

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2008

(With Independent Auditors' Report Thereon)

Prepared by

Business & Finance Division

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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Kansas City, Missouri
SCHOOL DISTRICT

October 30, 2008

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, 2008 will be submitted to the Department of Elementary and Secondary Education. In addition, this report provides the Department of Elementary and Secondary Education (DESE), citizens, financial institutions, grantor agencies, and other interested parties with reliable information concerning the financial condition of the District.

This letter of transmittal is designed to be read in conjunction with the Management Discussion and Analysis report. Financial highlights and a discussion of the District's financial condition are provided in the Management Discussion and Analysis report. This report is located in the financial section after the independent auditors report and provides an overview of the District's financial condition at the district-wide level and at the fund level. The district-wide level reports on changes in assets and liabilities or net assets. The fund level 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 fiscal year ended June 30, 2008. The independent auditor's report is located in the front of the financial section of this report.

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

DISTRICT PROFILE

Kansas City, Missouri is the central city of a growing bi-state metropolitan area with a population of approximately 1.6 million people. The bi-state area consists of 144 municipalities and approximately 4,800 square miles in seven counties of Northwest Missouri and four counties in Northeast Kansas. The District is located within the taxing jurisdiction of Jackson County with a population of approximately 239,451 people. The District covers about 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, 5 alternative schools, 2 early childhood centers and 47 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 25,000 students (includes pre-kindergarten) and employs over 4,000 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 29.6% of total revenues received by the District. The District received approximately \$102 million for state aid, a decrease of \$7.6 million or 7%. Beginning with fiscal year 2007, DESE implemented a new foundation formula that is based on current expenditures of the school districts meeting all performance standards established by the State Board of Education. The based target funding level is \$6,117 per weighted average daily attendance. This amount is adjusted by a dollar value modifier and the school 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 45.9% of total revenues received by the District. During the fiscal year, the District was entitled to receive approximately \$159.3 million in property taxes for tax year 2007 based on its \$4.95 levy which was a 10.4% increase in property tax revenue when compared to tax year 2006. Actual current taxes collected during the fiscal year totaled \$144.6 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

- A free universal pre-kindergarten (pre-K) program was approved. The expansion of the pre-K program allows the District to create a comprehensive educational program that expands the services provided for early learners. The early childhood program creates a new model that includes Head Start and Parents-As-Teachers. Parent Educators and Head Start Advocates will be staffed in most elementary schools to service neighborhoods. The three and four year old students will be introduced to Suzuki violin and will discover a second language.
- K C Care, a new before and after school program for kids in elementary school was implemented. The program provides tutoring and day care services.
- Continued planning for the conversion of elementary schools to grades kindergarten through eighth grade.

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 2.98% at year end. Approximately \$10.5 million in interest income was earned during the fiscal year.

An independent trustee, Bank of New York Mellon Trust Company, manages the investment portfolio of the Building Corporation. Investments of approximately \$47 million, of which \$6.5 million is invested in long-term contract, were held by the trustee as of June 30, 2008. The average yield on these investments at year end was 4.2%.

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 million set aside in a reserve for unemployment with an estimated liability of \$563,000 at year end. The District's workers compensation self-insured program ended in November 1999. At June 30, there was \$110,000 in outstanding claims. The District had approximately \$291,000 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 2007. This is the seventeenth 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 for their leadership and governance on behalf of the District.

Respectfully,



John A. Martin, Ed. D.
(I) Superintendent of Schools



Jan C. Toliver, CPA
(I) Chief Finance Officer

Mission and Vision of the District

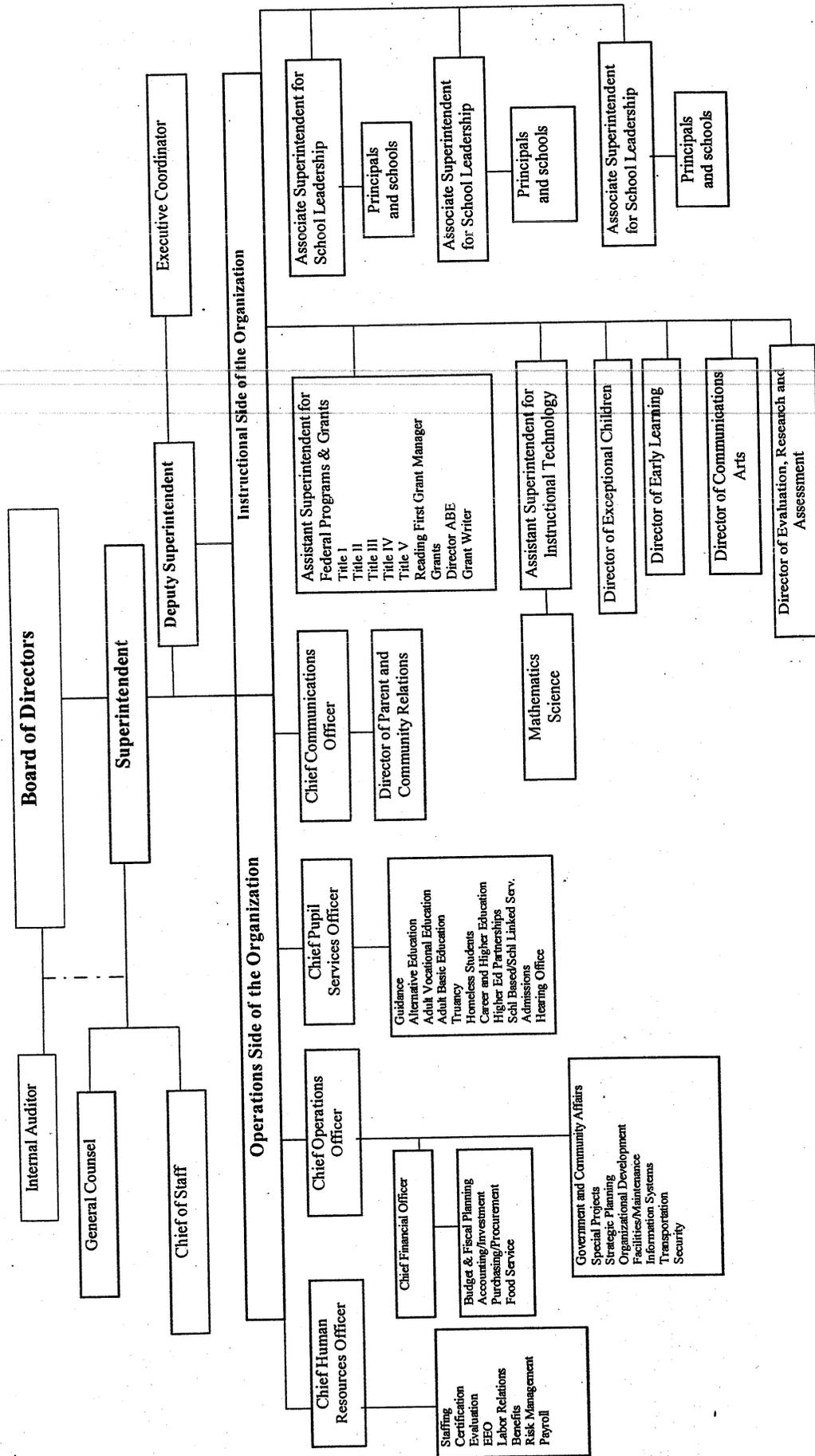
Mission

The School District of Kansas City, Missouri, working in partnership with parents and the community, will produce students who have the knowledge, skills and abilities to develop the necessary attitude to become life-long learners with capacity for leadership and service. Students enrolled in the KCMUSD will be productive and responsible citizens capable of successfully competing 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, 2008

BOARD OF DIRECTORS

Executive Officers

Marilyn Y. Simmons, President
Arthur A. Benson, Vice President
Helen J. Ragsdale, Treasurer

Members

Ingrid Y. Burnett
Duane B. Kelly
Joel Pelofsky
David A. Smith
Airick L. West
Ray Wilson

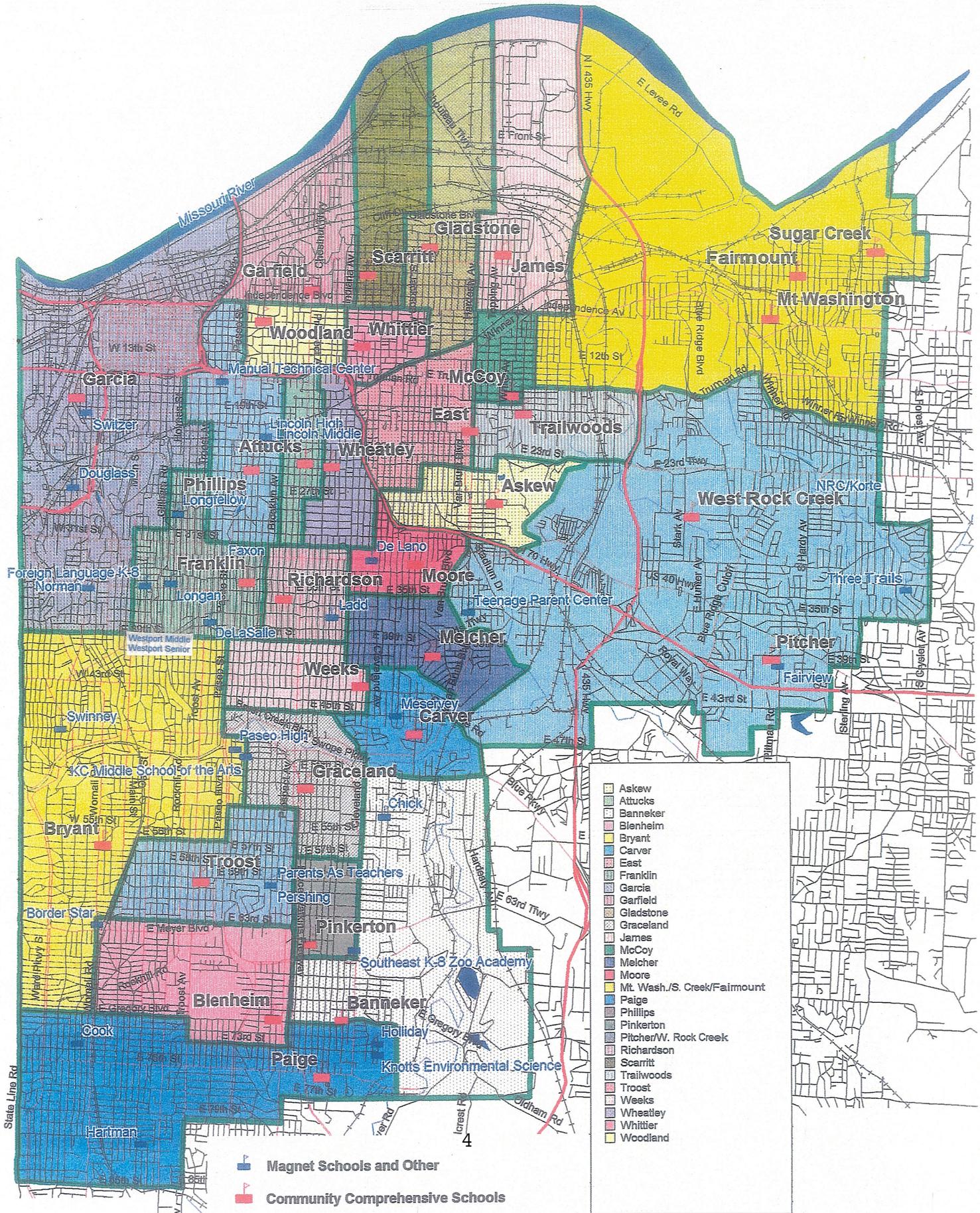
Secretary of the Board

Cecelia Spears

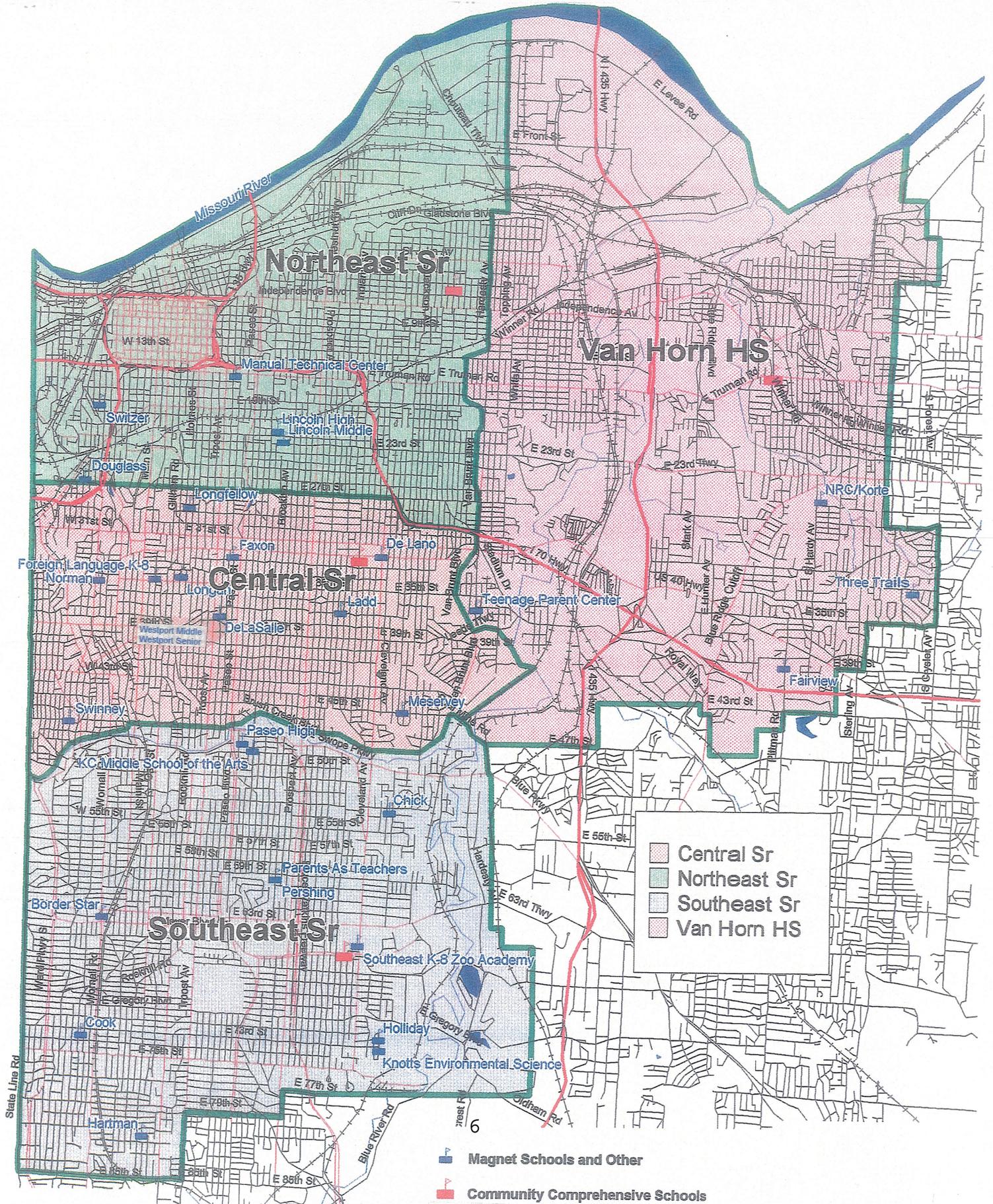
SENIOR ADMINISTRATORS

John A. Martin, Ed.D., (I) Superintendent
Jeffrey St. Omer, General Counsel
Jan C. Toliver, (I) Chief Finance Officer
Cecilia Green, Associate Supt. for School Leadership
Clive Coleman, Ph.D., Associate Supt. for School Leadership
Don Bell, Associate Supt. for School Leadership
Cynthia Wheeler-Linden, Chief Communications Officer
Carla Barksdale, Chief Human Resource Officer
Richard Contartesi, Assistant Supt. for Instructional Technology

Comprehensive Elementary 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, 2007

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.



Oliver S. Cox

President

Jeffrey R. Emer

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, 2007

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
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, 2008, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 4 to the basic financial statements, the District changed its method of accounting for other postemployment benefits.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2008 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 63 through 72 and the Schedule of Employer Contributions and Schedule of Funding Progress of the Other Post-Employment Benefits Plan on page 73 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 27, 2008

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

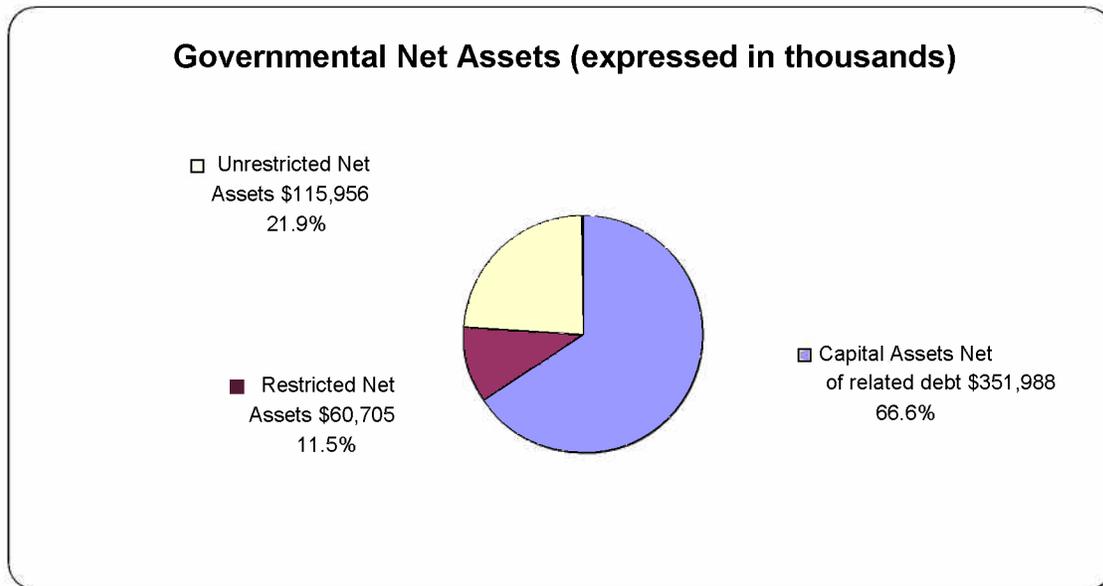
Management's Discussion and Analysis

June 30, 2008

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, 2008. 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 \$528.6 million. Net assets are reported in three components as shown in the graph below:



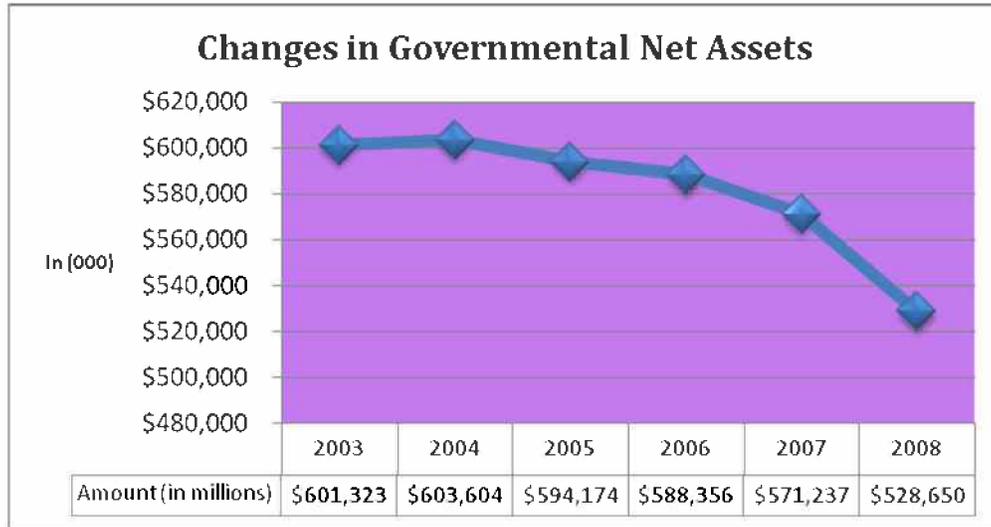
The most significant change in total net assets was a decrease in investment in capital assets of \$22 million related to the sale of two and transfer of five school buildings to the Independence School District as the result of a voter approved annexation. Proceeds from the sale of buildings of \$12.8 million, was set aside to meet future debt service requirements in compliance with bond indentures. At June 30, the restricted funds of \$60.2 million were invested with scheduled drawdowns to meet the debt service and capital improvement needs. In addition, \$.3 million in restricted funds are available to pay future workers' compensation claims and premiums.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management’s Discussion and Analysis

June 30, 2008

The graph below shows the changes in net assets and indicates that our overall financial position declined in fiscal year 2008 by 7.5% when compared to fiscal year 2007. This decrease was primarily due to a \$68.8 million (or 9.1%) decrease in total assets and a \$26.2 million (or 13.9%) decrease in total liabilities. The ratio of expenses to revenues is 93%, which indicates on a District-wide basis, there was a 7% 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 \$167.7 million, a decrease of \$27.7 million in comparison with the prior year. Approximately 31.7% of this amount, \$53.2 million, is available for spending at the District’s discretion (unreserved/undesignated fund balance).

Table 1—Summary of Governmental Fund Balances

	<u>FY08</u>	<u>Percentage of total</u>	<u>FY07</u>	<u>Percentage of total</u>	<u>Increase (decrease)</u>	<u>Unreserved/undesignated portion</u>
General	\$ 44,876,850	26.8%	\$ 62,878,146	32.2%	\$ (18,001,296)	\$ 35,593,416
Other special revenue	21,813,740	13.0%	22,318,016	11.4%	(504,276)	—
Debt service	60,171,002	35.9%	58,092,848	29.7%	2,078,154	—
Capital projects	39,921,608	23.8%	51,955,148	26.6%	(12,033,540)	17,109,954
Nonmajor funds	875,574	0.5%	153,817	0.1%	721,757	493,140
	<u>\$ 167,658,774</u>	<u>100.0%</u>	<u>\$ 195,397,975</u>	<u>100.0%</u>	<u>\$ (27,739,201)</u>	<u>\$ 53,196,510</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2008

Unreserved undesignated fund balance for the General Fund was \$35.6 million and represents 13.4% of total General Fund expenditures and transfers. Reserved fund balance in the General Fund for encumbrances and inventory was \$5.2 million, an increase of \$2.7 million when compared to the prior year. Overall, governmental fund balances declined at June 30 because of deficit spending in the General, Other Special Revenue, Capital Projects and Child Nutritional Service funds.

Overview of the Financial Statements

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

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

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

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

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

The business-type activities of the District include a Community Service Fund used to account for the activities related to the community use of facilities, 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.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2008

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

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

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

The District adopts an annual appropriated budget for its General Fund, Teachers' Fund, a portion of its capital project, 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.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2008

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.

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	
	2008	2007	Increase (decrease)	2008	2007	Increase (decrease)	2008	2007
Assets:								
Current and other assets	\$ 269,945	294,204	(24,259)	1,426	2,379	(953)	271,371	296,583
Capital assets	420,691	465,234	(44,543)	—	—	—	420,691	465,234
Total assets	690,636	759,438	(68,802)	1,426	2,379	(953)	692,062	761,817
Liabilities:								
Long-term liabilities	90,137	87,643	2,494	—	—	—	90,137	87,643
Other liabilities	71,849	100,558	(28,709)	—	550	(550)	71,849	101,108
Total liabilities	161,986	188,201	(26,215)	—	550	(550)	161,986	188,751
Net assets:								
Invested in capital assets, net of related debt	351,989	373,749	(21,760)	—	—	—	351,989	373,749
Restricted	60,705	61,244	(539)	—	—	—	60,705	61,244
Unrestricted	115,956	136,244	(20,288)	1,426	1,829	(403)	117,382	138,073
Total net assets	\$ 528,650	571,237	(42,587)	1,426	1,829	(403)	530,076	573,066

Cash and investments decreased by \$34.4 million or 13%, caused by deficit spending in the General, Other Special Revenue and the Capital Projects fund. Overall, current assets decreased by 9.1%. Improvements to land and buildings were \$4.0 million; purchases of equipment, furniture, and vehicles (primarily computers for classrooms) were \$.8 million, less depreciation of \$17.9 million and retirements of \$32.2 million, resulting in a 9.6% decrease in capital assets. Retirements include a voter approved transfer of seven buildings, on June 30, 2008 to the Independence, Missouri school district. The net book value of these building sites was \$32.9 million. The overall change in long-term liabilities was a 2.8% reduction. The bonds payable balance declined by \$22.1 million for principal payment on revenue bonds. Compensated absences increased by \$.9 million.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2008

Unrestricted net assets of \$116 million include management designations and unreserved fund balances of \$97.5 million. The board of directors has authorized management to designate funds for certain obligations that make up 8.4% of the total net assets included in unrestricted net assets. These fund balance designations are summarized below:

Management designations for:	
Long-term building maintenance	\$ 9,587,965
Technology plan	7,007,586
E-rate/E-rate support	1,834,846
Grant Activity	4,040,546
Compensated absences	<u>21,813,740</u>
	<u>\$ 44,284,683</u>

Fund balance reserved for encumbrances, inventory and capital assets declared surplus was approximately \$9.8 million. The difference of \$8.7 million represents certain accruals that will impact 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 serve 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 2008 and 2007 fiscal years. The difference between revenues and expenses equals the change in net assets. Revenue is divided into two major components, program revenue and general revenue. Program revenue is defined as charges for services, operating and capital grants, and contributions. General revenue is defined as the primary unrestricted funding sources, such as property taxes, sales taxes, and basic state aid.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

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

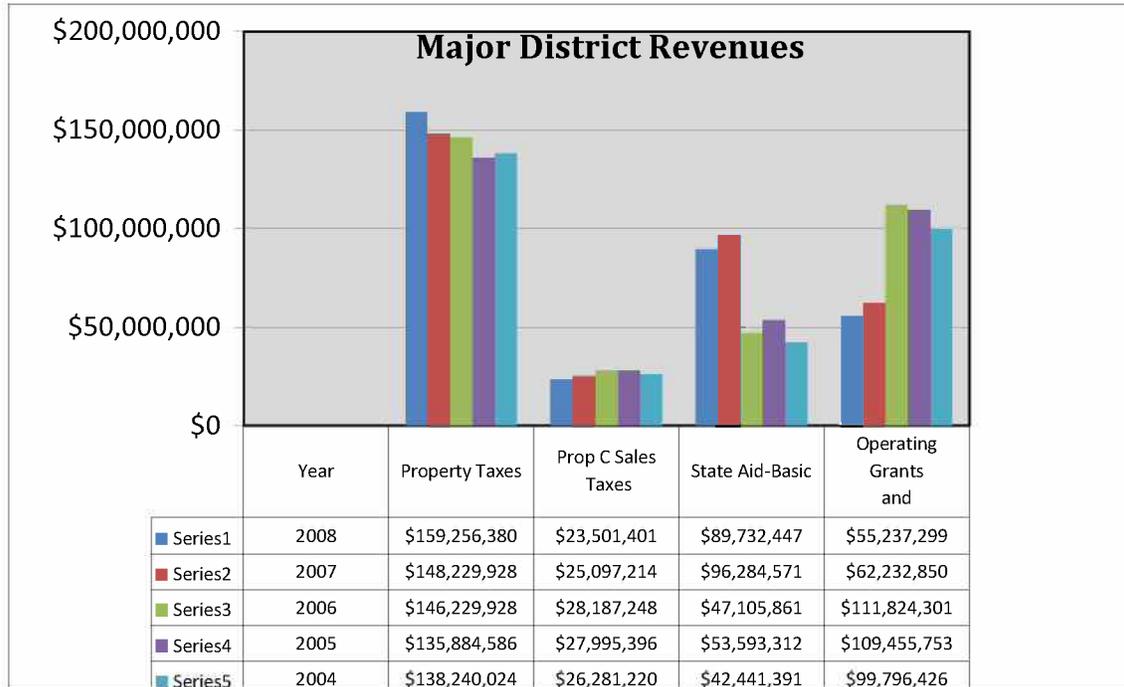
	Governmental activities		
	2008	2007	Increase (decrease)
Program revenues:			
Charges for services	\$ 3,940	3,819	121
Operating grants and contributions	55,237	62,233	(6,996)
Capital grants and contributions	1,518	739	779
General revenues:			
Property taxes	159,256	148,273	10,983
Prop C sales tax	23,052	25,097	(2,045)
Other local revenues	2,100	2,771	(671)
County governmental contributions	4,025	3,433	592
State aid—basic formula	89,733	96,285	(6,552)
Grants and entitlements	1,051	763	288
Investment earnings	10,486	13,363	(2,877)
Total revenues	<u>350,398</u>	<u>356,776</u>	<u>(6,378)</u>
Program expenses:			
Administration	23,464	25,502	(2,038)
Instruction	193,545	193,304	241
Support services	79,253	77,738	1,515
Operation of facilities	44,579	40,000	4,579
Pupil transportation	18,703	22,132	(3,429)
Facilities Improvement and Renovation	1,413	403	1,010
Community and adult services	11,557	6,226	5,331
Interest on long-term debt	3,902	4,982	(1,080)
Total expenses	<u>376,416</u>	<u>370,287</u>	<u>6,129</u>
Excess (deficiency) before transfers	<u>(26,018)</u>	<u>(13,511)</u>	<u>(12,507)</u>
Realized loss from sale of capital assets	(17,319)	(2,327)	(14,992)
Transfers	750	(173)	923
Increase (decrease) in net assets	<u>(42,587)</u>	<u>(16,011)</u>	<u>(26,576)</u>
Net assets beginning of year	571,237	587,248	(16,011)
Net assets end of year	<u>\$ 528,650</u>	<u>571,237</u>	<u>(42,587)</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2008

A graph of major District revenues is shown below.



The most significant changes in revenues were:

- Operating grants and contributions and state aid basic formula continues to decline because of changes in funding under Senate Bill 287. This 8.5% reduction (or \$13.5 million) in revenue is impacted by declining enrollment. Fiscal year 2008 state aid funding was based on fiscal year 2006 weighted average daily attendance of 29,573 compared to the prior year's weighted average daily attendance of 31,236.
- Prop C sales tax declined by 8.2% (or \$2 million) and other local source by 24% (or .6 million) because the funding distribution is based on pupil count and the District's average daily attendance declined in the current year.
- Interest income earned on the District's pooled investments declined by \$2.9 million because of changes in market conditions impacting interest rates.
- Property tax revenue increased by 7.4% or approximately \$11 million because of a 10.9% increase in assessed valuation.
- County governmental contributions increased by \$.6 million because of an additional distribution from the state for County Stock Insurance.
- Certain grants received for equipment purchases and entitlements increased by \$1.4 million.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2008

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

- Administration—The cost of legal fees and the amount of paid claims declined by approximately \$2 million.
- Operation of Facilities – Salary and fringe benefit costs increased by \$.9 million as a result of the elimination of the Aramark Management contract. The Facilities Division was re-organized adding 48 positions to the staff. Utility costs increased by \$.9 million and the cost of renovations to buildings by outside contractors increased by \$2.7 million.
- Pupil Transportation - Reductions in transportation costs was caused by creating efficiencies in routes, bell time changes and declining enrollment.
- Community and Adult Services – Salary and fringe benefit cost increased by \$4.6 million to support the K C Cares extended day program. The cost of other agreements with outside extended day providers increased by \$.7 million.

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

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

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>
Community services:			
Charges for services	\$ 728	1,241	(513)
Expenses	(389)	(693)	304
Revenue over expenditures before transfers	<u>339</u>	<u>548</u>	<u>(209)</u>
Investment Interest	8	—	8
Transfers	<u>(750)</u>	<u>173</u>	<u>(923)</u>
Increase (decrease) in net assets	\$ <u>(403)</u>	<u>721</u>	<u>(1,124)</u>

The District provided after school tutoring under the Supplementary Education Services program funded by Title I. As a result, revenues decreased \$.5 million and expenditures increased \$.3 million. Salary and fringe costs increased by \$.1 million and materials/supplies decreased 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 83.9% 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 4.1% 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.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management’s Discussion and Analysis

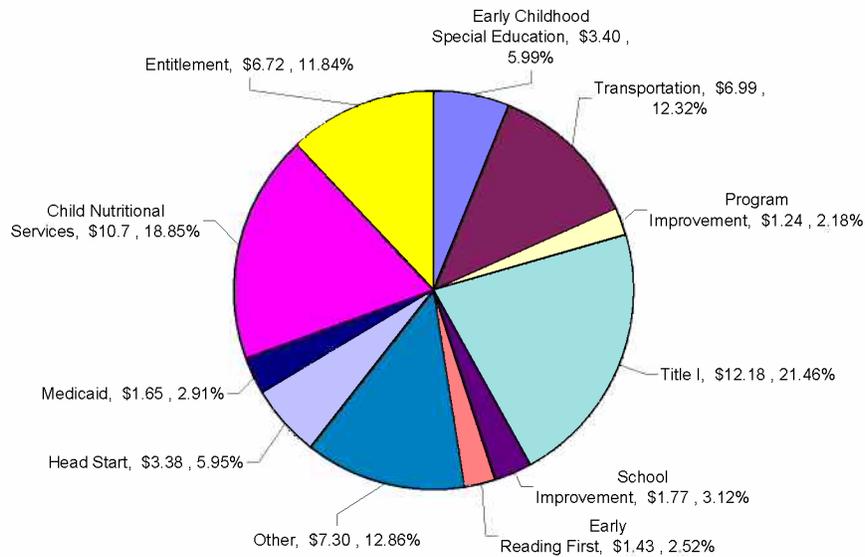
June 30, 2008

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

	<u>Total cost of services</u>	<u>Net cost of services</u>
Administration	\$ 23,464	23,464
Instruction	193,545	158,474
Support services	79,253	62,646
Operation of facilities	44,579	44,509
Pupil transportation	18,703	11,599
Facilities improvements and renovations	1,413	553
Community and adult services	11,557	10,574
Interest on long-term debt	3,902	3,902
Total	\$ 376,416	315,721

The District received program revenues specifically to offset the cost of certain functions/programs. The major source of this type of revenue, that totaled \$56.8 million, is from operating and capital grants and contributions. Operating and capital grants and contributions are funds the District receives that are restricted to a particular purpose as show in the graph below.

**Operating Grants & Contributions
(expressed in thousands)**



THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management’s Discussion and Analysis

June 30, 2008

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 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, 2008, the unreserved fund balance of the operating budget funds is shown below:

Operating budget funds	Reserved	Unreserved	Total fund balance
General	\$ 5,242,888	39,633,962	44,876,850
Capital projects—operating portion	248,328	9,642,997	9,891,325
	\$ 5,491,216	49,276,959	54,768,175

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 18.7% of total operating expenditures and transfers. The total operating fund balance decreased by 30.2% when compared to fiscal year 2007.

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 2.1%, and expenditures and transfers increased by 10.4%. Additional federal grant awards of \$4.7 million were received after the original budget was approved. State Aid decreased by \$1.5 million due to a decline in weighted average daily attendance and DESE’s adjustment for Charter School average daily attendance. In the final budget, expenditures and transfers exceeded revenues by about \$16.3 million. However, there was an unfavorable revenue variance of \$13.7 million and a favorable expenditure and transfer variance of \$13.9 million, resulting in an actual \$15.5 million decrease in the fund balance. When compared to the prior year (see Table 5B), budgeted revenues and transfers increased by 2.4% and budgeted expenditures and transfers increased by 5.9%.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2008

Table 5A—Budget Comparison, Original to Final Budget, Fiscal Year 2008

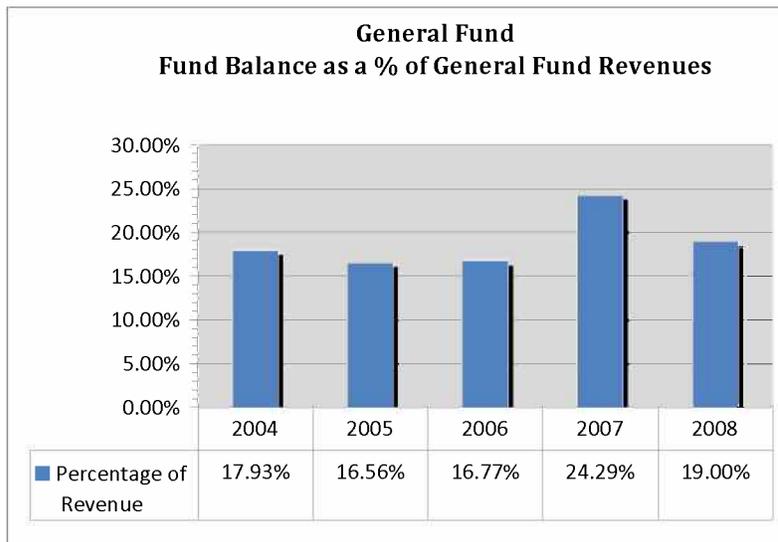
	Revenues and Transfers		
	<u>In</u>	<u>Expenditures</u>	<u>Transfers Out</u>
Original budget	\$ (258,845,491)	(155,655,748)	(98,529,704)
Final budget	<u>264,351,244</u>	<u>170,676,093</u>	<u>109,985,878</u>
Increase (decrease)	<u>\$ 5,505,753</u>	<u>15,020,345</u>	<u>11,456,174</u>

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

	<u>Revenues and transfers</u>	<u>Expenditures and transfers</u>
Fiscal year 2008 final budget	\$ 264,351,244	280,661,971
Fiscal year 2007 final budget	<u>258,254,512</u>	<u>265,045,348</u>
Increase (decrease)	<u>\$ 6,096,732</u>	<u>15,616,623</u>
Percentage of change	2.36%	5.89%

Major Funds—Financial Highlights

- When compared to fiscal year 2007, General Fund revenues decreased by \$3.0 million or 1.2%, and expenditures and transfers increased by \$12.2 million or 4.8%. 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 SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2008

- The Teachers' Fund revenues decreased by \$5.3 million because of declining enrollment. Expenditures increased by \$2.5 million or 1.5 % due primarily to increases in salary and fringe benefit costs for tutoring and the extended day program.
- There were no significant changes in fund balance in the Other Special Revenue Fund.
- The Debt Service Fund's revenues and financing sources decreased by \$.4 million or 3% as a result of the decline in interest income earned on investments. Expenditures plus financing uses decreased by \$3.5 million or 8.1%. The final drawdown from the Advance Payment Program was \$3 million less than the prior year. Principal and interest payments on outstanding leasehold revenue bonds were \$.5 million less than the prior year.
- The Capital Projects Fund's revenues decreased by \$2.1 million or 19.8% and expenditures decreased by \$2 million or 21%. There were no major projects for improvements to facilities during the fiscal year.

Capital Assets and Debt Administration

Capital assets—The District's investment in capital assets for its governmental activities as of June 30, 2008 amounts to \$417.5 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 \$44.5 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>2008</u>	<u>2007</u>
Land	\$ 42,537,492	43,237,252
Buildings	253,111	390,200,140
Improvements other than buildings	353,445,366	15,399,463
Equipment and furniture	14,241,682	11,821,826
Vehicles	6,858,068	69,454
Construction in progress	161,548	1,211,669
	<u>\$ 417,497,267</u>	<u>461,939,804</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 \$67.2 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 \$26.5 million was available to the Trustee in compliance with this requirement. Approximately 7% of total District expenditures relate to payments of principal, interest, and bond-related costs. See note 3(f), 3(g), and 3(h) for additional information.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2008

Economic Factors That Impact Fiscal Year 2009 Budgets

- The fiscal year 2009 comprehensive budget was approved by the Board on June 25, 2008. Fiscal year 2009 projected revenues of approximately \$372.8 million is a decrease of about \$76.4 million (or 17%) when compared to fiscal year 2008. It is anticipated that during the fiscal year other state and federal grants will be awarded.
- Fiscal year 2009 projected expenditures of approximately \$342.9 million represent a decrease of about \$52.2 (or 13.2%) when compared to the prior year. The significant budget savings were realized by adopting Missouri School Improvement Program desirable standards where applicable. Beginning with fiscal year 2009 debt service payment requirements declined by \$13 million.
- Approximately \$24 million of fund balance (included in total projected revenues) was use to balance the budget.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Net Assets

June 30, 2008

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Assets:			
Cash and investments	\$ 174,990,296	1,196,656	176,186,952
Restricted cash and investments	47,735,886	—	47,735,886
Taxes receivable (net of allowance for uncollectibles)	22,012,368	—	22,012,368
Interest receivable	1,815,273	—	1,815,273
Due from other governmental units	21,389,510	—	21,389,510
Due from community/charter schools	—	229,025	229,025
Other receivables	602,103	—	602,103
Supplies inventories	981,325	—	981,325
Other post-employment benefits	417,131	—	417,131
Capital assets (net of accumulated depreciation):			
Nondepreciable	42,790,603	—	42,790,603
Depreciable	374,706,664	—	374,706,664
Assets declared surplus	3,194,359	—	3,194,359
Total assets	<u>690,635,518</u>	<u>1,425,681</u>	<u>692,061,199</u>
Liabilities:			
Accounts payable and other	13,597,473	—	13,597,473
Accrued salaries, benefits, and payroll taxes	50,868,771	—	50,868,771
Claims payable	1,356,977	—	1,356,977
Accrued interest payable	1,351,820	—	1,351,820
Unearned revenue	4,672,972	—	4,672,972
Long-term liabilities:			
Due within one year:			
Compensated absences	9,786,156	—	9,786,156
Revenue bonds	9,945,000	—	9,945,000
Capital lease	495,408	—	495,408
Due in more than one year:			
Compensated absences	11,548,473	—	11,548,473
Revenue bonds	57,240,000	—	57,240,000
Unamortized premium on bonds	1,122,510	—	1,122,510
Total liabilities	<u>161,985,560</u>	<u>—</u>	<u>161,985,560</u>
Net assets:			
Invested in capital assets, net of related debt	351,988,708	—	351,988,708
Restricted for:			
Debt service	60,171,002	—	60,171,002
Workers' compensation	290,773	—	290,773
Permanent fund, nonexpendable corpus	35,000	—	35,000
Patron gifts	208,336	—	208,336
Unrestricted	115,956,139	1,425,681	117,381,820
Total net assets	<u>\$ 528,649,958</u>	<u>1,425,681</u>	<u>530,075,639</u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Activities

Year ended June 30, 2008

Functions/programs	Expenses	Program revenues		Net revenue (expense) and changes in net assets		
		Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:						
Administration	\$ 23,464,251	—	—	(23,464,251)	—	(23,464,251)
Instruction	193,545,340	20,028	34,431,351	(158,473,777)	—	(158,473,777)
Support services	79,253,184	3,762,610	12,807,331	(62,646,052)	—	(62,646,052)
Operation of facilities	44,578,452	69,481	—	(44,508,971)	—	(44,508,971)
Pupil transportation	18,702,854	—	7,103,942	(11,598,912)	—	(11,598,912)
Facilities improvements and renovation	1,413,417	—	—	(552,366)	—	(552,366)
Community and adult services	11,556,650	87,613	894,675	(10,574,362)	—	(10,574,362)
Interest on long-term debt	3,901,912	—	—	(3,901,912)	—	(3,901,912)
Total governmental activities	376,416,060	3,939,732	55,237,299	(315,720,603)	—	(315,720,603)
Business-type activities:						
Community services	389,109	728,057	—	—	338,948	338,948
Total	376,805,169	4,667,789	55,237,299	(315,720,603)	338,948	(315,381,655)
General revenues:						
Property taxes				159,256,380	—	159,256,380
Prop C sales tax				23,051,401	—	23,051,401
Other local revenues				2,100,281	—	2,100,281
Intermediate/county				4,025,235	—	4,025,235
State aid—basic formula				89,732,447	—	89,732,447
Grants and entitlements not restricted to specific programs				1,050,967	—	1,050,967
Investment earnings				10,485,757	7,662	10,493,419
Realized loss from sale of capital assets-extraordinary item				(17,318,756)	—	(17,318,756)
Transfers				750,000	(750,000)	—
Total general revenues, extraordinary item and transfers				273,133,712	(742,338)	272,391,374
Change in net assets				(42,586,891)	(403,390)	(42,990,281)
Net assets—beginning				571,236,849	1,829,071	573,065,920
Net assets—ending				\$ 528,649,958	1,425,681	530,075,639

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Balance Sheet

Governmental Funds

June 30, 2008

Assets	General	Teachers'	Other Special Revenue	Debt Service	Capital Projects	Nonmajor governmental funds	Total governmental funds
Cash and investments	\$ 54,652,920	21,242,103	44,084,220	—	37,362,070	515,471	157,856,784
Restricted cash and investments	—	—	—	47,085,179	—	359,934	47,445,113
Taxes receivable, net of allowance for uncollectibles	18,269,909	1,370,122	—	—	2,387,956	—	22,027,987
Interest receivable	623,825	—	300,953	221,464	459,279	4,954	1,610,475
Other receivables	22,832	—	—	—	—	—	22,832
Due from other governments	6,123,285	196,879	—	12,864,359	847,557	1,341,812	21,373,892
Due from other community	—	—	—	—	—	536,265	536,265
Due from other funds	917,094	—	—	—	—	917,094	917,094
Supplies inventory	376,631	—	—	—	—	139,098	515,729
Assets declared surplus	—	—	—	—	3,194,359	—	3,194,359
Total assets	\$ 80,986,496	22,809,104	44,385,173	60,171,002	44,251,221	2,897,534	255,500,530
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 10,323,009	1,078,703	8,860	—	1,094,100	1,024,431	13,529,103
Accrued salaries, benefits, and payroll taxes	6,495,361	21,730,401	22,562,573	—	—	80,435	50,868,770
Due to other funds	—	—	—	—	—	917,094	917,094
Deferred revenue	19,291,276	—	—	—	3,235,513	—	22,526,789
Total liabilities	\$ 36,109,646	22,809,104	22,571,433	—	4,329,613	2,021,960	87,841,756
Fund balances:							
Reserved for:							
Encumbrances	4,866,257	—	—	—	1,186,898	—	6,053,155
Supplies inventory	376,631	—	—	—	—	139,098	515,729
Debt service	—	—	—	60,171,002	—	—	60,171,002
Capital assets declared surplus	—	—	—	—	3,194,359	—	3,194,359
Permanent fund, nonexpendable corpus	—	—	—	—	—	35,000	35,000
Patron gifts	—	—	—	—	—	208,336	208,336
Unreserved:							
Designated for:							
Grant activity	4,040,546	—	—	—	—	—	4,040,546
Long-term building maintenance	—	—	—	—	9,587,965	—	9,587,965
Technology plan	—	—	—	—	7,007,586	—	7,007,586
Compensated absences	—	—	21,813,740	—	—	—	21,813,740
E-Rate/E-Rate support	—	—	—	—	1,834,846	—	1,834,846
Undesignated:							
General fund	35,593,416	—	—	—	—	—	35,593,416
Special revenue funds	—	—	—	—	—	372,003	372,003
Permanent fund	—	—	—	—	—	121,137	121,137
Capital projects fund	—	—	—	—	17,109,954	—	17,109,954
Total fund balances	\$ 44,876,850	22,809,104	21,813,740	60,171,002	39,921,608	875,574	167,658,774
Total liabilities and fund balances	\$ 80,986,496	22,809,104	44,385,173	60,171,002	44,251,221	2,897,534	255,500,530

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, 2008

Fund balances—balance sheet	\$ 167,658,774
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	417,483,874
Federal food commodities	225,586
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	(67,185,000)
Capital lease	(495,408)
Unamortized premium on bonds net of deferred charges	(1,122,510)
Accrued interest payable	(1,351,820)
Other post-employment benefits	417,131
Compensated absences	(21,334,629)
Claims payable	(683,729)
	<u>(91,755,965)</u>
Deferred revenue—property taxes	17,853,817
Internal service funds are used by management to charge the cost of the Administrative Service Center and Risk Management	<u>17,183,872</u>
Net assets of governmental activities	<u>\$ 528,649,958</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, 2008

	General	Teachers'	Other Special Revenue	Debt Service	Capital Projects	Nonmajor governmental funds	Total governmental funds
Revenues:							
Property taxes	\$ 151,725,002	—	—	—	5,954,071	—	157,679,073
Prop C sales tax	14,407,126	8,644,275	—	—	—	—	23,051,401
Other local	6,840,160	67,226	1,233,333	2,661,344	1,496,031	3,228,545	15,526,639
Intermediate/county	3,733,833	291,402	—	—	—	—	4,025,235
State aid—basic formula	28,708,816	61,023,631	—	—	—	—	89,732,447
Other state	11,434,710	492,203	—	—	168,457	79,592	12,174,962
Federal	29,151,070	861,194	—	—	1,020,416	10,666,294	41,698,974
Tuition	—	4,341	—	—	—	—	4,341
Total revenues	246,000,717	71,384,272	1,233,333	2,661,344	8,638,975	13,974,431	343,893,072
Expenditures:							
Current:							
Administration	9,777,231	14,184,688	—	—	—	—	23,961,919
Instruction	40,301,024	133,157,879	—	—	—	1,260,537	174,719,440
Support services	32,866,375	22,741,417	3,179,125	—	—	14,735,325	73,522,242
Operation of facilities	44,100,865	—	—	—	—	—	44,100,865
Pupil transportation	18,702,747	—	—	—	—	—	18,702,747
Community and adult services	8,618,525	2,953,613	—	—	—	—	11,572,138
Debt service:							
Administrative	—	—	—	26,235	—	—	26,235
Principal	—	—	—	22,130,000	—	—	22,130,000
Interest	—	—	—	4,350,867	—	—	4,350,867
Capital outlay:							
Administration	—	—	—	—	22,668	—	22,668
Instruction	—	—	—	—	1,436,933	—	1,436,933
Support services	—	—	—	—	696,563	—	696,563
Operation of facilities	—	—	—	—	381,805	—	381,805
Pupil transportation	—	—	—	—	447	—	447
Community and adult services	—	—	—	—	5,970	—	5,970
Facilities improvement and renovation	—	—	—	—	5,166,453	—	5,166,453
Total expenditures	154,366,767	173,037,597	3,179,125	26,507,102	7,710,839	15,995,862	380,797,292
Revenues over (under) expenditures	91,633,950	(101,653,325)	(1,945,792)	(23,845,758)	928,136	(2,021,431)	(36,904,220)
Other financing sources (uses):							
Transfers in	750,000	105,643,872	1,441,516	26,480,868	15,068,830	2,960,852	152,345,938
Transfers out	(110,385,246)	(3,990,547)	—	(13,421,315)	(28,047,286)	(217,664)	(156,062,058)
Sale of capital assets	—	—	—	12,864,359	16,780	—	12,881,139
Total other financing sources (uses)	(109,635,246)	101,653,325	1,441,516	25,923,912	(12,961,676)	2,743,188	9,165,019
Net change in fund balances	(18,001,296)	—	(504,276)	2,078,154	(12,033,540)	721,757	(27,739,201)
Fund balances, beginning of year	62,878,146	—	22,318,016	58,092,848	51,955,148	153,817	195,397,975
Fund balances, end of year	\$ 44,876,850	—	21,813,740	60,171,002	39,921,608	875,574	167,658,774

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, 2008

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

Net change in fund balances—total governmental funds	\$ (27,739,201)
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	4,531,029
Depreciation expense	<u>(17,926,008)</u>
	(13,394,979)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	
Proceeds from sale of capital assets	(13,828,696)
Loss on sale of capital assets- extraordinary item	<u>(17,318,756)</u>
	(31,147,452)
Assets declared surplus	100,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,937,227
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:	
Principal payment on revenue bonds	22,130,000
Principal payment on capital lease	471,979
Amortization on premium and deferred charges, net	79,684
Accrued interest payable	448,956
	<u>23,130,619</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Other post-employment benefits	417,131
Compensated absences	852,673
Claims payable	494,771
	<u>1,764,575</u>
Internal service funds are used by management to charge the costs of Administrative Service Center and Risk Management to individual funds.	<u>(237,680)</u>
Change in net assets of governmental activities	\$ <u><u>(42,586,891)</u></u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Net Assets—Proprietary Funds

June 30, 2008

	<u>Nonmajor Enterprise Fund</u>	<u>Internal Service Funds</u>
Assets:		
Current assets:		
Cash and Investments	\$ 1,196,656	17,133,512
Restricted cash and investments	—	290,773
Interest receivable	—	204,798
Other receivables, net of allowance for uncollectible	229,025	43,006
Supplies inventories	—	240,009
Total current assets	<u>1,425,681</u>	<u>17,912,098</u>
Noncurrent assets:		
Machinery and equipment	—	139,547
Less accumulated depreciation	—	(126,154)
Total capital assets (net of accumulated depreciation)	<u>—</u>	<u>13,393</u>
Total noncurrent assets	<u>—</u>	<u>13,393</u>
Total assets	<u>1,425,681</u>	<u>17,925,491</u>
Liabilities:		
Current liabilities:		
Accounts payable	—	68,371
Claims and judgments	—	673,248
Total current liabilities	<u>—</u>	<u>741,619</u>
Total liabilities	<u>—</u>	<u>741,619</u>
Net assets:		
Invested in capital assets	—	13,393
Restricted for:		
Workers' compensation	—	290,773
Unrestricted	1,425,681	16,879,706
Total net assets	<u>\$ 1,425,681</u>	<u>17,183,872</u>

See accompanying notes to basic financial statements.

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

Year ended June 30, 2008

	Nonmajor Enterprise Fund	Internal Service Funds
Operating revenues:		
Charges for tutoring program	\$ 671,241	—
Charges for community support services	56,816	—
Charges for administrative services	—	738,832
Total operating revenues	728,057	738,832
Operating expenses:		
Salaries, wages, and employee benefits	366,929	930,762
Utilities, supplies, and materials	22,180	216,792
Other contractual services	—	3,997,289
Other	—	1,013,615
Depreciation	—	1,310
Total operating expenses	389,109	6,159,768
Operating income (loss)	338,948	(5,420,936)
Nonoperating revenues, interest income	7,662	717,136
Income (loss) before transfers	346,610	(4,703,800)
Transfers in	—	4,474,560
Transfers out	(750,000)	(8,440)
Change in net assets	(403,390)	(237,680)
Total net assets, beginning of year	1,829,071	17,421,552
Total net assets, end of year	\$ 1,425,681	17,183,872

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Cash Flows—Proprietary Funds

Year ended June 30, 2008

	<u>Nonmajor Enterprise Fund</u>	<u>Internal Service Funds</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 683,713	—
Receipts from interfund services provided		738,691
Receipts from insurance claims	—	32,398
Payments to suppliers	(571,932)	(5,741,799)
Payments to employees	(366,929)	(258,775)
	<u>(255,148)</u>	<u>(5,229,485)</u>
Net cash (used in) operating activities		
Cash flows from noncapital and related financing activities:		
Transfers to other funds	(750,000)	(8,440)
Transfers from other funds	—	4,474,560
	<u>(750,000)</u>	<u>4,466,120</u>
Net cash provided by (used in) noncapital and related financing activities		
Cash flows from capital and related financing activities:		
Purchase of capital assets	—	(1,203)
Net cash (used in) capital and related financing activities	<u>—</u>	<u>(1,203)</u>
Cash flows from investing activities:		
Interest income received	7,662	723,326
	<u>7,662</u>	<u>723,326</u>
Net cash provided by investing activities		
Net (decrease) in cash and cash equivalents	(997,486)	(41,242)
Cash and cash equivalents, beginning of year	2,194,142	17,465,527
Cash and cash equivalents, end of year	\$ <u>1,196,656</u>	<u>17,424,285</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 338,948	(5,420,936)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	—	1,310
Increase in other receivable	—	(43,007)
Increase in inventories	—	88,994
Decrease in due from community/charter schools	(44,344)	—
Increase/(decrease) in accounts payable	(549,752)	46,906
Decrease in claims payable	—	97,248
	<u>(594,096)</u>	<u>191,451</u>
Total adjustments		
Net cash (used in) operating activities	\$ <u>(255,148)</u>	<u>(5,229,485)</u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Fiduciary Net Assets

June 30, 2008

	Private Purpose Trust— Student Scholarship Fund
Assets:	
Investments	\$ 488,282
Interest receivable	6,719
Total assets	<u>495,001</u>
Liabilities:	
Accounts payable	<u>—</u>
Total liabilities	<u>—</u>
Net assets:	
Net assets held in trust for other purposes	<u>\$ 495,001</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, 2008

	Private Purpose Trust— Student Scholarship Fund
Additions:	
Contributions:	
Private donations	\$ <u>168,091</u>
Total contributions	<u>168,091</u>
Investment income:	
Interest	<u>18,197</u>
Total investment income	<u>18,197</u>
Total additions	<u>186,288</u>
Deductions:	
Scholarship awards	<u>8,057</u>
Total deductions	<u>8,057</u>
Net increase	178,231
Net assets, beginning of year	<u>316,770</u>
Net assets, end of year	\$ <u><u>495,001</u></u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

(a) Reporting Entity

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

Blended Component Units—The School District of Kansas City, Missouri Building Corporation (the Building Corporation) is governed by a nine-member board of directors that is appointed by the District's Board. Although it is legally separate from the District, the Building Corporation is included as if it were a part of the primary government because its purpose is to provide financing for District capital projects and service the related debt through lease agreements with the District. The accounts of the Building Corporation as of and for the year ended June 30, 2008 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. Eighteen 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 non-fiduciary activities of the District and its component units. The government-wide statements include a statement of net assets and statement of activities. Governmental activities are supported by taxes, state aid, and intergovernmental revenues and are reported separate from business-type activities. The District has classified activity accounted for in the Community Service Fund as business-type activity.

The statement of net assets reports the financial condition by disclosing the assets of the District (cash, investments, 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, 2008

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

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

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

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

Governmental fund financial statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. Generally, only current assets and current liabilities are included on the balance sheet when reporting financial condition. When reporting operating results, only sources and uses related to the current period are disclosed. Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, both measurable and available. Available means collectible within the current period, or soon enough thereafter, to pay current liabilities. Unearned revenue arises when assets are recognized before revenue criteria have been satisfied. The primary source of local revenues is property tax. Property tax revenues are recognized in the fiscal year for which the taxes have been levied. Deferred revenue for property taxes arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. For property taxes, available is defined as expected to be received within 60 days of fiscal year-end. Federal, state, and local grant revenues received as reimbursement for specific purposes is recognized when the related expenditure is incurred and received within 60 days of fiscal year-end. Grants and entitlements received before the eligibility requirements are met and are 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, 2008

- The *Teachers' Fund*, a special revenue fund, is used to account for the payment of payroll and health insurance for certified staff.
- The *Other Special Revenue Fund* is used to account for the accumulation of resources for and payment of employee compensated absences and District contributions to the retirement plan.
- The *Debt Service Fund* is used to account for accumulation of resources and payments made for principal and interest on long-term leasehold revenue bonded debt.
- The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition, construction, or renovation of capital facilities and the purchase of equipment, furniture, and fixtures.

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

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

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

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

In addition, the District has the following non-major enterprise and internal service funds:

- The *Community Service Fund* is an enterprise fund type and accounts for accumulation and allocation of costs associated with tutoring services provided by external vendors, 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. Non-operating revenues are interest income, transfers, 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, 2008

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, 2008

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, 2008.

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

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

Property taxes are recognized as a receivable at the time they become an enforceable legal claim. Property taxes are levied by the county assessor based on the assessed valuation of taxable property as of January 1 of each calendar year (tax lien date). Taxes are billed the following November 1 and become due on or before December 31. Tax bills not collected by December 31 are considered delinquent and the unpaid amount is subject to interest and penalties. The county is responsible for the collection and distribution of property taxes. Assessed values are established by the county's Department of Assessment and reviewed by the County Board of Equalization and the state tax commissioner. The total assessed value at January 1, 2007 for real estate, personal property, merchants and manufacturers, and railroad and utility property was approximately \$3.2 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, 2008

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 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 statues. The Governmental Accounting Standard Board Statement No. 42- Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries (GASB 42) required that the capital assets no longer used for educational purposes be disclosed separately. 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, 2008

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, 2008 of \$21.3 million have been recorded in the government-wide financial statements. Within the governmental funds financial statements, management has designated fund balance at June 30, 2008 of \$21.8 million to cover these future payments. Payments of benefits to employees are made from the Other Special Revenue Fund.

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.

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, 2008

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, 2008

(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, 2008:

- *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, 2008, designated funds of \$9,587,965 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, 2008, designated funds of \$7,007,586 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, 2008, designated funds of \$1,834,846 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, 2008, designated funds of \$4,040,546 were shown in the General Fund.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2008

(3) Detailed Notes on All Funds

(a) Deposits and Investments

The District and the Building Corporation had the following investments at June 30, 2008:

Investment type	Fair value	Weighted average maturity (years)
U.S. Treasury obligations	\$ 4,042,337	4.59
Government-sponsored enterprises	91,423,436	2.06
Repurchase agreements	29,621,000	5.59
Certificates of deposit	68,455,000	0.20
Total fair value	193,541,773	
 Portfolio weighted average maturity		3.11
 Other investments not subject to a structured maturity date:		
Money market funds	30,320,708	
Deposits	543,919	
	30,864,627	
Total cash and investments	\$ 224,411,120	

Interest rate risk—The Board-approved investment policy requires that the investment portfolio be structured so that securities mature to meet cash requirements for day-to-day operations. Primarily, operating funds are invested in short-term securities with a weighted average maturity of less than 12 months and securities are held to maturity. Investments may mature within no more than 5 years from date of purchase. The policy requires the District to adopt weighted average maturity limitations that do not exceed 3 years and is consistent with the investment objectives. The weighted average maturity for the District’s portfolio is 1.24 years. The weighted average maturity for the investments of the Building Corporation is 5 years.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2008

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
Federal Farm Credit Bank	NR	AAA
Federal Home Loan Bank	Aaa	AAA
Federal Home Loan Mortgage Corporation	AAA	AAA
Federal National Mortgage Association	Aaa	AAA
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 13% of its investments in non-callable U.S. Government agencies and 42% 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 unit deposits may not be returned. Collateral is required by state statute for demand deposits and certificates of deposit. The fair value of the collateral must equal 100% of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are governed by State Statutes and include United States Government agency bonds and securities; general obligation bonds of any of the 50 states; general obligation bonds of any Missouri county, certain cities, and special districts; and revenue bonds of certain Missouri agencies. For investments, there is the risk

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2008

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 \$30.3 million in bank balances in money market funds exposed to custodial credit risk due to the balance not being insured and uncollateralized.

In addition, the Trustee manages an investment agreement of \$30.6 million for future capital improvements. This investment agreement allows for annual drawdowns through October 2008.

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the District's investments have likely incurred a significant decline in fair value since June 30, 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:

	<u>General</u>	<u>Teachers'</u>	<u>Other Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor and other(1)</u>	<u>Enterprise Fund</u>	<u>Total</u>
Interest	\$ 623,825	—	300,953	221,464	459,279	216,471	—	1,821,992
Taxes	20,404,271	1,375,856	—	—	3,099,771	—	—	24,879,898
Due from other governments	6,123,285	196,879	—	12,864,359	847,557	1,357,431	—	21,389,511
Due from other funds	917,094	—	—	—	—	—	—	917,094
Community programs	—	—	—	—	—	536,265	235,896	772,161
Other receivables	<u>22,832</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>43,006</u>	<u>—</u>	<u>65,838</u>
Gross receivables	28,091,307	1,572,735	300,953	13,085,823	4,406,607	2,153,173	235,896	49,846,494
Less allowance for uncollectibles	<u>(2,134,362)</u>	<u>(5,734)</u>	<u>—</u>	<u>—</u>	<u>(711,815)</u>	<u>(15,619)</u>	<u>(6,871)</u>	<u>(2,874,401)</u>
Net total receivables	<u>\$ 25,956,945</u>	<u>1,567,001</u>	<u>300,953</u>	<u>13,085,823</u>	<u>3,694,792</u>	<u>2,137,554</u>	<u>229,025</u>	<u>46,972,093</u>

- (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, 2008

(c) Capital Assets

Capital asset activity as of June 30, 2008 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	\$ 43,237,252	—	(699,760)	42,537,492
Construction in progress	1,211,669	242,413	(1,200,971)	253,111
Total capital assets, not being depreciated	<u>44,448,921</u>	<u>242,413</u>	<u>(1,900,731)</u>	<u>42,790,603</u>
Capital assets, being depreciated:				
Buildings	593,237,548	4,243,237	(46,153,948)	551,326,837
Improvements other than buildings	40,998,120	397,635	(14,578)	41,381,177
Equipment and furniture	35,295,365	593,082	(3,981,989)	31,906,458
Vehicles	1,382,833	167,529	(3,235)	1,547,127
Total capital assets being depreciated	<u>670,913,866</u>	<u>5,401,483</u>	<u>(50,153,750)</u>	<u>626,161,599</u>
Less accumulated depreciation for:				
Buildings	(203,037,408)	(11,470,623)	16,626,560	(197,881,471)
Improvements other than buildings	(25,598,657)	(1,543,862)	3,024	(27,139,495)
Equipment and furniture	(23,473,539)	(4,866,005)	3,291,154	(25,048,390)
Vehicles	(1,313,379)	(54,328)	(17,872)	(1,385,579)
Total accumulated depreciation	<u>(253,422,983)</u>	<u>(17,934,818)</u>	<u>19,902,866</u>	<u>(251,454,935)</u>
Total capital assets, being depreciated, net	<u>417,490,883</u>	<u>(12,533,335)</u>	<u>(30,250,884)</u>	<u>374,706,664</u>
Governmental activities capital assets, net	<u>\$ 461,939,804</u>	<u>(12,290,922)</u>	<u>(32,151,615)</u>	<u>417,497,267</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2008

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	\$ 2,977,914	3,200,000	2,977,914
Bancroft	786,690	—	—
Faxon	1,715,012	75,000	75,000
Switzer/Old West	31,900	1,715,000	31,900
Norman Center	109,545	1,275,000	109,545
	<u>\$ 5,621,061</u>	<u>6,265,000</u>	<u>3,194,359</u>

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

Elementary schools	\$ 8,670,597
Middle schools	3,382,538
Senior high schools	4,901,214
Other instruction	4,009
Special education	356,773
Total instruction	<u>17,315,131</u>
Improvement of instruction—curriculum development	10,025
Financial and internal services	1,644
Information technology	285,909
Total support services	<u>297,578</u>
Operation of facilities	38,705
Facilities acquisition and construction	282,094
Governmental funds depreciation expense	<u>17,933,508</u>
Internal service	1,310
Total depreciation expense	<u>\$ 17,934,818</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2008

(d) Interfund Receivables, Payables, and Transfers

Interfund receivable and payable balances at June 30, 2008 are as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Major funds:		
General	\$ 917,094	—
Nonmajor fund:		
Special Revenue (Child Nutritional Services)	—	917,094
	<u>\$ 917,094</u>	<u>917,094</u>

The purpose of the above interfund balances is to reflect the payables and receivables between certain funds at June 30, 2008. 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 following transfers were made during the fiscal year:

	<u>General</u>	<u>Teachers'</u>	<u>Debt Service</u>	<u>Other Special Revenue</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Internal Service</u>	<u>Total</u>
Transfers from:								
General Fund	\$ -	105,643,872	-	621,352	-	2,960,852	1,159,170	110,385,246
Teachers'	-	-	-	783,078	-	-	3,207,469	3,990,547
Debt Service Fund	-	-	-	-	13,421,315	-	-	13,421,315
Capital Project Fund	-	-	26,480,868	-	1,566,418	-	-	28,047,286
Internal Service Funds	-	-	-	3,621	-	-	4,819	8,440
Nonmajor governmental funds	-	-	-	-	-	-	-	-
Enterprise fund	750,000	-	-	33,465	81,097	-	103,102	217,664
	<u>\$ 750,000</u>	<u>105,643,872</u>	<u>26,480,868</u>	<u>1,441,516</u>	<u>15,068,830</u>	<u>2,960,852</u>	<u>4,474,560</u>	<u>156,820,498</u>

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

(e) Accrued Salaries

School-based instructional staff, are compensated over a 12-month period beginning in August and September. Remaining salaries and related payroll taxes for the fiscal year have been accrued at June 30, 2008.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2008

(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, and a minimum lease payment of \$520,000 in FY2008. 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 payment remaining is \$520,000 due August 2008. The total minimum lease payments are \$520,000 less interest of \$24,592 resulting in the present value of the minimum lease payments of \$495,408.

(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.

The District has pledged, as security for the bonds issued by the Building Corporation, a portion of the District’s property taxes. In addition, the District invested a portion of its desegregation settlement money in an Advanced Payment Program (APP) for debt service. The bonds are payable through 2014. Total principal and interest remaining on the debt is \$79,135,508 with annual requirements ranging from \$12 to \$14 million. For the current year, principal and interest paid by the District and the total tax revenue were \$26.5 million and \$15.2 million, respectively. The final drawdown from the APP occurred in August 2007 of \$11.3 million which was applied to the debt service payment.

Bonds outstanding at June 30, 2008 are as follows:

<u>Purpose</u>	<u>Amount outstanding</u>	<u>Interest rate</u>	<u>Maturity year</u>
Series 2003A	22,490,000	4.00% to 5.00%	2014
Series 2003B	44,695,000	4.00% to 5.00%	2014
	<u>\$ 67,185,000</u>		

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2008

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

Year ending June 30:	Governmental activities	
	Principal	Interest
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	\$ 67,185,000	11,950,508

(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	\$ 89,315,000	—	(22,130,000)	67,185,000	9,945,000
Compensated absences	22,187,302	1,397,790	(2,250,463)	21,334,629	9,786,156
Capital lease	967,387	—	(471,979)	495,408	495,408
Long-term liabilities	\$ 112,469,689	1,397,790	(24,852,442)	89,015,037	20,226,564

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2008

(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 \$290,773 as of June 30, 2008 are for the self-insured portion of the workers compensation program's reserve requirement. A commercial insurance policy is purchased to cover current and future workers' compensation claims. Pursuant to 288.090:3(1)(a) of the Missouri Revised Statutes, the District participates in the State Employment Security Program on a reimbursable basis and pays claims in lieu of contributions. The District maintains a general liability reserve to cover claims in excess of existing commercial insurance coverage that is funded by contributions from the General Fund.

Contributions are made to the Risk Management Fund based on estimated fringe rates determined by management. The claim liability of \$673,248 reported in the internal service fund as of June 30, 2008 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. Changes for the claims liability for fiscal years 2007 and 2008 is shown below. Adjustments to workers' compensation 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 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>
Fiscal year 2008:				
Workers' compensation	\$ 111,000	—	1,000	110,000
Unemployment compensation	465,000	98,248	—	563,248
Claims and judgments	<u>1,178,500</u>	<u>(494,771)</u>	<u>—</u>	<u>683,729</u>
	<u>\$ 1,754,500</u>	<u>(396,523)</u>	<u>1,000</u>	<u>1,356,977</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2008

(b) Post Employment Benefits

School District of Kansas City, Missouri Post Employment Benefit Plan (OPEB)

The School District of Kansas City Missouri's benefit plan is a single employer defined benefit health care plan administered by the District that provides medical and long-term care insurance benefits to eligible retirees and their spouses.

Membership in the OPEB comprised the following at July 1, 2007:

Active employees	4,554
Retired participants medical	421
Retired participants spouse medical	67
Retired participants dental	1,005
Retired participants spouse dental	277

The annual required contribution (ARC) is the basic annual expense recognized under GASB Statement No. 45, though there is no requirement to fund the ARC. ARC is calculated under the actuarial cost method that was chosen and is made up of the normal cost plus amortization of the unfunded actuarial accrued liability (UAAL - excess of the past service liability over the actuarial value of the assets). The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually. For fiscal year 2008, the District contributed \$1,000,606 to the plan. Plan members receiving benefits from OPEB contributed \$2,200,747.

Other Postemployment Benefit cost expense is computed based on the annual required contribution (ARC) of the District. The annual required contribution is an amount of funding that if funded on a regular basis, it is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components that make up the District's OPEB Cost for 2008:

Annual Required Contribution	\$583,475
Annual OPEB Cost (Expense)	583,475
Contributions Made	<u>(1,000,606)</u>
Increase in net OPEB Obligation (Asset)	<u>(417,131)</u>
Net OPEB Obligation-beginning of Year	<u>-</u>
Net OPEB Asset – End of Year	<u>\$ (417,131)</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for 2008 are as follows in the table below:

<u>Fiscal Yr Ended</u>	<u>OPEB Cost</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
06/30/08	\$583,475	171.49%	\$(417,131)

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2008

As of June 30, 2008 the plan was zero percent funded. The actuarial accrued liability for benefits was \$5,271,862, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,271,862. The covered payroll (annual payroll of active employees covered by the plan) was \$192,477,445, and the ratio of the UAAL to the covered payroll was 2.74%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution (ARC) of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents only the initial year trend information.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In June 30, 2008, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the District's own investments calculated based on the funded level of the plan at the valuation date, and an annual health care cost trend rate of 10 percent for medical claims, reduced by decrements to an ultimate rate of 5 percent after four years. The UA is being amortized as a level dollar amount over a period of 30 years.

(c) Status of Accreditation

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

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2008

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 conducted an on-site accreditation review beginning the week of April 28, 2008 and results have not yet been finalized.

(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

The School District filed suit on May 10, 2005, against the Board of Fund Commissioners, the individual members of the Board of Fund Commissioners, the Missouri Department of Elementary and Secondary Education, the Commissioner of Education, and the State of Missouri. The School District's lawsuit seeks relief from a statute which allows the Board of Fund Commissioners to determine whether or not the School District has sufficient "fund balances" to redeem or otherwise pay off leasehold revenue bonds issued pursuant to desegregation related action. In April 2005, the Board of Fund Commissioners voted that the School District had sufficient fund balances to redeem or otherwise pay off its obligations for leasehold revenue bonds and, therefore, could not continue to withhold money from the charter schools pursuant to Missouri Revised Statute § 160.415(2)(5). For the 2004-2005 school year, the School District had withheld approximately \$836 per pupil from each of the charter schools for repayment of leasehold revenue bonds. The total sum of money withheld from the charter schools is approximately \$5 million per year.

The School District's lawsuit alleges the Board of Fund Commissioners' determination was arbitrary and capricious and the statute authorizing the Board of Fund Commissioners to make this determination is unconstitutional.

Fourteen charter schools located within the School District's boundaries intervened in this case along with their organization, the Missouri Charter Public Schools Association, and alleged a counterclaim against the School District for the monies withheld from 1999 until April 2005. The School 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 School District's claim that the funding mechanism for charter schools is unconstitutional is pending.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

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At the same time, the School District filed a motion to enforce in the Jenkins litigation (the desegregation lawsuit). This motion was granted by the Court. The Court held that the State could not take action to jeopardize the financial stability of the School District. The State Court stayed all proceedings in the case pending the federal court's decision in Jenkins. The Eighth Circuit upheld the decision and ordered the State to continue allowing the School District to withhold funds necessary to redeem desegregation related bonds.

The Eighth Circuit's ruling makes many of the issues in the case moot. However, the School District's claim under Article X Section 11(g) of the Constitution and the Hancock Amendment claims for repayment of all the local monies paid the charter schools since their inception in 1999 is still active. In addition, the School District's claim for \$6.1 million which was improperly withheld from the School District and paid to the charter schools from April 2005 to May 2006 is still pending. The School District will request a trial setting for the remaining issues at the status conference with Judge Beetem.

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

The Missouri Charter Public Schools Association (the same organization involved in the Board of Fund Commissioners case, discussed above) filed a motion to intervene in the case in November 2006, which the School District has opposed. The State Defendants filed a motion to dismiss the School District on December 4, 2006. The School District filed a motion for temporary restraining order (TRO) on July 23, 2007. The Court ruled that the Charter schools could intervene, the State's Motion to Dismiss was denied, and the School District's Motion for TRO was denied but the Judge would agree to a quick trial setting to try and avoid continuing harm to the School District should it prevail.

The School District hired Angela Morelock at BKD as an expert witness. Ms. Morelock provided the School District with expert testimony to support its legal claim that transfer of its local funds to charter schools violates the Constitution and the Hancock Amendment. Trial in the matter is set for November 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

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Retirement System provides retirement, disability, and death benefits to plan members and beneficiaries. All benefit provisions are established and may be amended by the legislature of the State of Missouri. The general administration and responsibility for the proper operation of the Public School Retirement System rests with a board of trustees. Financial statements of the Public School Retirement System can be obtained by writing to Public School Retirement System, 4600 Paseo Boulevard Kansas City, Missouri 64106 or by calling (816) 472-5912.

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

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

The District's contributions to the Retirement System for the years ended December 31, 2007, 2006 and 2005 were \$12,591,876, \$12,323,052, and \$12,519,761, respectively, which was equal to the annual required contribution for the District.

(g) Extraordinary item

Independence Boundary Change

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. Legal challenges by the District to keep the issue off the ballot were unsuccessful, and on November 6, 2007, voters in both districts approved the boundary change. The effect of the change was to transfer seven schools from the District to Independence. Following a hearing on adjustment and apportionment, a State Board of Arbitration ordered Independence to compensate the District \$12.8 million dollars for the transfer of the seven schools. After an unsuccessful challenge to the Arbitration decision by the School District of Kansas City, Missouri Building Corporation, the Arbitration decision was upheld by a Jackson County Circuit Court, and the seven schools were transferred to the Independence School District. As a result, the District recorded a loss of \$17,318,756. The loss is recorded as an extraordinary item since it is both unusual and infrequent.

(h) New Pronouncements

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

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*: This Statement established standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities of assets, note disclosures and, if applicable required supplementary information in the financial reports. As a result, the District has recorded a net asset of \$417,131 in the governmental activities and added footnote disclosures pertaining to the plan.

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- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*: This Statement establishes accounting and financial reporting standards for transactions in which an entity 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 an entity 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. This Statement modified the disclosures for long-term obligations.
- GASB Statement No. 50, *Pension Disclosures*, an amendment of GASB Statements No. 25 and No. 27: This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment 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. This Statement had no effect to the District.

As of June 30, 2008, the GASB has issued the following statements not yet implemented by the District. The statements which might impact the District are as follows:

- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the District beginning 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 District 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. 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, water rights, timber rights, patents, and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.
- GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, issued November 2007, will be effective for the District beginning with its year ending June 30, 2009. This Statement establishes consistent standards for the reporting of land and other real estate held as investments. Endowments were previously required to report their land and other real estate held for investment purposes at historical cost. However, such investments are reported at fair value by similar entities, such as pension plans. The Statement requires endowments to report land and other real estate investments at fair value. The changes in the fair value are to be reported as investment income.

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Notes to Basic Financial Statements

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- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the District beginning with its year ending June 30, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

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

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REQUIRED SUPPLEMENTARY INFORMATION

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property taxes	\$ 153,016,654	151,074,918	151,725,002	650,084
Prop C taxes	15,224,932	14,923,788	14,407,126	(516,662)
Other local	4,767,399	6,586,178	6,840,159	253,981
County	2,885,102	3,281,343	3,733,833	452,490
Basic formula	30,005,035	28,536,961	28,708,816	171,855
Other state	11,649,553	11,807,576	11,434,711	(372,865)
Federal sources	41,296,816	46,017,705	29,151,070	(16,866,635)
Tuition	—	—	—	—
Total revenues	<u>258,845,491</u>	<u>262,228,469</u>	<u>246,000,717</u>	<u>(16,227,752)</u>
Expenditures:				
Current:				
Administration:				
Board of Education services:				
Salaries	309,684	302,569	288,147	14,422
Benefits	104,376	103,439	92,064	11,375
Purchased services	576,675	791,574	783,057	8,517
Supplies and materials	14,750	19,600	17,468	2,132
Total Board of Education services	<u>1,005,485</u>	<u>1,217,182</u>	<u>1,180,736</u>	<u>36,446</u>
Executive administration:				
Salaries	1,352,830	1,299,349	1,318,791	(19,442)
Benefits	388,070	350,252	352,701	(2,449)
Purchased services	3,336,869	4,316,056	3,332,587	983,469
Supplies and materials	129,435	108,584	60,958	47,626
Total executive administration	<u>5,207,204</u>	<u>6,074,241</u>	<u>5,065,037</u>	<u>1,009,204</u>
Building level administration:				
Salaries	2,428,986	2,286,262	2,480,653	(194,391)
Benefits	1,046,259	935,400	915,438	19,962
Purchased services	212,006	239,171	174,542	64,629
Supplies and materials	113,501	150,588	118,324	32,264
Total building level administration	<u>3,800,752</u>	<u>3,611,421</u>	<u>3,688,957</u>	<u>(77,536)</u>
Total administration	<u>10,013,441</u>	<u>10,902,844</u>	<u>9,934,730</u>	<u>968,114</u>
Instruction:				
Elementary:				
Salaries	1,683,788	2,854,101	2,502,534	351,567
Benefits	231,892	1,178,039	1,071,321	106,718
Purchased services	2,947,576	1,013,338	692,146	321,192
Supplies and materials	3,766,823	5,320,562	4,295,687	1,024,875
Total elementary	<u>8,630,079</u>	<u>10,366,040</u>	<u>8,561,688</u>	<u>1,804,352</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Middle/junior high:				
Salaries	\$ 18,500	68,078	78,779	(10,701)
Benefits	2,159	67,298	21,342	45,956
Purchased services	783,618	335,886	227,442	108,444
Supplies and materials	568,993	1,379,335	1,242,953	136,382
Total middle/junior high	<u>1,373,270</u>	<u>1,850,597</u>	<u>1,570,516</u>	<u>280,081</u>
Senior high:				
Salaries	108,114	388,374	381,469	6,905
Benefits	59,101	127,776	147,581	(19,805)
Purchased services	1,026,981	395,509	323,935	71,574
Supplies and materials	934,302	1,032,703	887,571	145,132
Debt service	—	—	520,000	(520,000)
Total senior high	<u>2,128,498</u>	<u>1,944,362</u>	<u>2,260,556</u>	<u>(316,194)</u>
Summer school:				
Salaries	2,236,248	2,536,484	2,326,735	209,749
Benefits	589,484	752,205	640,838	111,367
Purchased services	4,509,009	2,015,473	1,339,509	675,964
Supplies and materials	5,222,170	3,402,011	3,519,116	(117,105)
Total summer school	<u>12,556,911</u>	<u>8,706,173</u>	<u>7,826,198</u>	<u>879,975</u>
Special education:				
Salaries	1,496,684	3,888,488	3,823,676	64,812
Benefits	52,446	1,675,798	1,491,983	183,815
Purchased services	5,076,442	5,683,455	6,063,304	(379,849)
Supplies and materials	641,167	557,028	489,843	67,185
Total special education	<u>7,266,739</u>	<u>11,804,769</u>	<u>11,868,806</u>	<u>(64,037)</u>
Culturally different:				
Salaries	1,168,722	2,271,389	1,953,070	318,319
Benefits	626,165	1,006,765	867,692	139,073
Purchased services	10,599,252	6,288,278	2,024,323	4,263,955
Supplies and materials	467,964	2,720,379	2,034,786	685,593
Total culturally different	<u>12,862,103</u>	<u>12,286,811</u>	<u>6,879,871</u>	<u>5,406,940</u>
Vocational instruction:				
Salaries	145,585	181,535	198,802	(17,267)
Benefits	53,340	64,862	64,185	677
Purchased services	7,074	278,274	202,834	75,440
Supplies and materials	208,066	443,609	358,054	85,555
Total vocational instruction	<u>414,065</u>	<u>968,280</u>	<u>823,875</u>	<u>144,405</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Student activities:				
Salaries	\$ 449,558	423,787	341,930	81,857
Benefits	54,521	49,537	45,735	3,802
Purchased services	370,758	346,086	276,246	69,840
Supplies and materials	148,319	161,192	164,175	(2,983)
Total student activities	<u>1,023,156</u>	<u>980,602</u>	<u>828,086</u>	<u>152,516</u>
Total instruction	<u>46,254,821</u>	<u>48,907,634</u>	<u>40,619,596</u>	<u>8,288,038</u>
Support services:				
Attendance/placement:				
Salaries	2,113,827	2,502,247	2,492,714	9,533
Benefits	789,817	876,635	836,747	39,888
Purchased services	3,077,008	3,724,377	3,453,321	271,056
Supplies and materials	33,900	37,800	40,651	(2,851)
Total attendance/placement	<u>6,014,552</u>	<u>7,141,059</u>	<u>6,823,433</u>	<u>317,626</u>
Guidance/counseling:				
Salaries	770,199	816,820	927,702	(110,882)
Benefits	310,527	326,173	340,919	(14,746)
Purchased services	10,000	42,500	35,299	7,201
Supplies and materials	5,000	17,332	18,003	(671)
Total guidance/counseling	<u>1,095,726</u>	<u>1,202,825</u>	<u>1,321,923</u>	<u>(119,098)</u>
Health, psychology, and speech:				
Salaries	2,394,129	2,259,019	2,172,672	86,347
Benefits	957,268	934,129	796,183	137,946
Purchased services	15,000	16,000	13,364	2,636
Supplies and materials	29,909	57,209	38,766	18,443
Total health, psychology, and speech	<u>3,396,306</u>	<u>3,266,357</u>	<u>3,020,985</u>	<u>245,372</u>
Improvement of instruction:				
Curriculum development:				
Salaries	474,495	563,360	441,498	121,862
Benefits	144,090	168,338	135,792	32,546
Purchased services	1,436,746	4,037,344	2,389,676	1,647,668
Supplies and materials	231,841	832,619	229,658	602,961
Total curriculum development	<u>2,287,172</u>	<u>5,601,661</u>	<u>3,196,624</u>	<u>2,405,037</u>
Staff training:				
Salaries	142,750	144,242	88,118	56,124
Benefits	52,200	40,260	15,375	24,885
Purchased services	2,320,337	2,524,145	2,130,797	393,348
Supplies and materials	402,129	757,683	497,255	260,428
Total staff training	<u>2,917,416</u>	<u>3,466,330</u>	<u>2,731,545</u>	<u>734,785</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Educational media services:				
Salaries	\$ 327,287	377,407	344,393	33,014
Benefits	123,954	137,355	119,335	18,020
Purchased services	36,700	37,470	68,981	(31,511)
Supplies and materials	1,627,589	1,493,433	1,230,484	262,949
Total educational media services	<u>2,115,530</u>	<u>2,045,665</u>	<u>1,763,193</u>	<u>282,472</u>
Financial services:				
Salaries	1,574,587	1,463,433	1,416,054	47,379
Benefits	482,645	463,813	403,455	60,358
Purchased services	271,604	220,434	247,712	(27,278)
Supplies and materials	52,759	56,009	39,742	16,267
Total financial services	<u>2,381,595</u>	<u>2,203,689</u>	<u>2,106,963</u>	<u>96,726</u>
Food service:				
Salaries	—	—	11,753	(11,753)
Benefits	—	—	7,353	(7,353)
Purchased services	—	11,190	—	11,190
Supplies and materials	370,338	290,493	210,985	79,508
Total food service	<u>370,338</u>	<u>301,683</u>	<u>230,091</u>	<u>71,592</u>
Internal service:				
Salaries	467,646	440,151	423,286	16,865
Benefits	146,723	142,398	125,504	16,894
Purchased services	29,000	47,200	35,145	12,055
Supplies and materials	6,400	7,600	7,335	265
Total internal service	<u>649,769</u>	<u>637,349</u>	<u>591,270</u>	<u>46,079</u>
Planning/research/evaluation:				
Development services:				
Salaries	721,088	656,587	653,529	3,058
Benefits	191,312	174,939	169,723	5,216
Purchased services	723,700	879,194	722,097	157,097
Supplies and materials	252,400	97,159	44,583	52,576
Total development services	<u>1,888,500</u>	<u>1,807,879</u>	<u>1,589,932</u>	<u>217,947</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund

Year ended June 30, 2008

	Original budget	Final budget	Actual	Variance with Final Budget
Admissions/communication services:				
Salaries	\$ 524,686	345,210	378,486	(33,276)
Benefits	167,581	118,527	100,448	18,079
Purchased services	324,365	556,768	679,648	(122,880)
Supplies and materials	9,500	9,500	13,604	(4,104)
Total admissions/communications	<u>1,026,132</u>	<u>1,030,005</u>	<u>1,172,186</u>	<u>(142,181)</u>
Personnel services:				
Salaries	1,431,642	1,361,101	1,412,275	(51,174)
Benefits	439,760	401,933	402,564	(631)
Purchased services	489,352	818,798	771,927	46,871
Supplies and materials	24,000	25,000	17,219	7,781
Total personnel services	<u>2,384,754</u>	<u>2,606,832</u>	<u>2,603,985</u>	<u>2,847</u>
Information technology:				
Salaries	1,938,981	1,760,733	1,820,687	(59,954)
Benefits	564,701	509,502	487,466	22,036
Purchased services	2,607,692	3,139,692	3,741,808	(602,116)
Supplies and materials	135,930	171,930	141,472	30,458
Total information technology	<u>5,247,304</u>	<u>5,581,857</u>	<u>6,191,433</u>	<u>(609,576)</u>
Total support services	<u>31,775,094</u>	<u>36,893,191</u>	<u>33,343,563</u>	<u>3,549,628</u>
Operation of facilities:				
Salaries	15,730,218	17,008,138	16,720,044	288,094
Benefits	5,948,260	5,972,090	5,629,334	342,756
Purchased services	16,594,467	15,345,726	15,364,055	(18,329)
Supplies and materials	37,600	100,600	89,324	11,276
Other purchased services	3,817,740	5,641,784	5,162,703	479,081
Other supplies and materials	908,775	1,148,775	1,802,684	(653,909)
Total operation of facilities	<u>43,037,060</u>	<u>45,217,113</u>	<u>44,768,144</u>	<u>448,969</u>
Pupil transportation:				
Salaries	27,215	—	3,049	(3,049)
Benefits	11,559	3,239	1,548	1,691
Purchased services	18,614,117	18,870,070	18,696,878	173,192
Supplies and materials	6,610	6,610	1,840	4,770
Total pupil transportation	<u>18,659,501</u>	<u>18,879,919</u>	<u>18,703,315</u>	<u>176,604</u>
Community and adult services:				
Adult basic education:				
Salaries	235,992	231,207	270,458	(39,251)
Benefits	88,339	82,819	93,396	(10,577)
Purchased services	7,950	591,760	365,915	225,845
Supplies and materials	18,145	64,456	45,735	18,721
Total adult basic education	<u>350,426</u>	<u>970,242</u>	<u>775,504</u>	<u>194,738</u>
Adult continuing education:				
Salaries	2,902	6,305	2,922	3,383
Benefits	326	582	291	291
Purchased services	—	2,263	1,675	588
Supplies and materials	—	450	964	(514)
Total adult continuing education	<u>3,228</u>	<u>9,600</u>	<u>5,852</u>	<u>3,748</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—General Fund (continued)

Year ended June 30, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Community services:				
Salaries	2,675,620	4,896,097	5,072,018	(175,921)
Benefits	1,433,964	1,481,597	1,302,315	179,282
Purchased services	1,087,846	1,816,034	1,334,692	481,342
Supplies and materials	364,747	701,822	287,557	414,265
Total community services	<u>5,562,177</u>	<u>8,895,550</u>	<u>7,996,582</u>	<u>898,968</u>
Total community and adult services	<u>5,915,831</u>	<u>9,875,392</u>	<u>8,777,938</u>	<u>1,097,454</u>
Facilities/acquisition and construction:				
Salaries	\$ —	—	—	—
Benefits	—	—	—	—
Purchased services	—	—	—	—
Supplies and materials	—	—	—	—
Other purchased services	—	—	—	—
Total facilities/acquisition and construction	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures	<u>155,655,748</u>	<u>170,676,093</u>	<u>156,147,286</u>	<u>14,528,807</u>
Revenues over (under) expenditures	<u>103,189,743</u>	<u>91,552,376</u>	<u>89,853,431</u>	<u>(1,698,945)</u>
Other financing sources (uses):				
Transfers in	—	2,122,775	750,000	1,372,775
Transfers out	<u>(98,529,704)</u>	<u>(109,985,878)</u>	<u>(108,604,726)</u>	<u>(1,381,152)</u>
Total other financing sources	<u>(98,529,704)</u>	<u>(107,863,103)</u>	<u>(107,854,726)</u>	<u>(8,377)</u>
Revenues and other financing sources over (under) expenditures	<u>\$ 4,660,039</u>	<u>(16,310,727)</u>	<u>(18,001,295)</u>	<u>(1,690,568)</u>
Fund balance, beginning of year			<u>62,878,146</u>	
Fund balance, end of year			<u>\$ 44,876,851</u>	

See Note to Required Supplementary Information.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—Teachers' Fund

Year ended June 30, 2008

	Original budget	Final budget	Actual	Variance with Final Budget
Revenues:				
Prop C taxes	\$ 9,134,959	8,954,273	8,644,275	(309,998)
Local	—	283,267	67,226	(216,041)
County	398,182	356,478	291,402	(65,076)
Basic Formula	64,673,999	61,747,272	61,023,631	(723,641)
State	490,500	603,025	492,203	(110,822)
Federal	517,131	513,302	861,194	347,892
Other	52,272	5,209	4,341	(868)
Total revenues	<u>75,267,043</u>	<u>72,462,826</u>	<u>71,384,272</u>	<u>(1,078,554)</u>
Expenditures:				
Current:				
Administration:				
Executive administration:				
Salaries	220,000	220,000	222,375	(2,375)
Benefits	69,200	69,200	50,887	18,313
Total executive administration	<u>289,200</u>	<u>289,200</u>	<u>273,262</u>	<u>15,938</u>
Building level administration:				
Salaries	10,288,418	10,743,712	11,500,596	(756,884)
Benefits	2,699,474	2,633,042	2,783,272	(150,230)
Total building level administration	<u>12,987,892</u>	<u>13,376,754</u>	<u>14,283,868</u>	<u>(907,114)</u>
Total administration	<u>13,277,092</u>	<u>13,665,954</u>	<u>14,557,130</u>	<u>(891,176)</u>
Instruction:				
Elementary:				
Salaries	43,684,711	44,614,762	44,136,939	477,823
Benefits	13,919,234	12,776,734	12,556,734	220,000
Total elementary	<u>57,603,945</u>	<u>57,391,496</u>	<u>56,693,673</u>	<u>697,823</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—Teachers' Fund

Year ended June 30, 2008

	Original budget	Final budget	Actual	Variance with Final Budget
Middle/junior high:				
Salaries	10,339,061	10,590,680	10,241,507	349,173
Benefits	3,230,528	2,816,311	2,890,266	(73,955)
Total middle/junior high	<u>13,569,589</u>	<u>13,406,991</u>	<u>13,131,773</u>	<u>275,218</u>
Senior high:				
Salaries	14,359,903	18,628,057	16,287,803	2,340,254
Benefits	4,435,037	4,222,491	4,485,422	(262,931)
Total senior high	<u>18,794,940</u>	<u>22,850,548</u>	<u>20,773,225</u>	<u>2,077,323</u>
Summer school:				
Salaries	5,955,001	5,378,388	7,508,572	(2,130,184)
Benefits	435,416	404,951	847,078	(442,127)
Total summer school	<u>6,390,417</u>	<u>5,783,339</u>	<u>8,355,650</u>	<u>(2,572,311)</u>
Special education:				
Salaries	23,236,251	22,101,546	22,116,979	(15,433)
Benefits	7,086,247	6,022,723	6,107,544	(84,821)
Total special education	<u>30,322,498</u>	<u>28,124,269</u>	<u>28,224,523</u>	<u>(100,254)</u>
Culturally different:				
Salaries	4,327,736	4,895,674	4,376,900	518,774
Benefits	1,042,602	1,261,542	1,173,925	87,617
Total culturally different	<u>5,370,338</u>	<u>6,157,216</u>	<u>5,550,825</u>	<u>606,391</u>
Vocational instruction:				
Salaries	1,963,677	1,922,588	1,869,527	53,061
Benefits	555,666	511,726	511,923	(197)
Total vocational instruction	<u>2,519,343</u>	<u>2,434,314</u>	<u>2,381,450</u>	<u>52,864</u>
Student activities:				
Salaries	829,623	824,001	939,207	(115,206)
Fringes	65,300	63,760	93,525	(29,765)
Total student activities	<u>894,923</u>	<u>887,761</u>	<u>1,032,732</u>	<u>(144,971)</u>
Total instruction	<u>135,465,993</u>	<u>137,035,934</u>	<u>136,143,851</u>	<u>892,083</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—Teachers' Fund

Year ended June 30, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Support services:				
Attendance/placement:				
Salaries	\$ 173,672	69,146	57,958	11,188
Benefits	47,199	8,864	13,477	(4,613)
Total attendance/placement	<u>220,871</u>	<u>78,010</u>	<u>71,435</u>	<u>6,575</u>
Guidance/counseling:				
Salaries	5,129,321	4,831,023	4,883,459	(52,436)
Benefits	1,503,201	1,384,679	1,333,886	50,793
Total guidance/counseling	<u>6,632,522</u>	<u>6,215,702</u>	<u>6,217,345</u>	<u>(1,643)</u>
Health, psychology, and speech:				
Salaries	1,153,519	1,167,141	1,292,133	(124,992)
Benefits	352,500	332,695	343,315	(10,620)
Total health, psychology, and speech	<u>1,506,019</u>	<u>1,499,836</u>	<u>1,635,448</u>	<u>(135,612)</u>
Improvement of instruction:				
Current developments:				
Salaries	7,381,900	7,864,691	7,190,388	674,303
Benefits	1,978,240	2,104,636	1,807,920	296,716
Total current developments	<u>9,360,140</u>	<u>9,969,327</u>	<u>8,998,308</u>	<u>971,019</u>
Staff training:				
Salaries	700,423	1,259,072	1,326,144	(67,072)
Benefits	175,749	301,350	276,277	25,073
Total staff training	<u>876,172</u>	<u>1,560,422</u>	<u>1,602,421</u>	<u>(41,999)</u>
Educational media services:				
Salaries	3,805,782	3,501,371	3,485,559	15,812
Benefits	1,075,302	967,818	920,774	47,044
Total educational media	<u>4,881,084</u>	<u>4,469,189</u>	<u>4,406,333</u>	<u>62,856</u>
Financial services:				
Salaries	115,877	73,724	—	73,724
Benefits	33,646	3,691	—	3,691
Total financial services	<u>149,523</u>	<u>77,415</u>	<u>—</u>	<u>77,415</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison—Teachers' Fund (continued)

Year ended June 30, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Planning/research/evaluation/ development services:				
Salaries	\$ 165,084	167,333	107,258	60,075
Benefits	45,107	32,647	26,317	6,330
Total planning/research/ evaluation/ development services	<u>210,191</u>	<u>199,980</u>	<u>133,575</u>	<u>66,405</u>
Personnel services:				
Salaries	—	75,000	217,500	(142,500)
Benefits	—	5,740	21,685	(15,945)
Total personnel services	<u>—</u>	<u>80,740</u>	<u>239,185</u>	<u>(158,445)</u>
Information technology:				
Salaries	46,284	6,284	—	6,284
Benefits	3,541	1,041	—	1,041
Total technology services	<u>49,825</u>	<u>7,325</u>	<u>—</u>	<u>7,325</u>
Total support services	<u>23,886,347</u>	<u>24,157,946</u>	<u>23,304,050</u>	<u>853,896</u>
Community and adult services:				
Adult basic education:				
Salaries	444,516	462,751	547,745	(84,994)
Benefits	150,025	93,256	132,811	(39,555)
Total adult basic education	<u>594,541</u>	<u>556,007</u>	<u>680,556</u>	<u>(124,549)</u>
Adult continuing education:				
Salaries	24,638	24,638	15,431	9,207
Benefits	2,324	2,324	1,523	801
Total adult continuing education	<u>26,962</u>	<u>26,962</u>	<u>16,954</u>	<u>10,008</u>
Community services:				
Salaries	60,161	2,098,235	2,097,846	389
Benefits	5,651	192,406	227,757	(35,351)
Total community services	<u>65,812</u>	<u>2,290,641</u>	<u>2,325,603</u>	<u>(34,962)</u>
Total community and adult services	<u>687,315</u>	<u>2,873,610</u>	<u>3,023,113</u>	<u>(149,503)</u>
Total expenditures	<u>173,316,747</u>	<u>177,733,444</u>	<u>177,028,144</u>	<u>705,300</u>
Revenues under expenditures	<u>(98,049,704)</u>	<u>(105,270,618)</u>	<u>(105,643,872)</u>	<u>(373,254)</u>
Other financing sources:				
Transfers in	98,049,704	105,270,618	105,643,872	373,254
Revenues and other financing sources over (under) expenditures	\$ <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Fund balance, beginning of year			<u>—</u>	
Fund balance, end of year			\$ <u>—</u>	

See Note to Required Supplementary Information.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

**Other Post-Employment Benefits
Required Supplementary Information**

Schedule of Employer Contributions

Year	Annual OPEB Cost	Net Employer Contributions	Percentage Contributed	End of Year Net OPEB Obligation
2008	\$ 583,475	\$ 1,000,606	171.49%	(417,131)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
6/30/08	\$ -	\$ 5,271,862	\$ 5,271,862	0%	\$ 192,477,445	2.74%

Note: The District implemented GASB Statement No. 45 in fiscal year 2008.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Note to the Required Supplementary Information

June 30, 2008

Budgetary Information

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

Major funds:	Nonmajor funds:
General	Child Nutritional Services
Teachers'	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, 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 9.3% increase in the General Fund. The Board approved amendments in the Teachers' Fund of .4%. It has been the District practice to budget Summer School in the subsequent year's budget. Since certain payroll expenditures are paid before July 1, Summer School salaries and fringe benefits were accrued at June 30. The District's final amended budget for the Teacher's Fund did not include the required budget amount for Summer School. Approved amendments to the Capital Project Fund increased by 14%.

NONMAJOR FUND FINANCIAL STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Nonmajor Governmental Funds—Combining Balance Sheet

June 30, 2008

Assets	Special revenue			Permanent fund patron endowments	Total nonmajor governmental funds
	Child Nutritional services	Student activity	Patron gift		
Cash and investments	\$ 4,370	511,101	—	—	515,471
Restricted cash and investments	—	—	205,919	154,015	359,934
Interest receivable	—	—	2,832	2,122	4,954
Due from other governments	1,341,812	—	—	—	1,341,812
Due from Community/Charter Schools	536,265	—	—	—	536,265
Supplies inventory	139,098	—	—	—	139,098
Total assets	\$ 2,021,545	511,101	208,751	156,137	2,897,534
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 1,024,016	—	415	—	1,024,431
Accrued salaries, benefits and payroll taxes	80,435	—	—	—	80,435
Due to other funds	917,094	—	—	—	917,094
Total liabilities	2,021,545	—	415	—	2,021,960
Fund balance (deficit):					
Reserved for:					
Supplies inventory	139,098	—	—	—	139,098
Permanent fund, nonexpendable corpus	—	—	—	35,000	35,000
Patron gifts	—	—	208,336	—	208,336
Unreserved:					
Undesignated:					
Special revenue funds	(139,098)	511,101	—	—	372,003
Permanent fund	—	—	—	121,137	121,137
Total fund balance	—	511,101	208,336	156,137	875,574
Total liabilities and fund balance	\$ 2,021,545	511,101	208,751	156,137	2,897,534

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year ended June 30, 2008

	<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	\$ 1,980,566	1,228,633	11,156	8,190	3,228,545
Other state	79,592	—	—	—	79,592
Federal	10,666,294	—	—	—	10,666,294
Total revenues	<u>12,726,452</u>	<u>1,228,633</u>	<u>11,156</u>	<u>8,190</u>	<u>13,974,431</u>
Expenditures:					
Current:					
Instruction	—	1,249,888	10,649	—	1,260,537
Support services	14,735,325	—	—	—	14,735,325
Total expenditures	<u>14,735,325</u>	<u>1,249,888</u>	<u>10,649</u>	<u>—</u>	<u>15,995,862</u>
Revenues over (under) expenditures	<u>(2,008,873)</u>	<u>(21,255)</u>	<u>507</u>	<u>8,190</u>	<u>(2,021,431)</u>
Other financing sources (uses):					
Transfers in	2,960,852	—	—	—	2,960,852
Transfers out	(217,664)	—	—	—	(217,664)
Total other financing sources (uses)	<u>2,743,188</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,743,188</u>
Revenues and other financing sources over (under) expenditures and other financing (uses)	734,315	(21,255)	507	8,190	721,757
Fund balances, beginning of year	<u>(734,315)</u>	<u>532,356</u>	<u>207,829</u>	<u>147,947</u>	<u>153,817</u>
Fund balances , end of year	\$ <u>—</u>	<u>511,101</u>	<u>208,336</u>	<u>156,137</u>	<u>875,574</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, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Local	\$ 4,168,664	1,973,725	1,980,566	6,841
State	90,000	79,592	79,592	—
Federal	<u>10,681,664</u>	<u>10,677,447</u>	<u>10,666,294</u>	<u>(11,153)</u>
Total revenues	<u>14,940,328</u>	<u>12,730,764</u>	<u>12,726,452</u>	<u>(4,312)</u>
Expenditures:				
Current:				
Support services:				
Salaries	4,285,451	4,139,072	4,258,611	(119,539)
Benefits	2,363,067	2,248,566	2,154,959	93,607
Purchased services	812,587	3,377,225	2,285,506	1,091,719
Supplies and materials	<u>7,179,223</u>	<u>6,455,670</u>	<u>6,172,816</u>	<u>282,854</u>
Total expenditures	<u>14,640,328</u>	<u>16,220,533</u>	<u>14,871,892</u>	<u>1,348,641</u>
Revenues under expenditures	300,000	(3,489,769)	(2,145,440)	1,344,329
Other financing sources (uses):				
Transfers in	—	4,235,260	2,960,852	(1,274,408)
Transfers out	<u>—</u>	<u>—</u>	<u>(81,097)</u>	<u>(81,097)</u>
Total other financing sources (uses)	<u>—</u>	<u>4,235,260</u>	<u>2,879,755</u>	<u>(1,355,505)</u>
Revenues over expenditures and other financing uses	<u>\$ 300,000</u>	<u>745,491</u>	734,315	<u>(11,176)</u>
Fund balance, beginning of year			<u>(734,315)</u>	
Fund balance, end of year			<u>\$ —</u>	

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year ended June 30, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property taxes	\$ 6,738,574	6,773,684	5,954,071	(819,613)
Other local	661,344	1,307,886	648,474	(659,412)
State	—	724,463	168,457	(556,006)
Federal	112,500	1,311,196	1,020,416	(290,780)
Other sources	11,274,645	11,274,645	—	(11,274,645)
Total revenues	18,787,063	21,391,874	7,791,418	(13,600,456)
Expenditures:				
Capital outlay:				
Administration:				
Board of education services	2,500	500	—	500
Executive administration	22,645	7,038	7,704	(666)
Building level administration	2,133	23,272	14,964	8,308
Total administration	27,278	30,810	22,668	8,142
Instruction:				
Elementary	139,654	666,289	446,045	220,244
Middle/junior high	54,000	117,468	93,288	24,180
Senior high	552,333	116,636	100,185	16,451
Summer school	319,572	69,803	13,881	55,922
Special education	88,150	18,244	15,418	2,826
Culturally different	2,000	522,744	396,861	125,883
Vocational instruction	20,000	969,688	340,755	628,933
Student activities	90,000	49,085	30,500	18,585
Total instruction	1,265,709	2,529,957	1,436,933	1,093,024
Support services:				
Attendance/placement	—	66,600	74,004	(7,404)
Guidance/counseling	—	4,500	4,452	48
Improvement of instruction:				
Curriculum development	20,618	370,596	45,258	325,338
Staff training	7,000	3,550	864	2,686
Educational media services	106,695	165,355	76,921	88,434
Finance/support services	19,100	24,600	22,739	1,861
Food service	300,000	11,176	81,097	(69,921)
Internal service	1,000	1,600	1,237	363
Planning/research/development services	15,000	28,620	33,057	(4,437)
Admissions/communication services	5,500	5,368	4,433	935
Personnel services	11,000	3,000	2,592	408
Information technology service	2,706,000	1,570,000	349,909	1,220,091
Total support services	3,191,913	2,254,965	696,563	1,558,402
Operation of facilities	259,000	598,830	381,805	217,025
Pupil transportation	5,580	5,580	447	5,133
Community and adult services:				
Adult basic education	1,280	1,280	—	1,280
Community services	52,500	53,721	5,970	47,751
Total community and adult services	53,780	55,001	5,970	49,031
Facilities acquisition and construction:				
Capital outlay	3,345,561	6,961,126	5,055,601	1,905,525
Other expenditures	16,000	16,000	10,852	5,148
Total facilities acquisition and construction	3,361,561	6,977,126	5,066,453	1,910,673

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, 2008

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Debt service:				
Principal	\$ 22,130,000	22,130,000	22,130,000	—
Interest	4,350,868	4,350,868	4,350,868	—
Total debt service	<u>26,480,868</u>	<u>26,480,868</u>	<u>26,480,868</u>	<u>—</u>
Total expenditures	<u>34,645,689</u>	<u>38,933,137</u>	<u>34,091,707</u>	<u>4,841,430</u>
Revenues under expenditures	<u>(15,858,626)</u>	<u>(17,541,263)</u>	<u>(26,300,289)</u>	<u>(8,759,026)</u>
Other financing sources (uses):				
Transfers in	—	1,594,000	15,068,830	13,474,830
Transfers out	—	(652,733)	(1,566,418)	(913,685)
Unrealized proceeds- surplus assets			(100,000)	(100,000)
Sale of capital assets	—	—	864,337	864,337
Total other financing sources	<u>—</u>	<u>941,267</u>	<u>14,266,749</u>	<u>13,325,482</u>
Revenues and other financing sources under expenditures and other financing uses	<u>\$ (15,858,626)</u>	<u>(16,599,996)</u>	<u>(12,033,540)</u>	<u>4,566,456</u>
Fund balance, beginning of year			<u>51,955,148</u>	
Fund balance, end of year			\$ <u><u>39,921,608</u></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, 2008

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Child Nutrition Capital Projects	Total Capital Projects funds
Revenue:				
Property taxes	\$ —	5,954,071	—	5,954,071
Other local	634,727	13,737	—	648,464
Other state	—	168,457	—	168,457
Federal	—	1,020,416	—	1,020,416
Total revenues	634,727	7,156,681	—	7,791,408
Expenditures:				
Administration:				
Executive administration	—	7,704	—	7,704
Building administration	—	14,964	—	14,964
Total administration	—	22,668	—	22,668
Instruction:				
Elementary schools	—	446,045	—	446,045
Middle schools	—	93,288	—	93,288
High schools	—	100,185	—	100,185
Summer schools	—	13,881	—	13,881
Special education	—	15,418	—	15,418
Culturally different	—	396,861	—	396,861
Vocational instruction	—	340,755	—	340,755
Student activities	—	30,500	—	30,500
Total instruction	—	1,436,933	—	1,436,933

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, 2008

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Child Nutrition Capital Projects	Total Capital Projects funds
Support services:				
Attendance/SW/Pa	—	74,004	—	74,004
Guidance/counseling:	—	4,452	—	4,452
Curriculum development	—	45,258	—	45,258
Staff training	—	864	—	864
Educational media services	—	76,921	—	76,921
Financial services	—	22,739	—	22,739
Food service	—	—	81,097	81,097
Internal services	—	1,237	—	1,237
Planning/research/evaluation/ development services	—	33,057	—	33,057
Communications	—	4,433	—	4,433
Personnel services	—	2,592	—	2,592
Information technology services	334,941	14,968	—	349,909
Total support services	334,941	280,525	81,097	696,563
Pupil transportation	—	447	—	447
Total pupil transportation	—	447	—	447
Operation of plant:				
Plant services	(1,950)	383,755	—	381,805
Total operation of plant	(1,950)	383,755	—	381,805
Community and adult services, community services	—	5,970	—	5,970
Total community and adult services	—	5,970	—	5,970

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, 2008

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Child Nutrition Capital Projects	Total Capital Projects funds
Capital outlay: Facilities	4,958,157	108,296	—	5,066,453
Total capital outlay	4,958,157	108,296	—	5,066,453
Total expenditures	5,291,148	2,238,594	81,097	7,610,839
Revenues over (under) expenditures	(4,656,421)	4,918,087	(81,097)	180,569
Other financing sources (uses):				
Transfers in	—	14,987,733	81,097	15,068,830
Transfer out	(1,553,119)	(26,494,167)	—	(28,047,286)
Capital lease	—	—	—	—
Unrealized proceeds- surplus assets	(100,000)	—	—	(100,000)
Sale of capital assets	—	864,347	—	864,347
Total financing sources (uses)	(1,653,119)	(10,642,087)	81,097	(12,214,109)
Revenues and other financing sources under expenditures and other financing uses	(6,309,540)	(5,724,000)	—	(12,033,540)
Fund balances – beginning of year	36,339,823	15,615,325	—	51,955,148
Fund balances – end of year	\$ 30,030,283	9,891,325	—	39,921,608

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Capital Projects Fund—
 Schedule of Revenues, Expenditures and Changes in Fund Balance- by Project (continued)
 June 30, 2008

Function	Capital Projects L-T-D Fund	General Capital Projects	Child Nutrition Capital Projects	Total Capital Projects funds
Fund balance:				
Encumbrances	\$ 938,570	248,328	—	1,186,898
Long-term building maintenance	9,587,965	—	—	9,587,965
Technology Plan	7,007,586	—	—	7,007,586
E Rate/ E Rate support	1,834,846	—	—	1,834,846
Capital assets declared surplus	3,194,359	—	—	3,194,359
Undesignated	7,466,957	9,642,997	—	17,109,954
Total fund balance	\$ 30,030,283	9,891,325	—	39,921,608

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INTERNAL SERVICE FUNDS

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Internal Service Funds—
Combining Statement of Net Assets

June 30, 2008

	<u>Administrative Service Center</u>	<u>Risk Management</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and investments	\$ 161,174	16,972,338	17,133,512
Restricted cash and investments	—	290,773	290,773
Interest receivable	—	204,798	204,798
Other receivables	140	42,866	43,006
Supplies inventories	240,009	—	240,009
Total current assets	<u>401,323</u>	<u>17,510,775</u>	<u>17,912,098</u>
Capital assets:			
Machinery and equipment	139,547	—	139,547
Less accumulated depreciation	<u>(126,154)</u>	<u>—</u>	<u>(126,154)</u>
Total capital assets	<u>13,393</u>	<u>—</u>	<u>13,393</u>
Total assets	<u>414,716</u>	<u>17,510,775</u>	<u>17,925,491</u>
Liabilities:			
Current liabilities:			
Accounts payable	63,143	5,228	68,371
Claims payable	<u>—</u>	<u>673,248</u>	<u>673,248</u>
Total liabilities	<u>63,143</u>	<u>678,476</u>	<u>741,619</u>
Net assets:			
Invested in capital assets net of related debt	13,393	—	13,393
Restricted:			
Reserved for:			
Workers' compensation	—	290,773	290,773
Unrestricted	<u>338,180</u>	<u>16,541,526</u>	<u>16,879,706</u>
Total net assets	<u>\$ 351,573</u>	<u>16,832,299</u>	<u>17,183,872</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, 2008

	<u>Administrative Service Center</u>	<u>Risk Management</u>	<u>Total</u>
Operating revenues:			
Charges for administrative services	\$ 738,832	—	738,832
Total operating revenues	<u>738,832</u>	<u>—</u>	<u>738,832</u>
Operating expenses:			
Salaries, wages, and employee benefits	258,775	671,987	930,762
Utilities, supplies, and materials	209,744	7,048	216,792
Other contractual services	375,759	3,621,530	3,997,289
Other	—	1,013,615	1,013,615
Depreciation	1,310	—	1,310
Total operating expenses	<u>845,588</u>	<u>5,314,180</u>	<u>6,159,768</u>
Operating income (loss)	(106,756)	(5,314,180)	(5,420,936)
Nonoperating revenues (expenses):			
Interest earnings	—	717,136	717,136
Loss on disposal of capital asset	—	—	—
Total nonoperating revenues (expenses)	<u>—</u>	<u>717,136</u>	<u>717,136</u>
Loss before transfers	(106,756)	(4,597,044)	(4,703,800)
Transfers in	—	4,474,560	4,474,560
Transfers out	(8,440)	—	(8,440)
Change in net assets	(115,196)	(122,484)	(237,680)
Total net assets beginning of year	<u>466,769</u>	<u>16,954,783</u>	<u>17,421,552</u>
Total net assets ending of year	<u>\$ 351,573</u>	<u>16,832,299</u>	<u>17,183,872</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Internal Service Funds

Combining Statement of Cash Flows

Year ended June 30, 2008

	Administrative Service Center	Risk Management	Total
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 738,691	—	738,691
Receipts from insurance claim	—	32,398	32,398
Payments to suppliers	(454,830)	(5,286,969)	(5,741,799)
Payments to employees	(258,775)	—	(258,775)
Net cash provided by (used in) operating activities	<u>25,086</u>	<u>(5,254,571)</u>	<u>(5,229,485)</u>
Cash flows from noncapital and related financing activities:			
Transfers to other funds	(8,440)	—	(8,440)
Transfers from other funds	—	4,474,560	4,474,560
Net cash provided by (used in) noncapital financing activities	<u>(8,440)</u>	<u>4,474,560</u>	<u>4,466,120</u>
Cash flows from capital and related financing activities:			
Sale of capital assets	(1,203)	—	(1,203)
Net cash used in capital and related financing activities	<u>(1,203)</u>	<u>—</u>	<u>(1,203)</u>
Cash flows from investing activities:			
Interest income received	—	723,326	723,326
Net cash provided by investing activities	<u>—</u>	<u>723,326</u>	<u>723,326</u>
Net increase (decrease) in cash and cash equivalents	15,443	(56,685)	(41,242)
Cash and cash equivalents, beginning of year	145,731	17,319,796	17,465,527
Cash and cash equivalents, end of year	<u>\$ 161,174</u>	<u>17,263,111</u>	<u>17,424,285</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (106,756)	(5,314,180)	(5,420,936)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation expense	1,310	—	1,310
Increase in other receivable	(140)	(42,867)	(43,007)
Decrease in inventory	88,994	—	88,994
Increase in A/P and accrued salaries/fringes	41,678	5,228	46,906
Increase in claims payable	—	97,248	97,248
Total adjustments	<u>131,842</u>	<u>59,609</u>	<u>191,451</u>
Net cash provided by (used in) operating activities	<u>\$ 25,086</u>	<u>(5,254,571)</u>	<u>(5,229,485)</u>

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CAPITAL ASSETS

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI
Capital Assets Used in the Operation of Governmental Funds by Source
June 30, 2008
(with comparative totals for June 30, 2007)

	Total	
	2008	2007
Capital assets (gross):		
Land	\$ 42,537,492	43,237,252
Buildings	551,326,837	593,237,548
Improvements other than buildings	41,381,177	40,998,120
Equipment, furniture, and vehicles	33,453,585	36,678,198
Construction in progress	253,111	1,211,669
Total	\$ 668,952,202	715,362,787
Investment in capital assets by source:		
General fund	\$ 404,204	484,719
Capital projects	667,470,902	713,699,769
Special revenue	857,346	1,026,829
Trust and agency	13,127	13,127
Internal service	139,547	138,343
Donations	67,076	—
Total	\$ 668,952,202	715,362,787

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, 2008

Classification	Beginning balance July 1, 2007	Adjustments	Additions	Retirements	Construction- in-progress transfers	Ending balance June 30, 2008
High schools	\$ 232,319,160	19,969	4,845,373	(16,727,332)	—	220,457,170
Middle schools	147,282,365	(36,879)	204,692	(11,754,417)	—	135,695,761
Elementary schools	309,490,133	(246,827)	172,282	(21,391,457)	—	288,024,131
Administration	25,059,460	263,737	179,137	(980,305)	—	24,522,029
Construction in progress	1,211,669	—	242,413	—	(1,200,971)	253,111
Total	\$ 715,362,787	—	5,643,897	(50,853,511)	(1,200,971)	668,952,202

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

June 30, 2008

Classification	Land	Buildings	Improvements other than buildings	Equipment, furniture, vehicles	Vehicles	Construction- in-progress	Total
High schools	\$ 17,890,133	177,873,498	17,241,371	7,307,460	144,708	—	220,457,170
Middle schools	6,916,090	118,606,437	6,069,332	4,098,902	5,000	—	135,695,761
Elementary schools	14,877,705	243,152,865	16,753,636	13,239,925	—	—	288,024,131
Administration	2,853,564	11,694,037	1,316,838	7,260,171	1,397,419	—	24,522,029
Construction-in-progress	—	—	—	—	—	253,111	253,111
Total	\$ 42,537,492	551,326,837	41,381,177	31,906,458	1,547,127	253,111	668,952,202

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STATISTICAL SECTION

Statistical Section

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

Contents

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

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

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

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

Note: Personal income data is currently not available.

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

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

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

Table 1

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Classification	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Governmental activities:							
Invested in capital assets, net of related debt	\$ 351,989	\$ 373,750	\$ 367,206	\$ 355,084	\$ 286,221	\$ 276,092	\$ 282,333
Restricted	60,705	61,244	80,562	91,949	104,562	121,029	101,547
Unrestricted	115,956	136,244	139,480	147,063	219,797	204,002	241,529
Total governmental activities, net of assets	\$ 528,650	\$ 571,238	\$ 587,248	\$ 594,096	\$ 610,580	\$ 601,123	\$ 625,409
Business-type activities:							
Unrestricted	\$ 1,426	\$ 1,829	\$ 1,108	\$ 79	\$ 468	\$ 200	\$ (80)
Total business-type activities, net of assets	\$ 1,426	\$ 1,829	\$ 1,108	\$ 79	\$ 468	\$ 200	\$ (80)
Primary government:							
Invested in capital assets, net of related debt	\$ 351,989	\$ 373,750	\$ 367,206	\$ 355,084	\$ 286,221	\$ 276,092	\$ 282,333
Restricted	60,705	61,244	80,562	91,949	104,562	121,029	101,547
Unrestricted	117,382	138,073	140,588	147,142	220,265	204,202	241,449
Total primary government, net of assets	\$ 530,076	\$ 573,067	\$ 588,356	\$ 594,175	\$ 611,048	\$ 601,323	\$ 625,329

Table 2

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Expenses	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Expenses							
Governmental activities:							
Administration	\$ 23,464	\$ 25,502	\$ 24,876	\$ 23,648	\$ 22,421	\$ 25,482	\$ 23,285
Instruction	193,545	193,304	174,168	182,163	171,850	174,693	175,429
Support services	79,253	77,738	93,921	86,582	79,487	74,611	73,605
Operation of facilities	44,578	40,000	38,682	36,317	34,423	34,927	33,053
Pupil transportation	18,703	22,132	23,988	23,126	21,958	21,433	21,604
Facilities improvements and renovation	1,413	403	612	—	1,168	2,772	18,105
Community and adult services	11,557	6,226	6,237	5,407	5,599	5,287	4,980
Interest on long-term debt	3,902	4,982	6,023	6,969	6,834	9,300	11,056
Total governmental activities expenses	\$ 376,416	\$ 370,287	\$ 368,507	\$ 364,212	\$ 343,740	\$ 348,505	\$ 361,117
Business-type activities							
Community services	\$ 389	\$ 693	\$ 121	\$ 3,586	\$ 5,226	\$ 6,275	\$ 6,766
Total governmental activities expenses	\$ 376,805	\$ 370,980	\$ 368,628	\$ 367,798	\$ 348,966	\$ 354,780	\$ 367,883

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Classification	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Program Revenues							
Governmental activities:							
Charges for services	\$	\$	\$	\$	\$	\$	\$
Administration	—	—	—	—	—	—	—
Instruction	20	—	50	69	—	218	508
Support services	3,763	3,741	3,596	4,007	3,528	4,167	3,886
Operation of facilities	69	65	70	61	556	466	746
Pupil transportation	—	13	7	—	8	—	—
Facilities improvements and renovation	—	—	—	—	—	—	—
Community and adult services	88	—	60	741	253	89	79
Interest on long-term debt	—	—	—	—	—	—	—
Operating grants and contributions	—	10	10	22	54	14	—
Administration	—	—	—	—	—	—	—
Instruction	34,431	37,816	84,511	84,675	74,089	74,078	76,035
Support services	12,807	14,884	16,113	14,327	16,467	14,929	16,038
Operation of facilities	—	—	55	—	—	—	—
Pupil transportation	7,104	8,297	8,421	8,875	8,210	8,868	9,250
Facilities improvements and renovation	—	—	—	—	—	—	—
Community and adult services	895	1,227	2,714	1,557	976	1,128	100
Interest on long-term debt	—	—	—	—	—	—	—
Capital grants and contributions	—	—	—	—	—	—	—
Administration	—	—	—	—	—	—	—
Instruction	620	82	51	818	1,264	731	831
Support services	37	617	5,362	4,684	22,024	385	273
Operation of facilities	—	40	11	—	—	—	—
Pupil transportation	—	—	—	—	—	—	—
Facilities improvements and renovation	861	—	251	—	3,649	7,847	10,741
Community and adult services	—	—	—	16	—	8	—
Interest on long-term debt	—	—	—	—	—	—	—
Total governmental activities program revenue	60,695	66,792	121,282	119,852	131,078	112,928	118,487

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Classification	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Business-type activities:							
Charges for services	728	1,240	146	3,197	5,743	6,819	6,654
Total business-type activities program revenues	728	1,240	146	3,197	5,743	6,819	6,654
Total primary governmental program revenues	\$ 61,423	\$ 68,032	\$ 121,428	\$ 123,049	\$ 136,821	\$ 119,747	\$ 125,141
Net (expense)/revenue							
Governmental activities	\$ (315,721)	\$ (303,495)	\$ (247,225)	\$ (244,360)	\$ (212,662)	\$ (235,577)	\$ (242,630)
Business-type activities	339	547	25	(389)	517	544	(112)
Total primary government net expense	\$ (315,382)	\$ (302,948)	\$ (247,200)	\$ (244,749)	\$ (212,145)	\$ (235,033)	\$ (242,742)
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Property taxes	\$ 159,256	\$ 146,230	\$ 146,230	\$ 135,885	\$ 138,240	\$ 125,895	\$ 149,176
Prop C Sales tax	23,051	28,187	28,187	27,995	26,281	25,077	25,962
Other local revenues	2,100	1,935	1,935	2,558	2,186	2,264	2,924
County governmental contributions	4,025	6,356	6,356	3,949	3,626	3,625	3,437
State aid-basic formula	89,732	47,106	47,106	53,593	42,441	40,840	46,086
Grants and entitlements not restricted to specific programs	1,051	1,820	1,820	1,730	1,483	1,376	1,482
Investment earnings	10,486	9,747	9,747	9,609	7,613	10,978	13,696
Special item, gain on sale of capital asset						973	
Extraordinary item	(17,319)						
Transfers	750	(1,004)	(1,004)		249	264	248
Total governmental activities	\$ 273,133	\$ 240,377	\$ 240,377	\$ 235,319	\$ 222,119	\$ 211,292	\$ 243,011
Business-type activities:							
Investment earnings	8						
Transfers	(750)	1,004	1,004		(249)	(265)	(248)
Total business-type activities	(742)	1,004	1,004		(249)	(265)	(248)
Total primary government	\$ 272,391	\$ 241,381	\$ 241,381	\$ 235,319	\$ 221,870	\$ 211,027	\$ 242,763
Change in Net Assets							
Governmental activities	\$ (42,587)	\$ (63,118)	\$ (6,848)	\$ (9,041)	\$ 9,457	\$ (24,285)	\$ 381
Business-type activities	(403)	1,551	1,029	(389)	268	279	(360)
Total primary government	\$ (42,990)	\$ (61,567)	\$ (5,819)	\$ (9,430)	\$ 9,725	\$ (24,006)	\$ 21

Table 3

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Fund Balances of Governmental Funds

Last Seven Fiscal Years

(Modified accrual basis of accounting)

(Amounts expressed in thousands)

(unaudited)

Classification	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
General Fund							
Reserved	\$ 5,243	\$ 2,565	\$ 701	\$ 1,434	\$ 356	\$ 2,440	\$ 4,364
Unreserved:							
Designated:							
Grant activity	4,041	2,394	9,946	—	—	—	—
Undesignated	35,593	57,919	55,034	44,703	45,975	48,764	25,000
Total general fund	\$ 44,877	\$ 62,878	\$ 65,681	\$ 46,137	\$ 46,331	\$ 51,204	\$ 29,364
All other governmental funds							
Reserved							
Teachers' funds	\$ —	\$ —	\$ —	\$ 1,078	\$ —	\$ —	\$ —
Grant activity funds	—	—	—	—	1,397	1,157	—
Other special revenue funds	—	—	—	—	—	—	—
Debt service funds	60,171	58,093	71,484	84,227	97,278	113,570	96,912
Capital projects funds	4,381	228	4,424	5,792	5,481	10,100	5,974
Nonmajor funds	382	733	1,133	2,118	1,006	1,278	1,632
Unreserved, reported in:							
Designated:							
Long-term building maintenance	9,588	15,275	14,167	15,476	15,543	8,472	8,263
Transition period funding	—	—	1,120	2,528	6,147	7,023	83,589
Technology plan	7,008	8,901	9,947	13,336	14,292	20,877	22,584
Pension cost	—	—	—	—	28,021	27,101	26,320
Compensated absences	21,814	22,318	22,528	19,442	19,451	19,100	19,970
E-Rate/E-Rate support	1,835	1,821	1,510	1,235	3,006	—	—
Capital assets declared surplus	—	3,294	—	—	—	—	—
Undesignated:							
Special revenue funds	372	(727)	(393)	16,433	8,841	8,175	10,813
Capital projects funds	17,110	22,436	26,261	28,586	26,498	20,681	19,081
Permanent funds	121	148	139	141	137	136	133
Total all other governmental funds	\$ 122,782	\$ 132,520	\$ 152,320	\$ 190,392	\$ 227,098	\$ 237,670	\$ 295,271

Table 4

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI
 Changes in Fund Balances of Governmental Funds, and Debt Service Ratio

Last Seven Fiscal Years
 (Modified accrual basis of accounting)
 (Amounts expressed in thousands)
 (unaudited)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Revenues							
Property taxes	\$ 157,679	\$ 147,941	\$ 147,931	\$ 136,543	\$ 140,370	\$ 125,664	\$ 132,108
Prop C Sales tax	23,051	25,097	28,187	27,995	26,281	25,077	25,962
Other local revenues	15,527	20,324	14,871	15,631	16,174	25,457	31,368
County governmental contributions	4,025	3,433	6,357	3,949	3,626	3,625	3,437
State aid-basic formula	89,732	96,285	47,106	53,593	42,441	40,840	46,086
At risk	—	—	30,485	30,836	30,301	31,916	32,964
Other state	12,175	13,258	25,447	23,579	22,929	24,890	26,407
Federal	41,699	48,866	62,072	61,173	69,749	43,695	43,585
Tuition	4	77	37	274	57	101	406
Total revenues	343,893	353,281	362,493	353,573	351,928	321,265	342,323
Expenditures							
Administration	24,011	27,364	23,081	22,566	22,533	25,501	22,686
Instruction	176,156	178,472	164,151	166,442	157,832	160,852	153,018
Support services	74,219	74,311	84,975	75,569	69,422	69,636	66,013
Operation of facilities	44,483	39,375	39,552	35,073	34,341	34,654	31,541
Pupil transportation	18,703	22,133	23,985	23,125	21,959	21,432	21,601
Community and adult services	11,578	6,139	6,235	5,349	5,628	5,191	4,397
Facilities improvements and renovations	5,166	2,376	1,378	10,302	28,919	9,443	36,327
Debt service							
Principal	22,130	22,100	21,380	20,045	12,140	17,010	20,217
Interest	4,351	5,428	6,467	7,329	7,254	10,035	11,733
Total expenditures	380,797	377,698	371,204	365,800	360,028	353,754	367,533

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI
 Changes in Fund Balances of Governmental Funds, and Debt Service Ratio

Last Seven Fiscal Years
 (Modified accrual basis of accounting)
 (Amounts expressed in thousands)
 (unaudited)

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Excess of revenues under expenditures	(36,904)	(22,417)	(8,711)	(12,227)	(8,100)	(32,489)	(25,210)
Other financing sources (uses)							
Transfers in	152,346	144,715	191,837	199,010	197,779	227,859	191,340
Transfers out	(156,062)	(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	12,881	—	328	—	202	1,460	650
Total other financing sources (uses)	9,165	248	(10,253)	(4,709)	(7,343)	(3,272)	(3,154)
Net change in fund balances	\$ (27,739)	\$ (22,169)	\$ (18,964)	\$ (16,936)	\$ (15,443)	\$ (35,761)	\$ (28,364)

Debt service as a percentage of noncapital expenditures	6.2%	6.2%	6.1%	5.8%	3.5%	5.1%	5.8%
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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		
2007	2,458,068,509	10,743,151,553	742,016,617	2,226,272,478	3,200,085,126	12,969,424,602	25	21
2006	2,211,529,159	11,639,627,153	674,138,810	2,022,618,692	2,885,667,969	13,662,245,845	24	24
2005	2,198,143,237	9,726,019,934	677,475,726	2,032,630,441	2,875,618,963	11,758,650,375	26	26
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	25
2003	1,934,514,727	8,323,442,115	731,754,452	2,195,482,904	2,666,269,179	10,518,925,019	26	26
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	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	27	27
2000	1,636,145,314	6,896,641,256	879,547,981	2,638,907,834	2,515,693,295	9,535,549,090	27	27
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	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		

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

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

Table 6

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Property Tax Rates (1)—Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal year ended	City of Kansas City	City of Independence	State of Missouri	Jackson County	Metropolitan Community Colleges	City of Sugar Creek	Kansas City, Missouri Public Library	School District	Total (2)
2008	\$ 1.4632	0.65	0.03	0.57	0.21	1.07	0.45	4.95	9.39
2007	1.5055	0.66	0.03	0.57	0.22	1.07	0.47	4.95	9.48
2006	1.5055	0.69	0.03	0.57	0.22	1.07	0.47	4.95	9.51
2005	1.3196	0.75	0.03	0.57	0.22	1.07	0.49	4.95	9.40
2004	1.3159	0.75	0.03	0.57	0.22	1.07	0.49	4.95	9.40
2003	1.34	0.75	0.03	0.57	0.23	1.09	0.50	4.95	9.46
2002	1.32	0.75	0.03	0.57	0.23	1.09	0.50	4.95	9.44
2001	1.32	0.75	0.03	0.56	0.23	1.08	0.50	4.95	9.42
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) Source: Tax rates per \$100 assessed valuation as confirmed directly by taxing authorities.

(2) The District's boundaries are not wholly contained in Kansas City, Missouri, but overlap other cities. Consequently, the total does not represent the actual tax burden of individual taxpayers. The total is presented only as an indicator of the change in property tax rates.

Table 7

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Principal Property Taxpayers

Taxpayers	Type of Business	2008		1999	
		Assessed value(1)	Rank	Assessed value(1)	Rank
Hallmark & Crown Power	Real Estate/Retail/Hotel	\$ 75,174,534	1	64,363,280	2
Kansas City Power and Light	Utility	36,648,690	2	79,007,999	1
Kansas City Star	Newspaper	32,777,639	3		
J C Nichols & Highwoods Realty	Real Estate	30,256,155	4	47,688,860	3
A T & T	Communications	28,073,833	5	40,906,116	4
FSP Grand Blvd	Real Estate	16,848,000	6		
Southern Union Company	Utility	14,458,119	7	12,258,930	9
Bayer	Agricultural Research and Mfg	13,891,629	8	28,176,630	6
D S T Systems, Inc	Information Technology Services	13,413,811	9		
PMO II LP	Real Estate	10,022,303	10		
Southwestern Bell	Communications			30,613,624	5
E.H.M.D. Properties L P Trust	Real Estate			27,324,360	7
Sprint	Communications			21,584,205	8
WMP II Estate Limited	Real Estate			10,316,800	10
		\$ 271,564,713		362,240,804	
				9.4%	15.3%

Note: Total assessed value for 2007 was \$3,200,085,126 and 1999 was \$2,450,864,950.

(1) Based on calendar year ended December 31, 2007 and December 31, 1998.

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

Table 8

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Property Tax Levies and Collections (1)

Last Ten Calendar Years

Tax levy year	Current tax levy (2)	Current tax collections	Percentage of levy collected	Delinquent tax collections	Total tax collections	Total collections as a percent of current levy (3)	Outstanding delinquent taxes (4)	Outstanding delinquent taxes as a percentage of current levy
2007	159,347,626	144,632,799	90.8%	9,125,735	153,758,534	96.5%	\$ 14,714,827	9%
2006	144,314,419	134,518,579	93.2%	10,018,326	144,536,905	100.2%	\$ 9,795,840	7%
2005	143,862,828	134,077,148	93.2%	11,644,108	145,721,256	101.3%	9,785,680	7%
2004	131,741,231	124,708,338	94.7%	8,850,541	133,558,879	101.4%	7,916,603	6%
2003	132,070,410	124,980,641	94.6%	15,274,849	140,255,490	106.2%	7,089,769	5%
2002	123,484,756	114,562,189	92.8%	11,047,615	125,609,804	101.7%	8,922,567	7%
2001	127,392,885	120,947,659	94.9%	10,800,986	131,748,645	103.4%	6,445,226	5%
2000	122,562,408	115,523,875	94.3%	7,824,944	123,348,819	100.6%	7,038,533	6%
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%

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

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

(3) Percentage includes collection of delinquent taxes.

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

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

Table 9

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Outstanding Debt by Type

Governmental Activities

Last Ten Fiscal Years

Fiscal year ended June 30	Leasehold Revenue Bonds	Capital Leases	Total Primary Government
2008	\$ 67,185,000	495,408	67,680,408
2007	89,315,000	967,387	90,282,387
2006	110,855,000	—	110,855,000
2005	132,235,000	—	132,235,000
2004	152,280,000	—	152,280,000
2003	171,560,000	—	171,560,000
2002	188,570,000	—	188,570,000
2001	197,820,747	—	197,820,747
2000	229,495,000	—	229,495,000
1999	247,410,000	—	247,410,000

Table 10

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Computation of Overlapping Debt

June 30, 2008

<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	\$ 310,085,000	0.4455	\$ 138,142,868

(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, 2008

Total assessed value, tax levy year 2007 (1)	\$ 3,200,085,126
Legal debt margin—15% of assessed value (2)	480,012,769

(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, 2008.

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	
2008	\$	239,451	22,429	9	%	21,138	94.2	%
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	

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

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)
2008	\$ 12,969,424,032	47.2	63.9
2007	11,639,627,153	32.3	61.6
2006	11,758,650,375	13.2	36.3
2005	10,349,087,814	28.6	14.3
2004	10,518,925,019	151.9	85.0
2003	9,748,994,245	191.2	48.0
2002	10,065,813,415	283.4	66.6
2001	9,535,549,090	212.5	40.7
2000	9,194,522,421	62.4	18.0
1999	8,697,241,616	172.6	84.9

(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)
2008	21,138	22,107	\$ 14,629
2007	23,087	24,144	13,275
2006	24,569	25,725	12,193
2005	25,449	26,605	11,590
2004	25,813	27,012	10,906
2003	25,784	26,771	10,907
2002	25,663	26,429	10,483
2001	26,915	27,929	9,301
2000	28,707	29,725	8,376
1999	31,011	31,735	8,125

- (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.