

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2007

(With Independent Auditors' Report Thereon)

Prepared by

Business & Finance Division

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Table of Contents

	Page
Introductory Section	
Letter of Transmittal	i - iv
Mission and Vision of District	1
Organization Chart	2
List of Principal Officials	3
Comprehensive Elementary School Boundaries	4
Comprehensive Middle School Boundaries	5
Comprehensive High School Boundaries	6
GFOA Certificate of Achievement for Excellence in Financial Reporting	7
ASBO Certificate of Excellence in Financial Reporting	8
Financial Section	
Independent Auditors' Report	9 - 10
Management's Discussion and Analysis	11 - 24
Basic Financial Statements:	
Statement of Net Assets	25
Statement of Activities	26
Balance Sheet—Governmental Funds	27
Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets	28
Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds	29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
Statement of Net Assets—Proprietary Funds	31
Statement of Revenues, Expenses, and Changes in Fund Net Assets—Proprietary Funds	32
Statement of Cash Flows—Proprietary Funds	33
Statement of Fiduciary Net Assets	34
Statement of Changes in Fiduciary Net Assets	35
Notes to Basic Financial Statements	36 - 57
Required Supplementary Information:	
Schedule of Budgetary Comparison—General Fund	58 - 63
Schedule of Budgetary Comparison—Teachers' Fund	64 - 67
Note to the Required Supplementary Information	68

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Table of Contents

		Page
Nonmajor Fund Financial Statements and Schedules		
Nonmajor Governmental Funds—Combining Balance Sheet		69
Nonmajor Governmental Funds—Combining Statement of Revenues, Expenditures, and Changes in Fund Balances		70
Child Nutritional Services Fund—Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual		71
Capital Projects Fund—Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual		72 - 73
Capital Projects Fund—Schedule of Revenues, Expenditures, and Changes in Fund Balance—by Project		74 - 77
Internal Service Funds—Combining Statement of Net Assets		78
Internal Service Funds—Combining Statement of Revenues, Expenses, and Changes in Net Assets		79
Internal Service Funds—Combining Statement of Cash Flows		80
Capital Assets Used in the Operation of Governmental Funds by Source		81
Schedule of Changes of Capital Assets Used in the Operation of Governmental Funds by Function and Activity		82
Capital Assets Used in the Operation of Governmental Funds by Function and Activity		83
	Table	
Statistical Section (Unaudited)		
Table of contents		84
Net Assets by Component—Last Six Fiscal Years	1	85
Changes in Net Assets—Last Six Fiscal Years	2	86 - 88
Fund Balances of Governmental Funds—Last Six Fiscal Years	3	89
Changes in Fund Balances of Governmental Funds and Debt Service Ratio — Last Six Fiscal Years	4	90 - 91
Assessed and Estimated Actual Value of Taxable Property—Last Ten Calendar Years	5	92
Property Tax Rates—Direct and Overlapping Governments—Last Ten Fiscal Years	6	93
Principal Property Taxpayers	7	94
Property Tax Levies and Collections—Last Ten Calendar Years	8	95
Outstanding Debt by Type—Last Ten Fiscal Years	9	96
Computation of Overlapping Debt	10	97
Computation of Legal Debt Margin	11	98
Demographic Statistics—Last Ten Fiscal Years	12	99
Property Value and Construction Costs—Last Ten Fiscal Years	13	100
Per-Pupil Costs—Last Ten Fiscal Years	14	101



**Kansas City, Missouri
SCHOOL DISTRICT**

At the heart of success.

October 1, 2007

Board of Directors and Citizens of the District
School District of Kansas City, Missouri
1211 McGee Street
Kansas City, MO 64106

The Board of Directors and Citizens:

Missouri revised statute section 165.111 requires an audit to be performed at least biennially of the financial records of all funds of the District. In compliance with this statute, the Comprehensive Annual Financial Report (CAFR) of the School District of Kansas City, Missouri (the District) for the fiscal year ended June 30, 2007 will be submitted to the Department of Elementary and Secondary Education before October 31, 2007. In addition, this report provides the Missouri Department of Elementary and Secondary Education (DESE), citizens, financial institutions, grantor agencies, and other interested parties with reliable information concerning the financial condition of the District.

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

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

McGladrey & Pullen, LLP, certified public accountants, have issued an unqualified opinion on the District's financial statements for the year ended June 30, 2007. The independent auditor's report is located in the front of the financial section of this report.

The District is also required to have performed annually an audit in compliance with the U.S. Office of Management and Budget Circular A-133 and *Government Auditing Standards*. Welch & Associates, LLP, certified public accountants, performed this audit. Information related to this audit, 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 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 239,451 people. The District covers about 87 square miles within the corporate limits of Kansas City, Independence, and Sugar Creek, Missouri.

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

- School District of Kansas City, Missouri Building Corporation - provide financing of capital projects and management of related debt service.

The District operates 7 high schools, 9 middle schools, 1 vocational school, 7 alternative schools, 2 early childhood centers and 46 elementary schools. At all levels, there are comprehensive community and magnet school curriculums. Among the magnet theme curriculums are investigative & applied learning, visual and performing arts, college preparatory, foreign languages, and Montessori. The District serves about 24,000 students and employs over 4,600 teachers, principals, and other support staff.

The Board is required to adopt balanced budgets by the end of each fiscal year in compliance with section 67.010 of the Missouri statute. The budgets serve as a financial plan supporting all educational programs. A preliminary budget is required to be presented to the Board on or before April 1, unless this deadline is modified by the Superintendent with the consent of the Board. Budget holders are requested to identify requirements and needs for their schools/departments. This information is summarized by cost center by the Budget & Fiscal Planning Department and presented to the Superintendent for review. Recommendations from the Superintendent are summarized and presented to the Board for review. The Board is required to conduct at least one public hearing regarding the budget and taxation rate. The budgets are prepared on a modified accrual basis of accounting using a statutory fund structure (i.e., general fund, teacher's fund). The District is required to disclose estimated revenue by fund and source and proposed expenditures by fund, activity and object. Therefore, the legal level of budgetary control for proposed expenditures is at the fund, activity and object level. The final proposed budgets are submitted to the Board for approval on or before June 30 each year.

ECONOMIC FACTORS

Revenues derived from State sources represent approximately 37.9% of total revenues received by the District. The District received approximately \$134.6 million for state aid, an increase of \$3.4 million or

2.6%. Beginning with fiscal year 2007, DESE implemented a new foundation formula that is based on current expenditures of the school districts meeting all performance standards established by the State Board of Education. The based target funding level is \$6,117 per student. This amount is adjusted by a dollar value modifier and the school district's local effort. Under the new formula, the District will receive state aid at least equal to the amount it received for fiscal year 2006. Economic factors that influence the foundation formula are gaming revenue, level of State appropriation, reassessments submitted by the County Assessor, growth (i.e., average daily attendance), and the local property tax levy.

Local property taxes represent approximately 41.6% of total revenues received by the District. During the fiscal year, the District was entitled to receive approximately \$144.3 million in property taxes for tax year 2006 based on its \$4.95 levy which was less than a 1 % increase in property tax revenue when compared to tax year 2005. Actual current taxes collected during the fiscal year totaled \$134.5 million. The difference between billed and collected is the county retention fee and delinquent taxes. Property tax abatement and tax increment financing limit the District's ability to receive significant increases in property taxes that would be generated as a result of economic growth.

MAJOR INITIATIVES

- At the legislative level, House Bill 2036 and Senate Bill 920 was passed and will provide college scholarships to urban students who choose to make teaching a career and agree to teach in their home town urban school district. This action supports the District efforts to establish a resource of qualified teachers to recruit that will meet its future staffing needs.
- The District invested in new curriculum material and equipment for reading, science and mathematics during this fiscal year.
- As a part of the District's long-range planning, a facility study was conducted during the fiscal year. The results of this study will provide valuable data about the condition of all school buildings so that an improvement plan can be developed.

CASH MANAGEMENT

The District's investment policy is to minimize credit and market risk while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized. All collateral for bank deposits are held by the Federal Reserve in the depositor's name on behalf of the District. Investments in repurchase agreements, U. S. Treasury, and other federal obligations had an average yield of 4.98% at year end. Approximately \$11.2 million in interest income was earned during the fiscal year.

An independent trustee, Bank of New York Trust Company, manages the investment portfolio of the Building Corporation. Investments of approximately \$57.6 million, of which \$10.2 million are invested in long-term contracts, were held by the trustee as of June 30, 2007. The average yield on these investments at year end was 4.67%.

RISK MANAGEMENT

Resources are accumulated in an Internal Service Fund for workers compensation and unemployment self-insurance programs. To maintain adequate funding, an actuarial analysis is performed on the activity related to the unemployment program on a calendar year basis. The District had \$2.5 million set aside in a reserve for unemployment with an estimated liability of \$465,000 at year end. The District's workers compensation self-insured program ended in November 1999. At June 30, there was \$111,000 in outstanding claims. The District had approximately \$274,000 set aside to cover the cost of these claims. Commercial insurances policies were purchased to cover current and future claims relating to workers compensation and other risk of loss.

AWARDS

The District received financial reporting awards from the Government Finance Officers Association (GFOA) and the Association of School Business Officials (ASBO) for its CAFR for fiscal year 2006. This is the sixteenth consecutive year these awards have been received by the District. The Certificate of Achievement and the Certificate for Excellence are valid for a period of one year.

ACKNOWLEDGEMENTS

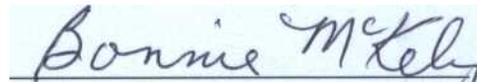
We express our appreciation to the Accounting & Investments staff for their dedicated efforts to prepare for the audit of our accounting records and preparation of this report. Support received from other departments of the Business & Finance Division and other departments of the District (including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

We acknowledge the Board of Directors of the District, and the Building Corporation in planning and conducting the financial operations on behalf of the District.

Respectfully,

A handwritten signature in black ink, appearing to read 'A. Amat', is written over a light blue horizontal line.

Anthony Amat
Superintende

A handwritten signature in black ink, appearing to read 'Bonnie McKelvy', is written over a light blue horizontal line.

Bonnie McKelvy, CPA
Chief Finance Officer, Business & Finance

Mission and Vision of the District

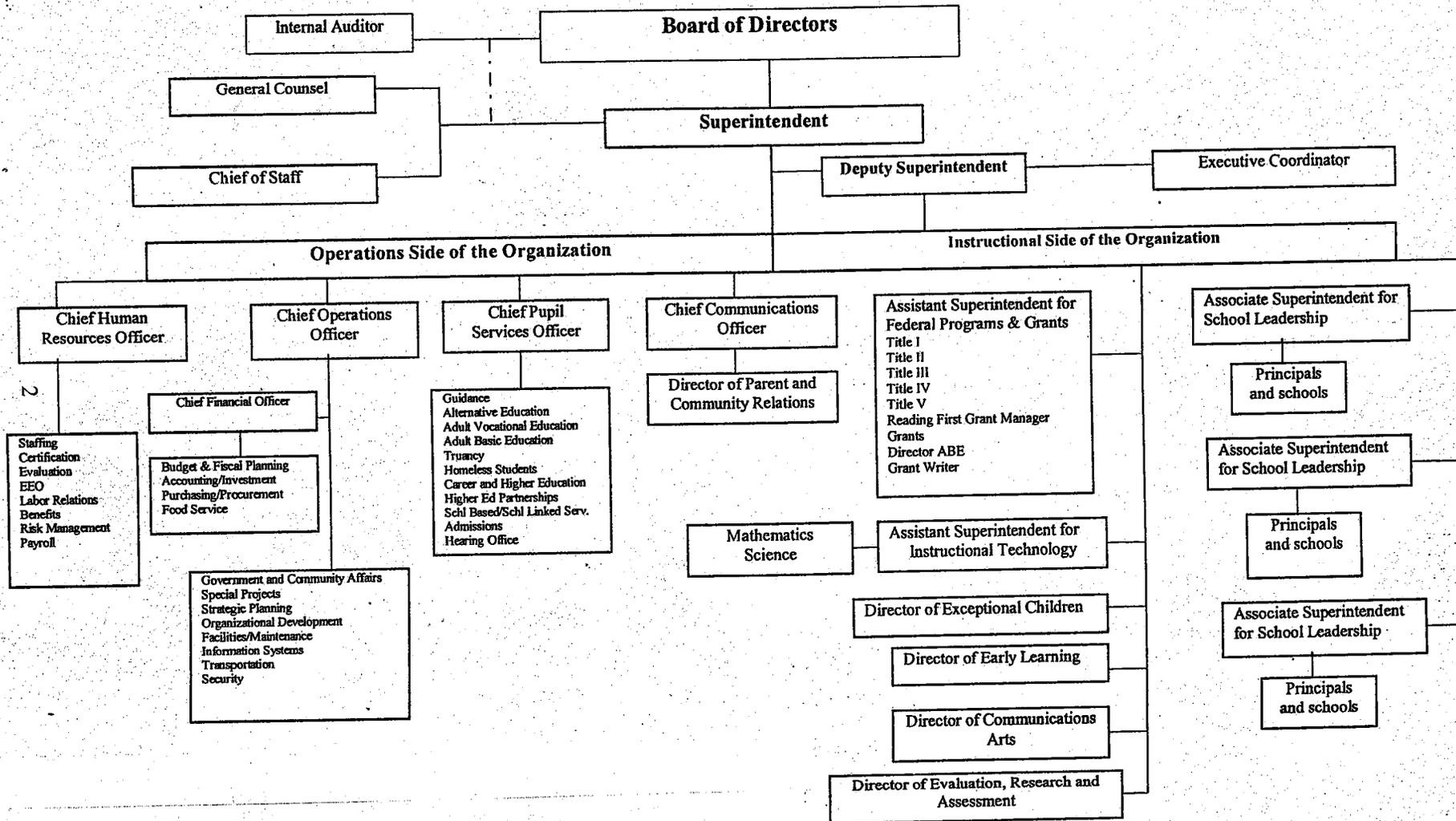
Mission

The mission of the Kansas City, Missouri School District is to work in partnership with parents and the community to produce students with the knowledge, skills and abilities to become lifelong learners and leaders. Students enrolled in KCMSD will be productive and responsible citizens capable of competing successfully in a changing global society.

Vision

Kansas City Missouri School District: The premier School District, recognized as the most valuable asset of the community, delivering quality education and thriving on diversity.

Kansas City, Mo. School District - Organization Chart



LIST OF PRINCIPAL OFFICIALS

June 30, 2007

BOARD OF DIRECTORS

Executive Officers

David A. Smith, President
Ingrid Y. Burnett, Vice President
Helen J. Ragsdale, Treasurer

Members

William B. Eddy
Claude L. Harris
Duane B. Kelly
Joel Pelofsky
Harriett Ann Plowman
Marilyn Y. Simmons

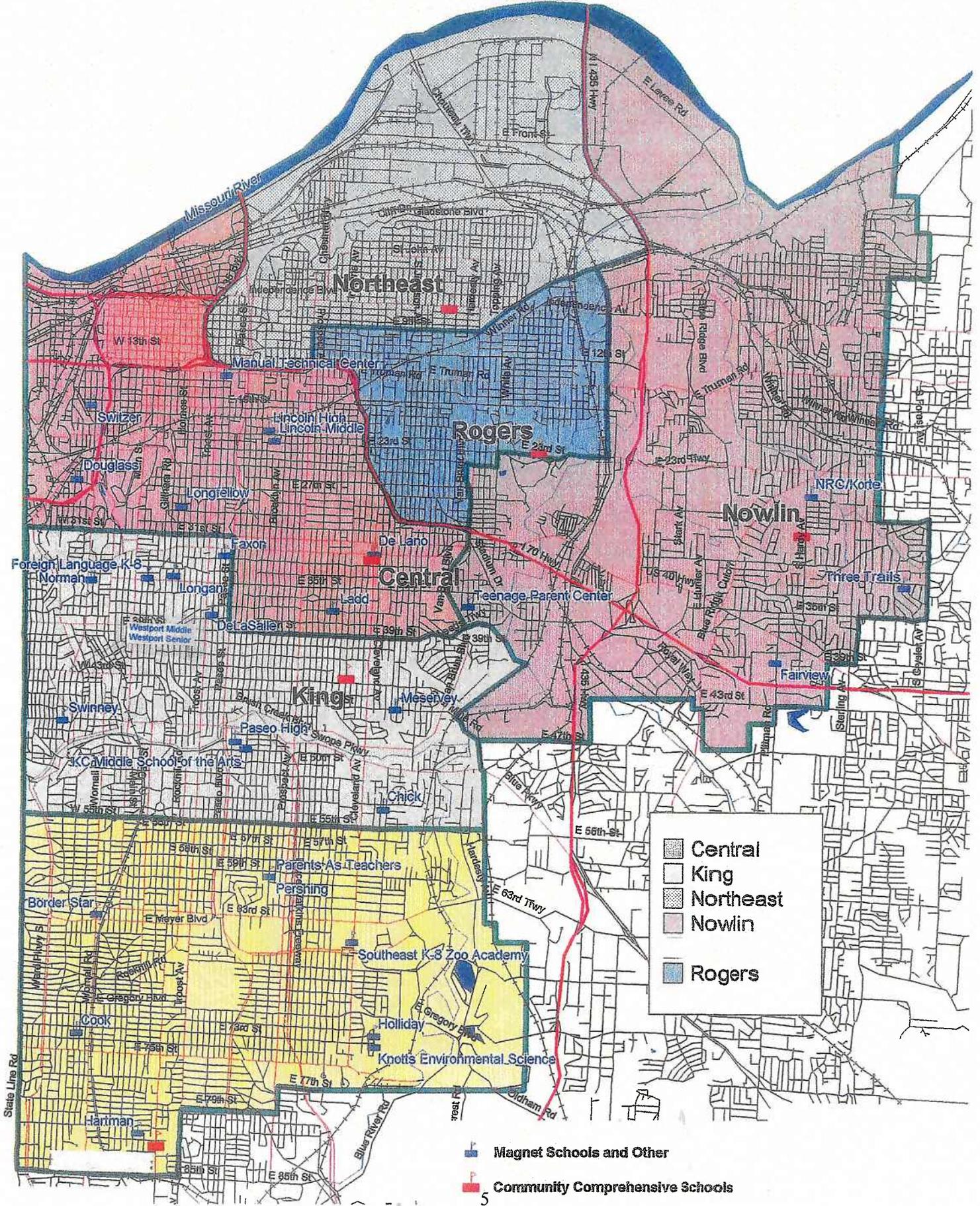
Secretary of the Board

Cecelia Spears

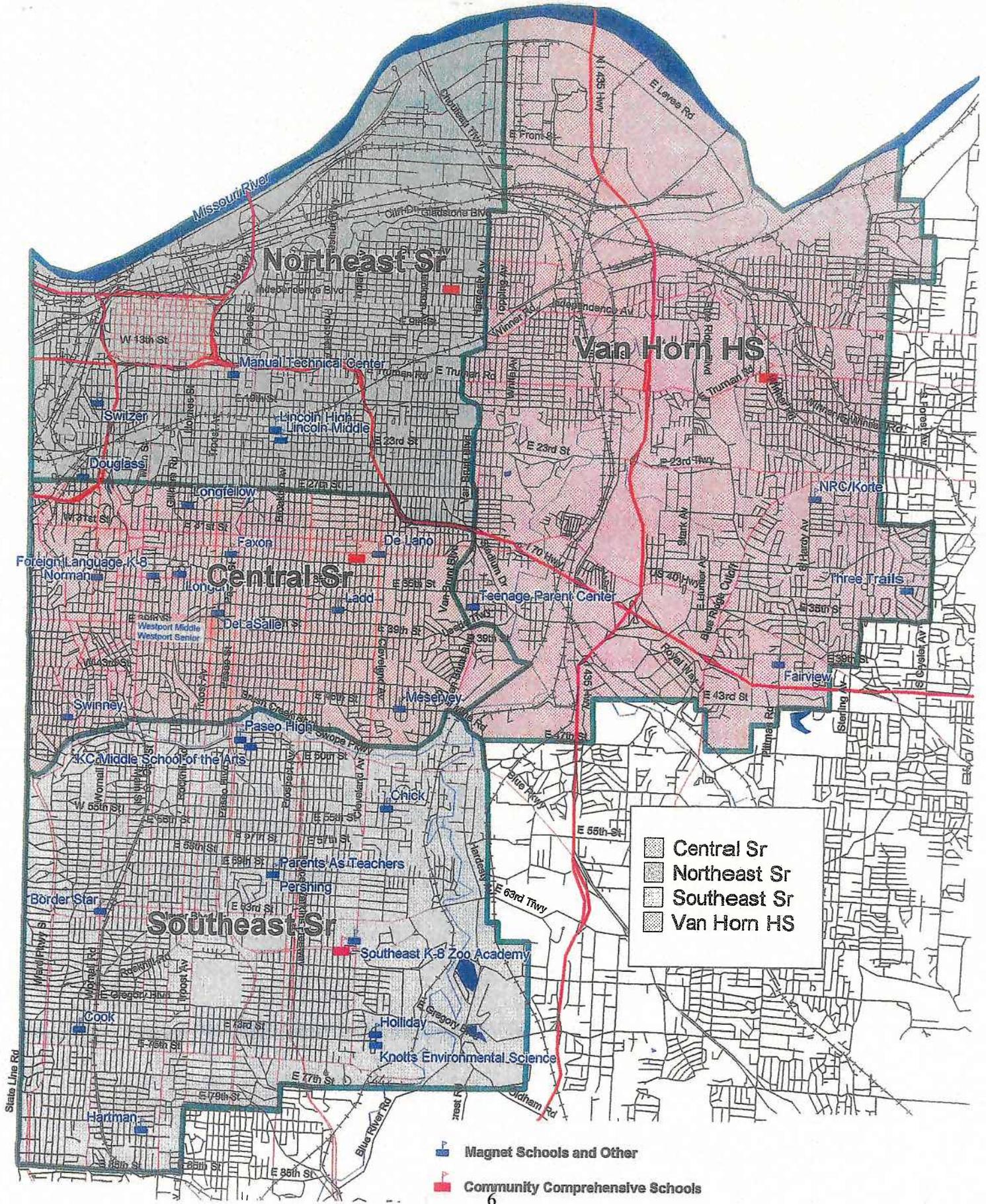
SENIOR ADMINISTRATORS

Anthony Amato., Superintendent
Jeffrey St. Omer, General Counsel
Bonnie McKelvy, Chief Finance Officer
Cynthia Wheeler-Linden., Director, Public Information

Comprehensive Middle School Boundaries



Comprehensive High School Boundaries



Certificate of Achievement for Excellence in Financial Reporting

Presented to

The School District
of Kansas City, Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2006

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Kansas City, Missouri (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Kansas City, Missouri, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2007 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 11 through 24, and the Budgetary Comparison Information on pages 58 through 68 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

McGladrey & Pullen, LLP

Kansas City, Missouri
October 1, 2007

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

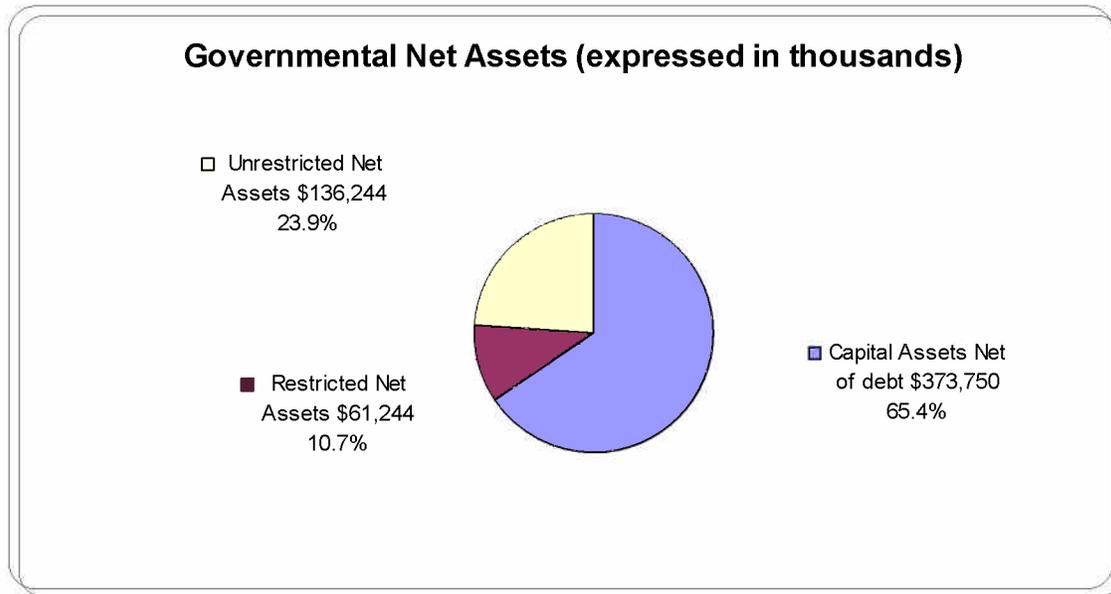
Management's Discussion and Analysis

June 30, 2007

The Business and Finance Division of the School District of Kansas City, Missouri (the District) is pleased to provide the readers of the District's comprehensive annual financial report this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

In the statement of net assets for governmental activities, the District's assets exceeded its liabilities at the close of the fiscal year by \$571.2 million. Net assets are reported in three components as shown in the graph below:



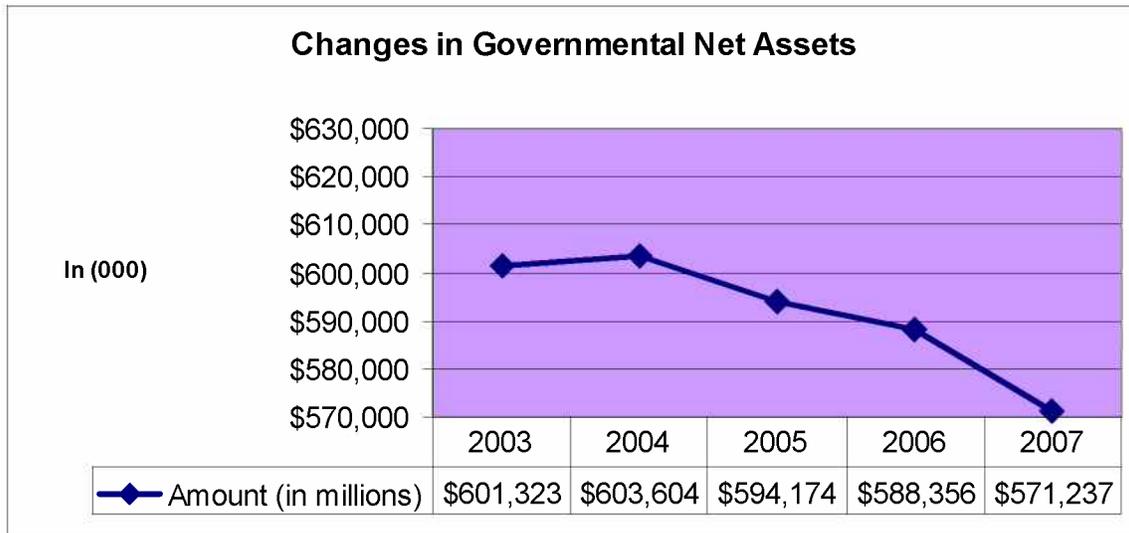
The most significant change in total net assets was a decline in restricted net assets by \$19.6 million primarily related to a \$13.4 million decline in funds available for debt service and a \$6.2 million decrease the funds available for unemployment and workers compensation benefits. The District continues to set aside money to meet future debt service requirements in compliance with bond indentures. At June 30, the restricted funds of \$58.1 million were invested with scheduled drawdowns to meet the debt service and capital improvement needs. In addition, \$2.8 million in restricted funds are available to pay future unemployment and workers' compensation claims and premiums.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2007

The graph below shows the changes in net assets and indicates that our overall financial position declined in fiscal year 2007 by 2.9% when compared to fiscal year 2006. This slight decrease was primarily due to a \$37.4 million (or 4.7%) decrease in total assets and a \$21.4 million (or 10.2%) decrease in total liabilities. The ratio of expenses to revenues is 96%, which indicates on a District-wide basis, there was a 4% shortfall in revenue to cover current year costs.



The District's governmental funds (summarized in Table 1 below) reported an ending total fund balance of \$195.4 million, a decrease of \$22.2 million in comparison with the prior year. Approximately 41.1% of this amount, \$79.9 million, is available for spending at the District's discretion (unreserved/undesignated fund balance).

Table 1—Summary of Governmental Fund Balances

	<u>FY07</u>	<u>Percentage of total</u>	<u>FY06</u>	<u>Percentage of total</u>	<u>Increase (decrease)</u>	<u>Unreserved/undesignated portion</u>
General	\$ 62,878,146	32.2%	\$ 65,246,379	30.0%	\$ (2,368,233)	57,919,018
Other special revenue	22,318,016	11.4%	22,528,179	10.4%	(210,163)	—
Debt service	58,092,848	29.7%	71,484,375	32.9%	(13,391,527)	—
Capital projects	51,955,148	26.6%	57,427,935	26.4%	(5,472,787)	22,436,113
Nonmajor funds	153,817	0.1%	878,837	0.4%	(725,020)	(402,461)
	<u>\$ 195,397,975</u>	<u>100.0%</u>	<u>\$ 217,565,705</u>	<u>100.0%</u>	<u>\$ (22,167,730)</u>	<u>79,952,670</u>

Unreserved undesignated fund balance for the General Fund was \$57.9 million and represents 22.9% of total General Fund expenditures and transfers. Reserved fund balance in the General Fund for encumbrances and inventory was \$2.5 million, an increase of \$1.8 million when compared to the prior year. Overall, governmental fund balances declined at June 30 because of deficit spending in the General, Other Special Revenue, Debt Service, Capital Projects and Child Nutritional Service funds.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2007

Overview of the Financial Statements

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

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

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

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

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

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

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

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 SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2007

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Community Service Fund, which is a nonmajor fund of the District. Both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report.

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

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

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

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2007

Government-wide Financial Analysis

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

Table 2—Net Assets (Expressed in Thousands)

	Governmental activities			Business-type activities			Total	
	2007	2006	Increase (decrease)	2007	2006	Increase (decrease)	2007	2006
Assets:								
Current and other assets	\$ 294,204	315,527	(21,323)	2,379	8,506	(6,127)	296,583	324,033
Capital assets	465,234	481,590	(16,356)	—	—	—	465,234	481,590
Total assets	<u>759,438</u>	<u>797,117</u>	<u>(37,679)</u>	<u>2,379</u>	<u>8,506</u>	<u>(6,127)</u>	<u>761,817</u>	<u>805,623</u>
Liabilities:								
Long-term liabilities	87,643	109,813	(22,170)	—	—	—	87,643	109,813
Other liabilities	100,558	100,055	503	550	7,398	(6,848)	101,108	107,453
Total liabilities	<u>188,201</u>	<u>209,868</u>	<u>(21,667)</u>	<u>550</u>	<u>7,398</u>	<u>(6,848)</u>	<u>188,751</u>	<u>217,266</u>
Net assets:								
Invested in capital assets, net of related debt	373,749	367,206	6,543	—	—	—	373,749	367,206
Restricted	61,244	80,562	(19,318)	—	—	—	61,244	80,562
Unrestricted	136,244	139,480	(3,236)	1,829	1,108	721	138,073	140,588
Total net assets	<u>\$ 571,237</u>	<u>587,248</u>	<u>(16,011)</u>	<u>1,829</u>	<u>1,108</u>	<u>721</u>	<u>573,066</u>	<u>588,356</u>

Cash and investments decreased by \$18.1 million or 6.6%, caused by deficit spending in the General, Other Special Revenue, Debt Service, Capital Projects, and the Child Nutritional Services funds. Overall, current assets decreased by 6.7%. Improvements to land and buildings were \$2.4 million; purchases of equipment, furniture, and vehicles (primarily computers for classrooms) were \$2.1 million, less depreciation of \$17.9 million and retirements of \$6.9 million, resulting in a 3.4% decrease in capital assets. Retirements include the reclassification of five vacant buildings declared surplus by the Board of Directors. The net book value of these building sites was \$6.1 million. The overall change in long-term liabilities was a 20.2% reduction. The bonds payable balance declined by \$22.1 million for principal payment on leasehold revenue bonds. Unamortized premiums paid on bonds decreased by \$1.3 million.

Unrestricted net assets of \$144.9 million include management designations and unreserved fund balances of \$151 million. The board of directors has authorized management to designate funds for certain obligations that make up 8.9% of the total net assets included in unrestricted net assets. These fund balance designations are summarized below:

Management designations for:	
Long-term building maintenance	\$ 15,274,647
Technology plan	8,901,243
E-rate/E-rate support	1,821,197
Grant Activity	2,394,166
Compensated absences	22,318,016
	<u>\$ 50,709,269</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2007

In addition, unreserved fund balances included in unrestricted net assets totaled \$100.3 million. These funds are available for re-appropriation in annual budgets. The Capital Projects Fund includes a portion of desegregation aid court settlement money set aside to pay debt service since the District does not have a debt service levy. The difference of \$6.1 million represents certain accruals that will have a negative impact on future cash flows.

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

Table 3A—Changes in Net Assets—Governmental Activities highlights the District's revenues and expenses for the 2007 and 2006 fiscal years. The difference between revenues and expenses equals the change in net assets. Revenue is divided into two major components, program revenue and general revenue. Program revenue is defined as charges for services, operating and capital grants, and contributions. General revenue is defined as the primary unrestricted funding sources, such as property taxes, sales taxes, and basic state aid.

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

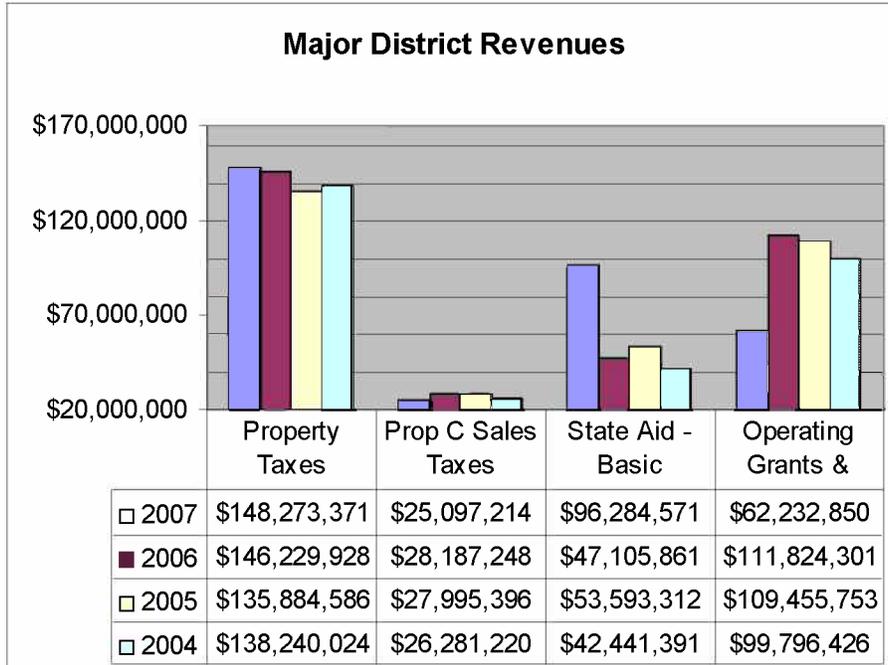
	Governmental activities		
	2007	2006	Increase (decrease)
Program revenues:			
Charges for services	\$ 3,819	3,783	36
Operating grants and contributions	62,233	111,824	(49,591)
Capital grants and contributions	739	5,675	(4,936)
General revenues:			
Property taxes	148,273	146,230	2,043
Prop C sales tax	25,097	28,187	(3,090)
Other local revenues	2,771	1,934	837
County governmental contributions	3,433	6,357	(2,924)
State aid—basic formula	96,285	47,106	49,179
Grants and entitlements	763	1,820	(1,057)
Investment earnings	13,363	9,747	3,616
Total revenues	<u>356,776</u>	<u>362,663</u>	<u>(5,887)</u>
Program expenses:			
Administration	25,502	24,876	626
Instruction	193,304	174,168	19,136
Support services	77,738	93,921	(16,183)
Operation of facilities	40,000	38,682	1,318
Pupil transportation	22,132	23,988	(1,856)
Facilities Improvement and Renovation	403	612	(209)
Community and adult services	6,226	6,237	(11)
Interest on long-term debt	4,982	6,023	(1,041)
Total expenses	<u>370,287</u>	<u>368,507</u>	<u>1,780</u>
Excess (deficiency) before transfers	(13,511)	(5,844)	(7,667)
Unrealized loss from assets declared surplus	(2,327)	—	(2,327)
Transfers	(173)	(1,004)	831
Increase (decrease) in net assets	(16,011)	(6,848)	(9,163)
Net assets beginning of year	587,248	594,096	(6,848)
Net assets end of year	<u>\$ 571,237</u>	<u>587,248</u>	<u>(16,011)</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2007

A graph of major District revenues is shown below.



The most significant changes in revenues were:

- Operating grants and contributions decreased by 44% primarily due to changes in the new State Aid-Basis Formula under Senate Bill 287. In prior years, the District received certain categorical funding that was required to be applied toward the cost of certain programs. Starting in fiscal year 2007, under the new formula, the District did not receive categorical funds for at-risk, exceptional pupil services, textbooks, gifted/talented and remedial reading. Therefore, less State aid was required to be disclosed as operating grants and contributions.
- Capital grants and contributions declined by 87% because of the reduction in the size of E-Rate projects completed during the fiscal year.
- State aid—basic formula increased by 104% as a result of the change in the basis formula as discussed above that reduced the amount required to be allocated as operating grants and contributions. Overall, the District received about \$9 million more in state aid under the new formula.
- Intermediate governmental contributions are revenues collected by the State for County Stock Insurance. The decrease of 44.5% was the results of the one time distribution from Caterpillar Insurance Company collected in the prior year.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2007

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

- Instruction—Salary and fringe costs increased by about \$10.7 million. Employees received salary increases of about 5%. Health insurance premiums increased by 13.8% and dental insurance premiums increased by 8.9%. Purchase services decreased by \$2.6 million primarily because of the change in the status of charter schools when compared to the prior year. The District is not required to pass through a portion of its federal grants to the charter schools. In addition, contract services related to exceptional education services declined. Material and supplies increased by \$5.7 million because of purchases of textbooks and new curriculum initiatives related to Success for All, Pitsco Science Labs, Curiosity Corner, and Kaplan K-12 Learning. Purchases of classroom equipment and furniture, the recognition of depreciation on capital assets increased by about \$5.4 million.
- Support Services - Salary and fringe costs increased by \$2.4 million because of rate increases explained above. Purchase services increased by \$.8 million. Of this amount, \$2.7 million represents an increase in services incurred for curriculum, professional development, research/planning, admissions, and information technology services. Alternative school services provided under contractual arrangements declined by \$1.9 million. Insurance premiums to cover workers compensation claims decreased by about \$1 million or 26%. Purchase services incurred for the Child Nutritional Service program increased by \$1 million. Materials and supplies increased by \$1 million related to program requirements for curriculum, professional development, human resources, and information technology services. In addition, \$1 million was spent in excess of the prior year for food, small equipment, supplies, and computer software for the Child Nutritional Service program. Capital outlay expenditures decreased by \$8.9 million caused by a reduction of \$4.4 million spent for equipment and furniture, a reduction of \$5.5 million spent on E-Rate projects, and an increase of \$1 million spent on improvements to buildings when compared to the prior year.
- Due to a change in reporting for pension costs, fringe benefit expenditures in the support service function decreased by \$12 million when compared to the prior year.

Sufficient reimbursements were not collected and/or accrued to cover costs incurred in the Community Service Fund, as shown in Table 3B—Changes in Net Assets—Business-type Activities.

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

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>
Community services:			
Charges for services	\$ 1,241	146	1,095
Expenses	(693)	(121)	(572)
Revenue over expenditures before transfers	548	25	523
Transfers	173	1,004	(831)
Increase (decrease) in net assets	\$ 721	1,029	(308)

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2007

An extended day program was provided at certain elementary schools during the fiscal year. In addition, the District provided after school tutoring under the Supplementary Education Services program funded by Title I. As a result, revenues plus transfers increased by \$.2 million and expenditures increased by \$.6 million. Salary and fringe costs increased by \$.2 million and materials/supplies increased by \$.4 million when compared to the prior year.

Table 4—Cost of Services—Governmental Activities shows the cost of services for governmental activities. The total cost of services column contains all costs related to functions/programs. The net cost of services column shows how much of the total cost is not covered by program revenues. Net costs (or 82% 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 significantly because of the implementation of the new foundation formula. This formula reduced the amount of funding allocated to specific categories to be applied toward certain program expenditures. As a result, the District is required to classify more State Aid as general revenue.

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

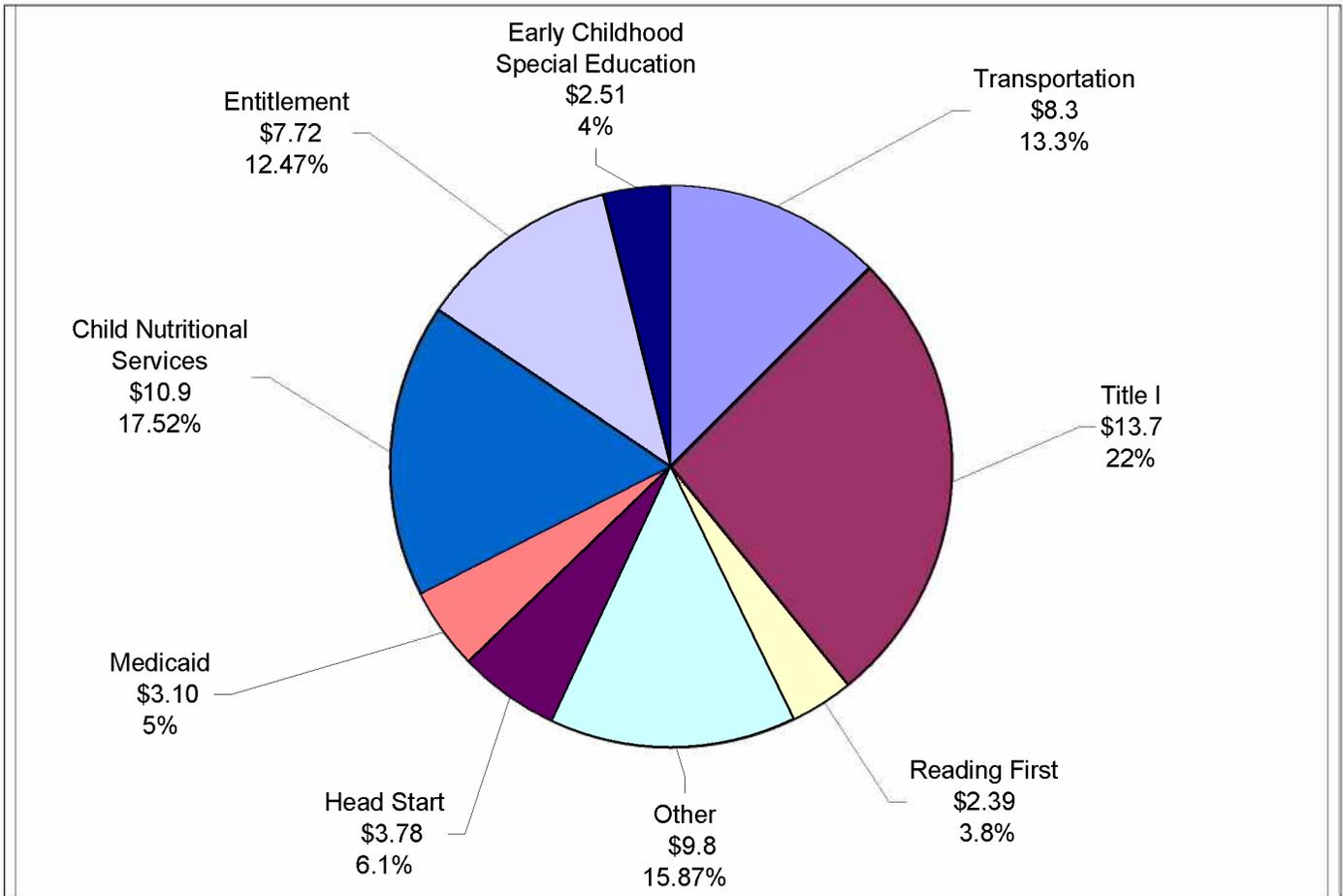
	<u>Total cost of services</u>	<u>Net cost of services</u>
Administration	\$ 25,502	25,492
Instruction	193,304	155,407
Support services	77,738	58,496
Operation of facilities	40,000	39,896
Pupil transportation	22,131	13,821
Facilities improvements and renovations	403	403
Community and adult services	6,226	4,999
Interest on long-term debt	4,982	4,982
Total	\$ <u>370,286</u>	<u>303,496</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2007

The District received program revenues specifically to offset the cost of certain functions/programs. The major source of this type of revenue, that totaled \$62.2 million, is from operating grants and contributions. Operating grants and contributions are funds the District receives that are restricted to a particular purpose as show in the graph below.



Financial Analysis of the District's Funds

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2007

The General Fund, Teachers' Fund, and a portion of the Capital Projects Fund make up the District's operating budget. Revenue is transferred to the Teachers' Fund to cover expenditures, leaving a zero fund balance. The fund balance in the Capital Projects—Operating Fund is used to cover debt service costs, reducing the required amount to be transferred from the General Fund. At June 30, 2007, the unreserved fund balance of the operating budget funds is shown below:

<u>Operating budget funds</u>	<u>Reserved</u>	<u>Unreserved</u>	<u>Total fund balance</u>
General	\$ 2,564,962	60,313,184	62,878,146
Capital projects—operating portion	143,524	15,471,801	15,615,325
	<u>\$ 2,708,486</u>	<u>75,784,985</u>	<u>78,493,471</u>

As a measure of the operating budget liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total expenditures. The total fund balance represents 18% of total operating expenditures and transfers. The total operating fund balance increased by 5.3% when compared to fiscal year 2006.

General Fund Budgetary Highlights

Table 5A—Budget Comparison shows a summary of the major changes in the current year original and final budgets. The difference in revenues between the original and the final approved budgets increased by approximately 36%, and expenditures and transfers increased by 7.6%. The most significant increase in budgeted revenues came from property taxes and federal revenues. The original budget understated property taxes by \$13 million and did not budget any federal funding. The majority of the federal revenue was approved by an amendment to the budget in December 2006. In the final budget, expenditures and transfers exceeded revenues by about \$6.3 million. However, there was a favorable revenue variance of \$6.3 million and a favorable expenditure and transfer variance of \$12.5 million, resulting in an actual \$1.1 million increase in the fund balance. When compared to the prior year (see Table 5B), budgeted revenues decreased by 12.8% and budgeted expenditures and transfers decreased by 20.6%. The reason for the decline in revenues and expenditures was caused by the requirement under the new foundation formula to record more current revenue in the Teacher's Fund resulting in a reduction in the amount required to be transferred out from the General Fund.

Table 5A—Budget Comparison, Original to Final Budget, Fiscal Year 2007

	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers</u>
Original budget	\$ 190,209,399	147,774,748	98,536,594
Final budget	258,754,012	160,610,987	104,434,361
Increase (decrease)	<u>\$ 68,544,613</u>	<u>12,836,239</u>	<u>5,897,767</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

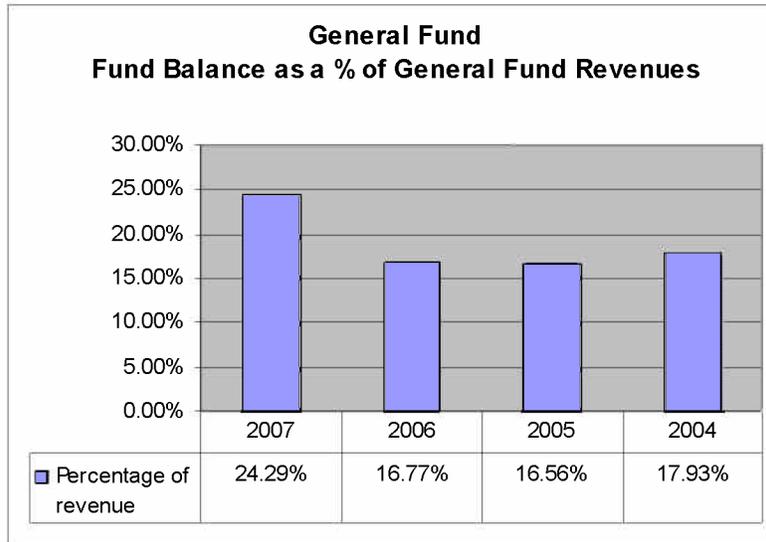
June 30, 2007

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

	<u>Revenues</u>	<u>Expenditures and transfers</u>
Fiscal year 2007 final budget	\$ 285,754,012	265,045,348
Fiscal year 2006 final budget	<u>327,522,153</u>	<u>333,835,448</u>
Increase (decrease)	\$ <u>(41,768,141)</u>	<u>(68,790,100)</u>
Percentage of change	(12.75)%	(20.61)%

Major Funds—Financial Highlights

- When compared to fiscal year 2006, General Fund revenues decreased by \$75.1 million or 23.2%, and expenditures and transfers decreased by \$62.4 million or 19.8%. The General Fund's ending fund balance is used to balance the operating budget. The level of fund balance in the General Fund is declining in relation to annual revenues, as shown in the graph below. This ratio is analyzed to determine if there is adequate budgetary carryover to meet unfunded emergencies and other unplanned needs.



- The Teachers' Fund revenues increased by \$72.6 million because more current revenues were required to be recorded in the fund under the new foundation formula. Expenditures increased by \$19.7 million or 13% due primarily to increases in salary and fringe benefit costs.
- There were no significant changes in fund balance in the Other Special Revenue Fund. The change in revenues and expenditures related to the change in reporting for pension costs.
- The Debt Service Fund's revenues and financing sources decreased by \$1.8 million or 5.6% and expenditures plus financing uses decreased by \$1.1 million or 2.6%. This was the result of decreases in interest earning on investments and a slight decrease in principal and interest payments on outstanding leasehold revenue bonds.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2007

- The Capital Projects Fund's revenues decreased by \$3.7 million or 25.6% and expenditures decreased by \$3.1 million or 24.4%. There were no major projects for improvements to facilities during the fiscal year. With the adoption of GASB 42, approximately \$3.5 million was recognized in the capital projects fund as unrealized proceeds from capital assets declared surplus. This amount represents the carrying value of five building declared surplus by the Board of Directors.

Capital Assets and Debt Administration

Capital assets—The District's investment in capital assets for its governmental activities as of June 30, 2007 amounts to \$462 million (net of accumulated depreciation). The investment in capital assets includes land, buildings, building improvements, improvements other than buildings, equipment, fixtures and vehicles. Capital assets decreased by \$19.6 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

	<u>2007</u>	<u>2006</u>
Land	\$ 43,237,252	43,761,690
Buildings	390,200,140	404,410,179
Improvements other than buildings	15,399,463	16,972,490
Equipment and furniture	11,821,826	14,586,188
Vehicles	69,454	104,302
Construction in progress	<u>1,211,669</u>	<u>1,755,047</u>
	<u>\$ 461,939,804</u>	<u>481,589,896</u>

Long-term debt—The Building Corporation issued leasehold revenue bonds to finance the District's major capital improvement projects in prior years. At year-end, the outstanding principal balance on bonds was \$89.3 million. The District is required to make lease payments to the Building Corporation in an amount sufficient to cover principal and interest payments each year. During the current fiscal year, approximately \$26.9 million was available to the Trustee in compliance with this requirement. Approximately 7.3% of total expenditures relate to payments of principal, interest, and bond-related costs. See note 3(f) for additional information.

Economic Factors That Impact Fiscal Year 2007 Budgets

- The fiscal year 2008 budget was approved by the Board on June 27, 2007. Fiscal year 2008 projected revenues of approximately \$440.9 million is a decrease of about \$17.7 million (or 3.9%) when compared to fiscal year 2007. It is anticipated that during the fiscal year other state and federal grants will be awarded.
- Fiscal year 2008 projected expenditures of approximately \$372.2 million represent a decrease of about \$12.8 (or 3.3%) when compared to the prior year. The significant budget savings were realized by adopting Missouri School Improvement Program desirable standards where applicable.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2007

Requests for Information

This financial report is designed to provide a general overview of the District's finances for our citizens, taxpayers, investors, banks, and creditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School District of Kansas City, Missouri, 1211 McGee, 6th Floor, Kansas City, Missouri 64106, Attn: Executive Chief Financial Officer, Business and Finance.

BASIC FINANCIAL STATEMENTS

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Net Assets

June 30, 2007

	Governmental activities	Business-type activities	Total
Assets:			
Cash and investments	\$ 197,986,406	2,194,142	200,180,548
Restricted cash and investments	58,215,675	—	58,215,675
Taxes receivable (net of allowance for uncollectibles)	17,399,509	—	17,399,509
Interest receivable	2,308,571	—	2,308,571
Due from other governmental units	10,853,541	—	10,853,541
Due from community/charter schools	—	184,681	184,681
Other receivables	564,109	—	564,109
Supplies inventories	1,870,712	—	1,870,712
Deferred charges	5,005,450	—	5,005,450
Capital assets (net of accumulated depreciation):			
Nondepreciable	44,448,921	—	44,448,921
Depreciable	417,490,883	—	417,490,883
Assets declared surplus	3,294,359	—	3,294,359
Total assets	759,438,136	2,378,823	761,816,959
Liabilities:			
Accounts payable and other	14,539,579	549,197	15,088,776
Accrued salaries, benefits, and payroll taxes	46,732,232	—	46,732,232
Claims payable	1,754,500	—	1,754,500
Accrued interest payable	1,800,776	—	1,800,776
Unearned revenue	4,696,867	555	4,697,422
Long-term liabilities:			
Due within one year:			
Compensated absences	8,432,483	—	8,432,483
Revenue bonds	22,130,000	—	22,130,000
Capital lease	471,979	—	471,979
Due in more than one year:			
Compensated absences	13,754,819	—	13,754,819
Revenue bonds	67,185,000	—	67,185,000
Capital lease	495,408	—	495,408
Unamortized premium on bonds	6,207,644	—	6,207,644
Total liabilities	188,201,287	549,752	188,751,039
Net assets:			
Invested in capital assets, net of related debt	373,749,582	—	373,749,582
Restricted for:			
Debt service	58,092,848	—	58,092,848
Unemployment compensation	2,520,454	—	2,520,454
Workers' compensation	274,433	—	274,433
Permanent fund, nonexpendable corpus	147,947	—	147,947
Patron gifts	207,829	—	207,829
Unrestricted	136,243,756	1,829,071	138,072,827
Total net assets	\$ 571,236,849	1,829,071	573,065,920

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Activities

Year ended June 30, 2007

Functions/programs	Expenses	Program revenues			Net revenue (expense) and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
Administration	\$ 25,501,829	—	9,739	—	(25,492,090)	—	(25,492,090)
Instruction	193,304,136	—	37,815,707	81,865	(155,406,564)	—	(155,406,564)
Support services	77,737,531	3,740,803	14,883,579	616,925	(58,496,224)	—	(58,496,224)
Operation of facilities	40,000,223	64,673	—	40,000	(39,895,550)	—	(39,895,550)
Pupil transportation	22,131,579	13,276	8,296,981	—	(13,821,322)	—	(13,821,322)
Facilities improvements and renovation	402,753	—	—	—	(402,753)	—	(402,753)
Community and adult services	6,226,268	—	1,226,844	—	(4,999,424)	—	(4,999,424)
Interest on long-term debt	4,982,110	—	—	—	(4,982,110)	—	(4,982,110)
Total governmental activities	370,286,429	3,818,752	62,232,850	738,790	(303,496,037)	—	(303,496,037)
Business-type activities:							
Community services	692,760	1,240,571	—	—	—	547,811	547,811
Total	370,979,189	5,059,323	62,232,850	738,790	(303,496,037)	547,811	(302,948,226)
General revenues:							
Property taxes					148,273,371	—	148,273,371
Prop C sales tax					25,097,214	—	25,097,214
Other local revenues					2,771,033	—	2,771,033
Intermediate/county					3,433,163	—	3,433,163
State aid—basic formula					96,284,571	—	96,284,571
Grants and entitlements not restricted to specific programs					762,437	—	762,437
Investment earnings					13,362,930	—	13,362,930
Unrealized loss from assets declared surplus-special item					(2,326,701)	—	(2,326,701)
Transfers					(172,975)	172,975	—
Total general revenues, special item and transfers					287,485,043	172,975	287,658,018
Change in net assets					(16,010,994)	720,786	(15,290,208)
Net assets—beginning					587,247,843	1,108,285	588,356,128
Net assets—ending					\$ 571,236,849	1,829,071	573,065,920

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Balance Sheet

Governmental Funds

June 30, 2007

Assets	General	Teachers'	Other Special Revenue	Debt Service	Capital Projects	Nonmajor governmental funds	Total governmental funds
Cash and investments	\$ 68,576,954	19,159,452	44,234,909	—	48,239,106	584,890	180,795,311
Restricted cash and investments	—	—	—	57,589,891	—	351,351	57,941,242
Taxes receivable, net of allowance for uncollectibles	15,363,616	1,513,157	—	—	538,399	—	17,415,172
Interest receivable	623,992	—	284,443	598,317	586,408	4,425	2,097,585
Due from other governments	9,181,467	226,258	—	—	—	1,430,153	10,837,878
Due from other community	26,333	—	—	—	—	537,776	564,109
Due from other funds	2,302,876	—	—	—	—	—	2,302,876
Supplies inventory	1,076,786	—	—	—	—	200,502	1,277,288
Assets declared surplus	—	—	—	—	3,294,359	—	3,294,359
Advances to other funds	—	—	—	—	95,360	—	95,360
Total assets	<u>\$ 97,152,024</u>	<u>20,898,867</u>	<u>44,519,352</u>	<u>58,188,208</u>	<u>52,753,632</u>	<u>3,109,097</u>	<u>276,621,180</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 12,662,258	1,047,496	1,690,260	—	260,085	548,276	16,208,375
Accrued salaries, benefits, and payroll taxes	4,575,397	19,851,371	20,511,076	—	—	104,128	45,041,972
Due to other funds	—	—	—	—	—	2,302,876	2,302,876
Deferred revenue	17,036,223	—	—	—	538,399	—	17,574,622
Advances from other funds	—	—	—	95,360	—	—	95,360
Total liabilities	<u>34,273,878</u>	<u>20,898,867</u>	<u>22,201,336</u>	<u>95,360</u>	<u>798,484</u>	<u>2,955,280</u>	<u>81,223,205</u>
Fund balances:							
Reserved for:							
Encumbrances	1,488,176	—	—	—	132,229	—	1,620,405
Supplies inventory	1,076,786	—	—	—	—	200,502	1,277,288
Advances	—	—	—	—	95,360	—	95,360
Debt service	—	—	—	58,092,848	—	—	58,092,848
Capital assets declared surplus	—	—	—	—	3,294,359	—	3,294,359
Permanent fund, nonexpendable corpus	—	—	—	—	—	147,947	147,947
Patron gifts	—	—	—	—	—	207,829	207,829
Unreserved:							
Designated for:							
Grant activity	2,394,166	—	—	—	—	—	2,394,166
Long-term building maintenance	—	—	—	—	15,274,647	—	15,274,647
Technology plan	—	—	—	—	8,901,243	—	8,901,243
Compensated absences	—	—	22,318,016	—	—	—	22,318,016
E-Rate/E-Rate support	—	—	—	—	1,821,197	—	1,821,197
Undesignated:							
General fund	57,919,018	—	—	—	—	—	57,919,018
Special revenue funds	—	—	—	—	—	(402,461)	(402,461)
Capital projects funds	—	—	—	—	22,436,113	—	22,436,113
Total fund balances	<u>62,878,146</u>	<u>—</u>	<u>22,318,016</u>	<u>58,092,848</u>	<u>51,955,148</u>	<u>153,817</u>	<u>195,397,975</u>
Total liabilities and fund balances	<u>\$ 97,152,024</u>	<u>20,898,867</u>	<u>44,519,352</u>	<u>58,188,208</u>	<u>52,753,632</u>	<u>3,109,097</u>	<u>276,621,180</u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets

Governmental Funds

June 30, 2007

Fund balances—balance sheet	\$ 195,397,975
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	461,926,304
Deferred charges related to issuance of bonds	5,005,450
Federal food commodities	264,421
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	(89,315,000)
Capital lease	(967,387)
Unamortized premium on bonds	(6,207,644)
Accrued interest payable	(1,800,776)
Compensated absences	(22,187,302)
Claims payable	(1,178,500)
	<hr/>
	(121,656,609)
Deferred revenue—property taxes	12,877,756
Internal service funds are used by management to charge the cost of the Administrative Service Center and Risk Management	17,421,552
	<hr/>
Net assets of governmental activities	\$ <u>571,236,849</u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year ended June 30, 2007

	General	Teachers'	Other Special Revenue	Debt Service	Capital Projects	Nonmajor governmental funds	Total governmental funds
Revenues:							
Property taxes	\$ 141,240,057	—	—	—	6,700,868	—	147,940,925
Prop C sales tax	15,685,758	9,411,456	—	—	—	—	25,097,214
Other local	8,981,088	140	1,332,554	3,088,285	3,453,195	3,468,678	20,323,940
Intermediate/county	3,076,685	356,478	—	—	—	—	3,433,163
State aid—basic formula	30,496,708	65,787,863	—	—	—	—	96,284,571
Other state	12,675,464	498,456	—	—	—	84,490	13,258,410
Federal	36,823,439	525,804	—	—	616,925	10,899,728	48,865,896
Tuition	13,276	63,605	—	—	—	—	76,881
Total revenues	248,992,475	76,643,802	1,332,554	3,088,285	10,770,988	14,452,896	355,281,000
Expenditures:							
Current:							
Administration	12,690,750	14,608,839	—	—	—	—	27,299,589
Instruction	42,500,855	132,929,494	—	—	—	1,204,881	176,635,230
Support services	29,659,799	22,127,806	2,962,507	—	—	15,419,821	70,169,933
Operation of facilities	38,329,460	—	—	—	—	—	38,329,460
Pupil transportation	22,133,487	—	—	—	—	—	22,133,487
Community and adult services	5,274,927	823,981	—	—	—	—	6,098,908
Debt service:							
Administrative	—	—	—	18,444	—	—	18,444
Principal	414,000	—	—	21,540,000	146,000	—	22,100,000
Interest	—	—	—	5,427,868	—	—	5,427,868
Capital outlay:							
Administration	—	—	—	—	45,980	—	45,980
Instruction	—	—	—	—	1,836,620	—	1,836,620
Support services	—	—	—	—	4,141,492	—	4,141,492
Operation of facilities	—	—	—	—	1,045,402	—	1,045,402
Community and adult services	—	—	—	—	40,002	—	40,002
Facilities improvement and renovation	—	—	—	—	2,375,685	—	2,375,685
Total expenditures	151,003,278	170,490,120	2,962,507	26,986,312	9,631,181	16,624,702	377,698,100
Revenues over (under) expenditures	97,989,197	(93,846,318)	(1,629,953)	(23,898,027)	1,139,807	(2,171,806)	(22,417,100)
Other financing sources (uses):							
Transfers in	—	97,855,680	1,419,790	26,967,868	16,672,014	1,800,000	144,715,352
Transfers out	(101,496,016)	(4,009,362)	—	(16,461,368)	(26,967,868)	(353,214)	(149,287,828)
Capital leases	1,138,586	—	—	—	388,801	—	1,527,387
Unrealized proceeds - surplus assets	—	—	—	—	3,294,359	—	3,294,359
Sale of capital assets	—	—	—	—	100	—	100
Total other financing sources (uses)	(100,357,430)	93,846,318	1,419,790	10,506,500	(6,612,594)	1,446,786	249,370
Net change in fund balances	(2,368,233)	—	(210,163)	(13,391,527)	(5,472,787)	(725,020)	(22,167,730)
Fund balances, beginning of year	65,246,379	—	22,528,179	71,484,375	57,427,935	878,837	217,565,705
Fund balances, end of year	\$ 62,878,146	—	22,318,016	58,092,848	51,955,148	153,817	195,397,975

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year ended June 30, 2007

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

Net change in fund balances—total governmental funds	\$ (22,167,730)
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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	3,961,104
Depreciation expense	(17,939,211)
Assets declared surplus	(2,326,701)
	(16,304,808)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(46,263)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	899,483
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. In addition, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	17,803,696
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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.	1,779,697
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Internal service funds are used by management to charge the costs of Administrative Service Center and Risk Management to individual funds.	2,024,931
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Change in net assets of governmental activities	\$ <u><u>(16,010,994)</u></u>
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See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Net Assets—Proprietary Funds

June 30, 2007

	Nonmajor Enterprise Fund	Internal Service Funds
Assets:		
Current assets:		
Cash and Investments	\$ 2,194,142	17,191,095
Restricted cash and investments	—	274,433
Interest receivable	—	210,986
Due from community/charter schools, net	184,681	—
Other receivables	—	—
Supplies inventories	—	329,003
Total current assets	2,378,823	18,005,517
Noncurrent assets:		
Machinery and equipment	—	138,343
Less accumulated depreciation	—	(124,843)
Total capital assets (net of accumulated depreciation)	—	13,500
Total noncurrent assets	—	13,500
Total assets	2,378,823	18,019,017
Liabilities:		
Current liabilities:		
Accounts payable	549,197	21,465
Unearned revenue	555	—
Claims and judgments	—	576,000
Total current liabilities	549,752	597,465
Total liabilities	549,752	597,465
Net assets:		
Invested in capital assets	—	13,500
Restricted for:		
Unemployment compensation	—	2,520,454
Workers' compensation	—	274,433
Unrestricted	1,829,071	14,613,165
Total net assets	\$ 1,829,071	17,421,552

See accompanying notes to basic financial statements.

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

Year ended June 30, 2007

	Nonmajor Enterprise Fund	Internal Service Funds
Operating revenues:		
Charges for charter school support services	\$ 154,916	—
Charges for tutoring program	983,932	—
Charges for community support services	101,723	—
Charges for administrative services	—	713,848
Total operating revenues	1,240,571	713,848
Operating expenses:		
Salaries, wages, and employee benefits	258,061	623,324
Utilities, supplies, and materials	409,830	89,679
Other contractual services	24,869	3,282,260
Other	—	64,547
Depreciation	—	1,679
Total operating expenses	692,760	4,061,489
Operating income (loss)	547,811	(3,347,641)
Nonoperating revenues:		
Interest income	—	976,054
Loss on disposal of capital asset	—	(2,983)
Total nonoperating revenue	—	973,071
Income (loss) before transfers	547,811	(2,374,570)
Transfers in	172,975	4,408,882
Transfers out	—	(9,381)
Change in net assets	720,786	2,024,931
Total net assets, beginning of year	1,108,285	15,396,621
Total net assets, end of year	\$ 1,829,071	17,421,552

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Cash Flows—Proprietary Funds

Year ended June 30, 2007

	<u>Nonmajor Enterprise Fund</u>	<u>Internal Service Funds</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 629,552	—
Receipts from interfund services provided	983,932	716,004
Receipts from insurance claims	—	2,218
Payments to suppliers	(7,456,039)	(4,683,937)
Payments to employees	(258,061)	(285,755)
Net cash provided by (used in) operating activities	<u>(6,100,616)</u>	<u>(4,251,470)</u>
Cash flows from noncapital and related financing activities:		
Transfers to other funds	—	(9,381)
Transfers from other funds	172,975	4,408,882
Net cash provided by noncapital and related financing activities	<u>172,975</u>	<u>4,399,501</u>
Cash flows from capital and related financing activities:		
Sale of capital assets	—	—
Net cash used in capital and related financing activities	<u>—</u>	<u>—</u>
Cash flows from investing activities:		
Interest income received	—	841,929
Net cash provided by investing activities	<u>—</u>	<u>841,929</u>
Net increase/(decrease) in cash and cash equivalents	(5,927,641)	989,960
Cash and cash equivalents, beginning of year	8,121,783	16,475,568
Cash and cash equivalents, end of year	\$ <u>2,194,142</u>	<u>17,465,528</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 547,811	(3,347,641)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	—	1,679
Increase in other receivable	—	2,156
Increase in inventories	—	(190,198)
Decrease in due from community/charter schools	199,939	—
Increase/(decrease) in accounts payable	(6,817,249)	(559,046)
Decrease in deferred revenue	(31,117)	—
Decrease in claims payable	—	(158,420)
Total adjustments	<u>(6,648,427)</u>	<u>(903,829)</u>
Net cash provided by (used in) operating activities	\$ <u>(6,100,616)</u>	<u>(4,251,470)</u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Fiduciary Net Assets

June 30, 2007

	Private Purpose Trust— Student Scholarship Fund
Assets:	
Investments	\$ 312,887
Interest receivable	3,883
Total assets	<u>316,770</u>
Liabilities:	
Accounts payable	<u>—</u>
Total liabilities	<u>—</u>
Net assets:	
Net assets held in trust for other purposes	<u><u>\$ 316,770</u></u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Changes in Fiduciary Net Assets

Year ended June 30, 2007

	Private Purpose Trust— Student Scholarship Fund
Additions:	
Contributions:	
Private donations	\$ <u>150,158</u>
Total contributions	<u>150,158</u>
Investment income:	
Interest	<u>15,384</u>
Total investment income	<u>15,384</u>
Total additions	<u>165,542</u>
Deductions:	
Scholarship awards	<u>37,500</u>
Total deductions	<u>37,500</u>
Net increase	128,042
Net assets, beginning of year	<u>188,728</u>
Net assets, end of year	\$ <u><u>316,770</u></u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

The School District of Kansas City, Missouri (the District) is a political subdivision of the State of Missouri and is governed by an elected nine-member board of directors (the Board). Accounting principles generally accepted in the United States of America require that the financial reporting entity include: (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These basic financial statements include the District and its component units. The blended component units discussed below are included in the District's reporting entity because of the significance of their operational or financial relationships 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, 2007 are included in the basic financial statements as a Debt Service Fund. The Building Corporation does not issue separate financial statements.

Charter Schools—Charter schools are established within the boundaries of the District by state statutes as local educational agencies. Seventeen charter schools were operating during fiscal year 2007. Under current Missouri statutes, charter schools are allowed to be a Local Education Agency (LEA). All charter schools are currently operating as LEA's. Accordingly, the accounts of these charter schools are not included in these financial statements.

(b) Government-wide and Fund Financial Statements

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

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

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

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

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

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

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

The District has the following major governmental funds.

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

- The *Teachers' Fund*, a special revenue fund, is used to account for the payment of payroll and health insurance for certified staff not accounted for in the Grant Activity Fund.
- The *Other Special Revenue Fund* is used to account for the accumulation of resources for and payment of employee compensated absences and District contributions to the retirement plan.
- The *Debt Service Fund* is used to account for accumulation of resources and payments made for principal and interest on long-term leasehold revenue bonded debt.
- The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition, construction, or renovation of capital facilities and the purchase of equipment, furniture, and fixtures.

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

- The *Child Nutritional Services Fund* is used to account for the operation and administration of the school cafeterias.
- The *Patron Gift Fund* accounts for financial activities related to the use of private gifts given to a specific school or program.
- The *Student Activity Fund* accounts for fundraising activities for schools and programs.

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

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

In addition, the District has the following nonmajor enterprise and internal service funds:

- The *Community Service Fund* is an enterprise fund type and accounts for accumulation and allocation of costs associated with charter schools, leased land and buildings, and event rental of facilities to the community. This fund is reported as an enterprise fund because it is financed by external parties. Operating expenses are from salaries and fringe benefits, utilities, materials and supplies, and contractual services. Nonoperating revenues are interest income, transfers, loss on disposal of capital assets, and insurance recoveries.
- The *Administrative Service Center Fund* is an internal service fund and accounts for printing, duplication, and distribution services provided to other departments on a cost-reimbursement basis.
- The *Risk Management Fund* is an internal service fund and accounts for and finances the District's insured and uninsured risks of loss, including workers' compensation, unemployment, and general liability insurance.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

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

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

In accounting and reporting for enterprise fund activities, the District applies all applicable pronouncements of the FASB issued on or before November 30, 1989, unless these pronouncements conflict with applicable GASB guidance as prescribed by GASB Statement No. 20.

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

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

1. **Deposits and Investments**

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

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 90 days or less from the date of acquisition. The investment policy allows surplus funds to be invested in securities with maturities not to exceed five years. The policy requires the District to adopt weighted average maturity limitations that do not exceed three years and is consistent with the investment objectives.

All investments are stated at fair value. The value of marketable securities is based on market analyses provided by a securities pricing company through the District's financial banking institution.

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

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

2. Restricted Cash and Investments

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

3. Receivables and Payables

Within the fund financial statements, activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" or "advances to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." There were no internal balances at June 30, 2007.

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

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

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, 2006 for real estate, personal property, merchants and manufacturers, and railroad and utility property was approximately \$2.89 billion.

4. Inventories

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

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

5. Capital Assets

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

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

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

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

The District implemented Governmental Accounting Standard Board Statement No. 42-Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries (GASB 42). The Board of Directors declared five closed buildings that will no longer be used for educational purposes as surplus property. Once property is declared surplus by the Board of Directors, it may be sold in compliance with bond covenants and State statutes. The GASB 42 required that the capital assets no longer used for educational purposes be disclosed separately. As a result, the District recognized a loss of \$2,326,701 to record the assets at the lower of carry value or market. This loss is reported as a special item since the transaction was within the control of management. Therefore, the District has disclosed the carrying value of these assets as “assets declared surplus” in the statement of net assets.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

6. Compensated Absences

District employees earn annual vacation leave at the following rates:

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

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

District employees accumulate sick leave at the rate of one-half day per reporting period. Additionally, two personal business days are awarded each fiscal year. Personal days not used are carried forward as accumulated sick leave. Vested, unused sick leave may be accumulated up to a maximum of 200 days. The value of unused sick leave is payable upon termination or retirement at a rate of 3% for each year of employment up to a maximum of 75% of total value of sick leave.

Estimated vacation and sick leave payments due to employees at June 30, 2007 of \$22.9 million have been recorded in the government-wide financial statements. Within the governmental funds financial statements, management has designated fund balance at June 30, 2007 of \$22.3 million to cover these future payments. Payments of benefits to employees are made from the Other Special Revenue Fund.

The District has a voluntary sick leave bank (the Bank) for the use and benefit of all eligible employees. The purpose of the Bank is to provide support and assistance to employees who have rendered substantial and beneficial services to the District in the event of long-term illness.

Full-time employees who possess a minimum of 20 accumulated sick leave days are eligible for membership. As a condition of membership, an initial contribution of three current accumulated sick leave days is required of the employees. A required minimum balance of 500 sick leave days is maintained in the Bank for members' utilization. Whenever the balance falls below 500 days, each member contributes two days of sick leave to replenish the Bank. The balance in the Bank at year-end is included in the estimate for compensated absences.

7. Interfund Transactions

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

8. Long-term Obligations

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

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

9. Fund Equity

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

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

10. Use of Estimates

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

11. Restricted Net Assets

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

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

(2) Stewardship, Compliance, and Accountability

Fund Designations

In the fund financial statements, fund equity has been designated to represent managerial plans for financial resource utilization in a future period. The District has the following designations of fund balance at June 30, 2007:

- *Designation for Compensated Absences*—Management has designated a portion of fund balance for the payment of accumulated vested vacation and sick leave to retiring or terminating employees. A liability related to this designation is shown in the government-wide statement of net assets.
- *Designated for Long-term Building Maintenance*—The Board-designated fund balance is to be used for the long-term maintenance and renovation of school buildings. At June 30, 2007, designated funds of \$15,274,647 were shown in the Capital Projects Fund.
- *Designated for Technology Plan*—The Board authorized the development of a Technology Plan and designated \$25,000,000 to fund the cost of improving the use of computer information technology for instruction and business management. At June 30, 2007, designated funds of \$8,901,243 were shown in the Capital Projects Fund.
- *E-Rate/E-Rate Support*—During the fiscal year, funds were set aside for the District's estimated costs related to implementation of the E-Rate Grant. At June 30, 2007, designated funds of \$1,821,197 were shown in the Capital Projects Fund.
- *Designated for Grant Activity* – Management has designated a portion of fund balance related to local, state and federal grant activity on a life-to-date basis. Revenues and expenditures are tracked by program number to ensure that the funds are used for their intended purposes. At June 30, 2007, designated funds of \$2,394,166 were shown in the General Fund.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

(3) Detailed Notes on All Funds

(a) Deposits and Investments

The District and the Building Corporation had the following investments at June 30, 2007:

Investment type	Fair value	Weighted average maturity (years)
U.S. Treasury obligations	\$ 18,995,528	5.88
Government-sponsored enterprises	182,038,306	1.54
Repurchase agreements	47,404,350	2.51
Certificates of deposit	8,779,000	0.37
Total fair value	257,217,184	
 Portfolio weighted average maturity		 2.57
 Other investments not subject to a structured maturity date:		
Money market funds	872,575	
Deposits	619,351	
	1,491,926	
Total cash and investments	\$ 258,709,110	

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. The policy requires the District to adopt weighted average maturity limitations that do not exceed three years and is consistent with the investment objectives.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

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

<u>Investment type</u>	<u>Moody's Investors Service</u>	<u>Standard & Poor's</u>
U. S. Treasury Obligations	Aaa	AAA
Government-sponsored enterprises		
Freddie MAC	Aaa	AAA
Freddie MAC, discount note	P-1	A-1+
Federal Home Loan Bank	Aaa	AAA
Federal National Mortgage Association	Aaa	AAA
Federal National Mortgage Association, discount note	P-1	A-1+
Repurchase agreement	Aaa	AAA
Repurchase agreement	Aa2	AA-
Certificate of deposit	NR	NR
Money market funds	NR	NR

Concentration of credit risk - The District’s investment policy seeks diversification to reduce overall portfolio risk while attaining market rates of return to enable the District to meet its anticipated cash requirements. The District follows diversification standards published by the Office of Missouri State Treasurer. Those standards allows for no more than 60% of the total investment portfolio to be in U.S. Government agencies and no more than 30% to be in U.S. Government callable agencies. At June 30, the District had 59% of its investments in non-callable U.S. Government agencies and 14% in callable U.S. Government agencies.

Collateralized repurchase agreements are limited to 50% of the total investments. At June 30, the District had 15% of its investments in collateralized repurchase agreements.

Custodial credit risk—For deposits, this is the risk that, in the event of a bank failure, the District and its component units’ deposits may not be returned. Collateral is required by state statute for demand deposits and certificates of deposit. The fair value of the collateral must equal 100% of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are governed by State Statutes and include United States Government agency bonds and securities; general obligation bonds of any of the 50 states; general obligation bonds of any Missouri county, certain cities, and special districts; and revenue bonds of certain Missouri agencies. For investments, there is the risk

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

that, in the event of the failure of the counterparty, the District and its component units will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, the District and the Building Corporation had \$.9 million in bank balances in money market funds exposed to custodial credit risk due to the balance not being insured and uncollateralized.

The District entered into a forward delivery agreement that provides guaranteed returns on cash designated for its Debt Service Fund. Withdrawals from the agreements are designated for payments of bond principal and interest as they become due. These funds are held in escrow with the Bank of New York Trust Company (Trustee), and at June 30, 2007 the investment portfolio consists of the following:

Investments		Rate	Maturity	Amount
Advance payment program:				
Repurchase agreement		5.28	8/6/2007	\$ 10,983,350
	Total			\$ 10,983,350

In addition, the Trustee manages an investment agreement of \$29.3 million for future capital improvements. This investment agreement allows for annual drawdowns through October 2008.

(b) Receivables

Receivables as of year-end for the major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General	Teachers'	Other Special Revenue	Debt Service	Capital Projects	Nonmajor and other(1)	Enterprise Fund	Total
Interest	\$ 623,992		284,443	598,317	586,408	219,294		2,312,454
Taxes	16,435,110	1,604,123			538,399			18,577,632
Due from other governments	9,181,467	226,258				1,445,816		10,853,541
Due from other funds	2,302,876							2,302,876
Advance from Building Corp					95,360			95,360
Community programs						537,776	189,271	727,047
Other receivables	26,333							26,333
Gross receivables	28,569,778	1,830,381	284,443	598,317	1,220,167	2,202,886	189,271	34,895,243
Less allowance for uncollectibles	(1,071,494)	(90,966)				(15,663)	(4,590)	(1,182,713)
Net total receivables	\$ 27,498,284	1,739,415	284,443	598,317	1,220,167	2,187,223	184,681	33,712,530

(1) Nonmajor and other funds are comprised of internal service funds, non-major governmental funds, and the student scholarships private purpose trust fund.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

(c) Capital Assets

Capital asset activity as of June 30, 2007 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	\$ 43,761,690	—	(524,438)	43,237,252
Construction in progress	1,755,047	720,861	(1,264,239)	1,211,669
Total capital assets, not being depreciated	<u>45,516,737</u>	<u>720,861</u>	<u>(1,788,677)</u>	<u>44,448,921</u>
Capital assets, being depreciated:				
Buildings	598,939,402	2,341,011	(8,042,865)	593,237,548
Improvements other than buildings	41,072,442	63,889	(138,211)	40,998,120
Equipment and furniture	33,739,994	2,094,926	(539,555)	35,295,365
Vehicles	1,378,177	4,656	—	1,382,833
Total capital assets being depreciated	<u>675,130,015</u>	<u>4,504,482</u>	<u>(8,720,631)</u>	<u>670,913,866</u>
Less accumulated depreciation for:				
Buildings	(194,529,223)	(11,534,159)	3,025,974	(203,037,408)
Improvements other than buildings	(24,099,952)	(1,557,185)	58,480	(25,598,657)
Equipment and furniture	(19,153,806)	(4,810,042)	490,309	(23,473,539)
Vehicles	(1,273,875)	(39,504)	—	(1,313,379)
Total accumulated depreciation	<u>(239,056,856)</u>	<u>(17,940,890)</u>	<u>3,574,763</u>	<u>(253,422,983)</u>
Total capital assets, being depreciated, net	<u>436,073,159</u>	<u>(13,436,408)</u>	<u>(5,145,868)</u>	<u>417,490,883</u>
Governmental activities capital assets, net	<u>\$ 481,589,896</u>	<u>(12,715,547)</u>	<u>(6,934,545)</u>	<u>461,939,804</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

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

Building Name	Net Book Value	Appraised Value	Carrying Value
Bingham	\$ 2,997,914	3,200,000	2,977,914
Bancroft	996,817	100,000	100,000
Faxon	1,484,884	75,000	75,000
Switzer/Old West	31,900	1,508,000	31,900
Norman Center	109,545	541,000	109,545
	\$ <u>5,621,060</u>	<u>5,424,000</u>	<u>3,294,359</u>

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

Elementary schools	\$ 8,821,437
Middle/junior high schools	3,362,977
Senior high schools	4,714,270
Special education	342,295
Total instruction	<u>17,240,979</u>
Improvement of instruction—curriculum development	3,224
Financial and internal services	319
Food service	2,358
Information technology	374,563
Total support services	<u>380,464</u>
Operation of facilities	35,397
Community and adult services	222
Facilities acquisition and construction	282,149
Governmental funds depreciation expense	17,939,211
Internal service	1,679
Total depreciation expense	\$ <u>17,940,890</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

(d) Interfund Receivables, Payables, and Transfers

Interfund receivable and payable balances at June 30, 2007 are as follows:

Fund	Receivables	Payables
Major funds:		
General	\$ 2,302,876	—
Nonmajor fund:		
Special Revenue (Child Nutritional Services)		2,302,876
	\$ 2,302,876	2,302,876
	Advances to other funds	Advances from other funds
Major funds:		
Capital Projects	\$ 95,360	—
Debt Service	—	95,360
	\$ 95,360	95,360

The purpose of the above interfund balances is to reflect the payables and receivables between certain funds at June 30, 2007. The Child Nutritional Services Fund receives reimbursements from the state after submission of actual meal count data each month. Since there is about a 60-day delay in receiving these reimbursements, the General Fund covers required disbursements, and at year-end, the negative cash balance is reclassified as a due to/from other funds.

The District is required to send an advance deposit for lease payments to the Trustee for the Building Corporation to cover future debt service payments. These deposits are sent six months before the payments are due to the bondholders.

The following transfers were made during the fiscal year:

	Transfers to							
	Teachers'	Debt Service	Other Special Revenue	Capital Projects	Nonmajor	Internal Service	Enterprise Fund	Total
Transfers from:								
General Fund	\$ 97,855,680		612,045		1,800,000	1,055,316	172,975	101,496,016
Teachers'			771,563			3,237,800		4,009,363
Debt Service Fund				16,461,368				16,461,368
Capital Project Fund		26,967,868						26,967,868
Internal Service Funds			4,000			5,380		9,380
Nonmajor governmental funds			32,182	210,646		110,386		353,214
	\$ 97,855,680	26,967,868	1,419,790	16,672,014	1,800,000	4,408,882	172,975	149,297,209

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

(e) *Accrued Salaries*

School-based instructional staff are compensated over a 12-month period beginning in August and September. Remaining salaries and related payroll taxes for the fiscal year have been accrued at June 30, 2007.

(f) *Leases*

Capital lease – The District has entered into a lease agreement for financing the purchase of computer application called “I Can Learn” that included classroom equipment, furniture, curriculum materials, supplies and services. A down payment of \$560,000 was made during fiscal year 2007. The lease agreement qualified as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments. The assets acquired were classroom equipment at a cost of \$596,800. The future minimum lease payments are \$520,000 due annually in August 2007 and August 2008. The total minimum lease payments are \$1,040,000 less interest of \$72,613 resulting in the present value of the minimum lease payments of \$967,387.

(g) *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.

Bonds outstanding at June 30, 2007 are as follows:

<u>Purpose</u>	<u>Amount outstanding</u>	<u>Interest rate</u>	<u>Maturity year</u>
Series 2002A	\$ 12,655,000	5.00%	2008
Series 2003A	28,430,000	4.00% to 5.00%	2014
Series 2003B	48,230,000	4.00% to 5.00%	2014
	<u>\$ 89,315,000</u>		

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

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

	Governmental activities	
	Principal	Interest
Year ending June 30:		
2008	22,130,000	4,350,868
2009	9,945,000	3,244,368
2010	10,385,000	2,806,405
2011	10,875,000	2,311,105
2012	11,420,000	1,767,355
2013 – 2014	24,560,000	1,821,275
Total	<u>\$ 89,315,000</u>	<u>16,301,376</u>

(h) Changes in Long-term Liabilities

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

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
Leasehold revenue bonds	\$ 110,855,000		(21,540,000)	89,315,000	22,130,000
Compensated absences	22,712,536	1,397,790	(1,923,024)	22,187,302	8,432,483
Capital lease	—	1,527,387	(560,000)	967,387	471,979
Long-term liabilities	<u>\$ 133,567,536</u>	<u>2,925,177</u>	<u>(24,023,024)</u>	<u>112,469,689</u>	<u>31,034,462</u>

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

(i) Deficit Fund Balance/Net Assets

The Child Nutritional Services Special Revenue Fund has a deficit fund balance of \$734,315 as of June 30, 2007. If the fund does not generate savings during fiscal year 2008, administration will make a recommendation to the Board to approve an operating subsidy to cover the remaining deficit balance during fiscal year 2008.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

(4) Other Information

(a) *Risk Management*

Resources are accumulated in the Risk Management Fund for workers' compensation, unemployment, and general liability. The District qualifies as a self-insurer under Missouri Workers' Compensation laws and maintains a reserve to cover estimated workers' compensation claims incurred before November 1, 1999. Restricted cash and investments of \$274,433 as of June 30, 2007 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 State, under statute 288.090:3(1)(a) requires the District to reserve net assets for unemployment compensation. The District has reserved \$2,520,454 as of June 30, 2007. 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.

Contributions are made to the Risk Management Fund based on estimated fringe rates determined by management. The claim liability of \$576,000 reported in the internal service fund as of June 30, 2007 is an estimated liability for potential incurred but not reported workers' compensation and unemployment compensation claims.

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.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

Changes for the claims liability for fiscal years 2006 and 2007 is shown below. Adjustments to workers' compensation and resulted from changes in the actuarial estimates of claims liability from prior years, and changes in unemployment are based on premiums paid to the state.

	<u>Beginning of fiscal year</u>	<u>Current claims and estimated changes</u>	<u>Claim payments</u>	<u>Balance at fiscal year-end</u>
Fiscal year 2006:				
Workers' compensation	\$ 239,104	—	11,684	227,420
Unemployment compensation	502,000	5,000	—	507,000
Claims and judgments	<u>1,110,310</u>	<u>1,889,690</u>	<u>—</u>	<u>3,000,000</u>
	<u>\$ 1,851,414</u>	<u>1,894,690</u>	<u>11,684</u>	<u>3,734,420</u>
Fiscal year 2007:				
Workers' compensation	\$ 227,420	(38,528)	77,892	111,000
Unemployment compensation	507,000	(42,000)	—	465,000
Claims and judgments	<u>3,000,000</u>	<u>(1,821,500)</u>	<u>—</u>	<u>1,178,500</u>
	<u>\$ 3,734,420</u>	<u>(1,902,028)</u>	<u>77,892</u>	<u>1,754,500</u>

(b) Status of Accreditation

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

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

In January 2004, the state completed a full-scale accreditation review under Third Cycle standards, covering all Resource, Process, and Performance criteria. The District retained its provisional accreditation status. Two additional points are needed to obtain full accreditation status. A team of reviewers from the DESE will conduct an on-site accreditation review beginning the week of April 28, 2008.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

(c) Charter School

Prior to the closing of Westport Charter Schools, DESE transferred approximately \$.9 million to the District as disbursal agent for the State of Missouri. Before the money was sent to Westport Charter, DESE instructed the District not to transfer the money because Westport Charter had not met all of the procedural requirements to certify attendance and operations of the charter school. Before Westport Charter met those procedural requirements, it dissolved, discontinued its operations as a charter school and filed for bankruptcy protection under Chapter 11 of the bankruptcy code. On August 23, 2007, the District was notified of the Westport Charter bankruptcy settlement. The settlement required the District to pay the bankruptcy trustee \$530,805. The District has \$530,805 set aside as due to charter schools in its Community Service Enterprise Fund to cover this obligation.

(d) Commitments

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

(e) Contingent Liabilities

On May 10, 2005, the District filed suit against the Board of Fund Commissioners, the individual members of the Board of Fund Commissioners, the Missouri Department of Elementary and Secondary Education, the Commissioner of Education, and the State of Missouri. The District's lawsuit seeks relief from a statute which allows the Board of Fund Commissioners to determine whether or not the District has sufficient "fund balance" to redeem or otherwise pay off leasehold revenue bonds issued pursuant to desegregation related action. In April 2005, the Board of Fund Commissioners voted that the District had sufficient "fund balance" to redeem or otherwise pay off its obligations for leasehold revenue bonds and, therefore, could not continue to withhold money from charter school pursuant to Missouri Revised Statute 160.415(2)(5).

The District's lawsuit alleges the Board of Fund Commissioners' determination was arbitrary and capricious and the statute authorizing the Board of Fund Commissioners to make such a determination is unconstitutional. An Association of charter schools intervened in this case and alleged a counterclaim against the District for monies withheld of approximately \$27 million for the fiscal years 1999 through 2005. The District's motion for summary judgment on the Association's counterclaim was denied. The Association's motion for summary judgment was granted and later reversed by the Court. The District's claim that the funding mechanism for charter schools is unconstitutional is pending. The District has asserted the defense of laches to the charter school claim for back payments totaling \$27 million. A court trail has been scheduled for October 18, 2007.

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

District opposed. The State defendants filed a motion to dismiss the District on December 4, 2006. The District filed a motion for a temporary restraining order on July 23, 2007. The Court denied the District's motion for a temporary restraining order on September 4, 2007 and scheduled the case for trial on January 3, 2008.

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

(f) Pension Plan

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

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

Employer—Participating employers contributed 7.5% of annual compensation beginning January 1, 1999. Prior to July 1, 1993, employer contributions were actuarially determined.

The District's contributions to the Retirement System for the years ended December 31, 2006, 2005, and 2004 were \$12,323,052, \$12,519,761, and \$12,052,245, respectively, which was equal to the annual required contribution for the District.

(g) Subsequent Event

On July 31, 2007, members of a non-profit corporation, Kids Are Our Future, launched a petition drive to change the boundary between the District and the Independence School District. The group has requested that both school districts place the boundary change question on the November 6, 2007 ballot. The District anticipates a legal challenge in order to force the District to place the boundary change question on the ballot. The District has meritorious defenses, that includes the boundary change statute does not apply to the District and the new boundary change statute is unconstitutional.

(h) New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several statements not yet required to be implemented by the District. The District's management has not yet determined the effect these Statements will have on the District's financial statements. However, the District plans to implement all standards by required dates. The Statements which may impact the District are as follows:

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2007

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, issued June 2004, will be effective for the District beginning with its year ending June 30, 2008. This Statement establishes standards for the measurement, recognition and display of other post-employment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, is effective for the District with its year ending June 30, 2008. This Statement establishes accounting and financial reporting standards for transactions in which a government receives or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition, this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, is effective for the District with its year ending June 30, 2009. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This standard requires the government to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

GASB Statement No. 50, *Pension Disclosures*, an amendment to GASB Statement Nos. 25 and 27, issued May 2007, will be effective for the District beginning with its year ending June 30, 2008. This Statement more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the District beginning with its year ending June 30, 2010. This statement provides guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, patents, and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.

REQUIRED SUPPLEMENTARY INFORMATION

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property taxes	\$ 128,077,999	141,446,537	141,240,057	(206,480)
Prop C taxes	19,689,466	15,745,573	15,685,758	(59,815)
Other local	2,320,893	6,313,386	8,981,088	2,667,702
County	3,130,719	3,070,023	3,076,685	6,662
Basic formula	27,516,882	30,307,882	30,496,708	188,826
Other state	9,473,440	13,153,782	12,675,464	(478,318)
Federal sources	—	48,217,329	36,823,439	(11,393,890)
Tuition	—	—	13,276	13,276
	<u>190,209,399</u>	<u>258,254,512</u>	<u>248,992,475</u>	<u>(9,262,037)</u>
Expenditures:				
Current:				
Administration:				
Board of Education services:				
Salaries	300,552	244,667	238,080	6,587
Benefits	91,588	88,684	69,156	19,528
Purchased services	454,585	521,443	592,993	(71,550)
Supplies and materials	14,400	22,200	21,182	1,018
	<u>861,125</u>	<u>876,994</u>	<u>921,411</u>	<u>(44,417)</u>
Executive administration:				
Salaries	973,973	968,397	948,497	19,900
Benefits	251,504	284,205	262,779	21,426
Purchased services	3,377,199	7,227,477	6,672,205	555,272
Supplies and materials	48,100	125,078	90,859	34,219
	<u>4,650,776</u>	<u>8,605,157</u>	<u>7,974,340</u>	<u>630,817</u>
Building level administration:				
Salaries	2,319,066	2,669,200	2,661,024	8,176
Benefits	891,897	1,004,082	1,019,771	(15,689)
Purchased services	205,376	198,183	142,376	55,807
Supplies and materials	103,710	144,517	116,674	27,843
	<u>3,520,049</u>	<u>4,015,982</u>	<u>3,939,845</u>	<u>76,137</u>
Total administration	<u>9,031,950</u>	<u>13,498,133</u>	<u>12,835,596</u>	<u>662,537</u>
Instruction:				
Elementary:				
Salaries	1,112,366	2,082,540	1,946,690	135,850
Benefits	41,925	866,941	974,417	(107,476)
Purchased services	5,439,343	957,577	1,283,500	(325,923)
Supplies and materials	1,471,417	6,861,344	6,519,994	341,350
	<u>8,065,051</u>	<u>10,768,402</u>	<u>10,724,601</u>	<u>43,801</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Middle/junior high:				
Salaries	\$ —	120,347	107,393	12,954
Benefits	—	40,502	87,461	(46,959)
Purchased services	1,439,881	276,064	169,445	106,619
Supplies and materials	655,451	861,772	480,636	381,136
Total middle/junior high	<u>2,095,332</u>	<u>1,298,685</u>	<u>844,935</u>	<u>453,750</u>
Senior high:				
Salaries	104,461	450,324	423,272	27,052
Benefits	56,477	156,035	213,757	(57,722)
Purchased services	1,854,916	488,528	348,688	139,840
Supplies and materials	918,643	1,203,612	1,188,467	15,145
Debt service	—	—	414,400	(414,400)
Total senior high	<u>2,934,497</u>	<u>2,298,499</u>	<u>2,588,584</u>	<u>(290,085)</u>
Summer school:				
Salaries	1,898,735	2,560,040	2,277,579	282,461
Benefits	548,062	866,914	698,608	168,306
Purchased services	161,940	1,096,170	680,973	415,197
Supplies and materials	2,130,522	1,941,082	3,196,187	(1,255,105)
Total summer school	<u>4,739,259</u>	<u>6,464,206</u>	<u>6,853,347</u>	<u>(389,141)</u>
Special education:				
Salaries	3,827,184	3,576,703	3,822,180	(245,477)
Benefits	951,260	1,519,180	1,510,782	8,398
Purchased services	6,587,341	5,737,438	6,100,856	(363,418)
Supplies and materials	557,692	543,262	398,116	145,146
Total special education	<u>11,923,477</u>	<u>11,376,583</u>	<u>11,831,934</u>	<u>(455,351)</u>
Culturally different:				
Salaries	3,007,021	2,106,851	1,909,524	197,327
Benefits	1,228,291	900,403	789,629	110,774
Purchased services	5,706,111	6,219,288	3,273,049	2,946,239
Supplies and materials	650,406	4,040,638	2,956,639	1,083,999
Total culturally different	<u>10,591,829</u>	<u>13,267,180</u>	<u>8,928,841</u>	<u>4,338,339</u>
Vocational instruction:				
Salaries	136,073	145,627	123,232	22,395
Benefits	46,763	51,230	40,581	10,649
Purchased services	409,574	213,814	162,835	50,979
Supplies and materials	358,455	387,372	348,689	38,683
Total vocational instruction	<u>950,865</u>	<u>798,043</u>	<u>675,337</u>	<u>122,706</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Student activities:				
Salaries	\$ 483,360	461,424	338,667	122,757
Benefits	53,961	54,579	42,376	12,203
Purchased services	252,095	312,679	257,251	55,428
Supplies and materials	100,632	132,221	123,368	8,853
Total student activities	<u>890,048</u>	<u>960,903</u>	<u>761,662</u>	<u>199,241</u>
Total instruction	<u>42,190,358</u>	<u>47,232,501</u>	<u>43,209,241</u>	<u>4,023,260</u>
Support services:				
Attendance/placement:				
Salaries	2,068,509	2,320,261	2,278,551	41,710
Benefits	698,066	783,165	778,299	4,866
Purchased services	3,839,900	2,737,400	2,171,898	565,502
Supplies and materials	63,000	61,850	31,295	30,555
Total attendance/placement	<u>6,669,475</u>	<u>5,902,676</u>	<u>5,260,043</u>	<u>642,633</u>
Guidance/counseling:				
Salaries	738,029	741,027	836,864	(95,837)
Benefits	264,060	264,640	322,608	(57,968)
Purchased services	9,562	25,962	28,718	(2,756)
Supplies and materials	3,400	9,700	6,549	3,151
Total guidance/counseling	<u>1,015,051</u>	<u>1,041,329</u>	<u>1,194,739</u>	<u>(153,410)</u>
Health, psychology, and speech:				
Salaries	2,040,735	2,105,700	2,007,953	97,747
Benefits	724,159	744,143	735,525	8,618
Purchased services	36,000	51,537	29,098	22,439
Supplies and materials	30,909	81,909	31,742	50,167
Total health, psychology, and speech	<u>2,831,803</u>	<u>2,983,289</u>	<u>2,804,318</u>	<u>178,971</u>
Improvement of instruction:				
Curriculum development:				
Salaries	562,823	551,013	474,813	76,200
Benefits	181,022	175,207	162,960	12,247
Purchased services	681,550	2,310,298	1,742,768	567,530
Supplies and materials	187,865	374,641	347,121	27,520
Total curriculum development	<u>1,613,260</u>	<u>3,411,159</u>	<u>2,727,662</u>	<u>683,497</u>
Staff training:				
Salaries	81,080	48,485	16,283	32,202
Benefits	16,407	6,292	8,453	(2,161)
Purchased services	1,882,165	1,783,212	2,023,168	(239,956)
Supplies and materials	134,663	584,278	499,775	84,503
Total staff training	<u>2,114,315</u>	<u>2,422,267</u>	<u>2,547,679</u>	<u>(125,412)</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Educational media services:				
Salaries	\$ 312,861	334,225	329,481	4,744
Benefits	100,361	103,948	121,531	(17,583)
Purchased services	32,365	24,065	32,235	(8,170)
Supplies and materials	<u>1,476,243</u>	<u>1,407,076</u>	<u>1,256,507</u>	<u>150,569</u>
Total educational media services	<u>1,921,830</u>	<u>1,869,314</u>	<u>1,739,754</u>	<u>129,560</u>
Financial services:				
Salaries	1,359,647	1,412,866	1,329,863	83,003
Benefits	385,679	395,886	372,885	23,001
Purchased services	297,020	182,220	196,056	(13,836)
Supplies and materials	<u>61,014</u>	<u>52,314</u>	<u>44,482</u>	<u>7,832</u>
Total financial services	<u>2,103,360</u>	<u>2,043,286</u>	<u>1,943,286</u>	<u>100,000</u>
Food service:				
Salaries	72,000	17,620	—	17,620
Benefits	19,029	—	—	—
Purchased services	27,000	53,695	49,960	3,735
Supplies and materials	<u>60,300</u>	<u>69,300</u>	<u>84,843</u>	<u>(15,543)</u>
Total food service	<u>178,329</u>	<u>140,615</u>	<u>134,803</u>	<u>5,812</u>
Internal service:				
Salaries	420,520	412,001	424,940	(12,939)
Benefits	114,934	118,730	119,929	(1,199)
Purchased services	30,900	67,000	44,055	22,945
Supplies and materials	<u>4,550</u>	<u>7,250</u>	<u>6,244</u>	<u>1,006</u>
Total internal service	<u>570,904</u>	<u>604,981</u>	<u>595,168</u>	<u>9,813</u>
Planning/research/evaluation:				
Development services:				
Salaries	531,824	563,442	586,686	(23,244)
Benefits	123,357	152,612	151,765	847
Purchased services	659,497	526,647	553,880	(27,233)
Supplies and materials	<u>32,650</u>	<u>106,252</u>	<u>99,196</u>	<u>7,056</u>
Total development services	<u>1,347,328</u>	<u>1,348,953</u>	<u>1,391,527</u>	<u>(42,574)</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2007

	Original budget	Final budget	Actual	Variance with Final Budget
Admissions/communication services:				
Salaries	\$ 477,709	372,090	371,215	875
Benefits	142,840	77,100	97,774	(20,674)
Purchased services	304,700	648,719	658,246	(9,527)
Supplies and materials	7,500	17,078	14,118	2,960
Total admissions/communications	<u>932,749</u>	<u>1,114,987</u>	<u>1,141,353</u>	<u>(26,366)</u>
Personnel services:				
Salaries	1,291,624	1,333,406	1,357,806	(24,400)
Benefits	366,331	312,466	363,468	(51,002)
Purchased services	333,581	594,572	574,228	20,344
Supplies and materials	24,000	150,800	151,523	(723)
Total personnel services	<u>2,015,536</u>	<u>2,391,244</u>	<u>2,447,025</u>	<u>(55,781)</u>
Information technology:				
Salaries	1,901,951	1,840,510	1,851,819	(11,309)
Benefits	515,788	512,599	492,182	20,417
Purchased services	2,508,692	2,876,042	3,286,021	(409,979)
Supplies and materials	57,000	152,000	559,810	(407,810)
Total information technology	<u>4,983,431</u>	<u>5,381,151</u>	<u>6,189,832</u>	<u>(808,681)</u>
Total support services	<u>28,297,371</u>	<u>30,655,251</u>	<u>30,117,189</u>	<u>538,062</u>
Operation of facilities:				
Salaries	14,775,918	15,273,692	16,057,547	(783,855)
Benefits	5,116,441	5,213,198	5,353,052	(139,854)
Purchased services	13,939,522	13,899,852	13,549,992	349,860
Supplies and materials	37,625	57,875	49,520	8,355
Other purchased services	2,813,947	3,120,072	2,363,020	757,052
Other supplies and materials	914,048	886,648	1,608,988	(722,340)
Total operation of facilities	<u>37,597,501</u>	<u>38,451,337</u>	<u>38,982,119</u>	<u>(530,782)</u>
Pupil transportation:				
Salaries	20,668	33,557	26,673	6,884
Benefits	7,880	12,917	10,591	2,326
Purchased services	25,347,964	24,358,347	22,095,934	2,262,413
Supplies and materials	6,610	6,610	1,426	5,184
Total pupil transportation	<u>25,383,122</u>	<u>24,411,431</u>	<u>22,134,624</u>	<u>2,276,807</u>
Community and adult services:				
Adult basic education:				
Salaries	196,282	246,494	261,718	(15,224)
Benefits	53,189	76,967	83,913	(6,946)
Purchased services	370,679	379,217	390,762	(11,545)
Supplies and materials	71,071	66,614	66,948	(334)
Total adult basic education	<u>691,221</u>	<u>769,292</u>	<u>803,341</u>	<u>(34,049)</u>
Adult continuing education:				
Salaries	4,500	2,502	2,142	360
Benefits	525	1,677	213	1,464
Purchased services	2,400	2,400	1,067	1,333
Total adult continuing education	<u>7,425</u>	<u>6,579</u>	<u>3,422</u>	<u>3,157</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund (continued)

Year ended June 30, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Community services:				
Salaries	2,387,666	2,975,153	2,835,109	140,044
Benefits	767,395	1,037,645	899,118	138,527
Purchased services	1,063,624	1,158,568	533,104	625,464
Supplies and materials	188,115	415,097	317,776	97,321
Total community services	<u>4,406,800</u>	<u>5,586,463</u>	<u>4,585,107</u>	<u>1,001,356</u>
Total community and adult services	<u>5,105,446</u>	<u>6,362,334</u>	<u>5,391,870</u>	<u>970,464</u>
Facilities/acquisition and construction:				
Salaries	\$ —	—	—	—
Benefits	—	—	—	—
Purchased services	169,000	—	—	—
Supplies and materials	—	—	—	—
Other purchased services	—	—	—	—
Total facilities/acquisition and construction	<u>169,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>147,774,748</u>	<u>160,610,987</u>	<u>152,670,639</u>	<u>7,940,348</u>
Revenues over (under) expenditures	<u>42,434,651</u>	<u>97,643,525</u>	<u>96,321,836</u>	<u>(1,321,689)</u>
Other financing sources (uses):				
Transfers out	(98,536,594)	(104,434,361)	(99,828,655)	(4,605,706)
Capital leases	—	—	1,138,586	(1,138,586)
Total other financing sources	<u>(98,536,594)</u>	<u>(104,434,361)</u>	<u>(98,690,069)</u>	<u>(5,744,292)</u>
Revenues and other financing sources over (under) expenditures	\$ <u><u>(56,101,943)</u></u>	<u><u>(6,790,836)</u></u>	<u><u>(2,368,233)</u></u>	<u><u>4,422,603</u></u>
Fund balance, beginning of year			65,246,379	
Fund balance, end of year			\$ <u><u>62,878,146</u></u>	

See Note to Required Supplementary Information.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—Teachers' Fund

Year ended June 30, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Prop C taxes	\$ 11,813,679	9,447,343	9,411,456	(35,887)
Local	—	—	140	140
County	398,182	398,182	356,478	(41,704)
Basic Formula	55,996,733	64,920,357	65,787,863	867,506
State	285,000	527,982	498,456	(29,526)
Federal	428,588	517,130	525,804	8,674
Other	60,056	52,272	63,605	11,333
Total revenues	<u>68,982,238</u>	<u>75,863,266</u>	<u>76,643,802</u>	<u>780,536</u>
Expenditures:				
Current:				
Administration:				
Executive administration:				
Salaries	431,934	442,988	462,407	(19,419)
Benefits	117,536	126,636	119,910	6,726
Total executive administration	<u>549,470</u>	<u>569,624</u>	<u>582,317</u>	<u>(12,693)</u>
Building level administration:				
Salaries	10,135,171	11,464,390	11,686,203	(221,813)
Benefits	2,513,662	2,763,520	2,725,642	37,878
Total building level administration	<u>12,648,833</u>	<u>14,227,910</u>	<u>14,411,845</u>	<u>(183,935)</u>
Total administration	<u>13,198,303</u>	<u>14,797,534</u>	<u>14,994,162</u>	<u>(196,628)</u>
Instruction:				
Elementary:				
Salaries	39,146,778	41,893,642	41,890,843	2,799
Benefits	11,458,883	12,352,302	11,469,376	882,926
Total elementary	<u>50,605,661</u>	<u>54,245,944</u>	<u>53,360,219</u>	<u>885,725</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—Teachers' Fund

Year ended June 30, 2007

	Original budget	Final budget	Actual	Variance with Final Budget
Middle/junior high:				
Salaries	10,582,160	11,762,933	12,407,452	(644,519)
Benefits	3,103,571	3,491,969	3,327,587	164,382
Total middle/junior high	<u>13,685,731</u>	<u>15,254,902</u>	<u>15,735,039</u>	<u>(480,137)</u>
Senior high:				
Salaries	\$ 15,196,691	17,171,930	16,698,278	473,652
Benefits	4,417,357	4,527,642	4,436,005	91,637
Total senior high	<u>19,614,048</u>	<u>21,699,572</u>	<u>21,134,283</u>	<u>565,289</u>
Summer school:				
Salaries	5,838,001	5,624,728	5,629,002	(4,274)
Benefits	440,570	567,880	585,360	(17,480)
Total summer school	<u>6,278,571</u>	<u>6,192,608</u>	<u>6,214,362</u>	<u>(21,754)</u>
Special education:				
Salaries	23,130,841	23,979,788	23,905,301	74,487
Benefits	6,293,769	6,474,415	6,180,192	294,223
Total special education	<u>29,424,610</u>	<u>30,454,203</u>	<u>30,085,493</u>	<u>368,710</u>
Culturally different:				
Salaries	5,807,841	5,488,738	4,816,939	671,799
Benefits	1,372,190	1,206,454	1,084,472	121,982
Total culturally different	<u>7,180,031</u>	<u>6,695,192</u>	<u>5,901,411</u>	<u>793,781</u>
Vocational instruction:				
Salaries	1,948,479	1,948,436	1,950,144	(1,708)
Benefits	512,875	510,270	520,845	(10,575)
Total vocational instruction	<u>2,461,354</u>	<u>2,458,706</u>	<u>2,470,989</u>	<u>(12,283)</u>
Student activities:				
Salaries	760,181	868,429	977,547	(109,118)
Fringes	57,890	61,837	97,458	(35,621)
Total student activities	<u>818,071</u>	<u>930,266</u>	<u>1,075,005</u>	<u>(144,739)</u>
Total instruction	<u>130,068,077</u>	<u>137,931,393</u>	<u>135,976,801</u>	<u>1,954,592</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—Teachers' Fund

Year ended June 30, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Support services:				
Attendance/placement:				
Salaries	\$ 159,863	179,966	177,764	2,202
Benefits	43,145	44,837	44,423	414
Total attendance/placement	<u>203,008</u>	<u>224,803</u>	<u>222,187</u>	<u>2,616</u>
Guidance/counseling:				
Salaries	4,664,104	5,081,253	4,933,945	147,308
Benefits	1,285,359	1,368,420	1,308,396	60,024
Total guidance/counseling	<u>5,949,463</u>	<u>6,449,673</u>	<u>6,242,341</u>	<u>207,332</u>
Health, psychology, and speech:				
Salaries	1,092,929	1,158,504	1,238,140	(79,636)
Benefits	317,026	329,538	323,523	6,015
Total health, psychology, and speech	<u>1,409,955</u>	<u>1,488,042</u>	<u>1,561,663</u>	<u>(73,621)</u>
Improvement of instruction:				
Current developments:				
Salaries	6,922,493	7,627,447	6,925,090	702,357
Benefits	1,666,395	1,849,709	1,692,783	156,926
Total current developments	<u>8,588,888</u>	<u>9,477,156</u>	<u>8,617,873</u>	<u>859,283</u>
Staff training:				
Salaries	1,785,735	963,684	1,175,973	(212,289)
Benefits	422,138	186,089	243,761	(57,672)
Total staff training	<u>2,207,873</u>	<u>1,149,773</u>	<u>1,419,734</u>	<u>(269,961)</u>
Educational media services:				
Salaries	3,555,644	3,652,418	3,576,672	75,746
Benefits	948,808	975,030	909,364	65,666
Total educational media	<u>4,504,452</u>	<u>4,627,448</u>	<u>4,486,036</u>	<u>141,412</u>
Financial services:				
Salaries	112,502	115,877	—	115,877
Benefits	31,616	32,269	—	32,269
Total financial services	<u>144,118</u>	<u>148,146</u>	<u>—</u>	<u>148,146</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—Teachers' Fund (continued)

Year ended June 30, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Planning/research/evaluation/ development services:				
Salaries	\$ 161,718	112,171	104,134	8,037
Benefits	42,957	24,906	25,378	(472)
Total planning/research/ evaluation/ development services	<u>204,675</u>	<u>137,077</u>	<u>129,512</u>	<u>7,565</u>
Personnel services:				
Salaries	—	—	—	—
Benefits	—	—	—	—
Total personnel services	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Information technology:				
Salaries	50,000	46,284	587	45,697
Benefits	3,825	3,541	58	3,483
Total technology services	<u>53,825</u>	<u>49,825</u>	<u>645</u>	<u>49,180</u>
Total support services	<u>23,266,257</u>	<u>23,751,943</u>	<u>22,679,991</u>	<u>1,071,952</u>
Community and adult services:				
Adult basic education:				
Salaries	638,284	616,152	664,237	(48,085)
Benefits	156,212	151,442	151,913	(471)
Total adult basic education	<u>794,496</u>	<u>767,594</u>	<u>816,150</u>	<u>(48,556)</u>
Adult continuing education:				
Salaries	21,922	23,920	16,398	7,522
Benefits	1,677	525	1,623	(1,098)
Total adult continuing education	<u>23,599</u>	<u>24,445</u>	<u>18,021</u>	<u>6,424</u>
Community services:				
Salaries	—	39,451	13,074	26,377
Benefits	—	5,268	1,283	3,985
Total community services	<u>—</u>	<u>44,719</u>	<u>14,357</u>	<u>30,362</u>
Total community and adult services	<u>818,095</u>	<u>836,758</u>	<u>848,528</u>	<u>(11,770)</u>
Total expenditures	<u>167,350,732</u>	<u>177,317,628</u>	<u>174,499,482</u>	<u>2,818,146</u>
Revenues under expenditures	<u>(98,368,494)</u>	<u>(101,454,362)</u>	<u>(97,855,680)</u>	<u>3,598,682</u>
Other financing sources:				
Transfers in	98,056,594	101,454,361	97,855,680	3,598,681
Revenues and other financing sources over (under) expenditures	\$ <u>(311,900)</u>	<u>(1)</u>	<u>—</u>	<u>1</u>
Fund balance, beginning of year			—	
Fund balance, end of year			\$ <u>—</u>	

See Note to Required Supplementary Information.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Note to the Required Supplementary Information

June 30, 2007

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 Board adopts annual appropriations for the following funds:

Major funds:	Nonmajor funds:
General	Child Nutritional Services
Teachers'	Administrative Service Center
Capital Projects	

The project (life-to-date) budget included in the Capital Project Fund activity is not appropriated annually and, therefore, is not reflected in the accompanying budgetary comparison schedules. In addition, the Debt Service Fund and Other Special Revenue Fund are not budgeted.

Budgets are not adopted for certain other nonmajor funds that include the Student Activity, Patron Gift Trust, Patron Endowments, and Risk Management. The adopted budget for the Internal service fund (Administrative Service Center) is not presented in this report.

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

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

The Board must approve expenditures in excess of appropriations at the fund level. Budgeted expenditure amendments during the fiscal year resulted in a 7.6% increase in the General Fund. The Board approved amendments in the Teachers' Fund and Capital Project Fund for increases of 6% and 51.4%, respectively.

NONMAJOR FUND FINANCIAL STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Nonmajor Governmental Funds—Combining Balance Sheet

June 30, 2007

Assets	Special revenue			Permanent fund patron endowments	Total nonmajor governmental funds
	Child Nutritional services	Student activity	Patron gift		
Cash and investments	\$ 52,534	532,356	—	—	584,890
Restricted cash and investments	—	—	205,244	146,107	351,351
Interest receivable	—	—	2,585	1,840	4,425
Due from other governments	1,430,153	—	—	—	1,430,153
Due from Community/Charter Schools	537,776	—	—	—	537,776
Supplies inventory	200,502	—	—	—	200,502
Total assets	\$ 2,220,965	532,356	207,829	147,947	3,109,097
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 548,276	—	—	—	548,276
Accrued salaries, benefits and payroll taxes	104,128	—	—	—	104,128
Due to other funds	2,302,876	—	—	—	2,302,876
Deferred revenue	—	—	—	—	—
Total liabilities	2,955,280	—	—	—	2,955,280
Fund balance (deficit):					
Reserved for:					
Supplies inventory	200,502	—	—	—	200,502
Permanent fund, nonexpendable corpus	—	—	—	147,947	147,947
Patron gifts	—	—	207,829	—	207,829
Unreserved:	—	—	—	—	—
Undesignated:	—	—	—	—	—
Special revenue funds	(934,817)	532,356	—	—	(402,461)
Permanent fund	—	—	—	—	—
Total fund balance	(734,315)	532,356	207,829	147,947	153,817
Total liabilities and fund balance	\$ 2,220,965	532,356	207,829	147,947	3,109,097

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year ended June 30, 2007

	<u>Child Nutritional services</u>	<u>Special revenue Student activity</u>	<u>Patron gift</u>	<u>Permanent fund patron endowments</u>	<u>Total nonmajor governmental funds</u>
Revenues:					
Local	\$ 2,254,502	1,193,365	12,230	8,581	3,468,678
Other state	84,490	—	—	—	84,490
Federal	10,899,728	—	—	—	10,899,728
Other	—	—	—	—	—
Total revenues	<u>13,238,720</u>	<u>1,193,365</u>	<u>12,230</u>	<u>8,581</u>	<u>14,452,896</u>
Expenditures:					
Current:					
Instruction	—	1,194,365	10,516	—	1,204,881
Support services	15,419,821	—	—	—	15,419,821
Transportation	—	—	—	—	—
Community and adult services	—	—	—	—	—
Total expenditures	<u>15,419,821</u>	<u>1,194,365</u>	<u>10,516</u>	<u>—</u>	<u>16,624,702</u>
Revenues over (under) expenditures	<u>(2,181,101)</u>	<u>(1,000)</u>	<u>1,714</u>	<u>8,581</u>	<u>(2,171,806)</u>
Other financing sources (uses):					
Transfers in	1,800,000	—	—	—	1,800,000
Transfers out	(353,214)	—	—	—	(353,214)
Total other financing sources (uses)	<u>1,446,786</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,446,786</u>
Revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(734,315)</u>	<u>(1,000)</u>	<u>1,714</u>	<u>8,581</u>	<u>(725,020)</u>
Fund balances, beginning of year	—	533,356	206,115	139,366	878,837
Fund balances (deficit), end of year	<u>\$ (734,315)</u>	<u>532,356</u>	<u>207,829</u>	<u>147,947</u>	<u>153,817</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year ended June 30, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Local	\$ 1,932,459	1,932,459	2,254,502	322,043
State	70,030	70,030	84,490	14,460
Federal	<u>12,046,908</u>	<u>12,046,908</u>	<u>10,899,728</u>	<u>(1,147,180)</u>
Total revenues	<u>14,049,397</u>	<u>14,049,397</u>	<u>13,238,720</u>	<u>(810,677)</u>
Expenditures:				
Current:				
Support services:				
Salaries	4,056,355	4,208,421	4,521,621	(313,200)
Benefits	2,121,522	2,293,704	2,100,419	193,285
Purchased services	2,414,815	2,263,014	1,794,521	468,493
Supplies and materials	<u>5,381,705</u>	<u>7,038,008</u>	<u>7,145,828</u>	<u>(107,820)</u>
Total expenditures	<u>13,974,397</u>	<u>15,803,147</u>	<u>15,562,389</u>	<u>240,758</u>
Revenues under expenditures	75,000	(1,753,750)	(2,323,669)	(569,919)
Other financing sources (uses):				
Transfers in	—	1,800,000	1,800,000	—
Transfers out	<u>—</u>	<u>—</u>	<u>(210,646)</u>	<u>(210,646)</u>
Total other financing sources (uses)	<u>—</u>	<u>1,800,000</u>	<u>1,589,354</u>	<u>(210,646)</u>
Revenues over expenditures and other financing uses	<u>\$ 75,000</u>	<u>46,250</u>	<u>(734,315)</u>	<u>(780,565)</u>
Fund balance, beginning of year			<u>—</u>	
Fund balance, end of year			<u>\$ (734,315)</u>	

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year ended June 30, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property taxes	\$ 6,682,306	6,759,381	6,700,868	(58,513)
Other local	443,302	1,135,400	3,298,316	2,162,916
State	—	218,972	—	(218,972)
Federal	—	472,861	616,925	144,064
Other sources	16,461,368	16,461,368	154,879	(16,306,489)
Total revenues	23,586,976	25,047,982	10,770,988	(14,276,994)
Expenditures:				
Current:				
Administration:				
Board of education services	1,500	6,500	3,279	3,221
Executive administration	12,645	25,245	24,371	874
Building level administration	2,236	16,467	18,330	(1,863)
Total administration	16,381	48,212	45,980	2,232
Instruction:				
Elementary	169,666	316,560	33,327	283,233
Middle/junior high	4,429	52,485	62,384	(9,899)
Senior high	6,022	691,821	1,164,677	(472,856)
Summer school	—	231	—	231
Special education	140,338	132,233	88,995	43,238
Culturally different	—	36,138	26,788	9,350
Vocational instruction	209,267	584,095	560,579	23,516
Student activities	139,393	99,918	45,870	54,048
Total instruction	669,115	1,913,481	1,982,620	(69,139)
Support services:				
Attendance/placement	—	—	—	—
Guidance/counseling	—	—	—	—
Improvement of instruction:				
Curriculum development	63,618	55,874	21,375	34,499
Staff training	7,000	7,000	3,073	3,927
Educational media services	111,014	145,632	334,548	(188,916)
Finance/support services	19,000	19,500	16,268	3,232
Food service	85,201	72,400	235,552	(163,152)
Internal service	3,000	2,100	2,075	25
Planning/research/development services	13,000	13,000	39,443	(26,443)
Admissions/communication services	5,500	5,500	4,359	1,141
Personnel services	11,000	6,000	3,592	2,408
Information technology service	20,000	6,431,046	3,481,207	2,949,839
Total support services	338,333	6,758,052	4,141,492	2,616,560
Operation of facilities	53,000	1,912,459	1,045,402	867,057
Pupil transportation	5,580	5,580	—	5,580
Community and adult services:				
Adult basic education	—	—	18,472	(18,472)
Community services	45,000	63,000	21,530	41,470
Total community and adult services	45,000	63,000	40,002	22,998
Facilities acquisition and construction:				
Capital outlay	36,370	4,929,325	2,331,941	2,597,384
Other expenditures	16,000	16,000	43,744	(27,744)
Total facilities acquisition and construction	52,370	4,945,325	2,375,685	2,569,640

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year ended June 30, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Debt service:				
Principal	\$ 21,540,000	21,540,000	21,540,000	—
Interest	5,427,868	5,427,868	5,427,868	—
Total debt service	<u>26,967,868</u>	<u>26,967,868</u>	<u>26,967,868</u>	<u>—</u>
Total expenditures	<u>28,147,647</u>	<u>42,613,977</u>	<u>36,599,049</u>	<u>6,014,928</u>
Revenues under expenditures	<u>(4,560,671)</u>	<u>(17,565,995)</u>	<u>(25,828,061)</u>	<u>(8,262,066)</u>
Other financing sources (uses):				
Transfers in	—	—	16,672,014	16,672,014
Transfers out	—	—	—	—
Capital leases	—	—	388,801	388,801
Unrealized proceeds- surplus assets	—	—	3,294,359	3,294,359
Sale of capital assets	—	—	100	100
Total other financing sources	<u>—</u>	<u>—</u>	<u>20,355,274</u>	<u>20,355,274</u>
Revenues and other financing sources under expenditures and other financing uses	<u>\$ (4,560,671)</u>	<u>(17,565,995)</u>	<u>(5,472,787)</u>	<u>12,093,208</u>
Fund balance, beginning of year			<u>57,427,935</u>	
Fund balance, end of year			<u>\$ 51,955,148</u>	

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Capital Projects Fund—
 Schedule of Revenues, Expenditures and Changes in Fund Balance—by Project
 Year ended June 30, 2007

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Child Nutrition Capital Projects	Total Capital Projects funds
Revenue:				
Property taxes	\$ —	6,700,868	—	6,700,868
Other local	1,945,848	1,507,347	—	3,453,195
Other state	—	—	—	—
Federal	616,925	—	—	616,925
Total revenues	<u>2,562,773</u>	<u>8,208,215</u>	<u>—</u>	<u>10,770,988</u>
Expenditures:				
Administration:				
Board services	—	3,279	—	3,279
Executive administration	—	24,371	—	24,371
Building administration	—	18,330	—	18,330
Total administration	<u>—</u>	<u>45,980</u>	<u>—</u>	<u>45,980</u>
Instruction:				
Elementary schools	—	33,327	—	33,327
Middle schools	—	62,384	—	62,384
High schools	—	1,164,677	—	1,164,677
Summer schools	—	—	—	—
Special education	—	88,995	—	88,995
Culturally different	—	26,788	—	26,788
Vocational instruction	—	560,579	—	560,579
Student activities	—	45,870	—	45,870
Total instruction	<u>—</u>	<u>1,982,620</u>	<u>—</u>	<u>1,982,620</u>
Support services:				
Attendance/SW/Pa	—	—	—	—

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Capital Projects Fund—
 Schedule of Revenues, Expenditures and Changes in Fund Balance—by Project
 Year ended June 30, 2007

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Child Nutrition Capital Projects	Total Capital Projects funds
Curriculum development	—	21,375	—	21,375
Staff training	—	3,073	—	3,073
Educational media services	—	334,548	—	334,548
Financial services	—	16,268	—	16,268
Food service	—	24,906	210,646	235,552
Internal services	—	2,075	—	2,075
Planning/research/evaluation/ development services	—	39,443	—	39,443
Communications	—	4,359	—	4,359
Personnel services	—	3,592	—	3,592
Information technology services	3,448,050	33,157	—	3,481,207
Total support services	<u>3,448,050</u>	<u>482,796</u>	<u>210,646</u>	<u>4,141,492</u>
Pupil transportation	—	—	—	—
Total pupil transportation	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Operation of plant:				
Plant services	11,533	1,033,869	—	1,045,402
Total operation of plant	<u>11,533</u>	<u>1,033,869</u>	<u>—</u>	<u>1,045,402</u>
Community and adult services:				
Adult basic education	—	18,472	—	18,472
Community services	—	21,530	—	21,530
Total community and adult services	<u>—</u>	<u>40,002</u>	<u>—</u>	<u>40,002</u>
Capital outlay:				
Facilities	2,204,338	171,347	—	2,375,685

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Capital Projects Fund—
 Schedule of Revenues, Expenditures and Changes in Fund Balance—by Project
 Year ended June 30, 2007

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Child Nutrition Capital Projects	Total Capital Projects funds
Total capital outlay	2,204,338	171,347	—	2,375,685
Debt services	\$ —	—	—	—
Total debt services	—	—	—	—
Unrealized loss	—	—	—	—
Total unrealized loss	—	—	—	—
Total expenditures	5,663,921	3,756,614	210,646	9,631,181
Revenues over (under) expenditures	(3,101,148)	4,451,601	(210,646)	1,139,807
Other financing sources (uses):				
Transfers in	—	16,461,368	210,646	16,672,014
Transfer out	—	(26,967,868)	—	(26,967,868)
Capital lease	—	388,801	—	388,801
Unrealized proceeds- surplus assets	3,294,359	—	—	3,294,359
Sale of capital assets	—	100	—	100
Total financing sources (uses)	3,294,359	(10,117,599)	210,646	(6,612,594)
Revenues and other financing sources under expenditures and other financing uses	193,211	(5,665,998)	—	(5,472,787)
Fund balances – beginning of year	36,146,612	21,281,323	—	57,427,935
Fund balances – end of year	\$ 36,339,823	15,615,325	—	51,955,148

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

June 30, 2007

<u>Function</u>	<u>Capital Projects L-T-D Fund</u>	<u>General Capital Projects</u>	<u>Child Nutrition Capital Projects</u>	<u>Total Capital Projects funds</u>
Fund balance:				
Encumbrances	84,065	48,164	—	132,229
Advances	\$ —	95,360	—	95,360
Long-term building maintenance	15,274,647	—	—	15,274,647
Technology Plan	8,901,243	—	—	8,901,243
E Rate/ E Rate support	1,821,197	—	—	1,821,197
Capital assets declared surplus	3,294,359	—	—	3,294,359
Undesignated	6,964,312	15,471,801	—	22,436,113
Total fund balance	\$ <u>36,339,823</u>	<u>15,615,325</u>	<u>—</u>	<u>51,955,148</u>

INTERNAL SERVICE FUNDS

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Internal Service Funds—
Combining Statement of Net Assets

June 30, 2007

	<u>Administrative Service Center</u>	<u>Risk Management</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and investments	\$ 145,731	17,045,364	17,191,095
Restricted cash and investments	—	274,433	274,433
Interest receivable	—	210,986	210,986
Other receivables	—	—	—
Supplies inventories	329,003	—	329,003
Total current assets	<u>474,734</u>	<u>17,530,783</u>	<u>18,005,517</u>
Capital assets:			
Machinery and equipment	138,343	—	138,343
Less accumulated depreciation	<u>(124,843)</u>	<u>—</u>	<u>(124,843)</u>
Total capital assets	<u>13,500</u>	<u>—</u>	<u>13,500</u>
Total assets	<u>488,234</u>	<u>17,530,783</u>	<u>18,019,017</u>
Liabilities:			
Current liabilities:			
Accounts payable	21,465	—	21,465
Claims payable	<u>—</u>	<u>576,000</u>	<u>576,000</u>
Total liabilities	<u>21,465</u>	<u>576,000</u>	<u>597,465</u>
Net assets:			
Invested in capital assets net of related debt	13,500	—	13,500
Restricted:			
Reserved for:			
Unemployment compensation	—	2,520,454	2,520,454
Workers' compensation	—	274,433	274,433
Unrestricted	<u>453,269</u>	<u>14,159,896</u>	<u>14,613,165</u>
Total net assets	<u>\$ 466,769</u>	<u>16,954,783</u>	<u>17,421,552</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Internal Service Funds

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

Year ended June 30, 2007

	<u>Administrative Service Center</u>	<u>Risk Management</u>	<u>Total</u>
Operating revenues:			
Charges for administrative services	\$ 713,848	—	713,848
Total operating revenues	<u>713,848</u>	<u>—</u>	<u>713,848</u>
Operating expenses:			
Salaries, wages, and employee benefits	285,755	337,569	623,324
Utilities, supplies, and materials	89,679	—	89,679
Other contractual services	177,110	3,105,150	3,282,260
Other	—	64,547	64,547
Depreciation	1,679	—	1,679
Total operating expenses	<u>554,223</u>	<u>3,507,266</u>	<u>4,061,489</u>
Operating income (loss)	159,625	(3,507,266)	(3,347,641)
Nonoperating revenues (expenses):			
Interest earnings	—	976,054	976,054
Loss on disposal of capital asset	(2,983)	—	(2,983)
Total nonoperating revenues (expenses)	<u>(2,983)</u>	<u>976,054</u>	<u>973,071</u>
Loss before transfers	156,642	(2,531,212)	(2,374,570)
Transfers in	—	4,408,882	4,408,882
Transfers out	(9,381)	—	(9,381)
Change in net assets	147,261	1,877,670	2,024,931
Total net assets beginning of year	<u>319,508</u>	<u>15,077,113</u>	<u>15,396,621</u>
Total net assets ending of year	\$ <u><u>466,769</u></u>	<u><u>16,954,783</u></u>	<u><u>17,421,552</u></u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Internal Service Funds

Combining Statement of Cash Flows

Year ended June 30, 2007

	Administrative Service Center	Risk Management	Total
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 716,004	—	716,004
Receipts from insurance claim	—	2,218	2,218
Payments to suppliers	(457,563)	(4,226,374)	(4,683,937)
Payments to employees	(285,755)	—	(285,755)
Net cash provided by (used in) operating activities	<u>(27,314)</u>	<u>(4,224,156)</u>	<u>(4,251,470)</u>
Cash flows from noncapital and related financing activities:			
Transfers to other funds	(9,381)	—	(9,381)
Transfers from other funds	—	4,408,882	4,408,882
Net cash provided by (used in) noncapital financing activities	<u>(9,381)</u>	<u>4,408,882</u>	<u>4,399,501</u>
Cash flows from capital and related financing activities:			
Sale of capital assets	—	—	—
Net cash used in capital and related financing activities	<u>—</u>	<u>—</u>	<u>—</u>
Cash flows from investing activities:			
Interest income received	—	841,929	841,929
Net cash provided by investing activities	<u>—</u>	<u>841,929</u>	<u>841,929</u>
Net increase in cash and cash equivalents	(36,695)	1,026,655	989,960
Cash and cash equivalents, beginning of year	182,426	16,293,142	16,475,568
Cash and cash equivalents, end of year	<u>\$ 145,731</u>	<u>17,319,797</u>	<u>17,465,528</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 159,625	(3,507,266)	(3,347,641)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation expense	1,679	—	1,679
Decrease in other receivable	2,156	—	2,156
Increase in inventory	(190,198)	—	(190,198)
Increase (decrease) in A/P and accrued salaries/fringes	(576)	(558,470)	(559,046)
Decrease in claims payable	—	(158,420)	(158,420)
Total adjustments	<u>(186,939)</u>	<u>(716,890)</u>	<u>(903,829)</u>
Net cash provided by (used in) operating activities	<u>\$ (27,314)</u>	<u>(4,224,156)</u>	<u>(4,251,470)</u>

CAPITAL ASSETS

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI
Capital Assets Used in the Operation of Governmental Funds by Source
June 30, 2007
(with comparative totals for June 30, 2006)

	Total	
	2007	2006
Capital assets (gross):		
Land	\$ 43,237,252	43,761,690
Buildings	593,237,548	598,939,402
Improvements other than buildings	40,998,120	41,072,442
Equipment, furniture, and vehicles	36,678,198	35,118,171
Construction in progress	1,211,669	1,755,047
Total	\$ 715,362,787	720,646,752
Investment in capital assets by source:		
General fund	\$ 484,719	505,341
Capital projects	713,699,769	718,810,121
Special revenue	1,026,829	1,176,623
Trust and agency	13,127	13,127
Internal service	138,343	141,540
Total	\$ 715,362,787	720,646,752

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year Ended June 30, 2007

Classification	Beginning balance July 1, 2006	Adjustments	Additions	Retirements	Construction- in-progress transfers	Ending balance June 30, 2007
High schools	\$ 230,969,014	(49,960)	1,566,235	(166,129)	0	232,319,160
Middle schools	151,897,036	(241,973)	539,052	(4,911,750)	0	147,282,365
Elementary schools	311,823,972	(299,960)	1,916,713	(3,950,592)	0	309,490,133
Administration	24,201,683	591,893	482,481	(216,597)	0	25,059,460
Construction in progress	1,755,047	—	720,861	—	(1,264,239)	1,211,669
Total	\$ 720,646,752	—	5,225,342	(9,245,068)	(1,264,239)	715,362,787

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

June 30, 2007

<u>Classification</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than buildings</u>	<u>Equipment, furniture, vehicles</u>	<u>Vehicles</u>	<u>Construction- in-progress</u>	<u>Total</u>
High schools	\$ 18,094,960	189,427,740	17,131,252	7,517,265	147,943	—	232,319,160
Middle schools	6,958,622	129,684,858	5,875,517	4,763,368	—	—	147,282,365
Elementary schools	15,330,106	262,430,913	16,674,513	15,054,601	—	—	309,490,133
Administration	2,853,564	11,694,037	1,316,838	7,960,131	1,234,890	—	25,059,460
Construction-in-progress	—	—	—	—	—	1,211,669	1,211,669
Total	\$ 43,237,252	593,237,548	40,998,120	35,295,365	1,382,833	1,211,669	715,362,787

STATISTICAL SECTION

Statistical Section

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

Contents

Financial Trends – These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time. Table 1 – Table 4

Revenue Capacity – These schedules contain information to help the reader assess the District's most significant local revenue sources, the property tax. Table 5 – Table 8

Debt Capacity – These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future. Table 9 – Table 11

Demographic And Economic Information – These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place. Table 12 – Table 13

Note: Personal income data is currently not available.

Operating Information – These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs. Table 14

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

Table 1

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI
 Net Assets by Component
 Last Six Fiscal Years
 (accrual basis of accounting)
 (amounts expressed in thousands)
 (unaudited)

<u>Classification</u>	<u>Fiscal Year</u>					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Governmental activities:						
Invested in capital assets, net of related debt	\$ 373,750	\$ 367,206	\$ 355,084	\$ 286,221	\$ 276,092	\$ 282,333
Restricted	61,244	80,562	91,949	104,562	121,029	101,547
Unrestricted	<u>136,244</u>	<u>139,480</u>	<u>147,063</u>	<u>219,797</u>	<u>204,002</u>	<u>241,529</u>
Total governmental activities, net of assets	<u>\$ 571,237</u>	<u>\$ 587,248</u>	<u>\$ 594,096</u>	<u>\$ 610,580</u>	<u>\$ 601,123</u>	<u>\$ 625,409</u>
Business-type activities:						
Unrestricted	<u>\$ 1,829</u>	<u>\$ 1,108</u>	<u>\$ 79</u>	<u>\$ 468</u>	<u>\$ 200</u>	<u>\$ (80)</u>
Total business-type activities, net of assets	<u>\$ 1,829</u>	<u>\$ 1,108</u>	<u>\$ 79</u>	<u>\$ 468</u>	<u>\$ 200</u>	<u>\$ (80)</u>
Primary government:						
Invested in capital assets, net of related debt	\$ 373,750	\$ 367,206	\$ 355,084	\$ 286,221	\$ 276,092	\$ 282,333
Restricted	61,244	80,562	91,949	104,562	121,029	101,547
Unrestricted	<u>138,073</u>	<u>140,588</u>	<u>147,142</u>	<u>220,265</u>	<u>204,202</u>	<u>241,449</u>
Total primary government, net of assets	<u>\$ 573,066</u>	<u>\$ 588,356</u>	<u>\$ 594,175</u>	<u>\$ 611,048</u>	<u>\$ 601,323</u>	<u>\$ 625,329</u>

Table 2

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Classification	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Expenses						
Governmental activities:						
Administration	\$ 25,502	\$ 24,876	\$ 23,648	\$ 22,421	\$ 25,482	\$ 23,285
Instruction	193,304	174,168	182,163	171,850	174,693	175,429
Support services	77,738	93,921	86,582	79,487	74,611	73,605
Operation of facilities	40,000	38,682	36,317	34,423	34,927	33,053
Pupil transportation	22,132	23,988	23,126	21,958	21,433	21,604
Facilities improvements and renovation	403	612	—	1,168	2,772	18,105
Community and adult services	6,226	6,237	5,407	5,599	5,287	4,980
Interest on long-term debt	4,982	6,023	6,969	6,834	9,300	11,056
Total governmental activities expenses	\$ <u>370,286</u>	\$ <u>368,507</u>	\$ <u>364,212</u>	\$ <u>343,740</u>	\$ <u>348,505</u>	\$ <u>361,117</u>
Business-type activities						
Community services	\$ 693	\$ 121	3,586	5,226	6,275	6,766
Total governmental activities expenses	<u>693</u>	<u>121</u>	<u>3,586</u>	<u>5,226</u>	<u>6,275</u>	<u>6,766</u>
Total primary government expenses	\$ <u>370,979</u>	\$ <u>368,628</u>	\$ <u>367,798</u>	\$ <u>348,966</u>	\$ <u>354,780</u>	\$ <u>367,883</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Classification	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Program Revenues						
Governmental activities:						
Charges for services						
Administration	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Instruction	—	50	69	—	218	508
Support services	3,741	3,596	4,007	3,528	4,167	3,886
Operation of facilities	65	70	61	556	466	746
Pupil transportation	13	7	—	8	—	—
Facilities improvements and renovation	—	—	—	—	—	—
Community and adult services	—	60	741	253	89	79
Interest on long-term debt	—	—	—	—	—	—
Operating grants and contributions						
Administration	10	10	22	54	14	—
Instruction	37,816	84,511	84,675	74,089	74,078	76,035
Support services	14,884	16,113	14,327	16,467	14,929	16,038
Operation of facilities	—	55	—	—	—	—
Pupil transportation	8,297	8,421	8,875	8,210	8,868	9,250
Facilities improvements and renovation	—	—	—	—	—	—
Community and adult services	1,227	2,714	1,557	976	1,128	100
Interest on long-term debt	—	—	—	—	—	—
Capital grants and contributions						
Administration	—	—	—	—	—	—
Instruction	82	51	818	1,264	731	831
Support services	617	5,362	4,684	22,024	385	273
Operation of facilities	40	11	—	—	—	—
Pupil transportation	—	—	—	—	—	—
Facilities improvements and renovation	—	251	—	3,649	7,847	10,741
Community and adult services	—	—	16	—	8	—
Interest on long-term debt	—	—	—	—	—	—
Total governmental activities program revenue	66,790	121,282	119,852	131,078	112,928	118,487

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Classification	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Business-type activities:						
Charges for services	1,240	146	3,197	5,743	6,819	6,654
Total business-type activities program revenues	1,240	146	3,197	5,743	6,819	6,654
Total primary governmental program revenues	\$ 68,030	\$ 121,428	\$ 123,049	\$ 136,821	\$ 119,747	\$ 125,141
Net (expense)/revenue						
Governmental activities	\$ (303,496)	\$ (247,225)	\$ (244,360)	\$ (212,662)	\$ (235,577)	\$ (242,630)
Business-type activities	548	25	(389)	517	544	(112)
Total primary government net expense	\$ (302,948)	\$ (247,200)	\$ (244,749)	\$ (212,145)	\$ (235,033)	\$ (242,742)
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Property taxes	\$ 148,273	\$ 146,230	\$ 135,885	\$ 138,240	\$ 125,895	\$ 149,176
Prop C Sales tax	25,097	28,187	27,995	26,281	25,077	25,962
Other local revenues	2,771	1,935	2,558	2,186	2,264	2,924
County governmental contributions	3,433	6,356	3,949	3,626	3,625	3,437
State aid-basic formula	96,285	47,106	53,593	42,441	40,840	46,086
Grants and entitlements not restricted to specific programs	762	1,820	1,730	1,483	1,376	1,482
Investment earnings	13,363	9,747	9,609	7,613	10,978	13,696
Special item, gain on sale of capital asset					973	
Special item, assets declared surplus	(2,327)	—	—	—	—	—
Transfers	(173)	(1,004)	—	249	264	248
Total governmental activities	287,485	240,377	235,319	222,119	211,292	243,011
Business-type activities:						
Transfers	173	1,004	—	(249)	(265)	(248)
Total business-type activities	173	1,004	—	(249)	(265)	(248)
Total primary government	\$ 287,658	\$ 241,381	\$ 235,319	\$ 221,870	\$ 211,027	\$ 242,763
Change in Net Assets						
Governmental activities	\$ (16,011)	\$ (6,848)	\$ (9,041)	\$ 9,457	\$ (24,285)	\$ 381
Business-type activities	721	1,029	(389)	268	279	(360)
Total primary government	\$ (15,290)	\$ (5,819)	\$ (9,430)	\$ 9,725	\$ (24,006)	\$ 21

Table 3

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Fund Balances of Governmental Funds

Last Six Fiscal Years

(Modified accrual basis of accounting)

(Amounts expressed in thousands)

(unaudited)

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

Table 4

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI
 Changes in Fund Balances of Governmental Funds and Debt Service Ratio
 Last Six Fiscal Years
 (Modified accrual basis of accounting)
 (Amounts expressed in thousands)
 (unaudited)

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Revenues						
Property taxes	\$ 147,941	\$ 147,931	\$ 136,543	\$ 140,370	\$ 125,664	\$ 132,108
Prop C Sales tax	25,097	28,187	27,995	26,281	25,077	25,962
Other local revenues	20,324	14,871	15,631	16,174	25,457	31,368
County governmental contributions	3,433	6,357	3,949	3,626	3,625	3,437
State aid-basic formula	96,285	47,106	53,593	42,441	40,840	46,086
At risk	—	30,485	30,836	30,301	31,916	32,964
Other state	13,258	25,447	23,579	22,929	24,890	26,407
Federal	48,866	62,072	61,173	69,749	43,695	43,585
Tuition	77	37	274	57	101	406
Total revenues	355,281	362,493	353,573	351,928	321,265	342,323
Expenditures						
Administration	27,364	23,081	22,566	22,533	25,501	22,686
Instruction	178,472	164,151	166,442	157,832	160,852	153,018
Support services	74,311	84,975	75,569	69,422	69,636	66,013
Operation of facilities	39,375	39,552	35,073	34,341	34,654	31,541
Pupil transportation	22,133	23,985	23,125	21,959	21,432	21,601
Community and adult services	6,139	6,235	5,349	5,628	5,191	4,397
Facilities improvements and renovations	2,376	1,378	10,302	28,919	9,443	36,327
Debt service						
Principal	22,100	21,380	20,045	12,140	17,010	20,217
Interest	5,428	6,467	7,329	7,254	10,035	11,733

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI
Changes in Fund Balances of Governmental Funds and Debt Service Ratio
Last Six Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)
(unaudited)

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Total expenditures	377,698	371,204	365,800	360,028	353,754	367,533
Excess of revenues under expenditures	(22,417)	(8,711)	(12,227)	(8,100)	(32,489)	(25,210)
Other financing sources (uses)						
Transfers in	144,715	191,837	199,010	197,779	227,859	191,340
Transfers out	(149,288)	(202,418)	(203,719)	(202,339)	(232,591)	(193,874)
Refunding bonds issued	—	—	—	102,350	—	69,040
Premium on bonds	—	—	—	8,927	—	3,161
Payment to refunded debt	—	—	—	(114,262)	—	(73,471)
Capital Leases	1,527	—	—	—	—	—
Unrealized proceeds - surplus assets	3,294	—	—	—	—	—
Sales of capital assets	0	328	—	202	1,460	650
Total other financing sources (uses)	249	(10,253)	(4,709)	(7,343)	(3,272)	(3,154)
Net change in fund balances	\$ (22,168)	\$ (18,964)	\$ (16,936)	\$ (15,443)	\$ (35,761)	\$ (28,364)
Debt service as a percentage of noncapital expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Table 5

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Assessed and Estimated Actual Value of Taxable Property (1)

Last Ten Calendar Years

Tax levy year	Real property (2)		Personal property (2)		Total		Ratio of total assessed Actual value
	Value	Actual value	Value	Actual value	Value	Actual value	
2006	\$ 2,211,529,159	11,639,627,153	674,138,810	2,022,618,692	2,885,667,969	13,662,245,845	21 %
2005	2,198,143,237	9,726,019,934	677,475,726	2,032,630,441	2,875,618,963	11,758,650,375	24
2004	1,944,634,173	8,232,472,044	705,468,036	2,116,615,770	2,650,102,209	10,349,087,814	26
2003	1,934,514,727	8,323,442,115	731,754,452	2,195,482,904	2,666,269,179	10,518,925,019	25
2002	1,731,415,328	7,354,739,880	798,004,980	2,394,254,365	2,529,420,308	9,748,994,245	26
2001	1,753,974,583	7,432,410,586	877,713,163	2,633,402,829	2,631,687,746	10,065,813,415	26
2000	1,636,145,314	6,896,641,256	879,547,981	2,638,907,834	2,515,693,295	9,535,549,090	26
1999	1,626,157,470	6,720,152,544	824,707,480	2,474,369,877	2,450,864,950	9,194,522,421	27
1998	1,529,572,810	6,240,712,337	818,024,250	2,456,529,279	2,347,597,060	8,697,241,616	27
1997	1,523,706,560	6,217,510,565	765,435,465	2,298,605,000	2,289,142,025	8,516,115,565	27

- (1) 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.
- (2) Locally assessed railroad and utility property is included in either real or personal property; merchants' and manufacturers' equipment is included in personal property.

Table 6

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI
 Property Tax Rates (1)—Direct and Overlapping Governments
 Last Ten Fiscal Years

Fiscal year ended	City of Kansas City	City of Independence	State of Missouri	Jackson County	Metropolitan Community Colleges	City of Sugar Creek	Kansas City, Missouri Public Library	School District	Total (2)
2007	\$ 1.5055	0.66	0.03	0.57	0.22	1.07	0.47	4.95	9.48
2006	1.5055	0.69	0.03	0.57	0.22	1.07	0.47	4.95	9.51
2005	1.3196	0.75	0.03	0.57	0.22	1.07	0.49	4.95	9.40
2004	1.3159	0.75	0.03	0.57	0.22	1.07	0.49	4.95	9.40
2003	1.34	0.75	0.03	0.57	0.23	1.09	0.50	4.95	9.46
2002	1.32	0.75	0.03	0.57	0.23	1.09	0.50	4.95	9.44
2001	1.32	0.75	0.03	0.56	0.23	1.08	0.50	4.95	9.42
2000	1.32	0.75	0.03	0.56	0.23	1.08	0.50	4.95	9.42
1999	1.36	0.75	0.03	0.55	0.23	1.06	0.50	4.96	9.44
1998	1.34	0.76	0.03	0.53	0.22	1.06	0.50	4.96	9.40

- (1) Tax rates per \$100 assessed valuation as confirmed directly by various 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.

Table 7

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Principal Property Taxpayers

June 30, 2007

Taxpayers	Assessed value(1)	Percentage of total assessed value
Hallmark & Crown Power	\$ 69,691,461	2.4%
Kansas City Power and Light	34,727,116	1.2
JC Nichols & Highwoods Realty	29,219,105	1.0
AT&T	28,259,608	1.0
Bayer/Mobay Chemicals	17,495,297	0.6
DST, Inc.	13,994,881	0.5
Southern Union Company	13,987,743	0.5
Ball Metal	11,210,412	0.4
HSOV Grand Blvd	10,738,230	0.4
Twentieth Century Realty Inc	10,447,868	0.4
	<u>\$ 239,771,721</u>	<u>8.3%</u>

Note: Total assessed value for 2006 was \$2,885,667,969.

(1) Based on calendar year ended December 31, 2006.

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

Table 8

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Property Tax Levies and Collections (1)

Last Ten Calendar Years

Tax levy year	Current tax levy (2)	Current tax collections	Percentage of levy collected	Delinquent tax collections	Total tax collections	Total collections as a percent of current levy (3)	Outstanding delinquent taxes (4)	Outstanding delinquent taxes as a percentage of current levy
2006	\$ 144,314,419	134,518,579	93.2%	\$ 10,018,326	144,536,905	100.2%	\$ 9,795,840	7%
2005	143,862,828	134,077,148	93.2%	11,644,108	145,721,256	101.3%	9,785,680	7%
2004	131,741,231	124,708,338	94.7%	8,850,541	133,558,879	101.4%	7,916,603	6%
2003	132,070,410	124,980,641	94.6%	15,274,849	140,255,490	106.2%	7,089,769	5%
2002	123,484,756	114,562,189	92.8%	11,047,615	125,609,804	101.7%	8,922,567	7%
2001	127,392,885	120,947,659	94.9%	10,800,986	131,748,645	103.4%	6,445,226	5%
2000	122,562,408	115,523,875	94.3%	7,824,944	123,348,819	100.6%	7,038,533	6%
1999	121,690,043	113,565,036	93.3%	7,569,092	121,134,128	99.5%	8,125,007	7%
1998	114,739,806	101,988,493	88.9%	7,502,289	109,490,782	95.4%	12,751,313	11%
1997	113,497,976	102,070,728	89.9%	8,353,368	110,424,096	97.3%	11,427,248	10%

- (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.

Table 9

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Outstanding Debt by Type

Governmental Activities

Last Ten Fiscal Years

Fiscal year ended June 30	Leasehold Revenue Bonds	Capital Leases	Total Primary Government
2007	\$ 89,315,000	967,387	90,282,387
2006	110,855,000	—	110,855,000
2005	132,235,000	—	132,235,000
2004	152,280,000	—	152,280,000
2003	171,560,000	—	171,560,000
2002	188,570,000	—	188,570,000
2001	197,820,747	—	197,820,747
2000	229,495,000	—	229,495,000
1999	247,410,000	—	247,410,000
1998	264,130,000	—	264,130,000

Table 10

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Computation of Overlapping Debt

June 30, 2007

<u>Jurisdiction</u>	<u>General obligation bonds outstanding (2)</u>	<u>Percentage applicable to District (1)</u>	<u>Amount applicable to District</u>
City of Kansas City, Missouri	\$ 288,980,000	0.4455	\$ 128,740,590

(1) Source: Jackson County, Division of Finance, Collection Department reports KCMSD is composed of three cities within its boundaries, of which the City of Kansas City, Missouri is 93%.

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Computation of Legal Debt Margin

June 30, 2007

Total assessed value, tax levy year 2006 (1)	\$ 2,885,667,969
Legal debt margin—15% of assessed value (2)	432,850,195

(1) See Table 6.

(2) The bonded indebtedness of the District is limited by Section 26(b) of the Missouri Constitution, Article VI, to 15% of the value of the taxable tangible property as shown by the last completed assessment for state and county purposes. The District had no outstanding general bonded debt at June 30, 2007.

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

Table 12

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Demographic Statistics

Last Ten Fiscal Years

Fiscal year ended June 30	District population	September school membership	Ratio of membership to population	Average daily attendance	Ratio of attendance to membership
2007	\$ 239,451	24,358	10 %	23,087	94.8 %
2006	239,451	25,750	11	24,569	95.4
2005	239,451	27,094	11	25,449	93.9
2004	239,451	26,939	11	25,813	95.8
2003	239,451	26,886	11	25,784	95.9
2002	239,451	27,973	12	25,663	91.7
2001	239,451	29,157	12	26,915	92.3
2000	282,066	31,213	11	28,707	92.0
1999	282,066	35,592	13	31,011	87.1
1998	282,066	36,250	13	31,947	88.1

Source: Estimated District population is based on the 1991 census for 1994 through 2001 provided by the City Development Department; the City Planning Division provided the estimates for years from 2001 and after from the 2001 census data.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI
Property Value and Construction Costs
Last Ten Fiscal Years

Fiscal year ended June 30	Estimated actual property value (1)	Nonresidential construction (in millions)	Residential construction (in millions)
2007	\$ 13,662,245,845	10.3	11.7
2006	11,758,650,375	13.2	36.3
2005	10,349,087,814	28.6	14.3
2004	10,518,925,019	151.9	85.0
2003	9,748,994,245	191.2	48.0
2002	10,065,813,415	283.4	66.6
2001	9,535,549,090	212.5	40.7
2000	9,194,522,421	62.4	18.0
1999	8,697,241,616	172.6	84.9
1998	8,516,115,565	312.6	56.2

(1) See Table 6.

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

Table 14**THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI**

Per-Pupil Costs

Last Ten Fiscal Years

Fiscal year ended June 30	Average daily attendance	Eligible pupils	Current expenditures per eligible pupil (1)
2007	23,087	24,144	\$ 13,275
2006	24,569	25,725	12,193
2005	25,449	26,605	11,590
2004	25,813	27,012	10,906
2003	25,784	26,771	10,907
2002	25,663	26,429	10,483
2001	26,915	27,929	9,301
2000	28,707	29,725	8,376
1999	31,011	31,735	8,125
1998	31,947	32,765	8,783

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