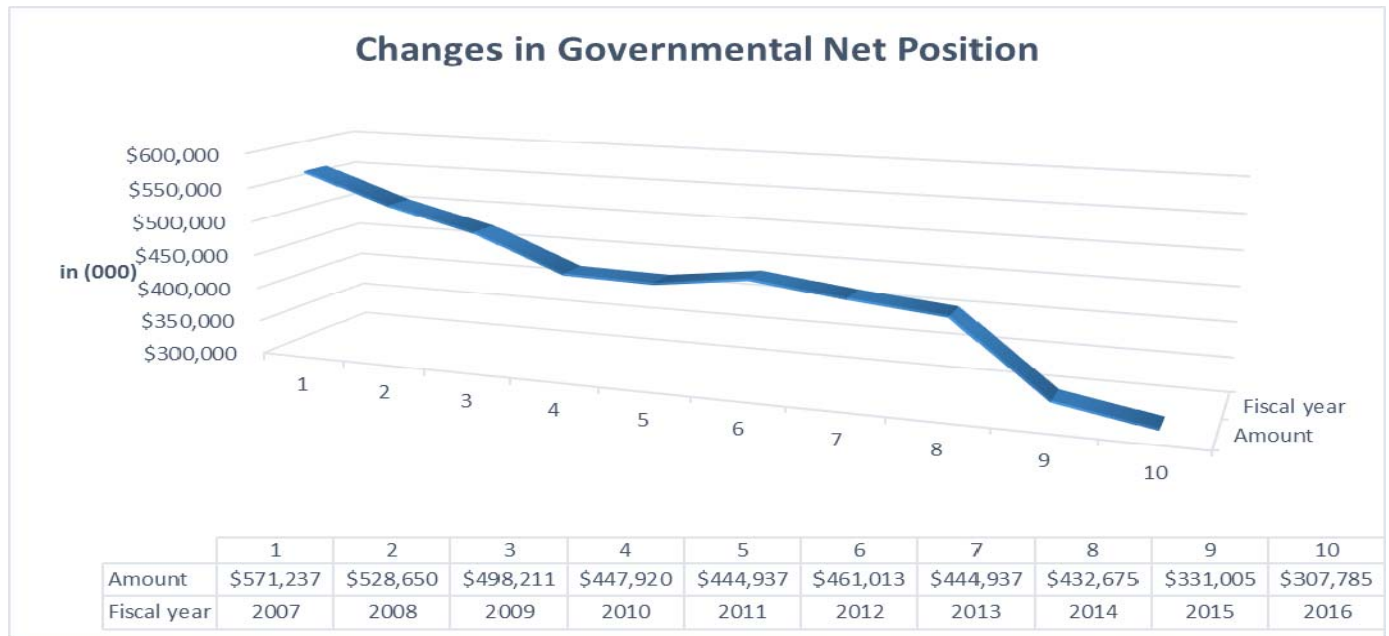
The Business and Finance Division of the Kansas City Public Schools (the District) is pleased to provide the readers of the District's comprehensive annual financial report this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016 an element of GASB Statement No 34. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

In the statement of net position for governmental activities, the District's assets exceeded its liabilities at the close of the fiscal year by \$307.78 million. The most significant change in total net position was a decrease of \$27.8 million in unrestricted net position primarily due to an increase in the net pension liability. Implementing GASB Statement Nos. 68 and 71 resulted in an increase in the second-year recognition of net pension liability of \$113,573,271 in FY15 to \$158,472,857 in FY 16; an increase of deferred outflows of resources from \$19,580,672 to \$52,694,244; an increase of deferred inflows of resources from \$1,090,866 to \$2,415,678; and pension expense - \$13,110,826.

Net investment in capital assets increased \$5.21 million due primarily to the addition of \$14.656 million debt obligation for the equipment lease purchase agreement offset by a (\$2.11) million reduction in debt of the leasehold revenue bond obligations and the net change in capital assets of \$17.76 million.

The graph below shows the changes in net position and indicates the District's overall financial position decreased in fiscal year 2016 by 7.5% when compared to fiscal year 2015. Total assets increased \$17.71 million primarily due to the addition of \$15.97 million construction in progress for the energy project and total liabilities increased \$69.96 million or 34.27%. The increase in liabilities is primarily attributable to an increase in the net pension liability of \$44.9 million. In addition, when compared to the prior year, deferred outflows pension related amount increased \$33.11 million as required by GASB Statement Nos. 68 and 71.



KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2016

The District's governmental funds (summarized in Table 1 below) reported an ending total fund balance of \$91.20 million, a decrease of \$11.65 million in comparison with the prior year. Approximately 59.23% of this amount, \$54.02 million, is available for spending at the District's discretion (unassigned fund balance).

Table 1—Summary of Governmental Fund Balances

	FY16	Percentage of total	FY15	Percentage of total	Increase (decrease)	Unassigned portion
General	\$ 57,034,515	62.5%	\$ 57,787,808	56.2%	(753,293)	\$ 54,023,525
Capital projects	18,190,929	19.9%	29,208,927	28.4%	(11,017,998)	—
Nonmajor funds	15,979,015	17.5%	15,855,275	15.4%	123,740	—
	<u>\$ 91,204,459</u>	<u>100.0%</u>	<u>\$ 102,852,010</u>	<u>100.0%</u>	<u>\$ (11,647,551)</u>	<u>\$ 54,023,525</u>

Unassigned fund balance for the General Fund was \$54.02 million and represents 24.68% of total General Fund expenditures and transfers. Assigned fund balance in the General Fund for general operating encumbrances was \$.978 million. Restricted fund balance in the General Fund for workers compensation was \$.28 million. Overall, governmental fund balances decreased at June 30 primarily due to the building renovations and large repair projects spending in the governmental funds; expenditures exceeded revenues in the amounts of \$643,828; \$24,202,533 and \$3,229,363 in the General, Capital Projects and Nonmajor funds, respectively.

Overview of the Financial Statements

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

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

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

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

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

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

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2016

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

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

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

The District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds. The major funds are the General Fund and the Capital Projects Fund. Data for the other six 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.

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.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2016

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

Government-wide Financial Analysis

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

Table 2—Net Position (Expressed in Thousands)

	Governmental activities			Business-type activities			Total	
	2016	2015	Increase (decrease)	2016	2015	Increase (decrease)	2016	2015
Assets:								
Current and other assets	\$ 307,584	307,632	(48)	625	345	280	308,209	307,977
Capital assets	362,952	345,194	17,758	—	—	—	362,952	345,194
Total assets	670,536	652,826	17,710	625	345	280	671,161	653,171
Deferred Outflows of resources	52,694	19,581	33,113	—	—	—	52,694	19,581
Liabilities:								
Other liabilities	52,097	41,890	10,207	192	57	135	52,289	41,947
Long-term liabilities	222,007	162,253	59,754	—	—	—	222,007	162,253
Total liabilities	274,104	204,143	69,961	192	57	135	274,296	204,200
Deferred Inflows of Resources	141,342	137,259	4,083	—	—	—	141,342	137,259
Net position:								
Net investment in capital assets	318,262	313,049	5,213	—	—	—	318,262	313,049
Restricted	14,847	15,479	(632)	—	—	—	14,847	15,479
Unrestricted	(25,324)	2,477	(27,801)	433	288	145	(24,891)	2,765
Total net position	\$ 307,785	331,005	(23,220)	433	288	145	308,218	331,293

Overall, governmental activities current and other assets decreased by .02%; business-type activities current and other assets increased \$.28 million. Cash and investments decreased by \$4.11 million or 3.11%, as a result of expenditures in excess of revenue in the general, capital projects and nonmajor governmental funds. Long-term liabilities increased \$59.75 million due to the recognition of an additional \$44.9 million net pension liability, additional equipment lease agreement obligations of \$14.655 million, a \$1.815 million increase in the compensated absences balance, and an increase in claims payable of \$.493 million offset by the decrease in the bonds payable balance of \$2.11 million. Improvements to land, buildings and other than building were \$13.421 million; construction in progress were \$16.685 million primarily due to the energy project, purchases of equipment, furniture, and vehicles (primarily computers and vehicles) were \$.595 million, less depreciation of \$11.991 million and retirements of \$.953 million, resulting in a net increase of \$17.76 million in capital assets net of depreciation.

Unrestricted net position of (\$25.324) million includes management commitments, assignments and unassigned fund balances. The Board of Education has authorized management to assign funds for certain obligations that make up 4.91% of net position.

Fund balance has \$3.847 million in commitments, \$15.126 million in assignments, and \$54.023 million of unassigned fund balance. See footnote 2 for specific purposes within each category.

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

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2016

Table 3A—Changes in Net Position —Governmental Activities highlights the District's revenues and expenses for the 2016 and 2015 fiscal years. The difference between revenues and expenses equals the change in net position. Revenue is divided into two major components, program revenue and general revenue. Program revenue is defined as charges for services, operating and capital grants, and contributions. General revenue is defined as the primary unrestricted funding sources, such as property taxes, sales taxes, and basic state aid.

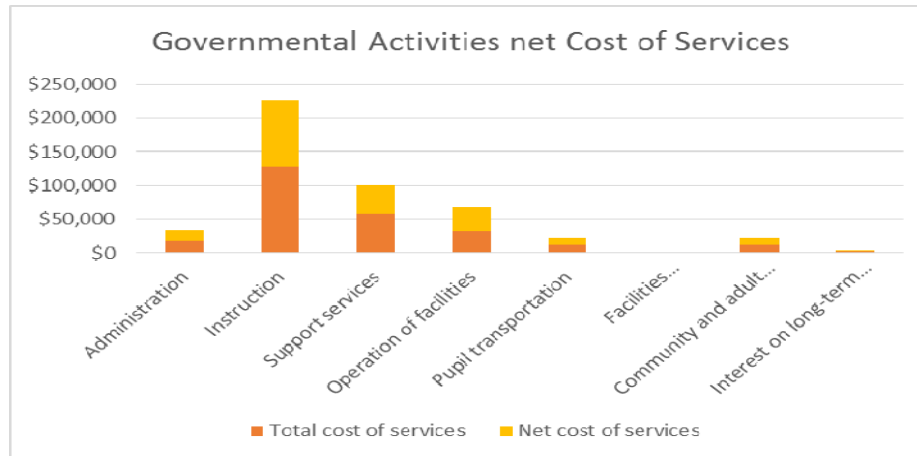
Table 3A—Changes in Net Position—Governmental Activities (Expressed in Thousands)

	Governmental activities		
	2016	2015	Increase (decrease)
Program revenues:			
Charges for services	\$ 1,998	3,830	(1,832)
Operating grants and contributions	46,741	52,380	(5,639)
Capital grants and contributions	1,743	2,654	(911)
General revenues:			
Property taxes	146,959	144,992	1,967
Prop C sales tax	17,616	15,149	2,467
Other local revenues	7,705	5,559	2,146
County governmental contributions	4,964	5,284	(320)
State aid—basic formula	12,365	12,274	91
Grants and entitlements	743	705	38
Sale of capital assets	—	545	(545)
Investment earnings	1,519	1,499	20
Total revenues	242,353	244,871	(2,518)
Program expenses:			
Administration	17,416	16,326	1,090
Instruction	127,841	118,825	9,016
Support services	57,780	58,340	(560)
Operation of facilities	33,451	34,467	(1,016)
Pupil transportation	12,725	12,124	601
Facilities Improvement and Renovation	825	2,604	(1,779)
Community and adult services	12,353	10,347	2,006
Interest on long-term debt	3,332	2,597	735
Total expenses	265,723	255,630	10,093
Excess (deficiency) before transfers	(23,370)	(10,759)	(12,611)
Transfers	150	121	29
Increase (decrease) in net position	(23,220)	(10,638)	(12,582)
Net position beginning of year	331,005	341,643	(10,638)
Net position end of year	\$ 307,785	331,005	(23,220)

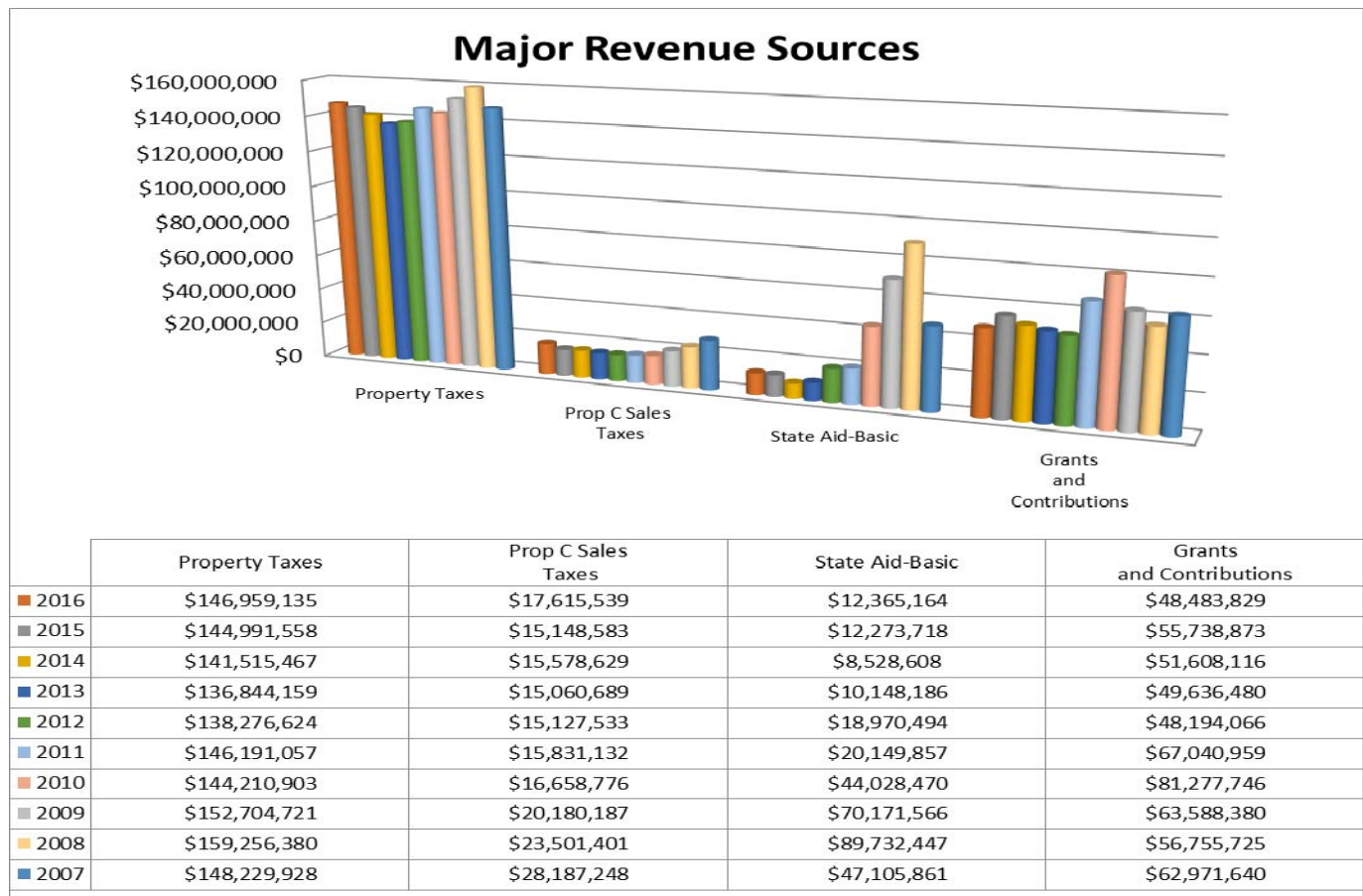
KANSAS CITY PUBLIC SCHOOLS

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A graph of major District revenues is shown below.



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The most significant sources of revenues are:

Property Taxes (Local) are levied by the county assessor based on the assessed valuation of taxable property as of January 1 of each calendar year (tax lien date). Taxes are billed the following November 1 and become due on or before December 31. Property taxes are recognized as revenue when received. During fiscal years 2016 and 2015, the district received and reported the following tax revenue:

Description	2016	2015	Increase / (decrease)
Real estate and property taxes	124,343,286	123,420,861	922,425
Railroad and utility taxes	3,663,847	3,257,097	406,750
Back taxes	9,703,987	9,539,706	164,281
Payment in lieu of tax	1,996,600	1,461,629	534,971
M & M replacement tax	7,251,414	7,312,265	(60,851)
	146,959,135	144,991,558	1,967,577

The total assessed valuation for tax year 2015 was approximately \$2.85 billion compared to the total assessed valuation for tax year 2014 of \$2.735 billion, an increase of approximately 4.2%.

Proposition C Sales Tax is a one-percent statewide sales tax collected and distributed to the District based on the prior year weighted average daily attendance. The District reported sales tax revenue of approximately \$17.6 million during fiscal year 2016; an increase of approximately \$2.47 million or 16.29% from fiscal year 2015. The total sales tax revenue distributed in 2015-16 was \$947.63 per 2014-15 Weighted Average Daily Attendance (WADA). The total state 2014-15 WADA used in the Proposition C calculation was 901,191.43.

Other local revenue is primarily comprised of interest on current, back and replacement taxes, taxes collected (levied on the intangible assets) from financial institutions operating within the district boundaries (FIT/Intangible tax), abatement grant, tuition and fees and rebates. Other local revenue increased approximately \$2.1 million due to rebates received and a reimbursement of premiums paid for health care insurance coverage. During fiscal year 2016, the district received approximately \$1.35 million in rebates from KCP&L and a refund of approximately \$1.89 million for health and dental premiums paid, the result of actual plan costs less than actuarially set premiums during the period July 2014 through December 2015.

County revenue includes fines, state-assessed railroad and utility taxes and stock insurance. Fines are collected by Jackson County and distributed to the District based on the September membership (enrollment). State-assessed railroad and utility taxes are computed based on an average levy for all school districts operating in Jackson County and applied against the total assessed valuation of railroad and utility properties as assessed by the state and distributed to the district based on the September membership. Stock insurance is based on the prior year premiums collected from stock insurance companies conducting business within the county and is distributed based on the property tax levy. During fiscal year 2016, the District reported county revenue of approximately \$4.96 million compared to approximately \$5.28 million during fiscal year 2015, a decrease of approximately \$.32 million or 6.06%. This decrease is primarily attributable to a decrease in the county stock insurance collections.

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State Aid Basic Formula is a child-needs based education funding formula that is calculated based on weighted average daily attendance (WADA), the state adequacy target (target funding per student), the dollar value modifier (DVM or localized cost of living adjustment) and local effort (based on the district's assessed valuation and tax levy). The district recognized state aid for fiscal year 2016 in the amount of approximately \$12.37 million compared to approximately \$12.27 million for fiscal year 2015, an increase of approximately \$.091 million or .745%. This nominal increase is due to a nominal increase in student enrollment (349 students).

Federal revenues from federal programs, approximately 17% of total revenue, increased from approximately \$43.8 million for fiscal year 2015 to approximately \$44.4 million for fiscal year 2016, an increase of approximately \$.6 million. The district receives funding primarily from the following federal programs:

- The Elementary and Secondary Education Act (ESEA) of 1965 as amended by the No Child Left Behind Act of 2001 NCLB (Title I. A Improving the Academic Achievement of the Disadvantaged, Title II Preparing, Training and Recruiting High Quality Teachers and Principals, and Title III Language Instruction for Limited English Proficient and Immigrant Students). NCLB federal funds received by the district during fiscal year 2016 was approximately \$11.7 million.
- The Individuals with Disabilities Education Act (IDEA) Part B defines students with disabilities as those children, ages three (3) to twenty-one (21), who have been properly evaluated in all areas related to the suspected disability (health, vision, hearing, social and emotional status, general intelligence, academic performance, communicative status, and motor disabilities) and who because of that disability, require special education and related services. (Includes early childhood special education – moderately and severely disabled children who are three (3) to five (5) years of age). The district received approximately \$2.7 million to operate its special education program during school year 2016.
- Child nutrition services: The National School Lunch Program (NSLP); the School Breakfast Program (SBP); the Fresh Fruit and Vegetable Program (FFVP); the Summer Food Service Program (SFSP) and the Child and Adult Care Food Program (CACFP). Revenue for the child nutrition program increased 19.73% due to an increase in students eligible for free lunch under the Community Eligibility Program and federal reimbursement rates.
- Head Start – Comprehensive child development program for pre-kindergarten children and their families. The District received approximately \$4.5 million in revenue to operate its head start program for school year 2016.

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

Administration and Support services – The increases are primarily due to an increase in the net pension liability. The district's share of the Kansas City Public Schools Retirement System net pension liability increased from approximately \$113.54 million to \$158.47 million. The net pension liability represents 57.81% of total liabilities. The other entities who recognize a proportionate share of the pension liability are charter schools and the KC Library.

Operation of facilities & facilities improvement and renovation – Costs incurred represent a continued focus on deferred infrastructure improvements and repair and maintenance projects primarily in school buildings in addition to the capital projects described below:

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Description	General	Capital
Energy performance contracting	\$ 175,868	\$ 15,971,089
Building renovations	2,692,598	-
Information and technology	3,135,871	421,629
Public address system	-	668,478
Architect & engineering fees	-	1,192,303
Middle school upgrades	-	239,758
Cafeteria equipment and renovation	-	1,588,032
Acquisition and renovation of BOE	-	4,453,247
Roofing	-	845,782
Security systems	101,479	1,232,050
Asphalt and concrete	-	1,168,140
Heating, ventilation, air conditioning (HVAC)	575,959	1,558,482
Building exteriors/structural	-	495,567
Other/misc	1,756,499	4,718,330
	<u>\$ 8,438,274</u>	<u>\$ 34,552,886</u>

Community and adult services – The increase is primarily due to the expansion of the Pre-K program with additional funding from the Missouri Preschool Project grant. The additional funding supports 3 additional classrooms serving three & four year old children for school year 2016. A total number of 19 classrooms were served.

Principal on long term debt – Principal and interest costs increased by \$2.383 million due to quarterly principal and interest payments required pursuant to the terms of the financing instrument used to fund the energy performance contract.

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

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

	2016	2015	Increase (Decrease)
Community services:			
Charges for services	\$ 412	301	111
Expenses	(116)	(393)	277
Revenue over expenditures before transfers	296	(92)	388
Transfers	(150)	(121)	(29)
Increase (decrease) in net position	<u>\$ 146</u>	<u>(213)</u>	<u>359</u>

The increase in revenue was due primarily to an increase in fees received from the community's use of facilities as well as new lease agreements for the use of district facilities executed during the fiscal year. The decrease in expenditures is due transfer of \$.3 million to the student scholarship fund recognized in the prior year.

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Management's Discussion and Analysis

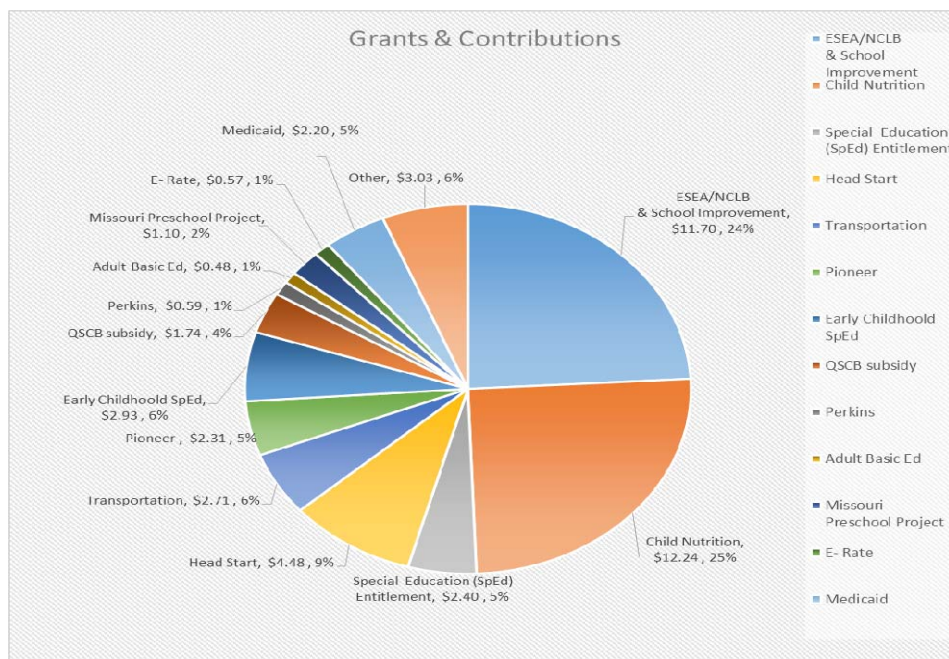
June 30, 2016

Table 4—Cost of Services—Governmental Activities shows the cost of services for governmental activities. The total cost of services column contains all costs related to functions/programs. The net cost of services column shows how much of the total cost is not covered by program revenues. Net costs (or 81.0% 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 from the prior year percentage of 77.97%. The increase in total expenditures of \$10.093 million was greater than the combined decrease of \$1.83 million in charges for services and the \$6.55 million increase in grants and contributions.

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

	Total cost of services	Net cost of services
Administration	\$ 17,416	17,413
Instruction	127,841	98,679
Support services	57,780	42,518
Operation of facilities	33,451	33,448
Pupil transportation	12,725	10,014
Facilities improvements and renovations	826	826
Community and adult services	12,353	10,756
Interest on long-term debt	3,332	1,589
Total	\$ 265,724	215,243

The District received program revenues specifically to offset the cost of certain functions/programs. The major source of this type of revenue, totaled \$48.48 million, is from grants and contributions (operating and capital). Operating and capital grants, and contributions are funds the District receives that are restricted to a particular purpose as show in the graph below.



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Management's Discussion and Analysis

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Financial Analysis of the District's Funds

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

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, 2016, 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-operating	\$ 4,740	280,451	2,726,255	54,023,069	57,034,515
Capital projects—operating	—	—	6,998,034	—	6,998,034
	<u>\$ 4,740</u>	<u>280,451</u>	<u>9,724,289</u>	<u>54,023,069</u>	<u>64,032,549</u>

As a measure of the operating budget liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total expenditures. The total fund balance represents 29.24% of total operating expenditures and transfers. The total operating fund balance decreased by 10.68% when compared to fiscal year 2015, due to a \$19.07 million increase in capital project expenditures for district wide building improvements.

At the end of FY13, the district expended the balance of the Qualified School Construction Bonds issued in 2009 & 2010. With the district's commitment to continue necessary building renovation and deferred maintenance projects, Administration with the Board of Director's support, decided to use fund balance. The Board of Directors and Administration . On August 10, 2016 the district issued \$50,000,000 of Certificates of Participation, Series 2016. These certificates are proportionate interests of the certificate owners in the rental payments made by the district in accordance with the lease agreement with the trustee.

Budgetary Highlights

Table 5A- Budget Comparison shows a summary of the major changes in the current year original and final budgets. The difference in revenues between the original and the final budgets is an increase of approximately 10.1%. Based on the final assessed valuation received in September 2015 and collection trends, property taxes revenues were increased by \$5.8 million. Projection for other local revenues increased by \$1.9 million. Proposition C (sales taxes) and basic formula state aid increased by \$3.7 million due to an increased 2015 summer school attendance and State refund for charter school closure. Additional state and federal grant awards of \$9.8 million were received after the original budget was approved.

Budgeted expenditures increased by \$21.8 million or 10.3%. The increase is primarily due to funding the board approved salary increases, additional instructional & support positions, student transportation cost, and summer school program. In addition, local, state and federal grant awards for Missouri Pre-School Project, Special Education Entitlement, School Improvement, Title I & III, Head Start, Math and Partnership grants for New Americans, Early College, Counselling and Literacy Lab were received after the original budget was approved.

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When comparing the original budget to the final budget, there was a favorable variance of \$21.2 million for revenues and transfers in, and an unfavorable budgeted variance for expenditure and transfers out of \$21.4 million, without a use of fund balance.

When compared to the prior year (see Table 5B), budgeted revenues and transfers in decreased by (1.67%) and expenditures and transfers out decreased by (1.61%).

Table 5A—Budget Comparison, Original to Final Budget, Fiscal Year 2016

	Revenues and Transfers In	Expenditures and Transfers Out
Original budget	\$ 209,109,428	208,703,229
Final budget	230,283,931	230,135,386
Increase	\$ 21,174,503	21,432,157

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

	Revenues and transfers in	Expenditures and transfers out
Fiscal year 2016 final budget	\$ 230,283,931	230,135,386
Fiscal year 2015 final budget	234,206,493	233,906,330
Increase (decrease)	\$ (3,922,562)	(3,770,944)
Percentage of change	(1.67)%	(1.61)%

Major Funds—Financial Highlights

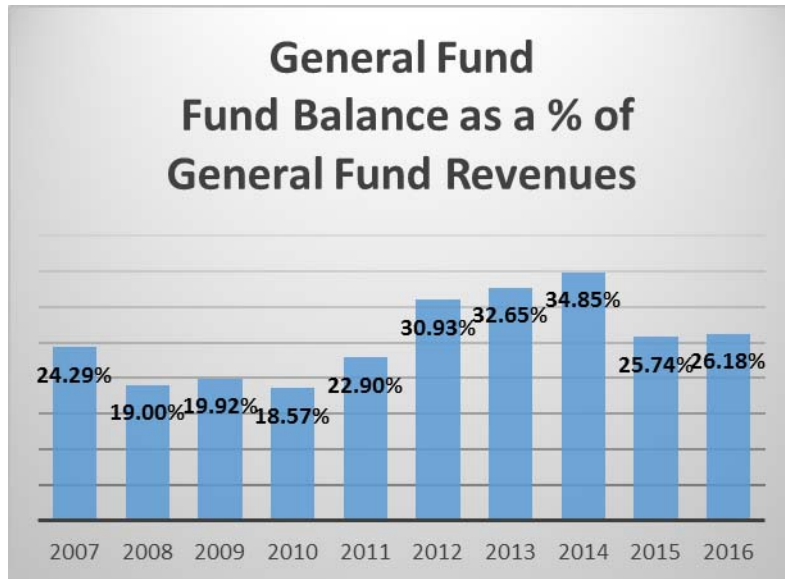
When compared to fiscal year 2015, General Fund revenues increased by \$6.58 million or 3.11%, and expenditures decreased by \$.219 million or .1%. The General Fund's ending fund balance is used to balance the operating budget. The level of fund balance in the General Fund is decreased in relation to annual revenues, as shown in the graph below. This ratio is analyzed to determine if there is adequate budgetary carryover to meet unfunded emergencies and other unplanned needs.

The Capital Projects Fund's revenues decreased by 8.88% due to a decrease in federal revenue and local revenue. In the prior year, the district reported federal funds for capital outlay for the head start program (\$.27 million), school improvement (\$.06 million) and child nutrition services (\$.15 million) and state revenue (Missouri Preschool Project) of \$.89 million for capital outlay. Other financing sources increased by \$8.03 million due to the combination of a \$7.58 million or 82.25% decrease in transfers in, the lease purchase drawdowns of \$15.671 million, a decrease in realized proceeds and gain on sale of capital assets of \$.11 million, and a decrease in transfers out of \$.05 million or 1.22%. Expenditures increased by \$19.07 million or 123.19% primarily due to the in-progress building improvements for energy management equipment lease purchase agreement as well as the principal and interest payments (financing the energy project).

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Major projects for repairs, paid from the general fund, and facilities improvements and renovations, funded from the capital projects and general funds included:

Renovated and/or repaired existing space for classrooms, offices, restrooms and secure entries including ceiling & walls, doors/hardware, lighting, painting, fixtures, flooring totaling \$2,692,598 at thirty-four schools.

Acquired an administrative office building and property at 2901 Troost Ave., Kansas City Missouri to move the Board of Education (BOE). Project cost during FY16 totaled \$4,453,247, to be funded from the sale of the old BOE at 1211 McGee.

Projects included Asphalt & Concrete, Building Exteriors, Roof Replacement/Repair and HVAC equipment replacement & temperature controls totaling \$4,643,930.

Installation of a district-wide comprehensive integrated security system. It includes video security cameras, electronic card door access, intrusion alarms and a visitor management system. Project costs during FY16 totaled \$2,002,007.

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On August 10, 2016, The School District of Kansas City, Missouri Series 2016 Certificates of Participation were issued to establish funds for the following capital improvement projects through June 2019:

Project	Cost
Athletics	
Gymnasium Upgrades	\$ 205,000
Track	\$ 1,565,000
Locker Rooms	\$ 520,000
Athletic Fields	\$ 2,650,000
Pools	\$ 400,000
	\$ 5,340,000
Educational Environment	
Classroom Upgrades	\$ 8,625,717
Flooring	\$ 2,500,000
Ceiling	\$ 1,000,000
Cafeteria Renovations	\$ 1,800,000
Restroom Renovations	\$ 1,250,000
Locker Repair Upgrade	\$ 300,000
Auditorium Upgrades	\$ 2,400,000
Window Replacement	\$ 819,283
Playgrounds	\$ 200,000
Signage	\$ 370,000
	\$ 19,265,000
Safety	
Building Access Control/Security Cameras	\$ 1,600,000
Secure Building Entry	\$ 250,000
Elevator Upgrades	\$ 3,000,000
Fire Alarm Systems	\$ 2,000,000
Fire Suppression - Food Prep Areas	\$ 350,000
Fencing	\$ 225,000
	\$ 7,425,000
Building Infrastructure	
Building Exteriors Renovations	\$ 2,320,000
Concrete	\$ 1,500,000
Roof Repair and Replacement	\$ 3,250,000
Parking Lot Maintenance & Repair	\$ 2,000,000
HVAC Equipment Replacement	\$ 5,850,000
Electrical Maintenance/Upgrades	\$ 250,000
	\$ 15,170,000
Information Technology	\$ 5,400,000
PROJECT TOTAL (estimated) \$52,600,000	\$ 52,600,000

Capital Assets and Debt Administration

Capital assets—The District's capital assets for its governmental activities as of June 30, 2016 amounts to \$362.9 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, building improvements, improvements other than buildings, impaired buildings, equipment, fixtures and vehicles. Capital assets increased by \$17.76 million during the fiscal year. Table 6 below shows capital asset by function for governmental activities. Also see note 3(c) for additional information.

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Table 6—Capital Assets, Net of Depreciation

	2016	2015
Land	\$ 29,732,846	30,407,846
Buildings	284,557,392	282,358,276
Improvements other than buildings	14,462,623	14,409,556
Equipment and furniture	2,324,202	2,710,663
Vehicles	278,064	117,600
Buildings-Impaired	14,857,044	14,857,044
Construction in progress	16,740,382	333,519
	<u>\$ 362,952,553</u>	<u>345,194,504</u>

Long-term debt— During fiscal year 2010, authorized as part of the American Recovery and Reinvestment Act of 2009, the District was awarded \$17.9 million in Qualified School Construction bonds (QSCB) as one of one hundred school districts across the country. As the results of this award, in December, 2009, the Building Corporation issued, on behalf of the District, \$17.88 million in leasehold revenue bonds. A portion of the interest on the QSCB is paid by the federal government in the form of a quarterly tax credit to the owners of the QSCBs. The federal tax credit rate applicable to the QSCBs is 6.05 %. In addition, owners of the QSCBs are also being paid interest on the principal outstanding at an interest rate of 2.23%. During fiscal year 2011, the District was again awarded Qualified School Construction Bonds (QSCBs). In December, 2010, the Building Corporation issued, on behalf of the District, \$16.27 million in leasehold revenue bonds at an interest rate of 7.120%. The federal government interest subsidy of 5.37%, results in a net interest rate paid by the District of 1.75%. However, as of March 1, 2013, Pursuant to the requirement of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions occurred including a reduction to refundable credits under section 6431 of the Internal Revenue Code applicable to certain qualified bonds. The effect of the sequestration during fiscal year 2016 resulted in a 6.8% reduction. Therefore, the amount of interest subsidy for the quarterly payments was reduced to a net interest rate subsidy of 5.0% and the District's net interest rate of 2.12%. The District is required to make lease payments to the Building Corporation in an amount sufficient to cover principal and interest payments each year. Approximately 2.55% of total District expenditures relate to payments of principal, interest, and bond-related costs. See notes 3(f) and 3(g) for additional information.

On March 26, 2014, the district executed an agreement for Energy Performance Contracting with Trane U.S., Inc. for the purpose of the purchase and installation of certain energy saving equipment and provision of other services designed to save energy and reduce related costs for certain property and buildings owned and/or leased by KCPS. In order to acquire the equipment the district entered into an equipment lease/purchase agreement and escrow and account control agreement with Banc of America Leasing & Capital, LLC and Bank of America, National Association in the amount of \$27,786,986 at an interest rate of 3.5% with principal and interest due quarterly until fiscal year 2030. As of June 30, 2016, the district has drawn down \$16,146,957 and capitalized costs of \$15,971,089.

Economic Factors That Impact Fiscal Year 2017 Budgets

- The fiscal year 2017 comprehensive budget was approved by the Board on May 25, 2016. Fiscal year 2017 projected current revenues of approximately \$227.7 million is a decrease of about \$15.4 million or (6.32%) when compared to fiscal year 2016.

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- Local tax revenues are estimated to increase by \$0.8 million based on preliminary data. However, subsequent information received indicates that assessed value of real and personal property increased and will further increase tax revenue projection.
 - Proposition C sales taxes increased by \$0.8 million based on the estimated increases in enrollment and per pupil funding rate.
 - Other local revenues including tuition, cafeteria sales and grants are projected to decrease by \$ 1.6 million.
 - State aid is projected to decline by approximately \$4.0 million as a result of estimated increase in charter schools enrollment. Two new charter schools opened in FY17.
 - Federal grants projection is a decrease of \$11.3 million until the actual amount of the grant is awarded by the government.
 - It is anticipated that additional local, state and federal grants will be awarded during the fiscal year.
- Fiscal year 2017 expenditures of approximately \$227.5 million represent a decrease of about \$15.4 million (or 6.32%) when compared to the prior year.
 - A Master Plan has been adopted by the Board of Directors establishing the district's priorities and goals. The fiscal year 2017 budget was developed to support the following initiatives:
 - Reduce walking boundaries from 1.5 miles to a half-mile
 - Implement boundary changes to ensure students attend schools closest to their home
 - Reduce class size for K-2 to 22:1, phase in reduction for grades 3- 4 to 25:1 and grades 5-6 to 27:1.
 - Educate all grade 3-6 teachers to specialize in content areas (ELA, Math, Social Studies, Science)
 - Implement *Project Lead the Way* and *Expeditionary Learning* in the Middle Schools
 - Expand extra and co-curricular activities.
 - Move central office staff into a smaller administrative center and sell the downtown office building.

Accreditation

DESE has just recently announced the performance scores for the MSIP 5 assessments for 2015-2016. On November 1, 2016 it was announced that KCPS had, for the first time under the current assessment measures, scored 98 points on MSIP 5 representing 70% of the total points available, the necessary points available to be fully accredited. The progress and growth that has been evidenced over the past 4 years is quite extraordinary given the particular demographics and history of KCPS. While KCPS has reached the minimum standards to be considered fully accredited, it is the State Board of Education which is the final decision maker as to when a district is actually granted the status of full accreditation. It is not anticipated that the State Board of Education will make any decisions on changing the status of KCPS until after January 1, 2017. Until that time, KCPS will remain, at a minimum, provisionally accredited until the State Board grants the status already achieved.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for our citizens, taxpayers, investors, banks, and creditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Kansas City Public Schools, 2901 Troost Avenue, Kansas City, Missouri 64109, Attn: Director of Finance and Benefit Services.

BASIC FINANCIAL STATEMENTS

KANSAS CITY PUBLIC SCHOOLS

Statement of Net Position

June 30, 2016

	Governmental activities	Business-type activities	Total
Assets:			
Cash and investments	\$ 99,205,898	551,209	99,757,107
Restricted cash and investments	28,233,739	—	28,233,739
Taxes receivable (net of allowance for uncollectibles)	162,364,652	—	162,364,652
Interest receivable	310,205	—	310,205
Due from other governmental units	7,137,403	—	7,137,403
Prepaid expenses	4,740	—	4,740
Other receivables	5,116,973	73,960	5,190,933
Supplies inventories	116,854	—	116,854
Property held for sale	1,945,400	—	1,945,400
Other post-employment benefits	3,148,536	—	3,148,536
Capital assets (net of accumulated depreciation):			
Nondepreciable	61,330,272	—	61,330,272
Depreciable	301,622,281	—	301,622,281
Total assets	<u>670,536,953</u>	<u>625,169</u>	<u>671,162,122</u>
Deferred outflows of resources:			
Pension-related amounts	<u>52,694,243</u>	<u>—</u>	<u>52,694,243</u>
Liabilities:			
Accounts payable and other	17,321,691	52,703	17,374,394
Accrued salaries, benefits, and payroll taxes	33,383,846	2,658	33,386,504
Accrued interest payable	55,883	—	55,883
Unearned revenue	1,335,562	136,357	1,471,919
Long-term liabilities:			
Due within one year:			
Compensated absences	4,467,749	—	4,467,749
Revenue bonds	2,230,000	—	2,230,000
Lease purchase agreement	1,482,900	—	1,482,900
Due in more than one year:			
Compensated absences	12,729,351	—	12,729,351
Claims payable	1,646,075	—	1,646,075
Revenue bonds	27,805,000	—	27,805,000
Lease purchase agreement	13,173,024	—	13,173,024
Net pension liability	158,472,857	—	158,472,857
Total liabilities	<u>274,103,938</u>	<u>191,718</u>	<u>274,295,656</u>
Deferred inflows of resources:			
Pension-related amounts	2,415,678	—	2,415,678
Property taxes	138,926,731	—	138,926,731
Total deferred inflows of resources	<u>141,342,409</u>	<u>—</u>	<u>141,342,409</u>
Net position:			
Net investment in capital assets	318,261,629	—	318,261,629
Restricted for:			
Workers' compensation	280,451	—	280,451
Permanent fund, nonexpendable corpus	35,000	—	35,000
Patron gifts	202,947	—	202,947
Compensated absences	11,981,466	—	11,981,466
Other restrictions	2,347,388	—	2,347,388
Unrestricted	(25,324,032)	433,451	(24,890,581)
Total net position	<u>\$ 307,784,849</u>	<u>433,451</u>	<u>308,218,300</u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Statement of Activities

Year ended June 30, 2016

Functions/programs	Expenses	Program revenues			Net revenue (expense) and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
Administration	\$ 17,416,118	3,170	—	—	(17,412,948)	—	(17,412,948)
Instruction	127,841,012	147,481	29,014,606	—	(98,678,925)	—	(98,678,925)
Support services	57,780,116	1,690,396	13,572,139	—	(42,517,581)	—	(42,517,581)
Operation of facilities	33,450,968	2,692	—	—	(33,448,276)	—	(33,448,276)
Pupil transportation	12,724,958	2,525	2,707,965	—	(10,014,468)	—	(10,014,468)
Facilities improvements and renovation	825,968	—	—	—	(825,968)	—	(825,968)
Community and adult services	12,352,786	151,243	1,445,879	—	(10,755,664)	—	(10,755,664)
Interest on long-term debt	3,332,146	—	—	1,743,240	(1,588,906)	—	(1,588,906)
Total governmental activities	265,724,072	1,997,507	46,740,589	1,743,240	(215,242,736)	—	(215,242,736)
Business-type activities:							
Community services	116,217	411,692	—	—	—	295,475	295,475
Total	\$ 265,840,289	2,409,199	46,740,589	1,743,240	(215,242,736)	295,475	(214,947,261)
General revenues:							
Property taxes					146,959,135	—	146,959,135
Prop C sales tax					17,615,539	—	17,615,539
Other local revenues					7,705,523	—	7,705,523
Intermediate/county					4,964,463	—	4,964,463
State aid—basic formula					12,365,164	—	12,365,164
Grants and entitlements not restricted to specific programs					743,477	—	743,477
Transfers					150,416	(150,416)	—
Investment earnings					1,519,089	—	1,519,089
Total general revenues and transfers					192,022,806	(150,416)	191,872,390
Change in net position					(23,219,930)	145,059	(23,074,871)
Net position—beginning					331,004,779	288,392	331,293,171
Net position—ending					\$ 307,784,849	433,451	308,218,300

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Balance Sheet Governmental Funds

June 30, 2016

Assets	General	Capital Projects	Nonmajor governmental funds	Total governmental funds
Cash and investments	\$ 76,255,294	19,497,523	3,453,081	99,205,898
Restricted cash and investments	280,451	—	27,953,288	28,233,739
Taxes receivable, net of allowance for uncollectibles	161,681,433	683,219	—	162,364,652
Interest receivable	209,858	—	100,347	310,205
Other receivables	622,606	4,068,274	426,093	5,116,973
Prepaid expenses	4,740	—	—	4,740
Due from other governments	6,738,200	179,424	219,779	7,137,403
Property held for sale	—	1,945,400	—	1,945,400
Total assets	<u>\$ 245,792,582</u>	<u>26,373,840</u>	<u>32,152,588</u>	<u>304,319,010</u>

Liabilities, Deferred Inflows of Resources and Fund Balances

Liabilities:

Accounts payable and accrued liabilities	\$ 9,674,273	7,499,692	301,290	17,475,255
Accrued salaries, benefits, and payroll taxes	17,568,297	—	15,815,549	33,383,846
Unearned revenue	1,335,562	—	—	1,335,562
Total liabilities	<u>28,578,132</u>	<u>7,499,692</u>	<u>16,116,839</u>	<u>52,194,663</u>

Deferred inflows of resources:

Unavailable revenue-property taxes	154,883,262	683,219	—	155,566,481
Unavailable revenue-grants and services	5,296,673	—	56,734	5,353,407
Total deferred inflows of resources	<u>160,179,935</u>	<u>683,219</u>	<u>56,734</u>	<u>160,919,888</u>

Fund balances:

Nonspendable	4,740	—	35,000	39,740
Restricted	280,451	1,945,400	15,942,562	18,168,413
Committed	—	3,845,290	1,453	3,846,743
Assigned	2,726,255	12,400,239	—	15,126,494
Unassigned	54,023,069	—	—	54,023,069
Total fund balances	<u>57,034,515</u>	<u>18,190,929</u>	<u>15,979,015</u>	<u>91,204,459</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 245,792,582</u>	<u>26,373,840</u>	<u>32,152,588</u>	<u>304,319,010</u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position

Governmental Funds

June 30, 2016

Fund balances—balance sheet	\$ 91,204,459
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	362,952,553
Other assets which are not a current financial resource of the governmental funds	116,854
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	(30,035,000)
Lease purchase agreement	(14,655,924)
Net pension liability	(158,472,857)
Accrued interest payable	(55,883)
Other post-employment benefits	3,148,536
Compensated absences	(17,043,536)
Judgments	(1,646,075)
	<hr/> (218,760,739)
Receivables not collected within 60 days of year-end are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds:	
Deferred inflows of resources—property taxes	16,639,750
Deferred inflows of resources—grants	5,353,407
Pension related deferred outflows and inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:	
Deferred inflows of resources—pension related amounts	(2,415,678)
Deferred outflows of resources—pension related amounts	52,694,243
Net position of governmental activities	<hr/> <hr/> \$ 307,784,849

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Statement of Revenues, Expenditures,
and Changes in Fund Balances—Governmental Funds
Year ended June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
Revenues:				
Property taxes	\$ 136,250,105	8,127,555	—	144,377,660
Prop C sales tax	16,589,829	—	1,025,710	17,615,539
Other local, including investment income	9,841,023	479,559	1,279,372	11,599,954
Intermediate/county	4,964,463	—	—	4,964,463
State aid—basic formula	12,365,164	—	—	12,365,164
Other state	7,482,955	—	77,104	7,560,059
Federal	29,936,489	1,743,239	12,742,864	44,422,592
Tuition	415,962	—	—	415,962
Total revenues	<u>217,845,990</u>	<u>10,350,353</u>	<u>15,125,050</u>	<u>243,321,393</u>
Expenditures:				
Current:				
Administration	15,441,345	—	—	15,441,345
Instruction	107,897,437	—	735,884	108,633,321
Support services	38,997,742	—	13,056,861	52,054,603
Operation of facilities	31,810,547	—	—	31,810,547
Pupil transportation	12,716,393	—	8,565	12,724,958
Community and adult services	11,444,763	—	—	11,444,763
Debt service:				
Principal	—	1,491,033	2,110,000	3,601,033
Interest and fiscal charges	—	892,905	2,443,103	3,336,008
Capital outlay:				
Administration	—	4,679	—	4,679
Instruction	—	687,529	—	687,529
Support services	—	1,797,116	—	1,797,116
Operation of facilities	181,591	177,829	—	359,420
Facilities improvement and renovation	—	29,501,795	—	29,501,795
Total expenditures	<u>218,489,818</u>	<u>34,552,886</u>	<u>18,354,413</u>	<u>271,397,117</u>
Revenues (under) expenditures	<u>(643,828)</u>	<u>(24,202,533)</u>	<u>(3,229,363)</u>	<u>(28,075,724)</u>
Other financing sources (uses):				
Transfers in	150,416	1,635,849	4,553,103	6,339,368
Transfers out	(435,849)	(4,553,103)	(1,200,000)	(6,188,952)
Unrealized loss on property held for sale	—	(300,000)	—	(300,000)
Lease purchase agreement - drawdowns	175,868	15,971,089	—	16,146,957
Sale of capital assets	100	430,700	—	430,800
Total other financing sources (uses)	<u>(109,465)</u>	<u>13,184,535</u>	<u>3,353,103</u>	<u>16,428,173</u>
Net change in fund balances	<u>(753,293)</u>	<u>(11,017,998)</u>	<u>123,740</u>	<u>(11,647,551)</u>
Fund balances, beginning of year	57,787,808	29,208,927	15,855,275	102,852,010
Fund balances, end of year	<u>\$ 57,034,515</u>	<u>18,190,929</u>	<u>15,979,015</u>	<u>91,204,459</u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2016

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

Net change in fund balances—total governmental funds	\$	(11,647,551)
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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	30,423,812	
Depreciation expense	(11,990,673)	
	18,433,139	

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

Proceeds from sale of capital assets	(430,800)	
Loss on disposal of capital assets	(244,290)	

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

(967,667)

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 position. In addition,
governmental funds report the effect of premiums, discounts, and similar
items when debt is first issued, whereas these amounts are deferred and
amortized in the statement of activities. This amount is the net effect of these
differences in the treatment of long-term debt and related items:

Amount drawn on lease purchase agreement	(16,146,957)	
Payments on lease purchase agreement	1,491,033	
Principal payment on revenue bonds	2,110,000	
Accrued interest payable	3,862	
	(12,542,062)	

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	(402,317)	
Pension-related amount, pension expense	(13,110,827)	
Compensated absences	(1,814,501)	
Claims payable	(493,054)	
	(15,820,699)	

Change in net position of governmental activities	\$	(23,219,930)
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See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Statement of Net Position—Proprietary Fund
June 30, 2016

	Nonmajor Enterprise Fund
Assets:	
Cash and investments	\$ 551,209
Due from other government	73,960
Total assets	<u>625,169</u>
Liabilities:	
Accrued salaries, benefits, and payroll taxes	2,658
Accounts payable	52,703
Unearned revenue	136,357
Total liabilities	<u>191,718</u>
Net position, unrestricted	<u>\$ 433,451</u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Statement of Revenues, Expenses, and Changes in Fund Net Position—
Proprietary Fund

Year ended June 30, 2016

	Nonmajor Enterprise Fund
Operating revenues:	
Charges for community support services	\$ 411,692
Total operating revenues	<u>411,692</u>
Operating expenses:	
Salaries, wages, and employee benefits	72,434
Other contractual services	40,482
Supplies and materials	<u>3,301</u>
Total operating expenses	<u>116,217</u>
Income before transfers	295,475
Transfers out	<u>(150,416)</u>
Change in net position	145,059
Total net position, beginning of year	<u>288,392</u>
Total net position, end of year	<u><u>\$ 433,451</u></u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Statement of Cash Flows—Proprietary Fund
Year ended June 30, 2016

	Nonmajor Enterprise Fund
Cash flows from operating activities:	
Receipts from customers and users	\$ 486,921
Payments to suppliers	(43,445)
Payments to employees	(72,166)
Net cash provided by operating activities	<u>371,310</u>
Cash flows from noncapital and related financing activities,	
Transfers to other funds	<u>(150,416)</u>
Net increase in cash and cash equivalents	220,894
Cash and cash equivalents, beginning of year	<u>330,315</u>
Cash and cash equivalents, end of year	<u><u>\$ 551,209</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 295,475
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in due from other government	(59,028)
Increase in unearned revenue	134,257
Increase in accounts payable	338
Increase in accrued salaries, benefits and payroll taxes	268
Total adjustments	<u>75,835</u>
Net cash provided by operating activities	<u><u>\$ 371,310</u></u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Statement of Fiduciary Net Position

June 30, 2016

	Private Purpose Trust— Student Scholarship Fund
Assets:	
Cash	\$ 116,576
Due from community	264
Interest receivable	219
Total assets	<u>117,059</u>
Liabilities:	
Accounts payable	<u>—</u>
Total liabilities	<u>—</u>
Net position:	
Net position held in trust for other purposes	\$ <u><u>117,059</u></u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2016

	Private Purpose Trust— Student Scholarship Fund
Additions:	
Contributions:	
Private donations	\$ 33,681
Total contributions	<u>33,681</u>
Investment income:	
Adjustment of investments to fair market value	<u>599</u>
Total investment income	<u>599</u>
Total additions	<u>34,280</u>
Deductions:	
Scholarship awards	<u>2,250</u>
Total deductions	<u>2,250</u>
Net increase in net position	32,030
Net position, beginning of year	<u>85,029</u>
Net position, end of year	<u>\$ 117,059</u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The School District of Kansas City, Missouri, otherwise known as Kansas City Public Schools (the District) is a political subdivision of the State of Missouri and is governed by an elected nine-member board of directors (the Board). Accounting principles generally accepted in the United States of America require that the financial reporting entity include: (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These basic financial statements include the District and its component units. The blended component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationship with the District.

Blended Component Units—The School District of Kansas City, Missouri Building Corporation (the Building Corporation) is governed by a nine-member board of directors that is appointed by the District's Board. Although it is legally separate from the District, the Building Corporation is included as if it were a part of the primary government because its purpose is to provide financing for District capital projects and service the related debt through lease agreements with the District. The accounts of the Building Corporation as of and for the year ended June 30, 2016 are included in the basic financial statements as the Debt Service Fund. The Building Corporation does not issue separate financial statements.

Charter Schools—Charter schools are established within the boundaries of the District by state statutes as local educational agencies. Twenty charter schools were operating during fiscal year 2016. Under current Missouri statutes, charter schools are allowed to be a Local Education Agency (LEA). All charter schools are currently operating as LEA's. Accordingly, the accounts of these charter schools are not included in these financial statements.

(b) Government-wide and Fund Financial Statements

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

The statement of net position reports the financial condition by disclosing the assets and deferred outflows of the District, and the liabilities and deferred inflows of the District.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2016

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

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

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

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

Governmental fund financial statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. Generally, only current assets and current liabilities, and associated deferred inflows/outflows of resources, are included on the balance sheet when reporting financial condition. When reporting operating results, only sources and uses related to the current period are disclosed. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, both measurable and available. Available means collectible within the current period, or soon enough thereafter, to pay current liabilities. Unearned revenue arises when assets are recognized before revenue criteria have been satisfied. The primary source of local revenues is property tax. Property tax revenues are recognized in the fiscal year for which the taxes have been levied. Deferred inflows of resources for property taxes arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. For property taxes, available is defined as expected to be received within 60 days of fiscal year-end. Federal, state, and local grant revenues received as reimbursement for specific purposes is recognized when the related reimbursement is received within 60 days of fiscal year-end. Grants and entitlements received prior to eligible expenditures being incurred are recorded as unearned revenue. Expenditures are generally recognized in the accounting period when the related fund liabilities are incurred. Principal and interest on long-term indebtedness, as well as expenditures related to compensated absences, pensions, and claims and judgments, are recorded in the governmental funds when payment is due and payable.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2016

The District has the following major governmental funds.

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

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

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

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

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

The District has one debt service fund, which is a nonmajor fund. This fund accounts for resources that are restricted for payments made for principal and interest on long-term leasehold revenue bonded debt.

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

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

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

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

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2016

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

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

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

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

1. Deposits and Investments

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

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 90 days or less from the date of acquisition.

Investments in the U.S. Treasuries and U.S. Agencies are recorded at fair value. Investments in certificates of deposit are recorded at amortized cost. The value of marketable securities is based on quoted market prices provided by a securities pricing company through the District's financial banking institution. The District's investment in the external investment pool (MOSIP) is not SEC-registered and is regulated by the State of Missouri. This external investment pool is reported at amortized cost pursuant to the criteria set forth in GASB Statement No. 79.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2016

2. Restricted Cash and Investments

In compliance with Missouri Workers' Compensation laws, an escrow account is held by a trustee to cover claims processed under the District's self-insured workers' compensation program. As part of the collective bargaining agreement with employee unions, the District holds funds in the Other Special Revenue major fund to pay vested unused vacation and accumulated paid time off.

3. Receivables 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, 2016.

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not in spendable form. There were no advances between funds as of June 30, 2016.

All trade and property tax receivables are shown net of an allowance of approximately \$4.8 million for uncollectible amounts.

Property taxes are recognized as a receivable at the time they become an enforceable legal claim. Property taxes are levied by the county assessor based on the assessed valuation of taxable property as of January 1 of each calendar year (tax lien date). Taxes are billed the following November 1 and become due on or before December 31. Tax bills not collected by December 31 are considered delinquent and the unpaid amount is subject to interest and penalties. The county is responsible for the collection and distribution of property taxes. Assessed values are established by the county's Department of Assessment and reviewed by the County Board of Equalization and the state tax commissioner. The total assessed value at January 1, 2016 for real estate, personal property, merchants and manufacturers, and railroad and utility property was approximately \$2.90 billion.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2016

4. Inventories

Inventories are stated at cost on the first-in, first-out (FIFO) basis. When individual inventory items are purchased, they are recorded as assets. When they are consumed, they are recorded as expenditures in governmental funds or as expenses in proprietary funds.

Inventories purchased are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at USDA's assigned values, which approximate the acquisition value at the date of receipt. Expenses for food items are recorded when used. The federal government donates surplus commodities to supplement the national school lunch programs. Commodity contributions received by the District are recorded as inventory and revenue at the date of receipt and recognized as an expenditure when consumed (consumption method).

5. Capital Assets

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

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

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

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

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

6. Compensated Absences

District employees earn annual vacation leave at the following rates:

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

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

District employees accumulate paid time off (PTO) at the rate of one-half day per reporting period. Vested, unused PTO may be accumulated up to a maximum of 200 days. For employees hired before January 1, 2009, the value of unused PTO is payable upon termination or retirement at a rate of 3% for each year of employment up to a maximum of 75% of total value of PTO. Employees hired after January 1, 2009 may accumulate 175 days, at a rate of 3% for each year of service.

Estimated vacation and PTO payments due to employees at June 30, 2016 of \$17.2 million have been recorded in the government-wide financial statements. Of this balance, \$.2 million is recorded as accrued liabilities in the Other Special Revenue Fund as they are considered due, for example, as a result of employee resignations and retirements. Within the governmental funds financial statements, there is a fund balance restriction at June 30, 2016 of \$12.0 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.

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June 30, 2016

8. Deferred Inflows/Outflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualified for reporting in this category. It is the deferred pension related amounts reported in the government-wide statement of net position. The pension-related deferred outflow consists of the unamortized portion of the net difference between projected and actual earnings on pension plan investments, the difference between expected and actual Plan experience and changes of Plan assumptions. It also consists of contributions made to the pension plan subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from two sources: property taxes and unreimbursed grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The statement of net position reports a deferred inflow of resources from property taxes levied for future years. The statement of net pension also reports pension related deferred inflow, which consists of the unamortized portion of the change in the District's proportionate share of the net pension liability.

9. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations of the District are reported as liabilities in the governmental activities statement of net position. Premiums on bonds, and deferred charge on refunding are amortized over the term of the related debt using a method which approximates the effective interest method. Bond issuance costs are recorded as an expense when incurred.

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

10. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas City Public School Retirement System (KCPSRS) and additions to/deductions from KCPSRS' fiduciary net position have been determined on the same basis as they are reported by KCPSRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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11. Fund Balance and Net Position

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

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

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

Committed: Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year-end.

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

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

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

The District's minimum fund balance policy is to maintain at least \$25 million of unassigned fund balance in the General Fund.

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

In the government-wide financial statements and proprietary fund financial statements, net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction, or improvement of those assets.

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

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Net position restricted through legislation, outside parties or by law through constitutional provisions consist of \$280,451 for worker's compensation, \$35,000 for nonexpendable corpus of permanent fund, \$202,947 for patron gifts, \$11,981,466 for compensated absences, and \$2,347,388 for other restrictions.

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

12. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

(2) Fund Balances

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

Fund Balances:	General	Capital Projects	Nonmajor Governmental Funds	Total
Nonspendable:				
Patron gift	\$ -	-	35,000	35,000
Prepays	4,740	-	-	4,740
Total Nonspendable	4,740	-	35,000	39,740
Restricted:				
Child nutritional services	-	-	3,356,161	3,356,161
Student activities	-	-	271,435	271,435
Patron gift	-	-	202,947	202,947
Property held for sale	-	1,945,400	-	1,945,400
Permanent fund	-	-	130,553	130,553
Compensated absences	-	-	11,981,466	11,981,466
Workers compensation	280,451	-	-	280,451
Total Restricted	280,451	1,945,400	15,942,562	18,168,413
Committed:				
Encumbrances	-	3,845,290	1,453	3,846,743
Total Committed	-	3,845,290	1,453	3,846,743
Assigned:				
Encumbrances	977,159	2,991,134	-	3,968,293
Insurance	1,749,096	-	-	1,749,096
Future equipment purchases	-	9,409,105	-	9,409,105
Total Assigned	2,726,255	12,400,239	-	15,126,494
Unassigned:				
	54,023,069	-	-	54,023,069
Total fund balances	\$ 57,034,515	18,190,929	15,979,015	91,204,459

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Notes to Basic Financial Statements

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(3) Detailed Notes on All Funds

(a) Deposits and Investments

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

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

Interest rate risk—The Board approved investment policy requires that the investment portfolio be structured so that securities mature to meet cash requirements for day-to-day operations. Primarily, operating funds are invested in short-term securities with a weighted average maturity of less than 12 months and securities are held to maturity. Investments may mature within no more than 5 years from date of purchase. The policy requires the District to adopt weighted average maturity limitations that do not exceed 3 years and is consistent with the investment objectives. The weighted average maturity for the District's portfolio is 0.67 years.

The District had the following investments at June 30, 2016:

<u>Investment type</u>	<u>Investment balance</u>	<u>Weighted average maturity (years)</u>
U.S. Treasury obligations	\$ 280,451	0.44
Government-sponsored enterprises	58,914,518	0.98
Certificates of deposit	30,000,000	0.23
Commercial paper	4,999,410	.02
Total fair value	<u>\$ 94,194,379</u>	
Portfolio weighted average maturity		0.67

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June 30, 2016

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

Investment type	Moody's Investors Service	Standard & Poor's
U. S. Treasury Obligations	Aaa	AAA
Government-sponsored enterprises:		
Federal Home Loan Mortgage Corporation	Aaa	AA+
Federal National Mortgage Association	Aaa	AA+
Federal National Mortgage Association Global	Aaa	AA+
Federal Home Loan Banks	Aaa	AA+
Repurchase agreement	Aa3	AA-
Local government investment pool – MOSIP	NR	AAAm

Concentration of credit risk—The District's investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the District to meet its anticipated cash requirements. At the time the investments are purchased, the District seeks to follow diversification standards published by the Office of Missouri State Treasurer. Those standards allow for no more than 60% of the total investment portfolio to be in U.S. Government agencies and no more than 30% to be in U.S. Government callable agencies. At June 30, the District had 46% in callable U.S. Government agencies. At June 30, the District's investments in Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Federal Home Loan Discount Notes constituted approximately 23%, 8%, and 8%, respectively, of its total investment portfolio.

Collateralized repurchase agreements are limited to 50% of the total investments. At June 30, the District had 19% 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 deposits may not be returned. Collateral is required by state statute for demand deposits and certificates of deposit. The fair value of the collateral must equal 100% of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are governed by State Statutes and include United States Government agency bonds and securities; general obligation bonds of any of the 50 states; general obligation bonds of any Missouri county, certain cities, and special districts; and revenue bonds of certain Missouri agencies. For investments, there is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2016, the District had no deposits or investments exposed to custodial credit risk.

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Notes to Basic Financial Statements

June 30, 2016

Fair value measurements—During the fiscal year ending June 30, 2016, the District adopted GASB Statement No. 72, *Fair Value Measurement Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market based measurement, not an entity specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same—that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between the market and participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The District categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

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

Level 2 input—Inputs, other than quoted prices included in Level 1, that are observable for an asset or liability, either directly or indirectly.

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

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

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

	Total	Level 1	Level 2	Level 3
Investments:				
Repurchase agreements	\$ 24,786,000	\$ -	\$ 24,786,000	\$ -
U.S. Treasuries	280,451	280,451	-	-
U.S. Agencies	58,914,518	-	58,914,518	-
Commercial Paper	4,999,410	-	4,999,410	-
	88,980,379	\$ 280,451	\$ 88,699,928	\$ -
Investments measured at amortized cost:				
Certificates of deposit	30,000,000			
Local government investment pool - MOSIP	10,034,172			
Total investments	129,014,551			
Total investments	\$ 129,014,551			

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Notes to Basic Financial Statements

June 30, 2016

Capital Assets

Capital asset activity as of June 30, 2016 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	\$ 30,407,846	—	(675,000)	29,732,846
Construction in progress	333,519	16,685,175	(278,312)	16,740,382
Impairment- closed buildings	14,857,044	—	—	14,857,044
Total capital assets, not being depreciated	<u>45,598,409</u>	<u>16,685,175</u>	<u>(953,312)</u>	<u>61,330,272</u>
Capital assets, being depreciated:				
Buildings and improvements	478,026,886	12,016,574	(300)	490,043,160
Improvements other than buildings	43,484,105	1,404,904	—	44,889,009
Equipment and furniture	24,788,057	334,908	(3,566,517)	21,556,448
Vehicles	1,735,668	260,563	(300,142)	1,696,089
Total capital assets being depreciated	<u>548,034,716</u>	<u>14,016,949</u>	<u>(3,866,959)</u>	<u>558,184,706</u>
Less accumulated depreciation for:				
Buildings and improvements	(195,668,610)	(9,817,368)	210	(205,485,768)
Improvements other than buildings	(29,074,549)	(1,351,837)	—	(30,426,386)
Equipment and furniture	(22,077,394)	(721,369)	3,566,517	(19,232,246)
Vehicles	(1,618,068)	(100,099)	300,142	(1,418,025)
Total accumulated depreciation	<u>(248,438,621)</u>	<u>(11,990,673)</u>	<u>3,866,869</u>	<u>(256,562,425)</u>
Total capital assets, being depreciated, net	<u>299,596,095</u>	<u>2,026,276</u>	<u>(90)</u>	<u>301,622,281</u>
Governmental activities capital assets, net	<u>\$ 345,194,504</u>	<u>18,711,451</u>	<u>(953,402)</u>	<u>362,952,553</u>

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Notes to Basic Financial Statements

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

Elementary schools	\$	4,610,840
Middle schools		1,460,400
Senior high schools		5,062,302
Special education		2,610
Total instruction		<u>11,136,152</u>
Executive Administration		9,410
Food Service		17,439
Internal Services		553
Health/Psych/Speech/Audiology		167
Information technology		145,022
Total support services		<u>172,591</u>
Operation of facilities		73,705
Facilities improvements and renovation		608,225
Total governmental activities depreciation expense	\$	<u><u>11,990,673</u></u>

As of June 30, 2016 the District has twenty schools with a total carrying value of \$41,044,570 that are idle and considered impaired. Management has determined four of these schools with a carrying value of \$26,187,526 are considered to be temporarily impaired. The remaining sixteen closed schools were accounted for at the lower of carrying value or fair value.

(b) Transfers

The following transfers were made during the fiscal year:

	General Fund	Capital Projects	Nonmajor Governmental	Total
Transfers from:				
General Fund	\$ —	435,849	—	435,849
Capital Project Fund	—	—	4,553,103	4,553,103
Nonmajor governmental Fund	—	1,200,000	—	1,200,000
Enterprise fund	150,416	—	—	150,416
	<u>\$ 150,416</u>	<u>1,635,849</u>	<u>4,553,103</u>	<u><u>6,339,368</u></u>

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

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Notes to Basic Financial Statements

June 30, 2016

(c) **Accrued Salaries**

School-based instructional staff, are compensated over a 12-month period beginning in August. Remaining salaries and related payroll taxes for the fiscal year have been accrued at June 30, 2016.

(d) **Long-term Borrowings**

Bonds Payable

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

The 2009 Leasehold Revenue Qualified School Construction Bonds are payable through 2025. The total principal and interest remaining on the debt is \$17,544,589 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 \$1.0 million.

The 2010 Leasehold Revenue Qualified School Construction Bonds are payable through 2029. The total principal and interest remaining on the debt is \$21,477,800 with annual requirements ranging from \$1.2 million to \$2.1 million. For the current year, interest paid by the District was \$1.1 million. The amount of interest subsidy reimbursed to the District from the federal government was \$742,093.

Bonds outstanding at June 30, 2016 are as follows:

<u>Purpose</u>	<u>Amount outstanding</u>	<u>Interest rate</u>	<u>Maturity year</u>
Series 2009	\$ 15,695,000	2.23%	2025
Series 2010	14,340,000	7.12%	2029
	<u>\$ 30,035,000</u>		

Equipment Lease Purchase Agreement

Equipment lease purchase agreement was executed June 23, 2015 in the amount of \$27,786,986 held in an escrow account by the lender, to finance the energy performance contract for the purpose of the purchase and installation of specified energy saving equipment and provision of other services designed to save energy and reduce related costs for identified property and buildings owned by the District. The District records a liability for this agreement when eligible costs have been incurred. As of June 30, 2016, there was \$16,146,957 in eligible disbursements from the escrow account. The obligation bears interest at 3.5% with principal and interest due quarterly from 2015 through 2030.

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Notes to Basic Financial Statements

June 30, 2016

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

Leasehold Revenue Bonds		
	Principal	Interest
Year ending June 30:		
2017	\$ 2,230,000	1,346,410
2018	2,350,000	1,247,174
2019	2,475,000	1,144,499
2020	2,620,000	1,038,131
2021	2,770,000	927,524
2022-2026	13,990,000	2,832,243
2027-2029	3,600,000	451,408
Total \$	<u>30,035,000</u>	<u>8,987,389</u>

The lease purchase agreement is secured by the capital assets purchased. Capital assets, net of accumulated depreciation, of \$15,971,089 are included in Construction in Progress as of June 30, 2016.

Aggregate maturities are as follows:

Lease Purchase Agreement		
	Principal	Interest
Year ending June 30:		
2017	\$ 1,482,900	901,037
2018	1,535,488	848,450
2019	1,589,939	793,998
2020	1,646,322	737,616
2021	1,704,703	679,234
2022-2026	9,474,334	2,445,353
2027-2031	8,862,267	673,482
Total \$	<u>26,295,953</u>	<u>7,079,170</u>

Note: The above maturity schedule for the Lease Purchase Agreement is based on the assumption the District will disburse the full amount available in the escrow account, and payments have been scheduled accordingly. As of June 30, 2016, there are \$10,148,996 of funds available to the District that have not yet been drawn down because qualifying expenditures have not yet been incurred.

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Notes to Basic Financial Statements

June 30, 2016

(e) *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	\$ 32,145,000	—	(2,110,000)	30,035,000	2,230,000
Net pension liability	113,573,271	44,899,586	—	158,472,857	—
Compensated absences	15,382,047	6,129,238	(4,314,185)	17,197,100	4,467,749
Lease purchase agreement	—	16,146,957	(1,491,033)	14,655,924	1,482,900
Long-term liabilities	<u>\$ 161,100,318</u>	<u>67,175,781</u>	<u>(7,915,218)</u>	<u>220,360,881</u>	<u>8,180,649</u>

Compensated absences are liquidated by the Other Special Revenue Fund. Net pension liability is liquidated by the General Fund.

(4) **Other Information**

(a) *Risk Management*

Resources are accumulated in the General Fund for workers' compensation, unemployment, and general liability claims. The District qualifies as a self-insurer under Missouri Workers' Compensation laws and maintains a reserve to cover estimated workers' compensation claims incurred before November 1, 1999. Restricted cash and investments of \$280,451 as of June 30, 2016 are for the self-insured portion of the workers compensation program's reserve requirement. A commercial insurance policy is purchased to cover current and future workers' compensation claims. Pursuant to 288.090:3(1)(a) of the Missouri Revised Statutes, the District participates in the State Employment Security Program on a reimbursable basis and pays claims in lieu of contributions. The District maintains a general liability reserve to cover claims in excess of existing commercial insurance coverage that is funded by contributions from the General Fund.

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June 30, 2016

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

(b) *Post-Employment Benefits*

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

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

Membership in the OPEB comprised the following at July 1, 2014:

Active employees	1,898
Retired participants medical	253
Retired participants spouse medical	39
Retired participants dental	1,263
Retired participants spouse dental	325

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. The 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 2016, the District contributed \$845,580 to the plan. Plan members receiving benefits from OPEB contributed \$2,411,393.

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June 30, 2016

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, 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 2016:

Annual Required Contribution	\$1,184,585
Interest on Net OPEB Obligation	(142,034)
Adjustment to ARC	<u>205,346</u>
Annual OPEB Cost (Expense)	<u>1,247,897</u>
Contributions Made	(845,580)
Decrease in net OPEB Obligation (Asset)	402,317
Net OPEB Asset – Beginning of Year	<u>(3,550,853)</u>
Net OPEB Asset – End of Year	<u><u>\$(3,148,536)</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2016, 2015, and 2014 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>
06/30/16	\$1,247,897	67.8%	\$(3,148,536)
06/30/15	\$1,259,677	47.6%	\$(3,550,853)
06/30/14	\$1,088,158	183.4%	\$(4,211,510)

As of July 1, 2014, the most recent valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$12,309,982 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,309,982. The covered payroll (annual payroll of active employees covered by the plan) was \$105,960,028 and the ratio of the UAAL to the covered payroll was 11.62%.

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.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2016

In July 1, 2014 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the District's own investments calculated based on the funded level of the plan at the valuation date, and an annual health care cost trend rate of 8.5 percent for medical claims, reduced by decrements to an ultimate rate of 5 percent after eight years. The UAAL is being amortized as a level dollar amount over a period of 30 years.

(c) *Commitments*

On May 25, 2016 the Board approved a three-year agreement from July 1, 2016 through June 30, 2019, with an option to extend up to two one-year periods with First Student to provide regular and special education transportation services for an amount not to exceed \$15,200,000 for the first year. The contract is based on variable pricing dependent on the number of bus routes scheduled.

On April 27, 2016, the board approved the final renewal agreement with US Food for the supply and delivery of food, general supplies, and chemicals. This agreement is effective from July 1, 2016 through June 30, 2017 for \$4,370,000.

On August 12, 2013 the board signed a contract with Pearson Education, Inc. to provide access to its portfolio of digital curriculum programs and training to teachers for use of these programs for the period August 1, 2013 to December 31, 2018. On September 22, 2014 the contract was amended to reflect a total amount of \$7,820,748 over the remaining life of the contract for these products and services.

On April 27, 2016, the board approved an agreement with Freedom Interior Solutions for three years until May 31, 2019 to provide classroom and administrative furniture District-wide on an as needed basis not to exceed \$1,000,000.

(d) *Operating Leases*

The District has entered into operating leases for student laptops and tablets that are below the District's capitalization threshold. Lease expenditures for the current year were \$1,498,277 and the estimated remaining obligation is \$2.6 million through fiscal year 2018.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2016

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

Plan description: The District contributes to the Kansas City Public School Retirement System (KCPSRS), a cost-sharing, multiple-employer and contributory defined benefit pension plan. Substantially all full-time employees of the District, the Kansas City Public Library and charter schools are covered by the plan. The Kansas City Public School Retirement System provides retirement, disability, and death benefits to plan members and beneficiaries. All benefit provisions are established and may be amended by the legislature of the State of Missouri. The general administration and responsibility for the proper operation of the Kansas City Public School Retirement System rests with a board of trustees. Financial statements of the Kansas City Public School Retirement System can be obtained by writing to Kansas City Public School Retirement System, 3100 Broadway, Kansas City, Missouri 64111 or by calling (816) 472-5912.

Benefits provided: KCPSRS provides retirement, disability, and death benefits. Retirement benefits are determined based on the employee's average final salary and a multiplier based on the years of service. Employees, hired prior to January 1, 2014, are eligible for full retirement at age 60 with at least 5 years of covered employment or when the years of service plus the employee's age equals or exceeds 75 credits. Employees, hired after January 1, 2014, are eligible for full retirement at age 62 with at least 5 years of covered employment, or when the years of service plus the employee's age equals or exceeds 80 credits. Five years of service is required for disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Pre-retirement death benefits, at a minimum, are based on a calculation of the employee's contributions plus interest. Post retirement death benefits, at a minimum, are based on a calculation of accumulated contributions in excess of total benefits received.

Contributions: All regular and full-time employees must become members of the Retirement System as a condition of employment. From January 1, 1999 through December 31, 2013, members contributed 7.5% of regular annual compensation. During the 2013 Missouri legislative session, SB223 was passed allowing the Kansas City Public School Retirement System Board (KCPSRS) flexibility to increase the contribution rate in ½% increments annually, to a maximum of 9%. January 1, 2016 the rate increased to 9.0 percent. The District's contractually required contribution rate for the year ended June 30, 2016, was 9.0% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$9,980,680 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$158,472,857 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating governments. At December 31, 2015, the District's collective proportion was 60.790116 percent, which was a decrease of 2.039002 percent from its proportion measured as of December 31, 2014.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2016

For the year ended June 30, 2016, the District recognized pension expense of \$23,114,538. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual Plan experience	\$ 4,556,256	-
Net difference between projected and actual earnings on pension plan investments	42,020,664	-
Changes of assumptions	464,496	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	(2,415,678)
District contributions subsequent to the measurement date	5,652,827	-
Total \$	<u>52,694,243</u>	<u>(2,415,678)</u>

\$5,652,827 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The remaining amount of deferred outflows and inflows of resources are being amortized over a closed period equal to the average of the expected service lives of all participants as of the beginning of each measurement period. The deferred outflows related to the difference between expected and actual investment earnings is being amortized over a closed 5-year period. Amounts reported as deferred outflows of resources (other than contributions) and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows/(Inflows) of Resources
2016	\$ 12,820,855
2017	12,622,555
2018	11,419,167
2019	7,763,161
Total	<u>\$ 44,625,738</u>

There were no non-employer contributing entities at KCPSRS.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2016

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2015 rolled forward to December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	5.00 percent including price inflation
Investment rate of return	8.00 percent compounded annually, net of investment expense and including price inflation

Mortality rates were based on the IRS Prescribed Static Table: RP-2000 Healthy Non-Annuitant Table projected 15 years from valuation date for active members and 7 years for healthy retirees using Scale AA.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2016

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.5%	6.80%
International equity	15.0	7.50
Emerging market equity	10.0	9.90
Domestic fixed income- core	10.0	1.80
International (Dev.) fixed income	5.0	0.80
High yield	2.5	5.00
Low volatility alternatives	15.0	3.80
Private equity	5.0	11.50
Commodities	5.0	4.30
Real estate	10.0	4.60
Total	100%	

Discount rate: The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts and KC Library will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
District's proportionate share of the net pension liability \$	206,100,939	158,472,857	117,471,804

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2016

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued KCPSRS financial report; which can be located at www.kcpsrs.org.

Payable to the pension plan at June 30, 2016:

The District reported payables in the defined benefit pension plan of \$14,446,373 for legally required employer contributions and \$360,987 for legally required employee contributions which had been withheld from employee wages but not yet remitted to KCPSRS.

(f) New Pronouncements

As of June 30, 2016, 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, issued in June 2015, will be effective for the District beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

The implementation of this Statement is expected to have a significant impact as the District records the liability.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2016

GASB Statement No. 77, *Tax Abatement Disclosures*, issued August 2015, will be effective for KCPS beginning with its fiscal year ending June 30, 2017. This statement requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The disclosures about the government's own tax abatement agreements includes the purpose of the tax abatement program, the tax being abated, the amount of tax being abated, the provisions of recapturing abated taxes, the types of commitments made by tax abatement recipients, and other commitments made by government in tax abatement agreements. The disclosures about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues includes the name of the government entering into the abatement agreement, the tax being abated, and the amount of the reporting government's tax being abated.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, issued February 2016, will be effective for the District beginning with its fiscal year ending June 30, 2017. Statement No. 80 clarifies the display requirements in GASB Statement No. 14, *The Financial Reporting Entity*, by requiring component units incorporated as not-for-profit corporations to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

GASB Statement No. 82, *Pension Issues*, issued April 2016, will be effective for the District beginning with its fiscal year ending June 30, 2017. Statement No. 82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

(g) Subsequent Events

On August 17, 2016, the District issued the Series 2016 Certificates of Participation in the amount of \$51,035,000. The Certificates mature in 2036 and require annual principal payments and semi-annual interest payments at a variable rate of 2% - 5%. Proceeds will be used for school renovations, rehabilitation, and other capital improvements.

REQUIRED SUPPLEMENTARY INFORMATION

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2016

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Property taxes	\$ 130,334,114	135,674,792	136,250,105	575,313
Prop C taxes	10,389,360	10,562,974	10,486,150	(76,824)
Other local	5,675,203	6,953,762	9,840,024	2,886,262
County	5,055,662	5,163,674	4,786,669	(377,005)
Basic formula	6,970,566	7,689,560	7,200,319	(489,241)
Other state	7,824,914	8,318,735	7,174,656	(1,144,079)
Federal sources	23,262,549	32,016,602	29,612,453	(2,404,149)
Tuition	—	4,890	416,961	412,071
Total revenues	<u>189,512,368</u>	<u>206,384,989</u>	<u>205,767,337</u>	<u>(617,652)</u>
Expenditures:				
Current:				
Administration:				
Board of education services:				
Salaries	80,000	79,720	66,314	13,406
Benefits	23,931	24,102	19,457	4,645
Purchased services	263,810	501,308	340,500	160,808
Supplies and materials	8,600	10,100	9,350	750
Total Board of education services	<u>376,341</u>	<u>615,230</u>	<u>435,621</u>	<u>179,609</u>
Executive administration:				
Salaries	1,623,632	1,666,948	1,564,471	102,477
Benefits	498,256	511,597	413,107	98,490
Purchased services	1,561,283	1,558,191	1,419,574	138,617
Supplies and materials	47,435	66,210	64,914	1,296
Total executive administration	<u>3,730,606</u>	<u>3,802,946</u>	<u>3,462,066</u>	<u>340,880</u>
Building level administration:				
Salaries	1,880,245	1,880,824	1,967,697	(86,873)
Benefits	819,179	816,213	783,638	32,575
Purchased services	247,053	364,340	392,349	(28,009)
Supplies and materials	61,023	59,725	53,025	6,700
Total building level administration	<u>3,007,500</u>	<u>3,121,102</u>	<u>3,196,709</u>	<u>(75,607)</u>
Total administration	<u>7,114,447</u>	<u>7,539,278</u>	<u>7,094,396</u>	<u>444,882</u>
Instruction:				
Elementary:				
Salaries	561,498	928,621	727,892	200,729
Benefits	260,955	497,139	323,992	173,147
Purchased services	907,489	1,727,347	1,815,943	(88,596)
Supplies and materials	1,698,636	1,903,754	2,185,007	(281,253)
Total elementary	<u>3,428,578</u>	<u>5,056,861</u>	<u>5,052,834</u>	<u>4,027</u>
Middle/junior high:				
Salaries	-	650	41	609
Benefits	-	90	3	87
Purchased services	28,000	281,134	323,196	(42,062)
Supplies and materials	34,610	42,317	50,932	(8,615)
Total middle/junior high	<u>62,610</u>	<u>324,191</u>	<u>374,172</u>	<u>(49,981)</u>

(Continued)

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2016

	Original budget	Final budget	Actual	Variance with Final Budget
Senior high:				
Salaries	\$ 326,996	409,416	364,221	45,195
Benefits	126,276	185,410	151,211	34,199
Purchased services	1,172,061	2,112,561	2,018,618	93,943
Supplies and materials	154,156	213,450	207,640	5,810
Total senior high	1,779,489	2,920,837	2,741,690	179,147
Summer school				
Salaries	110,000	128,920	117,558	11,362
Benefits	19,358	16,445	10,320	6,125
Purchased services	7,289,629	7,553,295	11,942,432	(4,389,137)
Supplies and materials	30,000	97,334	74,927	22,407
Total special education	7,448,987	7,795,994	12,145,237	(4,349,243)
Special education:				
Salaries	2,823,541	3,044,838	2,789,668	255,170
Benefits	1,516,088	1,554,848	1,316,541	238,307
Purchased services	4,260,620	4,411,042	5,480,698	(1,069,656)
Supplies and materials	736,030	587,503	477,252	110,251
Total special education	9,336,279	9,598,231	10,064,159	(465,928)
Culturally different:				
Salaries	918,468	1,019,428	1,049,263	(29,835)
Benefits	480,040	555,265	539,306	15,959
Purchased services	1,479,806	2,524,297	1,956,643	567,654
Supplies and materials	613,766	1,395,025	1,260,135	134,890
Total culturally different	3,492,080	5,494,015	4,805,347	688,668
Vocational instruction:				
Salaries	194,810	169,663	193,723	(24,060)
Benefits	76,394	74,425	55,775	18,650
Purchased services	126,000	149,212	112,236	36,976
Supplies and materials	157,859	238,408	277,345	(38,937)
Total vocational instruction	555,063	631,708	639,079	(7,371)
Student activities:				
Salaries	351,884	360,381	731,151	(370,770)
Benefits	86,925	89,377	101,498	(12,121)
Purchased services	236,058	244,830	242,526	2,304
Supplies and materials	194,768	200,707	179,670	21,037
Total student activities	869,635	895,295	1,254,845	(359,550)
Tuition to other districts				
Purchased services	675,513	675,513	664,261	11,252
Total tuition to other districts	675,513	675,513	664,261	11,252
Total instruction	27,648,234	33,392,645	37,741,624	(4,348,979)
Support services:				
Attendance/placement:				
Salaries	945,440	1,342,068	1,347,477	(5,409)
Benefits	344,474	516,186	453,200	62,986
Purchased services	413,999	189,050	176,916	12,134
Supplies and materials	9,070	7,870	4,046	3,824
Total attendance/placement	1,712,983	2,055,174	1,981,639	73,535

(Continued)

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2016

	Original budget	Final budget	Actual	Variance with Final Budget
Guidance/counseling:				
Salaries	\$ —	159,803	158,509	1,294
Benefits	—	62,719	51,943	10,776
Purchased services	8,350	109,248	89,577	19,671
Supplies and materials	—	22,762	8,033	14,729
Total guidance/counseling	8,350	354,532	308,062	46,470
Health, psychology, and speech:				
Salaries	4,137,238	4,415,098	3,858,041	557,057
Benefits	1,572,209	1,635,472	1,249,710	385,762
Purchased services	6,000	23,837	421	23,416
Supplies and materials	50,000	89,502	19,441	70,061
Total health, psychology, and speech	5,765,447	6,163,909	5,127,613	1,036,296
Improvement of instruction:				
Curriculum development:				
Salaries	243,274	290,258	271,385	18,873
Benefits	107,883	126,937	90,400	36,537
Purchased services	1,565,005	1,538,498	1,210,372	328,126
Supplies and materials	54,130	204,607	173,531	31,076
Total curriculum development	1,970,292	2,160,300	1,745,688	414,612
Staff training:				
Purchased services	563,146	491	2,516	(2,025)
Total staff training	563,146	491	2,516	(2,025)
Educational media services:				
Salaries	229,430	3,608	605	3,003
Benefits	126,027	793	1,537	(744)
Purchased services	18,619	163,557	155,806	7,751
Supplies and materials	577,933	448,021	433,885	14,136
Total educational media services	952,009	615,979	591,833	24,146
Financial services:				
Salaries	6,680,125	6,786,930	6,482,415	304,515
Benefits	2,296,364	2,321,156	1,802,462	518,694
Purchased services	2,831,955	8,654,051	3,978,153	4,675,898
Supplies and materials	183,154	3,478,475	2,167,988	1,310,487
Total financial services	11,991,598	21,240,612	14,431,018	6,809,594
Total support services	22,963,825	32,590,997	24,188,369	8,402,628
Operation of facilities:				
Salaries	9,824,333	10,382,920	11,143,129	(760,209)
Benefits	3,964,325	4,115,656	3,632,630	483,026
Purchased services	8,360,995	8,932,096	9,621,611	(689,515)
Supplies and materials	153,631	1,146,431	226,245	920,186
Other purchased services	3,763,903	6,705,663	5,938,307	767,356
Other supplies and materials	1,218,253	1,848,747	1,248,616	600,131
Total operation of facilities	27,285,440	33,131,513	31,810,538	1,320,975
Pupil transportation:				
Purchased services	10,845,894	12,841,042	12,716,395	124,647
Total pupil transportation	10,845,894	12,841,042	12,716,395	124,647

(Continued)

KANSAS CITY PUBLIC SCHOOLS

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2016

	Original budget	Final budget	Actual	Variance with Final Budget
Facility acquisition/asbestos				
Purchased services	\$ 813,000	966,021	181,590	784,431
Total facility acquisition/asbestos	813,000	966,021	181,590	784,431
Community and adult services:				
Adult basic education:				
Salaries	627,730	665,297	676,393	(11,096)
Benefits	220,721	231,943	196,396	35,547
Purchased services	26,745	57,423	33,272	24,151
Supplies and materials	23,613	50,174	48,531	1,643
Total adult basic education	898,809	1,004,837	954,592	50,245
Community services:				
Salaries	1,044,019	1,152,569	1,087,955	64,614
Benefits	287,212	503,377	389,691	113,686
Purchased services	363,006	453,771	383,999	69,772
Supplies and materials	41,600	92,942	48,154	44,788
Total community services	1,735,837	2,202,659	1,909,799	292,860
Early Childhood:				
Salaries	2,188,020	3,700,446	4,255,216	(554,770)
Benefits	1,123,619	1,860,172	1,640,154	220,018
Purchased services	394,949	651,074	482,191	168,883
Supplies and materials	122,842	314,674	219,253	95,421
Total early childhood	3,829,430	6,526,366	6,596,814	(70,448)
Total community and adult services	6,464,076	9,733,862	9,461,205	272,657
Total expenditures	103,134,916	130,195,358	123,194,117	7,001,241
Revenues over expenditures	86,377,452	76,189,631	82,573,220	6,383,589
Other financing sources (uses):				
Sale of capital assets	—	—	100	(100)
Lease purchase agreement - drawdowns	—	175,868	175,868	—
Transfers in	88,017,341	91,620,675	150,416	91,470,259
Transfers out	(88,017,341)	(91,620,675)	(83,652,897)	(7,967,778)
Total other financing sources	—	175,868	(83,326,513)	83,502,381
Revenues and other financing sources over (under) expenditures	\$ 86,377,452	76,365,499	(753,293)	(77,118,792)
Reconciliation to GAAP Basis:				
Activities reported within the Teachers' Fund (a sub-fund of the General Fund):				
Total revenue			12,078,654	
Total expenditures			(95,295,699)	
Total other financing sources			83,217,045	
Total reconciling items			—	
Revenues and other financing sources over expenditures			(753,293)	
Fund balance, beginning of year			57,787,808	
Fund balance, end of year			\$ 57,034,515	

See Note to Required Supplementary Information.

KANSAS CITY PUBLIC SCHOOLS

Note to the Required Supplementary Information

June 30, 2016

Budgetary Information

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

Major funds:

General

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

Capital Projects

Nonmajor funds:

Child Nutritional Services

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

The capital project (life-to-date) included in the Capital Project Fund activity is not appropriated annually, but as projects are established.

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

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

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

The Board must approve expenditures in excess of appropriations at the fund level. Budgeted expenditure amendments approved by the Board during the fiscal year resulted in a 26% increase in the General Fund, 7% in the Teachers Fund, and 543% in the Capital Projects Fund.

KANSAS CITY PUBLIC SCHOOLS

Other Post-Employment Benefits Required Supplementary Information

Schedule of Funding Progress

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
6/30/14	7/1/12	\$ -	\$ 12,731,277	\$ 12,731,277	0%	\$ 98,114,215	12.98%
6/30/15	7/1/14	\$ -	\$ 12,309,982	\$ 12,309,982	0%	\$ 99,408,171	12.38%
6/30/16	7/1/14	\$ -	\$ 12,309,982	\$ 12,309,982	0%	\$ 105,960,028	11.62%

The information presented as required supplementary information was determined as part of the July 1, 2014 actuarial valuation. The projected credit method was used. The actuarial assumptions include a 4% investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 8.5% for fiscal year ending 6/30/16 and for medical claims, reduced by decrements to an ultimate rate of 5% after eight years. The UAAL is being amortized as a level dollar amount over a period of 30 years.

KANSAS CITY PUBLIC SCHOOLS

Net Pension Liability Required Supplementary Information

Fiscal Year	Plan fiduciary net position as a % of the total pension liability	District's proportion of the net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered payroll	District's proportionate share of the net pension liability (asset) as a % of covered payroll
2016	70.93%	60.790116%	\$ 158,472,857	\$ 104,510,704	151.63%
2015	79.44%	62.829118%	\$ 113,573,271	\$ 103,970,133	109.24%
2014	n/a	64.011121%	\$ 95,311,292	n/a	n/a
2013	n/a	n/a	n/a	n/a	n/a
2012	n/a	n/a	n/a	n/a	n/a
2011	n/a	n/a	n/a	n/a	n/a
2010	n/a	n/a	n/a	n/a	n/a
2009	n/a	n/a	n/a	n/a	n/a
2008	n/a	n/a	n/a	n/a	n/a
2007	n/a	n/a	n/a	n/a	n/a

NOTE: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Schedule of Employer Contributions Required Supplementary Information

Fiscal Year	Statutory required contribution	Contributions in relation to the required contribution	Contribution deficiency (excess)	Contribution as a % of district's covered payroll
2016	\$ 8,786,297	8,786,297	-	8.41%
2015	8,324,500	8,324,500	-	8.01%
2014	7,719,216	7,719,216	-	n/a
2013	7,104,617	7,104,617	-	n/a
2012	9,593,660	9,593,660	-	n/a
2011	11,382,658	11,382,658	-	n/a
2010	12,335,504	12,335,504	-	n/a
2009	12,583,497	12,583,497	-	n/a
2008	12,591,876	12,591,876	-	n/a
2007	12,323,052	12,323,052	-	n/a

NONMAJOR FUND FINANCIAL STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

KANSAS CITY PUBLIC SCHOOLS

Nonmajor Governmental Funds—Combining Balance Sheet

June 30, 2016

Assets	Special revenue				Permanent fund patron endowments	Total nonmajor governmental funds
	Child Nutritional services	Student activity	Other Special Revenue	Patron gift		
Cash and investments	\$ 3,126,264	326,817	—	—	—	3,453,081
Restricted cash and investments	—	—	27,585,709	202,439	165,140	27,953,288
Interest receivable	—	—	99,426	508	413	100,347
Other receivables	425,575	518	—	—	—	426,093
Due from other governments	219,779	—	—	—	—	219,779
Total assets	<u>\$ 3,771,618</u>	<u>327,335</u>	<u>27,685,135</u>	<u>202,947</u>	<u>165,553</u>	<u>32,152,588</u>
Liabilities, Deferred Inflows of Resources and Fund Balance						
Liabilities:						
Accounts payable	\$ 93,279	54,447	153,564	—	—	301,290
Accrued salaries, benefits and payroll taxes	265,444	—	15,550,105	—	—	15,815,549
Total liabilities	<u>358,723</u>	<u>54,447</u>	<u>15,703,669</u>	<u>—</u>	<u>—</u>	<u>16,116,839</u>
Deferred inflows of resources						
Unavailable revenue - grants and services	56,734	—	—	—	—	56,734
Total deferred inflows of resources	<u>56,734</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>56,734</u>
Fund balance:						
Nonspendable	—	—	—	—	35,000	35,000
Restricted	3,356,161	271,435	11,981,466	202,947	130,553	15,942,562
Committed	—	1,453	—	—	—	1,453
Total fund balance	<u>3,356,161</u>	<u>272,888</u>	<u>11,981,466</u>	<u>202,947</u>	<u>165,553</u>	<u>15,979,015</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 3,771,618</u>	<u>327,335</u>	<u>27,685,135</u>	<u>202,947</u>	<u>165,553</u>	<u>32,152,588</u>

KANSAS CITY PUBLIC SCHOOLS

Nonmajor Governmental Funds— Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Year ended June 30, 2016

		Special revenue				Permanent fund patron endowments	Total nonmajor governmental funds
	Debt Service	Child Nutritional services	Student activity	Other Special Revenue	Patron gift		
Revenues:							
Prop C sales tax	\$ —	—	—	1,025,710	—	—	1,025,710
Local, including investment income	—	301,431	690,676	283,914	1,597	1,754	1,279,372
Other state	—	77,104	—	—	—	—	77,104
Federal	—	12,715,053	—	27,811	—	—	12,742,864
Total revenues	—	13,093,588	690,676	1,337,435	1,597	1,754	15,125,050
Expenditures:							
Current:							
Instruction	—	—	735,884	—	—	—	735,884
Support services	—	11,439,253	—	1,617,608	—	—	13,056,861
Transportation	—	—	8,565	—	—	—	8,565
Debt Service							
Principal	2,110,000	—	—	—	—	—	2,110,000
Interest & fiscal charges	2,443,103	—	—	—	—	—	2,443,103
Total expenditures	4,553,103	11,439,253	744,449	1,617,608	—	—	18,354,413
Revenues over (under) expenditures	(4,553,103)	1,654,335	(53,773)	(280,173)	1,597	1,754	(3,229,363)
Other financing sources (uses):							
Transfers in	4,553,103	—	—	—	—	—	4,553,103
Transfers out	—	(1,200,000)	—	—	—	—	(1,200,000)
Total other financing sources (uses)	4,553,103	(1,200,000)	—	—	—	—	3,353,103
Revenues over (under) expenditures and other financing sources (uses)	—	454,335	(53,773)	(280,173)	1,597	1,754	123,740
Fund balances, beginning of year	—	2,901,826	326,661	12,261,639	201,350	163,799	15,855,275
Fund balances, end of year	\$ —	3,356,161	272,888	11,981,466	202,947	165,553	15,979,015

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2016

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Local	\$ 211,563	211,563	301,431	89,868
State	—	—	77,104	77,104
Federal	11,577,481	12,548,971	12,715,053	166,082
Total revenues	<u>11,789,044</u>	<u>12,760,534</u>	<u>13,093,588</u>	<u>333,054</u>
Expenditures:				
Current:				
Support services:				
Salaries	330,313	3,421,960	3,481,545	(59,585)
Benefits	1,717,221	1,642,912	1,486,832	156,080
Purchased services	379,738	427,882	327,316	100,566
Supplies and materials	6,371,304	6,981,105	6,143,560	837,545
Total expenditures	<u>8,798,576</u>	<u>12,473,859</u>	<u>11,439,253</u>	<u>1,034,606</u>
Revenues over expenditures	<u>2,990,468</u>	<u>286,675</u>	<u>1,654,335</u>	<u>1,367,660</u>
Other financing sources (uses):				
Transfers out	<u>17,678</u>	<u>286,675</u>	<u>(1,200,000)</u>	<u>(1,486,675)</u>
Total other financing (uses)	<u>17,678</u>	<u>286,675</u>	<u>(1,200,000)</u>	<u>(1,486,675)</u>
Revenues over expenditures and other financing uses	<u>\$ 3,008,146</u>	<u>573,350</u>	<u>454,335</u>	<u>(119,015)</u>
Fund balance, beginning of year			<u>2,901,826</u>	
Fund balance, end of year			<u>\$ 3,356,161</u>	

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2016

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Property taxes	\$ 7,713,702	8,129,149	8,127,555	(1,594)
Other local	54,949	590,898	479,559	(111,339)
State	—	126,231	—	(126,231)
Federal	756,055	1,112,991	1,743,239	630,248
Total revenues	8,524,706	9,959,269	10,350,353	391,084
Expenditures:				
Capital outlay:				
Administration:				
Board of education services	2,000	2,000	—	2,000
Executive administration	—	5,306	4,679	627
Total administration	—	5,306	4,679	627
Instruction:				
Elementary	500,000	1,135,268	1,973	1,133,295
Senior high	5,000	3,677	3,677	—
Special education	—	154,526	158,614	(4,088)
Culturally different	—	294,098	221,153	72,945
Vocational instruction	15,000	110,938	159,027	(48,089)
Student activities	—	145,021	143,085	1,936
Total instruction	520,000	1,843,528	687,529	1,155,999
Support services:				
Attendance/placement	—	1,800	1,406	394
Health/psychology/speech/audiology	3,000	7,000	6,421	579
Improvement of instruction:				
Curriculum development	—	6,000	10,907	(4,907)
Educational media services	—	11,926	11,835	91
Finance/support services	3,250	1,218,355	492,488	725,867
Food service	467,678	286,675	1,274,059	(987,384)
Total support services	473,928	1,531,756	1,797,116	(265,360)
Operation of facilities	77,600	284,304	177,829	106,475
Facilities improvement and renovation:				
Capital outlay	—	44,197,183	29,501,795	14,695,388
Total facilities improvement and renovation	—	44,197,183	29,501,795	14,695,388

(Continued)

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2016

	Original budget	Final budget	Actual	Variance with Final Budget
Debt service:				
Principal	6,110,000	5,217,095	3,601,033	1,616,062
Interest	1,442,054	2,334,959	3,336,008	(1,001,049)
Total debt service	7,552,054	7,552,054	6,937,041	615,013
Total expenditures	8,623,582	55,414,131	39,105,989	16,308,142
Revenues under expenditures	(98,876)	(45,454,862)	(28,755,636)	16,699,226
Other financing sources (uses):				
Transfers in	—	—	1,635,849	1,635,849
Lease purchase agreement drawdowns	—	20,421,521	15,971,089	(4,450,432)
Unrealized loss on property held for sale	—	—	(300,000)	(300,000)
Sale of capital assets	—	—	430,700	430,700
Total other financing sources	—	20,421,521	17,737,638	(2,683,883)
Revenues and other financing sources over expenditures and other financing sources	\$ (98,876)	(25,033,341)	(11,017,998)	14,015,343
Fund balance, beginning of year			29,208,927	
Fund balance, end of year			18,190,929	

KANSAS CITY PUBLIC SCHOOLS
Capital Projects Fund—
Schedule of Revenues, Expenditures and Changes in Fund Balance—by Project
Year ended June 30, 2016

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Child Nutrition Capital Projects	Eliminations	Total Capital Projects funds
Revenues:					
Property taxes	\$ —	8,127,555	—	—	8,127,555
Other local	—	479,559	—	—	479,559
Federal	—	1,743,239	—	—	1,743,239
Total revenues	—	10,350,353	—	—	10,350,353
Expenditures:					
Administration:					
Executive administration	—	4,679	—	—	4,679
Total administration	—	4,679	—	—	4,679
Instruction:					
Elementary schools	—	1,973	—	—	1,973
High schools	—	3,677	—	—	3,677
Special education	—	158,614	—	—	158,614
Culturally different	—	221,153	—	—	221,153
Vocational instruction	—	159,027	—	—	159,027
Student activities	—	143,085	—	—	143,085
Total instruction	—	687,529	—	—	687,529
Support services:					
Attendance/SW/Pa	—	1,406	—	—	1,406
Health/psychology/speech/audiology	—	6,421	—	—	6,421
Curriculum development	—	10,907	—	—	10,907
Educational media services	—	11,835	—	—	11,835
Financial services	425,341	67,147	—	—	492,488
Food service	—	—	1,274,059	—	1,274,059
Total support services	425,341	97,716	1,274,059	—	1,797,116
Operation of plant:					
Plant services	177,829	—	—	—	177,829
Total operation of plant	177,829	—	—	—	177,829
Debt service:					
Principal	—	1,491,033	—	—	1,491,033
Interest and fiscal charges	—	892,905	—	—	892,905
Total debt service	—	2,383,938	—	—	2,383,938
Facilities improvement and renovation:					
Operation of facilities	29,501,795	—	—	—	29,501,795
Total facilities improvement and renovation	29,501,795	—	—	—	29,501,795
Total expenditures	30,104,965	3,173,862	1,274,059	—	34,552,886
Revenues over (under) expenditures	(30,104,965)	7,176,491	(1,274,059)	—	(24,202,533)
Other financing sources (uses):					
Transfers in	12,824,875	775,849	1,200,000	(13,164,875)	1,635,849
Transfers out	(340,000)	(17,377,978)	—	13,164,875	(4,553,103)
Unrealized loss on property held for sale	(300,000)	—	—	—	(300,000)
Lease purchase agreement - drawdowns	15,971,089	—	—	—	15,971,089
Sale of capital assets	—	430,700	—	—	430,700
Total financing sources (uses)	28,155,964	(16,171,429)	1,200,000	—	13,184,535
Net change in fund balances	(1,949,001)	(8,994,938)	(74,059)	—	(11,017,998)
Fund balances – beginning of year	13,215,955	15,992,972	—	—	29,208,927
Fund balances – end of year	\$ 11,266,954	6,998,034	(74,059)	—	18,190,929

KANSAS CITY PUBLIC SCHOOLS

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

June 30, 2016

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Child Nutrition Capital Projects	Total Capital Projects funds
Fund balance:				
Restricted				
Property held for sale	\$ 1,945,400	—	—	1,945,400
Total Restricted	<u>1,945,400</u>	<u>—</u>	<u>—</u>	<u>1,945,400</u>
Committed				
Encumbrances-cornerstone	3,845,290	—	—	3,845,290
Total Committed	<u>3,845,290</u>	<u>—</u>	<u>—</u>	<u>3,845,290</u>
Assigned				
Encumbrances	2,991,134	—	—	2,991,134
Future equipment purchases	2,485,130	6,998,034	(74,059)	9,409,105
Total Assigned	<u>5,476,264</u>	<u>6,998,034</u>	<u>(74,059)</u>	<u>12,400,239</u>
Total fund balance	\$ <u>11,266,954</u>	<u>6,998,034</u>	<u>(74,059)</u>	<u>18,190,929</u>

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2016

Function	Operating General	C-I-P General	Eliminations	Total General funds
Revenues:				
Property taxes	\$ 136,250,105	—	—	136,250,105
Prop C sales tax	16,589,829	—	—	16,589,829
Other local, including investment income	8,846,647	1,342,197	—	10,188,844
Intermediate/county	4,964,463	—	—	4,964,463
State aid—basic formula	12,365,164	—	—	12,365,164
Other state	7,482,955	—	—	7,482,955
Federal	29,936,489	—	—	29,936,489
Tuition	68,141	—	—	68,141
Total revenues	<u>216,503,793</u>	<u>1,342,197</u>	<u>—</u>	<u>217,845,990</u>
Expenditures:				
Current:				
Administration	15,441,866	(521)	—	15,441,345
Instruction	107,845,493	51,944	—	107,897,437
Support services	35,861,871	3,135,871	—	38,997,742
Operation of facilities	27,200,648	4,609,899	—	31,810,547
Pupil transportation	12,716,393	—	—	12,716,393
Community and adult services	11,444,763	—	—	11,444,763
Capital outlay	—	181,591	—	181,591
Total expenditures	<u>210,511,034</u>	<u>7,978,784</u>	<u>—</u>	<u>218,489,818</u>
Revenues over (under) expenditures	<u>5,992,759</u>	<u>(6,636,587)</u>	<u>—</u>	<u>(643,828)</u>
Other financing sources (uses):				
Transfers in	150,416	3,692,119	(3,692,119)	150,416
Transfers out	(4,127,968)	—	3,692,119	(435,849)
Lease purchase agreement - drawdowns	—	175,868	—	175,868
Sale of capital assets	—	100	—	100
Total other financing sources (uses)	<u>(3,977,552)</u>	<u>3,868,087</u>	<u>—</u>	<u>(109,465)</u>
Net change in fund balances	<u>2,015,207</u>	<u>(2,768,500)</u>	<u>—</u>	<u>(753,293)</u>
Fund balances, beginning of year	55,698,662	2,089,146	—	57,787,808
Fund balances, end of year	<u>\$ 57,713,869</u>	<u>(679,354)</u>	<u>—</u>	<u>57,034,515</u>

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2016

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Prop C taxes	\$ 6,233,616	6,337,785	6,103,678	(234,107)
County	161,016	161,016	177,795	16,779
Basic formula	3,985,945	6,732,146	5,164,845	(1,567,301)
State	373,986	685,610	308,300	(377,310)
Federal	317,791	323,116	324,036	920
Total revenues	<u>11,072,354</u>	<u>14,239,673</u>	<u>12,078,654</u>	<u>(2,161,019)</u>
Expenditures:				
Current:				
Administration:				
Executive administration:				
Salaries	414,581	445,007	412,441	32,566
Benefits	113,464	122,938	108,445	14,493
Total executive administration	<u>528,045</u>	<u>567,945</u>	<u>520,886</u>	<u>47,059</u>
Building level administration:				
Salaries	5,954,771	6,209,707	6,191,004	18,703
Benefits	1,883,494	1,969,670	1,635,054	334,616
Total building level administration	<u>7,838,265</u>	<u>8,179,377</u>	<u>7,826,058</u>	<u>353,319</u>
Total administration	<u>8,366,310</u>	<u>8,747,322</u>	<u>8,346,944</u>	<u>400,378</u>
Instruction:				
Elementary:				
Salaries	25,232,280	25,684,791	23,891,073	1,793,718
Benefits	9,367,489	9,370,509	7,765,646	1,604,863
Total elementary	<u>34,599,769</u>	<u>35,055,300</u>	<u>31,656,719</u>	<u>3,398,581</u>
Middle:				
Salaries	2,666,508	3,367,570	2,686,777	680,793
Benefits	985,118	1,237,248	897,652	339,596
Total middle/junior high	<u>3,651,626</u>	<u>4,604,818</u>	<u>3,584,429</u>	<u>1,020,389</u>
Senior high:				
Salaries	10,205,667	10,907,319	11,066,365	(159,046)
Benefits	3,770,226	3,992,296	3,439,521	552,775
Total senior high	<u>13,975,893</u>	<u>14,899,615</u>	<u>14,505,886</u>	<u>393,729</u>
Other Instruction:				
Salaries	528,000	909,638	754,921	154,717
Benefits	77,063	114,384	64,591	49,793
Total summer school	<u>605,063</u>	<u>1,024,022</u>	<u>819,512</u>	<u>204,510</u>
Special education:				
Salaries	9,899,581	10,190,923	9,385,509	805,414
Benefits	3,452,229	3,432,958	2,826,072	606,886
Total special education	<u>13,351,810</u>	<u>13,623,881</u>	<u>12,211,581</u>	<u>1,412,300</u>

(Continued)

KANSAS CITY PUBLIC SCHOOLS

Schedule of Budgetary Comparison—Teachers' Fund (a sub-fund of the General fund) Year ended June 30, 2016

	Original budget	Final budget	Actual	Variance with Final Budget
Culturally different:				
Salaries	\$ 3,899,908	4,175,631	4,011,406	164,225
Benefits	1,376,161	1,455,548	1,253,217	202,331
Total culturally different	5,276,069	5,631,179	5,264,623	366,556
Vocational instruction:				
Salaries	1,177,600	1,188,106	1,098,595	89,511
Benefits	428,890	433,642	353,362	80,280
Total vocational instruction	1,606,490	1,621,748	1,451,957	169,791
Student activities:				
Salaries	593,250	576,972	607,853	(30,881)
Fringes	79,203	78,212	53,267	24,945
Total student activities	672,453	655,184	661,120	(5,936)
Total instruction	73,739,173	77,115,747	70,155,827	6,959,920
Support services:				
Attendance/placement:				
Salaries	30,000	200	—	200
Benefits	4,005	766	—	766
Total attendance/placement	34,005	966	—	966
Guidance/counseling:				
Salaries	2,506,420	2,631,943	2,627,648	4,295
Benefits	869,118	898,935	769,643	129,292
Total guidance/counseling	3,375,538	3,530,878	3,397,291	133,587
Health, psychology, and speech:				
Salaries	1,905,501	1,876,199	1,965,744	(89,545)
Benefits	684,760	689,429	613,376	76,053
Total health, psychology, and speech	2,590,261	2,565,628	2,579,120	(13,492)
Improvement of instruction:				
Current development:				
Salaries	5,690,924	7,259,525	5,380,655	1,878,870
Benefits	1,473,239	1,752,127	1,123,048	629,079
Total current developments	7,164,163	9,011,652	6,503,703	2,507,949
Staff training:				
Salaries	-	67,275	25,500	41,775
Benefits	-	8,981	2,153	6,828
Total staff training	—	76,256	27,653	48,603
Educational media services:				
Salaries	1,407,985	1,810,221	1,696,363	113,858
Benefits	473,420	609,648	515,194	94,454
Total educational media	1,881,405	2,419,869	2,211,557	208,312

(Continued)

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2016

	Original budget	Final budget	Actual	Variance with Final Budget
Planning/research/evaluation/ development services:				
Salaries	\$ 93,089	76,807	77,979	(1,172)
Benefits	31,517	24,897	12,074	12,823
Total planning/research/ evaluation/ development services	124,606	101,704	90,053	11,651
Total support services	15,169,978	17,706,953	14,809,377	2,897,576
Community and adult services:				
Adult basic education:				
Salaries	33,318	42,862	65,162	(22,300)
Benefits	10,196	14,406	13,290	1,116
Total adult basic education	43,514	57,268	78,452	(21,184)
Early Childhood				
Salaries	1,267,695	1,485,351	1,444,925	40,426
Benefits	503,025	447,707	460,174	(12,467)
Total early childhood	1,770,720	1,933,058	1,905,099	27,959
Total community and adult services	1,814,234	1,990,326	1,983,551	6,775
Total expenditures	99,089,695	105,560,348	95,295,699	10,264,649
Revenues under expenditures	(88,017,341)	(91,320,675)	(83,217,045)	8,103,630
Other financing sources:				
Transfers in	87,346,498	90,740,065	83,217,045	(7,523,020)
Revenues and other financing sources over (under) expenditures	(670,843)	(580,610)	—	—
Fund balance, beginning of year			—	
Fund balance, end of year			\$ —	

See Note to Required Supplementary Information.

CAPITAL ASSETS

KANSAS CITY PUBLIC SCHOOLS

Capital Assets Used in the Operation of Governmental Funds by Source

June 30, 2016
(with comparative totals for June 30, 2015)

	Total	
	2016	2015
Capital assets (gross):		
Land	\$ 29,732,846	30,407,846
Buildings	490,043,160	478,026,886
Improvements other than buildings	44,889,009	43,484,105
Impairment-closed buildings	14,857,044	14,857,044
Equipment, furniture, and vehicles	23,252,537	26,523,725
Construction in progress	16,740,382	333,519
Total	<u>\$ 619,514,978</u>	<u>593,633,125</u>
Investment in capital assets by source:		
General fund	\$ 326,400	291,953
Capital projects	617,254,477	593,105,923
Special revenue	1,868,078	169,226
Trust and agency	13,127	13,127
Donations	52,896	52,896
Total	<u>\$ 619,514,978</u>	<u>593,633,125</u>

KANSAS CITY PUBLIC SCHOOLS

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

Year Ended June 30, 2016

Classification	Beginning balance July 1, 2015	Adjustments	Additions	Retirements	Construction- in-progress transfers	Ending balance June 30, 2016
High schools	\$ 246,878,243	1,259,900	2,642,063	(942,174)	—	249,838,032
Middle schools	102,336,979	1,335,779	926,555	(497,431)	—	104,101,882
Elementary schools	218,647,811	(2,516,770)	5,453,659	(2,260,715)	—	219,323,985
Administration	25,436,573	(78,910)	4,994,672	(841,638)	—	29,510,697
Construction in progress	333,519	—	16,685,175	(278,312)	—	16,740,382
Total	\$ 593,633,125	(1)	30,702,124	(4,820,270)	—	619,514,978

KANSAS CITY PUBLIC SCHOOLS

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

June 30, 2016

Classification		Land	Buildings	Improvements other than buildings	Impaired assets	Equipment, furniture, vehicles	Construction- in-progress	Total
High schools	\$	9,965,126	209,263,340	20,120,735	3,353,086	7,135,745	—	249,838,032
Middle schools		5,330,985	91,535,412	5,334,106	680,000	1,221,379	—	104,101,882
Elementary schools		11,834,452	172,303,011	17,515,825	10,823,958	6,846,739	—	219,323,985
Administration		2,602,283	16,941,397	1,918,343	—	8,048,674	—	29,510,697
Construction-in-progress		—	—	—	—	—	16,740,382	16,740,382
Total	\$	<u>29,732,846</u>	<u>490,043,160</u>	<u>44,889,009</u>	<u>14,857,044</u>	<u>23,252,537</u>	<u>16,740,382</u>	<u>619,514,978</u>

Kansas City Public Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Identifying Number	Expenditures
U.S. Department of Education:			
Direct, Teacher Incentive Grant	84.374A	S374A100021	\$ 2,609,471
Direct, Elementary and Secondary Counseling Program	84.215	S215E150439	332,653
Passed through Webster University: Culturally Different	84.365Z	T365Z120052	12,630
Passed through Missouri Department of Elementary and Secondary Education:			
Title I	84.010	S010A150025	8,369,994
Title I - School Improvement 1003A	84.010A	S010A140025	305,747
Title ID - Prevention & Intervention	84.010A	S010A140025	125,089
Subtotal			<u>8,800,830</u>
Individuals with Disabilities Education Act (IDEA):			
Entitlement ⁽²⁾	84.027A	H027A150040	4,109,319
Early Childhood Special Education (611) ⁽²⁾	84.027A	H027A150040	468,768
Subtotal			<u>4,578,087</u>
Early Childhood Special Education (619) ⁽²⁾	84.173A	H173A150103	174,472
Title III, English Language Learners	84.365	S365A140025	598,162
Title II, Part B Math & Science Partnership Program	84.366B	S366B140026	487,287
School Improvement Grant CADRE II	84.377A	S377A130026	776,567
School Improvement Grant CADRE III	84.377A	S377A120026	571,017
Title II, Part A	84.367A	S367A150024	1,022,413
Migrant Education	84.011A	S011A150025	10,195
Adult Education (P.L. 91-930) - State Grant Program	84.002A	V002A150026	494,327
Carl D. Perkins Vocational Education Act (P.L. 98-524), Title II, Part C, Improvement and Expansion	84.048A	V048A140025	595,427
Total U.S. Department of Education			<u>21,063,538</u>

(Continued)

Kansas City Public Schools

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Identifying Number	Expenditures
U.S. Department of Army:			
Direct program - ROTC Salary Grant	12.999	N/A	324,036
U.S. Department of Agriculture:			
Passed through Missouri Department of Elementary and Secondary Education:			
Food Distribution ⁽¹⁾ (noncash)	10.555	N/A	621,389
National School Lunch Program ⁽¹⁾	10.555	2015IN109943 & 2016N109943	6,885,544
Subtotal			7,506,933
National School Breakfast Program ⁽¹⁾	10.553	2015IN109943	2,982,561
National School Snack Program ⁽¹⁾	10.553	2016N109943	37,167
Subtotal			3,019,728
National School Fruit & Vegetable Program ⁽¹⁾	10.559	205IL160343 & 2016160343	409,742
Food & Nutrition Services Equipment	10.579	15153MO603N8	9,283
Passed through Missouri Department of Health and Senior Services:			
Child and Adult Care Food Program	10.558	ERS46111932	1,281,174
Summer Nutrition Program ⁽¹⁾	10.559	ERS0461932S	497,477
Total U.S. Department of Agriculture			12,724,337
Institute of Museum and Library Services			
Passed through Missouri State Library:			
School Nonfiction Collection Development	45.310	LS0015002615	3,095
U.S. Department of Health and Human Services:			
Passed through Mid America Regional Council,			
Head Start	93.600	07CH7045	4,511,191
Passed through Missouri Department of Social Services			
JAG TANF Grant	93.558	1701MDTANF	36,450
Passed through Missouri Department of Elementary and Secondary Education			
Refugee Children School Impact	93.576	2014G99SRE4 & 205G992RE5	53,348
Total U.S. Department of Health and Human Services			4,600,989
Total Expenditures of Federal Awards			\$ 38,715,995

See Notes to Schedule of Expenditures of Federal Awards.

⁽¹⁾ Included in total Child Nutrition Cluster amount of \$11,443,880.

⁽²⁾ Included in total Special Education Cluster (IDEA) amount of \$4,752,559

STATISTICAL SECTION

Statistical Section

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

Contents

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

Table 1 – Table 4

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

Table 5 – Table 8

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

Table 9 – Table 11

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

Table 12 – Table 13

Note: Personal income data is currently not available.

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

Table 14

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

Table 1

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

Classification	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities:										
Net investment in capital assets	\$ 318,262	\$ 313,050	\$ 311,276	\$ 296,176	\$ 325,699	\$ 320,182	\$ 331,473	\$ 371,354	\$ 351,989	\$ 373,750
Restricted	14,847	15,479	16,781	25,587	24,503	25,484	10,594	12,489	60,705	61,244
Unrestricted	<u>(25,324)</u>	<u>2,477</u>	<u>104,618</u>	<u>123,174</u>	<u>110,811</u>	<u>99,271</u>	<u>105,853</u>	<u>114,368</u>	<u>115,956</u>	<u>136,244</u>
Total governmental activities, net of position	<u>\$ 307,785</u>	<u>\$ 331,005</u>	<u>\$ 432,675</u>	<u>\$ 444,937</u>	<u>\$ 461,013</u>	<u>\$ 444,937</u>	<u>\$ 447,920</u>	<u>\$ 498,211</u>	<u>\$ 528,650</u>	<u>\$ 571,238</u>
Business-type activities:										
Unrestricted	\$ 433	\$ 288	\$ 501	\$ 374	\$ 178	\$ 39	\$ 180	\$ 522	\$ 1,426	\$ 1,829
Total business-type activities, net of position	<u>\$ 433</u>	<u>\$ 288</u>	<u>\$ 501</u>	<u>\$ 374</u>	<u>\$ 178</u>	<u>\$ 39</u>	<u>\$ 180</u>	<u>\$ 522</u>	<u>\$ 1,426</u>	<u>\$ 1,829</u>
Primary government:										
Net investment in capital assets	\$ 318,262	\$ 313,050	\$ 311,276	\$ 296,176	\$ 325,699	\$ 320,182	\$ 331,473	\$ 371,354	\$ 351,989	\$ 373,750
Restricted	14,847	15,479	16,781	25,587	24,503	25,484	10,594	12,489	60,705	61,244
Unrestricted	<u>(24,891)</u>	<u>2,765</u>	<u>105,119</u>	<u>123,548</u>	<u>110,990</u>	<u>99,310</u>	<u>106,033</u>	<u>114,890</u>	<u>117,382</u>	<u>138,073</u>
Total primary government, net of position	<u>\$ 308,218</u>	<u>\$ 331,293</u>	<u>\$ 433,176</u>	<u>\$ 445,311</u>	<u>\$ 461,192</u>	<u>\$ 444,976</u>	<u>\$ 448,100</u>	<u>\$ 498,734</u>	<u>\$ 530,076</u>	<u>\$ 573,067</u>

The District adopted GASB Statement Nos. 68 and 71 in 2015, which restated beginning net position of governmental activities.
Prior years have not been restated.

Table 2

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

	Fiscal Year									
Classification	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental activities:										
Administration	\$ 17,416	\$ 16,326	\$ 16,710	\$ 11,521	\$ 13,150	\$ 20,646	\$ 20,874	\$ 25,512	\$ 23,464	\$ 25,502
Instruction	127,841	118,825	105,802	100,639	101,298	116,388	149,927	175,175	193,545	193,304
Support services	57,780	58,340	51,572	51,372	46,820	52,810	67,768	76,835	79,253	77,738
Operation of facilities	33,451	34,467	33,744	52,366	28,746	29,462	41,589	40,936	44,578	40,000
Pupil transportation	12,725	12,124	11,443	11,847	12,102	12,863	15,258	17,211	18,703	22,132
Facilities improvements and renovation	826	2,604	14,638	3,829	2,123	15,724	225	7,909	1,413	403
Community and adult services	12,353	10,347	8,951	8,706	9,194	11,748	9,644	8,478	11,557	6,226
Interest on long-term debt	3,332	2,597	2,809	2,989	3,716	2,044	1,990	2,791	3,902	4,982
Total business-type activities expenses	<u>\$ 265,724</u>	<u>\$ 255,630</u>	<u>\$ 245,667</u>	<u>\$ 243,269</u>	<u>\$ 217,149</u>	<u>\$ 261,685</u>	<u>\$ 307,276</u>	<u>\$ 354,846</u>	<u>\$ 376,416</u>	<u>\$ 370,287</u>
Business-type activities										
Community services	\$ 116	\$ 393	\$ 57	\$ 57	\$ 151	\$ 29	\$ 32	\$ 194	\$ 389	\$ 693
Total business-type activities expenses	<u>116</u>	<u>393</u>	<u>57</u>	<u>57</u>	<u>151</u>	<u>29</u>	<u>32</u>	<u>194</u>	<u>389</u>	<u>693</u>
Total primary government expenses	<u>\$ 265,840</u>	<u>\$ 256,023</u>	<u>\$ 245,725</u>	<u>\$ 243,326</u>	<u>\$ 217,300</u>	<u>\$ 261,714</u>	<u>\$ 307,308</u>	<u>\$ 355,040</u>	<u>\$ 376,805</u>	<u>\$ 370,980</u>
Program Revenues										
Governmental activities:										
Charges for services										
Administration	\$ 3	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ —
Instruction	147	65	28	165	3	—	34	—	20	—
Support services	1,690	3,715	1,947	2,931	766	935	685	1,992	3,763	3,741
Operation of facilities	3	—	6	—	6	41	49	61	69	65
Pupil transportation	3	3	94	203	79	32	19	4	—	13
Community and adult services	151	47	291	—	—	2	25	156	88	—
Operating grants and contributions										
Administration	—	26	20	—	—	183	43	—	—	10
Instruction	29,015	36,633	33,449	32,774	30,402	45,623	56,153	37,711	34,431	37,816
Support services	13,572	11,863	11,694	10,476	9,440	16,901	18,018	18,068	12,807	14,884
Operation of facilities	—	—	—	—	—	—	7	—	—	—
Pupil transportation	2,708	2,668	2,354	2,405	2,910	3,057	5,496	6,405	7,104	8,297
Community and adult services	1,446	1,189	2,198	1,626	2,398	971	528	670	895	1,227
Capital grants and contributions										
Administration	—	—	—	—	—	10	—	—	—	—
Instruction	—	456	—	15	813	111	804	37	620	82
Support services	—	150	—	6	25	1	—	—	37	617
Operation of facilities	—	—	—	198	249	183	230	189	—	40
Facilities improvements and renovation	—	—	—	—	—	—	—	495	—	—
Community and adult services	—	5	—	—	—	—	—	12	861	—
Interest on long-term debt	1,743	2,043	1,893	2,136	1,956	—	—	—	—	—
Total governmental activities program revenue	<u>50,481</u>	<u>58,864</u>	<u>53,975</u>	<u>52,935</u>	<u>49,049</u>	<u>68,050</u>	<u>82,090</u>	<u>65,801</u>	<u>60,695</u>	<u>66,792</u>

Classification	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Business-type activities:										
Charges for services	412	301	227	253	291	46	97	287	728	1,240
Total business-type activities program revenues	412	301	227	253	291	46	97	287	728	1,240
Total primary governmental program revenues	\$ 50,893	\$ 59,166	\$ 54,201	\$ 53,188	\$ 49,340	\$ 68,097	\$ 82,187	\$ 66,088	\$ 61,423	\$ 68,032
Net (expense)/revenue										
Governmental activities	\$ (215,243)	\$ (196,766)	\$ (191,693)	\$ (190,333)	\$ (168,100)	\$ (193,635)	\$ (225,186)	\$ (289,045)	\$ (315,721)	\$ (303,495)
Business-type activities	295	(92)	170	196	139	17	64	93	339	547
Total primary government net expense	\$ (214,947)	\$ (196,858)	\$ (191,523)	\$ (190,137)	\$ (167,961)	\$ (193,617)	\$ (225,122)	\$ (288,952)	\$ (315,382)	\$ (302,948)
General Revenues and Other Changes in										
Net Position										
Governmental activities:										
Property taxes	\$ 146,959	\$ 144,992	\$ 141,515	\$ 136,844	\$ 138,277	\$ 146,191	\$ 144,211	\$ 152,705	\$ 159,256	\$ 146,230
Prop C Sales tax	17,616	15,149	15,579	15,061	15,128	15,831	16,659	20,180	23,051	28,187
Other local revenues	7,706	5,559	5,039	7,256	6,067	3,363	2,249	3,600	2,100	1,935
County governmental contributions	4,964	5,284	5,054	5,284	4,287	3,489	3,295	4,209	4,025	6,356
State aid-basic formula	12,365	12,274	8,529	10,148	18,970	20,150	44,028	70,172	89,732	47,106
Grants and entitlements not restricted										
to specific programs	743	705	409	427	441	561	328	821	1,051	1,820
Gain on sale of capital assets	—	545	659	—	—	—	—	—	—	—
Investment earnings	1,519	1,499	2,604	(763)	1,007	906	1,753	4,500	10,486	9,747
Special item	—	—	—	—	—	—	(38,038)	—	—	—
Extraordinary item	—	—	—	—	—	161	—	1,419	(17,319)	—
Transfers	150	120	43	—	—	—	410	1,000	750	(1,004)
Total governmental activities	192,023	186,127	179,431	174,257	184,177	190,652	174,895	258,606	273,133	240,377
Business-type activities:										
Investment earnings	—	—	—	—	—	2	4	3	8	—
Transfers	(150)	(120)	(43)	—	—	(161)	(410)	(1,000)	(750)	1,004
Total business-type activities	(150)	(120)	(43)	—	—	(159)	(406)	(997)	(742)	1,004
Total primary government	\$ 191,872	\$ 186,007	\$ 179,388	\$ 174,257	\$ 184,176	\$ 190,493	\$ 174,489	\$ 257,610	\$ 272,391	\$ 241,381
Change in Net Position										
Governmental activities	\$ (23,220)	\$ (10,639)	\$ (12,262)	\$ (16,076)	\$ 16,076	\$ (2,983)	\$ (50,291)	\$ (30,439)	\$ (42,587)	\$ (63,118)
Business-type activities	145	(212)	127	196	139	(141)	(342)	(904)	(403)	1,551
Total primary government	\$ (23,075)	\$ (10,851)	\$ (12,135)	\$ (15,880)	\$ 16,215	\$ (3,125)	\$ (50,633)	\$ (31,343)	\$ (42,990)	\$ (61,567)

Table 3

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

Classification	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund										
Nondisposable	\$ 5	\$ 82	\$ 1,223	\$ —	\$ —	\$ —	\$ 520	\$ —	\$ —	\$ —
Restricted	280	280	3,027	301	837	289	816	—	—	—
Assigned	2,726	751	3,997	479	1,467	897	2,256	—	—	—
Unassigned	54,023	56,675	64,965	64,782	61,504	51,236	37,255	—	—	—
Reserved								1,853	5,243	2,565
Unreserved:										
Designated:										
Grant activity	—	—	—	—	—	—	—	2,742	4,041	2,394
Reserve for contingency	—	—	—	—	—	—	—	5,000	—	—
Undesignated	—	—	—	—	—	—	—	37,701	35,593	57,919
Total general fund	\$ 57,035	\$ 57,788	\$ 73,212	\$ 65,562	\$ 63,808	\$ 52,422	\$ 40,847	\$ 47,296	\$ 44,877	\$ 62,878
All other governmental funds										
Nondisposable	\$ 35	\$ 35	\$ 35	\$ 2,074	\$ 2,619	\$ 2,567	\$ 1,675	\$ —	\$ —	\$ —
Restricted	17,888	18,065	16,348	28,802	45,336	56,904	46,043	—	—	—
Committed	3,847	4,811	19,373	31,770	45,742	34,655	25,781	—	—	—
Assigned	12,400	22,153	6,203	17,544	3,785	7,904	15,126	—	—	—
Unassigned	—	—	—	—	(759)	—	—	—	—	—
Reserved										
Debt service funds	—	—	—	—	—	—	—	11,968	60,171	58,093
Capital projects funds	—	—	—	—	—	—	—	10,075	4,381	3,522
Nonmajor funds	—	—	—	—	—	—	—	239	382	733
Unreserved, reported in:										
Designated:										
Long-term building maintenance	—	—	—	—	—	—	—	11,299	9,588	15,275
Transition period funding	—	—	—	—	—	—	—	—	—	—
Technology plan	—	—	—	—	—	—	—	2,784	7,008	8,901
CIP escrow	—	—	—	—	—	—	—	12,600	—	—
Compensated absences	—	—	—	—	—	—	—	21,138	21,814	22,318
E-Rate/E-Rate support	—	—	—	—	—	—	—	1,848	1,835	1,821
Undesignated:										
Special revenue funds	—	—	—	—	—	—	—	(110)	372	(727)
Capital projects funds	—	—	—	—	—	—	—	6,964	17,110	22,436
Permanent funds	—	—	—	—	—	—	—	124	121	148
Total all other governmental funds	\$ 34,170	\$ 45,064	\$ 41,959	\$ 80,190	\$ 96,723	\$ 102,029	\$ 88,625	\$ 83,906	\$ 122,782	\$ 132,520

The District implemented GASB54 in fiscal year 2011.

KANSAS CITY PUBLIC SCHOOLS
Changes in Fund Balances of Governmental Funds, and Debt Service Ratio
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

Table 4

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Property taxes	\$ 144,378	\$ 144,075	\$ 139,195	\$ 142,138	\$ 138,391	\$ 147,293	\$ 144,986	\$ 149,926	\$ 157,679	\$ 147,941
Prop C Sales tax	17,616	15,149	15,579	15,061	15,128	15,831	16,659	20,180	23,051	25,097
Other local revenues	11,600	9,519	11,055	8,702	8,647	5,581	5,375	11,836	15,527	20,324
County governmental contributions	4,964	5,284	5,054	5,284	4,287	3,489	3,295	4,209	4,025	3,433
State aid-basic formula	12,365	12,274	8,529	10,148	18,225	20,150	44,028	70,172	89,732	96,285
At risk						—	—	—	—	—
Other state	7,560	8,473	5,790	6,009	8,981	6,981	8,504	10,999	12,176	13,258
Federal	44,423	43,767	48,576	38,782	39,441	60,751	74,338	48,797	41,699	48,866
Tuition	416	362	5	283	25	10	52	13	4	77
Total revenues	243,321	238,902	233,783	226,407	233,126	260,086	297,236	316,132	343,893	355,281
Expenditures										
Administration	15,446	17,227	15,659	15,526	14,359	16,012	20,811	25,643	24,011	27,364
Instruction	109,321	108,092	95,329	91,352	92,571	105,754	136,551	160,407	176,156	178,472
Support services	53,852	51,717	54,967	51,560	45,983	54,740	73,343	75,984	74,219	74,311
Operation of facilities	32,170	34,487	34,296	29,478	27,624	29,569	41,205	41,286	44,483	39,375
Pupil transportation	12,725	12,124	11,443	11,847	12,102	12,863	15,258	17,211	18,703	22,133
Community and adult services	11,445	10,338	8,943	8,697	9,198	11,732	9,625	8,553	11,578	6,139
Facilities improvements and renovations	29,502	13,292	36,447	22,764	12,351	6,241	7,290	17,736	5,166	2,376
Debt service										
Principal	3,601	2,009	5,750	7,555	9,770	10,875	10,385	9,945	22,130	22,100
Interest	3,336	2,600	2,928	3,287	3,773	3,755	2,352	3,244	4,351	5,428
Total expenditures	271,397	251,886	265,763	242,066	227,730	251,541	316,822	360,009	380,797	377,698
Excess of revenues under expenditures	(28,076)	(12,984)	(31,980)	(15,659)	5,396	8,545	(19,586)	(43,877)	(36,904)	(22,417)
Other financing sources (uses)										
Transfers in	6,339	13,948	18,779	19,300	21,691	25,348	112,411	176,079	144,715	144,715
Transfers out	(6,189)	(13,828)	(18,736)	(19,300)	(21,691)	(25,188)	(112,002)	(157,909)	(149,288)	(149,288)
Issuance of long term debt	—	—	—	—	—	16,274	17,880	—	—	—
Payment to refunded debt	—	—	—	—	—	—	—	(13,977)	—	—
Capital Leases/lease purchase agreement	16,147	—	—	—	—	—	—	—	1,527	1,527
Unrealized proceeds - surplus assets	—	—	—	—	620	—	—	1,826	3,294	3,294
Unrealized loss on surplus assets	(300)	—	—	(920)	(904)	—	(595)	—	—	—
Sales of capital assets	431	545	1,356	1,798	968	—	161	1,401	161	—
Total other financing sources (uses)	16,428	666	1,399	878	684	16,435	17,856	7,420	409	248
Net change in fund balances	\$ (11,648)	\$ (12,318)	\$ (30,581)	\$ (14,781)	\$ 6,080	\$ 24,979	\$ (1,730)	\$ (36,457)	\$ (36,495)	\$ (22,169)
Debt service as a percentage of noncapital expenditures	2.9%	1.9%	3.8%	5.0%	6.3%	6.2%	4.2%	3.8%	6.2%	6.2%

Table 5

KANSAS CITY PUBLIC SCHOOLS

Assessed and Estimated Actual Value of Taxable Property (1)

Last Ten Calendar Years

Tax levy year	Real property (2)		Personal property (2)		Total		Ratio of
	Value	Actual value	Value	Actual value	Value	Actual value	total assessed Actual value
2015	\$ 2,177,107,405	\$ 9,504,761,520	\$ 673,218,103	\$ 2,019,856,295	2,850,325,508	11,524,617,815	25 %
2014	2,097,556,838	9,145,085,488	637,913,712	1,913,932,529	2,735,470,550	11,059,018,017	25
2013	2,099,953,272	9,147,153,397	621,468,398	1,864,591,653	2,721,421,670	11,011,745,050	25
2012	2,084,828,732	9,066,836,031	605,311,801	1,816,117,315	2,690,140,533	10,882,953,346	25
2011	2,089,006,959	9,094,590,836	658,069,420	1,974,405,701	2,747,076,379	11,068,996,537	25
2010	2,136,547,926	9,227,817,390	648,566,756	1,945,894,857	2,785,114,682	11,173,712,247	25
2009	2,134,968,810	9,215,327,571	656,797,975	1,970,590,984	2,791,766,785	11,185,918,555	25
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

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

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

Table 6

KANSAS CITY PUBLIC SCHOOLS
Property Tax Rates (1)—Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal year ended	City of Kansas City	City of Independence (3)	State of Missouri	Jackson County	Metropolitan Community Colleges	City of Sugar Creek (3)	Kansas City, Missouri Public Library	School District	Total (2)
2016	\$ 1.5806	\$ —	\$ 0.03	\$ 0.496	\$ 0.2343	\$ —	\$ 0.4933	\$ 4.95	7.78
2015	1.5997	—	0.03	0.514	0.2374	—	0.5000	4.95	7.83
2014	1.5932	—	0.03	0.053	0.2329	—	0.5000	4.95	7.36
2013	1.5679	—	0.03	0.543	0.2329	—	0.5000	4.95	7.82
2012	1.5294	—	0.03	0.543	0.2329	—	0.5000	4.95	7.79
2011	1.5294	—	0.03	0.543	0.2329	—	0.5000	4.95	7.79
2010	1.4678	—	0.03	0.543	0.2266	—	0.4991	4.95	7.72
2009	1.4678	—	0.03	0.570	0.2143	—	0.4731	4.95	7.71
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

- (1) Source: Tax rates per \$100 assessed valuation as confirmed directly by taxing authorities.
- (2) The District's boundaries are not wholly contained in Kansas City, Missouri, but overlap other cities. Consequently, the total does not represent the actual tax burden of individual taxpayers. The total is presented only as an indicator of the change in property tax rates.
- (3) On November 6, 2007, voters approved a boundary change that eliminated District school sites located in the City of Independence and the City of Sugar Creek.

Table 7

KANSAS CITY PUBLIC SCHOOLS

Principal Property Taxpayers

June 30, 2016

Taxpayers	Type of Business	Tax Year 2015			Tax Year 2006		
		Assessed value(1)	Rank	Percentage of total assessed value	Assessed value(1)	Rank	Percentage of total assessed value
Hallmark & Crown Power	Real Estate/Retail/Hotel	\$ 67,082,922	2	2.5%	69,691,461	1	2.4%
Kansas City Power and Light	Utility	51,220,030	3	1.9	34,727,116	2	1.2
A T & T	Communications	72,886,907	1	2.7	28,259,608	4	1.0
J C Nichols & Highwoods Realty	Real Estate				29,219,105	3	1.0
Town Pavilion Holdings LLC	Real Estate	22,252,269	8	0.8			
Southern Union Co	Utility	21,182,188	9	0.8	13,987,743	7	0.5
Bayer & Mobay	Agricultural Research and Mfg	27,963,477	5	1.0	17,495,297	5	0.6
Google Fiber Missouri LLC	Information Technology Services	35,710,735	4	1.3			
Twentieth Century Realty Inc	Real Estate	14,278,288	10	0.5	10,447,868	10	0.4
Isle of Capri & Flamingo Hilton	Casino/Hotel	26,372,860	6	1.0			
Country Club Plaza JV LLC		26,372,500	7	1.0			
DST, Inc.	Information Technology Services				13,994,881	6	0.5
Ball Metal					11,210,412	8	0.4
HSOV Grand Blvd					10,738,230	9	0.4
		<u>\$ 365,322,176</u>		<u>13.6%</u>	<u>239,771,721</u>		<u>8.4%</u>

Note: Total assessed value for 2015 was \$2,850,325,508 and 2006 was \$2,885,667,969

(1) Based on calendar year ended December 31, 2013 and December 31, 2004.

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

Table 8

KANSAS CITY PUBLIC SCHOOLS

Property Tax Levies and Collections (1)

Last Ten Calendar Years

Tax levy year		Current tax levy (2)	Current tax collections	Percentage of levy collected		Delinquent tax collections	Total tax collections	Total collections as a percent of current levy (3)		Outstanding delinquent taxes (4)	Outstanding delinquent taxes as a percentage of current levy
2015	\$	138,687,992	123,114,788	88.8%	\$	7,158,783	\$ 130,273,571	93.9%	\$	15,573,204	11%
2014		135,405,792	130,008,627	96.0%		11,587,460	141,596,087	104.6%		5,397,165	4%
2013		136,480,977	129,727,584	95.1%		7,921,094	137,648,678	100.9%		6,753,393	5%
2012		130,100,895	120,106,398	92.3%		12,883,252	132,989,650	102.2%		9,994,497	8%
2011		137,909,659	126,060,394	91.4%		9,641,611	135,702,005	98.4%		11,849,265	9%
2010		140,337,926	129,688,746	92.4%		13,048,624	142,737,370	101.7%		10,649,180	8%
2009		139,616,489	127,958,778	91.7%		11,173,379	139,132,157	99.7%		11,657,711	8%
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%

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

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

(3) Percentage includes collection of delinquent taxes.

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

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

Table 9

KANSAS CITY PUBLIC SCHOOLS

Outstanding Debt by Type

Governmental Activities

Last Ten Fiscal Years

Fiscal year ended June 30		Leasehold Revenue Bonds	Lease Purchase Agreement	Capital Leases	Total Primary Government
2016	\$	30,035,000	14,655,924	—	44,690,924
2015		32,125,000	—	—	32,125,000
2014		34,154,000	—	—	34,154,000
2013		39,904,000	—	—	39,904,000
2012		47,459,000	—	—	47,459,000
2011		57,229,000	—	—	57,229,000
2010		51,830,000	—	—	51,830,000
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

Table 10

KANSAS CITY PUBLIC SCHOOLS

Computation of Overlapping Debt

June 30, 2016

Jurisdiction	General obligation bonds outstanding (2)	Percentage applicable to District (1)	Amount applicable to District
City of Kansas City, Missouri	\$ 346,915,000	93%	\$ 322,630,950

(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**KANSAS CITY PUBLIC SCHOOLS**

Computation of Legal Debt Margin

June 30, 2016

Total assessed value, tax levy year 2015 (1)	\$ 2,850,325,508
Legal debt margin—15% of assessed value (2)	427,548,826

(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, 2014.

Note: The District has not had outstanding general bonded debt for the last ten years. Therefore, the debt limit amount, total net debt applicable to the limit, legal debt margin amount and the ratio of either the legal debt margin to the debt limit or total debt applicable to the debt limit are not applicable.

Table 12

KANSAS CITY PUBLIC SCHOOLS

Demographic Statistics

Last Ten Fiscal Years

Fiscal year ended June 30	District population	September school membership	Ratio of membership to population	Regular school year average daily attendance	Ratio of attendance to membership
2016	193,837	14,662	8 %	13,273	90.5 %
2015	193,837	14,312	7	12,942	90.4
2014	193,837	14,192	7	12,833	90.4
2013	193,837	15,708	8	13,317	84.8
2012	193,837	15,403	8	13,732	89.2
2011	193,837	15,854	7	13,890	87.6
2010	193,837	17,104	7	15,451	90.3
2009	239,451	17,892	7	16,051	89.7
2008	239,451	22,429	9	19,381	86.4
2007	239,451	24,358	10	21,133	86.8

Source: Estimated District population is based on the 2001 census for 2001 through 2009 provided by the City Development Department; the City Planning Division provided the estimates for years from 2010 and after from the 2010 census data.

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

Table 13**KANSAS CITY PUBLIC SCHOOLS****Property Value and Construction Costs**

Last Ten Fiscal Years

Fiscal year ended June 30	Estimated actual property value (1)	Nonresidential construction (in millions)	Residential construction (in millions)
2016	\$ 11,527,617,815	\$ 26.5	\$ 46.5
2015	11,059,018,018	34.9	26.4
2014	11,011,745,050	24.7	44.8
2013	10,822,953,045	24.4	14.0
2012	11,068,996,537	26.3	15.5
2011	11,173,712,247	49.1	38.4
2010	11,185,918,555	27.1	51.3
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

(1) See Table 6.

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

Table 14

KANSAS CITY PUBLIC SCHOOLS

Per-Pupil Costs

Last Ten Fiscal Years

Fiscal year ended June 30	Average daily attendance (2)	Eligible pupils (2)	Current expenditures per eligible pupil (1)	K-12 September enrollment	Pre-K
2016	14,527	15,190	\$ 15,280	14,662	992
2015	14,028	15,114	13,305	14,312	1,030
2014	12,857	12,977	15,496	14,192	1,111
2013	13,417	13,517	14,877	15,708	1,388
2012	13,816	13,900	14,467	15,403	1,376
2011	14,067	14,244	14,117	15,854	1,483
2010	16,573	17,345	15,021	17,104	1,989
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

- (1) Current expenditures as defined by the State of Missouri Department of Elementary and Secondary Education. For fiscal years 2013- 2015, 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 2006-2012, expenditures include the General, Teachers' Grant Activity and Child Nutrition funds total instruction and support services expenditures net of food service revenues, divided by the total number of pupils.
- (2) Average daily attendance and Eligible pupil counts include K-12 students.

