



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED
JUNE 30, 2018



KANSAS CITY PUBLIC SCHOOLS

(The School District of Kansas City, Missouri)

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2018

(With Independent Auditor's Report Thereon)

Prepared by

Business & Finance Division

KANSAS CITY PUBLIC SCHOOLS

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November 28, 2018

Board of Directors and Citizens of the District
School District of Kansas City, Missouri
2901 Troost Avenue
Kansas City, MO 64109

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 Kansas City, Missouri School District (the District). This report is prepared and published to fulfill this requirement for the fiscal year ending June 30, 2018. In addition, the 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 which includes financial highlights, analysis, and a discussion of the District's financial condition. The 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 report including all disclosures. RSM US LLP, certified public accountants, has issued an unmodified ("clean") opinion on the District's financial statements for the year ended June 30, 2018. 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 Single Audit Act and Subpart F of Title 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 is 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 six high schools, one career and technical education school, two alternative schools, two middle schools, and 23 elementary schools for school year 2017-2018. At all levels, there are comprehensive neighborhood and signature/magnet school curriculums. Among the signature/magnet theme curriculums are visual and performing arts, college preparatory, foreign languages, and Montessori. The District serves about 14,161 K-12 and 1,104 pre-k students, employing over 2,100 principals, teachers, and support staff.

The District provides a comprehensive curriculum to meet the needs of a diverse student population. Course offerings at the high schools vary from those that are considered college preparatory to those that prepare students to enter particular careers upon graduating from high school. Approximately 14% of the school population is served by the Special Education Department of the District and 27% of the student population is served by the English Language Learners Department. These percentages are among the highest in the state of Missouri and the City of Kansas City. Specially trained teachers provide services to students needing both modified programs and specialized instruction. The District has developed programs for exceptional pupils that include services for students with mental or orthopedic handicaps, speech or language disorders, learning disabilities, behavior disorders, and auditory or visual handicaps, cognitive disability, as well as services for pre-school disabled children. It is the goal of the District to provide appropriate instructional services for each child according to their individual and unique needs.

During the 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.

The District contracts with TransPar and First Student to provide transportation to eligible students attending neighborhood and signature schools. Resident students living one-half miles or more from school will be entitled to free transportation to and from school. Approximately 11,000 students were eligible for free transportation in the 2017-2018 fiscal year. One hundred and sixty-one buses were used in the transportation program with most buses running at least two, and in some cases three routes each morning and afternoon.

The Kansas City Public Schools Education Foundation provides annual program grants to the Kansas City Public Schools through its own fundraising efforts. The Foundation is a legally separate entity.

An elected nine-member board governs the District. The Kansas City Public School District Board of Directors (Board) is the basic level of government that has financial accountability and control over all activities related to public school education in the District. The District is not a component unit of another reporting entity. The Board meets and adopts the annual budget prior to July 1 each year, in compliance with section 67.010 of the Missouri statute. The budget serves as the foundation for the District's financial planning and control. The budget is prepared on a modified accrual basis, by fund and function and may be amended at this level only by the approval of a majority of the members of the Board. The administration may amend the budget at the object and location (school or building) level without seeking the approval of the Board. The Board approved

two budget amendments for the year ended June 30, 2018. The Board is required to conduct at least one public hearing before adopting the budget and setting the property tax levy.

The District is committed to developing, maintaining, and improving effective management systems and controls. The District makes conscientious efforts to employ and retain highly qualified employees through active recruitment and thorough evaluations. Further, operations are continually evaluated to assure they function effectively, efficiently, and provide appropriate levels of supervision and segregation of duties.

LOCAL ECONOMIC FACTORS

Local property taxes represent approximately 67% of total revenues reported by the District. During the fiscal year, the District was entitled to receive approximately \$152.4 million in property taxes for tax year 2017 based on its \$4.9599 operating levy; actual current taxes collected during the fiscal year totaled \$145.8 million. These revenues are shared with and passed through to Kansas City Charter Schools on a per pupil basis. The assessed valuation of real and personal property increased from approximately \$2.9 billion to approximately \$3.18 billion or 9.88%. As a result, revenue collected for property taxes for 2017-2018 increased 9.29% from the prior year. The difference between billed and collected is the county retention fee of 1.71% and delinquent taxes. Property tax abatement and tax increment financing redirect over \$30 million of commercial property taxes that would otherwise be available to the District and area Charter Schools.

Within the boundaries of Kansas City, Missouri are 14 school districts. Within the Kansas City Public School District are 22 charter schools. The number of school options inside the Kansas City Public School Boundaries places pressure on available revenues. The Kansas City Missouri Public School District employs roughly 2,100 personnel in varying positions with a \$129 million salary and benefit expense.

Kansas City has numerous medical and research facilities as well as many insurance and financial institutions. Retail shopping and tourism and events are a major portion of a thriving downtown Kansas City Market. Economic development continues to thrive in the downtown and other areas of the City.

CASH MANAGEMENT

The District's investment policy is to minimize credit and market risk while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral for bank deposits are held by the Federal Reserve in the depositor's name on behalf of the District. Investments are in repurchase agreements, certificates of deposit and other federal obligations. Approximately \$1.7 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, Information Technology and Instruction) is very much appreciated.

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

Respectfully,



Mark T. Bedell Ed.D.
Superintendent of Schools



Linda D. Quinley
Chief Financial and Operations Officer



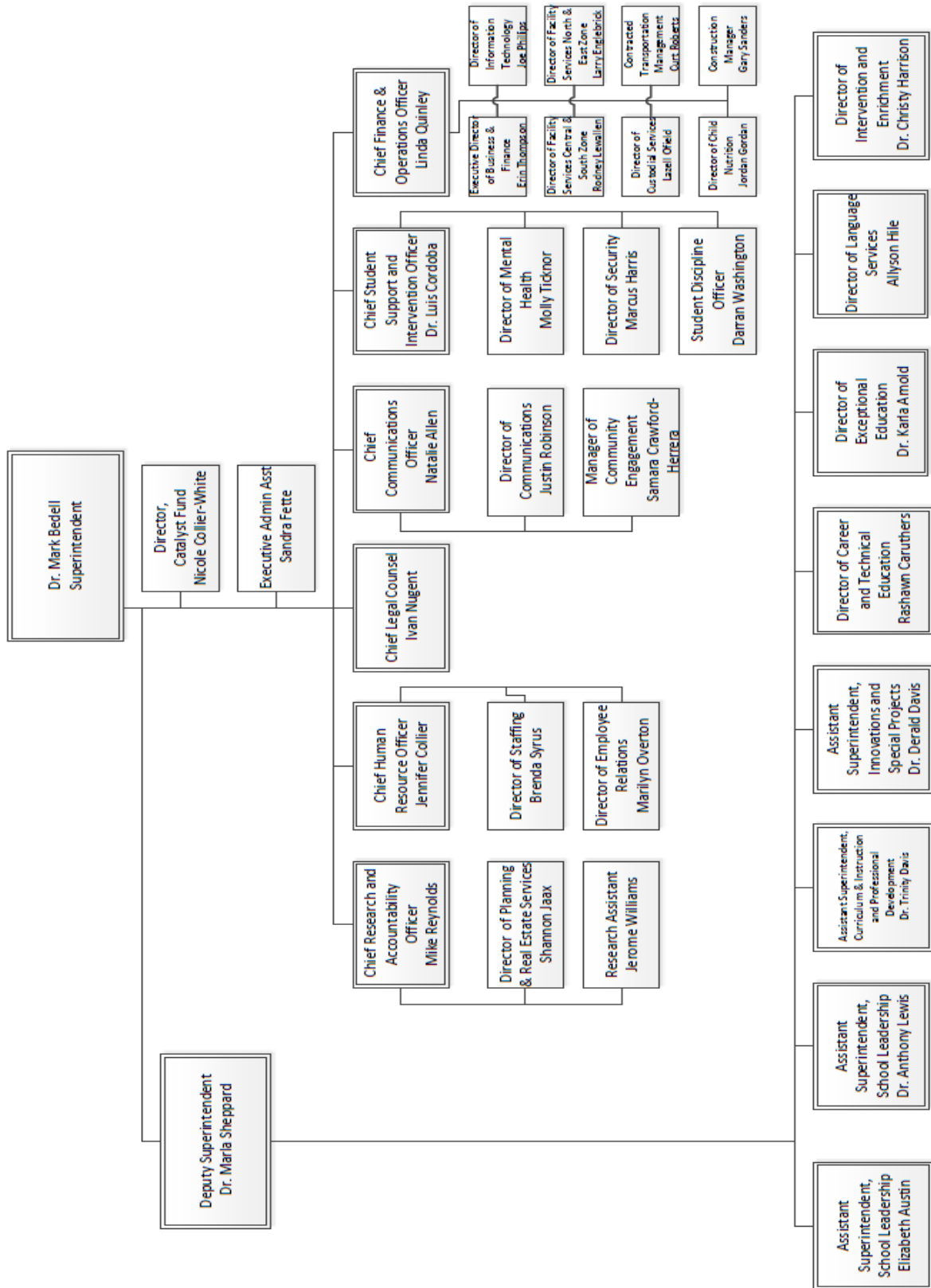
Our Vision

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.



LIST OF PRINCIPAL OFFICIALS

June 30, 2018

BOARD OF EDUCATION

Executive Officers

Melissa Robinson, Chair
Pattie Mansur, Vice Chair

Treasurer

Matthew Oates

Secretary of the Board

June Kolkmeier

Members

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

SENIOR ADMINISTRATORS

Mark Bedell, Ed. D. Superintendent
Natalie Allen, Chief of Staff, Chief Communications Officer and Community Engagement
Jennifer Collier, Chief Human Resources Officer
Luis Cordoba, Ed. D. Chief Student Support and Intervention Officer
Ivan Nugent, J.D., Chief Legal Counsel
Linda Quinley, Chief Financial and Operations Officer
Michael Reynolds, Chief Research and Accountability Officer
Marla Sheppard, Ed.D., Deputy Superintendent

Independent Auditor's Report

To the Board of Directors
The School District of 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, 2018, 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, 2018, 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.

Emphasis of Matter

As explained in Note 4(d) to the basic financial statements, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which restated beginning net position of the District's governmental activities.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules, the Schedule of Funding Progress, and the pension information, as listed in the table of contents, 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 and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2018 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
November 20, 2018

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

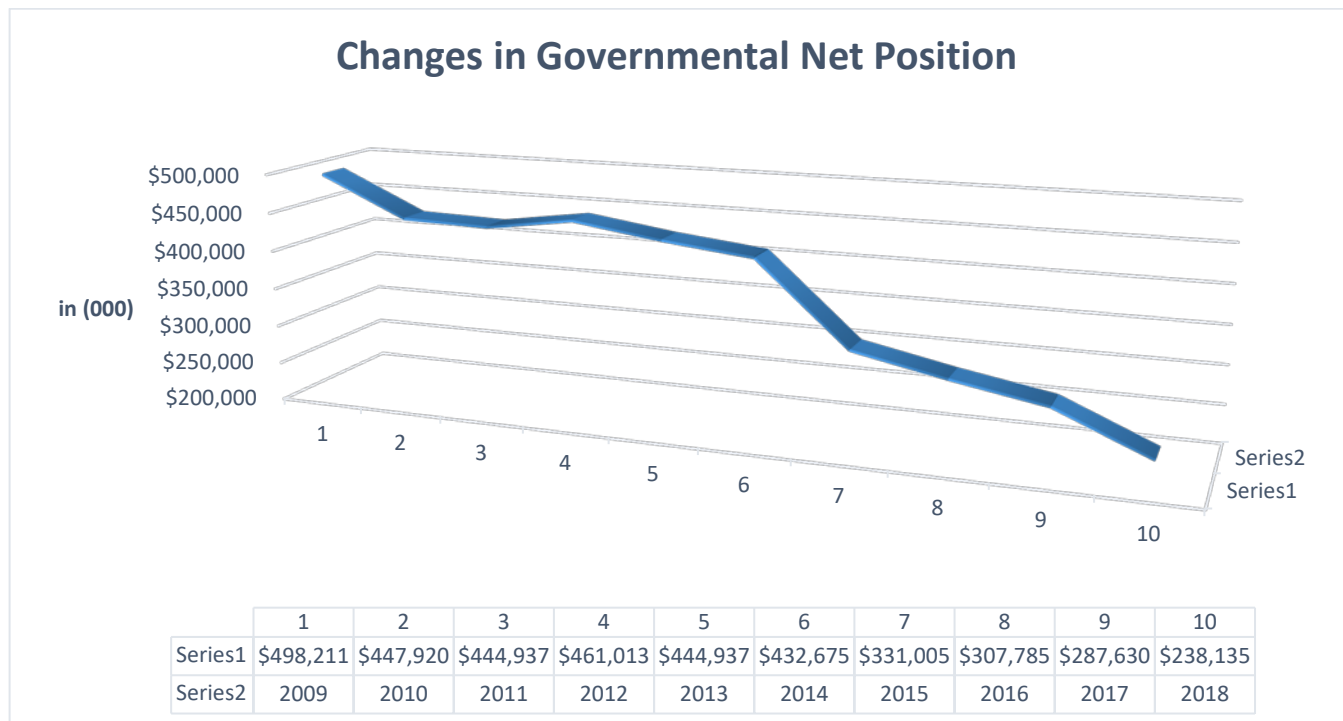
June 30, 2018

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, 2018 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 \$238 million. The most significant changes in total net position were due to a \$18 million decrease due to the implementation of a new accounting principle GASB75, *Accounting and Financial Reporting of Postemployment Benefits Other Than Pensions*, issued June 2015 and the net impact of an increase in pension related deferred outflows and inflows of \$24 million. The 2017 amounts presented in the management's discussion and analysis have not been restated to reflect the change in the implementation of GASB 75.

The graph below shows the changes in net position and indicates the District's overall financial position decreased in fiscal year 2018 by 17.2% when compared to fiscal year 2017. Total assets decreased \$33.5 million primarily due to the 63% decrease in restricted cash and investments. This decrease is primarily attributable to ongoing completion of projects using bond proceeds. On August 24, 2016 the District issued Series 2016 Certificates of Participation. The District received bond proceeds in the amount of \$51,035,000. As of June 30, the District has incurred \$41,744,834 of qualifying capital improvement expenditures eligible for reimbursement from bond proceeds.



KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018

The District's governmental funds (summarized in Table 1 below) reported an ending total fund balance of \$111.8 million, a decrease of \$13.72 million in comparison with the prior year. Approximately 47.6% of this amount, \$53.2 million, is available for spending at the District's discretion (unassigned fund balance).

Table 1—Summary of Governmental Fund Balances

	FY18	Percentage of total	FY17	Percentage of total	Increase (decrease)	Unassigned portion
General	\$ 58,626,964	52.4%	\$ 59,508,875	47.4%	\$ (881,911)	\$ 53,188,503
Capital projects	38,371,402	34.3%	51,409,964	41.0%	(13,038,562)	—
Other special revenue	9,134,740	8.2%	—	—%	9,134,740	—
Nonmajor funds	5,662,664	5.1%	14,592,043	11.6%	(8,929,379)	—
	<u>\$ 111,795,770</u>	<u>100.0%</u>	<u>\$ 125,510,882</u>	<u>100.0%</u>	<u>\$ (13,715,112)</u>	<u>\$ 53,188,503</u>

Unassigned fund balance for the General Fund was \$53.2 million and represents 23.51% of total General Fund expenditures and transfers. Assigned fund balance in the General Fund for general operating encumbrances and insurance reserves was \$4.0 million. Restricted fund balance in the General Fund for workers compensation was \$0.28 million. Overall, governmental fund balances decreased at June 30 primarily due to the completion of projects funded from the certificates of participation bond proceeds.

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.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018

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.

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.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018

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

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

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

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	
	2018	2017	Increase (decrease)	2018	2017	Increase (decrease)	2018	2017
Assets:								
Current and other assets	\$ 317,429	355,131	(37,702)	991	637	354	318,420	355,768
Capital assets	385,546	381,369	4,177	—	—	—	385,546	381,369
Total assets	702,975	736,500	(33,525)	991	637	354	703,966	737,137
Deferred outflows of resources	53,808	39,778	14,030	—	—	—	53,808	39,778
Liabilities:								
Other liabilities	29,884	51,371	(21,487)	168	172	(4)	30,052	51,543
Long-term liabilities	306,872	280,469	26,403	—	—	—	306,872	280,469
Total liabilities	336,756	331,840	4,916	168	172	(4)	336,924	332,012
Deferred inflows of resources	181,893	156,809	25,084	—	—	—	181,893	156,809
Net position:								
Net investment in capital assets	302,543	317,613	(15,070)	—	—	—	302,543	317,613
Restricted	29,535	12,280	17,255	—	—	—	29,535	12,280
Unrestricted	(93,943)	(42,264)	(51,679)	823	465	358	(93,120)	(41,799)
Total net position	\$ 238,135	287,629	(49,494)	823	465	358	238,958	288,094

Overall, governmental activities current and other assets decreased by (10.62%); business activities current and other assets increased 55.57%. Long-term liabilities increased \$26.4 million due to the net impact of a \$18 million increase due to the adoption of GASB Statement No. 75 offset by decreases to debt as required by annual debt service requirements. Current year improvements to buildings and other than buildings totaled \$16.9 million; the purchase of land totaled \$1.5 million; and the purchases of equipment, furniture, and vehicles totaled \$1.02 million, less depreciation expense of \$13.6 million, a net decrease in construction in progress of \$.29 million, and a decrease in the recorded value of closed building impairments of \$1.4 million, resulted in a net increase of \$ 4.1 million in capital assets net of depreciation.

Unrestricted net position of (\$93.9) million includes management commitments, assignments and unassigned fund balances. The Board of Education has authorized management to assign funds for certain obligation that make up 11.63% of net position.

Fund balance has \$1.2 in nonspendable, \$29.5 in restricted, \$.19 million in commitments, \$27.7 million in assignments, and \$53.2 million of unassigned fund balance. See footnote 2 for specific purposes within each category.

KANSAS CITY PUBLIC SCHOOLS

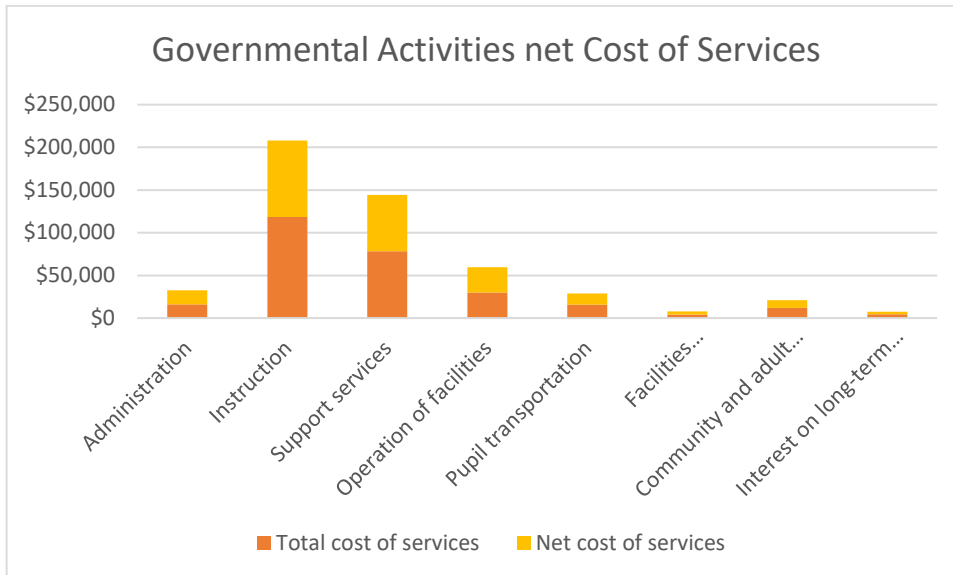
Management's Discussion and Analysis

June 30, 2018

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

Table 3A—Changes in Net Position —Governmental Activities highlights the District's revenues and expenses for the 2018 and 2017 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)

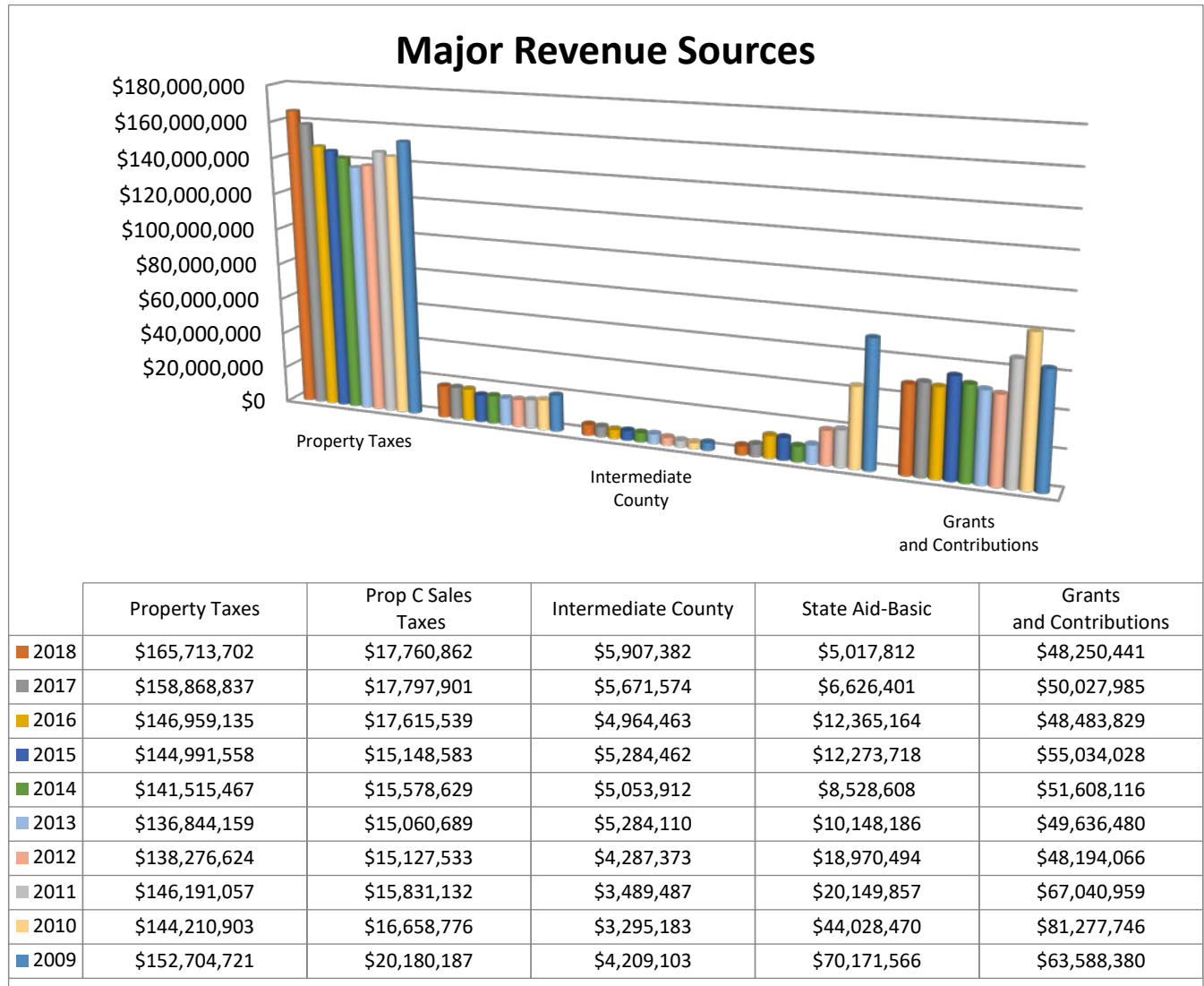


KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018

A graph of major District revenues is shown below.



KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

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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 2018 and 2017, the District received and reported the following tax revenue:

Description	2018	2017	Increase / (decrease)
Real estate and property taxes	139,237,336	130,897,819	8,339,517
Railroad and utility taxes	3,795,930	3,991,749	(195,819)
Back taxes	5,560,366	11,634,591	(6,074,225)
Payment in lieu of tax	8,135,751	3,966,585	4,169,166
M & M replacement tax	8,984,319	8,378,093	606,226
	<u>165,713,702</u>	<u>158,868,837</u>	<u>6,844,865</u>

The total assessed valuation for tax year 2017 was approximately \$3.185 billion compared to the total assessed valuation for tax year 2016 of \$2.898 billion, an increase of approximately 9.882%.

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 \$17.76 million during fiscal year 2018; a modest decrease of approximately (.21%) from fiscal year 2017. The total sales tax revenue distributed in 2017-18 was \$988.2953 per 2016-17 Weighted Average Daily Attendance (WADA of 18,217.67). The total state 2016-17 WADA used in the Proposition C calculation was 912,266.7503.

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 \$0.778 million.

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 revenue 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 2018, the District reported county revenue of approximately \$5.9 million compared to approximately \$5.67 million during fiscal year 2017, an increase of approximately \$0.235 million or 4.16%. This increase is primarily attributable to a increase in the county stock insurance collections.

KANSAS CITY PUBLIC SCHOOLS

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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 2018 in the amount of approximately \$5.02 million compared to approximately \$6.6 million for fiscal year 2017, a decrease of approximately \$1.6 million or 24.28%. This decrease is due to the decrease in enrollment of District students while enrollment numbers are increasing in charter schools .

Federal revenues from federal programs, approximately 15.00% of total governmental activity revenue, decreased from approximately \$40.4 million for fiscal year 2017 to approximately \$37.5 million for fiscal year 2018, a decrease of approximately \$2.9 million. The District receives funding primarily from the following federal programs:

- The Elementary and Secondary Education Act (ESEA) of 1965 as amended by the Every Student Succeeds Act/ESSA (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). ESSA federal funds received by the District during fiscal year 2018 totaled approximately \$11.3 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 \$8.7 million from federal sources to operate its special education program during school year 2018.
- Child nutrition services: The National School Lunch Program (NSLP); the School Breakfast Program (SBP); the Summer Food Service Program (SFSP) and the Child and Adult Care Food Program (CACFP). Revenue for the child nutrition program decreased \$1.7 million. During fiscal year 2018, the District did not participate in the Fresh Fruits and Vegetables (FFV) program.
- Head Start – A comprehensive child development program for pre-kindergarten children and their families. The District received approximately \$4.6 million and \$4.5 million in revenue to operate the head start program for school years 2018 and 2017, respectively.

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

Instruction services – On July 12, 2017 the board approved a service agreement with EBS (Educations Based Services) for exceptional education services. This service agreement was executed to engage EBS to supply physical, occupational, and speech therapists and special education certified teachers during the term of the 2017-2018 school year. Costs incurred during fiscal year 2018 for this agreement totaled approximately \$1.5 million.

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Under Part-B IDEA, 2004, the District is required to provide an appropriate program for all exceptional education children, ages 3-21, whose legal residence is within the District. Cornerstone of Care, Niles Home for Children, Rainbow Center, Nova Center and Sherwood Center are state-approved private agencies that have been engaged by the District to provide educational services to exceptional education students. For these services, there was an increase of approximately \$.675 million during fiscal year 2018 when compared to fiscal year 2017.

Support services –The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement required the District to report a liability on the financial statements for the defined benefit OPEB plan. The net impact of this implementation resulted in a \$.0252 million expense for fiscal year 2018.

The net pension liability increased from approximately \$158.2 million as of June 30, 2017 to approximately \$172 million as of June 30, 2018.

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.

Principal on long term debt – Principal costs decreased \$0.452 million and interest costs decreased by \$0.373 million due to the scheduled principal and interest payments required pursuant to the terms of the debt.

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)

	2018	2017	Increase (Decrease)
Community services:			
Charges for services	\$ 540	380	160
Expenses	(108)	(107)	(1)
Revenue over expenditures before transfers	432	273	159
Transfers	(74)	(242)	168
Increase (decrease) in net position	\$ 358	31	327

The decrease in revenue was due primarily to a decrease in fees received from the community's use of facilities as well as non-renewed lease agreements for the use of District facilities during the fiscal year compared to the prior year. The decrease in expenditures is a direct correlation of the decrease in revenues.

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Management's Discussion and Analysis

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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 82.53% 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 2.05%. The increase in total expenditures of \$12.7 million was greater than the combined decrease of \$.941 million in charges for services and the \$2.30 million decrease in grants and contributions.

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

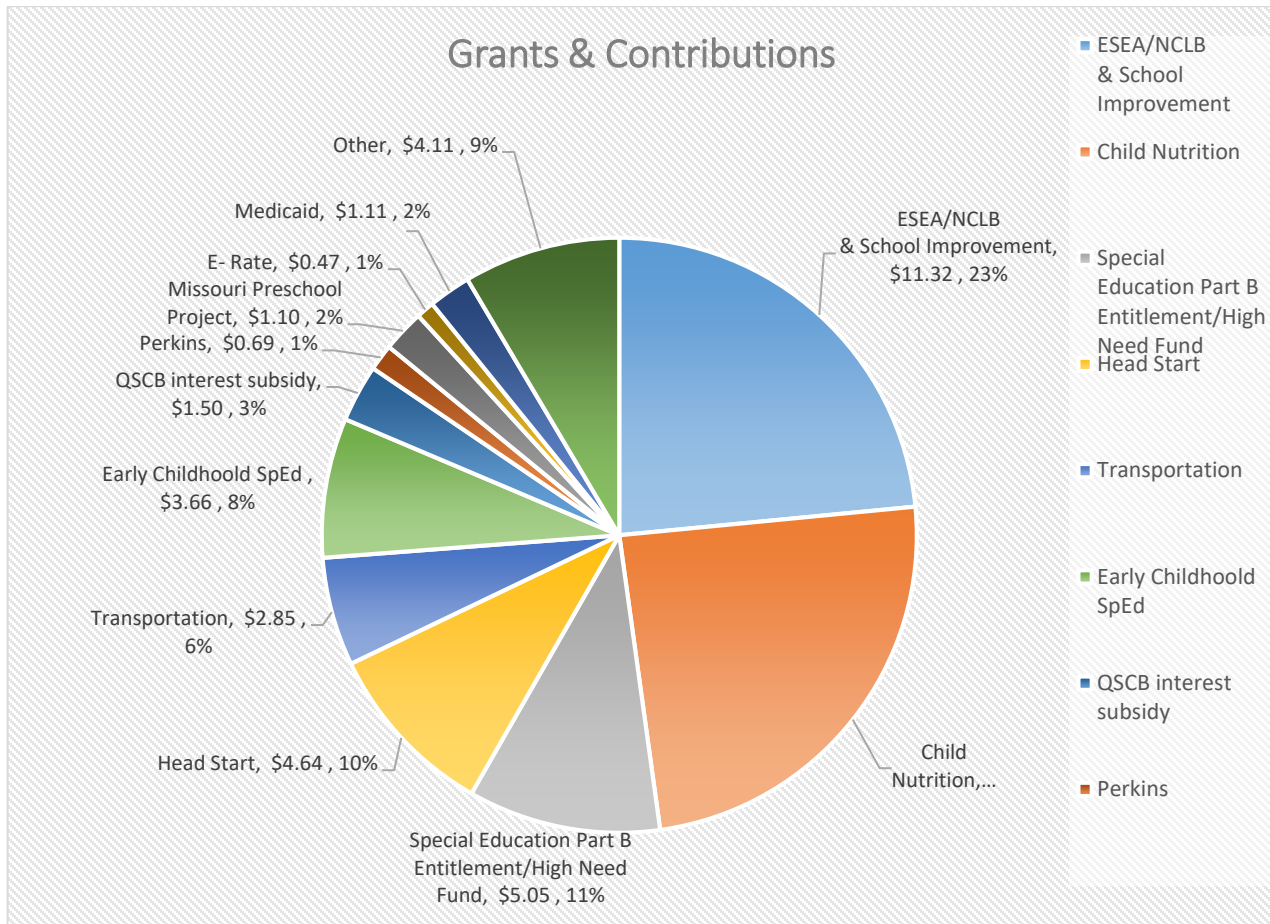
	Total cost of services	Net cost of services
Administration	\$ 16,195	16,195
Instruction	118,416	89,627
Support services	78,338	65,867
Operation of facilities	29,943	29,787
Pupil transportation	15,786	13,152
Facilities improvements and renovations	3,923	3,923
Community and adult services	12,125	9,000
Interest on long-term debt	4,491	2,877
Total	<u>\$ 279,217</u>	<u>230,428</u>

The District received program revenues specifically to offset the cost of certain functions/programs. The major source of this type of revenue, totaled \$48.2 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 shown in the graph below.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018



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, 2018, the unassigned fund balance of the operating budget funds is shown below:

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018

<u>Operating budget funds</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>	<u>Total fund balance</u>
General-operating	\$ 1,193,275	283,941	3,961,245	53,188,503	58,626,964
Capital projects—operating	—	—	7,020,034	—	7,020,034
	<u>\$ 1,193,275</u>	<u>283,941</u>	<u>10,981,279</u>	<u>53,188,503</u>	<u>65,646,998</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 operating fund balance represents 26.91% of total operating expenditures and transfers. The total operating fund balance decreased by 13.6% when compared to fiscal year 2017 due a \$17.8 million transfer to fund capital projects. On November 1, 2017 the board approved \$16.3 million to reopen the Lincoln Middle school program. During the 2017-2018 school year, enrollment exceeded projections with students totaling 1,045 and the building was operating at 102% capacity. On December 20, 2017, the board approved \$1.5 million for the purchase of real estate used for a bus barn/lot to create a more competitive bidding model by attracting more bidders to fulfill transportation requirements.

On August 24, 2016 the District issued \$51,035,000 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 12.3%. Based on the final assessed valuation received in September 2017 and collection trends, property taxes revenues were increased by \$12.6 million. Projection for other local revenues increased by \$3.2 million due to various local grants, interest earned on investment and proceeds from the sale of a school building. Basic state aid increased by \$1.5 million as a result of prior year payment adjustment and 2017 summer school enrollment. Additional state and federal grant awards of \$8.6 million were received after the original budget was approved.

Budgeted expenditures increased by \$21.8 million or 10.2%. The increase is primarily due to funding the services for exceptional education, before & after school care, professional development, utilities, homeless transportation, in-house custodial services, and technology plan. In addition, local, state and federal final grant awards for Special Education Entitlement, Title I, IIA & III, School Improvement, Head Start and various Partnership grants were received after the original budget was approved.

When comparing the original budget to the final budget, there was a favorable variance of \$26.3 million for revenues and transfers in, and an unfavorable budgeted variance for expenditure and transfers out of \$21.8 million, without a use of fund balance.

When compared to the prior year (see Table 5B), budgeted revenues and transfers increased by 2.76% and expenditures and transfers out increased by 3.50%.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018

Table 5A—Budget Comparison, Original to Final Budget, Fiscal Year 2018

	Revenues and Transfers In	Expenditures and Transfers Out
Original budget	\$ 213,692,102	213,668,016
Final budget	239,970,770	235,432,686
Increase	<u>\$ 26,278,668</u>	<u>21,764,670</u>

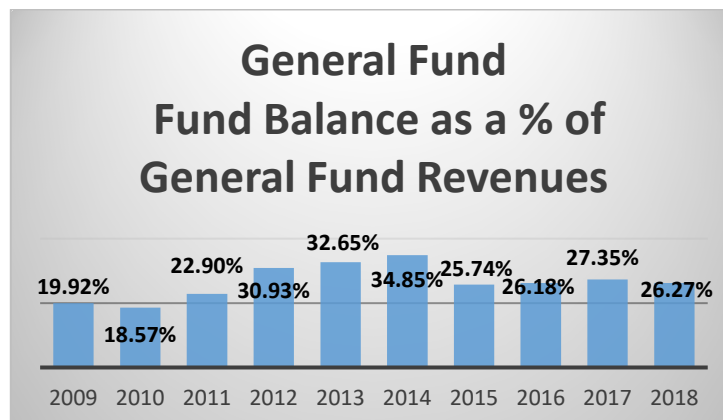
Table 5B—Budget Comparison, Current Year to Prior Year

	Revenues and transfers in	Expenditures and transfers out
Fiscal year 2018 final budget	\$ 239,970,770	235,432,686
Fiscal year 2017 final budget	233,526,969	227,470,651
Increase (decrease)	<u>\$ 6,443,801</u>	<u>7,962,035</u>
Percentage of change	2.76%	3.50%

Major Funds—Financial Highlights

When compared to fiscal year 2017, General Fund revenues increased by \$2.8 million or 1.28%, and expenditures decreased by \$.68 million or .31%. 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 and other financing sources decreased by 81.06% due to the prior year proceeds from the issuance of bonds (2016 certificates of participation), the prior year proceeds from the lease purchase agreement, and the prior year proceeds from the sale of capital assets offset by the current year increase in M&M property tax revenue. Expenditures decreased by \$10.9 million or 29.23% primarily due to the completion of the energy management project during fiscal year 2017.



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Management's Discussion and Analysis

June 30, 2018

On August 24, 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	Planned Cost	Total Funded
Athletics		
Gymnasium Upgrades	\$ 205,000	1,501,565
Track	1,565,000	-
Locker Rooms	520,000	28,436
Athletic Fields	2,650,000	8,297,994
Pools	400,000	84,266
	<hr/> 5,340,000	<hr/> 9,912,261
Educational Environment		-
Classroom Upgrades	8,625,717	5,025,855
Flooring	2,500,000	407,157
Ceiling	1,000,000	161,756
Cafeteria Renovations	1,800,000	5,415,025
Restroom Renovations	1,250,000	754,127
Locker Repair Upgrade	300,000	-
Auditorium Upgrades	2,400,000	30,773
Window Replacement	819,283	-
Playgrounds	200,000	164,127
Signage	370,000	38,247
	<hr/> 19,265,000	<hr/> 11,997,068
Safety		
Building Access Control/Security Cameras	1,600,000	970,635
Secure Building Entry	250,000	301,426
Elevator Upgrades	3,000,000	348,124
Fire Alarm Systems	2,000,000	142,820
Fire Suppression - Food Prep Areas	350,000	421,659
Fencing	225,000	4,859
	<hr/> 7,425,000	<hr/> 2,189,523
Building Infrastructure		
Building Exteriors Renovations	2,320,000	2,560,541
Concrete	1,500,000	1,374,722
Roof Repair and Replacement	3,250,000	3,094,930
Parking Lot Maintenance & Repair	2,000,000	300,360
HVAC Equipment Replacement	5,850,000	2,750,342
Electrical Maintenance/Upgrades	250,000	1,761,142
	<hr/> 15,170,000	<hr/> 11,842,037
Information Technology	5,400,000	4,356,030
Construction management fee	-	1,447,915
PROJECT TOTAL	<hr/> <hr/> \$ 52,600,000	<hr/> <hr/> 41,744,834

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018

Capital Assets and Debt Administration

Capital assets—The District's capital assets for its governmental activities as of June 30, 2018 amounts to \$385.5 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 \$4.1 million during the fiscal year. Table 6 below shows capital asset by function for governmental activities. Also see note 3(c) for additional information.

Table 6—Capital Assets, Net of Depreciation

	2018	2017
Land	\$ 31,227,988	29,700,478
Buildings	317,063,735	318,881,450
Improvements other than buildings	23,855,716	17,797,032
Equipment and furniture	2,526,550	2,476,544
Vehicles	306,253	257,723
Buildings-Impaired	10,023,206	11,420,582
Construction in progress	543,179	836,548
	<u>\$ 385,546,627</u>	<u>381,370,357</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 2018 resulted in a 6.6% reduction. Therefore, the amount of interest subsidy for the quarterly payments was reduced to a net interest rate subsidy of 5.02% and the District's net interest rate of 2.10%. 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 3.5% of total District expenditures relate to payments of principal, interest, and bond-related costs. See notes 3(f) and 3(g) for additional information.

KANSAS CITY PUBLIC SCHOOLS

Management's Discussion and Analysis

June 30, 2018

Economic Factors That Impact Fiscal Year 2019 Budgets

- The Board approved the fiscal year 2019 comprehensive budget on June 27, 2018. Fiscal year 2019 projected current revenues of approximately \$241.7 million is a decrease of about \$10.7 million or (4.24%) when compared to fiscal year 2018.
 - Local tax revenues are estimated to increase by \$1.5 million based on preliminary data. However, subsequent information received indicated that assessed value of real and personal property decreased and will decrease tax revenue projection by \$0.3 million.
 - Proposition C sales taxes increase by \$0.7 million based on DESE's projected revenue increase per weighted average daily attendance.
 - Other local revenues including sale of property, parking lot and grants are projected to decrease by \$2.5 million.
 - State aid is projected to decline by approximately \$1.5 million as a result of estimated increase in charter schools enrollment.
 - Federal grants projection is a decrease of \$8.9 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 2019 expenditures of approximately \$242.98 million represent a decrease of about \$4.9 million or (1.97%) when compared to the prior year.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

KANSAS CITY PUBLIC SCHOOLS

Statement of Net Position

June 30, 2018

	Governmental activities	Business-type activities	Total
Assets:			
Cash and investments	\$ 103,531,430	980,036	104,511,466
Restricted cash and investments	26,258,982	—	26,258,982
Taxes receivable (net of allowance for uncollectibles)	177,334,172	—	177,334,172
Interest receivable	256,721	—	256,721
Due from other governmental units	2,183,754	—	2,183,754
Prepaid expenses	1,193,275	—	1,193,275
Other receivables	4,830,734	11,343	4,842,077
Supplies inventories	94,701	—	94,701
Property held for sale	1,745,400	—	1,745,400
Capital assets (net of accumulated depreciation):			
Nondepreciable	41,794,373	—	41,794,373
Depreciable	343,752,254	—	343,752,254
Total assets	<u>702,975,796</u>	<u>991,379</u>	<u>703,967,175</u>
Deferred outflows of resources:			
Pension-related amounts	<u>53,808,419</u>	<u>—</u>	<u>53,808,419</u>
Liabilities:			
Accounts payable and other	13,861,287	148,091	14,009,378
Accrued salaries, benefits, and payroll taxes	15,532,510	2,117	15,534,627
Accrued interest payable	489,969	—	489,969
Unearned revenue	431	18,499	18,930
Long-term liabilities:			
Due within one year:			
Compensated absences	3,281,250	—	3,281,250
Revenue bonds	2,475,000	—	2,475,000
Lease purchase agreement	1,589,939	—	1,589,939
Certificates of participation	830,000	—	830,000
Due in more than one year:			
Compensated absences	12,643,040	—	12,643,040
Claims payable	769,027	—	769,027
Revenue bonds	22,980,000	—	22,980,000
Lease purchase agreement	21,687,626	—	21,687,626
Certificates of participation	47,910,000	—	47,910,000
Premium on COP	2,085,704	—	2,085,704
Total other post-employment benefits liability	18,266,842	—	18,266,842
Net pension liability	172,353,704	—	172,353,704
Total liabilities	<u>336,756,329</u>	<u>168,707</u>	<u>336,925,036</u>
Deferred inflows of resources:			
Pension-related amounts	28,994,515	—	28,994,515
Other post employment benefits	836,931	—	836,931
Property taxes	152,061,346	—	152,061,346
Total deferred inflows of resources	<u>181,892,792</u>	<u>—</u>	<u>181,892,792</u>
Net position:			
Net investment in capital assets	302,543,545	—	302,543,545
Restricted for:			
Workers' compensation	283,941	—	283,941
Permanent fund, nonexpendable corpus	35,000	—	35,000
Patron gifts	211,800	—	211,800
Compensated absences	9,134,740	—	9,134,740
Other restrictions	19,870,185	—	19,870,185
Unrestricted	(93,944,117)	822,672	(93,121,445)
Total net position	<u>\$ 238,135,094</u>	<u>822,672</u>	<u>238,957,766</u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Statement of Activities

Year ended June 30, 2018

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	\$ 16,195,117	50	—	—	(16,195,067)	—	(16,195,067)
Instruction	118,415,566	42,000	28,743,044	3,027	(89,627,495)	—	(89,627,495)
Support services	78,337,862	251,818	12,219,065	—	(65,866,979)	—	(65,866,979)
Operation of facilities	29,943,211	—	131,598	25,000	(29,786,613)	—	(29,786,613)
Pupil transportation	15,785,918	—	2,633,751	—	(13,152,167)	—	(13,152,167)
Facilities improvements and renovation	3,922,356	—	—	—	(3,922,356)	—	(3,922,356)
Community and adult services	12,125,130	244,880	2,880,528	—	(8,999,722)	—	(8,999,722)
Interest on long-term debt	4,491,291	—	—	1,614,435	(2,876,856)	—	(2,876,856)
Total governmental activities	279,216,451	538,748	46,607,986	1,642,462	(230,427,255)	—	(230,427,255)
Business-type activities:							
Community services	107,742	539,673	—	—	—	431,931	431,931
Total	\$ 279,324,193	1,078,421	46,607,986	1,642,462	(230,427,255)	431,931	(229,995,324)
General revenues:							
Property taxes					165,713,702	—	165,713,702
Prop C sales tax					17,760,862	—	17,760,862
Other local revenues					5,119,499	—	5,119,499
Intermediate/county					5,907,382	—	5,907,382
State aid—basic formula					5,017,812	—	5,017,812
Grants and entitlements not restricted to specific programs					145,787	—	145,787
Transfers					74,000	(74,000)	—
Loss on impaired assets					(317,376)	—	(317,376)
Investment earnings					1,884,435	—	1,884,435
Total general revenues and transfers					201,306,103	(74,000)	201,232,103
Change in net position					(29,121,152)	357,931	(28,763,221)
Net position—beginning, as restated					267,256,246	464,741	267,720,987
Net position—ending					\$ 238,135,094	822,672	238,957,766

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Balance Sheet

Governmental Funds

June 30, 2018

Assets	General	Capital Projects	Other Special Revenue	Nonmajor governmental funds	Total governmental funds
Cash and investments	\$ 74,892,341	23,550,800	—	5,088,289	103,531,430
Restricted cash and investments	283,941	14,701,227	10,892,591	381,223	26,258,982
Taxes receivable, net of allowance for uncollectibles	176,445,671	888,501	—	—	177,334,172
Interest receivable	227,832	—	27,796	1,093	256,721
Supplies inventories	—	—	—	94,701	94,701
Other receivables	4,826,433	—	—	4,301	4,830,734
Prepaid expenses	1,193,275	—	—	—	1,193,275
Due from other governments	1,752,571	158,920	—	272,263	2,183,754
Property held for sale	—	1,745,400	—	—	1,745,400
Total assets	<u>\$ 259,622,064</u>	<u>41,044,848</u>	<u>10,920,387</u>	<u>5,841,870</u>	<u>317,429,169</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 12,054,628	1,784,132	—	22,527	13,861,287
Accrued salaries, benefits, and payroll taxes	14,675,201	813	795,249	61,247	15,532,510
Compensated absences	—	—	990,398	—	990,398
Total liabilities	<u>26,729,829</u>	<u>1,784,945</u>	<u>1,785,647</u>	<u>83,774</u>	<u>30,384,195</u>
Deferred inflows of resources:					
Unavailable revenue-property taxes	168,845,404	888,501	—	—	169,733,905
Unavailable revenue-grants and services	5,419,867	—	—	95,432	5,515,299
Total deferred inflows of resources	<u>174,265,271</u>	<u>888,501</u>	<u>—</u>	<u>95,432</u>	<u>175,249,204</u>
Fund balances:					
Nonspendable	1,193,275	—	—	35,000	1,228,275
Restricted	283,941	14,454,322	9,134,740	5,627,664	29,500,667
Committed	—	193,458	—	—	193,458
Assigned	3,961,245	23,723,622	—	—	27,684,867
Unassigned	53,188,503	—	—	—	53,188,503
Total fund balances	<u>58,626,964</u>	<u>38,371,402</u>	<u>9,134,740</u>	<u>5,662,664</u>	<u>111,795,770</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 259,622,064</u>	<u>41,044,848</u>	<u>10,920,387</u>	<u>5,841,870</u>	<u>317,429,169</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, 2018

Fund balances—balance sheet	\$ 111,795,770
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	385,546,627
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	(25,455,000)
Lease purchase agreement	(23,277,565)
Certificates of participation	(48,740,000)
Unamortized premium on bonds	(2,085,704)
Net pension liability	(172,353,704)
Accrued interest payable	(489,969)
Other post-employment benefits	(18,266,842)
Compensated absences	(14,933,892)
Claims payable	(769,027)
	<u>(306,371,703)</u>
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	17,672,559
Deferred inflows of resources—grants	5,514,868
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	(28,994,515)
Deferred outflows of resources—pension related amounts	53,808,419
Deferred inflows of resources—other post employment benefits	(836,931)
Net position of governmental activities	<u>\$ 238,135,094</u>

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, 2018

	General	Capital Projects	Other Special Revenue	Nonmajor governmental funds	Total governmental funds
Revenues:					
Property taxes	\$ 157,796,899	8,984,319	—	—	166,781,218
Prop C sales tax	16,794,153	—	966,708	—	17,760,861
Other local, including investment income	7,882,510	479,216	339,355	1,046,665	9,747,746
Intermediate/county	5,907,382	—	—	—	5,907,382
State aid—basic formula	5,017,812	—	—	—	5,017,812
Other state	8,629,757	—	—	79,013	8,708,770
Federal	20,875,349	1,499,044	—	12,146,209	34,520,602
Tuition	265,880	—	—	—	265,880
Total revenues	<u>223,169,742</u>	<u>10,962,579</u>	<u>1,306,063</u>	<u>13,271,887</u>	<u>248,710,271</u>
Expenditures:					
Current:					
Administration	15,758,853	—	—	—	15,758,853
Instruction	104,546,211	—	—	828,169	105,374,380
Support services	39,352,347	—	1,611,945	11,701,811	52,666,103
Operation of facilities	29,823,156	—	—	—	29,823,156
Pupil transportation	15,783,598	—	—	2,319	15,785,917
Community and adult services	12,124,888	—	—	—	12,124,888
Debt service:					
Principal	—	2,370,487	—	2,350,000	4,720,487
Interest and fiscal charges	—	2,402,046	—	2,101,736	4,503,782
Capital outlay:					
Administration	—	2,156	—	—	2,156
Instruction	—	219,251	—	—	219,251
Support services	—	2,973,545	—	—	2,973,545
Community and adult services	—	8,980	—	—	8,980
Operation of facilities	—	780,129	—	—	780,129
Facilities improvement and renovation	904,250	17,634,006	—	—	18,538,256
Total expenditures	<u>218,293,303</u>	<u>26,390,600</u>	<u>1,611,945</u>	<u>16,984,035</u>	<u>263,279,883</u>
Revenues over (under) expenditures	<u>4,876,439</u>	<u>(15,428,021)</u>	<u>(305,882)</u>	<u>(3,712,148)</u>	<u>(14,569,612)</u>
Other financing sources (uses):					
Transfers in	2,222,350	8,209,045	—	4,451,736	14,883,131
Transfers out	(7,980,700)	(6,600,086)	—	(228,345)	(14,809,131)
Issuance of long-term debt	—	—	—	—	—
Premium on long-term debt	—	—	—	—	—
Proceeds from lease purchase agreement	—	—	—	—	—
Sale of capital assets	—	780,500	—	—	780,500
Total other financing sources (uses)	<u>(5,758,350)</u>	<u>2,389,459</u>	<u>—</u>	<u>4,223,391</u>	<u>854,500</u>
Net change in fund balances	<u>(881,911)</u>	<u>(13,038,562)</u>	<u>(305,882)</u>	<u>511,243</u>	<u>(13,715,112)</u>
Fund balances, beginning of year	59,508,875	51,409,964	9,440,622	5,151,421	125,510,882
Fund balances, end of year	<u>\$ 58,626,964</u>	<u>38,371,402</u>	<u>9,134,740</u>	<u>5,662,664</u>	<u>111,795,770</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, 2018

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

Net change in fund balances—total governmental funds	\$ (13,715,112)
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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	19,203,379
Depreciation expense	(13,629,732)
	5,573,647

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	(895,500)
Loss on disposal of capital assets	(184,500)
Unrealized loss on impaired capital assets	(317,376)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,538,560
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The issuance of long-term debt (e.g., bonds, COPs, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In addition, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal payments on certificates of participation	835,000
Payments on lease purchase agreement	1,535,487
Principal payment on revenue bonds	2,350,000
Amortization of bond premium	115,872
Accrued interest payable	12,491
	4,848,850

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	(252,232)
Pension-related amount, pension expense	(24,821,916)
Compensated absences	(468,546)
Claims payable	(427,027)
	(25,969,721)

Change in net position of governmental activities	\$ (29,121,152)
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See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Statement of Net Position—Proprietary Fund
June 30, 2018

	Nonmajor Enterprise Fund
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Assets:	
Cash and investments	\$ 980,036
Due from other government	11,343
	<hr/>
Total assets	991,379
	<hr/>
Liabilities:	
Accrued salaries, benefits, and payroll taxes	2,117
Accounts payable	148,091
Unearned revenue	18,499
	<hr/>
Total liabilities	168,707
	<hr/>
Net position, unrestricted	\$ 822,672
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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, 2018

	Nonmajor Enterprise Fund
Operating revenues:	
Charges for community support services	\$ 539,673
Total operating revenues	<u>539,673</u>
Operating expenses:	
Salaries, wages, and employee benefits	66,006
Other contractual services	40,898
Supplies and materials	838
Total operating expenses	<u>107,742</u>
Income before transfers	431,931
Transfers out	<u>(74,000)</u>
Change in net position	357,931
Total net position, beginning of year	<u>464,741</u>
Total net position, end of year	<u><u>\$ 822,672</u></u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Statement of Cash Flows—Proprietary Fund
Year ended June 30, 2018

	Nonmajor Enterprise Fund
Cash flows from operating activities:	
Receipts from customers and users	\$ 552,770
Payments to suppliers	(46,630)
Payments to employees	(65,349)
Net cash provided by operating activities	<u>440,791</u>
Cash flows from noncapital and related financing activities,	
Transfers to other funds	<u>(74,000)</u>
Net increase in cash and cash equivalents	366,791
Cash and cash equivalents, beginning of year	<u>613,245</u>
Cash and cash equivalents, end of year	<u><u>\$ 980,036</u></u>
Reconciliation of operating income to net cash	
provided by operating activities:	
Operating income	\$ 431,931
Adjustments to reconcile operating income to net cash	
provided by operating activities:	
Decrease in due from other government	12,112
Decrease in unearned revenue	(13,371)
Increase in accounts payable	9,463
Decrease in accrued salaries, benefits and payroll taxes	657
Total adjustments	<u>8,861</u>
Net cash provided by operating activities	<u><u>\$ 440,792</u></u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Statement of Fiduciary Net Position

June 30, 2018

	Private Purpose Trust— Student Scholarship Fund
Assets:	
Cash	\$ 171,427
Due from community	264
Interest receivable	493
Total assets	<u>172,184</u>
Liabilities:	
Accounts payable	<u>—</u>
Total liabilities	<u>—</u>
Net position:	
Net position held in trust for other purposes	\$ <u><u>172,184</u></u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2018

	Private Purpose Trust— Student Scholarship Fund
Additions:	
Contributions:	
Private donations	\$ 28,627
Total contributions	<u>28,627</u>
Investment income:	
Adjustment of investments to fair market value	<u>4,880</u>
Total investment income	<u>4,880</u>
Total additions	<u>33,507</u>
Deductions:	
Scholarship awards	<u>6,250</u>
Total deductions	<u>6,250</u>
Net increase in net position	27,257
Net position, beginning of year	<u>144,927</u>
Net position, end of year	\$ <u><u>172,184</u></u>

See accompanying notes to basic financial statements.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

(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, 2018 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-two charter schools were operating during fiscal year 2018. 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 of 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, 2018

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, 2018

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

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

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

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

The District has one 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, 2018

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* is a private purpose trust fund and 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 or net asset value depending on the type of investment option.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

2. Restricted Cash and Investments

Certain proceeds of the series 2016 Certificates of Participation bonds are classified as restricted assets. A trustee holds these resources and their use is limited by applicable bond covenants. 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

All trade and property tax receivables are shown net of an allowance of approximately \$4.37 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, 2018 for real estate, personal property, merchants and manufacturers, and railroad and utility property was approximately \$3.18 billion.

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).

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

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

The Board of Education has declared two 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 ten 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.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

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 up to 75% of total value of PTO.

Estimated vacation and PTO payments due to employees at June 30, 2018 of \$15.9 million have been recorded in the government-wide financial statements. Of this balance, \$0.99 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, 2018 of \$9.1 million to cover these future payments. Payments of benefits to employees are made from the Other Special Revenue Fund.

7. Interfund Transactions

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, 2018.

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, 2018.

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

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

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 and other post employment benefit related deferred inflows, which consist of the unamortized portion of the change in the District's proportionate share of the net pension liability and the change in assumptions from the prior valuation of total OPEB 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.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

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.

11. Tax Abatements

The District is subject to property and sales tax abatements through various programs implemented by the city of Kansas City, Missouri. For purposes of GASB Statement No. 77, the "tax abatement" programs include: Tax Increment Financing (TIF), Enhanced Enterprise Zone, Chapter 99, Chapter 100, Chapter 353, LCRA sale/leaseback, and Port KC sale/leaseback. The financial impact of these tax abatement programs on the district during fiscal year 2018 is \$22,835,000 offset in part by PILOTs received of \$848,000. The financial impact of the Planned Industrial Expansion Authority (PIEA) tax abatement program is \$5,262,000 offset in part by PILOTs received of \$481,000.

12. 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.

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.

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Notes to Basic Financial Statements

June 30, 2018

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).

Net position restricted through legislation, outside parties or by law through constitutional provisions consist of \$283,941 for worker's compensation, \$35,000 for nonexpendable corpus of permanent fund, \$211,800 for patron gifts, \$9,134,740 for compensated absences and \$19,870,185 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.

13. 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.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

(2) Fund Balances

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

Fund Balances:	General	Capital Projects	Other Special Revenue	Nonmajor Governmental Funds	Total
Nonspendable:					
Patron gift	\$ -	-	-	35,000	35,000
Prepays	1,193,275	-	-	-	1,193,275
Total nonspendable	1,193,275	-	-	35,000	1,228,275
Restricted:					
Child nutritional services	-	-	-	5,081,999	5,081,999
Student activities	-	-	-	198,349	198,349
Patron gift	-	-	-	211,800	211,800
Property held for sale	-	1,745,400	-	-	1,745,400
Permanent fund	-	-	-	135,516	135,516
Compensated absences	-	-	9,134,740	-	9,134,740
Workers compensation	283,941	-	-	-	283,941
Capital projects	-	12,708,922	-	-	12,708,922
Total restricted	283,941	14,454,322	9,134,740	5,627,664	29,500,667
Committed:					
Encumbrances	-	193,458	-	-	193,458
Total committed	-	193,458	-	-	193,458
Assigned:					
Encumbrances	2,069,862	-	-	-	2,069,862
Future equipment purchases	-	7,013,924	-	-	7,013,924
Capital projects	-	16,709,698	-	-	16,709,698
Insurance	1,891,383	-	-	-	1,891,383
Total assigned	3,961,245	23,723,622	-	-	27,684,867
Unassigned	53,188,503	-	-	-	53,188,503
Total fund balances	\$ 58,626,964	38,371,402	9,134,740	5,662,664	111,795,770

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

(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 0.29 years.

The District had the following investments in debt securities at June 30, 2018:

<u>Investment type</u>	<u>Investment balance</u>	<u>Weighted average maturity (years)</u>
U.S. Treasury obligations	\$ 50,102,555	0.34
Government-sponsored enterprises	9,998,600	0.21
Commercial paper	10,078,254	0.36
MOSIP – term	10,000,000	0.02
Total debt securities	<u>\$ 80,179,409</u>	
Portfolio weighted average maturity		0.29

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Notes to Basic Financial Statements

June 30, 2018

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 Banks	Aaa	AA+
Repurchase agreement	Aaa	AA-
Local Government Investment Pool:		
MOSIP Liquid Series	-	AAAm
MOSIP Term Series	-	AAAf

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. Collateralized repurchase agreements are limited to 50% of the total investments. At June 30, 2018 the District's investments in Federal Home Loan Banks constituted approximately 8.3% of its total investment portfolio. The District's investments in U.S. Treasury obligations and local government investment pools are not subject to concentration of credit risk disclosures.

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, 2018, the District had no deposits or investments exposed to custodial credit risk.

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Notes to Basic Financial Statements

June 30, 2018

Fair value measurements—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—Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

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
Investments:			
Repurchase agreements	\$ 35,424,000	\$ -	\$ 35,424,000
U.S. Treasuries	50,102,555	50,102,555	-
U.S. Agencies	9,998,600	-	9,998,600
Commercial paper	10,078,254	-	10,078,254
	105,603,409	\$ 50,102,555	\$ 55,500,854
Investments measured at net asset value			
MOSIP - term	10,000,000		
Investments measured at amortized cost:			
Local government investment pool - MOSIP	5,100,285		
Total investments	\$ 120,703,694		

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

(b) Capital Assets

Capital asset activity as of June 30, 2018 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	\$ 29,700,478	1,527,510	—	31,227,988
Construction in progress	836,548	153,767	(447,136)	543,179
Impairment- closed buildings	11,420,582	—	(1,397,376)	10,023,206
Total capital assets, not being depreciated	<u>41,957,608</u>	<u>1,681,277</u>	<u>(1,844,512)</u>	<u>41,794,373</u>
Capital assets, being depreciated:				
Buildings and improvements	535,132,021	9,725,720	—	544,857,741
Improvements other than buildings	49,345,330	7,219,587	—	56,564,917
Equipment and furniture	18,901,681	848,063	(898,204)	18,851,540
Vehicles	1,735,903	175,867	(110,813)	1,800,957
Total capital assets being depreciated	<u>605,114,935</u>	<u>17,969,237</u>	<u>(1,009,017)</u>	<u>622,075,155</u>
Less accumulated depreciation for:				
Buildings and improvements	(216,250,571)	(11,543,436)	—	(227,794,007)
Improvements other than buildings	(31,548,298)	(1,160,902)	—	(32,709,200)
Equipment and furniture	(16,425,137)	(798,057)	898,204	(16,324,990)
Vehicles	(1,478,180)	(127,337)	110,813	(1,494,704)
Total accumulated depreciation	<u>(265,702,186)</u>	<u>(13,629,732)</u>	<u>1,009,017</u>	<u>(278,322,901)</u>
Total capital assets, being depreciated, net	<u>339,412,749</u>	<u>4,339,505</u>	<u>—</u>	<u>343,752,254</u>
Governmental activities capital assets, net	<u>\$ 381,370,357</u>	<u>6,020,782</u>	<u>(1,844,512)</u>	<u>385,546,627</u>

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

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

Elementary schools	\$	5,415,412
Middle schools		1,872,016
Senior high schools		5,752,601
Early childhood		240
Total instruction		<u>13,040,269</u>
Executive Administration		9,237
Food Service		5,802
Internal Services		553
Student activities		1,157
Health/Psych/Speech/Audiology		2,382
Information technology		146,366
Total support services		<u>165,497</u>
Operation of facilities		120,064
Facilities improvements and renovation		303,902
Total governmental activities depreciation expense	\$	<u><u>13,629,732</u></u>

As of June 30, 2018 the District has ten schools with a total carrying value of \$10,023,206 that are idle and considered impaired. These schools are accounted for at the lower of carrying value or fair value. Management has determined an additional seven schools with a carrying value of \$30,905,214 are considered to be temporarily impaired.

(c) *Transfers*

The following transfers were made during the fiscal year:

	General Fund	Capital Projects	Nonmajor Governmental	Total
Transfers from:				
General fund	\$ —	7,980,700	—	7,980,700
Capital project fund	2,148,350	—	4,451,736	6,600,086
Nonmajor governmental fund	—	228,345	—	228,345
Enterprise fund	74,000	—	—	74,000
	<u>\$ 2,222,350</u>	<u>8,209,045</u>	<u>4,451,736</u>	<u><u>14,883,131</u></u>

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

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

(d) 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, 2018.

(e) Long-term Borrowings

Bonds Payable

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

The 2009 Leasehold Revenue Qualified School Construction Bonds are payable through 2025. The total principal and interest remaining on the debt is \$14,311,489 with annual requirements ranging from \$1.45 million to \$2.36 million. For the current year, interest paid by the District was \$.315 million. The amount of tax credits issued to the bondholder from the federal government was \$.854 million.

The 2010 Leasehold Revenue Qualified School Construction Bonds are payable through 2029. The total principal and interest remaining on the debt is \$17,537,317 with annual requirements ranging from \$1.0 million to \$1.22 million. For the current year, interest paid by the District was \$.932 million. The amount of interest subsidy reimbursed to the District from the federal government was \$.644 million.

On August 24, 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 of 2%-5%. Proceeds were used for school renovations, rehabilitation, and other capital improvements. The total principal and interest remaining on the debt is \$67,972,256.

Bonds outstanding at June 30, 2018 are as follows:

Purpose	Amount outstanding	Interest rate	Maturity year
Revenue bonds:			
Series 2009	\$ 13,120,000	2.23%	2025
Series 2010	12,335,000	7.12%	2029
Certificate of participation			
Series 2016	48,740,000	2.00%	2036
	<u>\$ 74,195,000</u>		

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Notes to Basic Financial Statements

June 30, 2018

Equipment Lease Purchase Agreement

The equipment lease purchase agreement was executed June 23, 2015 in the amount of \$27,786,986 to finance the energy performance contract for the purpose of the purchase and installation of specified energy saving equipment and the provision of other services designed to save energy and reduce related costs for identified property and buildings owned by the District. The District recorded the liability for this agreement when eligible costs were incurred. The obligation bears interest at 3.5% with principal and interest due quarterly from 2015 through 2030. The total principal and interest remaining on the agreement is \$28,607,248.

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

	Revenue Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2019	\$ 2,475,000	1,144,499	830,000	1,537,369
2020	2,620,000	1,038,131	800,000	1,495,869
2021	2,770,000	927,524	775,000	1,479,869
2022	2,930,000	812,599	750,000	1,448,869
2023	3,105,000	693,228	715,000	1,433,869
2024-2028	10,335,000	1,712,676	11,095,000	6,695,744
2029-2033	1,220,000	65,148	19,855,000	4,297,369
2034-2036	—	—	13,920,000	843,300
Total	\$ 25,455,000	6,393,805	48,740,000	19,232,258

Aggregate maturities are as follows:

	Lease Purchase Agreement	
	Principal	Interest
Year ending June 30:		
2019	\$ 1,589,939	793,998
2020	1,646,322	737,616
2021	1,704,703	679,234
2022	1,765,156	618,782
2023	1,827,752	556,185
2024-2028	10,158,207	1,761,480
2029-2032	4,585,486	182,388
Total	\$ 23,277,565	5,329,683

The lease is secured by the capital assets purchased. Capital assets, net of accumulated depreciation, relating to this lease are \$26,936,101 as of June 30, 2018.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

(f) *Changes in Long-term Liabilities*

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

	Beginning balance, as restated	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
Leasehold revenue bonds	\$ 27,805,000	—	(2,350,000)	25,455,000	2,475,000
Certificate of participation	49,575,000	—	(835,000)	48,740,000	830,000
Net pension liability	158,248,820	38,851,842	(24,746,958)	172,353,704	—
Total OPEB liability	18,851,541	—	(584,699)	18,266,842	—
Compensated absences	17,484,009	2,759,398	(4,319,117)	15,924,290	3,281,250
Lease purchase agreement	24,813,052	—	(1,535,487)	23,277,565	1,589,939
Long-term liabilities	<u>\$ 296,777,422</u>	<u>41,611,240</u>	<u>(34,371,261)</u>	<u>304,017,401</u>	<u>8,176,189</u>

Compensated absences are liquidated by the Other Special Revenue Fund. Net pension liability and total OPEB liability are liquidated by the General Fund.

(4) **Other Information**

(c) *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 \$283,941 as of June 30, 2018 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.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

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.

(d) *Post-Employment Benefits*

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

As a result of the adoption of GASB Statement No. 75, the beginning net position of the governmental activities was restated. The Statement replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The net OPEB asset recorded in accordance with GASB Statement No. 45 was removed and the total OPEB liability was recorded in accordance with GASB Statement No. 75. The effect on the beginning net position is as follows:

	<u>Governmental Activities</u>
Net position June 30, 2017, as previously reported	287,630,369
Total OPEB liability	(18,851,541)
Removal of net OPEB asset	<u>(1,522,582)</u>
Net position June 30, 2017, as restated	<u><u>\$ 267,256,246</u></u>

A. General Information about the OPEB Plan

Plan Description—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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided—The District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms –

Membership in the OPEB comprised the following at July 1, 2016:

Active employees	2,130
Inactive employees and spouses	210

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Notes to Basic Financial Statements

June 30, 2018

B. Total OPEB Liability

The District's total OPEB liability of \$18,266,842 was measured as of June 30, 2018, and was determined based on an actuarial valuation prepared as of July 1, 2016 rolled forward to June 30, 2018 using generally accepted actuarial principles and methods.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0 percent
Salary Increases	5.00 percent, including inflation
Discount Rate	3.45 percent
Healthcare Cost Trend Rates	8.5 percent for 2017, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for 2025 and later years
Retirees' Share of Benefit-Related Costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates were based on the SOA RPH-2014 adjusted to 2006 Headcount-weighted Mortality, as appropriate, with adjustments for mortality improvements based on scale MP-2017. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 - June 30, 2016.

C. Changes in the Total OPEB Liability

Balance at June 30, 2017	\$ 18,851,541
Service cost	1,169,924
Interest	608,874
Changes in assumptions or other inputs	(959,648)
Benefit payments	(1,403,849)
Balance at June 30, 2018	<u>\$ 18,266,842</u>

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate—The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.45 percent) or 1 percentage point higher (4.45 percent) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
Total OPEB Liability	<u>\$ 22,335,891</u>	<u>\$ 18,266,842</u>	<u>\$ 15,081,854</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates—The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.5 percent) or 1 percentage point higher (9.5 percent) than the current healthcare cost trend rate:

	1% Decrease (7.5%)	Healthcare Cost Trend Rates (8.5%)	1% Increase (9.5%)
Total OPEB Liability	<u>\$ 14,789,592</u>	<u>\$ 18,266,842</u>	<u>\$ 22,819,186</u>

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,656,081. At June 30, 2018, the District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Changes of assumptions	<u>\$ 836,931</u>
Total	<u>\$ 836,931</u>

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2019	\$ (122,717)
2020	(122,717)
2021	(122,717)
2022	(122,717)
2023	(122,717)
Thereafter	(223,346)
	<u>\$ (836,931)</u>

(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 January 10, 2018 the board approved an agreement with All Copy Products for leased printer services for a sixty-month lease agreement with automatic renewals after the original term unless terminated. The total amount of this contract is \$1,500,000. The District executed a first amendment to extend the end term was to March 31, 2023 to provide the vendor and KCPS with sixty months of actual usage.

On July 27, 2016 the board approved an agreement with Kansas City Taxi doing business as Yellow Cab of Kansas City for a three-year agreement for a term of August 01, 2016 through July 31, 2019. The District reserved the right to allocate funds annually, and a corresponding not to exceed amount annually via annual fiscal year amendments. On July 12, 2017 the board approved the first amendment to provide a not to exceed amount of \$1,927,800. On June 27, 2018 the board approved a second amendment to increase the not to exceed amount to \$2,000,000.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

(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, Suite 1211, 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. The employer contribution for calendar year 2019 shall be 10.5%. The employer contribution rate for the eighteen month period beginning January 1, 2020 through June 30, 2021 shall be 12.0%. Employee contributions are capped at 9.0%. Contributions to the pension plan from the District were \$9,653,961 for the year ended June 30, 2018.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

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

At June 30, 2018, the District reported a liability of \$172,353,704 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, 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, 2017, the District's collective proportion was 56.744811 percent, which was a decrease of 2.301153 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$24,821,916. At June 30, 2018, 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	\$ 1,687,763	(421,684)
Net difference between projected and actual earnings on pension plan investments	19,481,695	(25,054,248)
Changes of assumptions	26,910,661	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	(3,518,583)
District contributions subsequent to the measurement date	5,728,300	-
Total	\$ <u>53,808,419</u>	<u>(28,994,515)</u>

\$5,728,300 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, 2018. The deferred outflows related to the difference between expected and actual investment earnings is being amortized over a closed 5-year period. 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.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

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
2018	\$ 20,617,840
2019	10,469,597
2020	(5,738,274)
2021	(6,263,561)
Total	<u>\$ 19,085,602</u>

There were no non-employer contributing entities at KCPSRS.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.5 percent including price inflation
Investment rate of return	7.75 percent compounded annually, net of investment expense and including price inflation

Mortality rates were based on the RP-2014 Healthy Non-Annuitant Blue Collar Table projected 15 years from valuation date for active members and 7 years for healthy retirees using Scale MP-2016.

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2015.

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, 2018

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	22.5%	6.8%
International Developed Equity	15.0	7.5%
International Emerging Equity	10.0	9.9%
Core Fixed Income	10.0	1.8%
High Yield	2.5	5.0%
International Fixed Income	5.0	1.3%
Real estate	10.0	4.6%
Commodities	5.0	4.3%
Hedge Fund of Funds	7.5	3.8%
GTAA	7.5	4.2%
Private equity	5.0	11.5%
Total	<u>100%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.75 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.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 227,574,531	172,353,704	125,444,304

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, 2018:

The District reported payables to the defined benefit pension plan of \$795,249 for legally required employer contributions and \$795,249 for legally required employee contributions which had been withheld from employee wages but not yet remitted to KCPSRS.

(f) New Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued December 2016, will be effective for the District beginning with its fiscal year ending June 30, 2019. Under Statement No. 83, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The Statement identifies the circumstances that trigger the recognition of these transactions. The Statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The Statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information.

KANSAS CITY PUBLIC SCHOOLS

Notes to Basic Financial Statements

June 30, 2018

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the District beginning with its fiscal year ending June 30, 2021, with earlier adoption encouraged. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the District must report the (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The Statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments, and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-lease components embedded in lease contracts (such as service agreements), and leases with related parties.

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

REQUIRED SUPPLEMENTARY INFORMATION

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2018

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Property taxes	\$ 143,811,960	155,636,437	157,796,899	2,160,462
Prop C taxes	10,873,223	10,962,223	11,100,539	138,316
Other local	6,217,788	8,560,322	7,827,994	(732,328)
County	4,811,703	5,040,737	5,698,162	657,425
Basic formula	3,675,157	4,578,547	3,895,872	(682,675)
Other state	8,742,549	9,226,788	8,317,257	(909,531)
Federal sources	19,582,087	27,669,357	20,603,951	(7,065,406)
Tuition	—	—	265,880	265,880
Total revenues	<u>197,714,467</u>	<u>221,674,411</u>	<u>215,506,554</u>	<u>(6,167,857)</u>
Expenditures:				
Current:				
Administration:				
Board of education services:				
Salaries	86,000	88,000	24,273	63,727
Benefits	24,265	24,265	7,196	17,069
Purchased services	255,754	248,254	217,434	30,820
Supplies and materials	8,600	14,100	14,595	(495)
Total Board of education services	<u>374,619</u>	<u>374,619</u>	<u>263,498</u>	<u>111,121</u>
Executive administration:				
Salaries	1,543,901	1,578,843	1,481,974	96,869
Benefits	442,179	447,912	399,289	48,623
Purchased services	1,435,398	1,925,578	1,744,643	180,935
Supplies and materials	46,952	78,241	68,428	9,813
Total executive administration	<u>3,468,430</u>	<u>4,030,574</u>	<u>3,694,334</u>	<u>336,240</u>
Building level administration:				
Salaries	1,808,569	1,998,835	2,127,777	(128,942)
Benefits	800,439	874,512	851,217	23,295
Purchased services	216,237	354,259	421,446	(67,187)
Supplies and materials	87,136	102,691	97,956	4,735
Total building level administration	<u>2,912,381</u>	<u>3,330,297</u>	<u>3,498,396</u>	<u>(168,099)</u>
Total administration	<u>6,755,430</u>	<u>7,735,490</u>	<u>7,456,228</u>	<u>279,262</u>
Instruction:				
Elementary:				
Salaries	664,849	915,388	827,640	87,748
Benefits	326,751	450,016	335,273	114,743
Purchased services	922,740	1,895,651	1,718,136	177,515
Supplies and materials	911,532	986,995	840,540	146,455
Total elementary	<u>2,825,872</u>	<u>4,248,050</u>	<u>3,721,589</u>	<u>526,461</u>
Middle/junior high:				
Salaries	—	17,967	370	17,597
Benefits	—	6,597	32	6,565
Purchased services	16,303	199,094	192,585	6,509
Supplies and materials	38,322	38,152	27,258	10,894
Total middle/junior high	<u>54,625</u>	<u>261,810</u>	<u>220,245</u>	<u>41,565</u>

(Continued)

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2018

	Original budget	Final budget	Actual	Variance with Final Budget
Senior high:				
Salaries	\$ 310,106	313,174	313,453	(279)
Benefits	150,614	151,097	147,361	3,736
Purchased services	1,026,646	1,763,010	1,694,595	68,415
Supplies and materials	160,897	243,907	207,773	36,134
Total senior high	1,648,263	2,471,188	2,363,182	108,006
Summer school:				
Salaries	89,483	88,574	105,536	(16,962)
Benefits	7,579	27,571	28,270	(699)
Purchased services	5,243,735	4,810,666	4,457,424	353,242
Supplies and materials	27,387	73,264	63,082	10,182
Total special education	5,368,184	5,000,075	4,654,312	345,763
Special education:				
Salaries	3,174,058	3,313,158	2,880,263	432,895
Benefits	1,604,835	1,618,039	1,309,218	308,821
Purchased services	6,209,508	8,500,292	7,014,847	1,485,445
Supplies and materials	466,268	275,071	225,328	49,743
Total special education	11,454,669	13,706,560	11,429,656	2,276,904
Culturally different:				
Salaries	1,073,575	1,236,178	1,189,734	46,444
Benefits	582,784	650,733	573,104	77,629
Purchased services	5,072,480	4,002,386	3,108,376	894,010
Supplies and materials	34,383	1,398,230	1,106,154	292,076
Total culturally different	6,763,222	7,287,527	5,977,368	1,310,159
Vocational instruction:				
Salaries	144,785	150,899	149,935	964
Benefits	56,465	56,465	55,168	1,297
Purchased services	206,295	237,649	222,198	15,451
Supplies and materials	220,081	271,667	245,362	26,305
Total vocational instruction	627,626	716,680	672,663	44,017
Student activities:				
Salaries	744,632	766,230	790,058	(23,828)
Benefits	120,022	122,010	117,009	5,001
Purchased services	275,076	292,575	323,496	(30,921)
Supplies and materials	158,300	229,156	264,942	(35,786)
Total student activities	1,298,030	1,409,971	1,495,505	(85,534)
Tuition to other districts:				
Purchased services	475,513	475,513	544,159	(68,646)
Total tuition to other districts	475,513	475,513	544,159	(68,646)
Total instruction	30,516,004	35,577,374	31,078,679	4,498,695
Support services:				
Attendance/placement:				
Salaries	1,465,064	1,712,356	1,688,555	23,801
Benefits	537,018	637,918	589,972	47,946
Purchased services	174,280	562,203	530,839	31,364
Supplies and materials	9,500	16,890	9,056	7,834
Total attendance/placement	2,185,862	2,929,367	2,818,422	110,945

(Continued)

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2018

	Original budget	Final budget	Actual	Variance with Final Budget
Guidance/counseling:				
Salaries	\$ 160,915	16,523	4,673	11,850
Benefits	66,461	1,660	542	1,118
Purchased services	5,500	156,500	97,678	58,822
Supplies and materials	2,500	7,077	8,484	(1,407)
Total guidance/counseling	235,376	181,760	111,377	70,383
Health, psychology, and speech:				
Salaries	4,616,556	4,434,915	4,014,245	420,670
Benefits	1,608,478	1,526,109	1,359,401	166,708
Purchased services	3,449	17,700	510	17,190
Supplies and materials	37,238	32,638	31,244	1,394
Total health, psychology, and speech	6,265,721	6,011,362	5,405,400	605,962
Improvement of instruction:				
Curriculum development:				
Salaries	283,990	267,099	230,004	37,095
Benefits	111,790	86,626	70,756	15,870
Purchased services	1,433,904	2,910,942	2,064,993	845,949
Supplies and materials	134,975	214,343	228,540	(14,197)
Total curriculum development	1,964,659	3,479,010	2,594,293	884,717
Staff training:				
Purchased services	5,000	8,000	8,000	—
Total staff training	5,000	8,000	8,000	—
Educational media services:				
Salaries	—	5,000	—	5,000
Benefits	—	500	—	500
Purchased services	8,621	131,886	131,268	618
Supplies and materials	551,426	425,435	392,487	32,948
Total educational media services	560,047	562,821	523,755	39,066
Financial services:				
Salaries	6,616,018	7,194,245	7,238,120	(43,875)
Benefits	2,208,625	2,371,016	2,225,021	145,995
Purchased services	2,474,599	5,802,365	4,482,697	1,319,668
Supplies and materials	117,732	4,543,742	3,282,354	1,261,388
Total financial services	11,416,974	19,911,368	17,228,192	2,683,176
Total support services	22,633,639	33,083,688	28,689,439	4,394,249
Operation of facilities:				
Salaries	8,661,008	11,808,684	11,344,594	464,090
Benefits	3,379,734	4,319,528	3,813,308	506,220
Purchased services	7,179,122	9,741,954	9,700,189	41,765
Supplies and materials	191,282	217,141	206,459	10,682
Other purchased services	5,561,876	4,289,109	3,824,020	465,089
Other supplies and materials	669,669	1,166,238	1,022,179	144,059
Total operation of facilities	25,642,691	31,542,654	29,910,749	1,631,905
Pupil transportation:				
Salaries	98,472	—	—	—
Benefits	29,085	—	—	—
Purchased services	15,102,327	15,450,921	15,783,285	(332,364)
Supplies and materials	—	800	314	486
Total pupil transportation	15,229,884	15,451,721	15,783,599	(331,878)

(Continued)

KANSAS CITY PUBLIC SCHOOLS
Schedule of Budgetary Comparison—General Fund
Year ended June 30, 2018

	Original budget	Final budget	Actual	Variance with Final Budget
Facility acquisition/asbestos				
Purchased services	\$ —	175,000	174,453	547
Supplies and materials	—	748,904	729,798	19,106
Total facility acquisition/asbestos	—	923,904	904,251	19,653
Community and adult services:				
Adult basic education:				
Salaries	669,807	197,898	207,007	(9,109)
Benefits	219,740	78,742	80,536	(1,794)
Purchased services	58,064	46,539	16,465	30,074
Supplies and materials	50,500	27,706	14,031	13,675
Total adult basic education	998,111	350,885	318,039	32,846
Community services:				
Salaries	1,042,217	1,575,599	1,571,766	3,833
Benefits	385,483	641,166	538,724	102,442
Purchased services	799,926	1,368,120	1,206,597	161,523
Supplies and materials	4,700	103,929	69,736	34,193
Total community services	2,232,326	3,688,814	3,386,823	301,991
Early Childhood:				
Salaries	2,034,149	4,181,224	4,118,668	62,556
Benefits	874,279	1,618,381	1,658,609	(40,228)
Purchased services	432,927	481,844	283,874	197,970
Supplies and materials	201,169	338,255	242,702	95,553
Total early childhood	3,542,524	6,619,704	6,303,853	315,851
Total community and adult services	6,772,961	10,659,403	10,008,715	650,688
Total expenditures	107,550,609	134,974,234	123,831,660	11,142,574
Revenues over expenditures	90,163,858	86,700,177	91,674,894	4,974,717
Other financing sources (uses):				
Transfers in	—	—	2,766,876	(2,766,876)
Transfers out	(90,053,385)	(88,618,341)	(95,323,681)	6,705,340
Total other financing sources	(90,053,385)	(88,618,341)	(92,556,805)	3,938,464
Revenues and other financing sources over (under) expenditures	\$ 110,473	(1,918,164)	(881,911)	1,036,253
Reconciliation to GAAP Basis:				
Activities reported within the Teachers' Fund (a sub-fund of the General Fund):				
Total revenue			8,629,897	
Total expenditures			(95,428,352)	
Total other financing sources			86,798,455	
Total reconciling items			—	
Revenues and other financing sources over expenditures			(881,911)	
Fund balance, beginning of year			59,508,875	
Fund balance, end of year			\$ 58,626,964	

See Note to Required Supplementary Information.

KANSAS CITY PUBLIC SCHOOLS

Note to the Required Supplementary Information

June 30, 2018

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

KANSAS CITY PUBLIC SCHOOLS

Schedule of Changes in the Total OPEB Liability and Related Ratios Required Supplement Information

	2018
Total OPEB liability	
Service cost	\$ 1,169,924
Interest	608,874
Benefit payments	(1,403,849)
Changes in assumptions	(959,648)
Net change in total OPEB liability	(584,699)
Total OPEB liability—beginning	18,851,541
Total OPEB liability—ending	\$ 18,266,842
Covered-employee payroll	\$ 107,918,134
Total OPEB liability as a percentage of covered-employee payroll	16.93%

Note GASB Statement No. 75 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.

The information presented as required supplementary information was determined as part of the July 1, 2016 actuarial valuation rolled forward to June 30, 2018. The actuarial assumptions include a 3.45% discount rate and an annual health care cost trend rate of 8.5% for fiscal year ending 6/30/18 and for medical claims, reduced by decrements to an ultimate rate of 4.5% after nine 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
2018	69.31%	56.744811%	\$ 172,353,704	\$ 107,243,972	160.71%
2017	70.09%	59.045964%	\$ 158,248,820	\$ 107,282,763	147.51%
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

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
2018	\$ 9,578,553	\$ 9,578,553	-	8.93%
2017	9,586,293	9,586,293	-	8.94%
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

NONMAJOR FUND FINANCIAL STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

KANSAS CITY PUBLIC SCHOOLS

Nonmajor Governmental Funds—Combining Balance Sheet

June 30, 2018

Assets	Special revenue			Permanent	Total
	Child Nutritional services	Student activity	Patron gift	fund patron endowments	nonmajor governmental funds
Cash and investments	\$ 4,874,155	214,134	—	—	5,088,289
Restricted cash and investments	—	—	211,196	170,027	381,223
Interest receivable	—	—	604	489	1,093
Supplies inventories	94,701	—	—	—	94,701
Other receivables	3,786	515	—	—	4,301
Due from other governments	272,263	—	—	—	272,263
Total assets	\$ 5,244,905	214,649	211,800	170,516	5,841,870
Liabilities, Deferred Inflows of Resources and Fund Balance					
Liabilities:					
Accounts payable	\$ 6,227	16,300	—	—	22,527
Accrued salaries, benefits and payroll taxes	61,247	—	—	—	61,247
Total liabilities	67,474	16,300	—	—	83,774
Deferred inflows of resources					
Unavailable revenue - grants and services	95,432	—	—	—	95,432
Total deferred inflows of resources	95,432	—	—	—	95,432
Fund balance:					
Nonspendable	—	—	—	35,000	35,000
Restricted	5,081,999	198,349	211,800	135,516	5,627,664
Total fund balance	5,081,999	198,349	211,800	170,516	5,662,664
Total liabilities, deferred inflows of resources and fund balance	\$ 5,244,905	214,649	211,800	170,516	5,841,870

KANSAS CITY PUBLIC SCHOOLS

Nonmajor Governmental Funds— Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Year ended June 30, 2018

		Special revenue			Permanent fund patron endowments	Total nonmajor governmental funds
	Debt Service	Child Nutritional services	Student activity	Patron gift		
Revenues:						
Local, including investment income	\$ —	251,014	784,492	6,690	4,469	1,046,665
Other state	—	79,013	—	—	—	79,013
Federal	—	12,146,209	—	—	—	12,146,209
Total revenues	—	12,476,236	784,492	6,690	4,469	13,271,887
Expenditures:						
Current:						
Instruction	—	—	828,169	—	—	828,169
Support services	—	11,701,811	—	—	—	11,701,811
Transportation	—	—	2,319	—	—	2,319
Debt Service:						
Principal	2,350,000	—	—	—	—	2,350,000
Interest & fiscal charges	2,101,736	—	—	—	—	2,101,736
Total expenditures	4,451,736	11,701,811	830,488	—	—	16,984,035
Revenues over (under) expenditures	(4,451,736)	774,425	(45,996)	6,690	4,469	(3,712,148)
Other financing sources (uses):						
Transfers in	4,451,736	—	—	—	—	4,451,736
Transfers out	—	(228,345)	—	—	—	(228,345)
Total other financing sources (uses)	4,451,736	(228,345)	—	—	—	4,223,391
Revenues over (under) expenditures and other financing sources (uses)	—	546,080	(45,996)	6,690	4,469	511,243
Fund balances, beginning of year	—	4,535,919	244,345	205,110	166,047	5,151,421
Fund balances, end of year	\$ —	5,081,999	198,349	211,800	170,516	5,662,664

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2018

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Local	\$ 314,838	481,756	251,014	(230,742)
State	—	—	79,013	79,013
Federal	11,886,248	11,926,318	12,146,209	219,891
Total revenues	<u>12,201,086</u>	<u>12,408,074</u>	<u>12,476,236</u>	<u>68,162</u>
Expenditures:				
Current:				
Support services:				
Salaries	4,037,185	4,184,360	3,716,466	467,894
Benefits	1,860,416	1,926,766	1,533,565	393,201
Purchased services	496,638	378,060	273,215	104,845
Supplies and materials	5,806,847	5,918,897	6,178,565	(259,668)
Total expenditures	<u>12,201,086</u>	<u>12,408,083</u>	<u>11,701,811</u>	<u>706,272</u>
Revenues over expenditures	<u>—</u>	<u>(9)</u>	<u>774,425</u>	<u>774,434</u>
Other financing sources (uses):				
Transfers out	<u>—</u>	<u>—</u>	<u>(228,345)</u>	<u>(228,345)</u>
Total other financing (uses)	<u>—</u>	<u>—</u>	<u>(228,345)</u>	<u>(228,345)</u>
Revenues over expenditures and other financing uses	<u>\$ —</u>	<u>(9)</u>	<u>546,080</u>	<u>546,089</u>
Fund balance, beginning of year			<u>4,535,919</u>	
Fund balance, end of year			<u>\$ 5,081,999</u>	

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2018

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Property taxes	\$ 7,775,308	8,853,158	8,984,319	131,161
Other local	8,000	671,925	479,216	(192,709)
Federal	751,581	749,689	1,499,045	749,356
Total revenues	8,534,889	10,274,772	10,962,580	687,808
Expenditures:				
Capital outlay:				
Administration:				
Board of education services	2,000	2,000	—	2,000
Executive administration	1,406	3,562	2,156	1,406
Total administration	3,406	5,562	2,156	3,406
Instruction:				
Elementary	—	19,290	19,290	—
Senior high	—	5,525	4,763	762
Special education	—	—	49,395	(49,395)
Culturally different	—	99,225	102,693	(3,468)
Vocational instruction	72,773	38,773	13,935	24,838
Student activities	3,400	26,986	29,175	(2,189)
Total instruction	76,173	189,799	219,251	(29,452)
Support services:				
Health/psychology/speech/audiology	3,000	5,995	5,995	—
Finance/support services	54,514	405,506	9,272	396,234
Child nutrition	—	—	228,826	(228,826)
Admissions	—	—	2,000	(2,000)
Information technology	—	—	2,727,453	(2,727,453)
Total support services	57,514	411,501	2,973,546	(2,562,045)
Community and adult services:				
Adult basic education	—	5,226	5,223	3
Early childhood	4,000	4,570	3,758	812
Total community and adult services	4,000	9,796	8,981	815
Operation of facilities	—	781,412	780,129	1,283
Facilities improvement and renovation:				
Capital outlay	—	2,181,624	17,634,005	(15,452,381)
Total facilities improvement and renovation	—	2,181,624	17,634,005	(15,452,381)

(Continued)

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2018

	Original budget	Final budget	Actual	Variance with Final Budget
Debt service:				
Principal	4,720,487	4,720,487	2,370,487	2,350,000
Interest	3,649,693	3,649,693	2,402,046	1,247,647
Total debt service	8,370,180	8,370,180	4,772,533	3,597,647
Total expenditures	8,511,273	11,949,874	26,390,601	(14,440,727)
Revenues under expenditures	23,616	(1,675,102)	(15,428,021)	(13,752,919)
Other financing sources (uses):				
Transfers in	—	—	8,209,045	8,209,045
Transfers out	—	—	(6,600,086)	(6,600,086)
Sale of capital assets	—	—	780,500	780,500
Total other financing sources	—	—	2,389,459	2,389,459
Revenues and other financing sources over expenditures and other financing sources	\$ 23,616	(1,675,102)	(13,038,562)	(11,363,460)
Fund balance, beginning of year			51,409,964	
Fund balance, end of year			38,371,402	

KANSAS CITY PUBLIC SCHOOLS
Capital Projects Fund—
Schedule of Revenues, Expenditures and Changes in Fund Balance—by Project
Year ended June 30, 2018

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Child Nutrition Capital Projects	Bond Capital Projects	Eliminations	Total Capital Projects funds
Revenues:						
Property taxes	\$ —	8,984,319	—	—	—	8,984,319
Other local	141,718	112,228	—	225,270	—	479,216
Federal	—	1,498,563	481	—	—	1,499,044
Total revenues	141,718	10,595,110	481	225,270	—	10,962,579
Expenditures:						
Administration:						
Executive administration	—	2,156	—	—	—	2,156
Total administration	—	2,156	—	—	—	2,156
Instruction:						
Elementary schools	—	19,290	—	—	—	19,290
Senior high	—	4,763	—	—	—	4,763
Special education	—	49,395	—	—	—	49,395
Culturally different	—	102,693	—	—	—	102,693
Vocational instruction	—	13,935	—	—	—	13,935
Student activities	—	29,175	—	—	—	29,175
Total instruction	—	219,251	—	—	—	219,251
Support services:						
Health/psych/speech	—	5,995	—	—	—	5,995
Educational media services	—	2,367	—	—	—	2,367
Child nutrition	—	—	228,826	—	—	228,826
Admissions	—	2,000	—	—	—	2,000
Financial services	—	6,905	—	—	—	6,905
Information technology	25,338	196,657	—	2,505,457	—	2,727,452
Total support services	25,338	213,924	228,826	2,505,457	—	2,973,545
Community and adult services						
Adult Basic Education	—	5,223	—	—	—	5,223
Early childhood	—	3,757	—	—	—	3,757
Total debt service	—	8,980	—	—	—	8,980
Operation of plant:						
Plant services	—	780,129	—	—	—	780,129
Total operation of plant	—	780,129	—	—	—	780,129
Debt service:						
Principal	—	2,370,487	—	—	—	2,370,487
Interest and fiscal charges	—	2,402,046	—	—	—	2,402,046
Total debt service	—	4,772,533	—	—	—	4,772,533
Facilities improvement and renovation:						
Operation of facilities	1,647,913	296,980	—	15,689,113	—	17,634,006
Total facilities improvement and renovation	1,647,913	296,980	—	15,689,113	—	17,634,006
Total expenditures	1,673,251	6,293,953	228,826	18,194,570	—	26,390,600
Revenues over (under) expenditures	(1,531,533)	4,301,157	(228,345)	(17,969,300)	—	(15,428,021)
Other financing sources (uses):						
Transfers in	17,847,567	7,980,699	228,345	—	(17,847,566)	8,209,045
Transfers out	—	(22,299,304)	—	(2,148,348)	17,847,566	(6,600,086)
Sale of capital assets	210,500	570,000	—	—	—	780,500
Total financing sources (uses)	18,058,067	(13,748,605)	228,345	(2,148,348)	—	2,389,459
Net change in fund balances	16,526,534	(9,447,448)	—	(20,117,648)	—	(13,038,562)
Fund balances – beginning of year	2,115,912	16,467,482	—	32,826,570	—	51,409,964
Fund balances – end of year	\$ 18,642,446	7,020,034	—	12,708,922	—	38,371,402

KANSAS CITY PUBLIC SCHOOLS

Capital Projects Fund— Schedule of Revenues, Expenditures and Changes in Fund Balance- by Project June 30, 2018

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Child Nutrition Capital Projects	Bond Capital Projects	Total Capital Projects funds
Fund balance:					
Restricted					
Property held for sale	\$ 1,745,400	—	—	—	1,745,400
Certificates of participation	—	—	—	12,708,922	12,708,922
Total Restricted	<u>1,745,400</u>	<u>—</u>	<u>—</u>	<u>12,708,922</u>	<u>14,454,322</u>
Committed					
Encumbrances	187,349	6,108	—	—	193,457
Total Committed	<u>187,349</u>	<u>6,108</u>	<u>—</u>	<u>—</u>	<u>193,457</u>
Assigned					
Future equipment purchases	16,709,697	7,013,926	—	—	23,723,623
Total Assigned	<u>16,709,697</u>	<u>7,013,926</u>	<u>—</u>	<u>—</u>	<u>23,723,623</u>
Total fund balance	\$ <u>18,642,446</u>	<u>7,020,034</u>	<u>—</u>	<u>12,708,922</u>	<u>38,371,402</u>

KANSAS CITY PUBLIC SCHOOLS

General Fund— Schedule of Revenues, Expenditures and Changes in Fund Balance Year ended June 30, 2018

Function	Operating General	C-I-P General	Bond Capital Projects General	Eliminations	Total General funds
Revenues:					
Property taxes	\$ 157,796,899	—	—	—	157,796,899
Prop C sales tax	16,794,153	—	—	—	16,794,153
Other local, including investment income	7,855,122	27,388	—	—	7,882,510
Intermediate/county	5,907,382	—	—	—	5,907,382
State aid—basic formula	5,017,812	—	—	—	5,017,812
Other state	8,629,757	—	—	—	8,629,757
Federal	20,875,349	—	—	—	20,875,349
Tuition	265,880	—	—	—	265,880
Total revenues	<u>223,142,354</u>	<u>27,388</u>	<u>—</u>	<u>—</u>	<u>223,169,742</u>
Expenditures:					
Current:					
Administration	15,758,853	—	—	—	15,758,853
Instruction	104,546,211	—	—	—	104,546,211
Support services	37,715,919	532,523	1,103,905	—	39,352,347
Operation of facilities	28,750,353	256	1,072,547	—	29,823,156
Pupil transportation	15,783,598	—	—	—	15,783,598
Community and adult services	12,124,888	—	—	—	12,124,888
Capital outlay	174,452	—	729,798	—	904,250
Total expenditures	<u>214,854,274</u>	<u>532,779</u>	<u>2,906,250</u>	<u>—</u>	<u>218,293,303</u>
Revenues over (under) expenditures	<u>8,288,080</u>	<u>(505,391)</u>	<u>(2,906,250)</u>	<u>—</u>	<u>4,876,439</u>
Other financing sources (uses):					
Transfers in	74,000	532,523	2,148,350	(532,523)	2,222,350
Transfers out	(8,513,223)	—	—	532,523	(7,980,700)
Total other financing sources (uses)	<u>(8,439,223)</u>	<u>532,523</u>	<u>2,148,350</u>	<u>—</u>	<u>(5,758,350)</u>
Net change in fund balances	<u>(151,143)</u>	<u>27,132</u>	<u>(757,900)</u>	<u>—</u>	<u>(881,911)</u>
Fund balances, beginning of year	61,961,461	(2,452,586)	—	—	59,508,875
Fund balances, end of year	<u>\$ 61,810,318</u>	<u>(2,425,454)</u>	<u>(757,900)</u>	<u>—</u>	<u>58,626,964</u>

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2018

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Prop C taxes	\$ 6,523,934	6,577,334	6,660,323	82,989
Local	—	—	54,516	54,516
County	292,159	209,308	209,220	(88)
Basic formula	—	609,211	1,121,940	512,729
State	385,610	385,610	312,500	(73,110)
Federal	289,557	246,588	271,398	24,810
Total revenues	<u>7,491,260</u>	<u>8,028,051</u>	<u>8,629,897</u>	<u>601,846</u>
Expenditures:				
Current:				
Administration:				
Executive administration:				
Salaries	391,750	411,750	413,235	(1,485)
Benefits	98,076	111,914	102,998	8,916
Total executive administration	<u>489,826</u>	<u>523,664</u>	<u>516,233</u>	<u>7,431</u>
Building level administration:				
Salaries	5,913,741	6,165,659	6,182,763	(17,104)
Benefits	1,758,859	1,828,524	1,697,177	131,347
Total building level administration	<u>7,672,600</u>	<u>7,994,183</u>	<u>7,879,940</u>	<u>114,243</u>
Total administration	<u>8,162,426</u>	<u>8,517,847</u>	<u>8,396,173</u>	<u>121,674</u>
Instruction:				
Elementary:				
Salaries	26,378,123	24,898,276	25,449,430	(551,154)
Benefits	9,424,994	8,376,539	8,581,369	(204,830)
Total elementary	<u>35,803,117</u>	<u>33,274,815</u>	<u>34,030,799</u>	<u>(755,984)</u>
Middle:				
Salaries	2,621,742	2,767,186	2,783,460	(16,274)
Benefits	934,023	946,864	958,991	(12,127)
Total middle/junior high	<u>3,555,765</u>	<u>3,714,050</u>	<u>3,742,451</u>	<u>(28,401)</u>
Senior high:				
Salaries	10,039,483	9,929,544	10,431,879	(502,335)
Benefits	3,575,604	3,316,905	3,519,125	(202,220)
Total senior high	<u>13,615,087</u>	<u>13,246,449</u>	<u>13,951,004</u>	<u>(704,555)</u>
Other Instruction:				
Salaries	449,492	711,258	747,865	(36,607)
Benefits	40,224	69,541	65,682	3,859
Total summer school	<u>489,716</u>	<u>780,799</u>	<u>813,547</u>	<u>(32,748)</u>
Special education:				
Salaries	10,467,921	9,933,259	9,135,726	797,533
Benefits	3,398,254	3,290,524	2,951,466	339,058
Total special education	<u>13,866,175</u>	<u>13,223,783</u>	<u>12,087,192</u>	<u>1,136,591</u>

(Continued)

KANSAS CITY PUBLIC SCHOOLS

Schedule of Budgetary Comparison—Teachers' Fund (a sub-fund of the General fund) Year ended June 30, 2018

	Original budget	Final budget	Actual	Variance with Final Budget
Culturally different:				
Salaries	\$ 4,750,262	5,414,405	4,976,094	438,311
Benefits	1,655,240	1,776,432	1,606,822	169,610
Total culturally different	6,405,502	7,190,837	6,582,916	607,921
Vocational instruction:				
Salaries	1,406,382	1,391,965	1,338,343	53,622
Benefits	478,029	475,656	441,220	34,436
Total vocational instruction	1,884,411	1,867,621	1,779,563	88,058
Student activities:				
Salaries	615,089	653,790	928,086	(274,296)
Benefits	58,800	63,460	84,526	(21,066)
Total student activities	673,889	717,250	1,012,612	(295,362)
Total instruction	76,293,662	74,015,604	74,000,084	15,520
Support services:				
Attendance/placement:				
Salaries	—	47,556	41,979	5,577
Benefits	—	4,263	4,080	183
Total attendance/placement	—	51,819	46,059	5,760
Guidance/counseling:				
Salaries	2,572,298	2,588,367	2,517,008	71,359
Benefits	846,669	855,430	800,881	54,549
Total guidance/counseling	3,418,967	3,443,797	3,317,889	125,908
Health, psychology, and speech:				
Salaries	2,161,144	1,381,317	1,188,451	192,866
Benefits	729,948	466,665	387,784	78,881
Total health, psychology, and speech	2,891,092	1,847,982	1,576,235	271,747
Improvement of instruction:				
Current development:				
Salaries	1,522,511	3,124,507	3,011,218	113,289
Benefits	432,061	832,962	717,432	115,530
Total current developments	1,954,572	3,957,469	3,728,650	228,819
Educational media services:				
Salaries	1,686,449	1,851,784	1,605,489	246,295
Benefits	537,452	587,563	511,199	76,364
Total educational media	2,223,901	2,439,347	2,116,688	322,659
Financial Services				
Salaries	203,742	18,800	59,938	(41,138)
Benefits	59,559	1,868	5,207	(3,339)
Total financial services	263,301	20,668	65,145	(44,477)
Total support services	10,751,833	11,761,082	10,850,666	910,416

(Continued)

KANSAS CITY PUBLIC SCHOOLS

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

Year ended June 30, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Community and adult services:				
Adult basic education:				
Salaries	\$ 63,807	33,300	28,437	4,863
Benefits	21,253	10,677	9,864	813
Total adult basic education	<u>85,060</u>	<u>43,977</u>	<u>38,301</u>	<u>5,676</u>
Community services				
Salaries	—	200	—	200
Benefits	—	18	—	18
Total adult basic education	<u>—</u>	<u>218</u>	<u>—</u>	<u>218</u>
Early Childhood				
Salaries	1,713,432	1,700,657	1,610,518	90,139
Benefits	538,232	489,571	532,610	(43,039)
Total early childhood	<u>2,251,664</u>	<u>2,190,228</u>	<u>2,143,128</u>	<u>47,100</u>
Total community and adult services	<u>2,336,724</u>	<u>2,234,423</u>	<u>2,181,429</u>	<u>52,994</u>
Total expenditures	<u>97,544,645</u>	<u>96,528,956</u>	<u>95,428,352</u>	<u>1,100,604</u>
Revenues under expenditures	(90,053,385)	(88,500,905)	(86,798,455)	1,702,450
Other financing sources:				
Transfers in	<u>90,053,385</u>	<u>88,500,905</u>	<u>86,798,455</u>	<u>(1,702,450)</u>
Revenues and other financing sources over (under) expenditures	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balance, beginning of year			—	
Fund balance, end of year			<u>\$ —</u>	

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, 2018
(with comparative totals for June 30, 2017)

	Total	
	2018	2017
Capital assets (gross):		
Land	\$ 31,227,988	29,700,478
Buildings	544,857,741	535,132,021
Improvements other than buildings	56,564,917	49,345,330
Impairment-closed buildings	10,023,206	11,420,582
Equipment, furniture, and vehicles	20,652,497	20,637,584
Construction in progress	543,178	836,548
Total	<u>\$ 663,869,527</u>	<u>647,072,543</u>
Investment in capital assets by source:		
General fund	\$ 329,003	347,590
Capital projects	661,826,897	645,036,379
Special revenue	1,647,604	1,622,551
Trust and agency	13,127	13,127
Donations	52,896	52,896
Total	<u>\$ 663,869,527</u>	<u>647,072,543</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, 2018

Classification	Beginning balance July 1, 2017	Adjustments	Additions	Retirements	Construction- in-progress transfers	Ending balance June 30, 2018
High schools	\$ 272,240,030	210,485	10,773,281	(263,337)	—	282,960,459
Middle schools	112,441,375	902,198	1,867,269	(751,641)	—	114,459,201
Elementary schools	231,554,246	(48,597)	4,889,613	(911,244)	—	235,484,018
Administration	30,000,344	(1,064,086)	1,966,585	(480,172)	—	30,422,671
Construction in progress	836,548	—	153,767	(447,137)	—	543,178
Total	\$ 647,072,543	—	19,650,515	(2,853,531)	—	663,869,527

KANSAS CITY PUBLIC SCHOOLS

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

June 30, 2018

Classification	Land	Buildings	Improvements other than buildings	Impaired assets	Equipment, furniture, vehicles	Construction- in-progress	Total
High schools	\$ 9,970,406	233,735,860	29,648,544	2,689,519	6,916,130	—	282,960,459
Middle schools	5,306,862	102,590,227	5,591,427	—	970,685	—	114,459,201
Elementary schools	11,826,207	191,118,509	19,279,895	7,333,687	5,925,720	—	235,484,018
Administration	4,124,513	17,413,145	2,045,051	—	6,839,962	—	30,422,671
Construction-in-progress	—	—	—	—	—	543,178	543,178
Total	\$ 31,227,988	544,857,741	56,564,917	10,023,206	20,652,497	543,178	663,869,527

Kansas City Public Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Identifying Number	Expenditures
U.S. Department of Education:			
Direct, Elementary and Secondary Counseling Program	84.215	S215E150439	\$ 379,767
Passed through Webster University:			
Culturally Different	84.365Z	T365Z120052	5,696
Passed through Missouri Department of Elementary and Secondary Education:			
Title I	84.010A	S010A160025 & S010A170025	7,418,188
Title I - School Improvement 1003A	84.010A	S010A150025 & S010A160025	911,965
Title ID - Prevention & Intervention	84.010A	S010A160025	47,582
Subtotal			<u>8,377,735</u>
Individuals with Disabilities Education Act (IDEA):			
Entitlement ⁽²⁾	84.027A	H027A160040 & H027A170040	3,738,730
Early Childhood Special Education (611) ⁽²⁾	84.027A	H027A170040	319,420
Subtotal			<u>4,058,150</u>
Early Childhood Special Education (619) ⁽²⁾	84.173A	H1731A170103	91,454
Charter School Grant	84.282A	U282A100017	29,853
Title III, English Language Learners	84.365	S365A160025 & S365A170025	661,440
Title III, Language Instruction Immigrant	84.365A	S365A160025 & S365A170025	101,363
School Improvement Grant CADRE III	84.377A	S377A130026 & S377A140026	949,815
Title II, Part A	84.367A	S367A170024 & S367A160024	1,179,792
Carl D. Perkins Vocational Education Act (P.L. 98-524),			
Title I, Part C, Migrant Education	84.011A	S011A170025	16,500
Title II, Part C, Improvement and Expansion	84.048A	V048A160025 & V048A170025	688,608
Title IV, Part A,	84.42A	S424A170026	5,769
Total U.S. Department of Education			<u>\$ 16,545,942</u>

(Continued)

Kansas City Public Schools

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2018

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	\$ 271,398
U.S. Department of Agriculture:			
Passed through Missouri Department of Elementary and Secondary Education:			
Food Distribution ⁽¹⁾ (noncash)	10.555	N/A	642,445
National School Lunch Program ⁽¹⁾	10.555	20177N109943 & 20188N109943	6,842,922
Subtotal			7,485,367
National School Breakfast Program ⁽¹⁾	10.553	20177N109943 & 2018IN109943	2,850,390
National School Snack Program ⁽¹⁾	10.553	2018N109943	69,062
Subtotal			2,919,452
Passed through Missouri Department of Health and Senior Services:			
Child and Adult Care Food Program	10.558	ERS46111932	1,305,653
Summer Nutrition Program ⁽¹⁾	10.559	ERS0461932S	435,736
Total U.S. Department of Agriculture			12,146,208
U.S. Department of Labor			
Passed through Full Employment Council			
WIOA Youth activities	17.259	AA-30771-17-60-a-29	37,842
U.S. Department of Health and Human Services:			
Passed through Missouri Department of Elementary and Secondary Education			
JAG TANF Grant	93.558	1701MDTANF	29,484
Homeless Children & Youth	84.196A	S196A170026 & S196A170026	129,957
Refugee Children School Impact	93.576	1701MORSOC & 1801MORSOC	44,670
Subtotal			204,111
Passed through Mid America Regional Council			
Early Head Start Expansion	93.600	07HP000084	251,183
Head Start	93.600	07CH7056	4,364,527
Total U.S. Department of Health and Human Services			4,819,821
Total expenditures of federal awards			\$ 33,821,211

See notes to schedule of expenditures of federal awards.

⁽¹⁾ Included in total Child Nutrition Cluster amount of \$10,840,555.

⁽²⁾ Included in total Special Education Cluster (IDEA) amount of \$4,149,604.

KANSAS CITY PUBLIC SCHOOLS
Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Kansas City Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Significant Accounting Policies

Revenue from federal awards is recognized when Kansas City Public Schools has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period in which the liability is incurred. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3. Noncash Assistance

The schedule includes federal awards in the form of noncash assistance (food commodities) received during the year in the amount of \$642,445 related to the U.S. Department of Agriculture passed through the Missouri Department of Elementary and Secondary Education—CFDA No. 10.555.

Note 4. Subrecipients

There were no federal awards passed through to subrecipients for the year ended June 30, 2018.

Note 5. Indirect Cost Rate

The Kansas City Public Schools has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities:										
Net investment in capital assets	\$ 302,544	\$ 317,613	\$ 318,262	\$ 313,050	\$ 311,276	\$ 296,176	\$ 325,699	\$ 320,182	\$ 331,473	\$ 371,354
Restricted	29,536	12,281	14,847	15,479	16,781	25,587	24,503	25,484	10,594	12,489
Unrestricted	(93,944)	(42,264)	(25,324)	2,477	104,618	123,174	110,811	99,271	105,853	114,368
Total governmental activities, net of position	\$ <u>238,135</u>	\$ <u>287,630</u>	\$ <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>
Business-type activities:										
Unrestricted	\$ <u>823</u>	\$ <u>465</u>	\$ <u>433</u>	\$ <u>288</u>	\$ <u>501</u>	\$ <u>374</u>	\$ <u>178</u>	\$ <u>39</u>	\$ <u>180</u>	\$ <u>522</u>
Total business-type activities, net of position	\$ <u>823</u>	\$ <u>465</u>	\$ <u>—</u>	\$ <u>288</u>	\$ <u>501</u>	\$ <u>374</u>	\$ <u>178</u>	\$ <u>39</u>	\$ <u>180</u>	\$ <u>522</u>
Primary government:										
Net investment in capital assets	\$ 302,544	\$ 317,613	\$ 318,262	\$ 313,050	\$ 311,276	\$ 296,176	\$ 325,699	\$ 320,182	\$ 331,473	\$ 371,354
Restricted	29,536	12,281	14,847	15,479	16,781	25,587	24,503	25,484	10,594	12,489
Unrestricted	(93,121)	(41,799)	(24,891)	2,765	105,119	123,548	110,990	99,310	106,033	114,890
Total primary government, net of position	\$ <u>238,958</u>	\$ <u>288,095</u>	\$ <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>

The District adopted GASB Statement Nos. 68 and 71 in 2015, which restated beginning net position of governmental activities.

The District adopted GASB Statement No. 75 in 2018, 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)

Classification	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities:										
Administration	\$ 16,195	\$ 16,035	\$ 17,416	\$ 16,326	\$ 16,710	\$ 11,521	\$ 13,150	\$ 20,646	\$ 20,874	\$ 25,512
Instruction	118,416	115,241	127,841	118,825	105,802	100,639	101,298	116,388	149,927	175,175
Support services	78,338	69,642	57,780	58,340	51,572	51,372	46,820	52,810	67,768	76,835
Operation of facilities	29,943	30,741	33,451	34,467	33,744	52,366	28,746	29,462	41,589	40,936
Pupil transportation	15,786	15,802	12,725	12,124	11,443	11,847	12,102	12,863	15,258	17,211
Facilities improvements and renovation	3,922	1,051	826	2,604	14,638	3,829	2,123	15,724	225	7,909
Community and adult services	12,125	12,222	12,353	10,347	8,951	8,706	9,194	11,748	9,644	8,478
Interest on long-term debt	4,491	5,749	3,332	2,597	2,809	2,989	3,716	2,044	1,990	2,791
Total governmental activities expenses	<u>\$ 279,216</u>	<u>\$ 266,483</u>	<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>
Business-type activities										
Community services	\$ 108	\$ 107	\$ 116	\$ 393	\$ 57	\$ 57	\$ 151	\$ 29	\$ 32	\$ 194
Total business-type activities expenses	<u>108</u>	<u>107</u>	<u>116</u>	<u>393</u>	<u>57</u>	<u>57</u>	<u>151</u>	<u>29</u>	<u>32</u>	<u>194</u>
Total primary government expenses	<u>\$ 279,324</u>	<u>\$ 266,591</u>	<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>
Program Revenues										
Governmental activities:										
Charges for services										
Administration	\$ 0	\$ 9	\$ 3	\$ —	\$ —	\$ —	\$ 2	\$ —	\$ —	\$ —
Instruction	42	11	147	65	28	165	3	—	34	—
Support services	252	1,328	1,690	3,715	1,947	2,931	766	935	685	1,992
Operation of facilities	—	21	3	—	6	—	6	41	49	61
Pupil transportation	—	—	3	3	94	203	79	32	19	4
Community and adult services	245	112	151	47	291	—	—	2	25	156
Operating grants and contributions										
Administration	—	119	—	26	20	—	—	183	43	—
Instruction	28,743	30,901	29,015	36,633	33,449	32,774	30,402	45,623	56,153	37,711
Support services	12,219	12,895	13,572	11,863	11,694	10,476	9,440	16,901	18,018	18,068
Operation of facilities	132	2	—	2	—	—	—	—	7	—
Pupil transportation	2,634	2,117	2,708	2,668	2,354	2,405	2,910	3,057	5,496	6,405
Community and adult services	2,881	2,250	1,446	1,189	2,198	1,626	2,398	971	528	670
Capital grants and contributions										
Administration	—	—	—	—	—	—	—	10	—	—
Instruction	3	5	—	456	—	15	813	111	804	37
Support services	—	298	—	150	—	6	25	1	—	—
Operation of facilities	25	225	—	225	—	198	249	183	230	189
Facilities improvements and renovation	—	—	—	—	—	—	—	—	—	495
Community and adult services	—	—	—	5	—	—	—	—	—	12
Interest on long-term debt	1,614	1,739	1,743	2,043	1,893	2,136	1,956	—	—	—
Total governmental activities program revenue	<u>48,789</u>	<u>52,031</u>	<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>

Classification	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Business-type activities:										
Charges for services	540	381	412	301	227	253	291	46	97	287
Total business-type activities program revenues	540	381	412	301	227	253	291	46	97	287
Total primary governmental program revenues	\$ 49,329	\$ 52,412	\$ 50,893	\$ 59,166	\$ 54,201	\$ 53,188	\$ 49,340	\$ 68,097	\$ 82,187	\$ 66,088
Net (expense)/revenue										
Governmental activities	\$ (230,427)	\$ (214,452)	\$ (215,243)	\$ (196,766)	\$ (191,693)	\$ (190,333)	\$ (168,100)	\$ (193,635)	\$ (225,186)	\$ (289,045)
Business-type activities	432	273	295	(92)	170	196	139	17	64	93
Total primary government net expense	\$ (229,995)	\$ (214,179)	\$ (214,947)	\$ (196,858)	\$ (191,523)	\$ (190,137)	\$ (167,961)	\$ (193,617)	\$ (225,122)	\$ (288,952)

**General Revenues and Other Changes in
Net Position**

Governmental activities:										
Property taxes	\$ 165,714	\$ 158,869	\$ 146,959	\$ 144,992	\$ 141,515	\$ 136,844	\$ 138,277	\$ 146,191	\$ 144,211	\$ 152,705
Prop C Sales tax	17,761	17,798	17,616	15,149	15,579	15,061	15,128	15,831	16,659	20,180
Other local revenues	5,119	4,341	7,706	5,559	5,039	7,256	6,067	3,363	2,249	3,600
County governmental contributions	5,907	5,672	4,964	5,284	5,054	5,284	4,287	3,489	3,295	4,209
State aid-basic formula	5,018	6,626	12,365	12,274	8,529	10,148	18,970	20,150	44,028	70,172
Grants and entitlements not restricted to specific programs	146	7	743	705	409	427	441	561	328	821
Gain (loss) on sale of capital assets	(317)	—	—	545	659	—	—	—	—	—
Investment earnings	1,884	743	1,519	1,499	2,604	(763)	1,007	906	1,753	4,500
Special item	—	—	—	—	—	—	—	—	(38,038)	—
Extraordinary item	—	—	—	—	—	—	—	161	—	1,419
Transfers	74	242	150	120	43	—	—	—	410	1,000
Total governmental activities	201,306	194,298	192,023	186,127	179,431	174,257	184,177	190,652	174,895	258,606
Business-type activities:										
Investment earnings	—	—	—	—	—	—	—	2	4	3
Transfers	(74)	(242)	(150)	(120)	(43)	—	—	(161)	(410)	(1,000)
Total business-type activities	(74)	(242)	(150)	(120)	(43)	—	—	(159)	(406)	(997)
Total primary government	\$ 201,232	\$ 194,056	\$ 191,872	\$ 186,007	\$ 179,388	\$ 174,257	\$ 184,176	\$ 190,493	\$ 174,489	\$ 257,610

Change in Net Position

Governmental activities	\$ (29,121)	\$ (20,154)	\$ (23,220)	\$ (10,639)	\$ (12,262)	\$ (16,076)	\$ 16,076	\$ (2,983)	\$ (50,291)	\$ (30,439)
Business-type activities	358	31	145	(212)	127	196	139	(141)	(342)	(904)
Total primary government	\$ (28,763)	\$ (20,123)	\$ (23,075)	\$ (10,851)	\$ (12,135)	\$ (15,880)	\$ 16,215	\$ (3,125)	\$ (50,633)	\$ (31,343)

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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Nonspendable	\$ 1,193	\$ 5	\$ 5	\$ 82	\$ 1,223	\$ —	\$ —	\$ —	\$ 520	\$ —
Restricted	284	281	280	280	3,027	301	837	289	816	—
Assigned	3,961	3,294	2,726	751	3,997	479	1,467	897	2,256	—
Unassigned	53,189	55,929	54,023	56,675	64,965	64,782	61,504	51,236	37,255	—
Reserved							—	—	—	1,853
Unreserved:										
Designated:										
Grant activity	—	—	—	—	—	—	—	—	—	2,742
Reserve for contingency	—	—	—	—	—	—	—	—	—	5,000
Undesignated	—	—	—	—	—	—	—	—	—	37,701
Total general fund	<u>\$ 58,627</u>	<u>\$ 59,509</u>	<u>\$ 57,035</u>	<u>\$ 57,788</u>	<u>\$ 73,212</u>	<u>\$ 65,562</u>	<u>\$ 63,808</u>	<u>\$ 52,422</u>	<u>\$ 40,847</u>	<u>\$ 47,296</u>
All other governmental funds										
Nonspendable	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 2,074	\$ 2,619	\$ 2,567	\$ 1,675	\$ —
Restricted	29,217	16,501	17,888	18,065	16,348	28,802	45,336	56,904	46,043	—
Committed	193	4,411	3,847	4,811	19,373	31,770	45,742	34,655	25,781	—
Assigned	23,724	45,055	12,400	22,153	6,203	17,544	3,785	7,904	15,126	—
Unassigned	—	—	—	—	—	—	(759)	—	—	—
Reserved										
Debt service funds	—	—	—	—	—	—	—	—	—	11,968
Capital projects funds	—	—	—	—	—	—	—	—	—	10,075
Nonmajor funds	—	—	—	—	—	—	—	—	—	239
Unreserved, reported in:										
Designated:										
Long-term building maintenance	—	—	—	—	—	—	—	—	—	11,299
Transition period funding	—	—	—	—	—	—	—	—	—	—
Technology plan	—	—	—	—	—	—	—	—	—	2,784
CIP escrow	—	—	—	—	—	—	—	—	—	12,600
Compensated absences	—	—	—	—	—	—	—	—	—	21,138
E-Rate/E-Rate support	—	—	—	—	—	—	—	—	—	1,848
Undesignated:										
Special revenue funds	—	—	—	—	—	—	—	—	—	(110)
Capital projects funds	—	—	—	—	—	—	—	—	—	6,964
Permanent funds	—	—	—	—	—	—	—	—	—	124
Total all other governmental funds	<u>\$ 53,169</u>	<u>\$ 66,002</u>	<u>\$ 34,170</u>	<u>\$ 45,064</u>	<u>\$ 41,959</u>	<u>\$ 80,190</u>	<u>\$ 96,723</u>	<u>\$ 102,029</u>	<u>\$ 88,625</u>	<u>\$ 83,906</u>

The District implemented GASB54 in fiscal year 2011.

KANSAS CITY PUBLIC SCHOOLS

Table 4

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

Last Ten Fiscal Years

(Modified accrual basis of accounting)

(Amounts expressed in thousands)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Property taxes	\$ 166,781	\$ 156,704	\$ 144,378	\$ 144,075	\$ 139,195	\$ 142,138	\$ 138,391	\$ 147,293	\$ 144,986	\$ 149,926
Prop C Sales tax	17,761	17,798	17,616	15,149	15,579	15,061	15,128	15,831	16,659	20,180
Other local revenues	9,748	9,706	11,600	9,519	11,055	8,702	8,647	5,581	5,375	11,836
County governmental contributions	5,907	5,672	4,964	5,284	5,054	5,284	4,287	3,489	3,295	4,209
State aid-basic formula	5,018	6,626	12,365	12,274	8,529	10,148	18,225	20,150	44,028	70,172
Other state	8,709	7,125	7,560	8,473	5,790	6,009	8,981	6,981	8,504	10,999
Federal	34,521	42,634	44,423	43,767	48,576	38,782	39,441	60,751	74,338	48,797
Tuition	266	168	416	362	5	283	25	10	52	13
Total revenues	248,710	246,432	243,321	238,902	233,783	226,407	233,126	260,086	297,236	316,132
Expenditures										
Administration	15,761	17,334	15,446	17,227	15,659	15,526	14,359	16,012	20,811	25,643
Instruction	105,594	103,335	109,321	108,092	95,329	91,352	92,571	105,754	136,551	160,407
Support services	55,640	57,848	53,852	51,717	54,967	51,560	45,983	54,740	73,343	75,984
Operation of facilities	30,603	31,921	32,170	34,487	34,296	29,478	27,624	29,569	41,205	41,286
Pupil transportation	15,786	15,802	12,725	12,124	11,443	11,847	12,102	12,863	15,258	17,211
Community and adult services	12,134	12,367	11,445	10,338	8,943	8,697	9,198	11,732	9,625	8,553
Facilities improvements and renovations	18,538	30,330	29,502	13,292	36,447	22,764	12,351	6,241	7,290	17,736
Debt service										
Principal	4,720	5,173	3,601	2,009	5,750	7,555	9,770	10,875	10,385	9,945
Interest	4,504	5,303	3,336	2,600	2,928	3,287	3,773	3,755	2,352	3,244
Total expenditures	263,280	279,413	271,397	251,886	265,763	242,066	227,730	251,541	316,822	360,009
Excess of revenues under expenditures	(14,570)	(32,980)	(28,076)	(12,984)	(31,980)	(15,659)	5,396	8,545	(19,586)	(43,877)
Other financing sources (uses)										
Transfers in	14,883	9,748	6,339	13,948	18,779	19,300	21,691	25,348	112,411	176,079
Transfers out	(14,809)	(9,506)	(6,189)	(13,828)	(18,736)	(19,300)	(21,691)	(25,188)	(112,002)	(157,909)
Issuance of long term debt	-	51,035	-	-	-	-	-	16,274	17,880	-
Premium on long-term debt	-	2,317	-	-	-	-	-	-	-	-
Payment to refunded debt	-	-	-	-	-	-	-	-	-	(13,977)
Capital Leases/lease purchase agreemer	-	11,640	16,147	-	-	-	-	-	-	-
Unrealized proceeds - surplus assets	-	-	-	-	-	-	620	-	-	1,826
Unrealized loss on surplus assets	-	-	(300)	-	-	(920)	(904)	-	(595)	-
Sales of capital assets	781	2,053	431	545	1,356	1,798	968	-	161	1,401
Total other financing sources (uses)	855	67,287	16,428	666	1,399	878	684	16,435	17,856	7,420
Net change in fund balances	\$ (13,715)	\$ 34,307	\$ (11,648)	\$ (12,318)	\$ (30,581)	\$ (14,781)	\$ 6,080	\$ 24,979	\$ (1,730)	\$ (36,457)
Debt service as a percentage of noncapital expenditures	4.3%	4.3%	2.9%	1.9%	3.8%	5.0%	6.3%	6.2%	4.2%	3.8%

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
2017	\$ 2,478,583,172	\$ 10,666,103,205	\$ 706,641,826	\$ 2,120,137,492	3,185,224,998	12,786,240,697	25 %
2016	2,206,661,482	9,638,832,171	692,101,904	2,076,513,363	2,898,763,386	11,715,345,534	25
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

- (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)
2018	\$ 1.6006	\$ —	\$ 0.03	\$ 0.485	\$ 0.2297	\$ —	\$ 0.4676	\$ 4.96	\$ 7.77
2017	1.5906	—	0.03	0.503	0.2339	—	0.4940	4.96	7.81
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

- (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, 2018

		Tax Year 2017			Tax Year 2008		
Taxpayers	Type of Business	Assessed value(1)	Rank	Percentage of total	Assessed value(1)	Rank	Percentage of total
				assessed value			assessed value
Hallmark & Crown Properties	Greeting cards, hotel and retail sales	65,170,474	1	2.05%	66,853,049	1	2.26%
Google Fiber Missouri LLC	Communications	39,983,693	2	1.26	-		
Southern Union Company	Transportation	38,197,772	3	1.20	13,979,669	10	0.47
Bayer Corporation	Ag research mfg	31,011,217	4	0.97	15,719,167	8	0.53
Country Club Plaza JV LLLC	Real estate investment	29,629,936	5	0.93	-		
Town Pavilion Holdings LLC	Retail shopping center	25,470,170	6	0.80	-		
AT&T/Southwestern Bell	Communications	17,420,439	7	0.55	25,733,566	4	0.87
Twentieth Century Realty Inc	Real estate	13,454,144	8	0.42	17,250,784	6	0.58
1200 Chiefs Owner LLC	Commercial and industrial building operation	12,800,000	9	0.40	-		
Crossgate Hotel Partners LLC	Real estate investment	12,281,809	10	0.39	-		
Kansas City Power & Light	Utilities	-			39,871,622	2	1.35
Kansas City Star	Newspaper	-			23,079,769	5	0.78
JC Nichols & Highwoods Realty	Real estate investment	-			30,256,155	3	1.02
FSP Grand Blvd	Real estate	-			16,848,000	7	0.57
DST, Inc.	Investment, securities, finance	-			15,619,242	9	0.53
		<u>\$ 285,419,654</u>		<u>8.96%</u>	<u>265,211,023</u>		<u>8.96%</u>

Note: Total assessed value for 2017 was \$3,185,224,998 and 2008 was \$2,959,242,023

(1) Based on calendar year ended December 31, 2017 and December 31, 2008.

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
2017	\$	152,478,548	145,810,859	95.6%	\$ 9,439,450	\$ 155,250,309	101.8%	\$ 16,341,716	11%
2016		141,314,785	130,897,819	92.6%	11,152,184	142,050,003	100.5%	16,608,841	12%
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%

✓ (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	Certificates of Participation	Total Primary Government
2018	\$	25,455,000	23,277,565	48,740,000	97,472,565
2017		27,805,000	24,813,052	49,575,000	102,193,052
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

Table 10

KANSAS CITY PUBLIC SCHOOLS

Computation of Overlapping Debt

June 30, 2018

Jurisdiction	General obligation bonds outstanding (2)	Percentage applicable to District (1)	Amount applicable to District
City of Kansas City, Missouri	\$ 327,275,000	100%	\$ 327,275,000

(1) Source: District boundaries are within the city limits of Kansas City, Missouri

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

Table 11**KANSAS CITY PUBLIC SCHOOLS**

Computation of Legal Debt Margin

June 30, 2018

Total assessed value, tax levy year 2017 (1)	\$	3,185,224,998
Legal debt margin—15% of assessed value (2)		477,783,750

(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, 2018.

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	
2018	193,837	14,124	7.29	%	12,904	91.4	%
2017	193,837	14,161	7.31		13,224	93.4	
2016	193,837	14,662	7.56		13,273	90.5	
2015	193,837	14,312	7.38		12,942	90.4	
2014	193,837	14,192	7.32		12,833	90.4	
2013	193,837	15,708	8.10		13,317	84.8	
2012	193,837	15,403	7.95		13,732	89.2	
2011	193,837	15,854	6.62		13,890	87.6	
2010	193,837	17,104	7.14		15,451	90.3	
2009	239,451	17,892	7.47		16,051	89.7	

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)
2018	\$ 12,786,240,696	\$ 54.5	\$ 78.3
2017	11,715,345,535	38.8	112.9
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

(1) See Table 5.

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
2018	13,969	14,614	\$ 13,763	14,124	1,162
2017	14,210	14,871	13,744	14,161	1,104
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

(1) Current expenditures as defined by the State of Missouri Department of Elementary and Secondary Education.

(2) Average daily attendance and Eligible pupil counts include K-12 students.