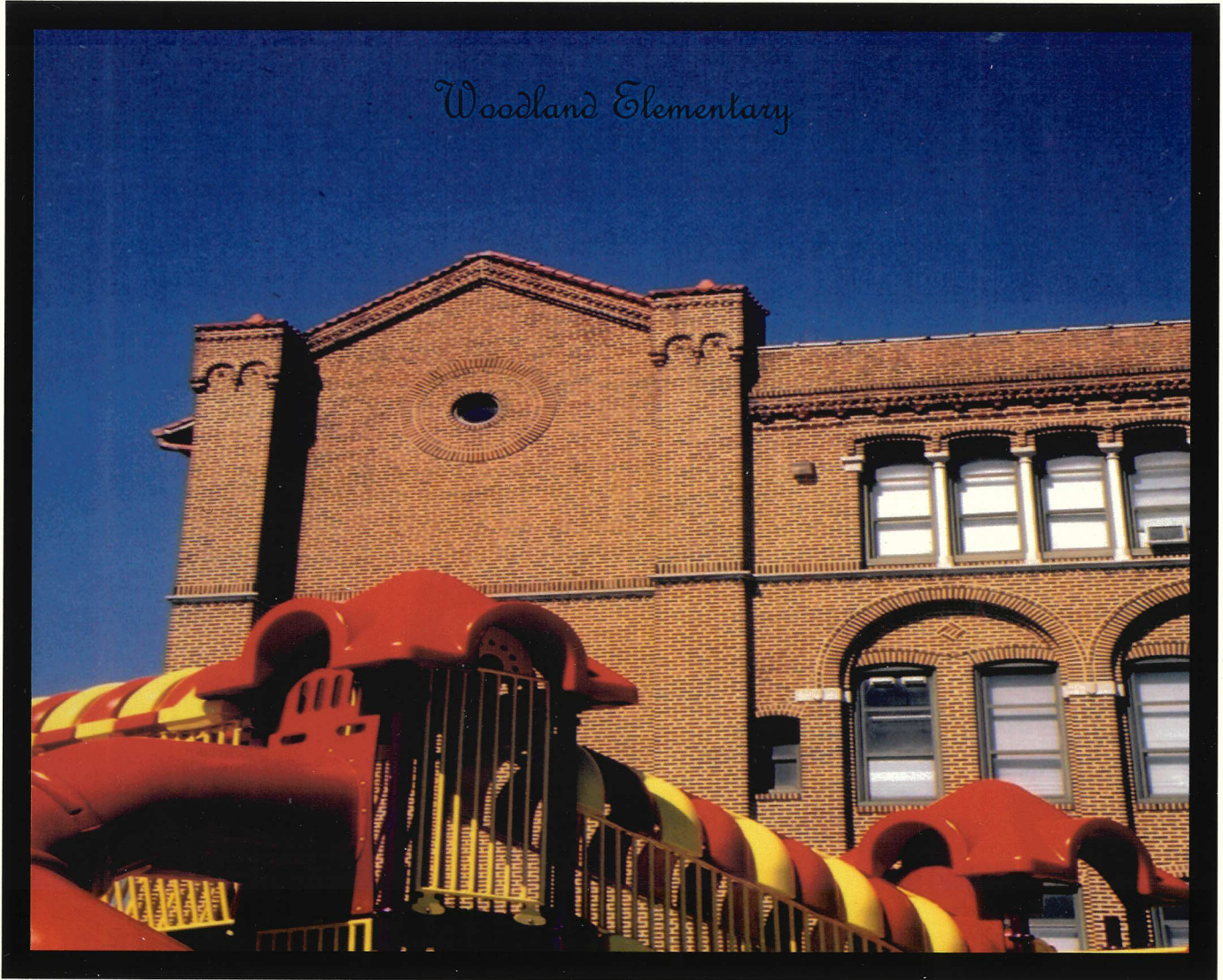


School District Of Kansas City, Missouri

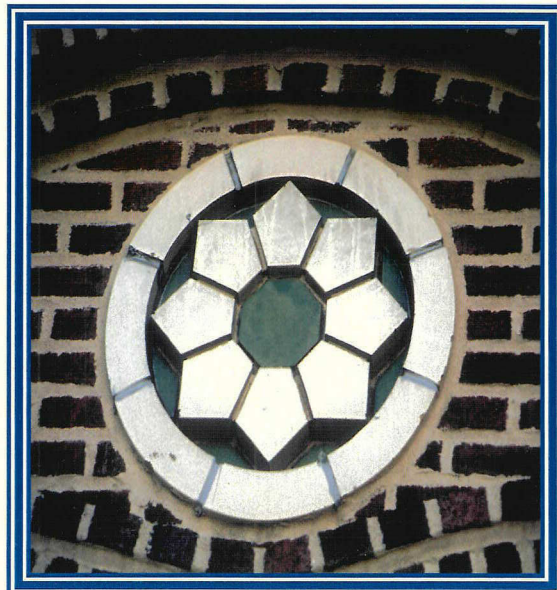
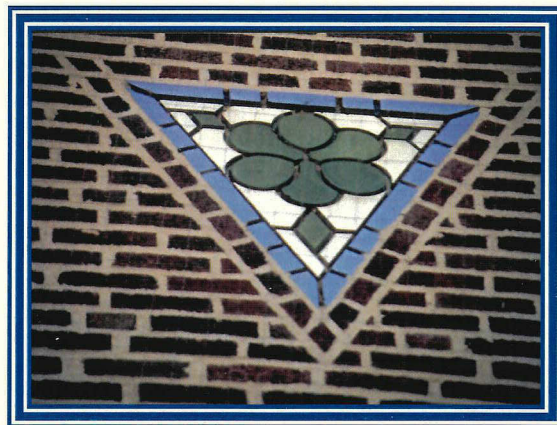
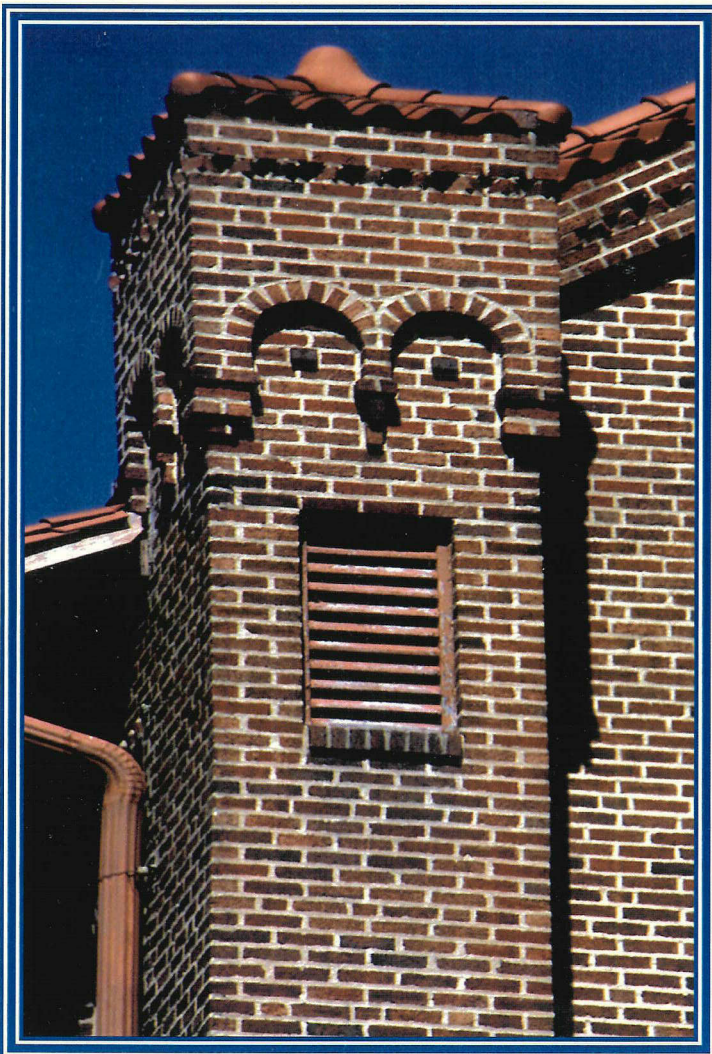
Woodland Elementary



*Comprehensive Annual
Financial Report*

For The Fiscal Year Ended June 30, 2006.

Panoramic view of the architectural design of Woodland Elementary at 8th & Woodland Avenues, built in 1871.



THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Comprehensive Annual Financial Report

For the Year Ended June 30, 2006

(With Independent Auditors' Report Thereon)

Prepared by
Accounting & Investments Department

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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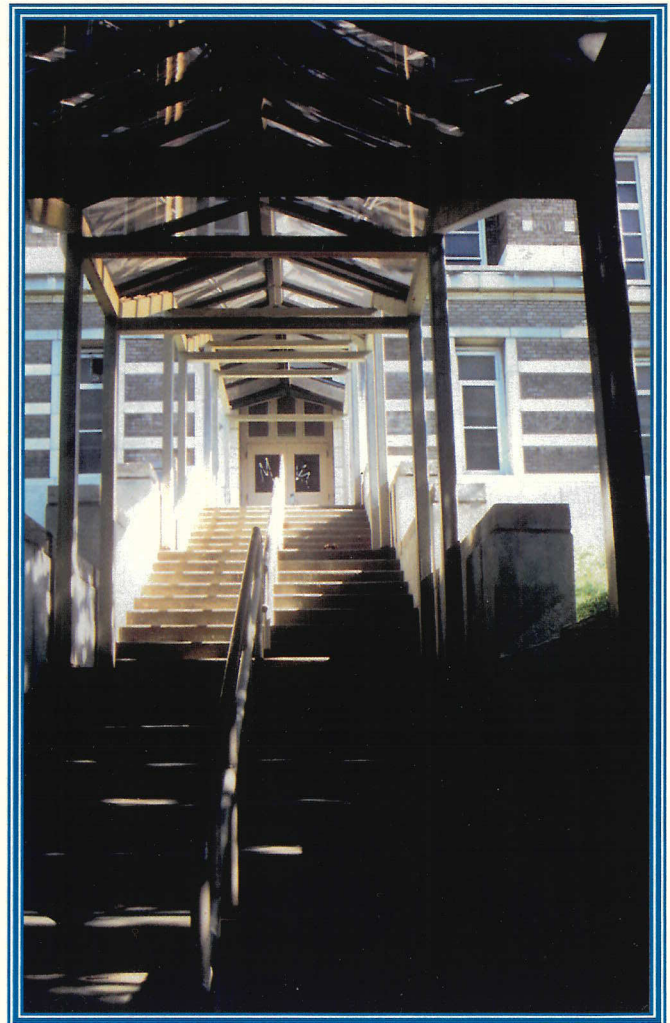
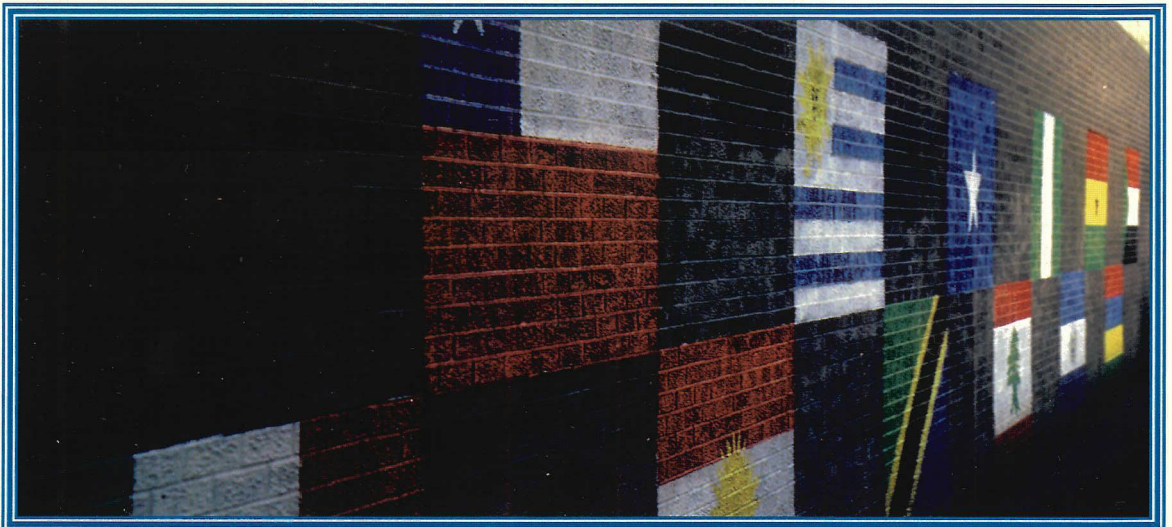
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THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

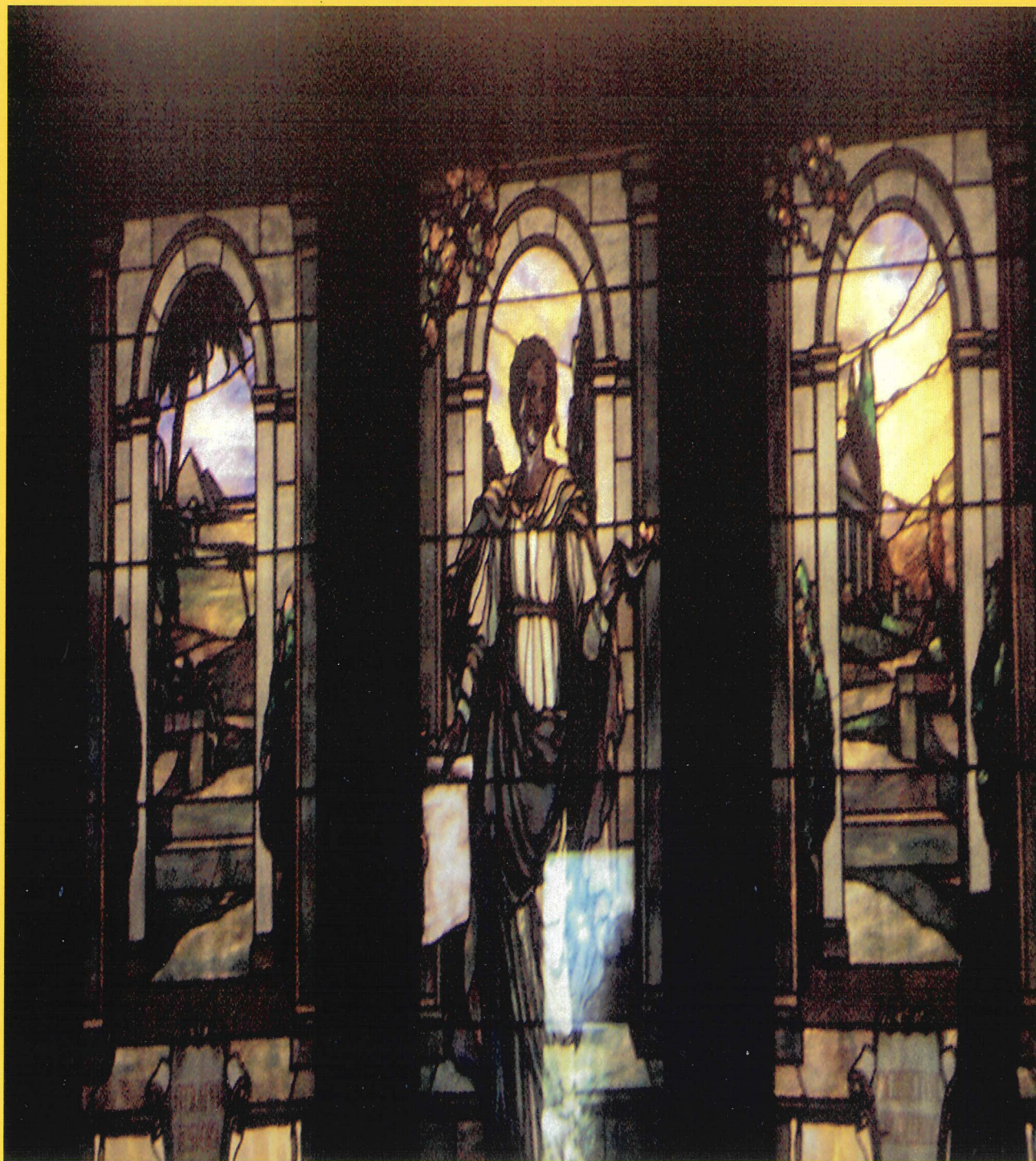
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Northeast High School was the first building to house a branch library open to the public via a separate entrance. Known as "the Kansas City idea" of branch libraries, this successful system was modeled in other cities.



The architect of Northeast High School was Charles A. Smith of the school board, completed in May of 1914.





Kansas City, Missouri
SCHOOL DISTRICT

At the heart of success.

October 10, 2006

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, 2006 will be submitted to the Department of Elementary and Secondary Education before October 31, 2006. In addition, this report provides the Missouri Department of Elementary and Secondary Education, citizens, financial institutions, grantor agencies, and other interested parties with reliable information concerning the financial condition of the District.

District management is responsible for establishing and maintaining internal controls designed to ensure that assets 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. The 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.

The CAFR is presented in three sections:

- The Introductory Section includes this transmittal letter, the District's mission and vision statement, administrative organizational chart, list of the board of directors (the Board) and senior administration, maps, as well as the District's financial reporting awards.
- The Financial Section includes the report of independent certified public accountants, management discussion and analysis, the basic financial statements presented in a government-wide format, fund financial statements in a combining and individual fund format, and notes. In addition, required supplementary information is presented in a combining and individual fund format.
- The Statistical Section includes ten years of summary financial data, legal debt margin, and overlapping debt, and a variety of other selected demographic, economic, and general information.

KPMG LLP, independent certified public accountants issued an unqualified opinion on the District's financial statements for year ended June 30, 2006. The independent auditors' report is located at the front of the financial section of this report.

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

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*. JMA Chartered, independent certified public accountants, performed this audit. Information related to this audit, which includes the schedule of expenditures of federal awards and related notes, the schedule of findings and questioned costs, and the independent auditors' reports on compliance and internal control over financial reporting is published under a separate cover.

DISTRICT PROFILE

Kansas City, Missouri is the central city of a growing bi-state metropolitan area with a population of approximately 1.6 million people. The bi-state area consists of 144 municipalities and approximately 4,800 square miles in seven counties of Northwest Missouri and four counties in Northeast Kansas. The District is located within the taxing jurisdiction of Jackson County with a population of approximately 239,451 people. The District covers about 87 square miles within the corporate limits of Kansas City, Independence, and Sugar Creek, Missouri.

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

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

The District operates seven high schools, nine middle schools, one vocational school, seven alternative schools, two 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 27,000 students and employs over 2,300 teachers.

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. The budgets are prepared on a modified accruals basis of accounting using a statutory fund structure (i.e., general fund, teachers fund).

ECONOMIC FACTORS

Revenues derived from State sources represent approximately 28.4% of total revenues received by the District. The District received approximately \$77.6 million for minimum guarantee and at-risk, calculated under the foundation formula, (the major source of State aid) which represents an 8.1% decrease when compared to the prior year primarily because of decline in student enrollment. Other State aid of \$25.4 million was provided for activities related to exceptional pupil, transportation, early childhood, gifted and talented, foreign insurance (textbooks), Medicaid, and grants. When compared to the prior year, other state aid increased \$1.9 million or 7.9%. 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.

Beginning in fiscal year 2007, State funding will be based on a new formula that considers current expenditures of local and state dollars in school districts that meet all performance standards established by the State Board of Education. The target funding level is \$6,117 per student. In addition, more money will be available to school districts with a higher than average number of students with special education needs, with limited English proficiency, or who qualify for free or reduced lunch. Revenue generated from riverboat gaming will be set aside in a Classroom Trust Fund and distributed to school districts. The new formula will be phased in over a seven year period.

The District's current local property tax collections represent approximately 40.8% of total revenues received by the District. During the fiscal year, the District was entitled to receive approximately \$137 million in property taxes based on its \$4.95 levy which represented a 9.8% increase caused by an increase in assessed valuation. Actual current taxes collected during the fiscal year totaled \$127.7 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.

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 2005. This is the fifteenth 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

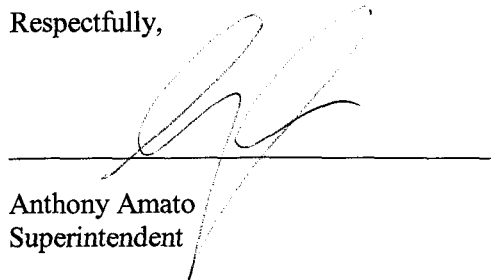
We express our appreciation to the Accounting & Investments staff for their dedicated efforts to prepare for the audit of our accounting records and preparation of this report. Support received from other departments of the Business & Finance Division and other departments of the District (including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

Dr. Bernard Taylor, Jr. ended his tenure as Superintendent of the District at June 30, 2006. We acknowledge his leadership and management of the financial operations of the District for the last three years.

We welcome Mr. Anthony Amato, as our new Superintendent. We look forward to working with him as he directs the District in our future challenges and in celebrating our future accomplishments.

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

Respectfully,



Anthony Amato
Superintendent



Bonnie McKelvy, CPA
Chief Finance Officer

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Mission and Vision of the District

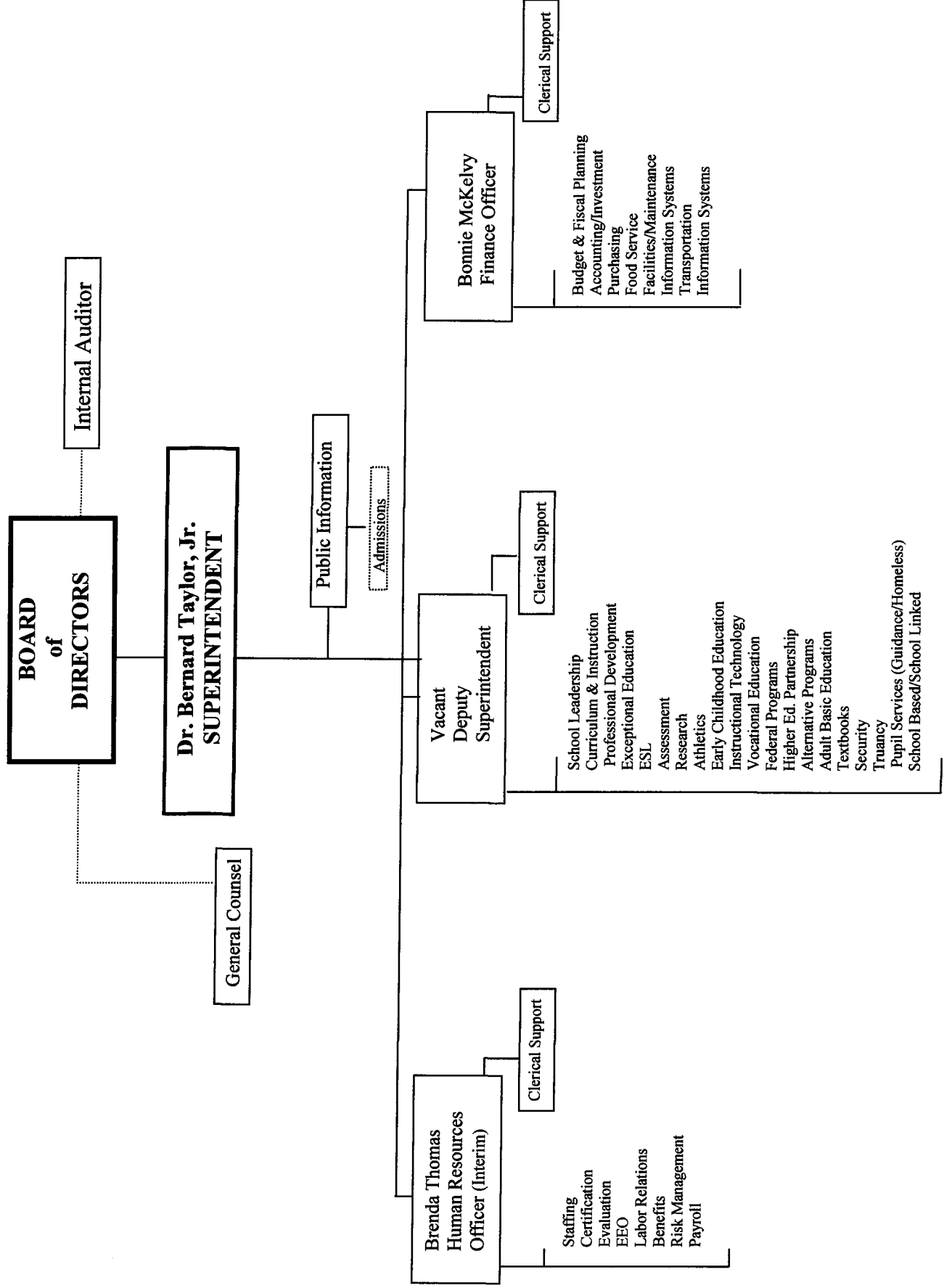
Mission

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

Vision

A school district, recognized as the most valuable asset of the community, delivering quality education to the city's children and thriving on their diversity.

**SCHOOL DISTRICT OF KANSAS CITY, MISSOURI
ORGANIZATION CHART**



LIST OF PRINCIPAL OFFICIALS

June 30, 2006

BOARD OF DIRECTORS

Executive Officers

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

Members

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

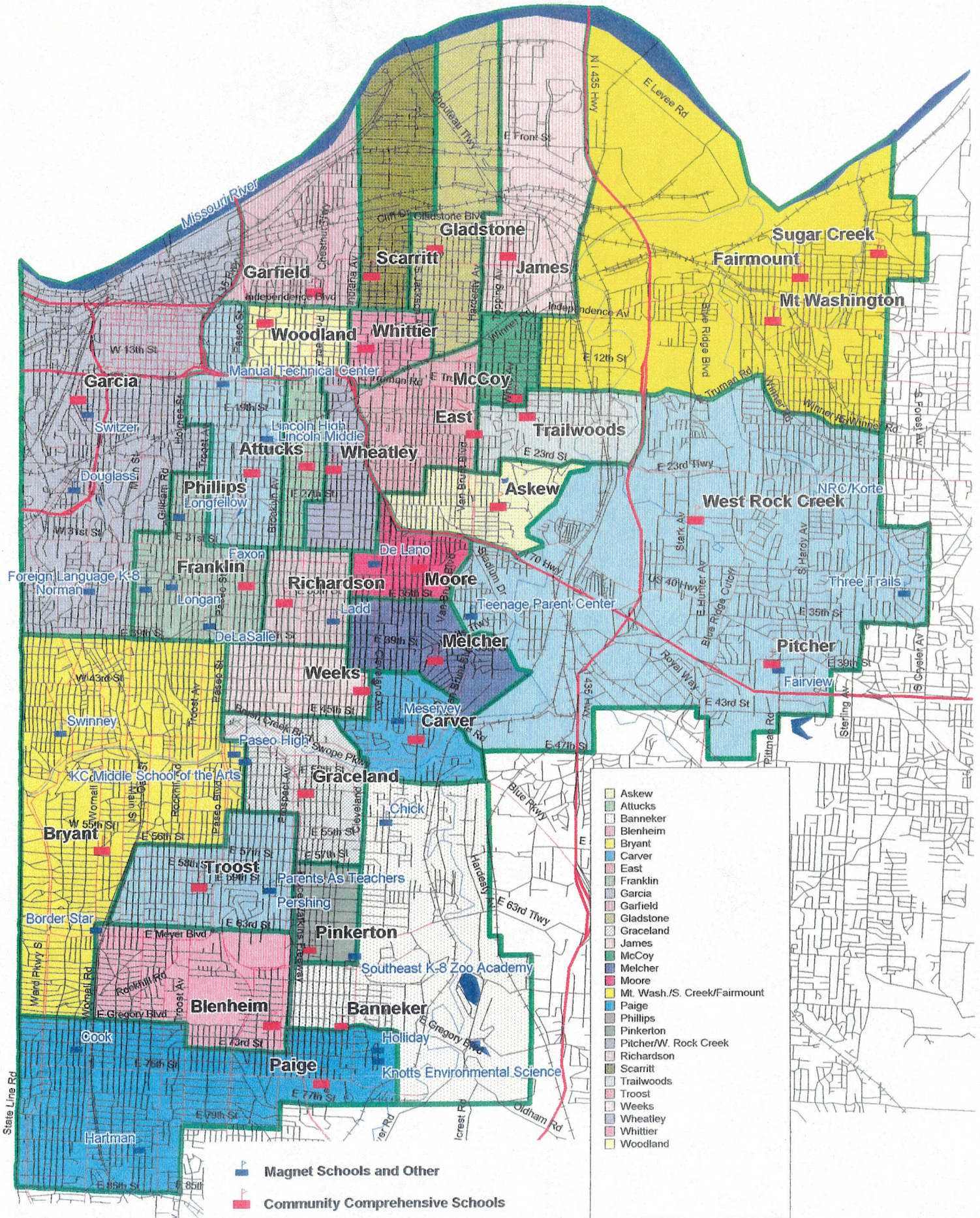
Secretary of the Board

Trayce Riley

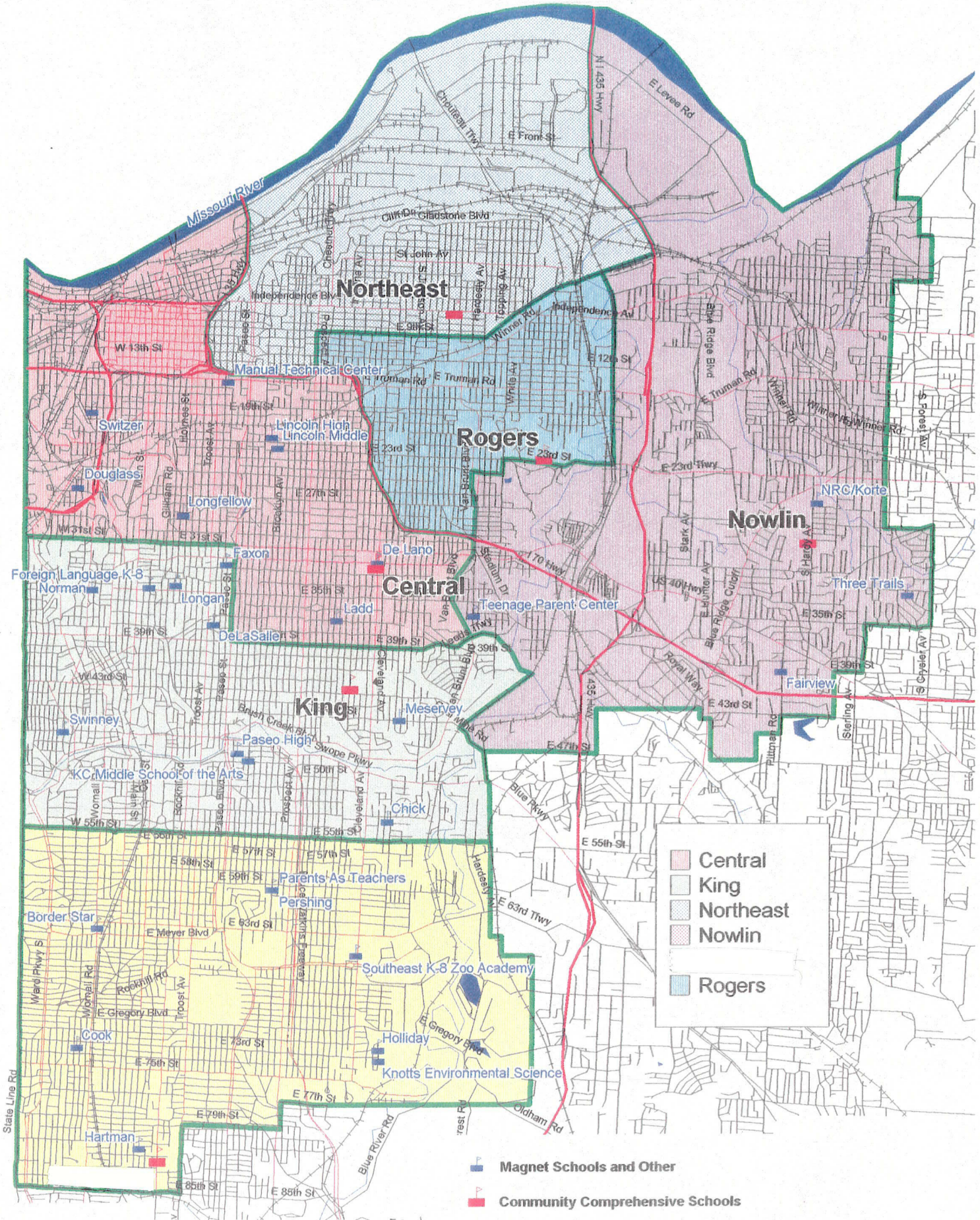
SENIOR ADMINISTRATORS

Bernard Taylor, Jr., Ed.D., Superintendent
Kathy Walter-Mack, General Counsel
Bonnie McKelvy, Finance Officer
Brenda Thomas, Interim Director, Human Resources
Edwin Birch, Director, Public Information

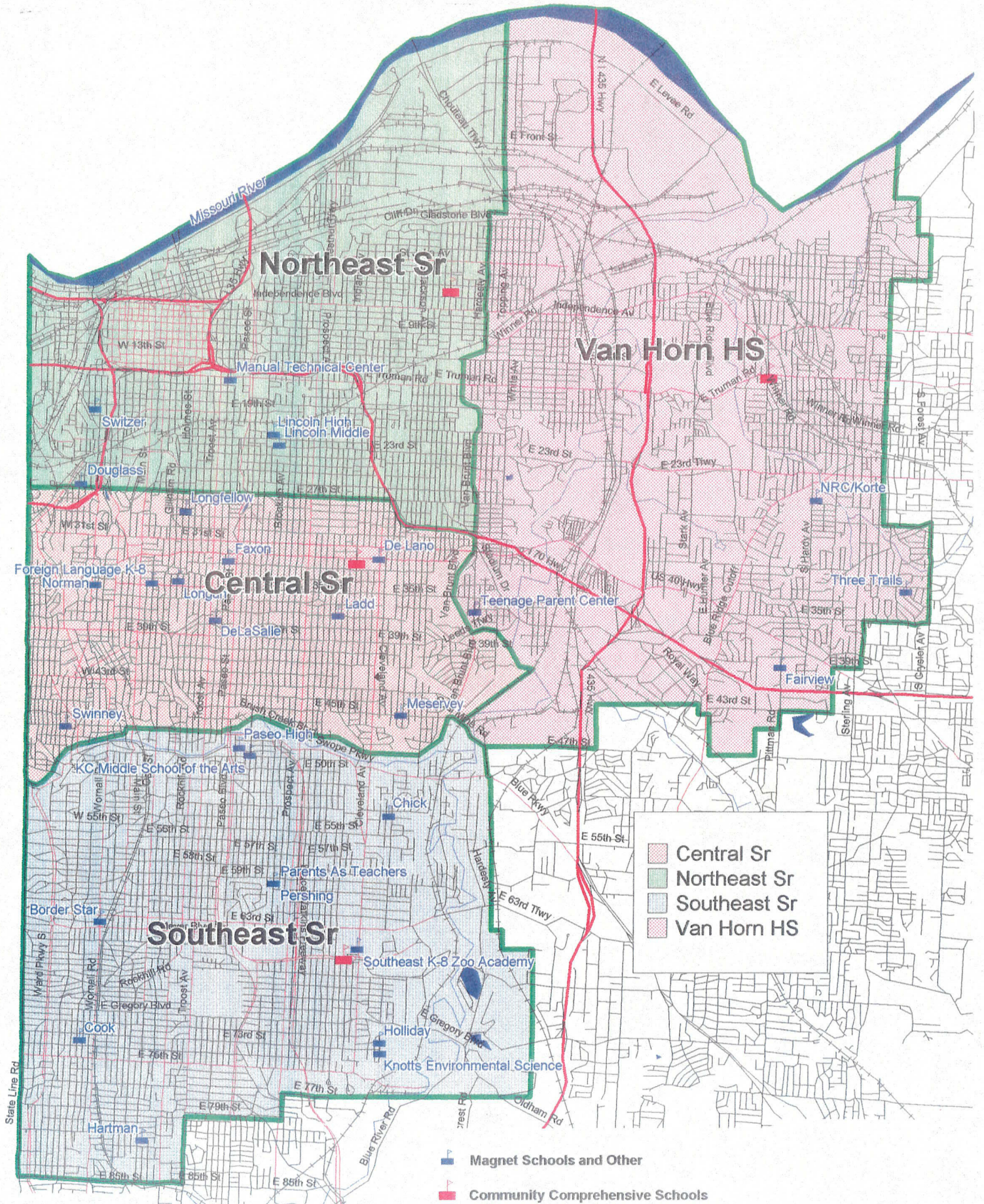
Comprehensive Elementary School Boundaries



Comprehensive Middle School Boundaries



Comprehensive High School Boundaries



	Central Sr
	Northeast Sr
	Southeast Sr
	Van Horn HS

	Magnet Schools and Other
	Community Comprehensive Schools

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, 2005

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.



Carla E. Perry

President

Jeffrey R. Enos

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, 2005**

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

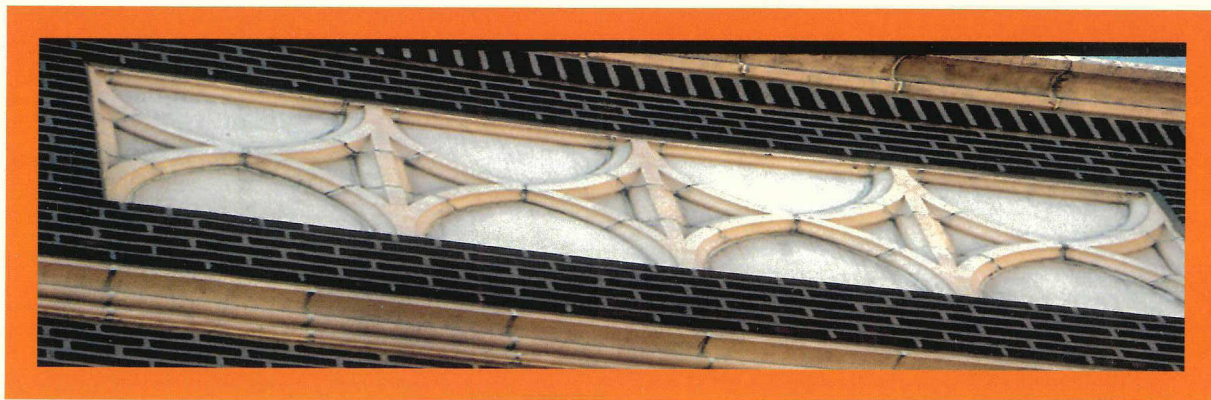
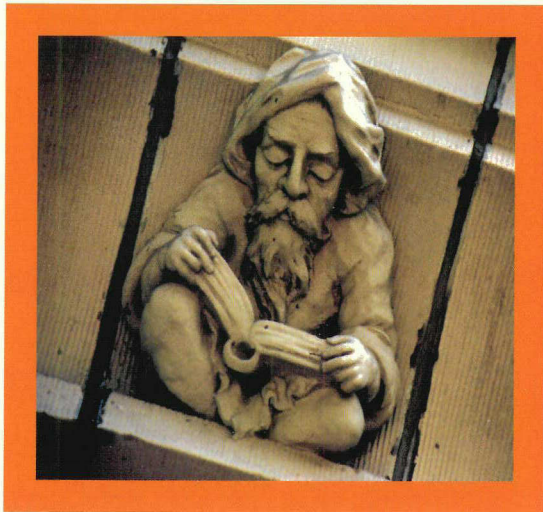
President

Interim Executive Director

James Elementary was constructed in 1910-11 replacing the 7-room frame building to meet the needs of a growing student population.



View of some of the distinguished architectural merits of James Elementary, named for J. Crawford James, who served on the school board from 1894-1912.





KPMG LLP
Suite 1000
1000 Walnut Street
Kansas City, MO 64106-2162

Independent Auditors' Report

To the Board of Directors of the
School District of 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, 2006, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As disclosed in note 1 for the year ended June 30, 2006, the District determined that it did not have a fiduciary responsibility for the Public School Retirement System of the School District of Kansas City, Missouri.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2006, on our consideration of the District's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 and budgetary comparisons, on pages 11 through 25 and 57 through 66, respectively, are not a required part of the basic financial statements, but are supplementary

information required by U.S. generally accepted accounting principles. 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 such opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Kansas City, Missouri's basic financial statements. The nonmajor fund financial statements and schedules listed in the accompanying table of contents 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 by us 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 introductory and statistical sections have not been subjected to auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we express no opinion on them.

KPMG LLP

Kansas City, Missouri
September 29, 2006

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

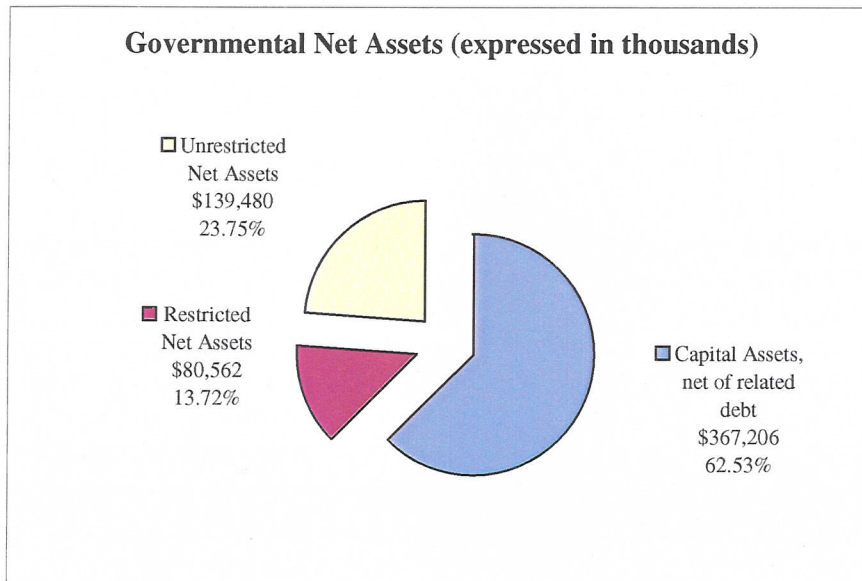
Management's Discussion and Analysis

June 30, 2006

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, 2006. 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 \$587.2 million. Net assets are reported in three components as shown in the graph below:



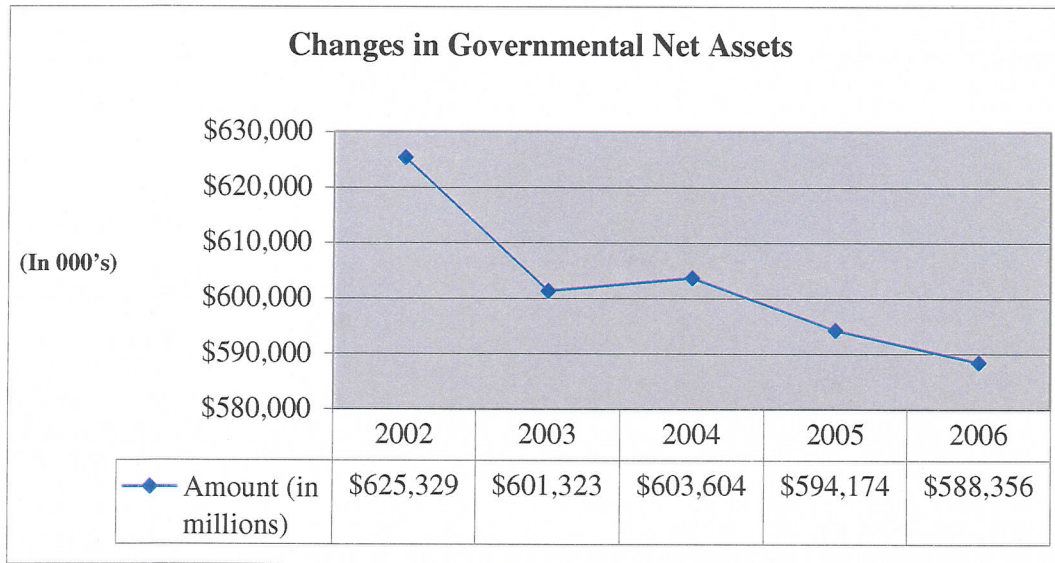
The most significant change in total net assets was a decline in restricted net assets by \$11.4 million primarily related to a \$12.7 million decline in funds available for debt service and a \$1.3 million increase in the funds available for unemployment and workers' compensation benefits. The District continues to set aside money to meet future debt service requirements in compliance with bond indentures. At June 30, the restricted funds of \$71.5 million were invested with scheduled drawdowns to meet the debt service and capital improvement needs. In addition, \$9.1 million in restricted funds are available to pay future unemployment and workers' compensation claims and premiums.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2006

The graph below shows the changes in net assets and indicates that our overall financial position declined in fiscal year 2006 by less than 1% when compared to fiscal year 2005. This slight decrease was primarily due to a 1.8% decrease in revenues and a 1.1% increase in expenses. The ratio of expenses to revenues is 98%, which indicates on a Districtwide basis, there was a 2% 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 \$217.6 million, a decrease of \$18.9 million in comparison with the prior year. Approximately 37.7% of this amount, \$82 million, is available for spending at the District's discretion (unreserved fund balance).

Table 1 – Summary of Governmental Fund Balances

	<u>FY06</u>	<u>Percentage of total</u>	<u>FY05</u>	<u>Percentage of total</u>	<u>Increase (decrease)</u>
General	\$ 65,246,379	30.0%	\$ 56,082,927	23.7%	\$ 9,163,452
Other Special Revenue	22,528,179	10.4	28,259,608	11.9	(5,731,429)
Debt Service	71,484,375	32.9	84,226,788	35.6	(12,742,413)
Capital Projects	57,427,935	26.4	66,953,144	28.3	(9,525,209)
Nonmajor funds	878,837	0.4	1,006,141	0.4	(127,304)
	<u>\$ 217,565,705</u>	<u>100.0%</u>	<u>\$ 236,528,608</u>	<u>100.0%</u>	<u>\$ (18,962,903)</u>

The unreserved fund balance for the General Fund was \$64.6 million and represents 20.7% of total General Fund expenditures and transfers. The reserved fund balance in the General Fund for encumbrances and inventory was \$0.7 million, a decrease of \$0.7 million when compared to the prior year. Beginning with fiscal year 2006, the District recorded its grant activity in the General Fund. Overall, the increase in fund balance at June 30 was caused primarily by an increase in revenues of about \$7 million and a decrease in expenditures of about \$2 million.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2006

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) governmentwide 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.

Governmentwide financial statements – The governmentwide 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.

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

The business-type activities of the District include a Community Service Fund used to account for the activities related to the charter schools, community use of facilities, and rental property. See Table 3B – Changes in Net Assets – Business-type Activities.

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

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmentwide financial statements. However, unlike the governmentwide 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 governmentwide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmentwide 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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2006

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.

During fiscal year 2006, the District revised its accounting and financial reporting policies that resulted in the elimination of the Grant Activity Fund and the Pension Trust Fund. Federal and state grants are now accounted for in the General Fund. The District reviewed its criteria for blended component units. As disclosed in prior years, the Public School Retirement System (Retirement System) was established by Missouri statutes as a separate entity to provide retirement benefits for employees of the District. The Kansas City Public Library and Charter Schools, now legally separate entities, are required to participate in the Retirement System. The Retirement System issues separate financial statements. The general and financial administration of the Retirement System is the responsibility of the Board of Trustees. Therefore, the District is excluding the Retirement System as a blended component unit in its financial statements. The District accrues a liability on its books to account for the annual contributions it is required to pay to the Retirement System.

Currently, the District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the major funds. The major funds are: General Fund, 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, and its Food Service Fund. A budgetary comparison statement has been provided for these funds 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 governmentwide 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 governmentwide financial statements.

Proprietary funds provide the same type of information as the governmentwide 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 governmentwide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The District's fiduciary fund consists of the Student Scholarship Fund.

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Management's Discussion and Analysis

June 30, 2006

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.

Governmentwide 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	
	2006	2005	Increase (decrease)	2006	2005	Increase (decrease)	2006	2005
Assets:								
Current and other assets	\$ 315,527	330,057	(14,530)	8,506	1,674	6,832	324,033	331,731
Capital assets	481,590	491,371	(9,781)	—	—	—	481,590	491,371
Total assets	<u>797,117</u>	<u>821,428</u>	<u>(24,311)</u>	<u>8,506</u>	<u>1,674</u>	<u>6,832</u>	<u>805,623</u>	<u>823,102</u>
Liabilities:								
Long-term liabilities	141,114	182,399	(41,285)	—	—	—	141,114	182,399
Other liabilities	68,755	44,933	23,822	7,398	1,595	5,803	76,153	46,528
Total liabilities	<u>209,869</u>	<u>227,332</u>	<u>(17,463)</u>	<u>7,398</u>	<u>1,595</u>	<u>5,803</u>	<u>217,267</u>	<u>228,927</u>
Net assets:								
Invested in capital assets, net of related debt	367,206	355,084	12,122	—	—	—	367,206	355,084
Restricted	80,562	91,949	(11,387)	—	—	—	80,562	91,949
Unrestricted	139,480	147,063	(7,583)	1,108	79	1,029	140,588	147,142
Total net assets	<u>\$ 587,248</u>	<u>594,096</u>	<u>(6,848)</u>	<u>1,108</u>	<u>79</u>	<u>1,029</u>	<u>588,356</u>	<u>594,175</u>

Cash and investments decreased by \$12.1 million, or 4.2%, caused by deficit spending in the Debt Service Fund, Capital Projects Fund, and the Other Special Revenue Fund. However, overall current assets decreased by 4.4%. Improvements to land and buildings were \$2 million; purchases of equipment, furniture, and vehicles (primarily computers for classrooms) were \$8.1 million, less depreciation of \$17.5 million and retirements of \$2.3 million, resulting in a 2% decrease in capital assets. Total retirements include the sale of North Rock Creek/Korte School and several vacant lots. The overall change in long-term liabilities was an 11.5% reduction. The bonds payable balance declined by \$21.4 million for principal payment on leasehold revenue bonds. Unamortized premiums paid on bonds decreased by \$1.3 million. The number of sick and vacation days used during the fiscal year increased by 64% compared to the prior year. As a result, the estimated liability for compensated absences increased by \$1.8 million.

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Unrestricted net assets for governmental activities of \$139.5 million include management designations and unreserved fund balances of \$130.4 million. The board of directors has authorized management to designate funds for certain obligations that make up 4.5% of the total net assets included in unrestricted net assets. These fund balance designations are summarized below:

Management designations for:	
Grant activity	\$ 9,946,338
Long-term building maintenance	14,166,763
Transition period funding	1,120,395
Technology plan	9,947,023
Compensated absences	22,528,179
E-rate/E-rate support	<u>1,509,530</u>
	<u>\$ 59,218,228</u>

The fund balance designation for compensated absences of \$22.5 million is offset by an estimated accrued liability of approximately the same amount and is not included in total unrestricted net assets.

In addition, reserved and unreserved-undesignated fund balances included in unrestricted net assets are summarized below, and these funds are available for re-appropriation in annual budgets. The Capital Projects Fund includes a portion of desegregation aid court settlement money set aside to pay debt service since the District does not have a debt service levy.

Reserved and unreserved-undesignated fund balances for:	
General Fund	\$ 55,300,041
Capital Project Fund	30,684,224
Internal Service Fund	6,301,346
Patron Gifts and Endowments Funds	345,482
Community Service Fund	<u>1,108,285</u>
	<u>\$ 93,739,378</u>

The difference of \$10.2 million represents certain accruals that will impact future cash flows.

The changes in net assets for the business-type activities primarily relate to the charter schools reported in the Community Service Fund. Amounts due to charter schools increased by approximately \$6 million. At year-end, the District is holding \$7.3 million for charter noncompliance authorized by the Department of Secondary and Elementary Education and final accrual of amount due to charters for federal programs.

Table 3A – Changes in Net Assets – Governmental Activities highlights the District's revenues and expenses for the 2006 and 2005 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 unrestricted funding sources, such as property taxes, sales taxes, and basic state aid.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

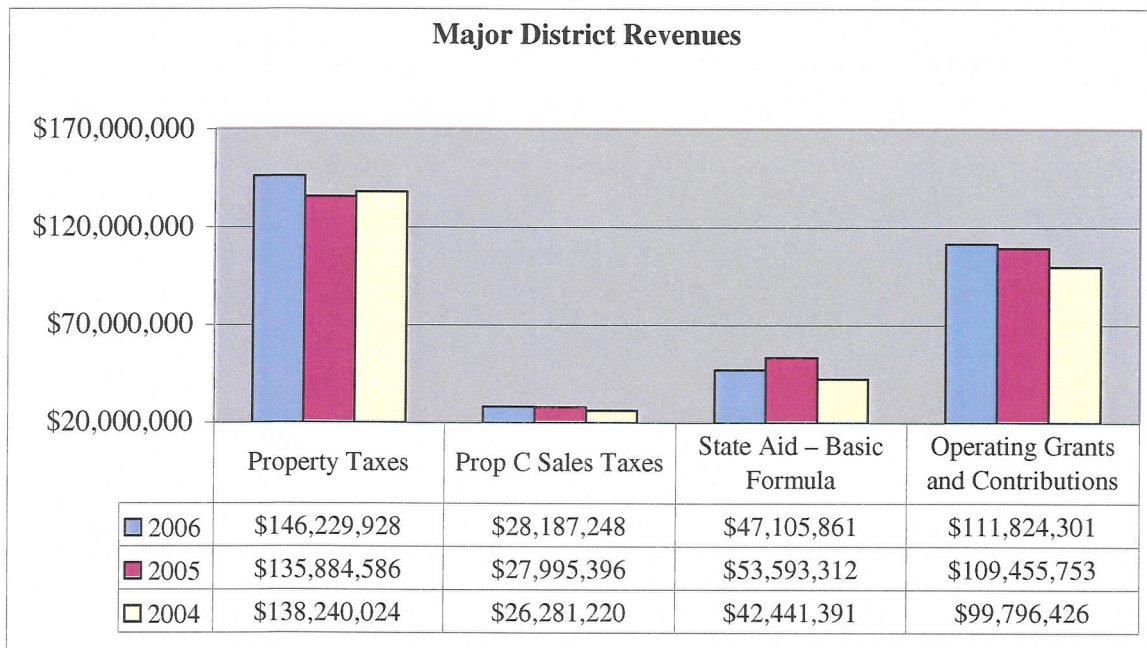
	Governmental activities		
	2006	2005	Increase (decrease)
Program revenues:			
Charges for services	\$ 3,783	4,878	(1,095)
Operating grants and contributions	111,824	109,456	2,368
Capital grants and contributions	5,675	5,518	157
General revenues:			
Property taxes	146,230	135,885	10,345
Prop C sales tax	28,187	27,995	192
Other local revenues	1,934	2,559	(625)
County governmental contributions	6,357	3,949	2,408
State aid – basic formula	47,106	53,593	(6,487)
Grants and entitlements	1,820	1,730	90
Investment earnings	9,747	9,609	138
Total revenues	362,663	355,172	7,491
Program expenses:			
Administration	24,876	23,649	1,227
Instruction	174,168	182,163	(7,995)
Support services	93,921	86,582	7,339
Operation of facilities	38,682	36,317	2,365
Pupil transportation	23,988	23,125	863
Facilities improvement and renovation	612	—	612
Community and adult services	6,237	5,407	830
Interest on long-term debt	6,023	6,969	(946)
Total expenses	368,507	364,212	4,295
Excess (deficiency) before transfers	(5,844)	(9,040)	3,196
Transfers	(1,004)	—	(1,004)
Increase (decrease) in net assets	(6,848)	(9,040)	2,192
Net assets beginning of year	594,096	603,136	(9,040)
Net assets end of year	\$ 587,248	594,096	(6,848)

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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A graph of major District revenues is shown below.



The most significant changes in revenues were:

- Charges for services declined by \$1 million primarily from a decline in catering activity by food service, reduced enrollment in Adult Basic Education, and a reduction in allocation of indirect cost.
- Operating grants and contributions increased by about 2.1% primarily due to receiving a new grant of approximately \$2 million for Family Literacy.
- Property tax collections increased by about 7.6% as a result of an increase of \$222.5 million in the District's assessed valuation.
- State aid – basic formula decreased by 12.1% as a result of an increase in charter school enrollment and a decision by the Board of Fund Commissioners requiring the District to pay the charter schools for the debt service portion of funding of \$836 per pupil.
- Intermediate/county governmental contributions are revenues collected by the State for County Stock Insurance. The increase of 60.9% was the result of increased premiums collected from Caterpillar Insurance Company, whose premiums rose from \$2.8 million to \$108 million. The additional money received was a one-time distribution of County Stock Insurance.

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

- Instruction – Enrollment declined by approximately 1,500 students resulting in a reduction in classroom teaching positions at a cost of approximately \$1 million and the reduction of about \$1.8 million in materials and supplies. Depreciation related to capital assets placed in service in the classrooms increased

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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by \$1.4 million. The other difference occurred because of the classification of certain capital outlay expense between instruction and support services when compared to the prior year.

- Support services – The 8.5% increase in support services was due to a \$1.2 million increase in salaries and benefit costs, a \$0.8 million decrease in material and supply purchases, and a \$1.8 million increase in claims and judgments.
- Operation of Facilities – The 6.5% increase occurred as a result of increases in overtime and longevity bonus payments of approximately \$1 million, as well as increases in utility cost and outside contractors of approximately \$1.4 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>2006</u>	<u>2005</u>	<u>Increase (decrease)</u>
Community services:			
Charges for services	\$ 146	3,197	(3,051)
Expenses	(121)	(3,586)	3,465
Transfers	1,004	—	1,004
Increase (decrease) in net assets	<u>\$ 1,029</u>	<u>(389)</u>	<u>1,418</u>

The extended day program was not accounted for in the Community Service Fund during the fiscal year. Beginning in fiscal year 2006, the total cost of the program was managed by an outside community service organization. The General Fund transferred \$1 million to the Community Service Fund to cover certain costs charged for activities conducted in District facilities not reimbursed by external groups.

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 67% of the total cost) are costs that must be covered by unrestricted state funding and local taxes. When compared to the prior year, program revenues increased by 1.2% and the cost of services increased by 1.1%.

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

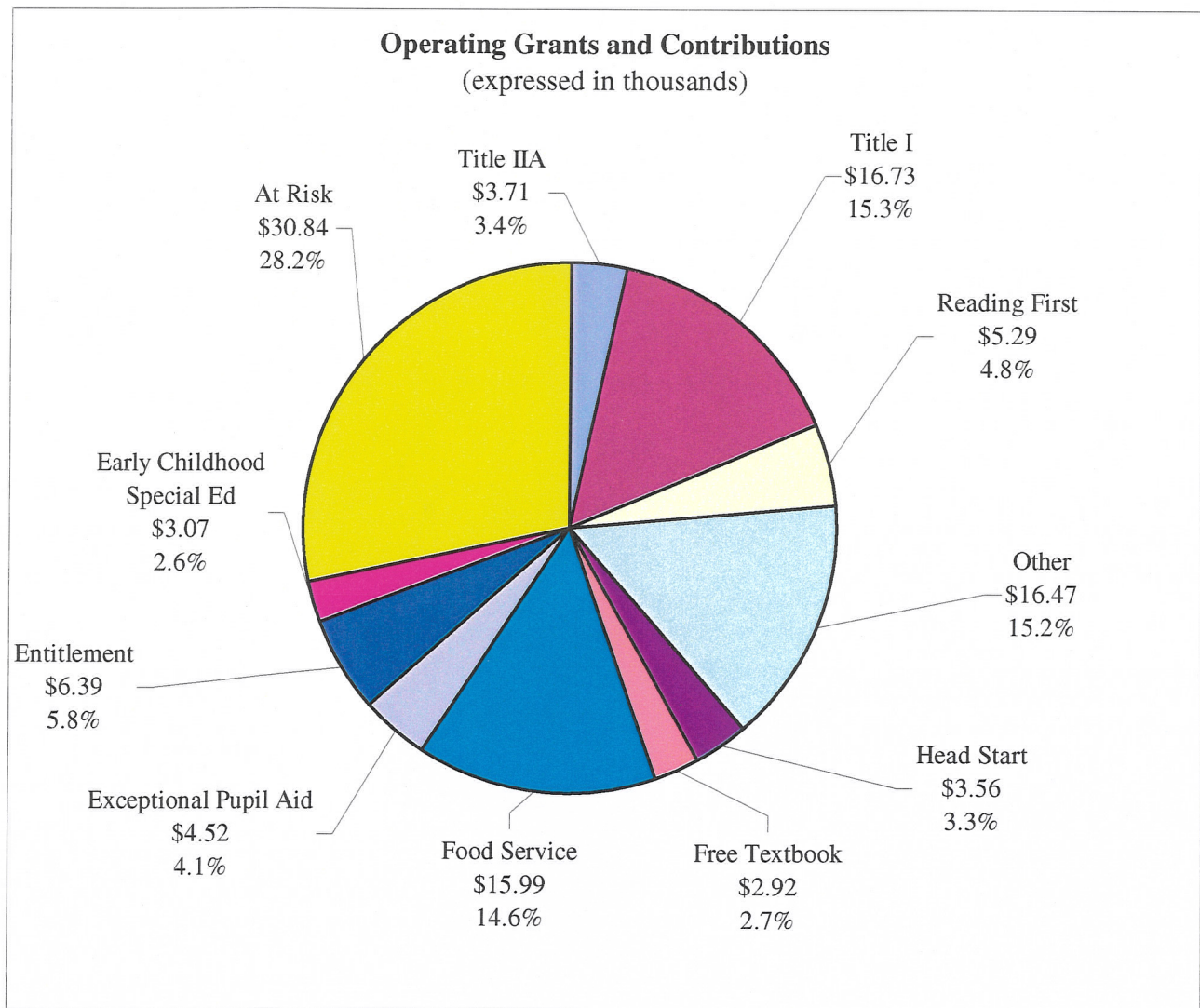
	<u>Total cost of services</u>	<u>Net cost of services</u>
Administration	\$ 24,876	24,866
Instruction	174,168	89,556
Support services	93,921	68,850
Operation of facilities	38,682	38,546
Pupil transportation	23,988	15,560
Facilities improvements and renovations	612	361
Community and adult services	6,237	3,463
Interest on long-term debt	6,023	6,023
Total	<u>\$ 368,507</u>	<u>247,225</u>

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The District received program revenues specifically to offset the cost of certain functions/programs. The sources of these revenues, that totaled \$121.4 million, were from charges for services, operating and capital grants, and contributions. Charges for services are fees and other charges to users of the services provided by the District. These include food service sales, rental fees for use of facilities, tuitions, and certain reimbursements. Operating and capital grants and contributions are funds the District receives that are restricted to a particular purpose. These include categorical state aid (i.e. transportation, exceptional education, textbooks, early childhood, and gifted and talented) and federal, state, and local grants as show in the graph below.



Financial Analysis of the District's Funds

Governmental funds – The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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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 Operating Capital Projects – Fund is used to cover debt service costs, reducing the required amount to be transferred from the General Fund. At June 30, 2006, the unreserved fund balance of the operating budget funds is shown below:

<u>Operating budget funds</u>	<u>Reserved</u>	<u>Undesignated</u>	<u>Total fund balance</u>
General	\$ 669,656	64,576,723	65,246,379
Operating capital projects	1,599,454	19,681,869	21,281,323
	<u>\$ 2,269,110</u>	<u>84,258,592</u>	<u>86,527,702</u>

As a measure of the operating budget liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total expenditures. The total fund balance represents 18.8% of total operating expenditures and transfers. The total operating fund balance increased by 19.7% when compared to fiscal year 2005.

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 6.5%, and expenditures and transfers increased by 5.9%. The most significant increase in budgeted revenues came from property taxes and federal revenues. In the final budget, expenditures and transfers exceeded revenues by about \$6.3 million. However, there was an unfavorable revenue variance of \$3.4 million and a favorable expenditure and transfer variance of \$18.9 million, resulting in an actual \$9.2 million increase in fund balance. When compared to the prior year (see Table 5B), budgeted revenues increased by 1.8% and budgeted expenditures and transfers decreased by 1.5%.

Table 5A – Budget Comparison, Original to Final Budget, Fiscal Year 2006

	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfers</u>
Original budget	\$ 307,604,985	167,697,930	147,288,330
Final budget	<u>327,522,153</u>	<u>182,106,179</u>	<u>151,729,269</u>
Increase	<u>\$ 19,917,168</u>	<u>14,408,249</u>	<u>4,440,939</u>

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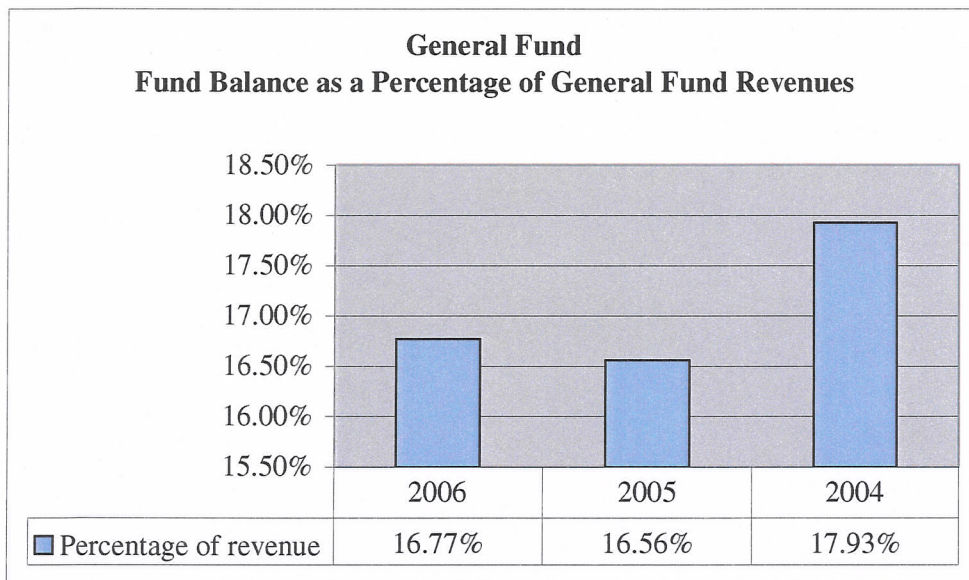
June 30, 2006

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

	<u>Revenues</u>	<u>Expenditures and transfers</u>
Fiscal year 2006 final budget	\$ 327,522,153	333,835,448
Fiscal year 2005 final budget, restated	321,643,141	339,020,998
Increase (decrease)	<u>\$ 5,879,012</u>	<u>(5,185,550)</u>
Percentage of change	1.83%	(1.53)%

Major Funds – Financial Highlights

- When compared to fiscal year 2005, General Fund revenues increased by \$5.1 million, or 1.6%, and expenditures increased by \$34.7 million, or 30.2%. The General Fund's ending fund balance is used to balance the operating budget. The level of fund balance in the General Fund is approximately flat in relation to annual revenues, as shown in the graph below. This ratio is analyzed to determine if there is adequate budgetary carryover to meet unfunded emergencies and other unplanned needs.



- The Teachers' Fund revenues and expenditures increased by \$19.1 million, or 14.5%, due primarily to moving certified salaries and benefits funded by grants to the fund, salary increases, and changes in fringe benefit costs.
- The Other Special Revenue Fund's revenues increased by \$3.3 million, or 21.5%, and expenditures increased by \$9.7 million, or 67.6%. Investment interest income increased by \$0.2 million, and there was additional fringe benefit costs accrued for compensated absences and retirement benefits.

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- The Debt Service Fund's revenues decreased by \$0.2 million, or 0.8%, and expenditures decreased by \$0.2 million, or 0.6%. This was the result of decreases in interest earning on investments and a slight decrease in principal and interest payments on outstanding leasehold revenue bonds.
- The Capital Projects Fund's revenues decreased by \$4 million, or 11.1%, and expenditures increased by \$1.5 million, or 3.7%. 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, net of related debt, for its governmental activities as of June 30, 2006 amounts to \$367.2 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 \$9.8 million during the fiscal year. Table 6 below shows capital assets by function for governmental activities. Also, see note 3(c) to the financial statements for additional information.

Table 6 – Capital Assets, Net of Depreciation

	<u>2006</u>	<u>2005</u>
Land	\$ 43,761,690	43,800,189
Buildings	404,410,179	415,020,721
Improvements other than buildings	16,972,490	18,038,990
Equipment and furniture	14,586,188	12,446,722
Vehicles	104,302	113,103
Construction in progress	1,755,047	1,951,881
	<u>\$ 481,589,896</u>	<u>491,371,606</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 \$110.8 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 \$27.8 million was paid to the trustee in compliance with this requirement. Approximately 7.6% of total expenditures relate to payments of principal, interest, and bond-related costs. See note 3(f) to the financial statements for additional information.

Economic Factors That Impact Fiscal Year 2007 Budgets

- The fiscal year 2007 budget was approved by the Board on June 28, 2006. Fiscal year 2007 projected total resources of approximately \$408.6 million is a decrease of about \$37 million (or 8.3%) when compared to fiscal year 2006. It is anticipated that during the fiscal year, other state and federal grants will be awarded.
- Fiscal year 2007 projected expenditures of approximately \$357 million represent a decrease of about \$22.4 (or 5.9%) when compared to the prior year. These savings resulted in the elimination of 292 budgeted positions costing \$23.5 million, of which 80.5% represents grant-funded positions. Some of these positions may be added back as additional grants are received. Fringe benefit costs for health insurance increased by approximately \$2.5 million, a projected 14% increase. Cost of materials and supplies decreased by \$1.4 million. A projected 14% increase in health insurance accounts for the majority of this increase.

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- Negotiations with unions are on-going for fiscal year 2007. Once negotiations are settled and approved, the expenditure budget may be amended for salary and wage increases.
- Beginning with fiscal year 2007, the Department of Elementary and Secondary Education will implement a new foundation formula that is based on current expenditures of local and state dollars in districts meeting all performance standards established by the State Board of Education. The base target funding level is \$6,117 per student. Projected state revenue sources for fiscal year 2007 are \$102.3 million, or 25.9%, of total revenue sources.
- The final assessed valuation from Jackson County for tax year 2006 was not available until August 2006. As a result, the revenue budget will be amended to include additional property taxes of about \$9.5 million.

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: Finance Officer, Business and Finance.

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BASIC FINANCIAL STATEMENTS

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Net Assets

June 30, 2006

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 709,406	—	709,406
Investments	192,059,068	8,121,783	200,180,851
Restricted cash and investments	81,568,848	—	81,568,848
Taxes receivable (net of allowance for uncollectibles)	21,206,385	—	21,206,385
Interest receivable	2,405,711	—	2,405,711
Due from other governmental units	10,196,052	—	10,196,052
Due from community/charter schools	—	384,620	384,620
Supplies inventories	1,117,159	—	1,117,159
Deferred charges	6,264,218	—	6,264,218
Capital assets (net of accumulated depreciation):			
Nondepreciable	45,516,737	—	45,516,737
Depreciable	436,073,159	—	436,073,159
Total assets	<u>797,116,743</u>	<u>8,506,403</u>	<u>805,623,146</u>
Liabilities:			
Accounts payable and other	12,412,500	7,366,446	19,778,946
Accrued salaries, benefits, and payroll taxes	47,252,366	—	47,252,366
Claims payable	3,734,420	—	3,734,420
Accrued interest payable	2,246,534	—	2,246,534
Unearned revenue	3,109,449	31,672	3,141,121
Long-term liabilities:			
Due within one year:			
Compensated absences	9,760,207	—	9,760,207
Revenue bonds	21,540,000	—	21,540,000
Due in more than one year:			
Compensated absences	12,952,329	—	12,952,329
Revenue bonds	89,315,000	—	89,315,000
Unamortized premium on bonds	7,546,095	—	7,546,095
Total liabilities	<u>209,868,900</u>	<u>7,398,118</u>	<u>217,267,018</u>
Net assets:			
Invested in capital assets, net of related debt	367,206,485	—	367,206,485
Restricted for:			
Debt service	71,484,374	—	71,484,374
Unemployment compensation	2,331,456	—	2,331,456
Workers' compensation	6,745,657	—	6,745,657
Unrestricted	139,479,871	1,108,285	140,588,156
Total net assets	<u>\$ 587,247,843</u>	<u>1,108,285</u>	<u>588,356,128</u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Activities

Year ended June 30, 2006

Functions/programs	Expenses	Program revenues			Net revenue (expense) and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities:							
Administration	\$ 24,876,459	—	10,203	—	(24,866,256)	—	(24,866,256)
Instruction	174,168,167	49,753	84,511,572	51,097	(89,555,745)	—	(89,555,745)
Support services	93,920,928	3,595,579	16,112,881	5,361,839	(68,850,629)	—	(68,850,629)
Operation of facilities	38,681,957	70,267	55,000	10,500	(38,546,190)	—	(38,546,190)
Pupil transportation	23,987,634	7,359	8,420,594	—	(15,559,681)	—	(15,559,681)
Facilities improvements and renovation	612,612	—	—	251,262	(361,350)	—	(361,350)
Community and adult services	6,236,827	60,105	2,714,051	—	(3,462,671)	—	(3,462,671)
Interest on long-term debt	6,022,620	—	—	—	(6,022,620)	—	(6,022,620)
Total governmental activities	368,507,204	3,783,063	111,824,301	5,674,698	(247,225,142)	—	(247,225,142)
Business-type activities:							
Community services	120,845	146,155	—	—	—	25,309	25,309
Total	368,628,049	3,929,218	111,824,301	5,674,698	(247,225,142)	25,309	(247,199,833)
General revenues:							
Property taxes					146,229,928		146,229,928
Prop C sales tax					28,187,248		28,187,248
Other local revenues					1,935,139		1,935,139
Intermediate/county					6,356,672		6,356,672
State aid – basic formula					47,105,861		47,105,861
Grants and entitlements not restricted to specific programs					1,820,069		1,820,069
Investment earnings					9,746,684		9,746,684
Transfers					(1,004,351)	1,004,351	—
Total general revenues					240,377,250	1,004,351	241,381,601
Change in net assets					(6,847,892)	1,029,660	(5,818,232)
Net assets – beginning					594,095,735	78,625	594,174,360
Net assets – ending					\$ 587,247,843	1,108,285	588,356,128

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Balance Sheet
Governmental Funds
June 30, 2006

Assets	General	Teachers'	Other Special Revenue	Debt Service	Capital Projects	Nonmajor governmental funds	Total governmental funds
Cash and cash equivalents	173,631	—	—	—	—	535,775	709,406
Investments	67,697,517	16,189,093	43,653,216	—	57,120,787	—	184,660,613
Restricted cash and investments	—	—	—	72,148,661	—	343,074	72,491,735
Taxes receivable, net of allowance for uncollectibles	18,840,066	1,868,079	—	—	498,240	—	21,206,385
Interest receivable	476,026	—	435,595	903,240	510,952	3,038	2,328,851
Due from other governments	8,541,693	216,826	—	—	—	1,435,377	10,193,896
Due from other funds	1,556,688	—	—	—	—	—	1,556,688
Supplies inventory	277,816	—	—	—	—	599,631	877,447
Advances to other funds	—	—	—	—	1,567,526	—	1,567,526
Total assets	<u>97,563,437</u>	<u>18,273,998</u>	<u>44,088,811</u>	<u>73,051,901</u>	<u>59,697,505</u>	<u>2,916,895</u>	<u>295,592,547</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	9,679,289	—	—	—	1,771,330	381,370	11,831,989
Accrued salaries, benefits, and payroll taxes	7,417,736	18,273,998	21,560,632	—	—	—	47,252,366
Due to other funds	—	—	—	—	—	1,556,688	1,556,688
Deferred revenue	15,220,033	—	—	—	498,240	100,000	15,818,273
Advances from other funds	—	—	—	1,567,526	—	—	1,567,526
Total liabilities	<u>32,317,058</u>	<u>18,273,998</u>	<u>21,560,632</u>	<u>1,567,526</u>	<u>2,269,570</u>	<u>2,038,058</u>	<u>78,026,842</u>
Fund balances:							
Reserved for:							
Encumbrances	391,840	—	—	—	2,855,793	—	3,247,633
Supplies inventories	277,816	—	—	—	—	599,631	877,447
Advances	—	—	—	—	1,567,526	—	1,567,526
Debt service	—	—	—	71,484,375	—	—	71,484,375
Student activities	—	—	—	—	—	533,356	533,356
Unreserved:							
Designated for:							
Grant activity	9,946,338	—	—	—	—	—	9,946,338
Long-term building maintenance	—	—	—	—	—	—	—
Transition period funding	—	—	—	—	14,166,763	—	14,166,763
Technology plan	—	—	—	—	1,120,395	—	1,120,395
Compensated absences	—	—	—	—	9,947,023	—	9,947,023
E-Rate/E-Rate support	—	—	22,528,179	—	—	—	22,528,179
Undesignated:							
General fund	54,630,385	—	—	—	—	—	54,630,385
Special revenue funds	—	—	—	—	—	(393,516)	(393,516)
Capital projects funds	—	—	—	—	26,260,905	—	26,260,905
Permanent funds	—	—	—	—	—	139,366	139,366
Total fund balances	<u>65,246,379</u>	<u>—</u>	<u>22,528,179</u>	<u>71,484,375</u>	<u>57,427,935</u>	<u>878,837</u>	<u>217,565,705</u>
Total liabilities and fund balances	<u>97,563,437</u>	<u>18,273,998</u>	<u>44,088,811</u>	<u>73,051,901</u>	<u>59,697,505</u>	<u>2,916,895</u>	<u>295,592,547</u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets

Governmental Funds

June 30, 2006

Fund balances – balance sheet	\$ 217,565,705
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	481,571,734
Deferred charges related to issuance of bonds	6,264,218
Federal food commodities	100,907
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	(110,855,000)
Unamortized premium on bonds	(7,546,095)
Accrued interest payable	(2,246,534)
Compensated absences	(22,712,536)
Claims payable	(3,000,000)
	<hr/>
	(146,360,165)
Deferred revenue – property taxes	12,708,823
Internal service funds are used by management to charge the cost of the Administrative Service Center and Risk Management	15,396,621
	<hr/>
Net assets of governmental activities	<u>\$ 587,247,843</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, 2006

	General	Teachers'	Other Special Revenue	Debt Service	Capital Projects	Nonmajor governmental funds	Total governmental funds
Revenues:							
Property taxes	\$ 141,239,354	—	—	—	6,691,903	—	147,931,257
Prop C sales tax	26,319,169	1,868,079	—	—	—	—	28,187,248
Other local	3,189,924	56,348	1,688,525	3,647,526	2,676,491	3,413,030	14,671,844
Intermediate/county	6,036,830	319,842	—	—	—	—	6,356,672
State aid – basic formula	47,105,861	—	—	—	—	—	47,105,861
At risk	30,485,284	—	—	—	—	—	30,485,284
Other state	24,077,467	1,275,711	—	—	—	93,818	25,446,996
Federal	45,042,609	470,642	—	—	5,361,839	11,196,971	62,072,061
Tuition	7,359	29,762	—	—	—	—	37,121
Realized/unrealized gain (loss) on investments	602,693	—	(219,598)	56,590	(241,303)	725	199,107
Total revenues	324,106,550	4,020,384	1,468,927	3,704,116	14,488,930	14,704,544	362,493,451
Expenditures:							
Current:							
Administration	9,586,961	13,201,192	—	—	—	—	22,788,153
Instruction	46,067,895	115,965,498	—	—	—	1,513,129	163,546,522
Support services	27,318,808	20,427,468	14,692,520	—	—	13,103,154	75,541,950
Operation of facilities	38,311,966	—	—	—	—	—	38,311,966
Pupil transportation	23,984,456	—	—	—	—	—	23,984,456
Community and adult services	4,985,505	1,176,441	—	—	—	155	6,161,946
Debt service:	—	—	—	275,027	—	—	275,027
Administrative	—	—	—	21,380,000	—	—	21,380,000
Principal	—	—	—	6,467,096	—	—	6,467,096
Interest	—	—	—	—	—	—	—
Capital outlay:							
Administration	—	—	—	—	17,778	—	17,778
Instruction	—	—	—	—	604,798	—	604,798
Support services	—	—	—	—	9,432,772	—	9,432,772
Operation of facilities	—	—	—	—	1,240,122	—	1,240,122
Community and adult services	—	—	—	—	73,165	—	73,165
Facilities improvement and renovation	—	—	—	—	1,377,603	—	1,377,603
Total expenditures	150,255,591	150,770,599	14,692,520	28,122,123	12,746,238	14,616,438	371,203,509
Revenues over (under) expenditures	173,850,959	(146,750,215)	(13,223,593)	(24,418,007)	1,742,692	88,106	(8,710,058)
Other financing sources (uses):							
Transfers in	—	146,750,215	13,869,052	27,847,096	16,555,274	275,340	205,296,977
Transfers out	(164,687,507)	—	(6,376,888)	(16,475,446)	(27,847,096)	(490,750)	(215,877,687)
Sale of capital assets	—	—	—	303,944	23,921	—	327,865
Total other financing sources (uses)	(164,687,507)	146,750,215	7,492,164	11,675,594	(11,267,901)	(215,410)	(10,252,845)
Net change in fund balances	9,163,452	—	(5,731,429)	(12,742,413)	(9,525,209)	(127,304)	(18,962,903)
Fund balances, beginning of year	56,082,927	—	28,259,608	84,226,788	66,953,144	1,006,141	236,528,608
Fund balances, end of year	\$ 65,246,379	—	22,528,179	71,484,375	57,427,935	878,837	217,565,705

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, 2006

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

Net change in fund balances – total governmental funds	\$ (18,962,903)
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	8,182,818
Depreciation expense	<u>(17,552,876)</u>
	(9,370,058)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(412,967)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(791,992)
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.	21,904,160
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.	(4,627,598)
Internal service funds are used by management to charge the costs of Administrative Service Center and Risk Management to individual funds.	<u>5,413,466</u>
Change in net assets of governmental activities	<u><u>\$ (6,847,892)</u></u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Net Assets – Proprietary Funds

June 30, 2006

	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
Assets:		
Current assets:		
Investments	\$ 8,121,783	7,398,455
Restricted cash and investments	—	9,077,113
Interest receivable	—	76,861
Due from community/charter schools, net	384,620	—
Other receivables	—	2,156
Supplies inventories	—	138,805
Total current assets	<u>8,506,403</u>	<u>16,693,390</u>
Noncurrent assets:		
Machinery and equipment	—	141,540
Less accumulated depreciation	—	(123,378)
Total capital assets (net of accumulated depreciation)	<u>—</u>	<u>18,162</u>
Total noncurrent assets	<u>—</u>	<u>18,162</u>
Total assets	<u>8,506,403</u>	<u>16,711,552</u>
Liabilities:		
Current liabilities:		
Accounts payable	7,366,446	580,511
Deferred revenue	31,672	—
Claims and judgments	—	734,420
Total current liabilities	<u>7,398,118</u>	<u>1,314,931</u>
Total liabilities	<u>7,398,118</u>	<u>1,314,931</u>
Net assets:		
Invested in capital assets	—	18,162
Restricted for:		
Unemployment compensation	—	2,331,456
Workers' compensation	—	6,745,657
Unrestricted	1,108,285	6,301,346
Total net assets	<u>\$ 1,108,285</u>	<u>15,396,621</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, 2006

	Enterprise Fund	Internal Service Funds
Operating revenues:		
Charges for charter school support services	\$ 106,794	—
Charges for community support services	39,361	—
Charges for administrative services	—	725,706
Total operating revenues	146,155	725,706
Operating expenses:		
Salaries, wages, and employee benefits	93,177	730,526
Utilities, supplies, and materials	27,669	106,432
Other contractual services	—	4,337,386
Depreciation	—	1,973
Total operating expenses	120,846	5,176,317
Operating income (loss)	25,309	(4,450,611)
Nonoperating revenues:		
Interest income	—	278,291
Gain on disposal of capital asset	—	9,427
Total nonoperating revenue	—	287,718
Income (loss) before transfers	25,309	(4,162,893)
Transfers in	1,004,351	9,604,975
Transfers out	—	(28,616)
Change in net assets	1,029,660	5,413,466
Total net assets, beginning of year	78,625	9,983,155
Total net assets, end of year	\$ 1,108,285	15,396,621

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Cash Flows – Proprietary Funds

Year ended June 30, 2006

	<u>Enterprise Fund</u>	<u>Internal Service Funds</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 7,163,355	—
Receipts from interfund services provided	—	726,213
Receipts from insurance claims	—	4,754
Payments to suppliers	—	(3,841,375)
Payments to employees	(93,177)	(737,210)
Net cash provided by (used in) operating activities	<u>7,070,178</u>	<u>(3,847,618)</u>
Cash flows from noncapital and related financing activities:		
Transfers to other funds	—	(28,616)
Transfers from other funds	1,004,351	9,604,976
Net cash provided by noncapital and related financing activities	<u>1,004,351</u>	<u>9,576,360</u>
Cash flows from capital and related financing activities:		
Sale of capital assets	—	(9,338)
Net cash used in capital and related financing activities	<u>—</u>	<u>(9,338)</u>
Cash flows from investing activities:		
Interest income received	—	262,571
Net cash provided by investing activities	<u>—</u>	<u>262,571</u>
Net increase in cash and cash equivalents	8,074,529	5,981,975
Cash and cash equivalents, beginning of year	47,254	10,493,593
Cash and cash equivalents, end of year	\$ <u>8,121,783</u>	<u>16,475,568</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 25,309	(4,450,612)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	—	1,973
Increase in other receivable	—	(507)
Donation of capital asset	—	7,155
Decrease in inventories	—	63,719
Decrease in due from community/charter schools	1,241,670	—
Increase in accounts payable	6,056,845	537,338
Decrease in deferred revenue	(253,646)	—
Decrease in claims payable	—	(6,684)
Total adjustments	<u>7,044,869</u>	<u>602,994</u>
Net cash provided by (used in) operating activities	\$ <u>7,070,178</u>	<u>(3,847,618)</u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Statement of Fiduciary Net Assets

June 30, 2006

	Private Purpose Trust – Student Scholarship Fund
Assets:	
Cash and cash equivalents	\$ 187,074
Interest receivable	1,654
Total assets	<u>188,728</u>
Liabilities:	
Accounts payable	<u> </u>
Total liabilities	<u> </u>
Net assets:	
Net assets held in trust for other purposes	<u>\$ 188,728</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, 2006

	Private Purpose Trust – Student Scholarship Fund
Additions:	
Contributions:	
Private donations	\$ 101,898
Total contributions	<u>101,898</u>
Investment income:	
Interest	<u>3,901</u>
Total investment income	<u>3,901</u>
Total additions	<u>105,799</u>
Deductions:	
Scholarship awards	<u>35,750</u>
Total deductions	<u>35,750</u>
Net increase	70,049
Net assets, beginning of year	<u>118,679</u>
Net assets, end of year	<u>\$ 188,728</u>

See accompanying notes to basic financial statements.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2006

(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 unit. The blended component unit discussed below is included in the District's reporting entity because of the significance of its operational or financial relationships with the District.

Blended Component Unit – 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, 2006 are included in the basic financial statements as a Debt Service Fund. The Building Corporation does not issue separate financial statements.

The Public School Retirement System of the School District of Kansas City, Missouri (Retirement System) – The Retirement System is governed by a 12-member board of trustees. It is legally separate from the District, established under Missouri statutes to provide pension benefits for employees of the District, Kansas City Public Library, and Charter Schools. The Board of Directors of the District appoints four members of the Board of Trustees of the Retirement System. However, the general and financial administration of the Retirement System is the responsibility of the Board of Trustees. The Retirement System issues separate financial statements. During 2006, the District determined that it did not have a fiduciary responsibility to the Retirement System. Accordingly, the accounts of the Retirement System and the Retirement Medical Program are not included in these financial statements.

Charter Schools – Charter schools are established within the boundaries of the District by Missouri statutes as local educational agencies. Seventeen charter schools were operating during fiscal year 2006. These charter schools are legally separate from the District, and the District is not financially accountable for them. Accordingly, the accounts of these charter schools are not included in these financial statements.

(b) Governmentwide and Fund Financial Statements

The District's basic financial statements consist of governmentwide financial statements and governmental, proprietary, and fiduciary fund financial statements. The governmentwide financial statements report information on all the nonfiduciary activities of the District and its component unit. The governmentwide statements include a statement of net assets and statement of activities.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2006

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

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

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

The governmentwide 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. 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 arises when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Federal, state, and local grant revenues received as reimbursement for specific purposes are recognized when the related expenditure is incurred. 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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2006

claims and judgments, are recorded when payment is due. For the District, available is defined as expected to be received within 60 days of fiscal year-end.

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, including federal, state, and local grants. During 2006, the grant activity fund, except the certified salaries and fringe portion, was combined with the General Fund.
- The *Teachers' Fund* is used to account for the payment of payroll and health insurance for certified staff. During 2006, the certified salaries and fringe portion of the grant activity fund was combined with the Teachers' Fund.
- The *Other Special Revenue Fund* is used to account for the accumulation of resources for and payment of employee compensated absences and District contributions to the retirement plan.
- The *Debt Service Fund* is used to account for accumulation of resources and payments made for principal and interest on long-term leasehold revenue bonded debt.
- The *Capital Projects Fund* is used to account for financial resources to be used for the acquisition, construction, or renovation of capital facilities and the purchase of equipment, furniture, and fixtures.

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

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

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

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

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

- The *Community Service Fund* is an enterprise fund type and accounts for accumulation and allocation of costs associated with Charter Schools, leased land and buildings, and event rental of facilities to the community. This fund is reported as an enterprise fund because it is financed

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2006

by external parties. Operating expenses are from salaries and fringe benefits, utilities, materials and supplies, and contractual services. Nonoperating revenues are interest income, transfers, loss on disposal of capital assets, and insurance recoveries.

- The *Administrative Service Center Fund* is an internal service fund and accounts for printing, duplication, and distribution services provided to other departments on a cost-reimbursement basis.
- The *Risk Management Fund* is an internal service fund and accounts for and finances the District's insured and uninsured risks of loss, including workers' compensation, unemployment, and general liability insurance.

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 its enterprise fund, the District applies all applicable pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989, unless these pronouncements conflict with applicable Governmental Accounting Standards Board (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 governmentwide financial statements.

(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 its component unit 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.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2006

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 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. In addition, the District sets aside funds to cover certain other costs of its workers' compensation and unemployment benefit programs.

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 governmentwide financial statements as "internal balances." There were no internal balances at June 30, 2006.

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

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

Property taxes are 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. The county is responsible for the

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2006

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, 2005 for real estate, personal property, merchants and manufacturers, and railroad and utility property was approximately \$2.88 billion.

4. Inventories

In the governmentwide 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.

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 governmentwide 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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

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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

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, 2006 of \$22.7 million have been recorded in the governmentwide financial statements. Within the governmental funds financial statements, management has a designated fund balance at June 30, 2006 of \$22.5 million to cover these future payments. Payments of benefits to employees are made from the Other Special Revenue Fund.

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2006

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

7. Interfund Transactions

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

8. Long-term Obligations

In the governmentwide 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 governmentwide 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. The debt service is contractually restricted, while the unemployment compensation and workers' compensation is restricted due to state statutes. Designations of fund balance represent management plans for financial resource utilization in a future period.

10. 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 that 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 SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2006

11. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

(2) Stewardship, Compliance, and Accountability

(a) 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, 2006:

- *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 governmentwide statement of net assets.
- *Designation for Grant Activity* – Starting in fiscal year 2006, Management accounted for federal, state, and local grants in the General Fund. As a result, certain balances related to prior year grants have been carried over for future appropriation.
- *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, 2006, designated funds of \$14,166,763 were shown in the Capital Projects Fund.
- *Designated for Transition Period Funding* – The designation of \$1,120,395 is shown in the Capital Projects Fund to cover capital improvements.
- *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, 2006, designated funds of \$9,947,023 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 FY03 E-Rate Grant. At June 30, 2006, designated funds of \$1,509,530 were shown in the Capital Projects Fund.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2006

(3) Detailed Notes on All Funds

(a) Deposits and Investments

The District and the Building Corporation had the following investments at June 30, 2006:

Investment type	Fair value	Weighted average maturity (years)
U.S. Treasury obligations	\$ 33,385,001	1.67
Government-sponsored enterprises	158,658,642	0.64
Repurchase agreements	63,145,136	2.33
Certificates of deposit	21,797,000	0.58
Total fair value	276,985,779	
Portfolio weighted average maturity		1.30
Other investments not subject to a structured maturity date:		
Money market funds	4,768,095	
Deposits	892,305	
	5,660,400	
Total cash and investments	\$ 282,646,179	

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. 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.

Under current market conditions, if the portfolio were liquidated, the District would be exposed to a potential loss of approximately \$1.4 million at year-end. If interest rates declined by 100 basis points, the portfolio would be subject to a potential loss of approximately \$245,000. If interest rates increased by 100 basis points, the portfolio would be exposed to a potential loss of approximately \$2.7 million. If interest rates declined by 200 basis points, the District’s portfolio would realize a potential gain of approximately \$930,000.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Missouri statutes limit the type of investment securities that can be purchased (as disclosed in note 1(d) 1), which are primarily, U.S. Treasury obligations and federal agency obligations. Credit risk is minimized by prequalifying financial institutions and brokers/dealers with which the District does business and by diversifying the portfolio in compliance with state requirements. Government-sponsored enterprises represent 54% of the investment portfolio and is rated “AAA” by Standard and Poor’s.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

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Custodial credit risk – For deposits, this is the risk that, in the event of a bank failure, the District and its component unit’s deposits may not be returned. Collateral is required by state statute for demand deposits and certificates of deposit. The fair value of the collateral must equal 100% of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are governed by state statutes and include United States government agency bonds and securities; general obligation bonds of any of the 50 states; general obligation bonds of any Missouri county, certain cities, and special districts; and revenue bonds of certain Missouri agencies. For investments, there is the risk that, in the event of the failure of the counterparty, the District and its component unit 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 \$4.8 million in money market funds exposed to custodial credit risk.

The District entered into a forward delivery agreement that provides guaranteed returns on cash designated for its Debt Service Fund. Withdrawals from the agreements are designated for payments of bond principal and interest as they become due. These funds are held in escrow with the Bank of New York Trust Company (the Trustee), and at June 30, 2006, the investment portfolio consists of the following:

<u>Investments</u>	<u>Rate</u>	<u>Maturity</u>	<u>Amount</u>
Advance payment program:			
Repurchase agreement	5.28%	8/6/2007	\$ 23,006,691
Repurchase agreement	3.97	2/5/2007	<u>3,365,444</u>
Total			<u>\$ 26,372,135</u>

In addition, the Trustee manages an investment agreement of \$28 million for future capital improvements. This investment agreement allows for annual drawdowns through October 2008.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2006

(b) Receivables

Receivables as of year-end for the major funds, nonmajor, and internal service 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	\$ 476,026	—	435,595	903,240	510,952	81,553	—	2,407,366
Taxes	20,035,542	1,868,079	—	—	498,240	—	—	22,401,861
Due from other governments	8,541,693	216,826	—	—	—	1,435,377	—	10,193,896
Due from other funds	1,556,688	—	—	—	—	—	—	1,556,688
Community programs	—	—	—	—	—	—	542,533	542,533
Other receivables	—	—	—	—	—	2,156	—	2,156
Gross receivables	<u>30,609,949</u>	<u>2,084,905</u>	<u>435,595</u>	<u>903,240</u>	<u>1,009,192</u>	<u>1,519,086</u>	<u>542,533</u>	<u>37,104,500</u>
Less allowance for uncollectibles	<u>(1,195,476)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(157,913)</u>	<u>(1,353,389)</u>
Net total receivables	<u>\$ 29,414,473</u>	<u>2,084,905</u>	<u>435,595</u>	<u>903,240</u>	<u>1,009,192</u>	<u>1,519,086</u>	<u>384,620</u>	<u>35,751,111</u>

- (1) Nonmajor and other funds are comprised of internal service funds, nonmajor governmental funds, and a private purpose trust fund.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2006

(c) Capital Assets

Capital asset activity as of June 30, 2006 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	\$ 43,800,189	—	(38,499)	43,761,690
Construction in progress	1,951,881	1,751,047	(1,947,881)	1,755,047
Total capital assets, not being depreciated	<u>45,752,070</u>	<u>1,751,047</u>	<u>(1,986,380)</u>	<u>45,516,737</u>
Capital assets, being depreciated:				
Buildings	598,634,170	1,301,107	(995,875)	598,939,402
Improvements other than buildings	40,616,301	456,141	—	41,072,442
Equipment and furniture	27,865,183	6,565,010	(690,199)	33,739,994
Vehicles	1,335,456	61,350	(18,629)	1,378,177
Total capital assets being depreciated	<u>668,451,110</u>	<u>8,383,608</u>	<u>(1,704,703)</u>	<u>675,130,015</u>
Less accumulated depreciation for:				
Buildings	(183,613,449)	(11,544,719)	628,945	(194,529,223)
Improvements other than buildings	(22,577,311)	(1,522,641)		(24,099,952)
Equipment and furniture	(15,418,461)	(4,417,338)	681,993	(19,153,806)
Vehicles	(1,222,353)	(70,151)	18,629	(1,273,875)
Total accumulated depreciation	<u>(222,831,574)</u>	<u>(17,554,849)</u>	<u>1,329,567</u>	<u>(239,056,856)</u>
Total capital assets, being depreciated, net	<u>445,619,536</u>	<u>(9,171,241)</u>	<u>(375,136)</u>	<u>436,073,159</u>
Governmental activities capital assets, net	\$ <u>491,371,606</u>	<u>(7,420,194)</u>	<u>(2,361,516)</u>	<u>481,589,896</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2006

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

Elementary schools	\$ 8,517,784
Middle/junior high schools	2,879,426
Senior high schools	4,837,403
Special education	<u>239,999</u>
Total instruction	<u>16,474,612</u>
Improvement of instruction – curriculum development	7,262
Financial and internal services	2,121
Food service	2,668
Information technology	<u>754,100</u>
Total support services	<u>766,151</u>
Operation of facilities	53,986
Community and adult services	1,622
Facilities acquisition and construction	<u>256,505</u>
Governmental funds depreciation expense	17,552,876
Internal service	<u>1,973</u>
Total depreciation expense	\$ <u><u>17,554,849</u></u>

(d) Interfund Receivables, Payables, and Transfers

Interfund receivable and payable balances at June 30, 2006 are as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Major funds:		
General	\$ <u>1,556,688</u>	<u>—</u>
Nonmajor fund:		
Special Revenue (Food Service)	<u>—</u>	<u>1,556,688</u>
	\$ <u><u>—</u></u>	<u><u>1,556,688</u></u>
	<u>Advances to</u>	<u>Advances from</u>
	<u>other funds</u>	<u>other funds</u>
Major funds:		
Capital Projects	\$ <u>1,567,526</u>	<u>—</u>
Debt Service	<u>—</u>	<u>1,567,526</u>
	\$ <u><u>1,567,526</u></u>	<u><u>1,567,526</u></u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2006

The purpose of the above interfund balances is to reflect the payables and receivables between certain funds at June 30, 2006. The Food Service Fund receives reimbursements from the state after submission of actual meal count data each month. Since there is about a 60-day delay in receiving these reimbursements, the General Fund covers required disbursements, and at year-end, the negative cash balance is reclassified as a due to/from other funds.

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

The following transfers were made during the fiscal year:

	Transfers to							
	Teachers'	Debt Service	Other Special Revenue	Capital Projects	Nonmajor	Internal Service	Enterprise Fund	Total
Transfers from:								
General Fund	\$ 146,750,215	—	13,515,338	—	275,340	3,142,263	1,004,351	164,687,507
Debt Service Fund	—	—	—	16,475,446	—	—	—	16,475,446
Other Special Revenue	—	—	—	—	—	6,376,888	—	6,376,888
Capital Project Fund	—	27,847,096	—	—	—	—	—	27,847,096
Internal Service Funds	—	—	24,188	—	—	4,428	—	28,616
Nonmajor governmental funds	—	—	—	—	—	—	—	—
	—	—	329,526	79,828	—	81,396	—	490,750
	<u>\$ 146,750,215</u>	<u>27,847,096</u>	<u>13,869,052</u>	<u>16,555,274</u>	<u>275,340</u>	<u>9,604,975</u>	<u>1,004,351</u>	<u>215,906,303</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, 2006.

(f) Long-term Borrowings

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

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Bonds outstanding at June 30, 2006 are as follows:

<u>Purpose</u>	<u>Amount outstanding</u>	<u>Interest rate</u>	<u>Maturity year</u>
Series 2002A	\$ 25,175,000	4.00% to 5.00%	2008
Series 2003A	31,795,000	3.00% to 5.00%	2014
Series 2003B	53,885,000	3.00% to 5.00%	2014
	<u>\$ 110,855,000</u>		

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

	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year ending June 30:		
2007	\$ 21,540,000	5,427,868
2008	22,130,000	4,350,868
2009	9,945,000	3,244,368
2010	10,385,000	2,806,405
2011	10,875,000	2,311,105
2012 – 2014	35,980,000	3,588,630
Total	<u>\$ 110,855,000</u>	<u>21,729,244</u>

(g) Changes in Long-term Liabilities

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

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Leasehold revenue bonds	\$ 132,235,000	—	(21,380,000)	110,855,000	21,540,000
Compensated absences	20,893,304	4,037,287	(2,218,055)	22,712,536	9,760,207
Long-term liabilities	<u>\$ 153,128,304</u>	<u>4,037,287</u>	<u>(23,598,055)</u>	<u>133,567,536</u>	<u>31,300,207</u>

(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. 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 SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2006

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 \$734,420 reported in the internal service fund as of June 30, 2006 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 2005 and 2006 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 2005:				
Workers' compensation	\$ 305,126	—	66,022	239,104
Unemployment compensation	350,000	152,000	—	502,000
Claims and judgments	—	1,110,310	—	1,110,310
	<u>\$ 655,126</u>	<u>1,262,310</u>	<u>66,022</u>	<u>1,851,414</u>
Fiscal year 2006:				
Workers' compensation	\$ 239,104	—	11,684	227,420
Unemployment compensation	502,000	5,000	—	507,000
Claims and judgments	1,110,310	1,889,690	—	3,000,000
	<u>\$ 1,851,414</u>	<u>1,894,690</u>	<u>11,684</u>	<u>3,734,420</u>

(b) Status of Accreditation

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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June 30, 2006

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

In January 2004, the State completed a full-scale accreditation review under Third Cycle standards, covering all Resource, Process, and Performance criteria. The District retained its provisional accreditation status. DESE has begun to review school districts under the Fourth Cycle Standards in fiscal year 2007. The District has begun preparation for its review during fiscal year 2008-2009.

(c) *Achievement First! Initiative*

The District received a grant award of approximately \$6.1 million to implement a high school reform initiative. The grant award is from the Bill & Melinda Gates Foundation (the Gates Foundation) and is administered by the Greater Kansas City Community Foundation (the Community Foundation). The Community Foundation serves as a financial intermediary and will establish an educational trust to support the District's implementation of Achievement First! The implementation is planned over a four-year period that started in fiscal year 2003. The goal of Achievement First! is to provide professional development for teachers and to improve student test scores. In fiscal year 2006, \$2.6 million was spent with over \$1.5 million funded by the Gates Foundation grant and over \$1.1 million funded from District resources. To date, \$8.2 million has been spent for this initiative.

(d) *Charter School*

The DESE disburses all foundation formula revenue for the charter schools to the District on a monthly basis, along with the District's revenue. Each month, the District requires each charter school to certify its estimated average daily attendance before the funds are transferred to the charter school. At times, a charter school may determine that its previously certified attendance was overstated. When the District becomes aware of an overpayment, the State is notified. The District then begins efforts to collect the amount of the overpayment. To the extent the District is not able to collect the overpayment, the District absorbs the loss. During the year ended June 30, 2006, the District recorded an allowance of \$31,672 related to such potential losses.

(e) *Commitments*

At June 30, 2006, construction contract commitments for renovation and construction of schools totaled \$270,720, of which \$30,080 represents retainages payable on construction billing at June 30, 2006.

On June 26, 2002, the Board approved a five-year contract with Aramark ServiceMaster Facility Services and Woodley Building Maintenance to provide management and clerical services, custodial supplies, and equipment for the District's custodial and maintenance employees. Annual expenditures for fiscal year 2006 are estimated at \$2 million.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2006

(f) *Contingent Liabilities*

On May 10, 2005, the District filed suit against the Board of Fund Commissioners, the individual members of the Board of Fund Commissioners, the Missouri Department of Elementary and Secondary Education, the Commissioner of Education, and the State of Missouri. In April 2005, the Board of Fund Commissioners voted that the District had sufficient "fund balance" to redeem or otherwise pay off its obligations for leasehold revenue bonds and, therefore, could not continue to withhold money from charter schools pursuant to Missouri Revised Statute 160.415(2)(5). The District also has challenged the constitutionality of the charter schools' funding mechanism. It is the District's position that paying locally levied moneys to the charter schools violates Article X, Section 11(g), and the Hancock Amendment.

Concurrently, the District also filed a motion to enforce the settlement agreement in the federal desegregation case against the State of Missouri. On June 15, 2006, Judge Whipple held that the District was entitled to withhold moneys to repay its leasehold revenue bond obligations under the terms of the settlement agreement. The District withheld approximately \$500,000 from the June 2006 payment to the charter schools. As of July 1, 2006, all of the charter schools in Kansas City became Local Education Agencies, and thus, the District no longer serves as their fiscal intermediary. As a result, the State is paying the charter schools directly. The District has requested the State to withhold moneys for repayment of desegregation bonds consistent with the federal court's order.

Finally, the Missouri Charter Public Schools Association has sued the District for the moneys withheld from certain charter schools during fiscal years 1999 to 2005. The District has argued this claim is moot based on Judge Whipple's order. Judge Whipple's order is being appealed to the Eighth Circuit Court of Appeals. Trial in the state court matter is set for October 18, 2006. No liability has been recorded related to this claim.

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

(g) *Pension Plan*

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

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to Basic Financial Statements

June 30, 2006

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

The District's contributions to the Retirement System for the years ended December 31, 2005, 2004, and 2003 were \$12,519,761, \$12,052,245, and \$11,656,416, respectively, which was equal to the annual required contribution for the District.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison – General Fund

Year ended June 30, 2006

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Over (under) budget</u>
Revenues:				
Property taxes	\$ 125,971,546	141,042,571	141,239,354	196,783
Prop C taxes	26,902,536	27,573,108	26,319,169	(1,253,939)
Other local	3,054,145	3,273,654	3,189,924	(83,730)
County	3,467,173	3,130,719	6,036,830	2,906,111
Basic formula	51,697,679	43,182,183	47,105,861	3,923,678
At risk	—	—	—	—
Federal sources	43,053,225	54,948,925	45,042,609	(9,906,316)
Other state	53,458,681	54,370,993	54,562,751	191,758
Other	—	—	610,052	610,052
Total revenues	<u>307,604,985</u>	<u>327,522,153</u>	<u>324,106,550</u>	<u>(3,415,603)</u>
Expenditures:				
Current:				
Administration:				
Board of Education services:				
Salaries	289,981	205,459	238,765	33,306
Benefits	85,400	82,881	66,073	(16,808)
Purchased services	1,951,915	683,926	633,747	(50,179)
Supplies and materials	4,900	15,800	24,352	8,552
Total Board of Education services	<u>2,332,196</u>	<u>988,066</u>	<u>962,937</u>	<u>(25,129)</u>
Executive administration:				
Salaries	870,412	863,994	999,700	135,706
Benefits	327,811	327,699	332,694	4,995
Purchased services	601,709	3,652,918	3,026,645	(626,273)
Supplies and materials	40,548	65,195	62,746	(2,449)
Total executive administration	<u>1,840,480</u>	<u>4,909,806</u>	<u>4,421,785</u>	<u>(488,021)</u>
Building level administration:				
Salaries	2,539,555	2,522,625	2,607,168	84,543
Benefits	2,772,833	3,110,341	2,871,219	(239,122)
Purchased services	272,998	269,016	183,012	(86,004)
Supplies and materials	135,754	182,833	160,638	(22,195)
Total building level administration	<u>5,721,140</u>	<u>6,084,815</u>	<u>5,822,037</u>	<u>(262,778)</u>
Total administration	<u>9,893,816</u>	<u>11,982,687</u>	<u>11,206,759</u>	<u>(775,928)</u>
Instruction:				
Elementary:				
Salaries	1,739,372	1,970,807	1,945,057	(25,750)
Benefits	7,196,069	8,536,044	7,620,700	(915,344)
Purchased services	2,442,363	713,351	587,225	(126,126)
Supplies and materials	2,718,544	3,933,952	3,972,992	39,040
Total elementary	<u>14,096,348</u>	<u>15,154,154</u>	<u>14,125,974</u>	<u>(1,028,180)</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison – General Fund

Year ended June 30, 2006

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Over (under) budget</u>
Middle/junior high:				
Salaries	\$ 151,988	143,509	140,009	(3,500)
Benefits	1,328,957	2,307,393	1,976,633	(330,760)
Purchased services	286,330	316,294	227,171	(89,123)
Supplies and materials	860,825	872,293	572,743	(299,550)
Total middle/junior high	<u>2,628,100</u>	<u>3,639,489</u>	<u>2,916,556</u>	<u>(722,933)</u>
Senior high:				
Salaries	373,643	415,585	371,597	(43,988)
Benefits	1,469,943	2,707,106	2,348,063	(359,043)
Purchased services	1,070,990	426,999	331,251	(95,748)
Supplies and materials	1,110,070	1,329,047	900,040	(429,007)
Total senior high	<u>4,024,646</u>	<u>4,878,737</u>	<u>3,950,951</u>	<u>(927,786)</u>
Summer school:				
Salaries	2,160,946	2,602,298	2,030,221	(572,077)
Benefits	1,043,310	1,268,715	1,129,798	(138,917)
Purchased services	174,867	247,306	144,674	(102,632)
Supplies and materials	1,670,380	1,740,763	1,828,211	87,448
Total summer school	<u>5,049,503</u>	<u>5,859,082</u>	<u>5,132,904</u>	<u>(726,178)</u>
Special education:				
Salaries	3,887,774	3,623,126	3,424,975	(198,151)
Benefits	5,783,357	5,517,568	4,886,891	(630,677)
Purchased services	6,106,229	7,979,195	7,116,236	(862,959)
Supplies and materials	473,161	715,599	499,047	(216,552)
Total special education	<u>16,250,521</u>	<u>17,835,488</u>	<u>15,927,149</u>	<u>(1,908,339)</u>
Culturally different:				
Salaries	2,738,255	3,193,197	2,826,125	(367,072)
Benefits	2,172,947	2,370,426	1,937,281	(433,145)
Purchased services	7,640,126	7,271,744	6,028,119	(1,243,625)
Supplies and materials	1,337,935	2,594,566	1,657,031	(937,535)
Total culturally different	<u>13,889,263</u>	<u>15,429,933</u>	<u>12,448,556</u>	<u>(2,981,377)</u>
Vocational instruction:				
Salaries	91,157	132,014	122,818	(9,196)
Benefits	258,998	380,758	332,060	(48,698)
Purchased services	140,139	440,315	287,052	(153,263)
Supplies and materials	360,396	435,338	349,313	(86,025)
Total vocational instruction	<u>850,690</u>	<u>1,388,425</u>	<u>1,091,243</u>	<u>(297,182)</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison – General Fund

Year ended June 30, 2006

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Over (under) budget</u>
Student activities:				
Salaries	\$ 483,558	465,021	331,734	(133,287)
Benefits	111,851	112,134	117,379	5,245
Purchased services	180,169	250,775	206,857	(43,918)
Supplies and materials	106,932	107,669	93,276	(14,393)
Total student activities	<u>882,510</u>	<u>935,599</u>	<u>749,246</u>	<u>(186,353)</u>
Total instruction	<u>57,671,581</u>	<u>65,120,907</u>	<u>56,342,579</u>	<u>(8,778,328)</u>
Support services:				
Attendance/placement:				
Salaries	2,236,793	2,480,074	2,174,373	(305,701)
Benefits	732,716	909,791	697,045	(212,746)
Purchased services	3,643,656	3,814,089	4,102,123	288,034
Supplies and materials	42,470	73,568	28,906	(44,662)
Total attendance/placement	<u>6,655,635</u>	<u>7,277,522</u>	<u>7,002,447</u>	<u>(275,075)</u>
Guidance/counseling:				
Salaries	695,356	768,813	767,165	(1,648)
Benefits	1,210,825	1,261,498	1,107,432	(154,066)
Purchased services	14,625	33,396	24,501	(8,895)
Supplies and materials	13,400	3,400	3,440	40
Total guidance/counseling	<u>1,934,206</u>	<u>2,067,107</u>	<u>1,902,538</u>	<u>(164,569)</u>
Health, psychology, and speech:				
Salaries	2,031,077	1,995,507	1,866,984	(128,523)
Benefits	893,807	900,419	833,456	(66,963)
Purchased services	51,500	58,000	36,165	(21,835)
Supplies and materials	53,583	52,718	16,705	(36,013)
Total health, psychology, and speech	<u>3,029,967</u>	<u>3,006,644</u>	<u>2,753,310</u>	<u>(253,334)</u>
Improvement of instruction:				
Curriculum development:				
Salaries	523,291	570,169	502,947	(67,222)
Benefits	615,607	1,428,893	1,093,470	(335,423)
Purchased services	741,407	1,809,969	965,462	(844,507)
Supplies and materials	82,010	233,854	167,020	(66,834)
Total curriculum development	<u>1,962,315</u>	<u>4,042,885</u>	<u>2,728,899</u>	<u>(1,313,986)</u>
Staff training:				
Salaries	104,927	106,432	80,450	(25,982)
Benefits	245,907	324,876	307,716	(17,160)
Purchased services	2,390,152	2,096,641	1,366,910	(729,731)
Supplies and materials	205,761	483,957	227,326	(256,631)
Total staff training	<u>2,946,747</u>	<u>3,011,906</u>	<u>1,982,402</u>	<u>(1,029,504)</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison – General Fund

Year ended June 30, 2006

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Over (under) budget</u>
Educational media services:				
Salaries	\$ 222,131	278,133	279,938	1,805
Benefits	713,205	767,115	588,092	(179,023)
Purchased services	35,865	45,662	42,276	(3,386)
Supplies and materials	<u>1,575,054</u>	<u>1,564,532</u>	<u>1,291,009</u>	<u>(273,523)</u>
Total educational media services	<u>2,546,255</u>	<u>2,655,442</u>	<u>2,201,315</u>	<u>(454,127)</u>
Financial services:				
Salaries	1,231,178	1,350,945	1,275,903	(75,042)
Benefits	67,223	383,547	326,114	(57,433)
Purchased services	356,480	388,080	213,800	(174,280)
Supplies and materials	<u>74,014</u>	<u>73,914</u>	<u>60,059</u>	<u>(13,855)</u>
Total financial services	<u>1,728,895</u>	<u>2,196,486</u>	<u>1,875,876</u>	<u>(320,610)</u>
Food service:				
Salaries	—	—	—	—
Benefits	—	—	—	—
Purchased services	30,000	55,000	25,192	(29,808)
Supplies and materials	<u>58,395</u>	<u>79,151</u>	<u>—</u>	<u>(79,151)</u>
Total food service	<u>88,395</u>	<u>134,151</u>	<u>25,192</u>	<u>(108,959)</u>
Internal service:				
Salaries	519,836	398,022	395,635	(2,387)
Benefits	138,079	109,463	105,040	(4,423)
Purchased services	32,400	140,100	28,398	(111,702)
Supplies and materials	<u>4,550</u>	<u>7,050</u>	<u>5,092</u>	<u>(1,958)</u>
Total internal service	<u>694,865</u>	<u>654,635</u>	<u>534,165</u>	<u>(120,470)</u>
Planning/research/evaluation:				
Development services:				
Salaries	508,519	502,725	488,486	(14,239)
Benefits	146,299	150,673	135,346	(15,327)
Purchased services	672,635	497,851	371,184	(126,667)
Supplies and materials	<u>28,150</u>	<u>80,727</u>	<u>74,574</u>	<u>(6,153)</u>
Total development services	<u>1,355,603</u>	<u>1,231,976</u>	<u>1,069,590</u>	<u>(162,386)</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison – General Fund

Year ended June 30, 2006

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Over (under) budget</u>
Admissions/communication services:				
Salaries	\$ 511,742	306,716	333,864	27,148
Benefits	170,549	138,927	83,960	(54,967)
Purchased services	285,600	344,850	336,166	(8,684)
Supplies and materials	7,500	7,500	16,732	9,232
Total admissions/communications	<u>975,391</u>	<u>797,993</u>	<u>770,722</u>	<u>(27,271)</u>
Personnel services:				
Salaries	1,255,883	1,240,831	1,264,637	23,806
Benefits	345,213	344,618	295,923	(48,695)
Purchased services	356,700	546,700	511,102	(35,598)
Supplies and materials	21,000	30,500	33,459	2,959
Total personnel services	<u>1,978,796</u>	<u>2,162,649</u>	<u>2,105,121</u>	<u>(57,528)</u>
Information technology:				
Salaries	1,808,885	1,957,276	1,933,985	(23,291)
Benefits	485,421	520,948	484,325	(36,623)
Purchased services	2,032,635	2,798,096	2,546,408	(251,688)
Supplies and materials	43,000	322,716	241,235	(81,481)
Total information technology	<u>4,369,941</u>	<u>5,599,036</u>	<u>5,205,953</u>	<u>(393,083)</u>
Total support services	<u>30,267,011</u>	<u>34,838,432</u>	<u>30,157,530</u>	<u>(4,680,902)</u>
Operation of facilities:				
Salaries	14,364,713	14,752,437	15,683,199	930,762
Benefits	4,787,492	4,902,804	4,714,342	(188,462)
Purchased services	17,141,299	14,085,678	15,240,972	1,155,294
Supplies and materials	38,625	47,125	31,146	(15,979)
Other purchased services	1,088,037	3,433,537	2,609,956	(823,581)
Other supplies and materials	1,014,048	805,048	1,590,889	785,841
Total operation of facilities	<u>38,434,214</u>	<u>38,026,629</u>	<u>39,870,504</u>	<u>1,843,875</u>
Pupil transportation:				
Salaries	36,002	36,670	27,995	(8,675)
Benefits	10,879	13,759	9,386	(4,373)
Purchased services	25,764,892	25,666,241	23,950,753	(1,715,488)
Supplies and materials	7,360	6,610	110	(6,500)
Total pupil transportation	<u>25,819,133</u>	<u>25,723,280</u>	<u>23,988,244</u>	<u>(1,735,036)</u>
Community and adult services:				
Adult basic education:				
Salaries	242,172	278,577	260,946	(17,631)
Benefits	182,235	187,036	176,821	(10,215)
Purchased services	405,486	399,270	365,669	(33,601)
Supplies and materials	81,537	149,807	119,320	(30,487)
Total adult basic education	<u>911,430</u>	<u>1,014,690</u>	<u>922,756</u>	<u>(91,934)</u>
Adult continuing education:				
Salaries	—	4,817	4,229	(588)
Benefits	—	2,202	2,543	341
Purchased services	—	2,400	—	(2,400)
Total adult continuing education	<u>—</u>	<u>9,419</u>	<u>6,772</u>	<u>(2,647)</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison – General Fund

Year ended June 30, 2006

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Over (under) budget</u>
Community services:				
Salaries	\$ 2,557,137	2,722,919	2,606,203	(116,716)
Benefits	705,561	832,240	715,384	(116,856)
Purchased services	1,103,926	1,085,084	786,828	(298,256)
Supplies and materials	334,121	630,392	309,633	(320,759)
Total community services	<u>4,700,745</u>	<u>5,270,635</u>	<u>4,418,048</u>	<u>(852,587)</u>
Total community and adult services	<u>5,612,175</u>	<u>6,294,744</u>	<u>5,347,576</u>	<u>(947,168)</u>
Facilities/acquisition and construction:				
Salaries	—	—	—	—
Benefits	—	—	—	—
Purchased services	—	119,500	—	(119,500)
Supplies and materials	—	—	—	—
Other purchased services	—	—	—	—
Total facilities/acquisition and construction	<u>—</u>	<u>119,500</u>	<u>—</u>	<u>(119,500)</u>
Total expenditures	<u>167,697,930</u>	<u>182,106,179</u>	<u>166,913,192</u>	<u>(15,192,987)</u>
Revenues over expenditures	<u>139,907,055</u>	<u>145,415,974</u>	<u>157,193,358</u>	<u>11,777,384</u>
Other financing sources:				
Transfers out	<u>(147,288,330)</u>	<u>(151,729,269)</u>	<u>(148,029,906)</u>	<u>3,699,363</u>
Total other financing sources	<u>(147,288,330)</u>	<u>(151,729,269)</u>	<u>(148,029,906)</u>	<u>3,699,363</u>
Revenues and other financing sources over (under) expenditures	<u>\$ (7,381,275)</u>	<u>(6,313,295)</u>	<u>9,163,452</u>	<u>15,476,747</u>
Fund balance, beginning of year			<u>56,082,927</u>	
Fund balance, end of year			<u>\$ 65,246,379</u>	

See accompanying independent auditors' report.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison – Teachers’ Fund

Year ended June 30, 2006

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Over (under) budget</u>
Revenues:				
Prop C taxes	\$ —	—	1,868,079	1,868,079
Local	21,046	9,000	56,348	47,348
County	398,182	398,182	319,842	(78,340)
State	1,122,721	1,122,033	1,275,711	153,678
Federal	454,598	428,588	470,642	42,054
Other	64,326	63,864	29,762	(34,102)
Total revenues	<u>2,060,873</u>	<u>2,021,667</u>	<u>4,020,384</u>	<u>1,998,717</u>
Expenditures:				
Current:				
Administration:				
Executive administration:				
Salaries	405,500	415,693	445,934	30,241
Benefits	12,576	12,576	14,092	1,516
Total executive administration	<u>418,076</u>	<u>428,269</u>	<u>460,026</u>	<u>31,757</u>
Building level administration:				
Salaries	10,295,358	11,853,699	11,957,548	103,849
Benefits	592,894	641,376	783,618	142,242
Total building level administration	<u>10,888,252</u>	<u>12,495,075</u>	<u>12,741,166</u>	<u>246,091</u>
Total administration	<u>11,306,328</u>	<u>12,923,344</u>	<u>13,201,192</u>	<u>277,848</u>
Instruction:				
Elementary:				
Salaries	41,587,918	41,205,656	41,590,816	385,160
Benefits	4,003,345	3,936,513	4,120,253	183,740
Total elementary	<u>45,591,263</u>	<u>45,142,169</u>	<u>45,711,069</u>	<u>568,900</u>
Middle/junior high:				
Salaries	11,886,902	12,485,099	12,366,459	(118,640)
Benefits	1,131,840	1,155,750	1,316,967	161,217
Total middle/junior high	<u>13,018,742</u>	<u>13,640,849</u>	<u>13,683,426</u>	<u>42,577</u>
Senior high:				
Salaries	13,545,652	14,291,012	14,584,174	293,162
Benefits	1,276,787	1,315,771	1,490,017	174,246
Total senior high	<u>14,822,439</u>	<u>15,606,783</u>	<u>16,074,191</u>	<u>467,408</u>
Summer school:				
Salaries	5,838,001	5,562,969	5,389,465	(173,504)
Benefits	—	2,391	2,715	324
Total summer school	<u>5,838,001</u>	<u>5,565,360</u>	<u>5,392,180</u>	<u>(173,180)</u>
Special education:				
Salaries	24,431,984	23,426,595	22,937,843	(488,752)
Benefits	2,027,122	2,068,202	2,116,169	47,967
Total special education	<u>26,459,106</u>	<u>25,494,797</u>	<u>25,054,012</u>	<u>(440,785)</u>
Culturally different:				
Salaries	5,901,458	7,782,352	6,727,424	(1,054,928)
Benefits	391,533	475,490	579,155	103,665
Total culturally different	<u>6,292,991</u>	<u>8,257,842</u>	<u>7,306,579</u>	<u>(951,263)</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison – Teachers’ Fund

Year ended June 30, 2006

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Over (under) budget</u>
Vocational instruction:				
Salaries	\$ 1,994,040	1,837,661	1,700,961	(136,700)
Benefits	250,492	133,754	137,843	4,089
Total vocational instruction	<u>2,244,532</u>	<u>1,971,415</u>	<u>1,838,804</u>	<u>(132,611)</u>
Student activities:				
Salaries	781,881	814,081	905,237	91,156
Total student activities	<u>781,881</u>	<u>814,081</u>	<u>905,237</u>	<u>91,156</u>
Total instruction	<u>115,048,955</u>	<u>116,493,296</u>	<u>115,965,498</u>	<u>(527,798)</u>
Support services:				
Attendance/placement:				
Salaries	157,661	160,352	88,707	(71,645)
Benefits	8,384	10,853	8,335	(2,518)
Total attendance/placement	<u>166,045</u>	<u>171,205</u>	<u>97,042</u>	<u>(74,163)</u>
Guidance/counseling:				
Salaries	5,249,535	5,411,079	5,293,807	(117,272)
Benefits	398,242	398,569	483,693	85,124
Total guidance/counseling	<u>5,647,777</u>	<u>5,809,648</u>	<u>5,777,500</u>	<u>(32,148)</u>
Health, psychology, and speech:				
Salaries	1,101,344	1,092,929	1,400,838	307,909
Benefits	104,800	100,608	36,895	(63,713)
Total health, psychology, and speech	<u>1,206,144</u>	<u>1,193,537</u>	<u>1,437,733</u>	<u>244,196</u>
Improvement of instruction:				
Current developments:				
Salaries	3,946,508	7,134,555	6,604,485	(530,070)
Benefits	375,721	472,828	600,194	127,366
Total current developments	<u>4,322,229</u>	<u>7,607,383</u>	<u>7,204,679</u>	<u>(402,704)</u>
Staff training:				
Salaries	1,278,652	1,847,499	2,011,640	164,141
Benefits	83,840	105,497	132,591	27,094
Total staff training	<u>1,362,492</u>	<u>1,952,996</u>	<u>2,144,231</u>	<u>191,235</u>
Educational media services:				
Salaries	3,715,992	3,668,212	3,356,372	(311,840)
Benefits	271,221	273,317	302,662	29,345
Total educational media	<u>3,987,213</u>	<u>3,941,529</u>	<u>3,659,034</u>	<u>(282,495)</u>
Financial services:				
Salaries	109,042	112,502	—	(112,502)
Benefits	8,384	8,384	—	(8,384)
Total financial services	<u>117,426</u>	<u>120,886</u>	<u>—</u>	<u>(120,886)</u>

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Schedule of Budgetary Comparison – Teachers’ Fund

Year ended June 30, 2006

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Over (under) budget</u>
Planning/research/evaluation/ development services:				
Salaries	\$ 158,557	152,292	99,175	(53,117)
Benefits	8,384	8,384	4,822	(3,562)
Total planning/research/evaluation/ development services	<u>166,941</u>	<u>160,676</u>	<u>103,997</u>	<u>(56,679)</u>
Personnel services:				
Salaries	105,000	—	—	—
Benefits	4,192	—	—	—
Total personnel services	<u>109,192</u>	<u>—</u>	<u>—</u>	<u>—</u>
Information technology:				
Salaries		50,000	3,253	(46,747)
Total technology services	<u>—</u>	<u>50,000</u>	<u>3,253</u>	<u>(46,747)</u>
Total support services	<u>17,085,459</u>	<u>21,007,860</u>	<u>20,427,469</u>	<u>(580,391)</u>
Community and adult services:				
Adult basic education:				
Salaries	665,235	772,275	758,413	(13,862)
Benefits	64,546	52,893	50,396	(2,497)
Total adult basic education	<u>729,781</u>	<u>825,168</u>	<u>808,809</u>	<u>(16,359)</u>
Adult continuing education:				
Salaries		21,605	23,073	1,468
Total adult continuing education	<u>—</u>	<u>21,605</u>	<u>23,073</u>	<u>1,468</u>
Community services:				
Salaries		266,479	281,914	15,435
Benefits	—	54,496	62,644	8,148
Total community services	<u>—</u>	<u>320,975</u>	<u>344,558</u>	<u>23,583</u>
Total community and adult services	<u>729,781</u>	<u>1,167,748</u>	<u>1,176,440</u>	<u>8,692</u>
Total expenditures	<u>144,170,523</u>	<u>151,592,248</u>	<u>150,770,599</u>	<u>(821,649)</u>
Revenues under expenditures	<u>(142,109,650)</u>	<u>(149,570,581)</u>	<u>(146,750,215)</u>	<u>2,820,366</u>
Other financing sources:				
Transfers in	<u>142,109,650</u>	<u>149,570,581</u>	<u>146,750,215</u>	<u>(2,820,366)</u>
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 accompanying independent auditors’ report.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Notes to the Required Supplementary Information

June 30, 2006

Budgetary Information

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

Major funds:	Nonmajor funds:
General	Food Service
Teachers'	
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 is not budgeted.

Budgets are not adopted for certain other nonmajor funds that include the Student Activity, Patron Gift Trust, Patron Endowments, Risk Management, and Other Special Revenue. 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 3.5% increase in the General Fund. The Board approved amendments in the Teachers' Fund and Capital Project Fund for increases of 5.1% and 9.2%, respectively.

**NON-MAJOR FUND
FINANCIAL STATEMENTS
AND SCHEDULES**

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Nonmajor Governmental Funds – Combining Balance Sheet

Year ended June 30, 2006

Assets	Food Service	Special Revenue		Permanent fund patron endowments	Total nonmajor governmental funds
		Student Activity	Patron Gift Trust		
Cash and investments	\$ 2,419	533,356	—	—	535,775
Restricted cash and investments	—	—	204,926	138,148	343,074
Interest receivable	—	—	1,820	1,218	3,038
Due from other governments	1,435,377	—	—	—	1,435,377
Supplies inventory	599,631	—	—	—	599,631
Total assets	<u>\$ 2,037,427</u>	<u>533,356</u>	<u>206,746</u>	<u>139,366</u>	<u>2,916,895</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ 380,739	—	631	—	381,370
Due to other funds	1,556,688	—	—	—	1,556,688
Deferred revenue	100,000	—	—	—	100,000
Total liabilities	<u>2,037,427</u>	<u>—</u>	<u>631</u>	<u>—</u>	<u>2,038,058</u>
Fund balance (deficit):					
Reserved for:					
Supplies inventory	599,631	—	—	—	599,631
Student activities	—	533,356	—	—	533,356
Unreserved:					
Undesignated:					
Special revenue funds	(599,631)	—	206,115	—	(393,516)
Permanent fund	—	—	—	139,366	139,366
Total fund balance	<u>—</u>	<u>533,356</u>	<u>206,115</u>	<u>139,366</u>	<u>878,837</u>
Total liabilities and fund balance	<u>\$ 2,037,427</u>	<u>533,356</u>	<u>206,746</u>	<u>139,366</u>	<u>2,916,895</u>

See accompanying independent auditors' report.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

Year ended June 30, 2006

	Special Revenue			Permanent fund patron endowments	Total nonmajor governmental funds
	Food Service	Student Activity	Patron Gift Trust		
Revenues:					
Local	2,027,775	1,371,667	8,473	5,115	3,413,030
Other state	93,818	—	—	—	93,818
Federal	11,196,971	—	—	—	11,196,971
Other	—	—	432	293	725
Total revenues	13,318,564	1,371,667	8,905	5,408	14,704,544
Expenditures:					
Current:					
Instruction	—	1,495,775	10,237	7,117	1,513,129
Support services	13,103,154	—	—	—	13,103,154
Transportation	—	—	155	—	155
Total expenditures	13,103,154	1,495,775	10,392	7,117	14,616,438
Revenues over (under) expenditures	215,410	(124,108)	(1,487)	(1,709)	88,106
Other financing sources (uses):					
Transfers in	275,340	—	—	—	275,340
Transfers out	(490,750)	—	—	—	(490,750)
Total other financing uses	(215,410)	—	—	—	(215,410)
Revenues and other financing sources under expenditures and other financing uses	—	(124,108)	(1,487)	(1,709)	(127,304)
Fund balances, beginning of year	—	657,464	207,602	141,075	1,006,141
Fund balances, end of year	—	533,356	206,115	139,366	878,837

See accompanying independent auditors' report.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Food Service Fund –
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual

Year ended June 30, 2006

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Over (under) budget</u>
Revenues:				
Local	\$ 2,435,125	2,437,625	2,027,775	(409,850)
State	93,000	93,000	93,818	818
Federal	11,097,191	11,191,856	11,196,971	5,115
Total revenues	<u>13,625,316</u>	<u>13,722,481</u>	<u>13,318,564</u>	<u>(403,917)</u>
Expenditures:				
Current:				
Support services:				
Salaries	4,776,794	4,729,838	4,753,502	23,664
Benefits	2,140,703	2,016,695	1,914,151	(102,544)
Purchased services	762,239	1,078,117	790,691	(287,426)
Supplies and materials	6,087,850	6,391,088	6,055,732	(335,356)
Total expenditures	<u>13,767,586</u>	<u>14,215,738</u>	<u>13,514,076</u>	<u>(701,662)</u>
Revenues under expenditures	(142,270)	(493,257)	(195,512)	297,745
Other financing sources (uses):				
Transfers in	217,270	908,688	275,340	(633,348)
Transfers out			(79,828)	(79,828)
Total other financing sources	<u>217,270</u>	<u>908,688</u>	<u>195,512</u>	<u>(713,176)</u>
Revenues over expenditures and other financing uses	\$ <u>75,000</u>	<u>415,431</u>	—	<u>(415,431)</u>
Fund balance, beginning of year			—	
Fund balance, end of year			\$ <u>—</u>	

See accompanying independent auditors' report.

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, 2006

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Over (under) budget</u>
Revenues:				
Property taxes	\$ 6,852,019	7,186,384	6,691,903	(494,481)
Other local	430,129	527,503	1,148,747	621,244
State	94,901	491,395	—	(491,395)
Federal	174,067	574,657	18,778	(555,879)
Other sources	16,475,446	16,475,446	(91,158)	(16,566,604)
Total revenues	24,026,562	25,255,385	7,768,270	(17,487,115)
Expenditures:				
Current:				
Administration:				
Board of education services	1,500	1,500	1,353	(147)
Executive administration	13,045	4,200	1,840	(2,360)
Building level administration	20,686	26,326	14,585	(11,741)
Total administration	35,231	32,026	17,778	(14,248)
Instruction:				
Elementary	94,925	289,135	109,623	(179,512)
Middle/junior high	67,565	122,074	45,509	(76,565)
Senior high	54,403	48,019	23,473	(24,546)
Summer school		100,726	77,643	(23,083)
Special education	131,738	142,433	28,992	(113,441)
Culturally different		79,675	33,079	(46,596)
Vocational instruction	162,002	287,324	245,015	(42,309)
Student activities	79,450	80,110	41,464	(38,646)
Total instruction	590,083	1,149,496	604,798	(544,698)
Support services:				
Attendance/placement	1,700	15,000	9,319	(5,681)
Guidance/counseling	—	—	—	—
Improvement of instruction:				
Curriculum development	47,000	56,028	17,704	(38,324)
Staff training	9,394	10,094	—	(10,094)
Educational media services	118,628	120,413	79,504	(40,909)
Finance/support services	46,500	53,500	43,016	(10,484)
Food service	3,551	6,650	—	(6,650)
Internal service	3,000	3,000	670	(2,330)
Planning/research/development services	13,000	13,000	9,393	(3,607)
Admissions/communication services	5,500	15,500	—	(15,500)
Personnel services	10,000	10,000	7,729	(2,271)
Information technology service	20,000	260,299	229,988	(30,311)
Total support services	278,273	563,484	397,323	(166,161)
Operation of facilities	56,000	1,732,400	69,609	(1,662,791)
Pupil transportation	6,500	6,500	—	(6,500)
Community and adult services:				
Adult basic education	7,516	37,075	18,354	(18,721)
Community services	22,000	146,589	54,811	(91,778)
Total community and adult services	29,516	183,664	73,165	(110,499)
Facilities acquisition and construction:				
Capital outlay	128,870	150,247	65,798	(84,449)
Other expenditures	16,000	16,000	41,936	25,936
Total facilities acquisition and construction	144,870	166,247	107,734	(58,513)

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, 2006

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Over (under) budget</u>
Debt service:				
Principal	\$ 21,380,000	21,380,000	21,380,000	—
Interest	<u>6,467,499</u>	<u>6,467,499</u>	<u>6,467,096</u>	<u>(403)</u>
Total debt service	<u>27,847,499</u>	<u>27,847,499</u>	<u>27,847,096</u>	<u>(403)</u>
Total expenditures	<u>28,987,972</u>	<u>31,681,316</u>	<u>29,117,503</u>	<u>(2,563,813)</u>
Revenues under expenditures	<u>(4,961,410)</u>	<u>(6,425,931)</u>	<u>(21,349,233)</u>	<u>(14,923,302)</u>
Other financing sources (uses):				
Transfers in	—	—	16,475,446	16,475,446
Transfers out	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total other financing sources	<u>—</u>	<u>—</u>	<u>16,475,446</u>	<u>16,475,446</u>
Revenues and other financing sources under expenditures and other financing uses	<u>\$ (4,961,410)</u>	<u>(6,425,931)</u>	<u>(4,873,787)</u>	<u>1,552,144</u>
Fund balance, beginning of year			<u>26,155,110</u>	
Fund balance, end of year			\$ <u>21,281,323</u>	

See accompanying independent auditors' report.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Construction-In-Progress Capital Projects Fund –
Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual

From inception and for the year ended June 30, 2006

	<u>Prior year's actual</u>	<u>Current year actual</u>	<u>Total to-date actual</u>	<u>Project authorization</u>
Revenues:				
Reimbursement-bond proceeds	\$ 34,969,853	—	34,969,853	34,969,853
Federal grant	5,868,411	5,343,061	11,211,472	11,211,472
Interest	2,195,767	1,276,482	3,472,249	3,472,249
Other	20,139,985	275,182	20,415,167	20,415,167
Unrealized loss on securities	(147,580)	(150,144)	(297,724)	(297,724)
Total revenues	<u>63,026,436</u>	<u>6,744,581</u>	<u>69,771,017</u>	<u>69,771,017</u>
Expenditures:				
Building construction-in-progress plan (5 year)	72,405,246	1,479,104	73,884,350	73,000,000
E-Rate/E-Rate support	30,297,645	7,010,206	37,307,851	—
Technology plan	13,941,581	2,906,693	16,848,274	25,000,000
Total expenditures	<u>116,644,472</u>	<u>11,396,003</u>	<u>128,040,475</u>	<u>98,000,000</u>
Revenues under expenditures	<u>(53,618,036)</u>	<u>(4,651,422)</u>	<u>(58,269,458)</u>	<u>(28,228,983)</u>
Other financing sources:				
Transfers in:				
Long-term building maintenance	7,000,000	—	7,000,000	7,000,000
E-Rate	—	881,318	881,318	881,318
Transfers in (out):				
Long-term building maintenance	5,615,437	—	5,615,437	6,000,000
Transition period funding	36,201,378	—	36,201,378	36,741,245
E-Rate/E-Rate support	(79,602)	—	(79,602)	—
Technology plan	23,725,863	(881,318)	22,844,545	25,000,000
Contributed capital	21,952,994	—	21,952,994	21,952,994
Total other financing sources	<u>94,416,070</u>	<u>—</u>	<u>94,416,070</u>	<u>97,575,557</u>
Revenues and other financing sources over (under) expenditures	\$ <u>40,798,034</u>	<u>(4,651,422)</u>	<u>36,146,612</u>	<u>69,346,574</u>
Fund balance, beginning of year		<u>40,798,034</u>		
Fund balance, end of year		\$ <u>36,146,612</u>		

See accompanying independent auditors' report.

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, 2006

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Food Service Capital Projects	Total Capital Projects funds
Revenue:				
Property taxes	\$ —	6,691,903	—	6,691,903
Other local	1,527,744	1,148,747	—	2,676,491
Other state	—	—	—	—
Federal	5,343,061	18,778	—	5,361,839
Realized/unrealized loss on sale of securities	(150,145)	(91,158)	—	(241,303)
Total revenues	6,720,660	7,768,270	—	14,488,930
Expenditures:				
Administration	—	—	—	—
Board services	—	1,353	—	1,353
Executive administration	—	1,840	—	1,840
Building administration	—	14,585	—	14,585
Total administration	—	17,778	—	17,778
Instruction:				
Elementary schools	—	109,624	—	109,624
Middle schools	—	45,509	—	45,509
High schools	—	23,473	—	23,473
Summer schools	—	77,643	—	77,643
Special education	—	28,992	—	28,992
Culturally different	—	33,079	—	33,079
Vocational instruction	—	245,015	—	245,015
Student activities	—	41,463	—	41,463
Total instruction	—	604,798	—	604,798

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, 2006

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Food Service Capital Projects	Total Capital Projects funds
Support services:				
Attendance/SW/Pa	\$ —	9,319	—	9,319
Guidance/counseling	—	—	—	—
Curriculum development	10,810	17,704	—	28,514
Staff training	—	—	—	—
Educational media services	—	79,504	—	79,504
Financial services	—	43,016	—	43,016
Food service	—	—	79,828	79,828
Internal services	—	670	—	670
Planning/research/evaluation/development services	—	9,393	—	9,393
Personnel services	—	7,729	—	7,729
Information technology services	8,944,811	229,988	—	9,174,799
Total support services	8,955,621	397,323	79,828	9,432,772
Pupil transportation	—	—	—	—
Total pupil transportation	—	—	—	—
Operation of plant:				
Plant services	1,170,513	69,609	—	1,240,122
Total operation of plant	1,170,513	69,609	—	1,240,122
Community and adult services:				
Adult basic education	—	18,354	—	18,354
Community services	—	54,811	—	54,811
Total community and adult services	—	73,165	—	73,165

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, 2006

Function	Capital Projects L-T-D Fund	Operating Capital Projects	Food Service Capital Projects	Total Capital Projects funds
Capital outlay: Facilities	\$ 1,269,869	107,734	—	1,377,603
Total capital outlay	1,269,869	107,734	—	1,377,603
Debt services	—	—	—	—
Total debt services	—	—	—	—
Unrealized loss	—	—	—	—
Total unrealized loss	—	—	—	—
Total expenditures	11,396,003	1,270,407	79,828	12,746,238
Revenues over (under) expenditures	(4,675,343)	6,497,863	(79,828)	1,742,692
Other financing sources (uses):				
Transfers in	—	16,475,446	79,828	16,555,274
Transfer out	—	(27,847,096)	—	(27,847,096)
Sale of capital assets	23,921	—	—	23,921
Total financing sources (uses)	23,921	(11,371,650)	79,828	(11,267,901)
Revenues and other financing sources under expenditures and other financing uses	(4,651,422)	(4,873,787)	—	(9,525,209)
Fund balances – beginning of year	40,798,034	26,155,110	—	66,953,144
Fund balances – end of year	\$ 36,146,612	21,281,323	—	57,427,935

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, 2006

Function	Capital Projects L-T-D Fund	General Capital Projects	Food Service Capital Projects	Total Capital Projects funds
Fund balance:				
Advances	\$ —	1,567,526	—	1,567,526
Encumbrances	2,823,865	31,928	—	2,855,793
Technology Plan	9,947,023	—	—	9,947,023
Long-term building maintenance	14,166,763	—	—	14,166,763
Transition years	1,120,395	—	—	1,120,395
E-Rate	1,170,229	—	—	1,170,229
E-Rate support	339,301	—	—	339,301
Undesignated	6,579,036	19,681,869	—	26,260,905
Total fund balance	\$ 36,146,612	21,281,323	—	57,427,935

See accompanying notes to basic financial statements.

INTERNAL SERVICE FUNDS

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Internal Service Funds

Combining Statement of Net Assets

Year ended June 30, 2006

	<u>Administrative Service Center</u>	<u>Risk Management</u>	<u>Total</u>
Assets:			
Current assets:			
Investments	\$ 182,426	7,216,029	7,398,455
Restricted cash and investments	—	9,077,113	9,077,113
Interest receivable	—	76,861	76,861
Other receivables	2,156	—	2,156
Supplies inventories	138,805	—	138,805
	<u>323,387</u>	<u>16,370,003</u>	<u>16,693,390</u>
Total current assets			
Capital assets:			
Net capital assets	141,540	—	141,540
Less accumulated depreciation	(123,378)	—	(123,378)
	<u>18,162</u>	<u>—</u>	<u>18,162</u>
Total capital assets			
	<u>341,549</u>	<u>16,370,003</u>	<u>16,711,552</u>
Total assets			
Liabilities:			
Current liabilities:			
Accounts payable	22,041	558,470	580,511
Claims payable	—	734,420	734,420
	<u>22,041</u>	<u>1,292,890</u>	<u>1,314,931</u>
Total liabilities			
Net assets:			
Invested in capital assets net of related debt	18,162	—	18,162
Restricted:			
Unemployment compensation	—	2,331,456	2,331,456
Workers' compensation	—	6,745,657	6,745,657
Unrestricted	301,346	6,000,000	6,301,346
	<u>319,508</u>	<u>15,077,113</u>	<u>15,396,621</u>
Total net assets			

See accompanying independent auditors' report.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Internal Service Funds

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

Year ended June 30, 2006

	<u>Administrative Service Center</u>	<u>Risk Management</u>	<u>Total</u>
Operating revenues:			
Charges for administrative services	\$ 725,706	—	725,706
Total operating revenues	<u>725,706</u>	<u>—</u>	<u>725,706</u>
Operating expenses:			
Salaries, wages, and employee benefits	312,386	418,140	730,526
Utilities, supplies, and materials	106,432	—	106,432
Other contractual services	324,279	4,013,107	4,337,386
Depreciation	1,973	—	1,973
Total operating expenses	<u>745,070</u>	<u>4,431,247</u>	<u>5,176,317</u>
Operating loss	<u>(19,364)</u>	<u>(4,431,247)</u>	<u>(4,450,611)</u>
Nonoperating revenues:			
Interest earnings	—	278,291	278,291
Gain on disposal of capital asset	9,427	—	9,427
Total nonoperating revenues	<u>9,427</u>	<u>278,291</u>	<u>287,718</u>
Loss before transfers	<u>(9,937)</u>	<u>(4,152,956)</u>	<u>(4,162,893)</u>
Transfers in	—	9,604,975	9,604,975
Transfers out	<u>(28,616)</u>	<u>—</u>	<u>(28,616)</u>
Change in net assets	<u>(38,553)</u>	<u>5,452,019</u>	<u>5,413,466</u>
Total net assets beginning of year	<u>358,060</u>	<u>9,625,095</u>	<u>9,983,155</u>
Total net assets ending of year	\$ <u><u>319,507</u></u>	<u><u>15,077,114</u></u>	<u><u>15,396,621</u></u>

See accompanying independent auditors' report.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Internal Service Funds

Combining Statement of Cash Flows

Year ended June 30, 2006

	<u>Administrative Service Center</u>	<u>Risk Management</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 726,213	—	726,213
Receipts from insurance claim	—	4,754	4,754
Payments to suppliers	(362,704)	(3,478,671)	(3,841,375)
Payments to employees	(312,386)	(424,824)	(737,210)
Net cash provided by (used in) operating activities	<u>51,123</u>	<u>(3,898,741)</u>	<u>(3,847,618)</u>
Cash flows from noncapital and related financing activities:			
Transfers to other funds	(28,616)	—	(28,616)
Transfers from other funds	—	9,604,976	9,604,976
Net cash provided by (used in) noncapital financing activities	<u>(28,616)</u>	<u>9,604,976</u>	<u>9,576,360</u>
Cash flows from capital and related financing activities:			
Sale of capital assets	(9,338)	—	(9,338)
Net cash used in capital and related financing activities	<u>(9,338)</u>	<u>—</u>	<u>(9,338)</u>
Cash flows from investing activities:			
Interest income received	—	262,571	262,571
Net cash provided by investing activities	<u>—</u>	<u>262,571</u>	<u>262,571</u>
Net increase in cash and cash equivalents	13,169	5,968,806	5,981,975
Cash and cash equivalents, beginning of year	169,258	10,324,335	10,493,593
Cash and cash equivalents, end of year	<u>\$ 182,427</u>	<u>16,293,141</u>	<u>16,475,568</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (19,364)	(4,431,248)	(4,450,612)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation expense	1,973	—	1,973
Increase in other receivable	(507)	—	(507)
Decrease in inventory	63,719	—	63,719
Donation of capital asset	7,155	—	7,155
Increase (decrease) in A/P and accrued salaries/fringes	(1,853)	539,191	537,338
Decrease in claims payable	—	(6,684)	(6,684)
Total adjustments	<u>70,487</u>	<u>532,507</u>	<u>602,994</u>
Net cash provided by (used in) operating activities	<u>\$ 51,123</u>	<u>(3,898,741)</u>	<u>(3,847,618)</u>

See accompanying independent auditors' report.

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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, 2006
(with comparative totals for June 30, 2005)

	Total	
	2006	2005
Capital assets (gross):		
Land	\$ 43,761,690	43,800,189
Buildings	598,939,403	598,634,170
Improvements other than buildings	41,072,442	40,616,301
Equipment, furniture, and vehicles	35,118,171	29,200,639
Construction in progress	1,755,047	1,951,881
Total	\$ 720,646,753	714,203,180
Investment in capital assets by source:		
General fund	\$ 505,341	514,426
Capital projects	718,810,122	712,252,631
Special revenue	1,176,623	1,284,326
Trust and agency	13,127	13,127
Internal service	141,540	138,670
Total	\$ 720,646,753	714,203,180

See accompanying independent auditors' report.

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, 2006

Classification	Beginning balance July 1, 2005	Adjustments	Additions	Retirements	Ending balance June 30, 2006
High schools	\$ 227,324,708	230,059	3,666,495	(252,247)	230,969,015
Middle schools	150,877,738	165,575	886,731	(33,008)	151,897,036
Elementary schools	308,598,905	644,908	3,681,309	(1,101,150)	311,823,972
Administration	25,449,948	(1,040,542)	149,073	(356,796)	24,201,683
Construction in progress	1,951,881	—	1,751,047	(1,947,881)	1,755,047
Total	\$ 714,203,180	—	10,134,655	(3,691,082)	720,646,753

See accompanying independent auditors' report.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

June 30, 2006

<u>Classification</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements other than buildings</u>	<u>Equipment, furniture, vehicles</u>	<u>Vehicles</u>	<u>Construction- in-progress</u>	<u>Total</u>
High schools	\$ 18,094,960	188,778,244	17,159,835	6,792,689	143,287	—	230,969,015
Middle schools	7,335,676	133,977,409	5,847,694	4,736,257	—	—	151,897,036
Elementary schools	15,477,490	264,489,713	16,748,075	15,108,694	—	—	311,823,972
Administration	2,853,564	11,694,037	1,316,838	7,102,354	1,234,890	—	24,201,683
Construction-in-progress	—	—	—	—	—	1,755,047	1,755,047
Total	\$ 43,761,690	598,939,403	41,072,442	33,739,994	1,378,177	1,755,047	720,646,753

See accompanying independent auditors' report.

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East Elementary originally East High School a school farm in the city, opened August of 1926 with 30,000 acres and greenhouse.



*Highlights of architectural landscapes at
East Elementary*

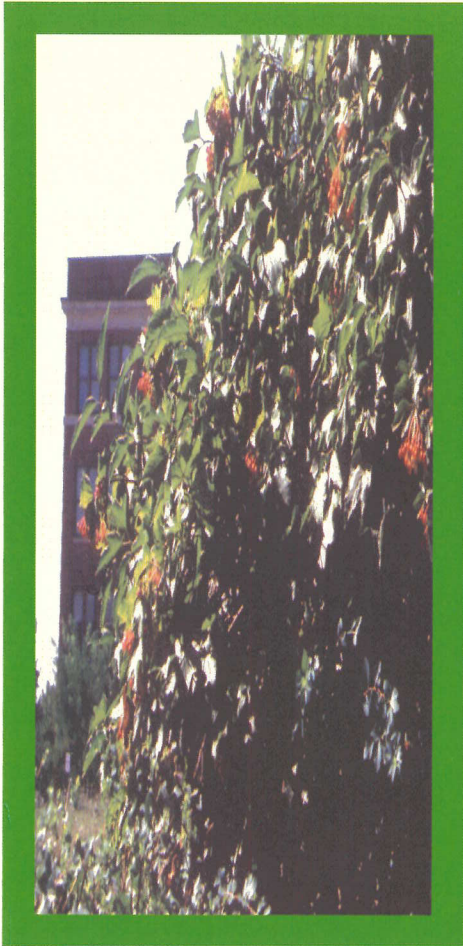


Table 1

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Governmental-wide Expenses by Function (1)

Last Four Fiscal Years

<u>Fiscal year ended June 30</u>	<u>Administration</u>	<u>Instruction</u>	<u>Support services</u>	<u>Operation of facilities</u>	<u>Pupil transportation</u>	<u>Facilities improvement and renovation</u>	<u>Debt service</u>	<u>Community and adult services</u>	<u>Total</u>
2003	\$ 25,482,395	174,692,787	74,611,273	34,926,534	21,432,570	2,772,318	9,299,869	11,562,629	354,780,375
2004	22,421,499	171,849,614	79,487,120	34,423,231	21,957,846	1,167,980	6,833,773	10,824,955	348,966,018
2005	23,648,680	182,162,839	86,581,707	35,528,868	23,125,611	788,545	6,968,908	8,992,900	367,798,058
2006	24,876,459	174,168,167	93,920,928	38,681,957	23,987,634	612,612	6,236,827	6,143,465	368,628,049

(1) Includes all governmental fund types.

Implementation of new financial reporting model in 2002 precluded restatement of historical information to same basis.

Table 2

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

General Governmental Expenditures by Function (1)

Last Ten Fiscal Years

Fiscal year ended June 30	Administration	Instruction	Support services	Operation of facilities	Pupil transportation	Facilities improvements and renovations	Debt service	Community and adult services	Total
1997	\$ 21,212,263	154,754,937	56,418,216	34,419,699	33,838,770	29,249,550	32,518,591	2,880,632	365,292,658
1998	20,558,147	153,175,649	61,517,463	35,339,550	32,953,044	17,607,674	31,852,553	3,079,758	356,083,838
1999	19,891,690	140,782,553	61,396,281	29,188,446	24,007,912	11,250,344	31,687,828	4,915,652	323,120,706
2000	19,462,632	134,226,235	60,330,701	28,907,911	22,557,907	19,728,614	31,683,905	4,714,534	321,612,439
2001 (2)	19,512,368	140,800,279	64,100,283	32,948,681	21,675,037	44,987,386	31,863,753	4,631,023	360,518,810
2002	21,540,410	66,013,110	153,017,864	31,541,543	21,600,703	36,327,080	33,095,439	4,397,198	367,533,347
2003	20,844,676	160,852,362	69,636,462	34,654,357	21,432,131	9,442,845	31,700,815	5,190,757	353,754,405
2004	20,174,412	158,358,464	96,599,633	34,368,126	21,959,470	1,135,033	21,804,025	5,629,806	360,028,969
2005	21,628,318	167,094,881	84,108,147	35,511,668	23,124,839	613,245	28,352,844	5,366,072	365,800,014
2006	22,805,931	164,151,318	84,974,723	39,552,088	23,984,611	1,377,603	28,122,123	6,235,112	371,203,509

(1) Includes all governmental fund types.

(2) Charter school funding loss reported in the General Fund is not included in total expenditures.

Table 3

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Governmental-wide Revenues (1)

Last Four Fiscal Years

Fiscal year ended June 30	Program revenues			General revenues					Total
	Charges for services	Operating grants and contributions	Capital grants and contributions	Property taxes	Prop C sales tax	State aid -- basic formula	Investment earnings	Miscellaneous	
2003	\$ 11,759,285	99,016,963	8,970,584	125,895,530	25,076,985	40,839,926	10,977,581	8,237,237	330,774,091
2004	10,088,023	99,796,426	26,936,711	138,240,024	26,281,220	42,441,391	7,613,052	7,294,341	358,691,188
2005	8,074,969	109,455,753	5,518,451	135,884,586	27,995,396	53,593,312	9,609,182	8,236,936	358,368,585
2006	3,929,218	111,824,301	5,674,698	146,229,928	28,187,248	47,105,861	9,746,684	9,107,530	361,805,468

(1) Includes all governmental fund types.

Table 4

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

General Governmental Revenues by Source (1)

Last Six Fiscal Years (3)

Fiscal year ended June 30	Property taxes (2)	Prop C sales tax	Other local	Intermediate	State aid – basic formula	At-Risk	Other state	Federal	Other	Total
2001	\$ 123,543,423	25,572,720	30,693,157	3,489,060	53,782,392	34,617,451	29,294,026	35,942,472	21,149,169	358,083,870
2002	132,108,453	25,962,189	22,231,761	3,437,231	46,086,119	32,964,794	26,405,773	43,036,954	9,541,741	341,775,015
2003	125,664,004	25,076,985	24,968,901	3,625,083	40,839,926	31,618,683	25,187,025	43,694,925	589,105	321,264,637
2004	140,369,903	26,281,221	16,239,868	3,626,129	42,441,391	30,301,023	22,929,070	69,748,574	(9,432)	351,927,747
2005	136,543,106	27,995,396	15,014,783	3,948,905	53,593,312	30,835,398	23,578,670	61,788,770	274,142	353,572,482
2006	147,931,257	28,187,248	14,671,843	6,356,672	47,105,861	30,485,284	25,446,996	62,072,061	236,228	362,493,450

(1) Includes all governmental fund types.

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

(3) Implementation of new financial software in 1999 precluded restating years prior in new reporting format.

Table 5

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 percentage of current levy (3)	Outstanding delinquent taxes (4)	Outstanding delinquent taxes as a percentage of current levy
1996	\$ 107,661,850	96,444,557	89.6%	7,350,719	103,795,276	96.4%	11,217,293	10%
1997	113,497,976	102,070,728	89.9	8,353,368	110,424,096	97.3	11,427,248	10
1998	114,739,806	101,988,493	88.9	7,502,289	109,490,782	95.4	12,751,313	11
1999	121,690,043	113,565,036	93.3	7,569,092	121,134,128	99.5	8,125,007	7
2000	122,562,408	115,523,875	94.3	7,824,944	123,348,819	100.6	7,038,533	6
2001	127,392,885	120,947,659	94.9	10,800,986	131,748,645	103.4	6,445,226	5
2002	123,484,756	114,562,189	92.8	11,047,615	125,609,804	101.7	8,922,567	7
2003	132,070,410	124,980,641	94.6	15,274,849	140,255,490	106.2	7,089,769	5
2004	131,741,231	124,708,338	94.7	8,850,541	133,558,879	101.4	7,916,603	6
2005	143,862,828	134,077,148	93.2	11,644,108	145,721,256	101.3	9,785,680	7

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

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

(3) Percentage includes collection of delinquent taxes.

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

Table 6

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	
1997	\$ 1,523,706,560	6,217,510,565	765,435,465	2,298,605,000	2,289,142,025	8,516,115,565	27%
1998	1,529,572,810	6,240,712,337	818,024,250	2,456,529,279	2,347,597,060	8,697,241,616	27
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
2000	1,636,145,314	6,896,641,256	879,547,981	2,638,907,834	2,515,693,295	9,535,549,090	26
2001	1,753,974,583	7,432,410,586	877,713,163	2,633,402,829	2,631,687,746	10,065,813,415	26
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
2003	1,934,514,727	8,323,442,115	731,754,452	2,195,482,904	2,666,269,179	10,518,925,019	25
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
2005	2,198,143,237	9,726,019,934	677,475,726	2,032,630,441	2,875,618,963	11,758,650,375	24

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

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

Table 7

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)
1997		0.77	0.03	0.51	0.22	1.05	0.50	4.96	9.43
1998	1.39	0.76	0.03	0.53	0.22	1.06	0.50	4.96	9.40
1999	1.34	0.75	0.03	0.55	0.23	1.06	0.50	4.96	9.44
2000	1.36	0.75	0.03	0.56	0.23	1.08	0.50	4.95	9.42
2001	1.32	0.75	0.03	0.56	0.23	1.08	0.50	4.95	9.42
2002	1.32	0.75	0.03	0.57	0.23	1.09	0.50	4.95	9.44
2003	1.34	0.75	0.03	0.57	0.23	1.09	0.50	4.95	9.46
2004	1.3159	0.75	0.03	0.57	0.22	1.07	0.49	4.95	9.40
2005	1.3196	0.75	0.03	0.57	0.22	1.07	0.49	4.95	9.40
2006	1.5055	0.69	0.03	0.57	0.22	1.07	0.47	4.95	9.51

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

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

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Computation of Legal Debt Margin

June 30, 2006

Total assessed value, tax levy year 2005 (1)	\$ 2,875,618,963
Legal debt margin – 15% of assessed value (2)	431,342,844

- (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, 2006.

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Computation of Overlapping Debt

June 30, 2006

<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	\$ 227,420,000	0.4455%	\$ 101,315,610

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

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

Table 10

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
1997	282,066	36,413	13%	31,940	87.7%
1998	282,066	36,250	13	31,947	88.1
1999	282,066	35,592	13	31,011	87.1
2000	282,066	31,213	11	28,707	92.0
2001	239,451	29,157	12	26,915	92.3
2002	239,451	27,973	12	25,663	91.7
2003	239,451	26,886	11	25,784	95.9
2004	239,451	26,939	11	25,813	95.8
2005	239,451	27,094	11	25,449	93.9
2006	239,451	25,750	11	24,569	95.4

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

Table 11

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)
1997	\$ 7,994,872,189	194.1	19.3
1998	8,516,115,565	312.6	56.2
1999	8,697,241,616	172.6	84.9
2000	9,194,522,421	62.4	18.0
2001	9,535,549,090	212.5	40.7
2002	10,065,813,415	283.4	66.6
2003	9,748,994,245	191.2	48.0
2004	10,518,925,019	151.9	85.0
2005	10,349,087,814	28.6	14.3
2006	11,758,650,375	13.2	36.3

(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 12

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Principal Property Taxpayers

June 30, 2006

Taxpayers	Assessed value(1)	Percentage of total assessed value
Hallmark & Crown Power	\$ 70,887,106	2.5%
Kansas City Power and Light	32,980,657	1.1
JC Nichols & Highwoods Realty	27,542,641	1.0
Bayer/Mobay Chemicals	21,899,264	0.8
DST, Inc.	15,287,588	0.5
Southwestern Bell	14,950,994	0.5
Southern Union Company	13,987,743	0.5
IBM Credit Corporation	11,218,241	0.4
AT&T	10,477,350	0.4
Twentieth Century Realty Inc	10,447,868	0.4
	<u>\$ 229,679,452</u>	<u>8.1%</u>

Note: Total assessed value for 2005 was \$2,875,618,963

(1) Based on calendar year ended December 31, 2005.

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

Table 13

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)
1997	31,940	32,651	\$ 8,852
1998	31,947	32,765	8,783
1999	31,011	31,735	8,125
2000	28,707	29,725	8,376
2001	26,915	27,929	9,301
2002	25,663	26,429	10,483
2003	25,784	26,771	10,907
2004	25,813	27,012	10,906
2005	25,449	26,605	11,590
2006	24,569	25,725	12,193

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

Table 14

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

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

June 30, 2006

Classification	Land	Buildings	Improvements other than buildings	Equipment, furniture, vehicles	Vehicles	Construction- in-progress	Total
High schools	\$ 18,094,960	188,778,244	17,159,835	6,792,689	143,287	—	230,969,015
Middle schools	7,335,676	133,977,409	5,847,694	4,736,257	—	—	151,897,036
Elementary schools	15,477,490	264,489,713	16,748,075	15,108,694	—	—	311,823,972
Administration	2,853,564	11,694,037	1,316,838	7,102,354	1,234,890	—	24,201,683
Construction-in-progress	—	—	—	—	—	1,755,047	1,755,047
Total	\$ 43,761,690	598,939,403	41,072,442	33,739,994	1,378,177	1,755,047	720,646,753

Table 15

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Net Assets by Component

Last Five Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

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

Table 16

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Changes in Net Assets

Last Five Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

Classification	Fiscal year				
	2006	2005	2004	2003	2002
Expenses:					
Governmental activities:					
Administration	\$ 24,876	23,648	22,421	25,482	23,285
Instruction	174,168	182,163	171,850	174,693	175,429
Support services	93,921	86,582	79,487	74,611	73,605
Operation of facilities	38,682	36,317	34,423	34,927	33,053
Pupil transportation	23,988	23,126	21,958	21,433	21,604
Facilities improvements and renovation	612	—	1,168	2,772	18,105
Community and adult services	6,237	5,407	5,599	5,287	4,980
Interest on long-term debt	6,023	6,969	6,834	9,300	11,056
Total governmental activities expenses	368,507	364,212	343,740	348,505	361,117
Business-type activities:					
Community services	121	3,586	5,226	6,275	6,766
Total governmental activities expenses	121	3,586	5,226	6,275	6,766
Total primary government expenses	\$ 368,628	367,798	348,966	354,780	367,883
Program revenues:					
Governmental activities:					
Charges for services	\$ 3,783	4,878	4,345	4,940	5,219
Operating grants and contributions	111,824	109,456	99,796	99,017	101,423
Capital grants and contributions	5,675	5,518	26,937	8,971	11,845
Total governmental activities program revenue	121,282	119,852	131,078	112,928	118,487
Business-type activities:					
Charges for services	\$ 146	3,197	5,743	6,819	6,654
Total business-type activities program revenues	146	3,197	5,743	6,819	6,654
Total primary governmental program revenues	\$ 121,428	123,049	136,821	119,747	125,141

Table 16

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Changes in Net Assets
 Last Five Fiscal Years
 (Accrual basis of accounting)
 (Amounts expressed in thousands)

Classification	Fiscal year				
	2006	2005	2004	2003	2002
Net (expense)/revenue:					
Governmental activities	\$ (247,225)	(244,360)	(212,662)	(235,577)	(242,630)
Business-type activities	25	(389)	517	544	(112)
Total primary government net expense	\$ (247,200)	(244,749)	(212,145)	(235,033)	(242,742)
General revenues and other changes in net assets:					
Governmental activities:					
Property taxes	\$ 146,230	135,885	138,240	125,895	149,176
Prop C Sales tax	28,187	27,995	26,281	25,077	25,962
Other local revenues	1,935	2,558	2,186	2,264	2,924
County governmental contributions	6,356	3,949	3,626	3,625	3,437
State aid-basic formula	47,106	53,593	42,441	40,840	46,086
Grants and entitlements not restricted to specific programs	1,820	1,730	1,483	1,376	1,482
Investment earnings	9,747	9,609	7,613	10,978	13,696
Transfers	(1,004)	—	249	264	248
Total governmental activities	240,377	235,319	222,119	210,319	243,011
Business-type activities:					
Transfers	1,004	—	(249)	(264)	(248)
Total business-type activities	1,004	—	(249)	(264)	(248)
Total primary government	\$ 241,381	235,319	221,870	210,055	242,763
Change in net assets:					
Governmental activities	\$ —	—	—	—	—
Business-type activities	—	—	—	—	—
Total primary government	\$ —	—	—	—	—

Table 17

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Fund Balances of Governmental Funds

Last Five Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

Classification	Fiscal year				
	2006	2005	2004	2003	2002
General Fund:					
Reserved					
Unreserved:	\$ 701	1,434	356	2,440	4,364
Designated:					
Grant activity	9,946	44,703	45,975	48,764	25,000
Undesignated	55,034	46,137	46,331	51,204	29,364
Total general fund	\$ 65,681				
All other governmental funds					
Reserved					
Teachers' funds	\$ —	1,078	—	—	—
Grant activity funds	—	—	1,397	1,157	—
Other special revenue funds	—	—	—	—	—
Debt service funds	71,484	84,227	97,278	113,570	96,912
Capital projects funds	4,424	5,792	5,481	10,100	5,974
Nonmajor funds	1,133	2,118	1,006	1,278	1,632
Unreserved, reported in:					
Designated:					
Long-term building maintenance	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	9,947	13,336	14,292	20,877	22,584
Pension cost	—	—	28,021	27,101	26,320
Compensated absences	22,528	19,442	19,451	19,100	19,970
E-Rate/E-Rate support	1,510	1,235	3,006	—	—
Undesignated:					
Special revenue funds	(393)	16,433	8,841	8,175	10,813
Capital projects funds	26,261	28,586	26,498	20,681	19,081
Permanent funds	139	141	137	136	133
Total all other governmental funds	\$ 152,320	190,392	227,098	237,670	295,271

Table 18

THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

Changes in Fund Balances of Governmental Funds

Last Five Fiscal Years

(Accrual basis of accounting)

(Amounts expressed in thousands)

	Fiscal year				
	2006	2005	2004	2003	2002
Revenues:					
Property taxes	\$ 147,931	136,543	140,370	125,664	132,108
Prop C Sales tax	28,187	27,995	26,281	25,077	25,962
Other local revenues	14,672	15,015	16,240	24,969	22,232
County governmental contributions	6,357	3,949	3,626	3,625	3,437
State aid-basic formula	47,106	53,593	42,441	40,840	46,086
At risk	30,485	30,836	30,301	31,916	32,964
Other state	25,447	23,579	22,929	24,890	26,407
Federal	62,072	61,173	69,749	43,695	43,585
Tuition	37	274	57	101	406
Realized/unrealized gain on sale of securities	199	616	(66)	488	9,136
Total revenues	362,493	353,573	351,928	321,265	342,323
Expenditures:					
Administration	22,806	21,587	20,123	20,845	22,686
Instruction	164,151	166,442	157,832	160,852	153,018
Support services	84,975	75,569	69,422	69,636	66,013
Operation of facilities	39,552	35,073	34,341	34,654	31,542
Pupil transportation	23,985	23,125	21,959	21,432	21,601
Community and adult services	6,235	5,349	5,628	5,191	4,397
Facilities improvements and renovations	1,378	10,302	28,919	9,443	36,327
Debt service	28,121	28,353	21,805	31,702	31,949
Total expenditures	371,203	365,800	360,029	353,755	367,533
Excess of revenues under expenditures	(8,710)	(12,227)	(8,101)	(32,490)	(25,210)
Other financing sources (uses):					
Transfers in	191,837	199,010	197,779	227,859	191,340
Transfers out	(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)
Sales of capital assets	328	—	202	1,460	650
Total other financing sources (uses)	(10,253)	(4,709)	(7,343)	(3,272)	(3,154)
Net change in fund balances	\$(18,963)	(16,936)	(15,444)	(35,762)	(28,364)
Debt service as a percentage of noncapital expenditures	8.2%	8.4%	6.4%	9.8%	9.5%

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Thacher School



- *Louin K. Thacher*
- The following account was given by Major John K. Thacher, son of Louin K. Thacher and written by Esther E. Thorsell. Son of Otis Thacher, a pioneer farmer of Cornwallville, New York, Louin K. Thacher was a major general of the 9th Kansas Volunteer Cavalry. Before the Civil War, he was a school teacher in the hills of Kentucky. He was admitted to the bar after the war but was forced to give up his career on account of defective eyesight caused by injuries during the war. He engaged in banking and real estate business and was prominent in municipal activities. As a member of the school board, he was on the committee that directed the building of old Central High School and the public library. The Oakly School was named for him. It had been called Oakly from a great oak tree which stood in front of the building. This tree gave its name to the street as well as other buildings.
- *Author:* [Esther E. Thorsell](#)
Source: [Kansas City Journal-Post](#),
Date: January 27, 1929
- *All photographs provided by Roger L. Cisner, 2006.*