City of
Independence, Missouri
Historic City of the Trails

For the Fiscal Year Ended

June 30, 2005

Comprehensive Annual Financial Report

CITY OF INDEPENDENCE, MISSOURI

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDING JUNE 30, 2005

Mayor
Rondell F. Stewart

City Council

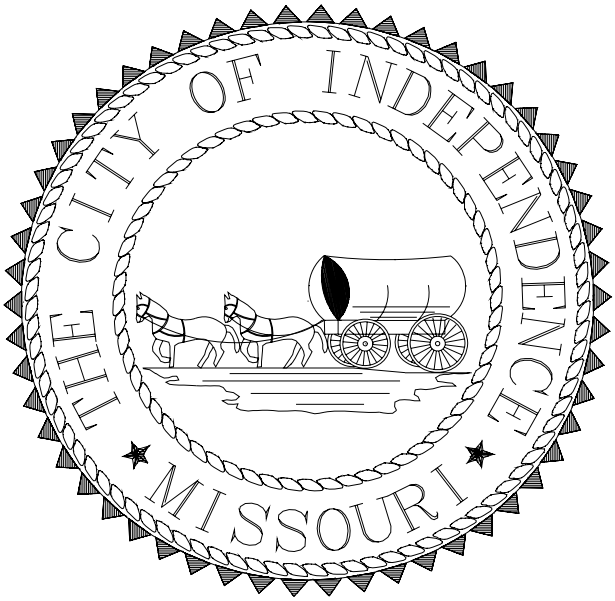
Don Reimal	District #1
Will Swoffer	District #2
Renee Paluka	District #3
Jim Page	District #4
Jason White	At-large
Jim Schultz	At-large

City Manager

Robert Heacock

Prepared by the Department of Finance

James C. Harlow, Director of Finance and Administration


THE CITY OF INDEPENDENCE
MISSOURI

CITY OF INDEPENDENCE, MISSOURI

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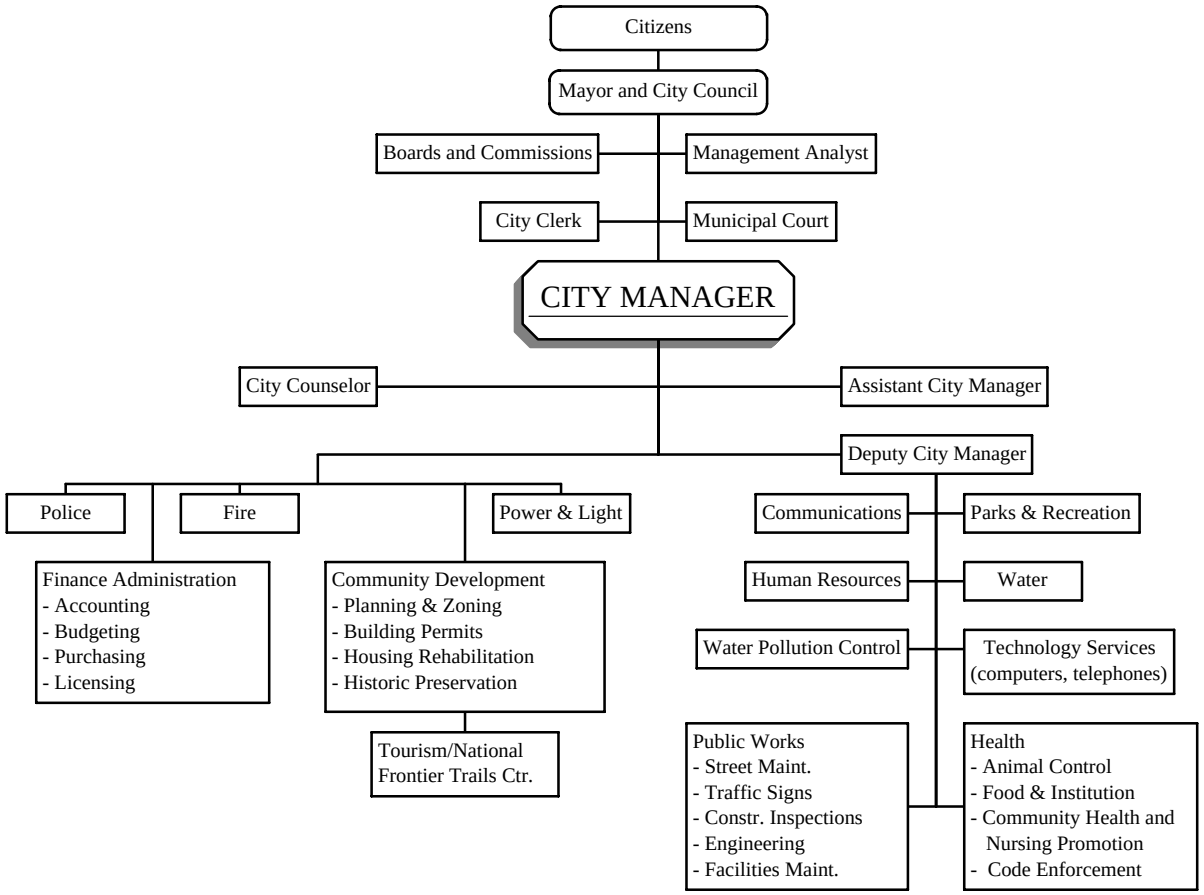
City of Independence, Missouri
Organizational Chart



Truman Home
219 N. Delaware

Vaile Mansion, 1881
1500 N. Liberty
30 rooms, Victorian Style

World War I Memorial Building

City of Independence

111 EAST MAPLE • P.O. BOX 1019 • INDEPENDENCE, MISSOURI 64051-0519

www.ci.independence.mo.us • (816) 325-7000

November 1, 2005

Honorable Mayor, Members of the City Council, and Citizens of the City of Independence, Missouri

The Finance Department is pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Independence, Missouri, for the fiscal year ended June 30, 2005. This report is submitted to you for your review in compliance with the provisions of Article 3, Section 3.34 of the City Charter.

The responsibility for accuracy, completeness and fairness of the data presented, including all disclosures, rests with the City. I believe the report as presented, is accurate in all material aspects and is presented in a manner designed to fairly set forth the financial position and the results of the City, on a Government-wide and Fund basis. It is our belief that all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. To enhance the reader's understanding of these financial statements, note disclosures have been included as an integral part of this document.

This report was prepared by the City's Finance Department staff in accordance with general accepted accounting principles (GAAP), which are uniform minimum standards and guidelines for financial accounting and reporting in the United States. This report is intended to provide sufficient information to permit the assessment of stewardship and accountability and to demonstrate legal compliance.

The City of Independence's financial statements, as required by the Charter, have been audited by Cochran, Head & Co,. P.C. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Independence for fiscal year ended June 30, 2005 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 an unqualified opinion that the City of Independence's financial statements for the fiscal year ended June 30, 2005, 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 independent audit of the financial statements of the City of Independence was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available in the City of Independence's separately issued Single Audit Report.

This report reflects the changes required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*. The format and a description of these reports are addressed in the Management's Discussion and Analysis (MD&A) and in the notes to the financial statements.

AN EQUAL OPPORTUNITY EMPLOYER • A COMMUNITY IN EASTERN JACKSON COUNTY

The CAFR is presented in three sections: introductory, financial and statistical. The ***introductory section*** is designed to introduce the reader to the report and includes this transmittal letter, the City's organizational chart, a list of principal officials, and the GFOA (Government Financial Officers Association) Certificate of Achievement for Excellence in Financial Reporting for the 2004 CAFR.

The ***financial section*** begins with the independent auditors' report. The Auditors' report discloses the opinion of the independent auditors with regard to the presentation of the financial statements and internal controls. This section also includes Management's Discussion and Analysis, the Basic Financial Statements and Notes that provide an overview of the City's financial position and operating results, the Combining Statement for nonmajor funds and other schedules that provide detailed information relative to the Basic Financial Statements.

The ***statistical section*** includes selected financial and demographic information, generally presented on a multi-year basis. This section is designed to provide the user with a broader and more complete understanding of the City and its financial affairs than is possible from only the financial statements and supporting schedules presented in the financial section.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis the (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Independence's MD&A can be found immediately following the report of the independent auditor.

In evaluating the City as a reporting entity, management has considered all potential component units. Determination of whether an entity is controlled by, or dependent on, the City is made on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, or the City's obligation to fund any deficit that may occur. As allowed by accounting principles generally accepted in the United States of America, the City has included the Tax Increment Financing (TIF) Commission's activities in its financial statements as a discretely presented component unit

Profile of the City

Incorporated in 1849, the City of Independence is the county seat of Jackson County and borders on the eastern edge of Kansas City, Missouri. Independence has a rich history as The Queen City of the Trails and former home of Harry S Truman, 33rd President of the United States. Independence is the fourth largest city in Missouri with an estimated population of 111,230. The City of Independence was presented the All American City award for 2001 by the National Civic League. *Working Woman* magazine named Independence one of the ten best districts for children and families because of the availability of school-based care with its 21st Century Community Learning Centers.

Its central location in the "Heart of America" offers residents and businesses unique location advantages and means that traveling, shipping, receiving and communications are more economical because of shorter distances to most parts of the country. Situated along major highways (I-70, I-35, & I-29) and rail routes, access to Independence from all parts of the nation, as well as, Canada and Mexico is excellent. The City's 78 square miles accommodate its residents and numerous businesses with 32 square miles of mixed-use land in eastern Independence.

The City of Independence is home to Lake City Army Ammunition Plant, the largest small arms manufacturing plant in the world. Lake City is the largest employer in Independence and has added more than 1,000 jobs in the last three years. Independence is home to the Harry S Truman Presidential Museum & Library, one of only ten in the nation.

The City of Independence provides a comprehensive range of municipal services normally associated with a municipality, including police and fire protection, public works services, public health services, parks and recreation facilities, general administrative services and a history museum. The City also provides electric, water, and sanitary sewer services, all of which are accounted for in the financial statements as business-type funds.

The City of Independence is organized, as a constitutional charter city under the Missouri statutes utilizing the Council-Manager form of government. In accordance with the charter, the registered voters within the City elect a mayor and six council members to serve four-year terms as representatives on the City Council. An election for four districts is conducted as a unit, while elections for mayor and two at-large seats are conducted two years later. The Council appoints a City Manager to serve as the chief administrative officer of the City.

In fulfilling its responsibilities for reliable financial statements, management depends on the City's system of internal control. This system is designed to provide reasonable assurance that assets are effectively safeguarded and that transactions are executed in accordance with management's authorization and are properly recorded.

In addition to the independent audit and the internal control system, the Charter provides that the Council appoints a Management Analyst. The Management Analyst performs such duties as directed by the Council. These duties include the periodic review of all departments and the preparation of an annual report to the Council.

The Audit and Finance Committee, comprised of three members of the Council, acts in an advisory capacity to the Council and reviews financial information for appropriateness, reliability, clarity, timeliness and compliance with generally accepted accounting principles and legal requirements. In addition, this committee reviews the audit functions and adequacy of internal control systems.

The annual budget serves as the foundation for the City of Independence's financial planning and control. The appropriated budget is prepared by fund, function (e.g. public safety), and department (police). Department heads may make transfers of appropriations within their department. Transfers of appropriations between departments, however, require the special approval of the City Council. Budget-to-actual comparisons for the General and Tourism Funds, which are required for each individual governmental fund for which an appropriated annual budget has been adopted, are included in this report.

Purchase orders and contracts are encumbered prior to their release to vendors. Any item, which would result in expenditures in excess of departmental budget, are not released until alternative sources of payment are made available. Open encumbrances as of June 30, 2005, are reported as reservations of fund balances since the City intends to honor the purchase orders and contracts.

Factors Affecting Financial Condition

Local economy. The City of Independence has felt the impact of the recent economic slow down. However, the City is experiencing growth on the eastern side of town. A new I-70 interchange has made the City of Independence's Little Blue Parkway the professional business corridor of the 21st Century. This is due to a strong business climate and a history of successful development efforts utilizing Tax Increment Financing (TIF). This area has three million square feet of retail development, two million of which has been built since 1995. The Little Blue Parkway is located in the heart of the fastest growing area in the Kansas City metropolitan area.

Long-term financial planning. The City of Independence prepares a five-year financial projection of our financial condition, which includes capital outlay projections as well as a six-year Capital Improvements Program (CIP). The CIP includes proposed budgets for constructing, maintaining, upgrading, and replacing the City's physical infrastructures. The fiscal year 2005-2006 budget includes projects totaling an estimated $39

Long-term financial planning. The City of Independence prepares a five-year financial projection of our financial condition, which includes capital outlay projections as well as a six-year Capital Improvements Program (CIP). The CIP includes proposed budgets for constructing, maintaining, upgrading, and replacing the City's physical infrastructures. The fiscal year 2005-2006 budget includes projects totaling an estimated $39 million on capital projects. In preparing the capital budget, needs are assessed, public improvements are prioritized and costs are projected. This budget is reviewed annually and projects are re-prioritized and the financial condition of the City is evaluated. Many of the streets improvements, parks improvements and storm water projects are funded by the voter approved street, parks, and storm water sales taxes.

Cash management policies and practices. The Finance Department strives to keep abreast of current trends and procedures for cash management and forecasting to ensure the most efficient and profitable use of the City's cash resources. While efforts are made to maximize the return on the City's investment dollar, the primary concern is to always assure the return on principal. To maximize investment earnings, the City consolidates cash balances of all funds except for certain restricted funds. Idle cash during the year was invested in U.S. agencies and certificates of deposit. The average yield on investments was 3.00 percent.

Risk management. During the fiscal year, the City renewed all major insurance policies (property, boiler and machinery, general liability, automobile liability, public official's liability and law enforcement liability.) Significant attention is being given to cost control in the area of health insurance.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Independence for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable, efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such reports 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 CAFR continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City is also the recipient of GFOA's Award for Distinguished Budget Presentation for its annual budget for the fiscal year beginning July 1, 2004. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium. This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award

The preparation of this report would not have been possible without the efficient and dedicated services of several members of the Finance Department. I would like to thank the firm of Cochran, Head & Co,. P. C. for their assistance and patience in the preparation of this annual report.

Respectfully submitted,

James C. Harlow
Director of Finance and Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Independence, Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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.

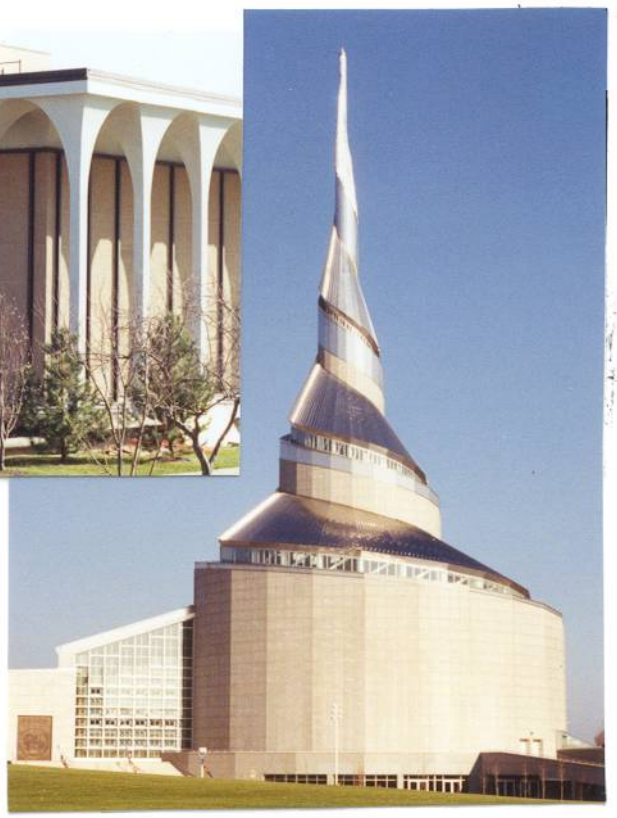
President

Executive Director

Below: First Baptist Church
500 W. Truman Road

Above: Stone Church, 1888
1012 W. Lexington

Above: Mormon Visitor's Center
931 W. Walnut



Right: RLDS Temple
River and Walnut

CH & Co

COCHRAN, HEAD & CO., P.C.

Certified Public Accountants

10034 NW Ambassador Dr.
Kansas City, MO 64153
(816) 584-9955
Fax (816) 584-9958

Independent Auditors' Report

The Honorable Mayor and Members of the City Council
City of Independence, 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 aggregate remaining fund information of the City of Independence, Missouri, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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 the City as of June 30, 2005, and the respective changes in financial position and cash flow, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Offices

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1333 Meadowlark Lane
Kansas City, KS 66102
(913) 287-4433
(913) 287-0010 FAX

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information and schedules of funding progress and employer contributions, which appear as listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required accounting principles generally accepted in the United States of America. 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 this 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 basic financial statements of the City. The introductory section, combining and individual non-major fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied 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 and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

September 23, 2005

Cordum, Hand & Co PC

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2005

This section of the City of Independence's comprehensive annual financial report presents our review of the City's financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

Financial Highlights

The City's total net assets increased over $29 million. Of this amount $21.5 million or 73% was from the City's 'governmental-type activities' and the balance was from 'business activities'.

Growth in sales tax revenue was 8.5%. Most of this increase can be attributed to the new public safety sales taxes. As with other entities the recent economic slow-down has affected the City's revenues.

The State authorized legislation that is intended to settle the dispute between cell phone providers and local jurisdictions concerning franchise fees. The impact of this decision is yet to be determined.

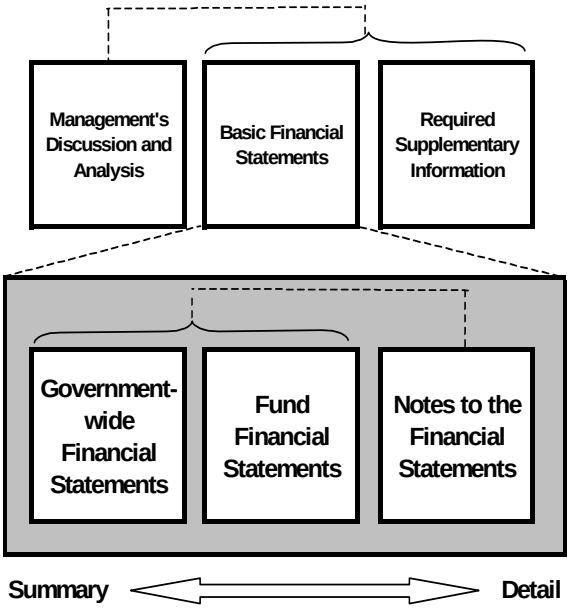
The site work has started on the tax increment financing project for a retail development of almost 700,000 square feet that includes a Bass Pro Shops Outdoor World store and theme hotel.

HCA hospitals has started construction of a new $250,000,000 state of the art medical center that will consolidate the two medical facilities it currently owns in the City.

The City has approved a tax increment financing project to convert two closed landfills to a Greg Norman Golf Course with executive housing on the perimeter.

The City approved a contract with Omaha Public Power to participate in a construction of a second power plant near Nebraska City and a contract with a Missouri Joint Utility Commission to participate in Kansas City Power & Light's construction of a second power plant near Westin, Missouri.

Figure MD-1
Required Components of City of Independence's Annual Financial Report



Overview Of The Financial Statements

This annual report consists of four parts, management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operation in more detail than the government-wide statements:

    - The governmental funds statements tell how general government services like public safety were financed in the short term, as well as, what remains for future spending.

    - Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like a business, such as the electric, water and sanitary sewer systems.

    - Fiduciary fund statements provide information about financial relationships for which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that provide additional explanatory information to the financial statements. The statements are followed by a section of required supplementary information, which explains and supports the information in the financial statements. Figure MD-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our non major governmental funds and internal service funds, each of which are added together and presented in single columns in the basic financial statements.

Figure MD-2 summarizes the components of the City's financial statements, including the portion of the City government, which each covers and the types of information each contain. The remainder of this section explains the structure and content of each of the statements.

Figure MD-2

Major Features of the City of Independence's Government-wide and Fund Financial Statements

		Fund Statements		
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses: electric, water, and sanitary sewer	Instances in which the City is the trustee or agent for someone else's resources
Required financial Statements	* Statement of net assets * Statement of activities	* Balance Sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net assets * Statement of revenues, expenses, and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. The term "Net assets" refers to the difference between the City's assets and liabilities and is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

- To further assess the overall health of the City additional non financial factors such as changes in the City's property tax base and the condition of the City's roads, should be considered.

The government-wide financial statements of the City can be divided into two categories:

- Governmental activities – Most of the City's basic services are included here, such as the police, fire, public works, and parks departments, as well as, general administration. Property taxes, sales taxes, and state and federal grants finance most of these activities.

- Business-type activities – The City charges fees to customers to help it cover the costs of certain services it provides. The City's electric, water, and sanitary sewer systems are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by the City's Charter, State Statutes, and bond covenants.

The Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has three kinds of funds:

- Governmental funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not

encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

- Proprietary funds – business operations for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

    - The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

    - We use internal service funds (the other kind of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities. The City has three internal service funds. These are the self-funded health insurance fund, central garage fund, and employee benefits fund.

- Fiduciary funds – Periodically, the City may be responsible for other assets that have been given to the City under the terms of a trust agreement initiated by an outside third party. Generally these funds are limited in use for the benefit of the designated trust beneficiary. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Currently, the City is the trustee, or fiduciary, for the following three funds: Vaile Mansion/Anderson Trust Fund, Susie Paxton Block Trust Fund and the Flexible Benefit Plan Fund. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The following table (MD-1) reflects the condensed Statement of Net Assets:

Table MD-1
City of Independence's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	$ 48,322,270	29,233,099	91,003,618	106,033,573	139,325,888	135,266,672
Capital assets	118,439,494	88,789,612	295,496,956	275,588,093	413,936,450	364,377,705
Total assets	166,761,764	118,022,711	386,500,574	381,621,666	553,262,338	499,644,377
Long-term debt outstanding	27,706,503	10,340,430	63,500,700	67,012,548	91,207,203	77,352,978
Other liabilities	16,645,919	13,375,552	16,447,742	15,825,604	33,093,661	29,201,156
Total liabilities	44,352,422	23,715,982	79,948,442	82,838,152	124,300,864	106,554,134
Net assets						
Invested in capital assets, net of related debt	102,014,271	93,241,415	233,908,193	225,381,288	335,922,464	318,622,703
Restricted	26,147,417	12,415,044	500,000	500,000	26,647,417	12,915,044
Unrestricted	(5,752,346)	(4,722,041)	72,143,939	72,902,226	66,391,593	68,180,185
Total net assets	$ 122,409,342	100,934,418	306,552,132	298,783,514	428,961,474	399,717,932

The City's combined net assets increased 7.3% to $428.6 million from $399.7 million as reflected in Table MD-1. Net assets of the City's governmental activities increased 20.6% to $122.1 million. Governmental assets increased $48.7 million and liabilities increased $20.7 million. The increase in long-term debt of $17.3 million is related to public safety projects, the aquatic center, and capital leases.

Total unrestricted net assets were $66.4 million with the business-type activities being $72.1 million. The City's unrestricted net assets for governmental activities were ($5.7) million. (Assets for roads, bridges and other governmental infrastructure assets acquired prior to fiscal year 2003 are not included at this time. The City will be including infrastructure assets acquired prior to fiscal year 2003 in future years in response to GASB Statement No. 34.)

Unrestricted net assets for business activities were $72.1 million and decreased less than $1 million from the previous year. Net assets invested in capital assets, net of related debt were $233.9 million and increased $8.5 million from the previous year.

Changes In Net Assets

The following table (MD-2) reflects the revenues and expenses from the City's activities:

Table MD-2
City of Independence's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for services	$ 12,863,554	13,460,568	113,648,124	111,264,303	126,511,678	124,724,871
Federal grants	6,247,134	3,962,710	-	115,000	6,247,134	4,077,710
State/Local grants & contributions	10,331,850	6,176,040	3,491,383	3,916,475	13,823,233	10,092,515
General revenues						
Property taxes	6,564,690	6,458,742	-	-	6,564,690	6,458,742
Sales taxes	33,295,203	30,673,300	-	-	33,295,203	30,673,300
Other taxes	7,537,505	7,270,437	-	-	7,537,505	7,270,437
Interest	922,701	229,550	1,567,536	709,029	2,490,237	938,579
Other	1,143,207	866,168	1,022,417	1,774,387	2,165,624	2,640,555
Total revenues	78,905,844	69,097,515	119,729,460	117,779,194	198,635,304	186,876,709
Expenses						
General government	7,148,065	6,808,416	-	-	7,148,065	6,808,416
Public works	6,889,773	6,196,849	-	-	6,889,773	6,196,849
Public safety	35,069,866	32,987,626	-	-	35,069,866	32,987,626
Culture & recreation	4,247,735	4,069,244	-	-	4,247,735	4,069,244
Community development	3,372,610	3,471,030	-	-	3,372,610	3,471,030
Health & welfare	2,421,255	2,524,823	-	-	2,421,255	2,524,823
Electric	-	-	73,531,757	71,641,843	73,531,757	71,641,843
Water	-	-	16,394,488	15,352,095	16,394,488	15,352,095
Sanitary sewer	-	-	11,995,774	11,381,487	11,995,774	11,381,487
Storm water	1,493,534	1,043,573	-	-	1,493,534	1,043,573
Non Dept/Other	6,266,060	6,926,018	-	-	6,266,060	6,926,018
Interest	536,124	170,034	-	-	536,124	170,034
Total expenses	67,445,022	64,197,613	101,922,019	98,375,425	169,367,041	162,573,038
Excess (deficiency) before special item and transfers	11,460,822	4,899,902	17,807,441	19,403,769	29,268,263	24,303,671
Transfers	10,038,823	9,554,727	(10,038,823)	(9,554,727)	-	-
Transfers to component unit	(24,722)	(25,252)	-	-	(24,722)	(25,252)
Increase in net assets	$ 21,474,923	14,429,377.00	7,768,618	9,849,042	29,243,541	24,278,419

Total revenues increased $11.8 million and Governmental revenues increased 14.2% or $9.8 million. This increase can be attributed mostly to the increase in charges for services and inter-governmental revenues. Of significance is the slow-down in the growth of taxes and particularly sales tax. This, however, is a reflection of the general economy.

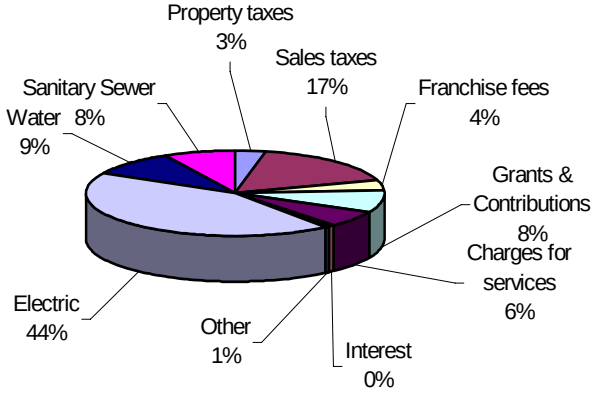
Total expenses increased $6.7 million and Governmental expenses increased 5.0% or $3.2 million. This increase can be attributed to costs associated with electric production and capital projects.

The change in the business-type activities can be described as normal operations. Some of which is related to the effect of weather on electric and water sales.

Revenues

For the fiscal year ending June 30, 2005 revenues totaled $198.6 million. Of this amount charges for services (governmental and business type) was $126.5 million or 63.7% of the total. Revenue from business-type activities represents 60.3% of the total City revenues (Figure MD-3).

Figure MD-3
City of Independence
Sources of Revenue for FY 2005

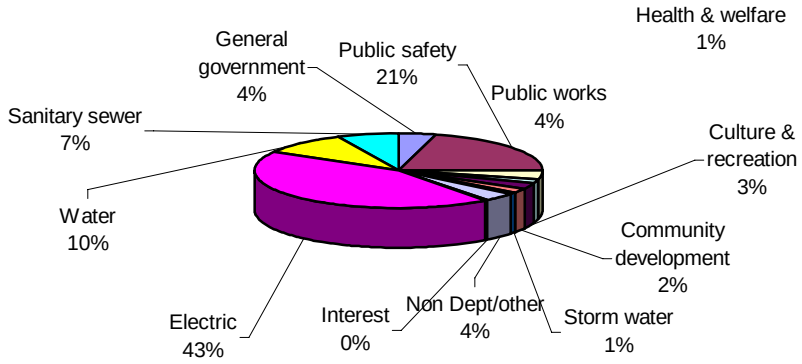


Revenues from governmental activities were $78.9 million. Sales taxes, the largest governmental category, were $33.3 million or 42.2%. All taxes represents $47.4 million or 60% of the governmental revenue. Inter-governmental revenues from such sources as grants were $16.6 million or 21% of the governmental revenues. Charges for services at $12.9 million were 16.3% of the total.

Expenses

For the fiscal year ending June 30, 2005 expenses totaled $169.4 million. Of this amount the electric utility was $73.5 million or 43.4% of the total. Business-type expenses represents 60.2% of the total City expenses (Figure MD-4).

Figure MD-4
City of Independence
Functional Expenses for FY 2005



Expenses from governmental activities were $67.4 million. Public safety expenses, the largest governmental category, were $35.1 million or 52.0% of the total. General government, which includes costs associated with the legislative office, administration, law, and finance is the next largest category at $7.1 million.

Governmental Activities

Table MD-3
Net Cost of City of Independence's Governmental Activities

	Total Cost of Services		Net Cost of Servicess	
	2005	2004	2005	2004
General government	$ 7,148,065	6,808,416	1,679,216	1,660,818
Public works	6,889,773	6,196,849	(5,063,617)	(1,331,683)
Public safety	35,069,866	32,987,626	28,790,210	27,118,607
Culture & Recreation	4,247,735	4,069,244	3,446,492	3,666,462
Community development	3,372,610	3,471,030	76,288	(27,197)
Health & Welfare	2,421,255	2,524,823	1,399,455	1,539,811
Storm water	1,493,534	1,043,573	1,049,731	875,425
Other	6,802,184	7,096,052	6,624,707	7,096,052
Total	$ 67,445,022	64,197,613	38,002,482	40,598,295

As previously noted expenses from governmental activities for fiscal year 2005 were $67.4 million. However, the net costs of these services were $38 million. The difference represents direct revenues received from charges for services of $12.9 million, operating grants of $9.3 million, and capital grants of $7.2 million. Taxes and other revenues of $59.5 million were collected to cover these net costs.

Business-type Activities

Revenues of the City's business-type activities increased $1.8 million or 1.6% and expenses increased $3.5 million or 3.6%. This change is primarily the result of increased customer consumption caused by growth and weather conditions. Fluctuation in weather for both the electric and water utilities impacts both the revenues and expenses of these utilities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of $36.7 million. The fund balance of the General Fund decreased $318,849 during fiscal year 2005. The undesignated portion of the General Fund's fund balance increased to $1,903,961. This increase was greater than expected when the budget was prepared. Fund balance was impacted by several of the financial highlights pointed out earlier, as well as:

Position vacancies were managed with the intent of managing termination and recruitment costs and filling these only when necessary.

Sales tax revenue growth continues to be less than economic projections.

Revenue from landline telephone service seems to have stabilized.

General Fund Budgetary Highlights

Resources available for appropriation increased $1 million from the original estimate. Proceeds from capital leases provided most of this increase. Actual revenues at the end of the year were less than projected by $84 thousand. The largest negative variance was in the area of Licenses and Permits accounting for $315 thousand of the revenue shortfall.

Over the course of the fiscal year, the Council revised the City budget several times. Appropriations were increased $1.9 million. These budget amendments generally fall into the following three categories:

- Approval of new grants or the extension of current grants that were not previously included in the approved budget. These adjustments generally also include offsetting revenues.

- Transfer previously approved appropriations to operating departments where expenditures occur when the actual distribution of the expenditure could not be anticipated at the time that the appropriation was originally approved.

- Increase or decrease appropriations for unanticipated events that may arise throughout the fiscal year.

Actual expenditures were $408 thousand less than the amount appropriated representing a reduction of less than 1 percent. This was largely the result of an intentional under spending of the budget by means of delaying capital expenditures and the filling of vacant positions to offset declining revenues and fund balance reserves.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2005, the City had invested $413.9 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and electric, water and sewer systems. Assets for roads, bridges and other governmental infrastructure assets acquired in prior fiscal years are not included at this time. The City will be including infrastructure assets acquired prior to fiscal year 2003 in future years in response to GASB Statement No. 34. Assets increased $30.4 million or 7.9% during the period.

Table MD-4
City of Independence's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2005	2004	2005	2004	2005	2004	2004-2005
Land & land imp	$ 11,811,365	10,912,049	5,442,985	5,437,449	17,254,350	16,349,498	5.5%
Buildings & Improvements	15,904,063	9,473,762	-	-	15,904,063	9,473,762	67.9%
Office furniture & equipment	31,444	39,917	-	-	31,444	39,917	-21.2%
Computer equipment	349,854	333,667	-	-	349,854	333,667	4.9%
Mobile equipment	5,740,615	4,738,944	-	-	5,740,615	4,738,944	21.1%
Other equipment	1,066,673	1,022,332	26,014	26,014	1,092,687	1,048,346	4.2%
Infrastructure	36,802,370	30,739,715	254,739,760	249,833,225	291,542,130	280,572,940	3.9%
Construction in progress	46,733,110	38,156,913	35,288,197	32,832,493	82,021,307	70,989,406	15.5%
Total	$ 118,439,494	95,417,299	295,496,956	288,129,181	413,936,450	383,546,480	7.9%

The budget for fiscal year 2006 projects the City will spend an additional $33.7 million for capital projects.

Additional information regarding capital assets can be found in the 'Note to Financial Statements', section (6), of this report.

Debt Administration

Table MD-5
City of Independence's Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2005	2004	2005	2004	2005	2004	2004-2005
Loans Payable	$ 21,498,153	2,324,124	62,969,608	65,887,893	84,467,761	68,212,017	23.83%
Capital lease obligations	1,015,831	718,955	-	-	1,015,831	718,955	41.29%
Neighborhood Improvemt District	1,039,990	995,000	-	-	1,039,990	995,000	4.52%
Total	$ 23,553,974	4,038,079	62,969,608	65,887,893	86,523,582	69,925,972	23.74%

The City at the end of fiscal year 2005 had a total of $86.5 million of outstanding obligations. This was an increase of $16.5 million or 23.7% from the previous fiscal year. None of these amounts relate to general obligations of the City and $62.9 million or 72.7% are obligations of the business-type activities. The increase in obligations for the governmental activity funds is for debt issued to fund the aquatics center and public safety projects.

Additional information regarding debt can be found in the 'Note to Financial Statements', section (7), of this report.

Economic Factors

In the last five years the City, as a community, lost 1,012 jobs, with employment at 58,260 jobs. Unemployment by mid-2005 was 5.8%, but this is lower than Jackson County at 6.2% and greater than the State at 4.5%. As with most of the rest of the country the City's unemployment rate has remained steady during the last two years. Median income for 2005 is estimated to be $43,139, while the State is $43,435.

Contacting The City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customer, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to James C. Harlow, Director of Finance, City of Independence, P.O. Box 1019, Independence, MO 64051.

Memorial Wall located by the Truman-Memorial Building
On West Maple Street

Picture courtesy of Herbert Webb

Exhibit 1

CITY OF INDEPENDENCE, MISSOURI

Statement of Net Assets

June 30, 2005

	Primary Government			Component Unit
Assets	**Governmental Activities**	**Business-Type Activities**	**Total**	**Tax Increment Financing**
Current assets:				
Pooled cash and investments	$ 34,197,666	59,342,993	93,540,659	4,682,550
Receivables:				
Taxes	5,304,101	—	5,304,101	119,257
Accounts	374,088	7,822,880	8,196,968	34,918
Unbilled revenue	—	9,274,082	9,274,082	—
Special assessment principal and accrued interest	2,190,027	224,293	2,414,320	—
Accrued interest	226,636	614,764	841,400	—
Other	—	124,108	124,108	—
Internal balances	(77,069)	77,069	—	—
Due from component unit	16,500	102,300	118,800	—
Due from other governments	5,197,062	—	5,197,062	236,422
Inventory	41,824	8,922,725	8,964,549	—
Prepaid items	—	102,811	102,811	—
Total current assets	47,470,835	86,608,025	134,078,860	5,073,147
Noncurrent assets:				
Restricted assets	589,827	2,214,678	2,804,505	17,193,148
Capital assets:				
Non depreciable	58,324,983	40,731,182	99,056,165	—
Depreciable, net	60,114,511	254,765,774	314,880,285	—
Deferred debt issue costs	261,608	1,380,845	1,642,453	490,220
Other deferred charges	—	800,070	800,070	—
Total noncurrent assets	119,290,929	299,892,549	419,183,478	17,683,368
Total assets	$ 166,761,764	386,500,574	553,262,338	22,756,515
Liabilities and Net Assets				
Current liabilities:				
Accounts and contracts payable	$ 3,137,959	6,682,304	9,820,263	10,777
Accrued items	2,932,972	2,006,325	4,939,297	877,389
Other current liabilities	1,364,081	624,374	1,988,455	56,272
Due to primary government	—	—	—	118,800
Unearned revenue	284,274	35,669	319,943	—
Current portion of long-term obligations	7,590,038	5,475,206	13,065,244	2,311,362
Medical self-insurance claims	1,119,765	—	1,119,765	—
Liabilities payable from restricted assets	216,830	1,282,988	1,499,818	—
Total current liabilities	16,645,919	16,106,866	32,752,785	3,374,600
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	27,706,503	63,500,700	91,207,203	71,941,792
Advances for construction	—	340,876	340,876	—
Total noncurrent liabilities	27,706,503	63,841,576	91,548,079	71,941,792
Total liabilities	44,352,422	79,948,442	124,300,864	75,316,392
Net Assets:				
Invested in capital assets, net of related debt	102,014,271	233,908,193	335,922,464	—
Restricted for:				
Capital projects	62,172	—	62,172	—
Special revenue	24,465,489	—	24,465,489	—
Debt service	1,606,140	500,000	2,106,140	—
Permanently restricted	5,000	—	5,000	—
Other	8,616	—	8,616	—
Unrestricted	(5,752,346)	72,143,939	66,391,593	(52,559,877)
Total net assets	122,409,342	306,552,132	428,961,474	(52,559,877)
Total liabilities and net assets	$ 166,761,764	386,500,574	553,262,338	22,756,515

See accompanying notes to financial statements.

Exhibit 2

CITY OF INDEPENDENCE, MISSOURI

Statement of Activities

Year ended June 30, 2005

Functions/programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Net (expense) revenue
Primary government:					
Governmental activities:					
General government	$ 7,148,065	5,067,474	70,598	330,778	(1,679,215)
Public safety	35,069,866	3,841,471	2,424,817	13,368	(28,790,210)
Public works	6,889,773	802,206	4,730,521	6,420,663	5,063,617
Health and welfare	2,421,255	482,601	539,199	—	(1,399,455)
Culture and recreation	4,247,735	619,630	181,612	—	(3,446,493)
Community development	3,372,610	2,050,172	1,246,149	—	(76,289)
Storm water	1,493,534	—	143,165	300,638	(1,049,731)
Nondepartmental/other	6,266,060	—	—	177,477	(6,088,583)
Interest on long-term debt	536,124	—	—	—	(536,124)
Total governmental activities	67,445,022	12,863,554	9,336,061	7,242,924	(38,002,483)
Business-type activities:					
Power and light	73,531,757	82,592,294	—	1,522,200	10,582,737
Water	16,394,488	17,080,050	—	883,685	1,569,247
Sewer	11,995,774	13,975,780	—	1,085,498	3,065,504
Total business-type activities	101,922,019	113,648,124	—	3,491,383	15,217,488
Total primary government	$ 169,367,041	126,511,678	9,336,061	10,734,307	(22,784,995)
Component unit:					
Tax increment financing	$ 10,690,303	65,000	—	—	(10,625,303)

	Governmental activities	Business-type activities	Total	Component unit
Changes in net assets:				
Net (expense) revenue	$ (38,002,483)	15,217,488	(22,784,995)	(10,625,303)
General revenues:				
Property taxes	6,564,690	—	6,564,690	—
Sales and use taxes	33,295,203	—	33,295,203	6,446,935
Franchise taxes	7,500,356	—	7,500,356	—
Financial institutions tax	37,149	—	37,149	—
Investment earnings	922,701	1,567,536	2,490,237	396,285
Miscellaneous	1,143,207	1,022,417	2,165,624	36,517
Payments to component unit	(24,722)	—	(24,722)	24,722
Transfers	10,038,823	(10,038,823)	—	—
Total general revenue and transfers	59,477,407	(7,448,870)	52,028,537	6,904,459
Change in net assets	21,474,924	7,768,618	29,243,542	(3,720,844)
Net assets, beginning, as restated	100,934,418	298,783,514	399,717,932	(48,839,033)
Net assets, ending	$ 122,409,342	306,552,132	428,961,474	(52,559,877)

See accompanying notes to financial statements.

Exhibit 3

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Governmental Funds

June 30, 2005

Assets		**General**	**Park Improvement Sales Tax**	**Nonmajor governmental funds**	**Total governmental funds**
Pooled cash and investments	$	1,261,857	1,110,166	30,204,188	32,576,211
Receivables:					
Taxes		2,804,869	547,302	1,951,930	5,304,101
Accounts		330,326	3,480	28,312	362,118
Special assessment principal and accrued interest		523,989	—	1,666,038	2,190,027
Accrued interest		15,906	—	210,729	226,635
Due from other funds		2,943,804	—	16,156	2,959,960
Due from component unit		—	16,500	—	16,500
Due from other governments		801,803	—	4,395,258	5,197,061
Restricted assets		439,741	9,843	140,243	589,827
Total assets	$	9,122,295	1,687,291	38,612,854	49,422,440
Liabilities and Fund Balances					
Liabilities:					
Accounts and contracts payable	$	410,883	459,864	2,231,605	3,102,352
Due to other funds		—	—	2,975,316	2,975,316
Accrued items		2,498,915	28,689	74,784	2,602,388
Other current liabilities		624,023	—	740,059	1,364,082
Unearned revenue		523,989	—	1,950,005	2,473,994
Liabilities payable from restricted assets:					
Deposits and court bonds		216,830	—	—	216,830
Total liabilities		4,274,640	488,553	7,971,769	12,734,962
Fund balances:					
Reserved for:					
Encumbrances		1,156,315	731,311	17,323,272	19,210,898
Domestic violence		13,661	—	—	13,661
Other purposes		480,914	9,843	46,243	537,000
Unreserved, reported in:					
General Fund		1,903,961	—	—	1,903,961
Special Revenue Funds		—	457,584	15,598,446	16,056,030
Debt Service Fund		—	—	92,278	92,278
Capital Projects Funds		—	—	(3,837,893)	(3,837,893)
Permanent Funds		—	—	8,616	8,616
Designated General Fund		1,292,804	—	—	1,292,804
Designated Special Revenue Funds		—	—	1,405,123	1,405,123
Designated permanent funds		—	—	5,000	5,000
Total fund balance		4,847,655	1,198,738	30,641,085	36,687,478
Total liabilities and fund balance	$	9,122,295	1,687,291	38,612,854	49,422,440

See accompanying notes to financial statements.

Exhibit 3.1

CITY OF INDEPENDENCE, MISSOURI

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets

June 30, 2005

Fund balances – total governmental funds	$	36,687,478
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Governmental capital assets		140,965,846
Less accumulated depreciation		(22,626,592)
		118,339,254
Interest on long-term debt is not accrued in governmental funds but, rather, is recognized as expenditure when due		(310,127)
Adjustment of unearned revenue		2,189,720
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the statement of net assets		481,980
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds		
Loans payable/NID payable		(22,538,143)
Capital lease obligations		(1,015,831)
Compensated absences		(11,686,597)
		(35,240,571)
Deferred debt costs		261,608
Net assets of governmental activities	$	122,409,342

See accompanying notes to financial statements.

Exhibit 4

CITY OF INDEPENDENCE, MISSOURI

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2005

	General	Park Improvement Sales Tax	Nonmajor governmental funds	Total governmental funds
Revenues:				
Taxes	$ 30,563,900	4,038,148	12,758,203	47,360,251
Licenses and permits	3,780,984	—	889,633	4,670,617
Intergovernmental	5,679,800	—	7,333,381	13,013,181
Charges for services	1,464,228	299,082	259,987	2,023,297
Interfund charges for support services	2,700,215	—	—	2,700,215
Fines, forfeitures, and court costs	3,521,377	—	—	3,521,377
Investment income	170,256	228,686	502,267	901,209
Sale of property, plant, and equipment	56,379	—	—	56,379
Other	728,058	46,897	485,158	1,260,113
Total revenues	48,665,197	4,612,813	22,228,629	75,506,639
Expenditures:				
Current:				
General government	6,578,790	—	39,698	6,618,488
Public safety	32,283,745	—	3,179,234	35,462,979
Public works	5,930,041	—	—	5,930,041
Health and welfare	1,886,634	—	533,199	2,419,833
Culture and recreation	2,067,502	1,153,488	827,197	4,048,187
Community development	2,140,616	—	1,138,335	3,278,951
Storm water	295,564	—	885,225	1,180,789
Nondepartmental/other	6,807,344	—	316,517	7,123,861
Capital outlay	697,434	8,581,857	11,761,103	21,040,394
Debt service:				
Principal	687,925	230,000	101,271	1,019,196
Interest and fiscal agent fees	107,606	93,378	45,474	246,458
Total expenditures	59,483,201	10,058,723	18,827,253	88,369,177
Excess (deficiency) of revenues over (under) expenditures	(10,818,004)	(5,445,910)	3,401,376	(12,862,538)
Other financing sources (uses):				
Proceeds from debt issuance	—	6,175,000	13,716,014	19,891,014
Proceeds from capital leases	857,434	—	—	857,434
Transfers in – utility payments in lieu of taxes	10,179,317	—	—	10,179,317
Transfers in	—	—	222,429	222,429
Payments to component unit	(11,708)	(2,927)	(10,087)	(24,722)
Transfers out	(306,275)	—	(56,646)	(362,921)
Total other financing sources	10,718,768	6,172,073	13,871,710	30,762,551
Net change in fund balances	(99,236)	726,163	17,273,086	17,900,013
Fund balances, beginning, as restated	4,946,891	472,575	13,367,999	18,787,465
Fund balances, ending	$ 4,847,655	1,198,738	30,641,085	36,687,478

See accompanying notes to financial statements.

Exhibit 4.1

CITY OF INDEPENDENCE, MISSOURI

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

Year ended June 30, 2005

Net change in fund balances – total governmental funds	$	17,900,013
Amounts reported for governmental activities in the statement of activities are different because:		
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 as depreciation expense. This is the depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		23,276,330
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the assets and depreciation is removed from the capital assets account in the statement of net assets and offset against the proceeds, resulting in a gain on the sale of fixed assets in the statement of activities. More revenue is reported in the governmental funds than gain in the statement of activities. The book value of the assets is		(250,034)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		573,747
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments. Also, 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:		
Proceeds from debt issuance		(19,891,014)
Principal payments		1,019,196
Debt issuance costs amortization		197,950
Debt premiums and discounts		213,358
Capital lease proceeds		(857,434)
		(19,317,944)
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 the governmental funds:		
Accrued interest		(289,671)
Compensated absences		(453,639)
		(743,310)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and garage charges, to individual funds. The net expense of the internal service funds is reported with the governmental activities		986
Employee benefits transfer		35,136
Change in net assets of governmental activities (Exhibit 2)	$	21,474,924

See accompanying notes to financial statements.

Exhibit 5

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Proprietary Funds

June 30, 2005

Assets	Enterprise funds: Power and Light	Water	Sanitary Sewer	Total	Internal Service Funds
Current assets:					
Pooled cash and investments	$ 35,520,022	14,137,587	9,685,384	59,342,993	1,621,457
Receivables:					
Accounts (net of allowance of $647,736)	4,976,258	1,887,340	959,282	7,822,880	11,970
Unbilled revenue	7,484,188	857,288	932,606	9,274,082	—
Special assessment principal and accrued interest	6,730	106,312	111,251	224,293	—
Accrued interest	384,564	99,885	130,315	614,764	—
Other	—	124,108	—	124,108	—
Due from other funds	—	—	15,356	15,356	—
Due from component unit	102,300	—	—	102,300	—
Inventory	8,229,907	624,258	68,560	8,922,725	41,824
Prepaid items	102,811	—	—	102,811	—
Total current assets	56,806,780	17,836,778	11,902,754	86,546,312	1,675,251
Noncurrent assets:					
Restricted assets	1,248,724	768,030	197,924	2,214,678	—
Capital assets:					
Nondepreciable	10,020,662	21,523,694	9,186,826	40,731,182	93,979
Depreciable, net	129,133,221	74,383,664	51,248,889	254,765,774	6,261
Deferred debt issue costs	348,353	1,032,492	—	1,380,845	—
Other deferred charges	172,000	628,070	—	800,070	—
Total noncurrent assets	140,922,960	98,335,950	60,633,639	299,892,549	100,240
Total assets	$ 197,729,740	116,172,728	72,536,393	386,438,861	1,775,491
Liabilities and Net Assets					
Current liabilities:					
Accounts and contracts payable	$ 4,772,920	1,690,049	219,335	6,682,304	35,607
Accrued items	933,992	706,222	366,111	2,006,325	20,456
Other current liabilities	167,400	415,680	41,294	624,374	—
Deferred revenue	—	35,669	—	35,669	—
Current portion of long-term obligations	2,993,149	2,265,184	216,873	5,475,206	—
Medical self-insurance claims	—	—	—	—	1,119,765
Liabilities payable from restricted assets	881,554	232,277	169,157	1,282,988	24,514
Total current liabilities	9,749,015	5,345,081	1,012,770	16,106,866	1,200,342
Noncurrent liabilities:					
Revenue bonds payable	16,549,608	42,590,000	—	59,139,608	—
Compensated absences – long-term	3,010,750	833,415	516,927	4,361,092	31,456
Advances for construction	183,245	147,470	10,161	340,876	—
Total noncurrent liabilities	19,743,603	43,570,885	527,088	63,841,576	31,456
Total liabilities	29,492,618	48,915,966	1,539,858	79,948,442	1,231,798
Net assets:					
Invested in capital assets, net of related debt	121,027,628	52,444,850	60,435,715	233,908,193	100,240
Restricted for:					
Debt service	—	500,000	—	500,000	—
Unrestricted	47,209,494	14,311,912	10,560,820	72,082,226	443,453
Total net assets	168,237,122	67,256,762	70,996,535	306,490,419	543,693
Total liabilities and net assets	$ 197,729,740	116,172,728	72,536,393		1,775,491
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				61,713	
Net assets of business-type activities				$ 306,552,132	

See accompanying notes to financial statements.

Exhibit 6

CITY OF INDEPENDENCE, MISSOURI

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

Proprietary Funds

Year ended June 30, 2005

	Enterprise funds				Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Total	
Operating revenues:					
Charges for services	$ 81,622,488	16,792,582	13,857,738	112,272,808	12,116,891
Miscellaneous	969,806	287,468	118,042	1,375,316	—
Total operating revenues	82,592,294	17,080,050	13,975,780	113,648,124	12,116,891
Operating expenses:					
Personal services	13,158,553	5,989,780	3,992,684	23,141,017	492,890
Other services	9,138,216	2,864,119	5,564,538	17,566,873	11,057,399
Supplies	35,903,938	1,144,140	397,857	37,445,935	687,912
Other expenses	5,353,878	2,241,543	62,480	7,657,901	—
Depreciation and amortization	9,722,921	2,061,037	2,170,659	13,954,617	4,098
Total operating expenses	73,277,506	14,300,619	12,188,218	99,766,343	12,242,299
Operating income	9,314,788	2,779,431	1,787,562	13,881,781	(125,408)
Nonoperating revenues (expenses):					
Interest revenue	833,337	411,960	313,562	1,558,859	30,174
Miscellaneous revenue	595,277	1,522,601	(16,905)	2,100,973	148,065
Interest expense	(1,173,005)	(2,104,393)	—	(3,277,398)	—
Total nonoperating revenue (expenses)	255,609	(169,832)	296,657	382,434	178,239
Income before contributions and transfers	9,570,397	2,609,599	2,084,219	14,264,215	52,831
Capital contributions	1,522,200	883,685	1,085,498	3,491,383	—
Transfers out – utility payments in lieu of taxes	(7,628,326)	(1,395,053)	(1,155,938)	(10,179,317)	—
Transfers in	6,565	869	106,601	114,035	35,136
Transfers out	—	—	—	—	(8,679)
Change in net assets	3,470,836	2,099,100	2,120,380	7,690,316	79,288
Total net assets:					
Beginning of the year	164,766,286	65,157,662	68,876,155	298,800,103	464,405
End of the year	$ 168,237,122	67,256,762	70,996,535	306,490,419	543,693

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	78,302
Change in net assets of business-type activities.	$ 7,768,618

See accompanying notes to financial statements.

Exhibit 7

CITY OF INDEPENDENCE, MISSOURI

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2005

	Enterprise funds				Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Total	
Cash flows from operations:					
Receipts from customers	$ 80,536,124	16,270,760	13,992,445	110,799,329	12,237,576
Payments to suppliers	(49,128,168)	(6,891,251)	(6,134,166)	(62,153,585)	(12,267,617)
Payments to employees	(12,465,260)	(5,869,721)	(3,803,157)	(22,138,138)	(489,737)
Net cash provided by operating activities	18,942,696	3,509,788	4,055,122	26,507,606	(519,778)
Cash flows from noncapital financing activities:					
Transfers in	6,565	869	106,601	114,035	35,136
Transfers out – payments in lieu of taxes	(7,628,326)	(1,395,053)	(1,155,938)	(10,179,317)	(8,679)
Receipts for interfund loans	—	—	15,355	15,355	—
Nonoperating revenues	595,277	1,522,601	(11,405)	2,106,473	148,065
Net cash provided by (used in) noncapital financing activities	(7,026,484)	128,417	(1,045,387)	(7,943,454)	174,522
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(7,500,040)	(9,092,113)	(1,994,347)	(18,586,500)	—
Interest paid on revenue bonds and equipment contracts	(925,539)	(1,976,723)	—	(2,902,262)	—
Disposal costs on disposition of equipment	(578,240)	(13,381)	—	(591,621)	—
Redemption of revenue bonds	(1,855,000)	(1,285,000)	—	(3,140,000)	—
Net cash used in capital and related financing activities	(10,858,819)	(12,367,217)	(1,994,347)	(25,220,383)	—
Cash flows from investing activities:					
Interest on investments	560,615	495,064	231,404	1,287,083	32,263
Net cash provided by (used in) investing activities	560,615	495,064	231,404	1,287,083	32,263
Net increase (decrease) in pooled cash and investments	1,618,008	(8,233,948)	1,246,792	(5,369,148)	(312,993)
Pooled cash and investments at beginning of year	35,150,738	23,139,565	8,636,516	66,926,819	1,934,450
Pooled cash and investments at end of year	$ 36,768,746	14,905,617	9,883,308	61,557,671	1,621,457
Components of pooled cash and investments at end of fiscal year:					
Unrestricted assets	35,520,022	14,137,587	9,685,384	59,342,993	1,621,457
Restricted assets	1,248,724	768,030	197,924	2,214,678	—
Total cash and investments	$ 36,768,746	14,905,617	9,883,308	61,557,671	1,621,457
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	$ 9,314,788	2,779,431	1,787,562	13,881,781	(125,408)
Adjustments not affecting cash:					
Depreciation and amortization	9,722,921	2,061,037	2,170,659	13,954,617	4,098
Amortization of LAGERS refund	598,678	79,219	113,434	791,331	—
Change in assets and liabilities:					
Accounts receivable	(189,905)	(728,323)	(13,364)	(931,592)	120,685
Inventory	139,377	(66,863)	(19,182)	53,332	10,969
Prepaid items	2,140	—	—	2,140	—
Unbilled revenue	(1,924,153)	(85,953)	(21,058)	(2,031,164)	—
Special assessments receivable	(6,730)	—	42,954	36,224	—
Other deferred charges	50,750	—	—	50,750	—
Accounts and contracts payable	1,075,596	(577,365)	(73,030)	425,201	9,114
Accrued liabilities	35,119	(49,541)	18,378	3,956	252,593
Other current liabilities	—	52,320	(17,080)	35,240	(791,329)
Deferred revenue	—	2,581	—	2,581	—
Customer deposits	64,619	2,405	8,132	75,156	—
Compensated absences	59,496	40,840	57,717	158,053	(500)
Total adjustments	9,627,908	730,357	2,267,560	12,625,825	(394,370)
Net cash provided by operating activities	$ 18,942,696	3,509,788	4,055,122	26,507,606	(519,778)
Noncash capital and related financing activities:					
Contributed capital	$ 1,522,200	883,685	1,085,498	3,491,383	—

See accompanying notes to financial statements.

Exhibit 8

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2005

	Private-Purpose Trust funds	Agency funds
Assets:		
Pooled cash and investments	$ 55,030	42,340
Accrued interest receivable	—	495
Total assets	55,030	42,835
Liabilities:		
Funds held in escrow	—	42,835
Total liabilities	—	$ 42,835
Net assets:		
Held in trust	$ 55,030	

See accompanying notes to financial statements.

Exhibit 9

CITY OF INDEPENDENCE, MISSOURI

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2005

		Private-purpose trust funds
Additions:		
Charges for services	$	20,985
Interest		1,395
Total additions		22,380
Deductions:		
Community development		19,955
Total deductions		19,955
Change in net assets		2,425
Net assets, beginning		52,605
Net assets, ending	$	55,030

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

The City of Independence, Missouri (the City) was incorporated in 1849 and covers an area of approximately 79 square miles in Jackson County, Missouri. The City is a charter city and operates under the City Council/City Manager form of government. The City Manager is the chief administrative officer of the City. The City provides services to residents in many areas, including law enforcement, fire protection, electrical, water and sewer services, community enrichment and development, recreation and various social services. Elementary, secondary and junior college education services are provided by various school districts, all of which are separate governmental entities.

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The following is a summary of the more significant accounting and reporting policies and practices of the City.

(a) The Financial Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. Component units are separate legal entities for which are included in the primary government's financial report. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not only, criterion for including a potential component unit within the reporting entity is the City's financial accountability for the potential component unit. An entity is considered a component unit if City officials appoint a voting majority of the component unit's governing body and the City is able to impose its will upon the component unit. Additionally, if the entity provides specific financial benefits to or imposes specific financial burdens on the City, it may be considered a component unit.

This report includes the financial statements of the City (the primary government) and its component unit, the Tax Increment Financing (TIF) Commission of the City of Independence, Missouri (the Commission). The Commission is considered to be a discretely presented component unit and is presented in a separate column on the government-wide financial statements to emphasize that it is a separate entity from the City.

The Commission is governed by an 11-member board, of which six members are appointed by the City Council. The remaining five members (two from the county, two from the local school district and one from other taxing jurisdictions) are appointed by the respective taxing districts' boards. Financial transactions of the Commission are processed by the Finance Department of the City on the Commission's behalf. No separate financial statements are issued by the Commission.

(b) Basis of Presentation

Government-wide Statements. The statement of net assets and the statement of activities display information about the City. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations of internal charges and interfund balances have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or functions and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

> ***General Fund*** – This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> ***Park Improvement Sales Tax Fund*** – This fund accounts for all park projects that are funded by the one-quarter cent park improvement sales tax.

The City reports the following major enterprise funds:

> ***Power and Light Fund*** – This fund accounts for the acquisition, operation, and maintenance of the City's power and light utility facilities and services.
>
> ***Water Fund*** – This fund accounts for the acquisition, operation, and maintenance of the City's water utility facilities and services.
>
> ***Sanitary Sewer Fund*** – This fund accounts for the acquisition, operation, and maintenance of the City's sanitary sewer utility facilities and services.

The City reports the following fund types of nonmajor funds:

> ***Special Revenue Funds*** – —These funds account for specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.
>
> ***Capital Projects Funds*** – These funds account for the expenditures and relating financing sources of major City projects.

Internal Service Funds – These funds account for the costs of fleet maintenance, the Staywell healthcare program, and other benefits provided to other departments on a cost-reimbursement basis.

Trust Funds – These funds account for monies held in trust by the City for preservation and maintenance of the Vaile Mansion.

Agency Funds – These funds account for monies held on behalf of the Flexible Benefits Plan for contributions made by employees to the City's cafeteria plan and for monies held for the Susie Paxton Block Distinguished Public Service Award.

Debt Service Funds – These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Permanent Funds – These funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

(c) Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues related to exchange transactions are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental activities, business-type activities and all enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins unless those pronouncements conflict with GASB pronouncements. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when both measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Property taxes, sales taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual under this definition. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease are reported as other financing sources.

Agency Funds. Agency funds report assets and liabilities and use the accrual basis of accounting to recognize receivables and payables.

Under the terms of grant agreements, the City funds programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

(d) Accounts Receivable

Accounts receivable result primarily from sales of electricity, water and sewer services accounted for in the Power and Light, Water, and Sanitary Sewer (Enterprise) Funds, respectively. An estimated amount has been recorded for services rendered, but not yet billed, as of the close of the fiscal year.

(e) Investments

Investments with original maturities of less than one year are reported at amortized cost, which approximates fair value. Investments with original maturities of greater than one year are recorded at fair value.

(f) Inventory

Inventory of the enterprise funds consists of the coal supply and electric, water and sanitary sewer utility materials and is valued at average cost. Inventory of the Internal Service Fund consists of vehicle and equipment parts and materials and is valued at the lower of cost or market. The City determines the cost of its inventories using a first in, first out (FIFO) cost-flow assumption.

(g) Prepaid Items

Certain payments to vendors reflecting costs applicable to future accounting periods have been recorded as prepaid items in both the government-wide and fund financial statements.

(h) Interfund Activity

The City has the following types of interfund activity:

Loans – amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e., due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds.

Services provided and used – sales and purchases of goods and services between funds for a price approximating their fair value. Interfund services provided and used are reported as revenues in funds providing the good or service and expenditures or expenses in the fund purchasing the good or service. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

(i) Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, drainage systems, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets are stated at cost or estimated historical cost. For property acquired from another utility, the difference between the net cost of plant assets recorded by the selling entity and the purchase price is recorded as an acquisition adjustment. Contributions of capital assets received from federal, state, or local sources are recorded as assets and contributed capital at fair value at the time of receipt. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized.

Depreciation has been provided over the estimated useful lives using the composite and straight-line methods. Depreciation on utility vehicles and heavy equipment is charged to clearing accounts and redistributed to various operating, construction, and other accounts. The estimated useful lives are as follows:

	Years
Governmental activities:	
Buildings and improvements	20-40
Improvements other than buildings	20
Roads and bridges	40
Drainage systems	25
Office equipment and furniture	7
Mobile equipment – vehicles	5
Mobile equipment – heavy equipment	10
Fire trucks	15
Other equipment	10
Computer equipment	5

	Years
Business-type activities:	
Power and Light Fund:	
Production plant	25-45
Transmission plant	28-40
Distribution plant	25-40
Transportation equipment	7
General plant	19-40
Water Fund:	
Source of supply	15-50
Pumping	20-50
Water treatment	40-50
Transmission and distribution system	20-100
General plant	5-50
Acquisition adjustment	30
Nonutility property	10
Sanitary Sewer Fund:	
Equipment	5-25
Sewer system	40-100
Plant	25

Fully depreciated capital assets are included in the capital assets accounts until their disposal. For business-type activities, units retired plus the cost of removal, less salvage, are charged against accumulated depreciation, with no gain or loss recognized.

Property, plant, and equipment financed by capital leases are reflected as assets and corresponding liabilities, and the related depreciation expense is provided on the same basis as assets financed with other resources. General capital assets financed by capital leases are reported as an expenditure and other financing source in the governmental funds.

As part of GASB Statement No. 34, there is a new reporting requirement regarding the local government's infrastructure. This requirement permits an optional three-year further delay for implementation to the fiscal year ending 2006. The City elected to implement the basic model for fiscal year 2002 and will implement the infrastructure-related portion by June 30, 2006.

(j) Bond Premiums, Discounts, and Issuance Costs

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums are added to the face amount of debt and are reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs,

whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(k) Compensated Absences

Under the terms of the City's personnel policy, City employees are granted vacation based upon length of service. Sick leave is granted at the rate of eight hours per month. Sick leave may be accumulated without limitation. Upon termination, compensation for accrued sick leave is paid up to the equivalent of six months' regular earnings at the employee's current rate of pay and compensation for vacation is paid up to a maximum of 400 hours.

The liability for compensated absences reported in the government-wide and proprietary fund statements has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(l) Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purpose. Designations of fund balances represent tentative City plans that are subject to change. Detailed information on the City's reservations and designations of fund balance may be found at note 15 in the financial statements.

(m) Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

(n) Statement of Cash Flows

The proprietary fund's investments maintained in the City's pooled investments are readily convertible to known amounts of cash and are so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates. Accordingly, these investments are considered cash equivalents.

(o) Use of Estimates

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

(p) Reclassifications of Account Balances

Certain line items have been reclassified to conform to the presentation of the financial statements in the current year. This principally consisted of capital asset balances related to construction in process. These reclassifications had no net effect on the City's net assets or changes there in for the current year.

(q) New Accounting Pronouncements

In November 2003, the GASB (Governmental Accounting Standards Board) issued Statement No. 42, *Accounting and Financial Report for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes accounting and financial reporting standards for the impairment of capital assets. The City will implement Statement No. 42 beginning with the year ended June 30, 2006. The City is currently evaluating the impact of adopting Statement No. 42, but does not believe it will result in a change in the reported value of capital assets as of June 30, 2005.

In July 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This Statement establishes accounting and financial reporting standards for employers that participate in a defined benefit "other postemployement benefit" (OPEB) plan. Specifically, the City will be required to measure and disclose an amount for annual OPEB cost on the accrual basis for health and insurance benefits that will be provided to retired City employees in future years. The City also is required to record a net OPEB obligation which is defined as the cumulative difference between annual OPEB cost and the employer's contributions to a plan, including the OPEB liability or asset at transition, if any. The City is currently evaluating the impact of adopting Statement No. 45, but cannot determine the impact that this standard will have on the financial statements when adopted. The City will implement Statement No. 45 beginning with the year ended June 30, 2008.

(2) Deposits and Investments

On July 1, 2004, the City implemented the provisions of GASB Statement No.40, *Deposit and Investment Risk Disclosures*. This statement establishes and modifies disclosure requirements related to investment and deposit risks; accordingly, the note disclosure on deposits and investments has been revised to conform to the provisions of GASB Statement No. 40.

At June 30, 2005, the carrying values of deposits and investments are summarized as follows:

Investments:	
Short-term investments held in trust	$ 17,672,147
U.S. government securities	26,652
U.S. agency securities	77,653,975
Total investments	95,352,774
Deposits and repurchase obligations	22,954,408
Petty cash	11,050
Total	$ 118,318,232

Deposits and investments of the City are reflected in the government-wide financial statements as follows:

	Government-wide statement of net assets	Fiduciary funds statement of net assets	Primary Government Total	Component Unit	Grand Total
Pooled cash and investments	$ 93,540,659	$ 97,370	$ 93,638,029	$ 4,682,550	$ 98,320,579
Restricted assets	2,804,505	-	2,804,505	17,193,148	19,997,653
	$ 96,345,164	$ 97,370	$ 96,442,534	$ 21,875,698	$118,318,232

Investment Policy

Missouri state statutes authorize the City, with certain restrictions, to deposit or invest in open accounts, time deposits, U.S. Treasury notes, and certificates of deposit. Statutes also require that collateral pledged must have a fair value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the City or a disinterested third party and must be of the kind prescribed by state statutes and approved by the State of Missouri.

The City maintains a cash and investment pool, which is available for use by most funds. Substantially all excess cash is invested in U.S. Treasury securities and money market funds. Each fund's portion of this pool is displayed as pooled cash and investments or in restricted assets. Interest earned is allocated to the funds on the basis of average monthly cash and investment balances. Only enterprise funds with overdrawn balances are charged for interest. Cash and investments are held separately by some of the City's funds. Additionally, certain restricted assets, related to bond ordinances and indentures and capital lease certificates, are held in escrow by financial institutions' trust departments.

Credit Risk

The credit risk for deposits and investments is the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. Presented below is the actual rating by Moody's Investor Service as of year end for each investment type:

Investment Type	Fair Value	Rating As of June 30, 2005
Federal Home Loan Mortgage Corporation	$ 28,674,892	AAA
Federal National Mortgage Association	35,378,594	AAA
Federal Home Loan Bank	14,003,492	AAA
U.S. agency securities	26,652	Exempt from rating requirement
Total	$ 78,083,630	

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's policy is to collateralize the demand deposits and repurchase agreements with securities held by the financial institution's agent and in the City's name.

At June 30, 2005, the City's deposits and repurchase obligations were insured by Federal depository insurance and uninsured deposits and repurchase obligations were fully collateralized by securities held in the City's name by their financial institution's agent. The City's securities were registered and held by the City's financial institution in the City's name. Accordingly, management has determined that none of the City's deposits or investments was exposed to custodial credit risk as of June 30, 2005.

Interest Rate Risk

The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of June 30, 2005, all of the City's securities had maturities of less than one year with the exception of a U.S. treasury bond with a fair value of $26,652 that will mature in 2027.

Concentration of Credit Risk

As of June 30, 2005, the following table lists the issuers of securities, and the respective fair value of those securities, that represent 5% or more of total City's investments:

Issuer	Investment Type	Total Fair Value	Percentage
Fed. Home Loan Mtg.	U.S. agency securities	$ 28,674,892	37%
Fed. Natl. Mtg.	U.S. agency securities	35,378,594	45%
Fed. Home Loan Banks	U.S. agency securities	14,003,492	18%

(3) Tax Revenue

Tax revenue, including interest and penalties, by fund type for the year ended June 30, 2005 is as follows:

	General	Park Sales Tax	Nonmajor governmental funds
Real estate tax	$ 6,501,710	$ -	$ 22,260
Railroad utilities tax	40,720	-	-
Cigarette tax	604,872	-	-
Transient guest tax	-	-	887,450
Sales tax	15,916,242	4,038,148	11,848,493
Franchise tax	7,500,356	-	-
	$ 30,563,900	$ 4,038,148	$ 12,758,203

The City's real estate tax is levied each November 1 on the assessed value as of the prior January 1 for all real property located in the City. Real estate taxes are due on December 31 following the levy date. On January 1, a lien attaches to all property for which taxes are unpaid. Jackson County bills and collects all real estate taxes for the City and charges a 1.5% to 1.6% commission on all taxes collected.

Assessed values are established by the Clay and Jackson County assessors, subject to review by the Jackson County Board of Equalization and State Tax Commission. The assessed value for real property, including railroad and utility properties, located in the City as of January 1, 2004, on which the fiscal 2005 levy was based, was $1,197,738,593. In the year ended June 30, 2005, the City collected 98.59% of real estate taxes which were levied in that period.

The City is permitted by Missouri state statutes to levy taxes up to $1.00 per $100 of assessed valuation for general governmental services, other than payment of principal and interest on long-term debt, up to $0.40 per $100 of assessed valuation for public health and recreation, and in unlimited amounts for the payment of principal and interest on long-term debt. Property tax levies per $100 assessed valuation for the year ended June 30, 2005 were $0.4713 for the General Fund, $0.2218 for Public Health and Recreation, and $0.3811 for the Independence Square Benefit District Fund.

(4) Intergovernmental Revenue and Receivables

Intergovernmental revenue during fiscal year 2005 consisted of the following:

	General Fund	Nonmajor governmental funds
Federal:		
Department of Health & Human Services:		
Nursing Consultation	$ 1,425	$ 722
Sanitation of Child Care Facilities	-	4,390
Maternal & Child Health	-	38,684
Senior Nutrition Site	24,906	-
Home-Visiting Capacity Building Grant		-
Families At Risk Home Visitation Grant	2,474	25,180
Homeless Challenge	-	26,211
Bioterrorism	1,713	149,469
Summer Food Service Program	-	595
Performance Management Collaborative	-	737
Chronic Disease Primary Prevention	-	34,607
West Nile Virus Surveillance	234	6,116
Immunization Rate Improvement Project	44	4,899
Federal Emergency Management Agency		
Emergency Management Assistance	6,689	54,033
Community Emergency Response Teams	4,628	11,002
Interoperate Communications Grant	-	13,368
Fire Safety Grant	-	289,339
Department of Housing and Urban Development		
Community Development Block Grant	-	784,727
Emergency Shelter Grant	-	71,036
HOME Funds	-	364,176
Departement of Transportation		
Highway Planning and Construction Grant		
Little Blue Expressway Phase I	-	821
Crysler Avenue 31st to 39th	-	1,412,350
Crysler Avenue 23rd to 31st	-	63,940
Truman Road	-	202,015
39TH & Lee's Summit Intersection	-	452,257
39TH ST - Noland to Phelps	-	57,609
39TH ST - Phelps to Lee's Summit	-	192,424
35TH & Noland Intersection	-	448,833
Hidden Valley Road	-	3,980
Noland Road Enhancements	-	88,760
Truman Walking Trail II	-	1,293
Other Projects	-	(17,156)
Truman Streetscape II	27,803	-
Urban Mass Transportation Service Dial-A-Ride	38,090	-
Missouri Division of Highway Safety		
Missouri Highway Safety Program	-	21,157
DWI Enforcement	-	48,619
Red Light Running and Aggressive Driving	-	14,251
Hazardous Moving Violations	-	75,460
Youth Alcohol Enforcement	-	20,264

	General Fund	Nonmajor governmental funds
Federal (Continued):		
Department of Justice (Continued)		
Bureau of Alcohol, Tobacco and Firearms		
Project Ceasefire Task Force	-	4,616
Drug Enforcement Administration		
Crime Lab Upgrade	-	11,974
Bureau of Justice Programs		
Bullet Proof Vest Partnership Program	-	4,419
Office of Community Oriented Policing Services		
Homeland Security Overtime Program	-	18,226
Cops in Shops	-	17,684
Department of Public Safety		
Narcotics Control Assistance Program	-	480
Office of Justice Programs		
Stop Violence Against Women	-	54,834
Local Law Enforcement Block Grant	-	79,881
National Office of Weed and Seed	-	175,128
Project Safe Neighborhoods	-	70,171
Project Safe Neighborhoods Task Force	-	59,350
Violence Against Women Grant Office		
Grant to Encourage Arres Policies	-	236,628
Supervised Visitation and Exchange Program	-	135,179
Office of National Drug Control Policy		
High Intensity Drug Trafficking Area (HIDTA)		
HIDTA - Direct Funding	275	144,257
HIDTA - Kansas City	-	52,965
HIDTA - Kansas Bureau of Investigation	-	74,227
U.S. Secret Service		
KC Metro Financial Crimes Task Force	-	17,250
Total Federal	108,281	6,123,437
State and Local:		
Department of Health and Human Services:		
Core Health Services	-	128,938
Influenza Vaccine	-	2,681
Department of Revenue		
Motor Vehicle Fuel Tax	3,320,835	-
Motor Vehicle Sales Tax	812,098	-
Motor Vehicle Fees	597,588	-
Financial Institutions Tax	37,149	-
Division of Tourism		
Cooperative Marketing Agreement	-	97,834
Department of Public Safety		
Post Commission Fund	-	30,633
Juvenile Accountability Incentive	-	52,843
Missouri Police Chielf's Association		
Seat Belt Enforcement	-	6,374
Lab Training	-	1,435
Department of Natural Resources		
35th and Leslie Phase II	-	110,165
Crackerneck Watershed Study	-	33,000
Rock Creek Watershed Study	30,900	-
Jackson County Anti Drug Task Force	353,273	-
Jackson County DARE	419,676	-
Jackson County Urban Road System	-	743,619
Safe Street Instructors	-	1,422
Worksite Wellness Program	-	1,000
Total State and Local	5,571,519	1,209,944
Grand Total	$ 5,679,800	$ 7,333,381

(Continued)

Amounts due from other governments at June 30, 2005 are as follows:

	Federal	State	Local	Total
General Fund				
Deparment of Health and Human Services:				
MARK Senior Site	$ 2,083	$ -	$ -	$ 2,083
Urban Mass Transit Operating Assistance - Dial-A-Ride	25,393	-	-	25,393
Department of Revenue				
Motor Vehicle Fuel Tax	-	550,000	-	550,000
Motor Vehicle Sales Tax	-	68,000	-	68,000
Motor Vehicle License Fees	-	155,000	-	155,000
39th Street Transportation Development District	-	-	1,327	1,327
	$ 27,476	$ 773,000	$ 1,327	$ 801,803
Nonmajor Governmental Funds:				
Deparment of Health and Human Services				
Families-at-risk Home Visitation	2,456	-	-	2,456
Maternal and Child Health Services	3,915	-	-	3,915
Sanitation Inspections of Child Care Facilities	1,025	-	-	1,025
Chronic Disease Primary Prevention	2,903	-	-	2,903
Summer Food Service Program	140	-	-	140
Nursing Consultations	5	-	-	5
Bioterrorism	12,645	-	-	12,645
Immunization Rate Improvement Project	2,412	-	-	2,412
Federal Emergency Management Agency				
Emergency Management Assistance	10,281	-	-	10,281
Community Emergency Response Teams	3,788	-	-	3,788
Fire Safety Grant	183,644	-	-	183,644
Department of Transportation				
Missouri Division of Highway Safety				
Missouri Highway Safety Program	6,832	-	-	6,832
DWI Enforcement	21,028	-	-	21,028
Hazardous Moving Violations	28,862	-	-	28,862
Red Light Running and Aggressive Driving	5,506	-	-	5,506
Youth Alcohol Enforcement	7,558	-	-	7,558
Core Public Health Services	9,533	-	-	9,533

	Federal	State	Local	Total
Nonmajor Governmental Funds (continued):				
Department of Justice				
Office of National Drug Control Policy				
High Intensity Drug Trafficking Area-ONDCP	66,860	-	-	66,860
High Intensity Drug Trafficking Area-KBI	32,997	-	-	32,997
Grants to Encourage Arrest Policies	129,319	-	-	129,319
Supervised Visitation and Safe Exchange Program	40,336	-	-	40,336
National Office of Weed & Seed	99,008	-	-	99,008
Cops in Shops	3,576	-	-	3,576
Homeland Security Overtime Program	8,426	-	-	8,426
Stop Violence Against Women Program	4,514	-	-	4,514
Project Safe Neighborhoods	22,787	-	-	22,787
Project Safe Neighborhoods Task Force	563	-	-	563
Project Ceasefire Task Force	1,204	-	-	1,204
Department of Public Safety				
Juvenile Accountability Incentive	4,348	-	-	4,348
Department of Housing & Urban Development				
Community Development Block Grant	144,792	-	-	144,792
Rental Rehabilitation	50,428	-	-	50,428
Department of Transportation				
Highway Planning and Construction				
Little Blue Expressway Phase I	208,946	-	-	208,946
Crysler Avenue 31st to 39th	919,910	-	-	919,910
Truman Road	225,056	-	-	225,056
Crysler Avenue 23rd to 31st	204,512	-	-	204,512
39th & Lee's Summit Intersection	689,932	-	-	689,932
39th Street - Noland to Phelps Road	57,609	-	-	57,609
39th Street - Phelps to Lee's Summit Road	192,424	-	-	192,424
35th & Noland Road Intersection	448,833	-	-	448,833
Hidden Valley Road	3,980	-	-	3,980
Noland Road Improvements	88,760	-	-	88,760
Truman Walking Trail II	712	-	-	712
West Entry Streetscape	8,229	-	-	8,229
Department of the Treasury				
U.S. Secret Service				
KC Metro Financial Crimes Task Force	-	3,654	-	3,654
Missouri Police Chiefs Association				
Seat Belt & Safety Seat Enforcement	-	6,374	-	6,374
Missouri Division of Tourism				
Cooperative Marketing Agreement	-	51,359	-	51,359
Department of Natural Resources				
Spring Branch Watershed Study	-	78,000	-	78,000
Jackson County Urban Road System	-	-	1,345,573	1,345,573
Tax Increment Financing	-	-	236,422	236,422
39th Street Transportation Development District	-	-	1,200	1,200
Total Nonmajor Governmental Funds	3,960,594	139,387	1,583,195	5,683,176
Grand Totals	$ 3,988,070	$ 912,387	$ 1,584,522	$ 6,484,979

(Continued)

(5) Interfund Activity

(a) Interfund Balances

Interfund balances at June 30, 2005 consisted of the following:

	Due from nonmajor governmental
Due to:	
Governmental activities:	
General Fund	$ 2,943,804
Nonmajor governmental	16,156
Total governmental activities	2,959,960
Business-type activities:	
Sanitary Sewer Fund	15,356
Total business-type activities	15,356
Total	$ 2,975,316

Interfund payables and receivables represent loans between funds for operating purposes.

(b) Interfund Charges for Support Services

Interfund charges for support services and rent paid to the General Fund during fiscal year 2005 were as follows:

	Interfund charges	Rent
Nonmajor governmental funds	$ 10,000	$ 5,600
Power and Light Fund	1,417,081	64,750
Sanitary Sewer Fund	510,486	20,000
Water Fund	762,648	34,940
	$ 2,700,215	$ 125,290

Rent charges, which consist of leased office space, are included in other revenue of the General Fund.

Interfund charges for customer service support services and telephone operators were paid (recorded as operating expenses) to the Water Fund (recorded as income) during fiscal year 2005 as follows:

Sanitary Sewer Fund	$ 185,958
Power and Light Fund	892,597
	$ 1,078,555

(c) Payments in Lieu of Taxes

The payments in lieu of taxes of $7,628,326, $1,395,053 and $1,155,938 in fiscal year 2005 by the Power and Light, Water, and Sanitary Sewer (Enterprise) Funds, respectively, to the General Fund approximate franchise taxes and real estate taxes on plant in service. The franchise tax rate, established by City ordinance at 9.08%, is applied to gross billed operating revenues less amounts written off to arrive at the franchise tax due the General Fund. Real estate taxes are charged at a set amount.

(d) Interfund Transfers

Interfund transfers for the year ended June 30, 2005 consisted of the following:

	Transfer from			
	General	**Nonmajor Governmental**	**Internal Service**	**Total**
Transfers to:				
Water Fund	$ —	$ —	$ 869	$ 869
Power and Light Fund	—	—	6,565	6,565
Sanitary Sewer Fund	105,356	—	1,245	106,601
Nonmajor governmental	165,783	56,646	—	222,429
Internal Service Funds	35,136	—	—	35,136
Total	$ 306,275	$ 56,646	$ 8,679	$ 371,600

(a) Transfers are the result of payment for capital project expenditures.

(b) Transfers between the General Fund, Power and Light Fund, Sanitary Sewer Fund, Water Fund, and Internal Service Funds represent reimbursement for the prepayment on the LAGERS reimbursement (see note 10).

(6) Capital Assets

Capital asset activity for the year ended June 30, 2005 is as follows:

	Balance June 30, 2004 (as restated)	Additions	Retirements	Balance June 30, 2005
Governmental activities:				
Nondepreciable capital assets:				
Land	$ 10,682,267	$ 909,606	$ -	$ 11,591,873
Construction work in progress	38,156,913	21,119,929	(12,543,732)	46,733,110
Total nondepreciable capital assets	48,839,180	22,029,535	(12,543,732)	58,324,983
Depreciable capital assets:				
Land improvements	255,647	-	-	255,647
Buildings	9,716,819	-	-	9,716,819
Building improvements	4,265,847	5,185,607	-	9,451,454
Improvements other than buildings	2,799,424	1,823,756	-	4,623,180
Office furniture and equipment	913,885	5,425	(39,757)	879,553
Computer equipment	1,188,161	208,351	(637,136)	759,376
Mobile equipment	14,348,660	2,276,470	(987,865)	15,637,265
Other equipment	2,824,298	252,122	(368,183)	2,708,237
Infrastructure	31,855,644	7,017,826	-	38,873,470
Total depreciable capital assets	68,168,385	16,769,557	(2,032,941)	82,905,001
Less accumulated depreciation for:				
Land improvements	(25,865)	(10,290)	-	(36,155)
Buildings	(5,640,829)	(235,207)	-	(5,876,036)
Building improvements	(906,193)	(213,249)	-	(1,119,442)
Improvements other than buildings	(761,306)	(130,606)	-	(891,912)
Office furniture and equipment	(873,968)	(13,557)	39,416	(848,109)
Computer equipment	(854,494)	(162,914)	607,886	(409,522)
Mobile equipment	(9,609,716)	(1,063,956)	777,022	(9,896,650)
Other equipment	(1,801,966)	(198,181)	358,583	(1,641,564)
Infrastructure	(1,115,929)	(955,171)	-	(2,071,100)
Total accumulated depreciation	(21,590,266)	(2,983,131)	1,782,907	(22,790,490)
Total depreciable capital assets, net	46,578,119	13,786,426	(250,034)	60,114,511
Governmental activities capital assets, net	$ 95,417,299	$ 35,815,961	$ (12,793,766)	$ 118,439,494

(Continued)

Depreciation expense was charged to functions as follows:

General government	$	286,698
Public safety		876,044
Public works		1,081,272
Health and welfare		34,887
Culture and recreation		320,916
Community development		65,324
Storm water		313,892
Total		2,979,033
In addition, depreciation on capital assets held by the City's Central Garage Fund is charged to the various functions based on their usage of the assets		4,098
Total depreciation expense	$	2,983,131

	Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005
Business-type activities:				
Power and Light Fund:				
Nondepreciable capital assets:				
Land	$ 2,948,206	$ -	$ -	$ 2,948,206
Construction in progress	8,108,878	7,980,583	(9,017,005)	7,072,456
Total nondepreciable capital assets	11,057,084	7,980,583	(9,017,005)	10,020,662
Depreciable capital assets:				
Acquisition adjustment	2,755,568	-	-	2,755,568
Production plant	139,666,510	2,662,486	(290,384)	142,038,612
Transmission plant	21,645,893	27,405	-	21,673,298
Distribution plant	93,660,333	5,608,425	(863,645)	98,405,113
General plant	17,867,959	718,689	(2,179,387)	16,407,261
Total depreciable capital assets	275,596,263	9,017,005	(3,333,416)	281,279,852
Less accumulated depreciation:				
Acquisition adjustment	(2,459,593)	(154,404)	-	(2,613,997)
Production plant	(88,991,647)	(4,450,598)	290,371	(93,151,874)
Transmission plant	(10,013,915)	(600,425)	2,560	(10,611,780)
Distribution plant	(32,095,166)	(3,134,474)	1,439,337	(33,790,303)
General plant	(13,078,576)	(1,079,489)	2,179,388	(11,978,677)
Total accumulated depreciation	(146,638,897)	(9,419,390)	3,911,656	(152,146,631)
Total depreciable capital assets, net	128,957,366	(402,385)	578,240	129,133,221
Total power and light capital assets	140,014,450	7,578,198	(8,438,765)	139,153,883

	Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005
Water Fund:				
Nondepreciable capital assets:				
Land	$ 2,159,052	$ 5,536	$ -	$ 2,164,588
Construction in progress	17,694,264	9,507,146	(7,842,304)	19,359,106
Total nondepreciable capital assets	19,853,316	9,512,682	(7,842,304)	21,523,694
Depreciable capital assets:				
Acquisition adjustment	12,547,765	-	-	12,547,765
Nonutility property	40,014	-	-	40,014
Source of supply	6,984,848	144,477	-	7,129,325
Pumping plant	5,174,676	4,675	(355)	5,178,996
Treatment plant	13,789,313	24,290	(7,252)	13,806,351
Transmission plant	50,156,149	7,376,578	(136,021)	57,396,706
General plant	5,568,472	286,748	(156,215)	5,699,005
Total depreciable capital assets	94,261,237	7,836,768	(299,843)	101,798,162
Less accumulated depreciation:				
Acquisition adjustment	(8,179,689)	(371,745)	-	(8,551,434)
Nonutility property	(14,000)	-	-	(14,000)
Source of supply	(3,166,562)	(390,136)	-	(3,556,698)
Pumping plant	(1,842,121)	(166,256)	478	(2,007,899)
Treatment plant	(3,973,250)	(345,461)	10,919	(4,307,792)
Transmission plant	(6,045,617)	(637,396)	142,189	(6,540,824)
General plant	(2,306,951)	(288,512)	159,612	(2,435,851)
Total accumulated depreciation	(25,528,190)	(2,199,506)	313,198	(27,414,498)
Total depreciable capital assets, net	68,733,047	5,637,262	13,355	74,383,664
Total water capital assets	88,586,363	15,149,944	(7,828,949)	95,907,358

(Continued)

	Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005
Sanitary Sewer Fund:				
Nondepreciable capital assets:				
Land	$ 330,191	$ -	$ -	$ 330,191
Construction in progress	7,029,352	2,461,103	(633,820)	8,856,635
Total nondepreciable capital assets	7,359,543	2,461,103	(633,820)	9,186,826
Depreciable capital assets:				
Nonutility property	46,368	-	-	46,368
Collection plant	68,316,349	1,079,920	-	69,396,269
Pumping plant	4,981,087	8,842	-	4,989,929
Treatment plant	14,643,506	11,546	-	14,655,052
General plant	3,877,860	155,915	(88,365)	3,945,410
Total depreciable capital assets	91,865,170	1,256,223	(88,365)	93,033,028
Less accumulated depreciation:				
Nonutility property	(46,368)	-	-	(46,368)
Collection plant	(17,644,451)	(863,017)	-	(18,507,468)
Pumping plant	(4,771,485)	(219,787)	-	(4,991,272)
Treatment plant	(13,118,875)	(811,805)	-	(13,930,680)
General plant	(4,115,166)	(276,050)	82,865	(4,308,351)
Total accumulated depreciation	(39,696,345)	(2,170,659)	82,865	(41,784,139)
Total depreciable capital assets, net	52,168,825	(914,436)	(5,500)	51,248,889
Total sewer capital assets	59,528,368	1,546,667	(639,320)	60,435,715
Total business-type activities capital assets	$ 288,129,181	$ 24,274,809	$(16,907,034)	$ 295,496,956

Depreciation expense was charged to functions as follows:

Business-type activities:	
Power and light	$ 9,419,390
Water	2,199,506
Water pollution control	2,170,659
Total business-type activities depreciation expense	$ 13,789,555

Construction in progress at June 30, 2005 represents improvements to and expansion of the City's sanitary sewer system, water utility system, and renovation of the electrical utility system.

(7) Long-Term Obligations

The State Constitution permits a city, by vote of two-thirds of the voting electorate, to incur general obligation indebtedness for "city purposes," not to exceed 10% of the assessed value of taxable tangible property. The State Constitution also permits a city, by vote of two-thirds of the voting electorate under a special election or four-sevenths under a general election, to incur additional general obligation indebtedness not exceeding, in the aggregate, an additional 10% of the assessed value of taxable tangible property for the purpose of acquiring rights-of-way, constructing, extending, and improving streets and avenues and/or sanitary or storm sewer systems, and purchasing or constructing waterworks, electric, or other light and plants, provided that the total general obligation indebtedness of the city does not exceed 20% of the assessed valuation of taxable property.

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2005:

	Beginning balance (as restated)	Additions	Reductions	Ending balance	Amount due within one year
Governmental activities:					
Loans and notes payable:					
Loans payable	$ 2,341,764	$ 19,370,000	$ 393,638	$ 21,318,126	$ 2,893,638
Capital lease obligations	718,955	857,434	560,558	1,015,831	271,713
Neighborhood Improvement District	995,000	111,000	65,000	1,041,000	58,000
Premium (discount), net	(17,640)	197,260	603	179,017	-
Total loans and notes payable	4,038,079	20,535,694	1,019,799	23,553,974	3,223,351
Other liabilities:					
Employee benefits payable (note 10)	35,136	-	35,136	-	-
Compensated absences	11,289,434	1,216,144	763,011	11,742,567	4,366,687
Total other liabilities	11,324,570	1,216,144	798,147	11,742,567	4,366,687
Total governmental activities long-term liabilities	$ 15,362,649	$ 21,751,838	$ 1,817,946	$ 35,296,541	$ 7,590,038

The compensated absences liability attributable to governmental activities will be liquidated primarily by the General Fund.

	Beginning balance	Additions	Reductions	Ending balance	Amount due within one year
Business-type activities:					
Power and Light Fund:					
Revenue bonds	$ 22,300,000	$ -	$ 1,855,000	$ 20,445,000	$ 1,925,000
Less deferred amount on refunding	(2,192,107)	-	(221,715)	(1,970,392)	-
Total revenue bonds	20,107,893	-	1,633,285	18,474,608	1,925,000
Compensated absences	4,019,403	267,456	207,960	4,078,899	1,068,149
Total Power and Light Fund	24,127,296	267,456	1,841,245	22,553,507	2,993,149
Water Fund:					
Revenue bonds	45,780,000	-	1,285,000	44,495,000	1,905,000
Compensated absences	1,152,759	521,390	480,550	1,193,599	360,184
Total Water Fund	46,932,759	521,390	1,765,550	45,688,599	2,265,184
Sanitary Sewer Fund:					
Compensated absences	676,085	85,359	27,644	733,800	216,873
Total Sanitary Sewer Fund	676,085	85,359	27,644	733,800	216,873
Total business-type activities long-term liabilities	$ 71,736,140	$ 874,205	$ 3,634,439	$ 68,975,906	$ 5,475,206

	Beginning balance (as restated)	Additions	Reductions	Ending balance	Amount due within one year
Discretely-presented component unit:					
TIF Commission:					
TIF loans	$ 56,795,000	$ 12,355,000	$ 1,980,000	$ 67,170,000	$ 2,250,000
Loans payable	403,236	-	61,362	341,874	61,362
Premium (discount), net	(204,444)	(196,471)	(13,902)	(387,013)	-
	56,993,792	12,158,529	2,027,460	67,124,861	2,311,362
Developer obligations	4,464,048	3,776,809	1,112,564	7,128,293	-
Total discretely-presented component unit long-term liabilities	$ 61,457,840	$ 15,935,338	$ 3,140,024	$ 74,253,154	$ 2,311,362

Debt service requirements on long-term debt with schedules maturities at June 30, 2005 are as follows:

	Governmental activities				Discretely-presented component unit	
	Loans payable		NID Payable		TIF Loans	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2006	$ 2,893,638	$ 892,731	$ 58,000	$ 1,662	$ 2,250,000	$ 3,538,254
2007	3,028,378	796,128	59,000	1,620	2,515,000	3,428,311
2008	3,156,625	672,750	59,000	1,551	2,745,000	3,307,178
2009	3,284,872	544,246	64,000	1,608	3,240,000	3,169,960
2010	1,784,613	412,334	64,000	1,615	3,595,000	3,011,125
2011-2015	7,170,000	898,542	358,000	8,786	15,620,000	12,426,385
2016-2020	-	-	345,000	9,107	21,485,000	7,954,688
2021-2025	-	-	34,000	999	14,450,000	1,861,769
2026	-	-	-	-	1,270,000	63,500
	$ 21,318,126	$ 4,216,731	$ 1,041,000	$ 26,948	$ 67,170,000	$ 38,761,170

	Business-type activities				Discretely-presented component unit	
	Power and Light		Water		Loans payable	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2006	$ 1,925,000	$ 855,273	$ 1,905,000	$ 2,013,619	$ 61,362	$ 14,644
2007	1,995,000	784,823	2,040,000	1,937,091	66,622	12,036
2008	2,065,000	708,218	2,200,000	1,852,685	68,375	9,204
2009	2,155,000	628,693	2,380,000	1,760,459	70,128	6,333
2010	2,245,000	541,363	2,525,000	1,660,033	75,387	3,317
2011-2015	10,060,000	1,148,375	16,080,000	6,330,083	-	-
2016-2020	-	-	12,335,000	2,202,518	-	-
2021-2025	-	-	5,030,000	653,250	-	-
	$ 20,445,000	$ 4,666,745	$ 44,495,000	$ 18,409,738	$ 341,874	$ 45,534

Governmental activities

(a) Loans Payable

On June 1, 2000, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $530,000, due in annual installments of $40,000 to $65,000 through June 1, 2010 and bearing interest at 5.00% to 6.25%. The proceeds of the bond issuance are to be used for improvements, renovations, and other upgrades to various buildings owned by the City.

On August 1, 2001, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $1,635,000, due in annual installments of $160,000 to $215,000 through June 1, 2010, and bearing interest at 4.20% to 4.40%. The proceeds of the bond issuance are to be used for improvements, renovations, and other upgrades to various buildings owned by the City, software for the Fire Department, and additional funding for Hartman Heritage Tax Increment Financing Project. The portion of the loan payable related to the Hartman Heritage Tax Increment Financing Project is included in the liabilities of the discretely presented component unit. Restricted assets in the General Fund of $222,911 consist of funds available for costs related to this debt.

On May 1, 2004, the City refinanced a loan payable with the Missouri Development Finance Board in the amount of $1,245,000, due in annual installments of $230,000 to $270,000 through June 1, 2009, and bearing interest at 2.25% to 4.25%. The proceeds will be used for the restoration of the Truman Memorial Building.

On May 26, 2005, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $4,970,000, due in semiannual installments of $590,000 to $665,000 through April 1, 2009, and bearing interest at 3.25% to 4.00%. The proceeds of the bond issuance are to be used for street projects.

On February 1, 2005, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $6,175,000, due in annual installments of $300,000 to $450,000 through February 1, 2013, and bearing interest at 3.00% to 5.00%. The proceeds of the bond issuance are to be used for the aquatics facilities project.

On February 25, 2005, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $8,225,000, due in annual installments of $670,000 to $1,010,000 through March 1, 2015, and bearing interest at 4.00% to 5.25%. The proceeds of the bond issuance are to be used for public safety facilities projects.

(b) Neighborhood Improvement District

The Neighborhood Improvement District Bonds constitute a valid and legally binding indebtedness of the City, payable as to both principal and interest from special assessments to be assessed on certain real property within the District which will be benefited by the improvements and, if not so paid, from moneys in the Bond Reserve Fund and, to the extent required, from first available moneys in the City's general fund or other legally available fund. The full faith and credit of the City are irrevocably pledged for the prompt payment, when due, of the principal and interest on the Bonds; provided, however, the City is not obligated nor authorized to levy taxes for the purpose of paying principal of or interest on the Bonds and the taxing power of the City is not pledged to the payment of the Bonds.

On May 15, 2004, the City issued $995,000 Neighborhood Improvement Bonds for Noland Road and Englewood Improvements, due in annual installments of $55,000 to $85,000 through March 1, 2019 and bearing interest at 4.5% to 5.75%.

On August 17, 2004, the City issued $111,000 Neighborhood Improvement Bonds for the Fall Drive Sanitary Sewer Project, due in annual installments of $5,000 to $6,000 through March 1, 2019 and bearing interest at 5.375% to 5.5%.

(c) Capital Lease Obligations

Capital leases payable at June 30, 2005 are comprised of the following:

Governmental funds:		
CHICORP lease, interest at 6.85%, monthly installments through April 1, 2006; a lease utilized to renovate the HVAC of City Hall	$	88,460
First National Bank of Louisburg, interest at 5.75%, semiannual installments through October 1, 2005; a lease utilized to purchase a fire truck, vehicles, rescue equipment, and a telephone system		27,399
Emergency One, Inc, interest at 6.31%, annual installments through October 2007; a lease to purchase an Emergency One Model V803 Commercial Pumper Fire Apparatus		60,887
IBM Corporation, interest rates ranging from 5.77% to 6.37%, due in monthly installments through April 1, 2007 for computer equipment		85,722
IBM Corporation, interest at 2.64% to 6.10%, monthly installments through 2008 for computer equipment		66,103
Sun Trust Leasing, interest at 4.19%, annual installments through July 2013; a lease to purchase a fire truck		687,260
	$	1,015,831

The cumulative amount of assets acquired under the capital leases described above amounted to $2,280,695 as of June 30, 2005.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005 were as follows:

Year ending June 30:		
2006	$	317,758
2007		188,104
2008		121,656
2009		93,233
2010-2013		466,164
		1,186,915
Less imputed interest		(171,084)
Present value of minimum lease payments	$	1,015,831

Business-type Activities

Revenue Bonds

Revenue bonds payable at June 30, 2005 are comprised of the following individual issues:

Power and light fund:		
$23,520,000 1998 Electric Utility Refunding Bonds, due in annual installments of $700,000 to $2,040,000 through June 1, 2014, interest at 4.0% to 4.8%, callable at par after June 1, 2003	$	15,395,000
$5,975,000 2003 Electric Utility Refunding Revenue Bonds, due in annual installments of $435,000 to $660,000 through June 1, 2014, interest at 2.0% to 3.65%		5,050,000
Less deferred amount on refunding		(1,970,392)
Total power and light fund		18,474,608
Water fund:		
$36,000,000 1986 Water Utility Remarketing Bonds, principal due in annual installments of $850,000 to $5,010,000 through June 30, 2017, interest at approximately 3.25% to 5.0%		29,710,000
$14,785,000 2004 Missouri Development Finance Board Infrastructure Facilities Revenue bonds, principal due in annual installments of $490,000 to $1,105,000 from November 1, 2005 through November 1, 2024, interest approximately 3.375% to 5.0%.		14,785,000
Total water fund		44,495,000
Total revenue bonds	$	62,969,608

The power and light revenue bond ordinance and the water revenue bond indenture require that the systems be accounted for in separate enterprise funds. They also require that after sufficient current assets have been set aside to operate the systems, all remaining monies held in the funds be segregated and restricted in separate special reserves and accounts in the following sequences:

Account	Restriction
Principal and interest	For the monthly accumulation of monies to meet the maturing revenue bond principal-and-interest requirements
Depreciation and emergency (water only)	For the accumulation of $500,000 to finance emergency repairs and system improvements

Surplus account monies are reflected as unrestricted cash. The required reserves are reported in the accompanying statement of net assets as restricted assets as follows:

	Enterprise funds		
Account	Power and Light	Water	Sanitary Sewer
Principal and interest	$ 231,689	$ -	$ -
Depreciation and emergency	-	500,000	-
Total revenue bond reserves	231,689	500,000	-
Customer deposits	881,555	232,277	169,157
Workers' compensation	135,480	35,753	28,767
Total	$ 1,248,724	$ 768,030	$ 197,924

Various bond ordinances and indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. The City is in compliance with all such financial limitations and restrictions.

Restricted assets in the General Fund of $439,741 at June 30, 2005 consist of cash on deposit for a debt service reserve (note 15) and for municipal court bond deposits.

Discretely-presented component unit

(a) Tax Increment Financing Loans

The City's tax increment financing loan indebtedness is recorded as a liability of the TIF Commission to match revenue streams to the related debt for which they have been pledged. The obligation of the City and the Commission to pay principal and interest on these bonds is limited solely to the tax increment financing (TIF) revenues generated from each project. Should TIF revenues not be sufficient to meet the required debt service obligations, the neither the City nor the Commission is not obligated to make such bond payments from any other sources of its revenues.

However, the City intends to annually appropriate funds sufficient to make all payments required by the bonds for the next fiscal year. Management does not anticipate that any of the City's general funds will be required to make up any deficiency in bond payments during the next fiscal year.

The following is a description of the individual TIF loans payable:

On June 1, 1999, the City entered into a $7,240,000 loan payable with the Missouri Development Finance Board, due in annual installments of $270,000 to $835,000 through June 1, 2011 and bearing interest at 4.0% to 5.25%. The proceeds of the loan are to be used for costs related to redevelopment of Bolger Square.

On April 1, 2000, the City issued an $11,850,000 loan payable with the Missouri Development Finance Board, due in annual installments of $120,000 to $1,235,000 through April 1, 2021 and bearing interest at 5.1% to 6.0%. The proceeds of the bond issuance are to be used for costs related to redevelopment of Hartman Heritage area.

On May 1, 2000, the City issued a $5,595,000 loan payable with the Missouri Development Finance Board, due in annual installments of $275,000 to $800,000 through April 1, 2012 and bearing interest at 5.15% to 5.75%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center area.

On November 1, 2000, the City issued a $12,815,000 loan payable with the Missouri Development Finance Board, due in annual installments of $120,000 to $1,235,000 through April 1, 2020 and bearing interest at 5.37% to 6%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center area.

On August 1, 2001, the City issued a $10,230,000 loan payable with the Missouri Development Finance Board, due in annual installments of $165,000 to $1,865,000 through April 1, 2023 and bearing interest at 4.375% to 5.25%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Santa Fe area.

On November 1, 2001, the City issued a $1,425,000 loan payable with the Missouri Development Finance Board, due in annual installments of $15,000 to $160,000 through April 1, 2021 and bearing interest at 2.4% to 5.25%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center area.

On November 1, 2002, the City issued a $3,480,000 loan payable with the Missouri Development Finance Board, due in annual installments of $75,000 to $845,000 through April 1, 2012 and bearing interest at 3.5% to 5.13%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center area.

On September 1, 2003, the City issued a $8,715,000 loan payable with the Missouri Development Finance Board, due in annual installments of $135,000 to $2,675,000 through April 1, 2021 and bearing interest at 2.0% to 5.0%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Hartman Heritage area.

On February 25, 2005, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $1,030,000, due in annual installments of $50,000 to $85,000 through March

1, 2020, and bearing interest at 3.00% to 4.50%. The proceeds of the bond issuance are to be used for the Drumm Farm Tax Increment Financing Project.

On February 25, 2005, the City entered into a loan payable with the Missouri Development Finance Board in the amount of $11,325,000, due in annual installments of $185,000 to $1,270,000 through March 1, 2026, and bearing interest at 4.00% to 5.00%. The proceeds of the bond issuance are to be used for the Crackerneck Creek Tax Increment Financing Project.

Restricted assets held by the Commission of $17,193,148 consist of funds available for costs related to the redevelopment of the Bolger Square, Crackerneck Creek, Drumm Farm, Hartman Heritage, Sante Fe, and Eastland Center areas.

(b) Developer Obligations

These obligations represent developer project costs that have been certified by the City as eligible for reimbursement from tax increment financing revenues attributable to each respective project. Under tax increment financing plans, the developer may be reimbursed up to the certified cost amount from incremental taxes during a period not to exceed 23 years. Accordingly, certified project costs in excess of amounts reimbursed to date are reflected as a long-term obligation of the Commission. These developer obligations are limited to the amount of incremental taxes received attributable to each respective project; any deficiencies are solely the responsibility of the developer and do not constitute an obligation of the Commission or of the City.

(8) Advances for Construction

As new developments are constructed, the Power and Light (Enterprise) Fund requires a nonrefundable cash payment from a customer or developer to be paid toward the cost of extending the distribution system, installation of street lights, and other additions or modifications solely for the benefit of the customer or developer. The advances for construction at June 30, 2005 were $183,245.

As new additions to the water distribution system are constructed, the Water (Enterprise) Fund requires the developer or wholesaler to advance the estimated cost of the water main extension or improvement. Upon project completion, any excess of the advance over the project cost is refunded to the developer or wholesaler or vice versa. The advances for construction at June 30, 2005 were $147,470.

(9) Employee Retirement System

Plan Description

The City participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by Statute, Section RSMo. 70.600 – 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

Funding Policy

The City's full-time employees do not contribute to the pension plan. The City is required by Missouri state statute to contribute at an actuarially determined rate; the current rate is 8.5% (general), 7.1% (police), and 13.7% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the City Council. The contribution provisions of the City are established by Missouri state statute.

Annual Pension Cost

For 2005, the City's annual pension cost of $4,849,276 was equal to the required and actual contribution The required contribution was determined as part of the February 28, 2003 and/or February 29, 2004 annual actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included:

(a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually;

(b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation;

(c) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit;

(d) preretirement mortality based on the 1983 Group Annuity Mortality table; and

(e) postretirement mortality based on the 1971 Group Annuity Mortality table projected to 2000, set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 29, 2004 was 15 years.

See Exhibit 13 for Schedule of Funding Progress and Employer Contributions for the years ended 2005, 2004, and 2003.

(10) Reimbursement of Employee Contributions to LAGERS

As allowed by Missouri state statutes, the City refunded the accumulated contributions of the City's employees and elected to reimburse LAGERS over a 15-year period ending 2008. The amount of the annual reimbursement to LAGERS from the City is approximately $522,000; however, this figure will be adjusted annually based on changes in actuarial assumptions. Amounts reimbursed are reported as expenditures/expenses of each fund for the year in which they are paid to LAGERS. Reimbursement will be made from the General, Power and Light, Water, and Sanitary Sewer major funds, and two nonmajor funds: Tourism and Community Development Grant Act.

A separate Internal Service Fund entitled "Employee Benefits" was established to account for the increased cost ensuing from the refund of contributions to employees. The City's enterprise funds (listed above) provided an actuarially determined initial contribution of $3,237,699 to the fund, which prepaid the entire portion of their obligation. The Employee Benefits Fund is remitting these monies to LAGERS over 15 years. During 2005, the City paid the remaining balance of $791,331. No liability exists at year end for these costs.

(11) Postemployment Health Benefits

In addition to the pension benefits described in note 9, the City provides postemployment healthcare benefits to all retiring employees meeting the service criteria. Expenditures for postemployment healthcare benefits are recognized as retirees report their claims. During fiscal year 2005, expenditures of approximately $3,016,193 were recognized for postemployment healthcare. The City has approximately 594 participants currently eligible to receive benefits.

(12) Risk Management

The City 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. As a result, there are a number of claims and/or lawsuits to which the City is a party as a result of certain law enforcement activities, injuries, and various other matters and complaints arising in the ordinary course of City activities. The City is entitled to the defense of sovereign and official immunity against tort action that provides immunity except in two areas – motor vehicles and the condition of property of governmental entities. The City carries commercial property, boiler and machinery, life, and flood insurance, and settlements have not exceeded insurance coverage for each of the past three fiscal years.

The City is a member of the Missouri Public Entity Risk Management Fund (MOPERM). MOPERM is a body corporate and politic created by the Missouri General Assembly to provide liability protection to participating public entities, their officials, and employees. The City pays annual premiums to MOPERM for law enforcement liability, general liability, public official errors and omissions liability, and automobile liability insurance coverage. The agreement with MOPERM provides that MOPERM will be self-sustaining through member premiums. MOPERM has the authority to assess members for any deficiencies of revenues under expenses for any single plan year. Likewise, MOPERM has the authority to declare refunds to members for the excess of revenues over expenses relating to any single plan year. MOPERM had no deficiencies in any of the past three fiscal years.

The City is self-insured for workers' compensation. An excess coverage insurance policy, limited to $10,000,000 per accident, covers specific medical claims in excess of $600,000 per occurrence, except for Power and Light, in which the policy covers specific medical claims in excess of $750,000. In order to maintain this self-insured status for workers' compensation, the State of Missouri requires the City to maintain an escrow account in the amount of $200,000. This amount is reflected as restricted assets in the Power and Light, Water, and Sanitary Sewer Funds. Workers' compensation liabilities were immaterial at June 30, 2005.

The City offers its employees a contributory self-insurance healthcare plan. An excess coverage insurance policy covers the portion of specific claims in excess of $150,000 and aggregate claims in excess of $13,000,000. The portion of premiums paid by the City, totaling $9,288,771 are reflected as expenditures/expenses of the various funds and premium revenue in the Staywell Health Care (Internal Service) Fund. Claims incurred but not reported are accrued as a liability in the Internal Service Fund.

The claims liability of $1,119,765 reported in the Staywell Health Care Fund at June 30, 2005 is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

	Medical claims payable	
	2005	**2004**
Beginning of year	$ 871,093	$ 799,270
Incurred	10,787,658	11,178,110
Paid	(10,538,986)	(11,106,287)
End of year	$ 1,119,765	$ 871,093

(13) Commitments

Construction Commitments

At June 30, 2005, the City had commitments of approximately $20,574,799 to complete construction contracts. Of this amount, $6,301,527 relates to the enterprise funds.

Purchase/Sales of Capacity and Energy

The City purchases a portion of its power capacity and energy needs under a capacity purchase agreement with Kansas City Power & Light Company (KCPL). Under the agreement, the City purchases 90 MW of capacity and energy for a term through May 31, 2011 at contract-specified pricing for the capacity and associated energy, although the City has the right to reduce or terminate the capacity and energy purchase at any time after June 1, 2007. The annual minimum payment obligations (capacity charges only including the cost of transmission) under the agreement are approximately $8,500,000.

In January 2004, the City entered into a participation power agreement with Omaha Public Power District (OPPD). Under this agreement, the City will purchase an 8.33% share (approximately 55 megawatts) of a new nominal 663 megawatt coal-fired baseload generating unit to be built at OPPD's existing Nebraska City power station site. The agreement provides that OPPD will be the owner/operator of the unit and OPPD will sell the City's share of the output on a cost-based approach. OPPD will issue tax-exempt bonds to pay for the construction of the unit and the City will be obligated to pay its appropriate share of the debt service on the bonds, the fixed operation and maintenance costs, the variable operating costs including fuel and renewals and replacements of the unit. The unit is currently scheduled to begin commercial operation on May 1, 2009. The term of the agreement is 40 years from the commercial operation date and can be extended by the City for the life of the proposed unit. The estimated annual minimum payment obligations (City's share of the debt service and fixed operation and maintenance expenses only) are approximately $8,250,000. Payment obligations on this project are not expected to begin until the unit begins commercial operation in 2009.

Cooperative Agreement – Jackson County

The City and Jackson County, Missouri have entered into a cooperative agreement of approximately $4,000,000 to obtain long-term financing under the County Urban Road System (CURS) program to be used in conjunction with federal monies to facilitate the maintenance and upkeep of the City's

infrastructure. As of June 30, 2005, the City had neither received monies nor recorded expenses related to this agreement and, therefore, no liability or receivable has been recorded.

(14) Deficits

The accumulated deficits in nonmajor funds in the amounts of $19,610 in the Street Improvements Fund, $90,000 in the Buildings and Other Improvements Fund, $16,155 in the Storm Drainage Fund, will be eliminated by future revenues or transfers. The accumulated deficits in the RSO, Sterling Village and Mount Washington TIF funds will be eliminated by future tax increment financing revenues.

(15) Fund Equity

Reserved and designated fund balances at year-end are as follows:

	Governmental Funds			
	General	Park Sales Tax	Nonmajor	Total
Fund balances:				
Reserved for:				
Encumbrances	$ 1,156,315	$ 731,311	$ 17,323,272	$ 19,210,898
Debt service	222,911	9,843	46,243	278,997
Protested revenues	258,003	-	-	258,003
Domestic violence	13,661	-	-	13,661
Total fund balances reserved	1,650,890	741,154	17,369,515	19,761,559
Unreserved:				
Designated for:				
Police equipment	-	-	823	823
Capital projects	224,465	-	1,404,300	1,628,765
Strategic goal	538,795	-	-	538,795
TIF distribution	431,371	-	-	431,371
Homeland security	43,673	-	-	43,673
Amoco settlement	54,500	-	-	54,500
Permanent fund principal	-	-	5,000	5,000
Total fund balances designated	1,292,804	-	1,410,123	2,702,927
Undesignated	1,903,961	457,584	11,861,447	14,222,992
Total fund equity	$ 4,847,655	$ 1,198,738	$ 30,641,085	$ 36,687,478

(16) Prior Period Adjustment and Change in Financial Presentation

For the year ended June 30, 2005, management determined that the following adjustments were to be made to the opening net assets and fund balance:

1. Certain capital assets contributed from developers required that an adjustment to the opening balance of net assets be made for the governmental activities.

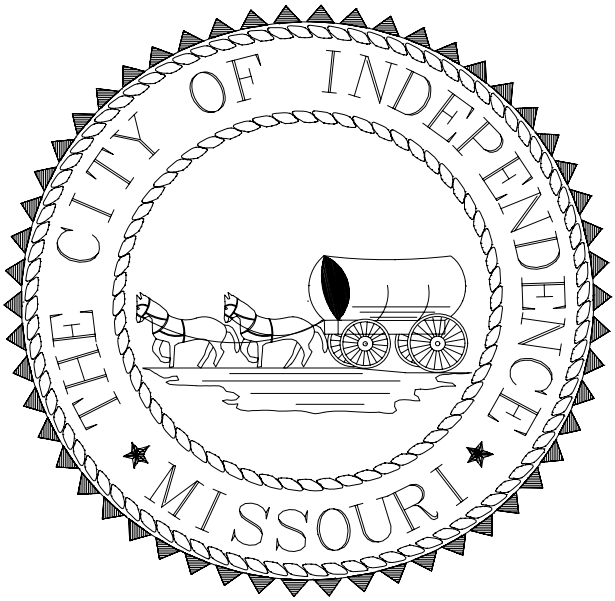
2. The City determined that certain funds related to confiscated property previously accounted for as a designated portion of fund balance were determined to be liabilities and, therefore, would result in a corresponding reduction in fund balance.

3. Certain liabilities related to TIF (Tax Increment Financing) developer obligations had not been recorded in prior years (see Note 7).

In addition to the adjustments noted above, the City changed its presentation of the TIF Commission from being a blended component unit to a discretely presented component unit.

A summary of these changes is described below:

	Governmental Activites	Discretely Presented Component Unit	General Fund
Beginning net assets / fund balance	$ 50,151,360	$ -	$ 5,166,504
Capital assets	6,627,686	-	-
Funds related to confiscated property	(219,613)	-	(219,613)
Recategorization of component unit	44,374,985	(44,374,985)	-
Developer obligations	-	(4,464,048)	-
Beginning net assets / fund balance as restated	$ 100,934,418	$ (48,839,033)	$ 4,946,891


THE CITY OF INDEPENDENCE
MISSOURI

(1) Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the accompanying government-wide financial statements:

- Prior to May 15, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to June 27, the City Council adopts the budget. If the City Council fails to adopt the budget on or before that date, the budget, as submitted or amended, goes into effect.
- The City Manager is authorized to transfer budgeted amounts between divisions of a department within any fund; however, any revisions that alter the total appropriations within any fund, or that transfer appropriations between departments, must be approved by the City Council. The 2004-2005 budget was amended during the year for transfers and supplemental appropriations. The budget amendments were approved by the City Council.
- Expenditures may not exceed appropriations for any department without City Council approval. Unencumbered appropriations lapse at year-end.
- Formal budgets are used as a control device for all funds; however, there is no requirement to report on the budget. Therefore, the financial statements include a comparison of budget to actual only for the General, Park Sales Tax and Tourism Special Revenue Governmental Funds. Annual operating budgets are not prepared for Capital Projects Funds, although budgets on a project basis are prepared.

The City's policy is to prepare the annual operating budget on a basis which includes encumbrances as the equivalent of expenditures. The budgetary comparison schedules are prepared on this basis. Certain reclassifications between budgeted revenues and transfers have been made to facilitate the comparison with actual operations.

Exhibit 10

CITY OF INDEPENDENCE, MISSOURI

Required Supplementary Information (Unaudited)

Budgetary Comparison Schedule

General Fund

Year ended June 30, 2005

	Budgeted amounts		Actual amounts	Variance with final budget over
	Original	**Final**	**(budget basis)**	**(under)**
Revenues:				
Taxes	$ 30,590,591	30,590,591	30,563,900	(26,691)
Licenses and permits	4,095,778	4,095,778	3,780,984	(314,794)
Grants – federal and state	60,216	55,867	93,848	37,981
State and county shared revenue	5,532,918	5,593,330	5,585,952	(7,378)
Charges for current services	1,405,073	1,411,047	1,464,228	53,181
Interfund charges for support services	2,735,750	2,735,750	2,700,215	(35,535)
Fines and forfeitures	3,527,663	3,527,663	3,521,377	(6,286)
Other revenue	563,200	738,932	954,693	215,761
Total revenues	48,511,189	48,748,958	48,665,197	(83,761)
Other financing sources:				
Proceeds from capital leases	—	763,607	857,434	93,827
Payments in lieu of taxes	10,362,959	10,362,959	10,179,317	(183,642)
Total other financing sources	10,362,959	11,126,566	11,036,751	(89,815)
Total revenues and other financing resources	58,874,148	59,875,524	59,701,948	(173,576)
Expenditures:				
City Council	356,104	356,104	348,586	7,518
City Clerk	403,797	409,520	409,200	320
City Manager	685,868	685,868	669,597	16,271
National Frontier Trails Center	324,796	328,281	327,743	538
Technology services	1,500,444	1,520,366	1,515,656	4,710
Municipal court	642,783	665,200	665,186	14
Law	591,332	647,817	647,262	555
Finance	1,514,503	1,539,841	1,539,733	108
Human resources	464,246	464,246	460,492	3,754
Community development	2,134,156	2,150,199	2,150,015	184
Police	17,884,568	19,344,192	19,243,618	100,574
Fire	12,788,703	13,531,096	13,527,784	3,312
Health	2,054,700	2,054,726	1,944,484	110,242
Public works	6,208,804	6,208,804	6,114,926	93,878
Water pollution control	297,604	297,604	295,014	2,590
Parks and recreation	2,108,307	2,121,416	2,057,960	63,456
Nondepartmental	7,076,397	5,880,728	5,796,584	84,144
City Council strategic goals	350,000	149,748	149,748	—
Debt service	108,161	108,161	108,161	—
Capital outlay	695,947	1,606,335	1,690,099	(83,764)
Total expenditures	58,191,220	60,070,252	59,661,848	408,404
Other financing uses – transfers out	175,493	341,276	317,983	23,293
Total expenditures and other financing uses	58,366,713	60,411,528	59,979,831	431,697
Excess (deficiency) of revenue and other financing resources over (under) expenditures and other financing uses	$ 507,435	(536,004)	(277,883)	258,121
Undesignated fund balance at beginning of year			1,752,521	
Cancellation of prior year encumbrances			181,762	
Decrease in other fund balance components during the year			247,561	
Undesignated fund balance at end of year			$ 1,903,961	

Exhibit 10

CITY OF INDEPENDENCE, MISSOURI

Notes to Budgetary Comparison Schedules

Year ended June 30, 2005

The Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds does not include encumbrances outstanding at year-end as expenditures because encumbrances are reported as reservations of fund balances in accordance with GAAP for the modified accrual basis of accounting. Adjustments necessary to convert the results of operations under the modified accrual basis to the budget basis are included as reconciling items on the following budget-basis statement:

		General Fund
Sources/inflows in resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	48,665,197
Basis difference – budget to GAAP – none		—
Total revenues as reported on the combined statement of revenues, expenditures, and changes in fund balances – governmental funds	$	48,665,197
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	59,661,848
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget		(1,156,315)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year		977,668
Total expenditures as reported on the combined statement of revenues, expenditures, and changes in fund balances – governmental funds (GAAP basis)	$	59,483,201

Exhibit 11

CITY OF INDEPENDENCE, MISSOURI

Required Supplementary Information (Unaudited)

Budgetary Comparison Schedule

Park Improvements Sales Tax Fund

Year ended June 30, 2005

	Budgeted amounts		Actual amounts	Variance with final budget over
	Original	**Final**	**(budget basis)**	**(under)**
Revenues:				
Sales Taxes	$ 4,245,231	4,245,231	4,038,148	(207,083)
Adventure Oasis Water Park	—	—	299,082	299,082
Other revenue	8,000	8,000	275,583	267,583
Total revenues	4,253,231	4,253,231	4,612,813	359,582
Other financing sources:				
Proceeds from Bond Issuance	—	—	6,175,000	6,175,000
Total other financing sources	—	—	6,175,000	6,175,000
Total revenues and other financing resources	4,253,231	4,253,231	10,787,813	6,534,582
Expenditures:				
Parks and Recreation	1,245,026	1,423,319	1,274,443	148,876
Capital Outlay	3,747,654	9,338,448	8,581,856	756,592
Debt Service	292,000	292,000	323,378	(31,378)
Total expenditures	5,284,680	11,053,767	10,179,677	874,090
Other financing uses – transfers out	—	8,750	2,927	5,823
Total expenditures and other financing uses	5,284,680	11,062,517	10,182,604	879,913
Excess (deficiency) of revenue and other financing resources over (under) expenditures and other financing uses	$ (1,031,449)	(6,809,286)	605,209	7,414,495
Undesignated fund balance at beginning of year			(540,453)	
Cancellation of prior year encumbrances			15	
Increase in other fund balance components during the year (1)			392,813	
Undesignated fund balance at end of year			$ 457,584	

(1) This amount represents transactions included in the excess of revenues and other financing resources over expenditures and other financing uses amount listed above that affected fund balance components other than the Undesignated Fund Balance or transactions that were recorded directly from the undesignated fund balance account to other fund balance component accounts

Exhibit 11

CITY OF INDEPENDENCE, MISSOURI

Required Supplementary Information (Unaudited)

Budgetary Basis Reconciliation Schedule

Park Improvements Sales Tax Fund

Year ended June 30, 2005

		Park Sales Tax Fund
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	4,612,813
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	4,612,813
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	10,179,677
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(136,076)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		15,122
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	10,058,723

(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.

Exhibit 12

CITY OF INDEPENDENCE, MISSOURI

Required Supplementary Information (Unaudited)

Schedule of Funding Progress and Employer Contributions

Retirement Plan

Schedule of Funding Progress:

Actuarial valuation date	(a) Actuarial value of assets	(b) Entry-age actuarial accrued liability	(b) – (a) Unfunded (assets in excess of) accrued liability (UAL)	(a)/(b) Funded ratio	(c) Annual covered payroll	(b) – (a)/(c) UAL as a percentage of covered payroll
February 28, 2003	$ 127,457,211	128,121,618	664,407	99%	$ 52,648,086	1%
February 29, 2004	130,616,538	126,971,008	(3,645,530)	103%	51,648,134	-7%
February 29, 2005	133,798,865	132,721,528	(1,077,337)	101%	52,038,918	-2%

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2001 annual valuations For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City

Schedule of Employer Contributions:

	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
Fiscal year ending:			
June 30, 2003	$ 3,897,577	100%	—
June 30, 2004	4,192,623	100%	—
June 30, 2005	4,849,276	100%	—

CITY OF INDEPENDENCE, MISSOURI

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Tourism – This fund is used to account for expenditures for tourism that are financed out of the transient guest tax.

Independence Square Benefit District – This fund is used to account for expenditures to improve the City's downtown business district that are financed by a special property tax levy on those businesses which are benefited.

Community Development Grant Act – This fund is used to account for all projects that are funded by the Federal Community Development Block Grant.

Rental Rehabilitation – This fund is used to account for expenditures to improve rental property within the City that are funded by state and federal grants.

Street Improvement Sales Tax – This fund is used to account for all street projects that are funded by the three-eighths cent street improvement sales tax.

Storm Water Sales Tax – This fund is used to account for all storm water projects that are funded by the one-fourth cent storm water sales tax.

Police Sales Tax – This fund is used to account for receipts and expenditures of the City's sales tax for police protection services.

Fire Sales Tax – This fund is used to account for receipts and expenditures of the City's sales tax for fire protection services.

License Surcharge – This fund is used to account for street improvements funded by an excise tax that is based on increased traffic flow relating to new development.

Grant Fund – This fund is used to account for expenditures that are funded by grants.

Capital Projects Funds

Capital Project Funds are used to account for the acquisition and construction of major capital facilities other than those financed by the proprietary funds or trust funds.

Street Improvements – This fund is used to account for construction projects financed, the 1974 Street Bond issue, interest derived thereon, and state and federal grants.

Revolving Public Improvements – This fund, which is legally mandated by City Charter, is used to account for the cost of public works or improvements funded by special assessments.

Building and Other Improvements – This fund is used to account for the acquisition, construction, and improvement of nonproprietary buildings and facilities of the City.

Storm Drainage – This fund is used to account for the acquisition and construction of the City's infrastructure to control the run-off surface water.

Park Improvements – This fund is used to account for the acquisition and construction of the City's parkland.

CITY OF INDEPENDENCE, MISSOURI

Debt Service Fund

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Waggoner Memorial – This fund is used to account for citizen donations, the interest on which is used for maintenance for the Memorial Building.

Exhibit 13

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2005

Assets		Special Revenue (Exhibit 15)	Capital Projects (Exhibit 20)	Permanent fund	Debt Service fund	Total nonmajor governmental funds
Pooled cash and investments	$	30,171,391	19,181	13,616	—	30,204,188
Receivables:						
Taxes		1,951,930	—	—	—	1,951,930
Accounts		20,364	7,948	—	—	28,312
Special assessment principal and accrued interest		—	161,322	—	1,504,716	1,666,038
Accrued interest		210,729	—	—	—	210,729
Due from other funds		16,156	—	—	—	16,156
Due from other governments		1,051,159	3,344,099	—	—	4,395,258
Restricted assets		46,243	—	—	94,000	140,243
Total assets	$	33,467,972	3,532,550	13,616	1,598,716	38,612,854
Liabilities and Fund Balances						
Liabilities:						
Accounts and contracts payable	$	1,935,571	296,034	—	—	2,231,605
Due to other funds		717,148	2,256,139	—	2,029	2,975,316
Accrued items		74,784	—	—	—	74,784
Other current liabilities		40,059	700,000	—	—	740,059
Advances from other funds		—	—	—	—	—
Deferred revenue		66,069	379,527	—	1,504,409	1,950,005
Total liabilities		2,833,631	3,631,700	—	1,506,438	7,971,769
Fund balances:						
Reserved for:						
Encumbrances		13,584,529	3,738,743	—	—	17,323,272
Debt Service		46,243	—	—	—	46,243
Unreserved, reported in:						
Special Revenue Funds		15,598,446	—	—	—	15,598,446
Debt Service Funds		—	—	—	92,278	92,278
Capital Projects Funds		—	(3,837,893)	—	—	(3,837,893)
Permanent fund		—	—	8,616	—	8,616
Designated Special Revenue Funds		1,405,123	—	—	—	1,405,123
Designated permanent fund		—	—	5,000	—	5,000
Total fund balances		30,634,341	(99,150)	13,616	92,278	30,641,085
Total liabilities and fund balances	$	33,467,972	3,532,550	13,616	1,598,716	38,612,854

The notes to the financial statements are an integral part of this statement

Exhibit 14

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2005

	Special Revenue (Exhibit 16)	Capital Projects (Exhibit 21)	Permanent fund	Debt Service fund	Total nonmajor governmental funds
Revenues:					
Taxes	$ 12,758,203	—	—	—	12,758,203
Licenses and permits	889,633	—	—	—	889,633
Intergovernmental	3,682,637	3,650,744	—	—	7,333,381
Charges for services	141,868	16,953	—	101,166	259,987
Investment income	527,635	(28,350)	342	2,640	502,267
Other	101,067	384,091	—	—	485,158
Total revenues	18,101,043	4,023,438	342	103,806	22,228,629
Expenditures:					
Current:					
General Government	39,698	—	—	—	39,698
Public safety	3,179,234	—	—	—	3,179,234
Health and welfare	533,199	—	—	—	533,199
Culture and recreation	827,197	—	—	—	827,197
Community development	1,138,335	—	—	—	1,138,335
Storm water	885,225	—	—	—	885,225
Nondepartmental	210,484	—	—	106,033	316,517
Capital outlay	7,382,890	4,378,213	—	—	11,761,103
Debt service:					
Principal	36,271	—	—	65,000	101,271
Interest and fiscal agent fees	1,275	—	—	44,199	45,474
Total expenditures	14,233,808	4,378,213	—	215,232	18,827,253
Excess (deficiency) of revenues over expenditures	3,867,235	(354,775)	342	(111,426)	3,401,376
Other financing sources (uses):					
Proceeds from capital leases/bond issuance	13,605,014	—	—	111,000	13,716,014
Transfers in	2,000	220,429	—	—	222,429
Payments to component unit	(10,087)				(10,087)
Transfers out	(56,646)	—	—	—	(56,646)
Total other financing sources (uses)	13,540,281	220,429	—	111,000	13,871,710
Net change in fund balances	17,407,516	(134,346)	342	(426)	17,273,086
Fund balances, beginning	13,226,825	35,196	13,274	92,704	13,367,999
Fund balances, ending	$ 30,634,341	(99,150)	13,616	92,278	30,641,085

The notes to the financial statements are an integral part of this statement

Exhibit 15

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2005

Assets		Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 18)	License Surcharge	Grants	Total
Pooled cash and investments	$	776,973	1,070	1	—	26,622,511	2,770,835	1	30,171,391
Receivables:									
Taxes		86,000	3,146	—	—	1,862,784	—	—	1,951,930
Accounts		—	—	—	—	—	—	20,364	20,364
Accrued interest		—	—	—	—	182,876	27,853	—	210,729
Due from other funds		—	—	—	—	16,156	—	—	16,156
Due from other governments		51,358	—	144,791	50,429	78,000	—	726,581	1,051,159
Restricted assets		—	—	—	—	46,243	—	—	46,243
Total assets	$	914,331	4,216	144,792	50,429	28,808,570	2,798,688	746,946	33,467,972
Liabilities and Fund Balances									
Liabilities:									
Accounts and contracts payable	$	45,654	—	4,116	6,000	1,801,527	—	78,274	1,935,571
Due to other funds		—	—	130,163	541	15,356	—	571,088	717,148
Accrued items		13,269	—	10,513	3,825	16,485	—	30,692	74,784
Other current liabilities		—	—	—	40,059	—	—	-	40,059
Deferred revenue		—	—	—	—	—	—	66,069	66,069
Total liabilities		58,923	—	144,792	50,425	1,833,368	—	746,123	2,833,631
Fund balances:									
Reserved for:									
Encumbrances		74,984	—	225,816	461,840	12,317,075	—	504,814	13,584,529
Debt Service		—	—	—	—	46,243	—	—	46,243
Unreserved, reported in:									
Special Revenue Funds		567,785	4,216	(225,816)	(461,836)	13,801,755	2,417,156	(504,814)	15,598,446
Designated Special Revenue Funds		212,639	—	—	—	810,129	381,532	823	1,405,123
Total fund balances		855,408	4,216	—	4	26,975,202	2,798,688	823	30,634,341
Total liabilities and fund balances	$	914,331	4,216	144,792	50,429	28,808,570	2,798,688	746,946	33,467,972

The notes to the financial statements are an integral part of this statement

Exhibit 16

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds

Year ended June 30, 2005

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 19)	License Surcharge	Grants	Total
Revenues:								
Taxes	$ 887,450	22,260	—	—	11,848,493	—	—	12,758,203
Licenses and permits	—	—	—	—	—	889,633	—	889,633
Intergovernmental	97,834	—	784,727	364,176	143,165	—	2,292,735	3,682,637
Charges for services	540	—	—	—	—	—	141,328	141,868
Investment income	17,692	2,274	—	—	449,296	57,788	585	527,635
Other	1,590	—	—	—	93,573	—	5,904	101,067
Total revenues	1,005,106	24,534	784,727	364,176	12,534,527	947,421	2,440,552	18,101,043
Expenditures:								
Current:								
General Government	—	—	—	—	—	—	39,698	39,698
Public safety	—	—	—	—	1,408,254	—	1,770,980	3,179,234
Health and welfare	—	—	—	—	—	—	533,199	533,199
Culture and recreation	827,197	—	—	—	—	—	—	827,197
Community development	—	—	774,159	364,176	—	—	—	1,138,335
Storm water	—	—	—	—	885,225	—	—	885,225
Nondepartmental	—	—	—	—	113,237	—	97,247	210,484
Capital outlay	—	31,753	—	—	7,351,137	—	—	7,382,890
Debt service:								
Principal	—	—	—	—	36,271	—	—	36,271
Interest and fiscal agent fees	—	—	—	—	1,275	—	—	1,275
Total expenditures	827,197	31,753	774,159	364,176	9,795,399	—	2,441,124	14,233,808
Excess (deficiency) of revenues over expenditures	177,909	(7,219)	10,568	—	2,739,128	947,421	(572)	3,867,235
Other financing sources (uses):								
Proceeds from bond issuance	—	—	—	—	13,605,014	—	—	13,605,014
Transfers in	—	—	—	—	2,000	—	—	2,000
Payments to component unit	—	—	—	—	(10,087)	—	—	(10,087)
Transfers out	—	—	(10,568)	—	—	(46,078)	—	(56,646)
Total other financing sources (uses)	—	—	(10,568)	—	13,596,927	(46,078)	—	13,540,281
Net change in fund balances	177,909	(7,219)	—	—	16,336,055	901,343	(572)	17,407,516
Fund balances, beginning	677,499	11,435	—	4	10,639,147	1,897,345	1,395	13,226,825
Fund balances, ending	$ 855,408	4,216	—	4	26,975,202	2,798,688	823	30,634,341

The notes to the financial statements are an integral part of this statement.

Exhibit 17

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Tourism Fund

Year ended June 30, 2005

	Budgeted amounts		Actual amounts (budget basis)	Variance with final budget over (under)
	Original	Final		
Revenues:				
Transient guest taxes	$ 800,000	800,000	887,450	87,450
Interest	—	1,800	17,692	15,892
Grants – federal, state, and local	—	99,153	97,834	(1,319)
Other revenue	9,800	8,000	2,130	(5,870)
Total revenues	809,800	908,953	1,005,106	96,153
Expenditures:				
Tourism	694,509	876,327	874,249	2,078
Total expenditures	694,509	876,327	874,249	2,078
Excess of revenues and other financing resources over expenditures and other financing uses	$ 115,291	32,626	130,857	98,231
Undesignated fund balance at beginning of year			505,312	
Cancellation of prior year encumbrances			1,011	
Increase in other fund balance components during the year (1)			(69,395)	
Undesignated fund balance at end of year			$ 567,785	

(1) This amount represents transactions included in the excess of revenues and other financing resources over expenditures and other financing uses amount listed above that affected fund balance components other than the Undesignated Fund Balance or transactions that were recorded directly from the undesignated fund balance account to other fund balance component accounts.

Exhibit 17.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Tourism Fund

Year ended June 30, 2005

		Tourism Fund
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	1,005,106
Basis differences – budget to GAAP:		
None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	1,005,106
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	874,249
Basis differences – budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(74,984)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		27,932
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	827,197

(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.

Exhibit 18

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Sales Tax Funds

June 30, 2005

Assets		**Street Sales Tax**	**Storm Water Sales Tax**	**Police Sales Tax**	**Fire Sales Tax**	**Total (Exhibit 15)**
Pooled cash and investments	$	8,649,399	8,929,212	3,572,987	5,470,913	26,622,511
Receivables:						
Taxes		821,594	547,331	171,352	322,507	1,862,784
Accrued interest		69,940	78,910	17,013	17,013	182,876
Due from other funds		—	16,156	—	—	16,156
Due from other governments		—	78,000	—	—	78,000
Restricted assets		15,719	—	13,946	16,578	46,243
Total assets	$	9,556,652	9,649,609	3,775,298	5,827,011	28,808,570
Liabilities and Fund Balances						
Liabilities:						
Accounts and contracts payable	$	1,211,434	203,266	17,428	369,399	1,801,527
Due to other funds		—	15,356	—	—	15,356
Accrued items		—	16,485	—	—	16,485
Total liabilities		1,211,434	235,107	17,428	369,399	1,833,368
Fund balances:						
Reserved for:						
Encumbrances		5,448,692	2,706,426	182,468	3,979,489	12,317,075
Debt Service		15,719	—	13,946	16,578	46,243
Unreserved, reported in:						
Special revenue funds		2,880,807	5,897,947	3,561,456	1,461,545	13,801,755
Designated special revenue funds		—	810,129	—	—	810,129
Total fund balances		8,345,218	9,414,502	3,757,870	5,457,612	26,975,202
Total liabilities and fund balances	$	9,556,652	9,649,609	3,775,298	5,827,011	28,808,570

The notes to the financial statements are an integral part of this statement.

Exhibit 19

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Sales Tax Funds

Year ended June 30, 2005

	Street Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 16)
Revenues:					
Taxes	$ 5,633,570	3,765,605	845,058	1,604,260	11,848,493
Intergovernmental	—	143,165	—	—	143,165
Investment income	145,996	195,587	48,711	59,002	449,296
Other	—	93,573	—	—	93,573
Total revenues	5,779,566	4,197,930	893,769	1,663,262	12,534,527
Expenditures:					
Current:					
Public Safety	—	—	1,275,571	132,683	1,408,254
Storm Water	—	885,225	—	—	885,225
Nondepartmental/other	113,237	—	—	—	113,237
Capital outlay	4,598,383	2,232,711	—	520,043	7,351,137
Debt service:					
Principal	—	36,271	—	—	36,271
Interest and fiscal agent fees	—	1,275	—	—	1,275
Total expenditures	4,711,620	3,155,482	1,275,571	652,726	9,795,399
Excess (deficiency) of revenues over expenditures	1,067,946	1,042,448	(381,802)	1,010,536	2,739,128
Other financing sources (uses):					
Proceeds from bond issuance	5,015,496	—	4,140,595	4,448,923	13,605,014
Transfers in	—	2,000	—	—	2,000
Payments to component unit	(4,390)	(2,927)	(923)	(1,847)	(10,087)
Total other financing sources (uses)	5,011,106	(927)	4,139,672	4,447,076	13,596,927
Net change in fund balances	6,079,052	1,041,521	3,757,870	5,457,612	16,336,055
Fund balances, beginning	2,266,166	8,372,981	—	—	10,639,147
Fund balances, ending	$ 8,345,218	9,414,502	3,757,870	5,457,612	26,975,202

The notes to the financial statements are an integral part of this statement.

Exhibit 20

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2005

Assets		Street Improvements	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 13)
Pooled cash and investments	$	—	17,439	—	1	1,741	19,181
Receivables:							
Accounts		548	—	—	—	7,400	7,948
Special assessment principal and accrued interest		161,322	—	—	—	—	161,322
Due from other governments		3,335,258	—	8,841	—	—	3,344,099
Total assets	$	3,497,128	17,439	8,841	1	9,141	3,532,550
Liabilities and Fund Balances							
Liabilities:							
Accounts and contracts payable	$	296,069	—	—	—	(35)	296,034
Due to other funds		2,141,142	—	98,841	16,156	—	2,256,139
Other current liabilities		700,000	—	—	—	—	700,000
Deferred revenue		379,527	—	—	—	—	379,527
Total liabilities		3,516,738	—	98,841	16,156	(35)	3,631,700
Fund balances (deficit):							
Reserved for:							
Encumbrances		3,568,366	—	170,377	—	—	3,738,743
Unreserved, reported in:							
Capital Projects Funds		(3,587,976)	17,439	(260,377)	(16,155)	9,176	(3,837,893)
Total fund balances (deficit)		(19,610)	17,439	(90,000)	(16,155)	9,176	(99,150)
Total liabilities and fund balances (deficit)	$	3,497,128	17,439	8,841	1	9,141	3,532,550

The notes to the financial statements are an integral part of this statement.

Exhibit 21

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)

Nonmajor Capital Projects Funds

Year ended June 30, 2005

	Street Improvements	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 14)
Revenues:						
Intergovernmental	$ 3,666,607	—	1,293	(16,155)	(1,001)	3,650,744
Charges for services	16,953	—	—	—	—	16,953
Investment income	(29,377)	1,027	—	—	—	(28,350)
Other	399,799	—	(21,108)	—	5,400	384,091
Total revenues	4,053,982	1,027	(19,815)	(16,155)	4,399	4,023,438
Expenditures:						
Capital outlay	4,384,030	—	(11,217)	—	5,400	4,378,213
Total expenditures	4,384,030	—	(11,217)	—	5,400	4,378,213
Excess (deficiency) of revenues over expenditures	(330,048)	1,027	(8,598)	(16,155)	(1,001)	(354,775)
Other financing sources (uses):						
Transfers in	211,831	—	8,598	—	—	220,429
Total other financing sources (uses)	211,831	—	8,598	—	—	220,429
Net change in fund balances	(118,217)	1,027	—	(16,155)	(1,001)	(134,346)
Fund balances (deficit), beginning	98,607	16,412	(90,000)	—	10,177	35,196
Fund balances, ending	$ (19,610)	17,439	(90,000)	(16,155)	9,176	(99,150)

The notes to the financial statements are an integral part of this statement

CITY OF INDEPENDENCE, MISSOURI

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other governmental units on a cost-reimbursement basis.

Central Garage – This fund is used to account for costs of maintenance of the City's fleet of vehicles and mobile equipment and related charges to other departments.

Employee Benefits – This fund is used to account for all financial activity associated with the reimbursement to the Missouri Local Government Employees Retirement System (LAGERS) for the refunding of employee contributions made to the system.

Staywell Health Care – This fund is used to account for the costs of the City's self-insured healthcare plan.

Exhibit 22

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Net Assets

Internal Service Funds

June 30, 2005

	Central Garage	Employee Benefits	Staywell Health Care	Total (Exhibit 5)
Assets:				
Current assets:				
Pooled cash and investments	$ 105,110	—	1,516,347	1,621,457
Accounts receivable	2,697	—	9,273	11,970
Inventory	41,824	—	—	41,824
Total current assets	149,631	—	1,525,620	1,675,251
Noncurrent assets:				
Capital assets:				
Nondepreciable	93,979	—	—	93,979
Depreciable, net	6,261	—	—	6,261
Total noncurrent assets	100,240	—	—	100,240
Total assets	$ 249,871	—	1,525,620	1,775,491
Liabilities:				
Current liabilities:				
Accounts and contracts payable	$ 35,607	—	—	35,607
Accrued liabilities	20,456	—	—	20,456
Compensated absences – current	24,514	—	—	24,514
Medical self-insurance claims	—	—	1,119,765	1,119,765
Total current liabilities	80,577	—	1,119,765	1,200,342
Noncurrent liabilities:				
Compensated absences – long-term	31,456	—	—	31,456
Total liabilities	112,033	—	1,119,765	1,231,798
Net assets:				
Invested in capital assets	100,240	—	—	100,240
Unrestricted	37,598	—	405,855	443,453
Total net assets	137,838	—	405,855	543,693
Total liabilities and net assets	$ 249,871	—	1,525,620	1,775,491

The notes to the financial statements are an integral part of this statement.

Exhibit 23

CITY OF INDEPENDENCE, MISSOURI

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

Internal Service Funds

Year ended June 30, 2005

	Central Garage	Employee Benefits	Staywell Health Care	Total (Exhibit 6)
Operating revenues:				
Charges for services	$ 1,315,994	—	10,800,897	12,116,891
Total operating revenues	1,315,994	—	10,800,897	12,116,891
Operating expenses:				
Personal services	492,890	—	—	492,890
Other services	254,683	—	10,802,716	11,057,399
Supplies	687,792	—	120	687,912
Depreciation and amortization	4,098	—	—	4,098
Total operating expenses	1,439,463	—	10,802,836	12,242,299
Operating income	(123,469)	—	(1,939)	(125,408)
Nonoperating revenues:				
Interest revenue	2,917	8,679	18,578	30,174
Miscellaneous revenue	30,841	—	117,224	148,065
Total nonoperating revenue	33,758	8,679	135,802	178,239
Income before transfers	(89,711)	8,679	133,863	52,831
Transfers in	—	35,136	—	35,136
Transfers out	—	(8,679)	—	(8,679)
Change in net assets	(89,711)	35,136	133,863	79,288
Total net assets (deficit):				
Beginning of the period	227,549	(35,136)	271,992	464,405
End of the period	$ 137,838	—	405,855	543,693

The notes to the financial statements are an integral part of this statement.

Exhibit 24

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2005

	Internal Service Funds			
	Central Garage	**Employee Benefits**	**Staywell Health Care**	**Total (Exhibit 7)**
Cash flows from operations:				
Receipts from customers	$ 1,315,449	—	10,922,127	12,237,576
Payments to suppliers	(922,124)	(791,329)	(10,554,164)	(12,267,617)
Payments to employees	(489,737)	—	—	(489,737)
Net cash provided by (used in) operating activities	(96,412)	(791,329)	367,963	(519,778)
Cash flows from noncapital financing activities:				
Transfers in	—	35,136	—	35,136
Transfers out	—	(8,679)	—	(8,679)
Nonoperating revenues	30,841	—	117,224	148,065
Net cash provided by noncapital financing activities	30,841	26,457	117,224	174,522
Cash flows from investing activities:				
Interest on investments	2,917	10,768	18,578	32,263
Net cash provided by investing activities	2,917	10,768	18,578	32,263
Net increase (decrease) in pooled cash and investments	(62,654)	(754,104)	503,765	(312,993)
Pooled cash and investments, beginning of year	167,764	754,104	1,012,582	1,934,450
Pooled cash and investments, end of year	105,110	—	1,516,347	1,621,457
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ (123,469)	—	(1,939)	(125,408)
Adjustments not affecting cash:				
Depreciation and amortization	4,098	—	—	4,098
Change in assets and liabilities:				
Accounts receivable	(545)	—	121,230	120,685
Inventory	10,969	—	—	10,969
Accounts and contracts payable	9,114		—	9,114
Accrued liabilities	3,921	—	248,672	252,593
Other current liabilities	—	(791,329)	—	(791,329)
Compensated absences	(500)	—	—	(500)
Total adjustments	27,057	(791,329)	369,902	(394,370)
Net cash provided by (used in) operating activities	$ (96,412)	(791,329)	367,963	(519,778)

The notes to the financial statements are an integral part of this statement

Exhibit 25

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2005

	Private-Purpose Trust Fund		Agency funds		
	Miscellaneous Expendable Trust	**Total (Exhibit 8)**	**Flexible Benefit Plan**	**Susie Block Trust**	**Total (Exhibit 8)**
Assets:					
Pooled cash and investments	$ 55,030	55,030	11,730	30,610	42,340
Accrued interest receivable	—	—	—	495	495
Total assets	$ 55,030	55,030	11,730	31,105	42,835
Liabilities:					
Liabilities payable from restricted assets					
Funds held in escrow	$ —	—	11,730	31,105	42,835
Total liabilities	—	—	11,730	31,105	42,835
Net assets:					
Held in trust	$ 55,030	55,030			

The notes to the financial statements are an integral part of this statement

Exhibit 26

CITY OF INDEPENDENCE, MISSOURI

Statement of Changes in Fiduciary Net Assets

Miscellaneous Expendable Trust

Year ended June 30, 2005

		Private-Purpose Trust Fund (Exhibit 9)
Additions:		
Charges for services	$	20,985
Interest		1,395
Total additions		22,380
Deductions:		
Community development		19,955
Total deductions		19,955
Change in net assets		2,425
Net assets, beginning		52,605
Net assets, ending	$	55,030

The notes to the financial statements are an integral part of this statement.

Exhibit 27

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

Year ended June 30, 2005

		Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005 (Exhibit 26)
Flexible Benefit Plan:					
Assets:					
Cash	$	38,339	68,011	94,620	11,730
Liabilities:					
Flexible benefit payable	$	32,073	458,307	478,650	11,730
Employee contributions		(7,811)	7,811	—	—
Forfeited amounts		14,077	—	14,077	—
	$	38,339	466,118	492,727	11,730
Susie Block Trust:					
Assets:					
Cash	$	2,888	1,705	635	3,958
Investments		20,981	5,671	—	26,652
Accrued interest		496	1,324	1,325	495
	$	24,365	8,700	1,960	31,105
Liabilities:					
Escrow	$	24,365	7,375	635	31,105
All Agency Funds:					
Assets:					
Cash	$	41,227	69,716	95,255	15,688
Investments		20,981	5,671	—	26,652
Accrued interest		496	1,324	1,325	495
	$	62,704	76,711	96,580	42,835
Liabilities:					
Flexible benefit payable		32,073	458,307	478,650	11,730
Employee contributions		(7,811)	7,811	—	—
Forfeited amounts		14,077	—	14,077	—
Escrow		24,365	7,375	635	31,105
	$	62,704	473,493	493,362	42,835

The notes to the financial statements are an integral part of this statement.

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Discretely Presented Component Unit - Tax Increment Financing

June 30, 2005

Assets		Midtown Truman	RSO	Bolger Square	Sante Fe	Sterling Village	Hartman Heritage
Pooled cash and investments	$	814,132	166	1,097,761	122,368	—	907,366
Receivables:							
Taxes		—	—	22,139	5,516	—	—
Accounts		—	—	34,888	—	—	—
Due from other funds		—	—	—	—	—	—
Due from other governments		—	—	45,594	16,285	—	37,809
Restricted assets		—	—	851,195	1,486,337	—	2,414,604
Total assets	$	814,132	166	2,051,577	1,630,506	—	3,359,779
Liabilities and Fund Balances							
Liabilities:							
Accounts and contracts payable	$	—	—	1,425	—	—	7,977
Due to other funds		—	—	—	—	17	—
Due to primary government		—	—	—	—	—	102,300
Other current liabilities		—	5,092	—	—	—	—
Advances from other funds		—	—	—	—	—	—
Total liabilities		—	5,092	1,425	—	17	110,277
Fund balances:							
Reserved for:							
Encumbrances		—	—	—	540	—	2,294
Other purposes		—	—	727,511	1,486,337	—	2,068,426
Unreserved, reported in:							
Capital Projects Funds		814,132	(4,926)	1,198,956	143,629	(17)	832,604
Designated Capital Projects Funds		—	—	123,685	—	—	346,178
Total fund balances (deficit)		814,132	(4,926)	2,050,152	1,630,506	(17)	3,249,502
Total liabilities and fund balances (deficit)	$	814,132	166	2,051,577	1,630,506	—	3,359,779

The notes to the financial statements are an integral part of this statement

Exhibit 28

Drumm Farm	Eastland Center	North Independence	Mount Washington	Hy-Vee	Noland Rd Autobody	Crackerneck Creek	TIF App Fees	Total
186,548	1,326,269	6,378	11,018	152,532	16,763	4,254	36,995	4,682,550
220	91,382	—	—	—	—	—	—	119,257
—	—	—	—	—	—	—	30	34,918
—	—	—	—	—	—	—	17	17
1,375	108,309	2,250	800	24,000	—	—	—	236,422
26,200	2,393,746	—	—	—	—	10,021,066	—	17,193,148
214,343	3,919,706	8,628	11,818	176,532	16,763	10,025,320	37,042	22,266,312
—	1,375	—	—	—	—	—	—	10,777
—	—	—	—	—	—	—	—	17
—	—	—	—	—	—	—	—	102,300
—	—	—	51,180	—	—	—	—	56,272
—	—	—	—	—	—	16,500	—	16,500
—	1,375	—	51,180	—	—	16,500	—	185,866
—	11,389	—	—	—	—	4,125	5,278	23,626
26,200	2,348,030	—	—	—	—	2,854,660	—	9,511,164
188,143	1,513,196	8,628	(39,362)	176,532	16,763	(16,371)	31,764	4,863,671
—	45,716	—	—	—	—	7,166,406	—	7,681,985
214,343	3,918,331	8,628	(39,362)	176,532	16,763	10,008,820	37,042	22,080,446
214,343	3,919,706	8,628	11,818	176,532	16,763	10,025,320	37,042	

Amounts reported in the government-wide statements are different because:	
Unreimbursed certified costs are reported as liabilities and expense at the government-wide level, but not at the fund statement level	(7,128,293)
Interest on long-term debt is not accrued in component unit funds, but rather is recognized as an expenditure when due	(877,389)
Long term liabilities, including TIF loans payable are not due and payable in the current period and therefore are not reported in the funds, net of unamortized premiums/discounts	
TIF loans and obligations payable	(67,124,861)
Unamortized issuance costs on TIF loans payable	490,220
Net assets of component unit	$ (52,559,877)

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)

Component Unit - Tax Increment Financing

Year ended June 30, 2005

	Midtown Truman	RSO	Bolger Square	Sante Fe	Sterling Village	Hartman Heritage
Revenues:						
Taxes	$ 354,891	79,821	1,066,970	28,697	6,964	1,660,244
Charges for services	—	—	—	—	—	—
Investment income	19,178	1,483	107,984	38,762	30	71,968
Other	—	—	—	24,509	—	—
Total revenues	374,069	81,304	1,174,954	91,968	6,994	1,732,212
Expenditures:						
Capital outlay	13,390	877	162,330	6,978	36	1,437,091
Debt service:						
Principal	233,832	—	605,000	165,000	8,084	551,362
Interest and fiscal agent fees	—	—	259,560	527,091	3,328	1,053,233
Total expenditures	247,222	877	1,026,890	699,069	11,448	3,041,686
Excess (deficiency) of revenues over expenditures	126,847	80,427	148,064	(607,101)	(4,454)	(1,309,474)
Other financing sources:						
Proceeds from capital leases/bond issuance	—	—	—	—	—	—
Payments from primary government	—	—	—	24,722	—	—
Total other financing sources	—	—	—	24,722	—	—
Net change in fund balances	126,847	80,427	148,064	(582,379)	(4,454)	(1,309,474)
Fund balances (deficit), beginning	687,285	(85,353)	1,902,088	2,212,885	4,437	4,558,976
Fund balances (deficit), ending	$ 814,132	(4,926)	2,050,152	1,630,506	(17)	3,249,502

The notes to the financial statements are an integral part of this statement.

Exhibit 29

Drumm Farm	Eastland Center	North Independence	Mount Washington	Hy-Vee	Noland Rd Autobody	Crackerneck Creek	TIF App Fees	Total
181,736	2,600,785	59,098	43,476	405,159	(40,904)	—	—	6,446,937
—	—	—	—	—	—	—	65,000	65,000
4,732	67,662	296	2,241	3,618	1,497	71,853	4,980	396,284
—	—	—	—	—	—	—	—	24,509
186,468	2,668,447	59,394	45,717	408,777	(39,407)	71,853	69,980	6,932,730
470,579	294,512	278	228	1,812	213	1,397,866	49,516	3,835,706
606,782	720,000	—	—	263,867	—	—	—	3,153,927
141,558	1,223,094	53,690	—	9,554	—	—	—	3,271,108
1,218,919	2,237,606	53,968	228	275,233	213	1,397,866	49,516	10,260,741
(1,032,451)	430,841	5,426	45,489	133,544	(39,620)	(1,326,013)	20,464	(3,328,011)
1,030,000	—	—	—	—	—	11,334,833	—	12,364,833
—	—	—	—	—	—	—	—	24,722
1,030,000	—	—	—	—	—	11,334,833	—	12,389,555
(2,451)	430,841	5,426	45,489	133,544	(39,620)	10,008,820	20,464	9,061,544
216,794	3,487,490	3,202	(84,851)	42,988	56,383	—	16,578	13,018,902
214,343	3,918,331	8,628	(39,362)	176,532	16,763	10,008,820	37,042	22,080,446

Change in fund balance	$	9,061,544
Amounts reported in the government-wide statements are different because:		
Unreimbursed certified costs are reported as liabilities and expenses at the government-wide level		(3,776,809)
Bond proceeds provide current financial resources in Tax Increment Financing funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in Tax Increment Financing funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments. Also, Tax Increment Financing 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 treatment of long-term debt and related items:		
Loan proceeds		(12,364,832)
Principal payments		3,153,926
Discounts		349,099
Premiums		12,008
		(8,849,799)
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 the Tax Increment Financing funds:		
Accrued interest		(155,780)
Change in net assets	$	(3,720,844)

Exhibit 30

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Power and Light Fund

Years ended June 30, 2005 and 2004

	2005			2004		
	Operations	**Maintenance**	**Total**	**Operations**	**Maintenance**	**Total**
Production fuel:						
Coal			$ 8,727,888			8,021,261
Gas			1,109,467			1,143,588
Oil			104,956			146,758
Total production fuel			9,942,311			9,311,607
Purchased power:						
Purchased energy			17,321,228			16,694,809
Purchased capacity (net)			7,545,000			7,560,000
Border customers			26,773			28,476
Control and dispatching			617,839			592,689
Total purchased power			25,510,840			24,875,974
Production (other):						
Blue Valley Station:						
Supervision and engineering	$ 490,063	635,189	1,125,252	448,193	553,616	1,001,809
Steam	684,852	2,186,438	2,871,290	615,705	1,550,756	2,166,461
Electric	712,779	353,216	1,065,995	671,604	255,642	927,246
Structures and improvements	—	89,237	89,237	—	56,733	56,733
Miscellaneous	1,101,292	446,032	1,547,324	910,730	638,622	1,549,352
	2,988,986	3,710,112	6,699,098	2,646,232	3,055,369	5,701,601
Missouri City Station:						
Supervision and engineering	40,740	78,166	118,906	81,814	2,266	84,080
Steam	288,353	680,792	969,145	332,592	676,538	1,009,130
Electric	293,344	108,738	402,082	338,960	60,538	399,498
Structures and improvements	—	23,717	23,717	—	63,781	63,781
Miscellaneous	205,136	182,830	387,966	241,468	287,173	528,641
	827,573	1,074,243	1,901,816	994,834	1,090,296	2,085,130
Combustion Turbine Station:						
Supervision and engineering	—	5,008	5,008	—	—	—
Generation expenses	410	28,709	29,119	—	72,464	72,464
Structures and improvements	—	8,900	8,900	—	151,457	151,457
Miscellaneous	4,963	193,017	197,980	87,366	111,243	198,609
	5,373	235,634	241,007	87,366	335,164	422,530
Total production (other)	$ 3,821,932	5,019,989	8,841,921	3,728,432	4,480,829	8,209,261
Transmission and distribution:						
Transmission:						
Supervision and engineering	$ 141,200	15,210	156,410	134,230	14,152	148,382
Overhead expenses	36,045	4,502	40,547	7,998	736	8,734
Station expenses	23,774	98,037	121,811	17,476	316,253	333,729
Wheeling charges	108,257	—	108,257	7,379	—	7,379
Underground line expense	—	—	—	—	—	—
Structures and improvements	—	876	876	—	—	—
Miscellaneous	4,291	—	4,291	4,262	—	4,262
Total transmission	313,567	118,625	432,192	171,345	331,141	502,486

(Continued)

Exhibit 30

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Power and Light Fund

Years ended June 30, 2005 and 2004

	2005			2004		
	Operations	**Maintenance**	**Total**	**Operations**	**Maintenance**	**Total**
Distribution:						
Supervision and engineering	$ 81,761	45,726	127,487	81,353	42,491	123,844
Overhead lines	880,969	2,580,530	3,461,499	772,883	2,397,018	3,169,901
Station expenses	264,371	328,809	593,180	226,871	210,712	437,583
Street lights and traffic signals	199,668	538,155	737,823	151,043	426,877	577,920
Meters	162,256	596,312	758,568	154,765	502,996	657,761
Customer installations	353	—	353	466	—	466
Underground lines	659,049	410,376	1,069,425	624,849	539,937	1,164,786
Dispatching communication	702,738	—	702,738	671,616	—	671,616
Line transformers	—	111,348	111,348	—	103,972	103,972
Miscellaneous	537,789	228,660	766,449	616,060	221,143	837,203
Total distribution	3,488,954	4,839,916	8,328,870	3,299,906	4,445,146	7,745,052
Total transmission and distribution	$ 3,802,521	4,958,541	8,761,062	3,471,251	4,776,287	8,247,538
Customer service:						
Supervision			$ 205,140			200,361
Meter reading			640,800			672,072
Customer records and collections			1,309,562			1,266,411
Provisions for doubtful accounts			451,152			440,055
Miscellaneous			(26,671)			148,478
Total customer service			2,579,983			2,727,377
General and administrative:						
Salaries			745,245			714,390
Office supplies			467,426			350,671
Insurance			898,651			911,003
Injuries and damage			376,156			425,755
Employee benefits			3,284,693			3,143,968
Outside services			1,428,402			1,415,713
Miscellaneous			844,503			771,150
Administrative expenses – transfers			(56,047)			(50,998)
Total general and administrative			7,989,029			7,681,652
Depreciation and amortization			8,824,770			8,501,784
Payroll taxes			827,590			797,478
Total operating expenses			$ 73,277,506			70,352,671

Exhibit 31

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Power and Light Fund

Year ended June 30, 2005

	Number of customers			
	Beginning of year	**End of year**	**Revenue**	**KWH**
Sale of electric energy:				
Metered:				
Residential	50,596	50,995	$ 40,482,674	483,489,262
Small general services	3,008	3,051	2,927,703	27,743,814
General services – space heating	2	2	1,591	24,861
Large general services	1,603	1,599	24,236,702	343,974,856
Large general services – prime voltage	12	10	1,177,649	19,174,352
Large general services – space heating	2	2	8,975	126,998
Total electric general services	64	68	2,988,655	48,241,246
Schools, churches, and hospitals	283	282	3,069,376	41,245,069
Schools, churches, and hospitals, all electric	7	7	234,286	3,787,782
Large power services	6	6	2,330,264	45,072,720
Interruptible services	—	—	—	—
Sewer pumping	6	6	247,014	3,233,054
City traffic signals	59	58	57,817	303,272
Wholesale (border customers)	—	—	118,740	5,896,650
Wholesale (interchange)	—	—	660,619	20,168,000
	55,648	56,086	78,542,065	1,042,481,936
Unmetered:				
Private security lighting	1,527	1,570	262,720	1,336,652
City public street lighting	11,070	11,218	948,228	9,227,996
	12,597	12,788	1,210,948	10,564,648
Increase in unbilled revenue			1,924,153	14,313,132
Other operating revenue			915,128	
Total operating revenue and total energy sales			$ 82,592,294	1,067,359,716
Net generation				366,647,232
Wholesale power purchased				759,833,324
Unintentional interchange				48,000
Net generation and power purchased				1,126,528,556
Retail energy sales				1,041,295,066
Wholesale (border customers) sales				26,064,650
Power and light usage (building and substations)				1,353,596
Net disposition				1,068,713,312
Transmission and distribution operating losses				$ 57,815,244

Exhibit 32

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Water Fund

Years ended June 30, 2005 and 2004

	2005			2004		
	Operations	**Maintenance**	**Total**	**Operations**	**Maintenance**	**Total**
Production:						
Source of supply:						
Supervision and engineering	$ 21,438	—	21,438	12,275	—	12,275
Labor and expenses	207,669	—	207,669	269,275	—	269,275
Structures and improvements	—	19,288	19,288	—	30,757	30,757
Miscellaneous	—	143,750	143,750	—	379,967	379,967
Total source of supply	229,107	163,038	392,145	281,550	410,724	692,274
Power and pumping:						
Supervision and engineering	31,556	9,828	41,384	25,720	11,490	37,210
Fuel/power purchased	1,171,384	—	1,171,384	1,190,942	—	1,190,942
Labor and expenses	154,985	—	154,985	163,798	—	163,798
Structures and improvements	—	6,852	6,852	—	10,867	10,867
Miscellaneous	—	12,115	12,115	—	72,001	72,001
Total power and pumping	1,357,925	28,795	1,386,720	1,380,460	94,358	1,474,818
Water treatment:						
Supervision and engineering	36,857	15,863	52,720	27,912	15,799	43,711
Chemicals	742,702	—	742,702	773,047	—	773,047
Labor and expenses	495,363	—	495,363	548,480	—	548,480
Structures and improvements	—	19,467	19,467	—	11,101	11,101
Miscellaneous	—	196,852	196,852	—	204,786	204,786
Total water treatment	1,274,922	232,182	1,507,104	1,349,439	231,686	1,581,125
Total production	$ 2,861,954	424,015	3,285,969	3,011,449	736,768	3,748,217
Transmission and distribution:						
Supervision and engineering	$ 78,614	50,591	129,205	54,942	91,193	146,135
Storage facilities	13,997	52,527	66,524	13,843	(48,181)	(34,338)
Transmission and distribution lines	522,787	560,516	1,083,303	477,217	599,023	1,076,240
Meters	206,615	116,983	323,598	187,372	120,566	307,938
Customer installations	69,643	—	69,643	67,280	—	67,280
Services	—	182,775	182,775	—	197,390	197,390
Hydrants	—	81,450	81,450	—	63,099	63,099
Miscellaneous	382,887	58,022	440,909	360,164	107,432	467,596
Total transmission and distribution	$ 1,274,543	1,102,864	2,377,407	1,160,818	1,130,522	2,291,340
Customer service:						
Customer accounting paid and collecting:						
Supervision			$ 140,666			137,396
Meter reading			718,776			663,271
Customer records			47,389			74,930
Provision for uncollectible amounts			68,656			48,412
Total customer accounting paid and collecting			975,487			924,009
Sales promotion:						
Expenses			47,414			96,807
Total customer service			1,022,901			1,020,816
General and administrative:						
Salaries			445,666			403,805
Office supplies and expense			328,083			294,414
Injuries and damages			1,023,650			290,600
Employee benefits			1,273,214			1,208,638
Outside services			935,156			940,705
Miscellaneous			124,456			234,286
Total general and administrative			4,130,225			3,372,448
Depreciation and amortization			2,061,037			1,960,948
Payroll taxes			280,126			286,033
Other			56,093			67,862
Total operating expenses			13,213,758			12,747,664
Certain amounts are presented as a reduction of operating expenses, whereas they are included as miscellaneous revenue in the statement of revenues, expenses, and changes in fund net assets			1,086,861			1,058,441
			$ 14,300,619			13,806,105

Exhibit 33

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Water Fund

Year ended June 30, 2005

	Number of customers			
	Beginning of year	**End of year**	**Revenue**	**MGS***
Sale of water:				
Residential	43,985	44,490	$ 7,789,773	3,126,596
Commercial	2,933	2,971	2,053,011	903,446
Industrial	7	8	331,251	290,786
Public authority	59	64	189,489	83,053
Resale	13	13	5,670,010	4,862,549
Private fire protection	327	346	55,966	—
Public fire protection	—	—	617,130	—
	47,324	47,892	16,706,630	9,266,430
Increase in unbilled revenue			85,953	
Other operating revenue			287,467	
Total operating revenue			$ 17,080,050	
Thousands of gallons pumped:				
Courtney Bend Plant				10,582,319
Less total sales				9,266,430
Unaccounted for water				1,315,889

* Thousand gallons sold.

Exhibit 34

CITY OF INDEPENDENCE, MISSOURI

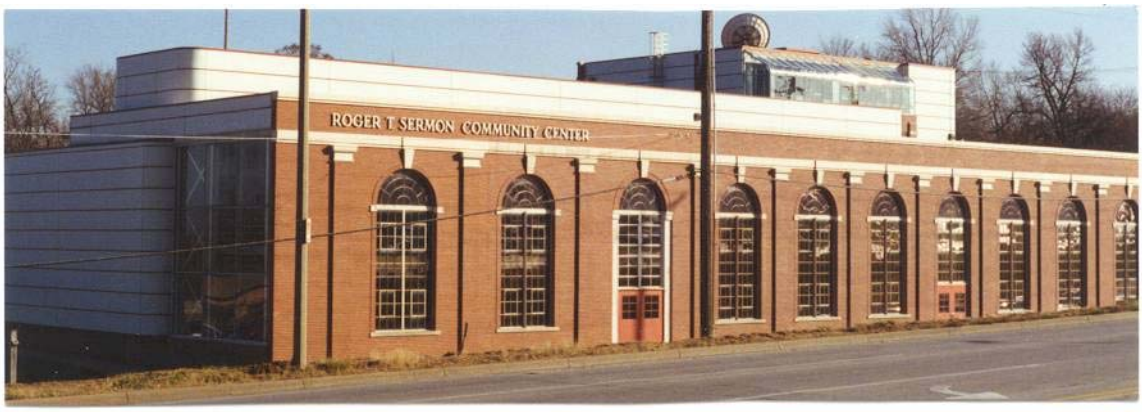
Schedule of Operating Statistics – Sanitary Sewer Fund

Year ended June 30, 2005

	Number of customers			
	Beginning of year	**End of year**	**Revenue**	**CCF***
Sale of sanitary sewer services:				
Residential	40,070	40,520	$ 8,834,127	2,978,466
Commercial:				
Base	3,534	3,529	3,677,292	1,866,364
Surcharge	—	—	645,512	—
Contract waste treatment	14	15	273,245	—
Intermunicipal agreements:				
Sugar Creek	—	—	352,172	—
Kansas City	—	—	56,777	—
	43,618	44,064	13,839,125	4,844,830
Other operating revenue			115,597	
Increase in unbilled revenue			21,058	
Total operating revenue			$ 13,975,780	

* Hundred cubic feet.

Police Building, 223 N. Memorial Dr.



Roger T. Sermon Community Center, 201 N. Dodgion

City Hall, 111 E. Maple St.

STATISTICAL DATA

The statistical data "relates to the physical, economic, social, and political characteristics of the City." Its design is to provide "a broader and more complete understanding of the City and its financial affairs than is possible from the financial statements, notes, and supporting schedule presentation in the Financial Section."

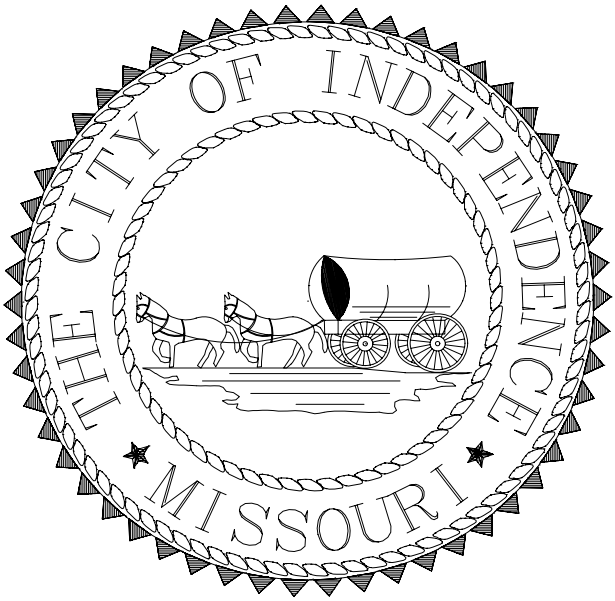

THE CITY OF INDEPENDENCE
MISSOURI

Table 1

City of Independence, Missouri

General Governmental Expenditures by Function

	Total (a)	*General Government*	*Public Safety*	*Public Works/ Storm Water*	*Health & Welfare*	*Culture & Recreation*	*Community Development*	*Capital Outlay*	*Non-Departmental/ Other*	*Debt Service*
1996	47,963,641	5,135,501	24,002,906	5,532,316	991,262	1,683,247	1,379,783	4,862,856	3,559,991	815,779
1997	49,172,040	5,119,322	23,312,495	5,346,312	948,268	1,762,330	2,847,386	4,553,924	3,821,673	1,460,330
1998	53,522,757	5,354,047	24,506,016	5,374,067	1,089,234	2,008,489	3,667,406	5,983,773	4,106,742	1,432,983
1999	66,380,643	5,628,079	28,603,191	6,847,093	1,214,950	2,480,903	1,500,797	13,257,853	5,094,621	1,753,156
2000	79,366,650	6,021,065	30,360,187	5,976,941	1,175,739	3,465,943	1,365,055	22,365,404	4,201,337	4,434,979
2001	90,042,052	6,343,908	29,136,004	6,867,407	1,292,388	4,017,361	3,998,820	28,716,658	4,750,611	4,918,895
2002	98,020,507	6,477,775	31,290,454	7,042,825	2,193,035	2,973,715	3,515,626	29,255,681	10,794,758	4,476,638
2003	83,337,998	6,542,594	32,088,292	7,242,208	2,300,201	3,552,903	3,242,153	17,123,501	6,147,462	5,098,684
2004	89,469,435	6,593,368	32,271,567	6,856,092	2,395,294	3,752,185	3,446,574	20,481,873	6,964,846	6,707,636
2005*	**$88,369,177**	**$6,618,488**	**$35,462,979**	**$7,110,830**	**$2,419,833**	**$4,048,187**	**$3,278,951**	**$21,040,394**	**$7,123,861**	**$1,265,654**

a) Represents General Fund, Special Revenue Funds and Capital Project Funds. Excludes transfers.

**Change in presentation. Does not include Component Unit/Tax Increment Financing as in prior years.*

City of Independence, Missouri

General Governmental Revenue by Source

	Total (a)	Taxes & In Lieu of Taxes (b)	License & Permits	Intergovern-mental	Charges for Services	Intragovern-mental (c)	Fines & Forfeitures	Interest	Other (d)
1996	46,918,647	31,417,798	1,891,026	7,700,165	494,402	2,828,007	1,602,145	543,743	441,361
1997	48,977,851	33,392,131	2,299,681	6,937,808	569,820	2,895,953	1,903,081	499,416	479,961
1998	55,171,738	36,672,503	2,325,055	9,260,166	638,955	2,749,077	2,409,688	603,952	512,342
1999	60,902,834	40,251,255	2,476,897	10,913,472	796,030	3,070,849	2,666,064	425,256	303,011
2000	72,149,590	46,629,545	2,928,678	13,815,850	1,359,698	2,889,644	2,997,092	844,469	684,614
2001	77,030,405	53,226,616	3,532,316	10,643,440	1,682,455	2,757,884	3,010,798	1,570,953	605,943
2002	84,240,680	54,521,441	3,957,533	16,012,619	1,494,189	2,791,637	3,199,906	757,872	1,505,483
2003	79,483,053	56,496,560	4,315,628	9,902,274	1,519,823	2,704,534	3,502,074	381,438	660,722
2004	83,659,336	58,836,592	4,951,856	10,091,764	1,569,283	2,767,631	3,219,276	571,402	1,651,532
2005*	**$85,685,956**	**$57,539,568**	**$4,670,617**	**$13,013,181**	**$2,023,297**	**$2,700,215**	**$3,521,377**	**$901,209**	**$1,316,492**

a) Represents General Fund , Special Revenue Funds and Capital Project Funds. Excludes other financing sources (uses), except for utility payments in lieu of taxes.
b) General Property Taxes, Sales Tax and Other Local Taxes.
c) Interfund Charges for Support Services .
d) Includes revenue from Sale of Property, and revenue not included in other categories.
*'*Change in presentation. Does not include Component Unit/Tax Increment Financing as in prior years.*

City of Independence, Missouri

General Governmental Tax Revenues by Source

	Total	Real Estate Tax	Railroad Utitlities Tax	Cigarette Tax	Transient Guest Tax	Sales Tax	Franchise Tax	In Lieu of Taxes
1996	31,417,798	4,974,581	56,733	513,102	366,246	12,497,734	5,525,140	7,484,262
1997	33,392,131	6,063,867	60,981	472,758	396,654	12,609,492	6,246,845	7,541,534
1998	36,672,503	6,388,695	55,405	600,206	419,719	15,500,936	5,711,768	7,995,774
1999	40,251,255	6,747,561	39,291	579,968	424,286	18,479,114	5,662,192	8,318,843
2000	46,629,545	7,157,444	38,824	634,169	432,564	24,240,691	5,695,790	8,430,063
2001	53,226,616	7,639,179	39,169	595,259	443,670	27,997,519	7,004,453	9,507,367
2002	54,521,441	7,251,844	45,912	594,665	471,450	30,800,658	6,545,093	8,811,819
2003	56,496,560	8,155,079	45,144	583,785	680,605	30,926,980	6,718,262	9,386,705
2004	58,836,592	8,876,875	38,401	622,835	859,643	31,484,590	7,241,436	9,712,812
2005*	**$ 57,539,568**	**$ 6,523,970**	**$ 40,720**	**$ 604,872**	**$ 887,450**	**$ 31,802,883**	**$ 7,500,356**	**$ 10,179,317**

Includes General, Special Revenue, and TIF funds.
*Change in presentation. Does not include Component Unit/Tax Increment Financing as in prior years.

Table 3

City of Independence, Missouri

General Fund, Public Health & Recreation, Debt Service

Property Tax Levies and Collections

Year Ended June 30	*Net Current Tax Levy*	*Current Tax Collections*	*Percent of Levy Collected*	*Delinquent Tax Collections*	*Total Tax Collections*	*Total Collections as Percent of Net Current Tax Levy*	*Outstanding Delinquent Taxes*	*Outstanding Delinquent Taxes as Percent of Net Current Tax Levy*
1996	4,539,910	4,203,803	92.60%	169,654	4,373,457	96.33%	437,210	9.63%
1997	4,724,273	4,460,502	94.42%	334,135	4,794,637	101.49%	366,846	7.77%
1998	4,984,727	4,644,002	93.16%	262,947	4,906,949	98.44%	444,624	8.92%
1999	5,034,573	4,856,639	96.47%	324,883	5,181,522	102.92%	297,675	5.91%
2000	5,385,674	5,135,996	95.36%	137,639	5,273,635	97.92%	409,714	7.61%
2001	5,599,902	5,253,285	93.81%	210,090	5,463,375	97.56%	546,241	9.75%
2002	5,849,190	5,591,015	95.59%	255,980	5,846,995	99.96%	548,436	9.38%
2003	5,965,249	5,634,547	94.46%	286,397	5,920,944	99.26%	592,741	9.94%
2004	6,241,984	5,977,317	95.76%	321,803	6,299,120	100.92%	535,605	8.58%
2005	**$ 6,355,778**	**$ 6,046,936**	**95.14%**	**$ 344,288**	**$6,391,225**	**100.56%**	**$ 500,158.30**	**7.87%**

Table 4

City of Independence, Missouri

Assessed and Estimated Actual Values of Taxable Property

As of January 1,	*Real Property*	*Personal Property*	*Railroad & Utilities*	*Total Assessed Value*	*Total Fair Market Value*	*Percentage of Fair Market Value*
1996	613,435,010	203,408,373	13,270,911	830,114,294	3,421,971,510	24.26%
1997	656,083,710	217,040,179	12,224,657	885,348,546	3,668,020,926	24.14%
1998	663,252,770	220,203,155	9,949,439	893,405,364	3,689,437,915	24.22%
1999	729,733,570	230,747,110	4,617,427	965,098,107	4,096,490,672	23.56%
2000	742,563,735	230,747,110	4,617,427	977,928,272	4,240,368,802	23.06%
2001	796,406,449	240,711,303	5,668,715	1,042,786,467	4,489,104,191	23.23%
2002	816,800,367	252,906,062	5,471,811	1,075,178,240	4,614,774,987	23.30%
2003	925,425,811	242,118,750	4,947,308	1,172,491,869	5,096,281,412	23.01%
2004	935,237,606	257,027,857	5,477,070	1,197,742,533	5,141,053,505	23.30%
2005	**1,032,037,820**	**256,782,138**	**5,525,949**	**1,294,345,907**	**5,675,731,312**	**22.80%**

Note: Assessed value is set at 12% for agricultural property, 19% for residential property, and 32% for commercial property of the estimated fair market value.

Table 5

City of Independence, Missouri

Property Tax Rates - All Direct and Overlapping Governments

For Assessed Valuationss As of January 1,	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	***2005***
CITY TAX RATES: (1)										
General	$0.530	$0.520	$0.520	$0.510	$0.510	$0.510	$0.510	$0.510	$0.471	**$0.471**
Public Health & Recreation	0.240	0.240	0.240	0.240	0.240	0.240	0.240	0.240	0.222	**0.222**
Debt Service	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Total City Tax Rate	0.770	0.760	0.760	0.750	0.750	0.750	0.750	0.750	0.693	**0.693**
METROPOLITAN JUNIOR COLLEGE	0.220	0.220	0.220	0.330	0.230	0.230	0.230	0.230	0.230	**0.230**
INDEPENDENCE SCHOOL DISTRICT (3)	3.990	4.040	4.290	4.290	4.460	4.460	4.990	5.190	5.190	**5.190**
COUNTY TAX RATES: (2)										
County	0.500	0.530	0.530	0.550	0.560	0.560	0.570	0.570	0.570	**0.570**
Mid-Continent Public Library	0.330	0.330	0.330	0.330	0.330	0.330	0.330	0.330	0.329	**0.329**
Handicap	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	0.080	**0.080**
Mental Health	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.128	**0.128**
Total County Tax Rate	1.043	1.073	1.073	1.093	1.103	1.103	1.113	1.113	1.107	**1.107**
STATE:	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030	0.030	**0.030**
Total Tax Rate For All Overlapping Governments	$6.053	$6.123	$6.373	$6.493	$6.573	$6.573	$7.113	$7.313	$7.250	**$7.250**

(1) The General Fund and Public Health & Recreation Fund levy rates are limited by Missouri Statutes to $1.00 and $ .40 per $100 assessed valuation. There is no limit on the levy rates for General Debt and Interest.

(2) County Tax Breakdown for current year.

Health & Welfare Fund	$0.16
General Fund	$0.18
Road & Bridge Fund	$0.14
Park Fund	$0.09
	$0.57

(3) Three other school districts are in the Jackson County portion of the City of Independence. School tax rates for the current year in these districts are:

Fort Osage Reorganized #1 $4.96 Blue Springs Reorganized #4 $5.38
Kansas City School District $4.95

NOTE 1): Taxes are due November 1, delinquent after December 31. A penalty of 1% per month, up to a maximum of 10% is added for each month of delinquency. Collections are enforced through the attachment and sale of the property.
NOTE 2): Commercial real property is also assessed an additional "replacement tax" of 1.437 per $100 assessed value.

Table 6

City of Independence, Missouri

Special Assessment Collections

Year Ended June 30,	*Special Assessment Billings*		*Assessments Collected (1)*		*Total Outstanding Assessments*
1996	139,575		120,018		740,365
1997	66,214		33,101		773,478
1998	145,958		278,298		641,138
1999	349,400		179,739		810,799
2000	550,231		134,440		1,226,590
2001	740,996		140,314		1,827,272
2002	349,750		284,832		1,892,190
2003	202,411		510,770		1,583,831
2004	1,103,139		835,116		1,851,854
2005	**1,204,772**	**(2)**	**667,740**	**(3)**	**2,388,886**

(1) Includes collection of current, delinquent and deferred special assessments.

(2) Includes $1,605,576 in Neighborhood Improvement Bonds.

(3) Includes $25,434 held in escrow.

Table 7

City of Independence, Missouri

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita

Year Ended June 30,	*Estimated Population*	*Assessed Value*	*General Obligation Bonded Debt*	*Less Debt Service Funds*	*Net Bonded Debt*	*Ratio of Net Bonded Debt to Assessed Value*	*Net Bonded Debt Per Capita*
1996	114,931	830,079,209	-	-	-	-	-
1997	115,531	885,348,546	-	-	-	-	-
1998	115,851	893,405,364	-	-	-	-	-
1999	116,155	965,098,107	-	-	-	-	-
2000	116,867	977,928,272	-	-	-	-	-
2001	113,288	1,042,786,467	-	-	-	-	-
2002	113,288	1,075,178,240	-	-	-	-	-
2003	114,345	1,172,491,869	-	-	-	-	-
2004	112,700	1,197,742,533	-	-	-	-	-
2005	**111,230**	**$1,294,345,907**	-	-	-	-	-

Table 8

City of Independence, Missouri

Computation of Legal Debt Margin

June 30, 2005

Assessed Value at January 1, 2004: *				
Jackson County			**$ 1,294,341,967**	
Clay County			**3,940**	
			$1,294,345,907	
Constitutional Debt Limit ** (20% of Assessed Value)				$ 258,869,181
General Obligation:				
City-Wide	$ 0			
Neighborhood Improvement District	1,041,000			
Revenue	62,969,608			
Total Bonded Debt			$ 64,010,608	
Less:				
Water Utility Bonds	$ 44,495,000			
Electric Utility Bonds	18,474,608			
Debt Service Fund Balance	92,278			
			$ 63,061,886	
Applicable to Debt Limit				948,722
Legal Debt Margin				**$ 257,920,459**

* *All Tangible Property.*

** *Article 6, Section 26(b) of the Missouri Constitution permits any county or city, by vote of four-sevenths of qualified electors voting thereon, to incur an indebtedness for city purposes not to exceed 5 percent of the value of the taxable tangible property therein, as shown by the last assessment.*

Article 6, Section 26(c) of the Missouri Constitution permits any county or city, by vote of four-sevenths of qualified electors voting thereon, to incur additional indebtedness of city purposes not to exceed 5 percent of the value of the taxable tangible property therein, as shown by the last assessment.

Article 6, Section 26(d) & (e) of the Missouri Constitution provides that any city may become indebted not exceeding in the aggregate an additional 10 percent of the value of the taxable tangible property for the purpose of acquiring right-of-ways, constructing, extending and improving streets and avenues and/or sanitary or storm sewer system and an additional 10 percent for purchasing or constuction of waterworks, electric or other light plants provided the total general obligated indebtedness of the city does not exceed 20 percent of the assessed valuation.

Table 9

City of Independence, Missouri

Computation of Direct and Overlapping Debt

June 30, 2005

Jurisdiction	*General Obligation Bond Issues Outstanding*	*Amount Available Debt Service Funds*	*Net Debt Outstanding*	*Percentage Applicable to City of Independence*	*Amount Applicable to City of Independence*
City of Independence	**$ -**	**$ -**	**$ -**	**---**	**$ -**
Jackson County	-	-	-	0.0%	-
Jackson County School Districts:					
Metropolitan Junior College		-	-	0.00%	-
Independence	120,815,000	49,241,642	71,573,358	100.00%	71,573,358
Kansas City		-	-	0.00%	-
Raytown	65,675,000	-	65,675,000	6.00%	3,940,500
Blue Springs Reorganized #4	121,394,838	10,499,850	110,894,988	20.00%	22,178,998
Fort Osage Reorganized #1	23,279,674	-	23,279,674	12.50%	2,909,959
	$331,164,512	$59,741,492	$271,423,020		$100,602,815

Table 10

City of Independence, Missouri

Ratio of Annual Debt Service Expenditures for General Bonded Debt

To Total General Governmental Expenditures

	Year Ended June 30									
	1996	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**
Bond Retirements:										
23 Street Right-of-Way										
1968 Street										
1969 Street										
1974 Street	0	0	0	0	0	0	0	0	0	**0**
1968 Fire										
1969 Fire										
1974 Fire										
1968 Sewer										
1969 Sewer										
1972 Police Bldg.	0	0	0	0	0	0	0	0	0	**0**
Total Bond Requirements	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
Interest and Agent Fees	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
Total Debt Service	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
Total General Governmental Expenditures (a)	$47,963,641	$49,172,040	$53,522,757	$66,380,643	$79,366,650	$90,042,052	$98,020,507	$83,337,998	$89,469,435	**$88,369,177**
Ratio of Debt Service to General Governmental Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.00%**

(a) Represents General Fund , Special Revenue Funds., and Capital Project Funds

Table 11

City of Independence, Missouri

Revenue Bond Coverage - Power & Light Revenue Bonds

Year Ended June 30,	*Net Revenue*	*Current Expenses (1)*	*Net Revenue Available For Debt Service*	*Debt Service Requirements*			
				Principal	*Interest*	*Total*	*Coverage*
1996	62,980,774	43,122,409	19,858,365	980,000	2,271,559	3,251,559	6.11
1997	61,774,504	41,624,569	20,149,935	1,045,000	2,208,240	3,253,240	6.19
1998	67,552,096	44,766,098	22,785,998	1,115,000	2,134,615	3,249,615	7.01
1999	69,173,245	46,068,740	23,104,505	1,090,000	2,005,463	3,095,463	7.46
2000	70,349,124	50,390,860	19,958,264	1,535,000	1,384,760	2,919,760	6.84
2001	81,965,004	57,618,481	24,346,523	1,595,000	1,308,835	2,903,835	8.38
2002	73,930,488	52,142,313	21,788,175	1,675,000	1,243,860	2,918,860	7.46
2003	77,932,974	56,701,449	21,231,525	1,740,000	1,164,512	2,904,512	7.31
2004	82,265,717	61,850,892	20,414,825	1,745,000	983,448	2,728,448	7.48
2005	**$ 84,020,908**	**$ 63,554,585**	**$ 20,466,323**	**$ 1,855,000**	**$ 921,038**	**$ 2,776,038**	**7.37**

(1) Excludes Depreciation, Interest Expense, Amortization, and Non-operating Expenses.

(2) Numbers displayed are in accordance with FERC accounting.

Table 12

City of Independence, Missouri

Revenue Bond Coverage - Water Revenue Bonds

Year Ended June 30,	Gross Revenue	Current Expenses (1)	Net Revenue Available For Debt Service	Debt Service Requirements			
				Principal	Interest (2)	Total	Coverage
1996	15,798,683	9,629,563	6,169,120	700,000	1,590,965	2,290,965	2.69
1997	15,342,158	8,547,276	6,794,882	750,000	1,557,884	2,307,884	2.94
1998	15,814,097	8,162,749	7,651,348	800,000	1,555,705	2,355,705	3.25
1999	15,400,654	9,664,783	5,735,871	900,000	1,510,313	2,410,313	2.38
2000	16,656,302	9,656,336	6,999,966	850,000	1,596,133	2,446,133	2.86
2001	16,267,295	10,018,126	6,249,169	900,000	1,561,920	2,461,920	2.54
2002	16,068,944	10,199,624	5,869,320	985,000	1,527,809	2,512,809	2.34
2003	16,348,365	10,788,334	5,560,031	1,070,000	1,489,510	2,559,510	2.17
2004	16,907,411	10,718,853	6,188,558	1,200,000	1,449,060	2,649,060	2.34
2005	**$ 17,928,618**	**$ 11,096,626**	**$ 6,831,992**	**$ 1,285,000**	**$ 2,014,517**	**$ 3,299,517**	**2.07**

(1) Excludes Depreciation, Interest Expense, Amortization, Nonoperating Expenses and Payments in Lieu of Taxes
(2) Excludes $6,050,000 reduction of debt due to remarketing.
(3) Numbers displayed are in accordance with NARUC accounting.

Table 13

City of Independence, Missouri

Revenue Bond Coverage - Sanitary Sewer Revenue Bonds

Year Ended June 30,	*Gross Revenue*	*Current Expenses (1)*	*Net Revenue Available For Debt Service*	*Debt Service Requirements*			
				Principal	*Interest*	*Total*	*Coverage*
1996	10,030,225	7,406,757	2,623,468	--	--	--	--
1997	11,949,809	7,924,753	4,025,056	--	--	--	--
1998	12,397,234	7,699,724	4,697,510	--	--	--	--
1999	13,208,379	8,504,860	4,703,519	--	--	--	--
2000	13,463,695	8,477,466	4,986,229	--	--	--	--
2001	13,852,358	8,893,489	4,958,869	--	--	--	--
2002	13,100,624	8,900,009	4,200,615	--	--	--	--
2003	12,946,774	9,453,484	3,493,290	--	--	--	--
2004	13,549,180	9,243,252	4,305,928	--	--	--	--
2005	**$ 14,272,438**	**$ 10,017,560**	**$ 4,254,878**	--	--	--	--

(1) Excludes Depreciation, Interest Expense, Amortization , Non-Operating Expense and Payments in Lieu of Taxes.

Table 14

City of Independence, Missouri

Demographic Statistics

Year Ended June 30,	*Population (1)*	*Median Household Income (1)*	*Median Age (1)*	*School Enrollment*	*Unem-ployment Rate (1)*
1996	114,931	31,395	34.9	15,821	4.20%
1997	115,531	32,970	35.2	15,667	3.30%
1998	115,851	34,544	35	16,746	3.70%
1999	116,115	32,776	35	16,361	2.90%
2000	116,867	32,776	35	16,361	3.10%
2001	113,288	40,462	36	15,302	4.20%
2002	113,288	53,960	38	15,987	5.70%
2003	114,345	52,921	38	16,334	5.20%
2004	112,700	50,940	39	18,215	5.15%
2005	**111,230**	**$52,628**	**39**	**16,278**	**6.20%**

Source:

(1) Statistics provided by Mid-America Regional Council & Claritas, Inc.

Table 15

City of Independence

Construction Permits

Year Ended Dec 31,	Commercial Construction (1) Number of Permits	Commercial Construction (1) Value	Residential Construction (1) Number of Permits	Residential Construction (1) Value
1995	263	$ 21,953,940	324	$ 34,898,729
1996	368	41,951,212	780	32,781,341
1997	290	46,214,864	732	41,552,561
1998	370	36,386,117	751	$47,477,592
1999	282	72,399,536	616	$40,362,632
2000	219	61,394,644	647	$43,799,753
2001	158	47,467,165	596	$39,941,328
2002	204	78,904,822	744	$51,015,505
2003	186	50,594,507	657	$47,280,932
2004	**188**	**32,069,290**	**737**	**66,838,976**

1) Source: City of Independence Community Development Department - Calendar year basis.

Table 16

City of Independence Missouri

Principal Property Taxpayers

June 30, 2005

Taxpayer	*Type of Business*	*2004 Assessed Valuation (1)*	*Percent of Total Assessed Valuation*
Simon Property Group LP	Retail	**$18,525,568**	1.43 %
DDR MDT Independence Commons	Retail	**9,286,793**	0.72
Space Center of Kansas City	Warehouse	**8,550,233**	0.66
Bradley Operating LTD PTP	Retail	**7,402,354**	0.28
Alliant Lake City	Ammunition	**5,755,545**	0.44
Noland Fashion Square	Retail	**5,103,999**	0.57
Southern Union Railroad	Utility	**3,926,922**	0.39
Southwestern Bell	Communications	**3,844,865**	0.30
Independence Regional Health	Hospital	**3,587,375**	0.30
Burd & Fletcher	Paper Cartons	**3,477,899**	0.27
Subtotal		**$69,461,553**	5.37
Taxpayers not listed		**1,224,884,354**	94.63
TOTAL		**$1,294,345,907**	100.00 %

1) Listed values are real estate assessed values which provide the basis for property tax revenue.

Table 17

City of Independence, Missouri

Miscellaneous Statistical Data

June 30, 2005

Governmental Structure

Date of Organization:	1827
Date of Incorporation:	1849
Charter Adopted:	December 5, 1961
Form of Government:	Council/Manager
Current Number of Employees	1,170

Current Statistics:	
Population	111,230
Households	47,390
Registered Voters	69,448

City Facilities and Services

Utilities:

Electric Power	
Number of power stations	5
Number of customers	56,086
Daily average use (Mwh)	3,015
Maximum daily use (Mwh)	5,320
Peak Hourly Use (MW)	289.7
Miles of T&D Circuits	809.0
Sanitary Sewer System	
Miles of sewer mains	576
Number of customers	44,064
Number of treatment plants	1
Daily average treatment (in MGD)	8.8
Maximum daily capacity of treatment (in MGD)	18.8
Water System	
Miles of water mains	711
Number of customers	47,324
Number of fire hydrants	4,186
Daily average consumption (in millions of gallons)	26
Maximum daily pumpage (in millions of gallons)	41

Fire Protection:	
Stations	10
Employees	174
Vehicles	41
Police Protection:	
Stations	3
Employees	283
Vehicles	90
K-9 Facility	1
Streets:	
Total area (sq. mi.)	78
Paved miles	535
Recreation:	
Parks:	
Acreage	724
Number	42
Community Centers	3
Fitness Centers	2
Ball Fields	53

Nongovernmental Services and Facilities

Education:	
Elementary and High School Enrollment	16,278
Elementary schools	16
Junior High (Middle) Schools	4
High Schools	3
Pre-school and Kindergartens	14
Parochial and Private	13
Teachers	930
Administrators	94
Colleges	5
Hotels/Motels	16
No. of Rooms	1347

Transportation:	
Bus systems (operated by KCATA)	1
Taxi services	3
Communications: (served by)	
Daily Newspapers	2
Radio Stations	44
TV Stations	10
Hospitals	
Number	2
Bed space	555
Bank/Credit Union Facilities	35

City of Independence

Schedule of Insurance

June 30, 2005

	Description	Policy Number	Termination Date	Risk Covered	Limits	Premium
1	Hartford Steam Boiler Zurich American Liberty International a) All risk property insurance on building and contents. Replacement cost coverage basis. b) Boiler and Machinery coverage of listed equipment. Most covered items fall under Power and Light Department.	STA410102 PBM2994187-01 CH10001401012	6/30/2005 6/30/2005 6/30/2005	All risk including property damage, flood, earthquake, transit, expediting, hazardous material cleanup, extra expense and automatic coverage. Boiler & Machinery coverage including expenditing, ammonia containment, water damage, hazardous materials, business interruption.	Property $200,000,000 Boiler & Machinery $75,000,000	$486,734 $322,962 $40,370
2	Missouri Public Entity Management Fund. Liability insurance coverage for law enforcement liability, general liabitity, public official errors and omission liability and automotive liability.	1038	12/31/2005	Automobile liability claims Law enforcement liability claims General liability claims Public officials liability claims	$2,000,000 per occurance	$375,663
3	SIRPRO - Clarendon America Excess Liability	XLB00310958	12/31/2005	Coverage for claims not covered by Missouri's Sovereign Immunity Statute	$5,000,000	$154,000
4	Midwest Employers Casualty Excess Worker's Compensation and Employer's Liability Insurance	415-99-19	4/25/2006	Loss by on-the-job injury of employees	Statutory	$163,112
5	Western Surety Company	69137880	6/15/2007	Public Officials Bonds	$50,000-City Mgr. $50,000-Pur. Agnt. $400,000-Fin. Dir.	$1,864 (3 year premium)
6	Hartford Insurance Co.	37BPEAT836	6/15/2007	Public employees blanket bond & 3-D crime policy	$500,000	$8,526 (3 year premium)
7	Sun Life	069649-001	6/30/2005	Reinsurance for Staywell Plan Specific stoploss @ $150,000 Aggr. Att. Point @ $1,364,6588	See risk covered	$453,938

City of Independence

Schedule of Insurance

June 30, 2005

	Description	Policy Number	Termination Date	Risk Covered	Limits	Premium
8	Nation's Bank		Continuous	Escrow Account-Worker's Compensation	$200,000	$350
9	Hartford Life Insurance	907872	8/31/2005	Life Insurance coverage for each employee. Also covers for acci-dental death, disability and dismemberment.	$150,000/person	$.295/$1,000 of Annual Salary
10	Staywell Health Care Plan		Continuous	Self-Insured Health Care Plan	Various limits	Cost varies per emp.
11	National Flood Insurance Program Hartford Fire Insurance Company	FL2-0347-59221	12/22/2005	Flood Insurance coverge for Rock Creek Pumping Station	$389,700	$3,509
12	Coventry HMO		Continuous	Health plan for enrolled employees.	Various limits	Cost varies per emp.
13	Delta Dental of Missouri		Continuous	Dental plan for enrolled employees.	Various limits	Cost varies per emp.
14	Fortis United Dental Care		Continuous	Dental plan for enrolled employees.	Various limits	Cost varies per emp.
15	Hartford Life Insurance Co.	GLT-32710	8/31/2005	Long term disability insurance.	60% of Individual employees' salary.	$0.12/100 of annual salaries.

City of Independence

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