

JACKSON COUNTY, MISSOURI

Comprehensive Annual Financial Report



For Year Ended
December 31, 2006

Prepared by:

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Director of Finance

Terry M. Warner
Assistant Director of Finance

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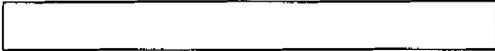
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Ken Bover
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JACKSON COUNTY, MISSOURI

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FINANCE and PURCHASING DEPARTMENT

JACKSON COUNTY COURTHOUSE

415 EAST 12TH STREET, ROOM 105
KANSAS CITY, MISSOURI 64106-2706

Website: jacksongov.org

July 27, 2007

The Honorable County Executive
Members of the County Legislature
Jackson County, Missouri

We are pleased to transmit to you the 2006 Comprehensive Annual Financial Report of Jackson County, Missouri, for the fiscal year ended December 31, 2006, which has been prepared by the Jackson County Department of Finance. State law requires that all local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with *generally accepted accounting principles (GAAP)* and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The objective of this report is to inform the County Executive, Legislative body, creditors and the general public of the County's financial condition and the financial results of its operations.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe that the data, as presented, are accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the County as measured by the financial activity of its various funds, and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial affairs have been included.

The financial statements of the County have been audited by the independent auditors of KPMG LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended December 31, 2006 are free of material misstatement. The independent audit involved 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; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unqualified opinions that Jackson County's financial statements for the year ended December 31, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations are included in a separate report.

The CAFR is presented in three main sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, prior year awards, a list of the County's principal officials, and a general governmental organization chart. The Financial Section includes the independent auditors' report, the Management's Discussion and Analysis, the Basic Financial Statements, Notes to the Financial Statements, and more detailed combining and budgetary statements. The Statistical Section includes multi-year financial and general information. Governmental accounting standards require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the

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form of *Management's Discussion and Analysis (MD&A)*. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Jackson County, Missouri's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE COUNTY

Jackson County, established in 1826 by the State of Missouri, is located in the state's northwestern quadrant bordered by the Kansas state line and the Missouri River. Its population approximates 664,078 with 17 incorporated municipalities including Kansas City and Independence, the County seat. Jackson County is the most populated county in the Kansas City Metropolitan area. Over 35% of the metro's population, 35% of its employment and 67% of its top 50 employers are located within Jackson County.

Jackson County operates under a Constitutional Home Rule Charter adopted by a vote of the citizens of Jackson County in November 1970 and amended in a public vote in August 1978, April 1985, and November 1986. The Charter provides for a separation of the legislative and executive functions. The heart of the Charter is an elected executive, accountable to all the voters, who has power to appoint the administrative officers of the government, the power to veto legislation, and to operate an effective, efficient county government. The nine-member legislature is given broad legislative powers and is so constructed as to be truly representative of all of the people of Jackson County. The prosecuting attorney is also elected, as is the sheriff, who is responsible for law enforcement in the County. All elected officials serve four-year terms.

Jackson County provides some services on a county-wide basis and some services only to unincorporated areas. Within appropriate jurisdictions, the County provides road construction and maintenance, park facilities and maintenance, tax assessment and collections, law enforcement, court services, prosecution of violations of state statutes, criminal detention, family support services, public health care and sanitary sewer services.

As required by generally accepted accounting principles, these financial statements present Jackson County and its component units. The component units included in the County's reporting entity, because of the significance of their operational or financial relationships with the County, include Public Facilities Authority, Public Building Corporation, and Jackson County Board of Services for the Developmentally Disabled. Refer to the *notes to the financial statements* for additional information on the reporting entity.

The annual budget serves as the foundation for Jackson County's financial planning and control. Each year, all County agencies and departments are required to submit estimates of their requirements for appropriation for the next budget year to the Budget Officer. The Director of Finance and Budget Officer review the budget requests and hold informal hearings with the requesting departments and agencies in order to prepare a budget recommendation for presentation to the County Executive for review and approval. After review, the County Executive submits a recommended budget document to the County Legislature. The County Legislature then holds public hearings for agencies and departments and formally adopts the next year's budget with any changes through passage of an appropriation ordinance. Further detail on the budget process may be found in the *notes to the budgetary comparison* section of this report.

FACTORS AFFECTING FINANCIAL CONDITION

Local economy: Commonly referred to as the "Heart of America", the greater Kansas City area offers to convention groups an attractive meeting location both geographically and in terms of availability of amenities. The County is the home of the Harry S. Truman Sports Complex which contains separate stadiums for the Kansas City Royals baseball team and the Kansas City Chiefs football team. The total economic impact on the metropolitan area as a result of the teams is estimated at \$260 million. The teams boast an annual attendance of approximately 2.2 million.

Jackson County enjoys a diverse commercial and residential tax base. The commercial base consists largely of manufacturing, utility, retail and service industries, which contribute a great amount of stability to the County's economy. The area's unemployment rate increased to 7.5% in 2005 from 7.2% for the 2004 fiscal year.

The economy in the metropolitan area has remained stable in recent years partially due to the great amount of growth in Kansas City and the surrounding localities in Jackson County. As the Kansas City downtown area is being redeveloped, it has been attracting business from both the commercial and residential sectors which had fled the downtown area in past years. In addition, the suburban municipalities surrounding Kansas City continue to grow from rural areas of several years earlier to become independent developed cities within the county.

Internal controls: In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting control. Internal accounting controls are designed to provide reasonable assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Cash management: Jackson County utilizes the pooled concept for cash in investing the County's idle funds. All operating money is deposited in a cash concentration account and these funds are invested in bank Certificates of Deposit, U.S. Treasury Notes and U.S. Treasury Bills. Also, excess cash on a daily basis is held in an interest bearing account with the County's depository banks. In accordance with State Statutes, collateral pledged has a market value of at least 100% of the funds on deposit, less secured amounts. The underlying securities are held by third party institutions. Jackson County strives to keep abreast of current trends and procedures for cash management so as to ensure efficient and profitable use of the County's cash resources. The Finance Department has been able to invest all idle County funds continually to maximize investment earnings.

Risk management: The County self-insures, up to certain limits, for unemployment and workers' compensation, general liability and long-term disability. Unemployment compensation is administered and paid for by the State of Missouri. Workers compensation and long-term disability claims are administered and paid by outside administrators, contracted by the County, who determine amounts to be paid for such claims. General liability claims are administered by the office of the County Counselor.

Pension plan: The Jackson County, Missouri Revised Pension Plan is a defined benefit pension plan providing for retirement and disability benefits for all eligible employees of Jackson County, the Little Blue Valley Sewer District, the Jackson County Board of Election Commissioners, the Kansas City Board of Election Commissioners, the Jackson County Sports Complex Authority, the Jackson County Law Library, Inc. and the Eastern Jackson County Multi-Jurisdictional Anti-Drug Task Force. The benefit provisions are provided under the authority of Revised Missouri section 50.337. The County, as administrator of this cost sharing single employer plan, has agreed to voluntarily contribute such amounts as are necessary to provide assets sufficient to meet benefits to Plan members. Other political subdivisions also make contributions to the Plan. Employer contributions are subject to appropriation by Jackson County, Missouri. Refer to the *notes to the financial statements* for a summary of the County's defined benefit pension plan.



AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Jackson County, Missouri for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2005. This was the twentieth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements: The preparation of this report on a timely basis has been accomplished with the cooperation and dedicated service of the Finance Department, with the assistance of KPMG LLP. Particular thanks are extended to the staff of the Finance Department, whose contributions have been invaluable and greatly appreciated.

Respectfully submitted,

Q Troy Thomas
Director of Finance

Terry Warner
Assistant Director of Finance

JACKSON COUNTY, MISSOURI
ELECTED OFFICIALS
DECEMBER 31, 2006

COUNTY EXECUTIVE
Katheryn Shields

PROSECUTING ATTORNEY
Michael Sanders

SHERIFF
Thomas F. Phillips

COUNTY LEGISLATURE

Robert Stringfield	First District At Large
Henry Rizzo	Second District At Large
Fred Arbanas	Third District At Large
Scott Burnett	First District
Eugene Standifer, Jr.	Second District
Dennis Waits	Third District
Dan Tarwater III	Fourth District
Rhonda Shoemaker	Fifth District
Bob Spence	Sixth District

JACKSON COUNTY, MISSOURI
APPOINTED OFFICIALS
DECEMBER 31, 2006

ADMINISTRATION

Art Chaudry	Division Chief
Bruce Palmer	Director of Facilities Management
Thaddeus C. Thomas	Director of Management Information Systems
Joanne R. Mossie	Director of Human Resources
Graham H. Morris	Director of Corrections
Ali Roohanirad	Director of Public Works

COUNSELOR

Edward Rucker	County Counselor
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FINANCE

Q. Troy Thomas	Division Chief
Gloria Fisher	Director of Finance
Gary Salva	Director of Parks and Recreation

OPERATIONS

Rick Perry	Division Chief
Michael OFlattery	Director of Assessment
Christopher A. Williams	Director of Collections
Robert Kelly	Director of Records
Steve Marsh	Director of GIS

JUDICIAL BRANCH

Teresa L. York	Court Administrator
Jeffrey A. Eisenbeis	Deputy Court Administrator
Rebecca Lake Wood	Public Administrator

LEGISLATURE

Kelly Markham-Stegall	Legislative Auditor
Mary Jo Spino	Clerk of the Legislature

MEDICAL EXAMINER

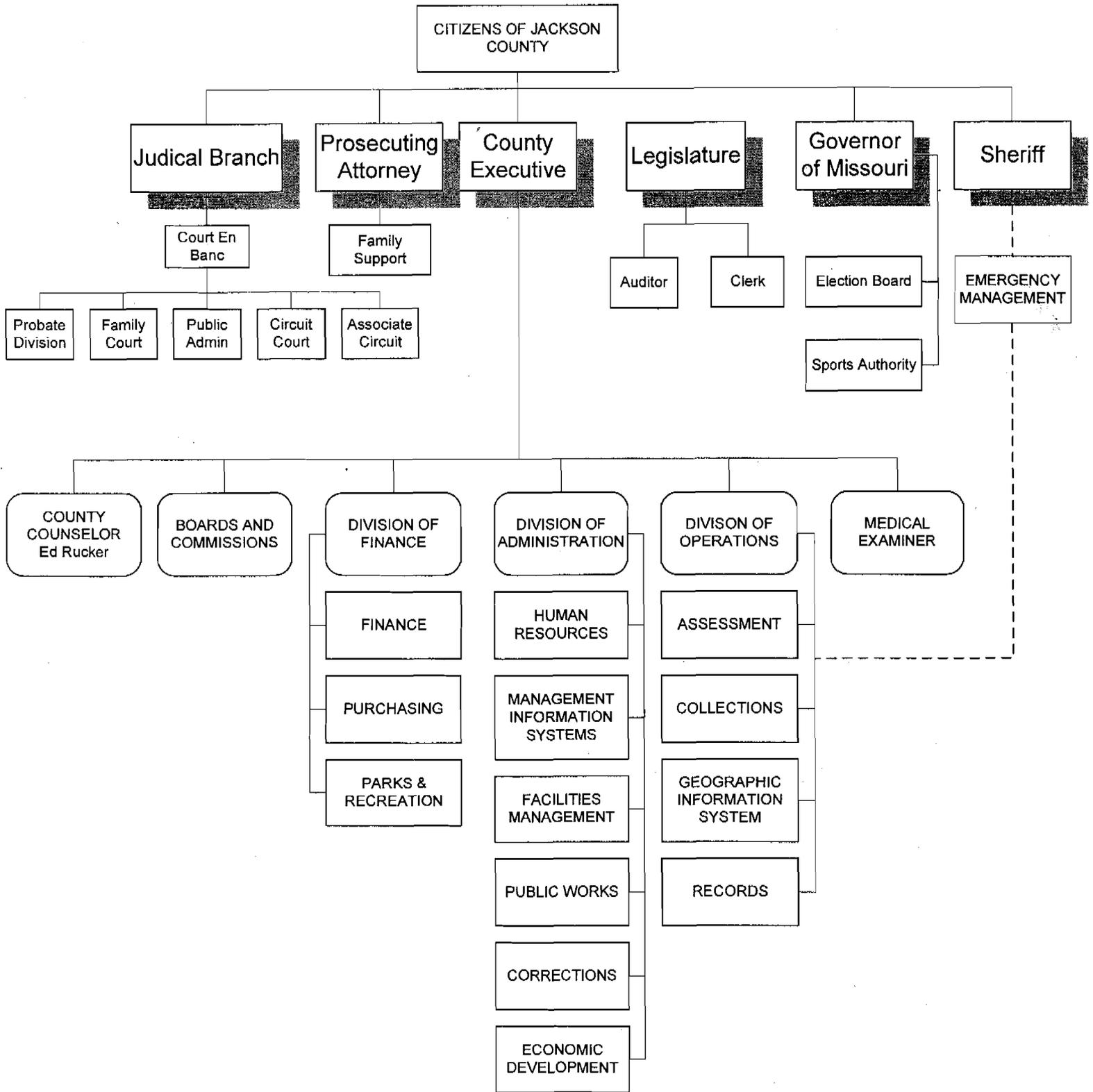
Dr. Thomas W. Young	Medical Examiner
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PROSECUTING ATTORNEY

Melissa Mauer-Smith	Family Support Director
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Jackson County, Missouri Organizational Chart

2006
www.JACKSONGOV.ORG



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Jackson County
Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 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.



President

Executive Director



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

Independent Auditors' Report

The Honorable County Executive and Members
of the County Legislature
Jackson County, Missouri:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Jackson County, Missouri (the County), as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit or the pension trust fund. The pension trust fund represents 27% and 33%, respectively, of the assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit and the pension plan, is based on the report of the other auditors.

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. The financial statements of the pension trust fund were not audited in accordance with *Government Auditing Standards*. 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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Jackson County, Missouri, as of December 31, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2007 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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, budgetary comparison schedules, condition rating of the County's street system, and the schedule of funding progress on pages 11 through 20 and 60 through 74 are not a required part of the basic financial statements but are supplementary information required by U.S.

generally accepted accounting principles. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the 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
July 27, 2007



JACKSON COUNTY, MISSOURI
Management's Discussion and Analysis
December 31, 2006

The Finance Department of Jackson County, Missouri (the County) offers readers of the County's comprehensive annual financial report this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with the additional information that has been furnished in our Letter of Transmittal.

Financial Highlights

- The assets of Jackson County exceeded its liabilities at the close of fiscal year 2006 by \$192,546,074 (net assets).
- The total net assets of the County decreased by \$33,105,721. Net assets of governmental activities decreased by \$33,387,880. Net assets of business-type activities increased by \$282,159.
- Total revenues of governmental activities were \$195,945,845, while the total cost of County governmental programs was \$229,976,418.
- As of the close of the current fiscal year, Jackson County's governmental funds reported combined ending fund balances of \$576,232,391, an increase of \$462,373,193 in comparison with the prior fiscal year. Of this amount, \$558,954,456 is available for spending at the County's discretion (unreserved fund balance).
- The total long-term liabilities of the County increased by \$474,662,373 in the current fiscal year. The main factor in this increase was the issuance of \$498.3 million in general obligation bonds for improvements to the Harry S. Truman Sports Complex.

Overview of the Financial Statements

This discussion and analysis is provided as an introduction to the basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements and notes, this report also includes other supplementary information.

Government-wide Financial Statements

The *government-wide financial statements* consist of two statements—The *statement of net assets* and the *statement of activities*. These statements present a broad overview of County financial activities in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the assets and liabilities of Jackson County, with the difference between the two reported as *net assets*. Over time, increases or decreases in the net assets of the County may serve as a useful indicator as to whether the financial condition of the County is improving or deteriorating.

The *statement of activities* presents information indicating how the net assets of the County changed during the most recent fiscal year. This information is presented using the accrual basis of accounting. This means that all changes to net assets are reported as soon as the underlying event causing the change occurs, regardless of when cash may actually be received or paid. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash inflows or outflows in future fiscal periods, such as uncollected taxes and earned but unused vacation or sick leave.

JACKSON COUNTY, MISSOURI

Management's Discussion and Analysis

December 31, 2006

Both of the government-wide financial statements distinguish the function of the County into *governmental activities* and *business-type activities*. *Governmental activities* are those that are principally supported by taxes and intergovernmental revenues. The governmental activities of the County include general government, public safety, health and welfare, culture and recreation, and roads, highways, and bridges. *Business-type activities* are those functions where a fee is charged to customers to recover all or most of the cost of services provided. The County's Park Enterprise activities are reported in this category.

The government-wide financial statements include not only the functions of Jackson County itself (reported under the column titled primary government), but also one separate legal entity—the Jackson County Board of Services for Developmentally Disabled—for which the County is financially accountable. Financial information for this component unit is reported separately from the financial information reported for the primary government.

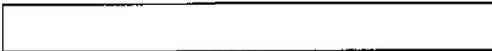
Fund Financial Statements

Fund financial statements report the results of County operations in more detail than the government-wide financial statements by providing information on individual funds. Jackson County, like other state and local governments, uses fund accounting to maintain control over resources that have been segregated for specific functions and activities. Some funds are required to be established by state law or by bond covenants. Other funds are established by the County legislature to account for resources that have been designated for particular purposes (such as the grant fund). All of the County's funds can be divided into three different categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds—Most of the County's basic services are reported in *governmental funds* and are used to account for essentially the same type of functions reported as governmental activities in the government-wide financial statements. Governmental funds, however, are reported using the modified accrual basis of accounting. This method of accounting focuses on *near-term inflows and outflows of spendable resources* into these funds, as well as on *balances of spendable resources* available at the end of the fiscal year (undesignated fund balance). Governmental fund information assists in the determination as to whether there are more or fewer financial resources available that can be spent in the near future to finance the County's programs and activities.

Since the focus of governmental funds is more on the near term effect of financing than the government-wide financial statements, certain differences occur when comparing the information presented for *governmental funds* with similar information presented for *governmental activities*. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist in the comparison between *governmental funds* and *governmental activities*.

The General, Health, Park, Special Road and Bridge, Anti-Drug Sales Tax, Public Building Corporation and Sports Complex Sales Tax funds are considered to be major funds. As such, financial information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances for these major funds. Financial information for other nonmajor Special Revenue, Capital Projects and Debt Service funds are presented as combined aggregate totals under the heading of *Other Governmental Funds* in both of the financial statements mention above. Individual fund information for each of these nonmajor governmental funds may be found in the form of combining statements elsewhere in this report.



JACKSON COUNTY, MISSOURI
Management's Discussion and Analysis
December 31, 2006

Jackson County adopts an annual appropriated budget for the general fund and other governmental fund types. Budgetary comparison schedules have been provided for the general fund and major special revenue funds as required supplementary information to demonstrate compliance with this budget.

Proprietary funds—When the County charges customers for the services it provides—whether to outside customers or to internal County departments—results of these activities are reported in proprietary funds. Jackson County maintains two different types of proprietary funds. The Park Enterprise fund is used to account for the financial activities of the County's fee based park operations. Internal service funds (the other type of proprietary fund) are used to account for activities of the Office Services and Self Insurance funds. Since both of these funds benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide a separate column for financial data pertaining to the Park Enterprise fund. Information for both internal service funds are combined into a single aggregated presentation. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds—Fiduciary funds are used to account for resources held by Jackson County for the benefit of parties outside of the County itself (such as the Tax Collection fund). Since the resources of these funds are not available to support the County's own programs, fiduciary funds are not included in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other information—In addition to the basic financial statements and accompanying notes, this report also includes certain *required supplementary information* regarding budgets, pensions, and asset condition. The combining financial statements mentioned above for all non-major governmental funds and internal service funds are presented after the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the County's financial position. At December 31, 2006, the County's assets exceeded liabilities by \$192,546,074.

The largest component of the County's net assets (83.7%) reflects its investment in capital assets, less any related debt used to acquire these assets. Capital assets include land, buildings, improvements other than buildings, equipment and furniture, vehicles, infrastructure, construction in progress, and the Truman Sports Complex. Jackson County uses these capital assets to provide services to citizens; consequently, these assets do not represent resources available for future spending. Since the capital assets themselves cannot be used to liquidate any debt associated with their acquisition, it should be noted that the resources needed to repay this debt must be provided from other sources.

JACKSON COUNTY, MISSOURI
Management's Discussion and Analysis
December 31, 2006

An additional portion of the County's net assets (14.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* may be used to meet the County's ongoing obligations to citizens and creditors.

The following table reflects a condensed summary of net assets as of December 31, 2006 and 2005:

	Jackson County, Missouri's Net Assets					
	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 622,184,071	146,830,920	1,931,686	1,032,171	624,115,757	147,863,091
Capital assets	266,309,743	287,141,216	11,771,575	12,224,021	278,081,318	299,365,237
Total assets	<u>888,493,814</u>	<u>433,972,136</u>	<u>13,703,261</u>	<u>13,256,192</u>	<u>902,197,075</u>	<u>447,228,328</u>
Long-term liabilities outstanding	675,749,373	201,086,998	161,248	173,187	675,910,621	201,260,185
Other liabilities	33,364,074	20,116,891	376,305	199,457	33,740,379	20,316,348
Total liabilities	<u>709,113,447</u>	<u>221,203,889</u>	<u>537,553</u>	<u>372,644</u>	<u>709,651,000</u>	<u>221,576,533</u>
Net assets:						
Invested in capital assets, net of related debt	149,359,942	170,191,415	11,771,575	12,224,021	161,131,517	182,415,436
Restricted	26,900,068	30,969,158	—	—	26,900,068	30,969,158
Unrestricted	3,120,357	11,607,674	1,394,132	659,527	4,514,489	12,267,201
Total net assets	<u>\$ 179,380,367</u>	<u>212,768,247</u>	<u>13,165,707</u>	<u>12,883,548</u>	<u>192,546,074</u>	<u>225,651,795</u>

At the end of the fiscal year, the County is able to report positive balances in all categories of net assets, both for the government as a whole and for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The County's net assets decreased to \$192.5 million from \$225.7 million. The main factor in this decrease in net assets was the completion of noncapitalized improvements to and the purchase of noncapitalized equipment for Truman Medical Center Lakewood.

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Change in Net Assets

The following table reflects the revenues and expenses from the County's activities for the years ended December 31, 2006 and 2005:

	Jackson County, Missouri's Changes in Net Assets					
	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 27,848,533	29,262,626	5,147,252	4,895,996	32,995,785	34,158,622
Fines and forfeitures	2,168,494	2,231,284	—	—	2,168,494	2,231,284
Operating grants and contributions	26,137,554	24,956,588	—	—	26,137,554	24,956,588
Capital grants and contributions	252,513	574,313	—	—	252,513	574,313
General revenues:						
Property taxes	51,042,982	50,973,131	—	—	51,042,982	50,973,131
Sales taxes	71,040,113	61,357,732	—	—	71,040,113	61,357,732
Other taxes	4,091,610	4,363,228	—	—	4,091,610	4,363,228
Other	13,364,046	3,273,731	—	—	13,364,046	3,273,731
Total revenues	195,945,845	176,992,633	5,147,252	4,895,996	201,093,097	181,888,629
Expenses:						
General government	98,222,300	85,389,785	—	—	98,222,300	85,389,785
Public safety	39,855,847	39,740,222	—	—	39,855,847	39,740,222
Roads, highways, and bridges	24,178,361	15,408,308	—	—	24,178,361	15,408,308
Health, welfare, and community development	34,225,712	40,831,442	—	—	34,225,712	40,831,442
Culture and recreation	17,674,302	12,823,707	—	—	17,674,302	12,823,707
Interest on long-term debt	15,819,896	10,001,625	—	—	15,819,896	10,001,625
Park enterprise	—	—	4,222,400	4,216,799	4,222,400	4,216,799
Total expenses	229,976,418	204,195,089	4,222,400	4,216,799	234,198,818	208,411,888
Decrease in net assets before transfers	(34,030,573)	(27,202,456)	924,852	679,197	(33,105,721)	(26,523,259)
Transfers	642,693	642,693	(642,693)	(642,693)	—	—
Change in net assets	(33,387,880)	(26,559,763)	282,159	36,504	(33,105,721)	(26,523,259)
Net assets—beginning of year	212,768,247	239,328,010	12,883,548	12,847,044	225,651,795	252,175,054
Net assets—end of year	\$ 179,380,367	212,768,247	13,165,707	12,883,548	192,546,074	225,651,795

Governmental Activities

Governmental activities decreased the County's net assets by \$34.0 million. Overall increases in the categories of sales taxes (\$9.7 million) and operating grants and contributions (\$1.2 million) were offset by increased expenditures in general government functions (\$12.8 million) and in the expenditure category of roads, highways, and bridges (\$8.8 million). The main factor in this increase in expenses was the completion of improvements to County roads and bridges. Property and sales taxes, the largest governmental category, were \$122.1 million or 62.3% of total revenues. For the year ended December 31, 2006, revenues totaled \$201.1 million (governmental and business-type). Revenues from governmental activities total \$195.9 million or 97.4% of the total County revenues.

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Certain revenues are generated that are specific to governmental program activity. The total of these revenues were \$56,407,094. The following table shows expenses and program revenues of the governmental activities for the years ended December 31, 2006 and 2005:

	Total costs of services		Net cost of services	
	2006	2005	2006	2005
General government	\$ 98,222,300	85,389,785	45,944,773	35,484,876
Public safety	39,855,847	39,740,222	38,514,465	38,311,528
Roads, highways, and bridges	24,178,361	15,408,308	22,431,488	10,774,362
Health, welfare, and community development	34,225,712	40,831,442	33,691,143	40,291,793
Culture and recreation	17,674,302	12,823,707	17,167,559	12,306,094
Interest on long-term debt	15,819,896	10,001,625	15,819,896	10,001,625
Total	<u>\$ 229,976,418</u>	<u>204,195,089</u>	<u>173,569,324</u>	<u>147,170,278</u>

As previously noted, expenses from governmental activities totaled \$229.9 million. However, the net cost of these services was \$173.6 million. The difference represents direct revenues received from charges for services of \$27.8 million, fines and forfeitures of \$2.2 million, operating grants and contributions of \$26.1 million, and capital grants and contributions of \$252 thousand. Taxes and other revenues of \$139.5 million were collected to cover these net costs.

Business-Type Activities

Business-type activities reflected an overall increase in the County's net assets of \$282 thousand. Net assets as a result of operations increased by \$925 thousand due to higher than anticipated revenues for the fiscal year.

Financial Analysis of the County's Funds

Governmental Funds

The focus of Jackson County's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information may be useful in evaluating the County's financing requirements. In particular, *unreserved, undesignated fund balance* may serve as a useful measure of the government's resources that are available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$576.2 million. This represented an increase of \$462.4 million in comparison with the prior fiscal year due exclusively to the proceeds from issued debt. Of the total fund balances for the governmental funds, \$31.8 million constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved or unreserved, designated fund balance* to indicate that is not available for new spending. Reserved fund balance, which represents a commitment to liquidate contracts and purchase orders, totaled \$17.3 million at the end of the fiscal year. *Unreserved, designated fund balance* represents management's intended use of otherwise available current financial resources and totaled \$527.1 million at December 31, 2006. The components of *unreserved, designated fund balance* are as



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follows; (1) to pay for compensated absences—\$6.5 million, (2) to pay for capital projects—\$480.3 million, (3) to pay for debt service—\$35.2 million, and (4) to pay for County urban road system projects—\$5.2million.

The general fund is the chief operating fund of the County. The total fund balance of the General Fund decreased by \$7.0 million during the fiscal year, while *unreserved, undesignated fund balance* decreased by \$7.1 million. Key factors in this decrease are as follows:

- Expenditures increased by \$2.5 million as a result of increases in employee compensation.
- Property tax revenues of the General Fund decreased by \$340 thousand as a result of an increased delinquency rate
- Charges for services revenues of the General Fund decreased by \$868 thousand as a result of decreases in recording fees.
- Property tax revenues of the Health and Park funds decreased by \$93 thousand and \$57 thousand respectively.

Major Fund Budgetary Highlights

This section provides a summary of the variances between: 1) the Original Budget and the Final Amended Budget; and 2) the Final Amended Budget and the Actual Amounts for the major funds of the County. Refer to the Budgetary Comparisons presented as Required Supplementary Information for details on these budgetary comparisons.

Original Budget vs. Final Amended Budget

- The total original expenditure budget of \$86,705,286 was increased to \$87,755,536 (an increase of \$1,070,250) in the General Fund. Total Governmental functions reflected an overall increase from the Original budget of \$723 thousand. Total Public Safety functions reflected an overall increase of \$160 thousand from the original budget. Other Financing Uses reflected an overall increase of \$187 thousand from the original budget.
- The total original expenditure budget of \$22,210,034 was increased to \$22,767,693 (an increase of \$557,659) in the Health Fund. Total Governmental functions reflected an overall decrease from the Original budget of \$71 thousand. Total Health, welfare and community development functions reflected an overall increase of \$282 thousand from the original budget. Other Financing Uses reflected an overall increase of \$346 thousand from the original budget.
- The total original expenditure budget of \$25,572,798 was increased to \$26,962,958 (an increase of \$1,390,160) in the Special Road and Bridge Fund. Total Roads, highways and bridges functions reflected the total of this increase.

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Final Amended Budget vs. Actual Amounts

The following information provides a summary of the primary factors that resulted in a positive variances in actual revenues compared to the final amended budget:

- Total actual revenues were \$222,314 more than budgeted in the General Fund, \$201,342 more than budgeted in the Health Fund, \$1,293,500 more than budgeted in the Parks Fund and \$2,432,816 more than budgeted in the Special Road and Bridge Fund.
- Revenues from charges for services were \$146 thousand less than budgeted, while Public Administrator fees reflected a positive variance of \$166 thousand in the General Fund. Sales tax revenues in the Park Fund were \$963 thousand more than budgeted and \$534 thousand more than budgeted in the Special Road and Bridge Fund.
- Intergovernmental revenues in the General Fund were \$1.6 million more than budgeted as a result of increases in the amount of federal grants and \$1.5 million more than budgeted in the Special Road and Bridge Fund as a result of increased reimbursements from the City of Lees Summit.

The following information provides a summary of the primary factors that resulted in a positive variances in actual expenditures compared to the final amended budget:

- Total actual expenditures were \$5.0 million less than budgeted in the General Fund, \$614 thousand less than budgeted in the Health Fund, \$1.1 million less than budgeted in the Park Fund and \$3.4 million less than budgeted in the Special Road and Bridge Fund.
- Total expenditures of general governmental functions were \$4.6 million less than budgeted and total expenditures of public safety functions were \$424 thousand less than budgeted in the General Fund. This positive variance was chiefly attributable to efforts from all County departments to provide budgetary savings for the fiscal year.
- Total expenditures in roads, highways and bridges functions in the Special Road and Bridge Fund were \$3.1 million less than budgeted.

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Capital Asset and Debt Administration

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2006 amounts to \$278,081,318 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and furniture, vehicles, and infrastructure.

	Jackson County, Missouri's Capital Assets					
	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 9,585,511	9,585,511	1,980,694	1,980,694	11,566,205	11,566,205
Infrastructure	81,701,010	81,701,010	5,238,242	5,238,242	86,939,252	86,939,252
Construction in progress	7,579,946	23,150,248	—	—	7,579,946	23,150,248
Buildings	101,580,957	104,026,157	2,374,939	2,450,114	103,955,896	106,476,271
Improvements other than buildings	1,535,121	1,502,020	1,564,017	1,842,323	3,099,138	3,344,343
Equipment and furniture	3,838,102	4,269,503	350,185	413,469	4,188,287	4,682,972
Vehicles	3,100,986	3,655,784	263,498	299,179	3,364,484	3,954,963
Truman sports complex	57,388,110	59,250,983	—	—	57,388,110	59,250,983
Total	<u>\$ 266,309,743</u>	<u>287,141,216</u>	<u>11,771,575</u>	<u>12,224,021</u>	<u>278,081,318</u>	<u>299,365,237</u>

Jackson County has elected to employ the *modified depreciation approach* in accounting for its infrastructure-related capital assets. Significant events related to the condition of the County's infrastructure assets during the fiscal year were as follows:

- The assessed overall condition rating of the County's street system in good or better condition decreased from an overall condition rating of 81.64% in fiscal year 2005 to 80.23% at the end of the current fiscal year.
- The County has made the commitment to preserve and maintain the network of infrastructure assets at a 55% overall condition level. The condition level referenced above at the end of the fiscal year indicates that the County is meeting this commitment.
- The estimated amount required to maintain eligible infrastructure assets at an appropriate level of condition for the fiscal year was \$2.6 million, while actual amounts spent were \$2.3 million, a difference of \$300 thousand. Additional information on the capital assets of the County can be found in the *notes to the financial statements* of this report located in Section 2 (f) on pages 52 thru 54.



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Debt Administration

Long-Term Debt

The County, at the end of fiscal 2006, had a total debt obligation outstanding of \$636,190,684 million, excluding bond premium, compensated absences and other liabilities. During the year, \$25,630,518 million of debt was retired, while \$498,347,215 new debt was incurred for the fiscal year. This resulted in a 251.1% increase in the County's outstanding debt obligation.

	Governmental activities	
	2006	2005
Leasehold bonds	\$ 112,581,290	101,131,290
Special obligation bonds	510,360,000	66,330,000
Obligations to U.S. Government	12,212,683	12,439,643
Notes payable	1,008,194	1,120,216
Capital lease	28,697	139,837
	\$ 636,190,864	181,160,986

The following summarizes the County's long-term debt activity during fiscal year 2006:

- On April 24, 2006, the voters in Jackson County approved a county-wide sales tax of three eights of one percent for a period of twenty five years for the purpose of improving, renovating and modernizing the Harry S Truman Sports Complex. In August of 2006, Jackson County issued the series 2006 Special Obligation Bonds in the amount of \$ 447,240,000.
- In May of 2006 the Jackson County Public Building Corporation issued the series 2006A Leasehold Revenue Bonds in the amount of \$19,675,000. The proceeds of this issuance will be used for the purpose of financing the costs of the 2006 Project which includes the refunding of the Refunded Bonds and the acquisition of equipment for Truman Medical Center.
- In October of 2006 the Jackson County Public Building Corporation issued the series 2006B Leasehold Revenue Bonds in the amount of \$14,010,000. The proceeds of this issuance will be used for the purpose of providing funds to acquire, construct, renovate and repair Jackson County facilities.

Additional information on the long-term debt activity of the County can be found in the *notes to the financial statements* of this report located in Section 2 (d) on pages 47 through 50.

Requests for Information

This financial report is designed to provide the reader a general overview of the County's finances. Questions or requests for more information concerning any of the information provided in this report should be directed to Q Troy Thomas, Director of Finance, Finance Department, Jackson County, Missouri, 415 East 12th Street, Room 105, Kansas City, Missouri 64106.