

*City of
Independence, Missouri
Historic City of the Trails*

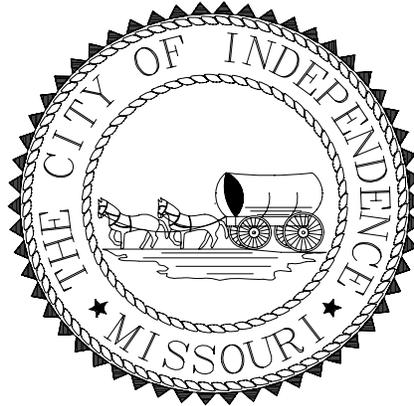


For the Fiscal Year Ended

June 30, 2006

*Comprehensive Annual
Financial Report*

CITY OF INDEPENDENCE, MISSOURI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006



Mayor
Don B. Reimal

City Council

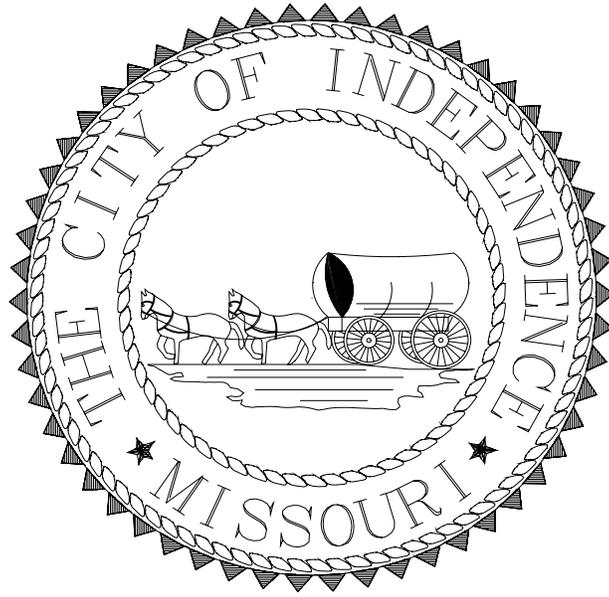
Marcie Gragg	District #1
Will Swoffer	District #2
Renee Paluka -White	District #3
Jim Page	District #4
Lucy Young	At-large
Jim Schultz	At-large

City Manager

Robert Heacock

Prepared by the Department of Finance

James C. Harlow, Director of Finance and Administration



CITY OF INDEPENDENCE, MISSOURI

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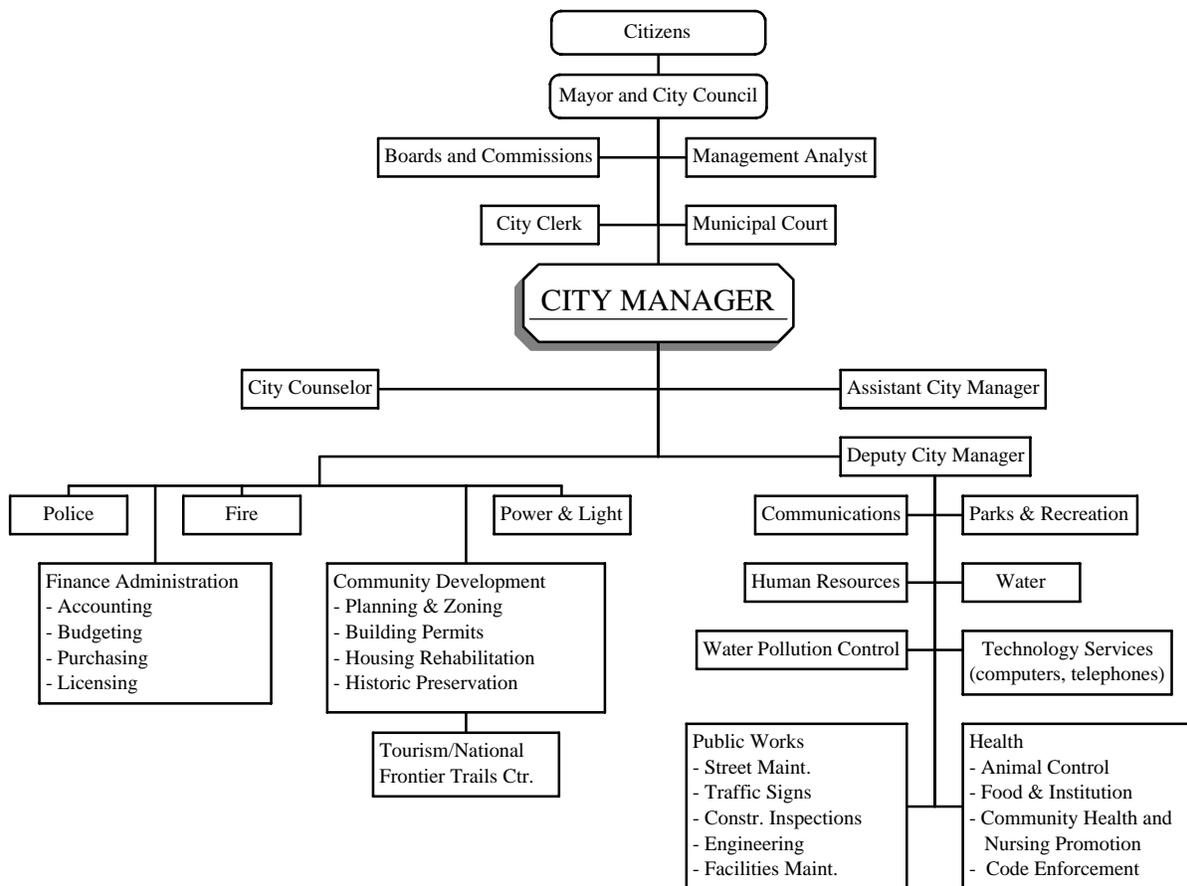
CITY OF INDEPENDENCE, MISSOURI

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City of Independence, Missouri Organizational Chart



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



Picture courtesy of Herbert Webb

City of Independence

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

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



November 1, 2006

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, 2006. 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.

During the fiscal year ended June 30, 2006, the City completed the retroactive infrastructure reporting requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*.

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, 2006 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Independence's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The 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.

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 the 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.

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 115,953. 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 available for development.

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 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.

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 trials 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 activities.

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 Special Revenue 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, 2006, 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 is continuing to experience 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 2006-2007 budget includes projects totaling an estimated \$69 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.

The City's policy is to maintain an undesignated fund balance level in the General Fund equal to 5% of annual revenues. Unreserved, undesignated fund balance in the general fund falls within the policy guidelines set by the Council for budgetary and planning purposes

Major initiatives. Federal funding for the extension of the Little Blue Parkway has been secured. This extension is in an area that covers 32 square miles with plans to add an additional 20,000 residents by 2020. This area is also soon to become the home of the Centerpoint Medical Center of Independence bringing more traffic to eastern Independence. The City's two current hospitals will be combined into this new facility.

Construction is underway for the addition of the Falls at Crackerneck, a project that covers approximately 200 acres and will include a 160,000 square foot Bass Pro retail store, restaurant, hotel, and three adjoining commercial areas providing 350,000 square feet of retail shops and will create 300 new jobs. Plans also include 80 acres of a city-owned park with walking trails and 15-acre lake and waterfall. The Bass Pro retail store is scheduled to open in 2007.

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 3.96 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

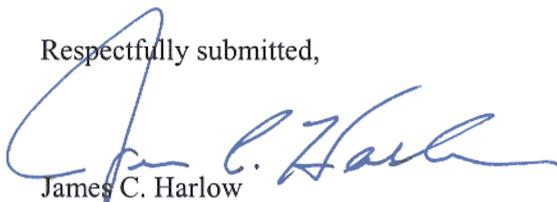
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Independence for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. In order to be awarded a Certificate 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, 2005. 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 wish to express my appreciation to all members of the department especially our Controller, Paulette Holst, who assisted and contributed to the preparation of this report. I would also 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, 2005

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



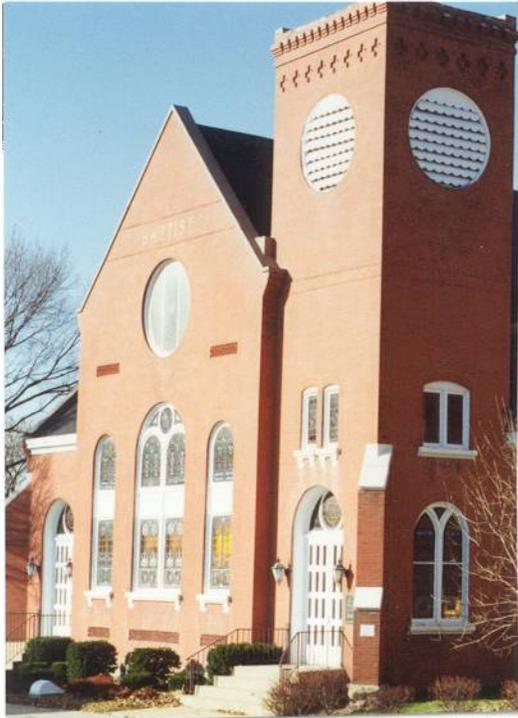
Carla E. Perry

President

Jeffrey R. Emer

Executive Director

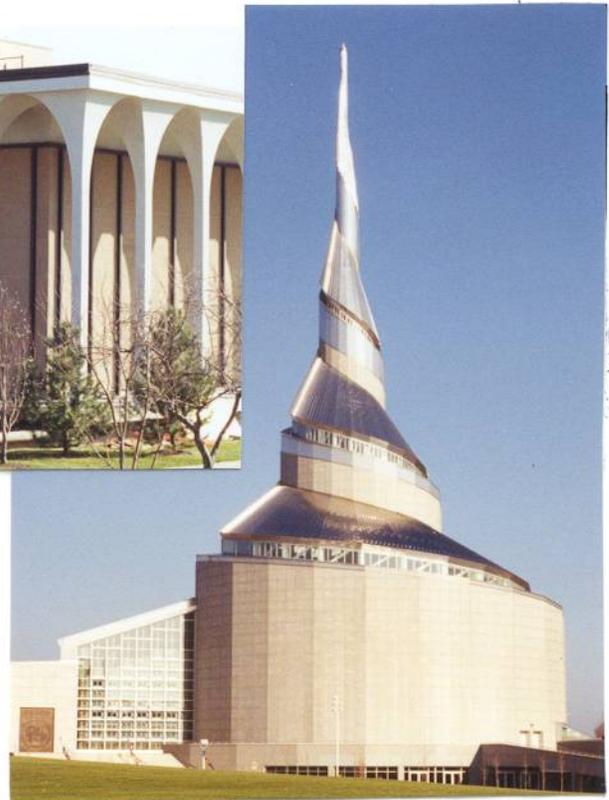
*Below: First Baptist Church
500 W. Truman Road*



*Above: Stone Church, 1888
1012 W. Lexington*



*Above: Mormon Visitor's Center
931 W. Walnut*



*Right: RLDS Temple
River and Walnut*



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, 2006, 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, 2006, 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

Westowne Commercial Center
1170 W. Kansas, Suite H
Liberty, MO 64068
(816) 792-1020
(816) 792-1928 FAX

713 PCA Road, P.O. Box 1043
Warrensburg, MO 64093
(660) 747-9125
(660)747-9490 FAX

3717 North Oak Trafficway
Kansas City, MO 64116
(816) 453-7014
(816) 453-7016 FAX

10500 Barkley, Suite 108
Overland Park, KS 66212
(913) 648-4272
(913) 648-4276 FAX

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 27, 2006, 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 by 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 fund financial statements and schedules 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 fund financial statements, schedules and budgetary schedules 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 27, 2006

A handwritten signature in black ink that reads "Colin Head CPA". The signature is written in a cursive, flowing style.

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2006

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, 2006. 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 \$49.7 million. \$40 million or 80% was from the City's 'governmental-type activities' and the balance was from 'business activities'. The City is recording infrastructure assets acquired prior to fiscal year 2002, in conformance with GASB Statement No. 34, this is further explained in the 'Notes to the Financial Statements' section 15.

Growth in sales tax revenue was 13.4%. Most of this increase can be attributed to the new public safety sales taxes, which were collected for twelve months this fiscal year compared to only 6 months in the prior fiscal year. The growth in sales tax revenue for other Funds has improved over the previous several years.

The State authorized legislation that is intended to settle the dispute between cell phone providers and local jurisdictions concerning franchise fees was implemented on July 1, 2006. It was subsequently over-turned by the Missouri Supreme Court in August. The City's Code allowed for this possibility and the business license fee reverted to the pre-July 1st rate of 9.08%. The impact of this decision is yet to be determined.

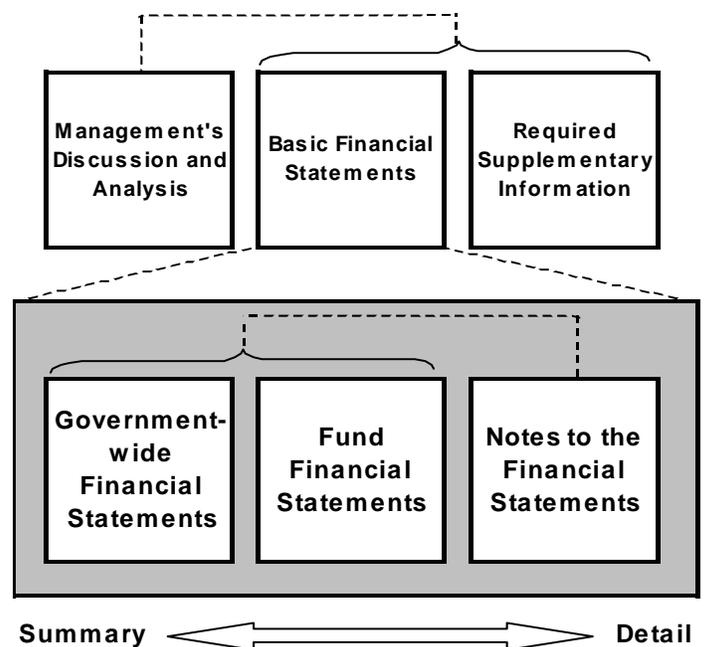
Site work continues on the tax increment financing project for a retail development of almost 700,000 square feet that includes a Bass Pro Shops Outdoor World store and theme hotel.

Construction is continuing on Centerpoint hospital. This is the new \$250,000,000 state of the art medical center that will consolidate the two medical facilities in the City. The medical office building is complete and the hospital is expected to open during early 2007.

The City has completed the installation of a 700 MHz inter-operative communications system. This project received significant funding from Homeland Security with the intent of allowing multiple departments and jurisdictions to communicate with each other.

The City is participating with the Kansas City Area Transportation Authority to develop a transit center at the corner of Noland and Truman Roads.

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



CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2006

Overview Of The Financial Statements

This annual report consists of four parts, management's discussion and analysis, 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 underlying resources belong, such as the Seniors Travel Fund, and Flexible Benefit Plan Fund.

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.

Figure MD-2
Major Features of the City of Independence's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund 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	* Balance Sheet	* Statement of net assets	* Statement of fiduciary net assets
	* Statement of activities	* Statement of revenues, expenditures, and changes in fund balances	* Statement of revenues, expenses, and changes in net assets * Statement of cash flows	* 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

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2006

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.

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.

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2006

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 are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
 - We use internal service funds to report activities that provide supplies and services for the City's other programs and activities. The City has two internal service funds. These are the self-funded health insurance fund and central garage 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 funds: Vaile Mansion/Anderson Trust Fund, Susie Paxton Block Trust Fund, Seniors Travel 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.

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2006

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	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 43,148,805	48,322,270	88,078,459	91,595,637	131,227,264	139,917,907
Capital assets	184,284,767	142,573,609	304,223,793	295,496,956	488,508,560	438,070,565
Total assets	227,433,572	190,895,879	392,302,252	387,092,593	619,735,824	577,988,472
Long-term debt outstanding	24,829,051	27,706,503	59,780,727	63,500,700	84,609,778	91,207,203
Other liabilities	16,037,352	16,645,919	15,638,203	16,447,742	31,675,555	33,093,661
Total liabilities	40,866,403	44,352,422	75,418,930	79,948,442	116,285,333	124,300,864
Net assets						
Invested in capital assets, net of related debt	165,333,646	126,148,386	246,080,008	233,908,193	411,413,654	360,056,579
Restricted	25,262,407	26,147,417	731,652	500,000	25,994,059	26,647,417
Unrestricted	(4,028,884)	(5,752,346)	70,071,662	72,735,958	66,042,778	66,983,612
Total net assets	\$ 186,567,169	\$ 146,543,457	316,883,322	307,144,151	503,450,491	453,687,608

(Amounts for 2005 have been restated.)

The City's combined net assets increased 11% to \$503.4 million from \$453.6 million. Net assets of the City's governmental activities increased 80.4% to \$186.5 million. Governmental assets increased \$36.5 million and liabilities decreased \$3.5 million. Governmental long-term debt decreased \$2.8 million. Included in the increase in governmental net assets is \$7.1 million for land and improvements which debt has been issued and is recorded in the tax increment financing component unit. (Assets for roads, bridges and other governmental infrastructure acquired prior to fiscal year 2002 are included and this is further explained in the 'Notes to the Financial Statements' section 15. The City is including infrastructure assets acquired prior to fiscal year 2002 in response to GASB Statement No. 34.)

Total unrestricted net assets were \$66.0 million with the business-type activities being \$70.1 million. The City's unrestricted net assets (deficit) for governmental activities were (\$4.0) million.

Unrestricted net assets for business activities were \$70.1 million and decreased \$2.6 million from the previous year. Net assets invested in capital assets, net of related debt were \$246.1 million and increased \$12.2 million from the previous year.

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2006

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	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues						
Charges for services	\$ 14,719,971	12,863,554	130,955,239	113,648,124	145,675,210	126,511,678
Operating grants and contributions	9,199,332	9,336,061	-	-	9,199,332	9,336,061
Capital grants and contributions	26,417,977	7,242,924	2,964,925	3,491,383	29,382,902	10,734,307
General revenues						
Property taxes	6,895,323	6,564,690	-	-	6,895,323	6,564,690
Sales taxes	37,754,853	33,295,203	-	-	37,754,853	33,295,203
Other taxes	7,667,782	7,537,505	-	-	7,667,782	7,537,505
Interest	1,385,126	922,701	2,449,623	1,567,536	3,834,749	2,490,237
Other	714,149	1,143,207	436,132	1,022,417	1,150,281	2,165,624
Total revenues	104,754,513	78,905,845	136,805,919	119,729,460	241,560,432	198,635,305
Expenses						
Administrative services	7,363,102	7,148,065	-	-	7,363,102	7,148,065
Public works	12,817,343	10,595,793	-	-	12,817,343	10,595,793
Public safety	36,796,996	35,069,866	-	-	36,796,996	35,069,866
Culture & recreation	5,161,139	4,247,735	-	-	5,161,139	4,247,735
Community development	3,809,726	3,372,610	-	-	3,809,726	3,372,610
Health & welfare	2,638,369	2,421,255	-	-	2,638,369	2,421,255
Electric	-	-	84,564,657	73,531,757	84,564,657	73,531,757
Water	-	-	17,097,507	16,394,488	17,097,507	16,394,488
Sanitary sewer	-	-	12,236,654	11,995,774	12,236,654	11,995,774
Storm water	1,641,992	1,493,534	-	-	1,641,992	1,493,534
General government	6,678,208	6,290,782	-	-	6,678,208	6,290,782
Interest	991,856	536,124	-	-	991,856	536,124
Total expenses	77,898,731	71,175,764	113,898,818	101,922,019	191,797,549	173,097,783
Excess (deficiency) of revenues or expenses before special item and transfers	26,855,782	7,730,081	22,907,101	17,807,441	49,762,883	25,537,522
Transfers - In (Out)	13,167,930	10,038,823	(13,167,930)	(10,038,823)	-	-
Increase in net assets	40,023,712	17,768,904	9,739,171	7,768,618	49,762,883	25,537,522
Net assets, beginning of year	146,543,457	128,774,553	307,144,151	299,375,533	453,687,608	428,150,086
Net assets, end of year	\$186,567,169	\$146,543,457	\$316,883,322	\$307,144,151	\$503,450,491	\$453,687,608

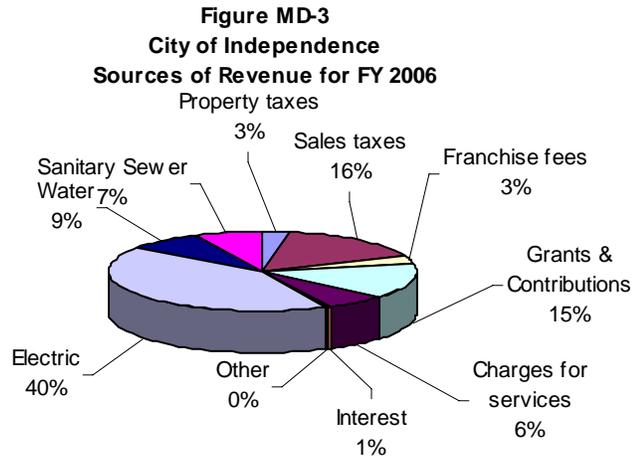
Total revenues increased 21.6% or \$42.9 million and Governmental revenues increased 32.7% or \$25.8 million. This increase can be attributed mostly to the increase in charges for services and capital grants. Of significance is the growth of taxes, particularly sales tax. This is a reflection of the general economy.

Total expenses increased 10.8% or \$18.6 million and Governmental expenses increased 9.4% or \$6.7 million. This increase can be attributed to costs associated with electric production and capital projects. The change in the business-type activities is attributable to normal operations; some of the changes are related to the effect of weather on electric and water sales.

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2006

Revenues

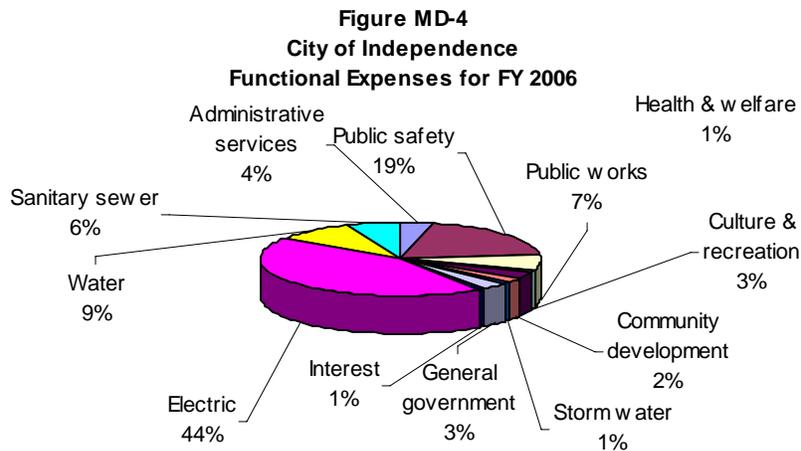
For the fiscal year ending June 30, 2006 revenues totaled \$241.5 million. Of this amount charges for services (governmental and business type) was \$145.6 million or 60.3% of the total. Revenue from business-type activities represents \$136.8 million or 56.6% of the total City revenues (Figure MD-3).



Revenues from governmental activities were \$104.7 million. Sales taxes, the largest governmental category, were \$37.7 million or 36.0%. All taxes represents \$52.3 million or 50% of governmental revenue. Operating and capital grants were \$35.6 million or 34% of governmental revenues. Charges for services at \$14.7 million were 14.1% of the total.

Expenses

For the fiscal year ending June 30, 2006 expenses totaled \$191.8 million. Of this amount the electric utility was \$84.5 million or 44.1% of the total. Business-type expenses represents \$113.9 million or 59.4% of the total City expenses (Figure MD-4).



CITY OF INDEPENDENCE, MISSOURI
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Expenses from governmental activities were \$77.9 million. Public safety expenses, the largest governmental category, were \$36.8 million or 47.2% of the total. Public Works is the next largest category at \$12.8 million, which is 16.4% of the total.

Governmental Activities

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

	Total Cost of Services		Net Cost of Services	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Administrative services	\$ 7,363,102	7,148,065	1,780,742	1,679,216
Public works	12,817,343	10,595,793	(5,749,084)	(1,357,597)
Public safety	36,796,996	35,069,866	23,918,073	28,790,210
Culture & Recreation	5,161,139	4,247,735	3,862,454	3,446,492
Community development	3,809,726	3,372,610	121,030	76,288
Health & Welfare	2,638,369	2,421,255	1,638,417	1,399,455
Storm water	1,641,992	1,493,534	1,420,121	1,049,731
General government	7,670,064	6,826,906	569,698	6,624,707
Total	<u>\$ 77,898,731</u>	<u>71,175,764</u>	<u>27,561,451</u>	<u>41,708,502</u>

As noted in Table MD-3 expenses from governmental activities for fiscal year 2006 were \$77.9 million. However, the net costs of these services were \$27.5 million. The difference represents direct revenues received from charges for services of \$14.7 million, operating grants and contributions of \$9.2 million, and capital grants and contributions of \$26.4 million. Taxes and other revenues of \$54.4 million were collected to cover these net costs.

Business-type Activities

Revenues of the City's business-type activities increased \$17.0 million or 14.3% and expenses increased \$11.9 million or 11.7%. This change is primarily the result of increased customer consumption caused by growth and weather conditions. Fluctuations in weather for both the electric and water utilities impact both the revenues and expenses of these utilities.

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2006

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$32.2 million. The fund balance of the General Fund increased \$2,937,390 during fiscal year 2006. The unrestricted portion of the General Fund's fund balance increased \$1,495,568. 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 the following:

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

Sales tax revenue growth is improving and beginning to trend in a positive direction with the economy.

The fund balance of the Street Improvements Fund was a deficit of \$1.1 million. The Fund has a receivable from other governments in the amount of \$6.6 million. Operating capital, for projects that have matching agreements from other governmental units, is primarily provided by other City funds.

General Fund Budgetary Highlights

Resources available for appropriation increased \$144.5 thousand from the original estimate. Actual revenues at the end of the year were greater than projected by \$1 million. The largest positive variance was in the area of Charges for Services accounting for \$763 thousand of the revenue increase.

Over the course of the fiscal year, the Council revised the City budget several times. Appropriations were increased \$1.3 million in the General Fund. These budget amendments generally fall into the following categories:

- Re-appropriation of \$970 thousand that is designated by Council action.
- 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 of previously approved salary and benefit 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, including overtime costs, which may arise throughout the fiscal year.

Actual expenditures were \$2.0 million 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 projected declining revenues and fund balance reserves.

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2006

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006, the City had invested \$488.5 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 acquired prior to fiscal year 2002 are now included and this is further explained in the 'Notes to the Financial Statement' section 15. The City included infrastructure assets acquired prior to fiscal year 2002 in response to GASB Statement No. 34. Assets increased \$50.4 million or 11.5% during the period.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2006	2005	2006	2005	2006	2005	2005-2006
Land & land imp	\$ 18,893,941	11,811,365	5,443,122	5,442,985	24,337,063	17,254,350	41.0%
Buildings & Improvements	28,409,276	15,904,063	-	-	28,409,276	15,904,063	78.6%
Office furniture & equipment	21,735	31,444	-	-	21,735	31,444	-30.9%
Computer equipment	413,194	349,854	-	-	413,194	349,854	18.1%
Mobile equipment	7,085,351	5,740,615	-	-	7,085,351	5,740,615	23.4%
Other equipment	1,312,394	1,066,673	26,014	26,014	1,338,408	1,092,687	22.5%
Infrastructure	74,894,400	61,019,617	274,750,652	254,739,760	349,645,052	315,759,377	10.7%
Construction in progress	53,254,476	46,649,978	24,004,005	35,288,197	77,258,481	81,938,175	-5.7%
Total	\$ 184,284,767	142,573,609	304,223,793	295,496,956	488,508,560	438,070,565	11.5%

The budget for fiscal year 2007 projects the City will spend an additional \$69.4 million for capital projects.

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

CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 2006

Debt Administration

Table MD-5
City of Independence's Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2006	2005	2006	2005	2006	2005	2005-2006
Loans Payable	\$ 18,590,023	21,498,153	59,361,323	62,969,608	77,951,346	84,467,761	-7.71%
Capital lease obligations	737,370	1,015,831	-	-	737,370	1,015,831	-27.41%
Neighborhood Improvemt District	982,044	1,039,990	-	-	982,044	1,039,990	-5.57%
Total	\$ 20,309,437	23,553,974	59,361,323	62,969,608	79,670,760	86,523,582	-7.92%

The City at the end of fiscal year 2006 had a total of \$79.6 million of outstanding obligations. This was a decrease of \$6.8 million or 7.9% from the previous fiscal year. None of these amounts relate to general obligations of the City and \$59.3 million or 74.5% are obligations of the business-type activities.

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

Economic Factors

In the last five years the City, as a community, lost 1,335 jobs, with current total employment at 57,398 jobs. Unemployment by mid-2006 was 5.3%, and while this is lower than Jackson County at 5.7% and it is greater than the State at 4.8%. 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 2006 is estimated to be \$43,875, compared to \$44,769 for the State as a whole.

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 & Administration, City of Independence, P.O. Box 1019, Independence, MO 64051.



*The Oasis
Water Park*



CITY OF INDEPENDENCE, MISSOURI

Statement of Net Assets

June 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Tax Increment Financing
Assets:				
Current assets:				
Pooled cash and investments	\$ 25,159,904	48,280,112	73,440,016	6,132,440
Receivables:				
Taxes	6,103,064	—	6,103,064	436,610
Accounts	395,602	10,053,238	10,448,840	30
Unbilled revenue	—	9,042,303	9,042,303	—
Special assessment principal and accrued interest	2,063,692	73,906	2,137,598	—
Accrued interest	320,421	1,007,737	1,328,158	—
Other	—	124,108	124,108	—
Internal balances	(5,437,135)	5,437,135	—	—
Due from component unit	897,751	102,300	1,000,051	—
Due from other governments	12,869,955	238,502	13,108,457	292,841
Inventory	24,566	8,609,061	8,633,627	—
Prepaid items	—	82,727	82,727	—
Restricted cash and investments	212,612	1,766,732	1,979,344	—
Total current assets	<u>42,610,432</u>	<u>84,817,861</u>	<u>127,428,293</u>	<u>6,861,921</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable	71,939,214	29,447,127	101,386,341	—
Depreciable, net	112,345,553	274,776,666	387,122,219	—
Deferred debt issue costs	220,157	1,217,537	1,437,694	861,648
Other deferred charges	—	1,506,392	1,506,392	—
Restricted cash and investments	318,216	536,669	854,885	66,338,719
Total noncurrent assets	<u>184,823,140</u>	<u>307,484,391</u>	<u>492,307,531</u>	<u>67,200,367</u>
Total assets	<u>\$ 227,433,572</u>	<u>392,302,252</u>	<u>619,735,824</u>	<u>74,062,288</u>
Liabilities and Net Assets				
Current liabilities:				
Accounts and contracts payable	\$ 4,188,094	6,687,330	10,875,424	150,682
Accrued items	1,557,520	724,240	2,281,760	1,682,131
Other current liabilities	609,776	284,095	893,871	35,300
Due to primary government	—	—	—	1,000,051
Unearned revenue	103,454	—	103,454	—
Current portion of long-term obligations	7,976,794	5,738,384	13,715,178	2,651,622
Medical self-insurance claims	1,389,102	—	1,389,102	—
Liabilities payable from restricted assets	212,612	1,766,732	1,979,344	—
Total current liabilities	<u>16,037,352</u>	<u>15,200,781</u>	<u>31,238,133</u>	<u>5,519,786</u>
Noncurrent liabilities:				
Noncurrent portion of long-term obligations	24,829,051	59,780,727	84,609,778	136,571,358
Advances for construction	—	437,422	437,422	—
Total noncurrent liabilities	<u>24,829,051</u>	<u>60,218,149</u>	<u>85,047,200</u>	<u>136,571,358</u>
Total liabilities	<u>40,866,403</u>	<u>75,418,930</u>	<u>116,285,333</u>	<u>142,091,144</u>
Net assets:				
Invested in capital assets, net of related debt	165,333,646	246,080,008	411,413,654	—
Restricted for:				
Special revenue	23,752,176	—	23,752,176	—
Debt service	1,496,011	731,652	2,227,663	—
Permanently restricted	14,220	—	14,220	—
Unrestricted (deficit)	(4,028,884)	70,071,662	66,042,778	(68,028,856)
Total net assets (deficit)	<u>186,567,169</u>	<u>316,883,322</u>	<u>503,450,491</u>	<u>(68,028,856)</u>
Total liabilities and net assets (deficit)	<u>\$ 227,433,572</u>	<u>392,302,252</u>	<u>619,735,824</u>	<u>74,062,288</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Activities
Year ended June 30, 2006

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary government:					
Governmental activities:					
Administrative services	\$ 7,363,102	5,512,413	46,508	23,439	(1,780,742)
Public safety	36,796,996	4,588,766	2,038,447	6,251,710	(23,918,073)
Public works	12,817,343	1,003,761	4,669,594	12,893,072	5,749,084
Health and welfare	2,638,369	435,775	564,177	—	(1,638,417)
Culture and recreation	5,161,139	975,889	178,796	144,000	(3,862,454)
Community development	3,809,726	2,203,367	1,479,939	5,390	(121,030)
Storm water	1,641,992	—	221,871	—	(1,420,121)
General government	6,678,208	—	—	7,100,366	422,158
Interest on long-term debt	991,856	—	—	—	(991,856)
Total governmental activities	<u>77,898,731</u>	<u>14,719,971</u>	<u>9,199,332</u>	<u>26,417,977</u>	<u>(27,561,451)</u>
Business-type activities:					
Power and light	84,564,657	98,278,354	—	112,433	13,826,130
Water	17,097,507	18,312,720	—	1,105,167	2,320,380
Sewer	12,236,654	14,364,165	—	1,747,325	3,874,836
Total business-type activities	<u>113,898,818</u>	<u>130,955,239</u>	<u>—</u>	<u>2,964,925</u>	<u>20,021,346</u>
Total primary government	<u>\$ 191,797,549</u>	<u>145,675,210</u>	<u>9,199,332</u>	<u>29,382,902</u>	<u>(7,540,105)</u>
Component unit:					
Tax increment financing	<u>\$ 23,663,663</u>	<u>10,000</u>	<u>—</u>	<u>—</u>	<u>(23,653,663)</u>
		Governmental Activities	Business-Type Activities	Total	Component Unit
Changes in net assets:					
Net (expense) revenue	\$	(27,561,451)	20,021,346	(7,540,105)	(23,653,663)
General revenues:					
Property taxes		6,895,323	—	6,895,323	3,939,672
Sales and use taxes		37,754,853	—	37,754,853	4,412,912
Franchise taxes		7,645,601	—	7,645,601	—
Financial institutions tax		22,181	—	22,181	—
Investment earnings		1,385,126	2,449,623	3,834,749	1,323,512
Miscellaneous		714,149	436,132	1,150,281	103,567
Transfers		13,167,930	(13,167,930)	—	—
Total general revenue and transfers		<u>67,585,163</u>	<u>(10,282,175)</u>	<u>57,302,988</u>	<u>9,779,663</u>
Change in net assets		40,023,712	9,739,171	49,762,883	(13,874,000)
Net assets (deficit), beginning (as restated)		146,543,457	307,144,151	453,687,608	(54,154,856)
Net assets (deficit), ending	\$	<u>186,567,169</u>	<u>316,883,322</u>	<u>503,450,491</u>	<u>(68,028,856)</u>

See accompanying notes to financial statements

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet
Governmental Funds
June 30, 2006

Assets	General	Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Pooled cash and investments	\$ 3,681,726	—	18,957,478	22,639,204
Receivables:				
Taxes	2,975,397	—	3,127,667	6,103,064
Accounts	312,586	3,126	23,262	338,974
Special assessment principal and accrued interest	404,992	257,370	1,401,330	2,063,692
Accrued interest	42,077	—	270,611	312,688
Due from other funds	2,693,015	—	4,622,496	7,315,511
Due from component unit	—	881,251	16,500	897,751
Due from other governments	809,972	6,633,326	5,426,657	12,869,955
Restricted assets	436,608	—	94,220	530,828
Total assets	<u>\$ 11,356,373</u>	<u>7,775,073</u>	<u>33,940,221</u>	<u>53,071,667</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts and contracts payable	\$ 1,214,505	1,284,909	1,639,541	4,138,955
Due to other funds	—	7,250,431	5,212,774	12,463,205
Accrued items	1,194,268	—	50,772	1,245,040
Other current liabilities	544,951	53,009	11,816	609,776
Deferred revenue	404,992	257,370	1,504,477	2,166,839
Liabilities payable from restricted assets:				
Deposits and court bonds	212,612	—	—	212,612
Total liabilities	<u>3,571,328</u>	<u>8,845,719</u>	<u>8,419,380</u>	<u>20,836,427</u>
Fund balances:				
Reserved for:				
Encumbrances	1,257,926	7,476,210	13,310,190	22,044,326
Domestic violence	16,113	—	—	16,113
Other purposes	482,000	—	220	482,220
Unreserved, reported in:				
General fund	6,029,006	—	—	6,029,006
Special revenue funds	—	—	14,250,375	14,250,375
Debt service fund	—	—	86,300	86,300
Capital projects funds	—	(8,546,856)	(2,140,464)	(10,687,320)
Permanent funds	—	—	14,220	14,220
Total fund balance (deficit)	<u>7,785,045</u>	<u>(1,070,646)</u>	<u>25,520,841</u>	<u>32,235,240</u>
Total liabilities and fund balance	<u>\$ 11,356,373</u>	<u>7,775,073</u>	<u>33,940,221</u>	<u>53,071,667</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

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

June 30, 2006

Fund balances – total governmental funds	\$ 32,235,240
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	301,261,658
Less accumulated depreciation	<u>(117,073,620)</u>
	184,188,038
Interest on long-term debt is not accrued in governmental funds but, rather, is recognized as expenditure when due	(305,383)
Adjustment of deferred revenue	2,063,385
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	910,664
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	(19,407,488)
Capital lease obligations	(737,371)
Compensated absences	(12,435,495)
Discounts (premiums)	<u>(164,578)</u>
	(32,744,932)
Deferred debt costs	<u>220,157</u>
Net assets of governmental activities (exhibit 1)	<u><u>\$ 186,567,169</u></u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2006

	General	Street Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 31,651,693	—	20,644,084	52,295,777
Licenses and permits	4,530,988	—	542,956	5,073,944
Intergovernmental	5,429,540	6,183,675	10,149,499	21,762,714
Charges for services	2,056,165	12,392	858,243	2,926,800
Interfund charges for support services	2,949,682	—	—	2,949,682
Fines, forfeitures, and court costs	4,023,981	—	—	4,023,981
Investment income	213,670	2,914	1,092,985	1,309,569
Other	413,662	39,717	39,748	493,127
Total revenues	<u>51,269,381</u>	<u>6,238,698</u>	<u>33,327,515</u>	<u>90,835,594</u>
Expenditures:				
Current:				
Administrative services	6,850,839	—	46,507	6,897,346
Public safety	33,326,164	—	5,650,296	38,976,460
Public works	6,586,771	—	—	6,586,771
Health and welfare	2,052,107	—	562,450	2,614,557
Culture and recreation	1,980,406	—	2,647,822	4,628,228
Community development	2,356,808	—	1,355,646	3,712,454
Storm water	295,038	—	846,557	1,141,595
General government	6,557,048	—	121,160	6,678,208
Capital outlay	630,440	7,373,003	25,293,257	33,296,700
Debt service:				
Principal	447,099	—	2,783,000	3,230,099
Interest and fiscal agent fees	86,558	—	910,042	996,600
Total expenditures	<u>61,169,278</u>	<u>7,373,003</u>	<u>40,216,737</u>	<u>108,759,018</u>
Deficiency of revenues over expenditures	<u>(9,899,897)</u>	<u>(1,134,305)</u>	<u>(6,889,222)</u>	<u>(17,923,424)</u>
Other financing sources (uses):				
Transfers in – utility payments in lieu of taxes	12,624,861	—	—	12,624,861
Transfers in	16,122	189,390	1,519,136	1,724,648
Transfers out	(106,951)	(106,122)	(968,506)	(1,181,579)
Sale of property, plant, and equipment	303,255	—	—	303,255
Total other financing sources	<u>12,837,287</u>	<u>83,268</u>	<u>550,630</u>	<u>13,471,185</u>
Net change in fund balances	<u>2,937,390</u>	<u>(1,051,037)</u>	<u>(6,338,592)</u>	<u>(4,452,239)</u>
Fund balances (deficit), beginning	4,847,655	(19,609)	31,859,433	36,687,479
Fund balances (deficit), ending	<u>\$ 7,785,045</u>	<u>(1,070,646)</u>	<u>25,520,841</u>	<u>32,235,240</u>

See accompanying notes to financial statements.

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, 2006

Net change in fund balances – total governmental funds	\$ (4,452,239)
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 amount by which capital outlays exceeded depreciation in the current period.	
Capital outlay	48,988,573
Depreciation expense	(7,233,244)
	<u>41,755,329</u>
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 capital assets in the statement of activities. More revenue is reported in the governmental funds than gain in the statement of activities.	
Book value of assets disposed	(40,660)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(126,335)
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:	
Principal payments	3,230,099
Debt issuance costs amortization	(41,451)
Debt premiums and discounts	14,439
	<u>3,203,087</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:	
Compensated absences	(748,898)
Accrued interest	4,744
	<u>(744,154)</u>
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	428,684
Change in net assets of governmental activities (Exhibit 2)	<u>\$ 40,023,712</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Proprietary Funds

June 30, 2006

Assets	Enterprise funds				Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Total	
Current assets:					
Pooled cash and investments	\$ 33,730,151	5,554,854	8,995,107	48,280,112	2,520,700
Receivables:					
Accounts (net of allowance of \$851,389)	6,652,261	1,819,644	1,581,333	10,053,238	56,628
Unbilled revenue	7,065,880	1,014,155	962,268	9,042,303	—
Special assessment principal and accrued interest	6,267	—	67,639	73,906	—
Accrued interest	641,116	171,729	194,892	1,007,737	7,733
Other	—	124,108	—	124,108	—
Due from other funds	—	4,649,995	497,699	5,147,694	—
Due from component unit	102,300	—	—	102,300	—
Due from other governments	238,502	—	—	238,502	—
Inventory	7,933,954	616,657	58,450	8,609,061	24,566
Prepaid items	82,727	—	—	82,727	—
Restricted cash and investments	1,005,158	580,054	181,520	1,766,732	—
Total current assets	<u>57,458,316</u>	<u>14,531,196</u>	<u>12,538,908</u>	<u>84,528,420</u>	<u>2,609,627</u>
Noncurrent assets:					
Capital assets:					
Nondepreciable	15,313,087	3,539,978	10,594,062	29,447,127	93,979
Depreciable, net	127,091,046	95,207,665	52,477,955	274,776,666	2,750
Deferred debt issue costs	315,849	901,688	—	1,217,537	—
Other deferred charges	99,500	1,406,892	—	1,506,392	—
Restricted cash and investments	301,730	206,172	28,767	536,669	—
Total noncurrent assets	<u>143,121,212</u>	<u>101,262,395</u>	<u>63,100,784</u>	<u>307,484,391</u>	<u>96,729</u>
Total assets	<u>\$ 200,579,528</u>	<u>115,793,591</u>	<u>75,639,692</u>	<u>392,012,811</u>	<u>2,706,356</u>
Liabilities and Net Assets					
Current liabilities:					
Accounts and contracts payable	\$ 4,972,265	1,382,448	332,617	6,687,330	49,139
Accrued items	313,794	208,464	201,982	724,240	7,097
Other current liabilities	—	236,712	47,383	284,095	—
Current portion of long-term obligations	3,079,320	2,424,533	234,531	5,738,384	23,887
Medical self-insurance claims	—	—	—	—	1,389,102
Liabilities payable from restricted assets	1,005,158	580,054	181,520	1,766,732	—
Total current liabilities	<u>9,370,537</u>	<u>4,832,211</u>	<u>998,033</u>	<u>15,200,781</u>	<u>1,469,225</u>
Noncurrent liabilities:					
Revenue bonds payable	14,776,323	40,550,000	—	55,326,323	—
Compensated absences – long-term	3,060,887	860,120	533,397	4,454,404	37,026
Advances for construction	292,270	145,152	—	437,422	—
Total noncurrent liabilities	<u>18,129,480</u>	<u>41,555,272</u>	<u>533,397</u>	<u>60,218,149</u>	<u>37,026</u>
Total liabilities	<u>27,500,017</u>	<u>46,387,483</u>	<u>1,531,430</u>	<u>75,418,930</u>	<u>1,506,251</u>
Net assets:					
Invested in capital assets, net of related debt	125,948,660	57,059,331	63,072,017	246,080,008	96,729
Restricted for:					
Debt service	231,652	500,000	—	731,652	—
Unrestricted	46,899,199	11,846,777	11,036,245	69,782,221	1,103,376
Total net assets	<u>173,079,511</u>	<u>69,406,108</u>	<u>74,108,262</u>	<u>316,593,881</u>	<u>1,200,105</u>
Total liabilities and net assets	<u>\$ 200,579,528</u>	<u>115,793,591</u>	<u>75,639,692</u>	<u>316,593,881</u>	<u>2,706,356</u>
Adjustment to reflect the consolidation of internal service fund activities related to proprietary funds				289,441	
Net assets of business-type activities				<u>\$ 316,883,322</u>	

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2006

	Enterprise funds			Total	Internal Service Funds
	Power and Light	Water	Sanitary Sewer		
Operating revenues:					
Charges for services	\$ 97,113,727	18,061,227	14,230,702	129,405,656	13,231,905
Miscellaneous	1,164,627	251,493	133,463	1,549,583	—
Total operating revenues	<u>98,278,354</u>	<u>18,312,720</u>	<u>14,364,165</u>	<u>130,955,239</u>	<u>13,231,905</u>
Operating expenses:					
Personal services	14,215,644	6,232,908	4,020,124	24,468,676	546,517
Other services	10,880,036	3,261,195	5,773,376	19,914,607	11,520,642
Supplies	44,429,278	1,319,318	532,240	46,280,836	878,176
Other expenses	5,844,519	2,745,132	75,061	8,664,712	—
Depreciation and amortization	9,192,811	2,119,896	2,190,048	13,502,755	3,511
Total operating expenses	<u>84,562,288</u>	<u>15,678,449</u>	<u>12,590,849</u>	<u>112,831,586</u>	<u>12,948,846</u>
Operating income	<u>13,716,066</u>	<u>2,634,271</u>	<u>1,773,316</u>	<u>18,123,653</u>	<u>283,059</u>
Nonoperating revenues (expenses):					
Interest revenue	1,527,845	469,404	452,374	2,449,623	75,558
Miscellaneous revenue	448,429	1,912,548	33,905	2,394,882	297,795
Interest expense	(1,108,581)	(2,145,129)	—	(3,253,710)	—
Total nonoperating revenue (expenses)	<u>867,693</u>	<u>236,823</u>	<u>486,279</u>	<u>1,590,795</u>	<u>373,353</u>
Income before contributions and transfers	<u>14,583,759</u>	<u>2,871,094</u>	<u>2,259,595</u>	<u>19,714,448</u>	<u>656,412</u>
Capital contributions	112,433	1,105,167	1,747,325	2,964,925	—
Transfers out – utility payments in lieu of taxes	(9,637,661)	(1,610,773)	(1,376,427)	(12,624,861)	—
Transfers in	—	—	105,357	105,357	—
Transfers out	(216,142)	(216,142)	(216,142)	(648,426)	—
Change in net assets	<u>4,842,389</u>	<u>2,149,346</u>	<u>2,519,708</u>	<u>9,511,443</u>	<u>656,412</u>
Total net assets:					
Beginning of the year (as restated)	<u>168,237,122</u>	<u>67,256,762</u>	<u>71,588,554</u>		<u>543,693</u>
End of the year	<u>\$ 173,079,511</u>	<u>69,406,108</u>	<u>74,108,262</u>		<u>1,200,105</u>
Adjustment to reflect the consolidation of internal service fund activities related to proprietary funds				<u>227,728</u>	
Change in net assets of business-type activities.				<u>\$ 9,739,171</u>	

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2006

	Enterprise funds				Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Total	
Cash flows from operations:					
Receipts from customers and others	\$ 97,231,051	20,005,695	14,381,988	131,618,734	13,485,043
Payments to suppliers	(60,712,008)	(7,590,654)	(6,258,426)	(74,561,088)	(12,099,602)
Payments to employees	(14,661,401)	(6,332,706)	(4,130,531)	(25,124,638)	(554,023)
Other receipts	—	—	(10,161)	(10,161)	—
Net cash provided by operating activities	21,857,642	6,082,335	3,982,870	31,922,847	831,418
Cash flows from noncapital financing activities:					
Transfers in/(out)	(216,142)	(216,142)	(110,785)	(543,069)	—
Transfers out – payments in lieu of taxes	(9,637,661)	(1,610,773)	(1,376,427)	(12,624,861)	—
Advances to other funds	—	(4,649,995)	(482,344)	(5,132,339)	—
Net cash provided by (used in) noncapital financing activities	(9,853,803)	(6,476,910)	(1,969,556)	(18,300,269)	—
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(11,874,908)	(4,586,765)	(3,079,025)	(19,540,698)	—
Interest paid on revenue bonds and equipment contracts	(855,983)	(2,013,619)	—	(2,869,602)	—
Debt expense paid on revenue bonds	—	(12,750)	—	(12,750)	—
Disposal costs from disposition of equipment	(346,699)	(49,387)	—	(396,086)	—
Redemption of revenue bonds	(1,925,000)	(1,905,000)	—	(3,830,000)	—
Interest received on special assessment	—	—	5,485	5,485	—
Net cash used in capital and related financing activities	(15,002,590)	(8,567,521)	(3,073,540)	(26,643,651)	—
Cash flows from investing activities:					
Purchases of investments	(42,352,456)	(6,053,393)	762,787	(47,643,062)	(240,089)
Proceeds from sales and maturities of investments	43,507,302	13,383,526	—	56,890,828	—
Interest on investments	1,267,045	397,560	382,312	2,046,917	67,826
Net cash provided by (used in) investing activities	2,421,891	7,727,693	1,145,099	11,294,683	(172,263)
Net increase (decrease) in cash and cash equivalents	(576,860)	(1,234,403)	84,873	(1,726,390)	659,155
Cash and cash equivalents at beginning of year	1,680,925	1,522,090	781,646	3,984,661	1,621,456
Cash and cash equivalents at end of year	1,104,065	287,687	866,519	2,258,271	2,280,611
Investments with original maturities greater than 90 days	33,932,974	6,053,393	8,338,875	48,325,242	240,089
Pooled cash and investments	\$ 35,037,039	6,341,080	9,205,394	50,583,513	2,520,700
Noncash capital and related financing activities:					
Contributed capital	\$ 221,458	1,105,167	—	1,326,625	—
Components of cash and short-term investments at end of fiscal year:					
Unrestricted assets	\$ 33,730,151	5,554,854	8,995,107	48,280,112	2,520,700
Restricted assets	1,306,888	786,226	210,287	2,303,401	—
Total pooled cash and investments	\$ 35,037,039	6,341,080	9,205,394	50,583,513	2,520,700
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 13,716,066	2,634,271	1,773,316	18,123,653	283,059
Adjustments not affecting cash:					
Depreciation and amortization	9,192,811	2,119,896	2,190,048	13,502,755	3,511
Nonoperating revenues	448,429	1,912,548	33,905	2,394,882	297,795
Change in assets and liabilities					
Accounts receivable	(1,914,040)	67,696	(30,032)	(1,876,376)	(44,658)
Inventory	295,953	7,601	10,110	313,664	17,258
Prepaid items	20,085	—	—	20,085	—
Loans to other funds	—	—	—	—	—
Unbilled revenue	418,308	(156,867)	(29,662)	231,779	—
Special assessments receivable	—	106,312	43,612	149,924	—
Other deferred charges	72,500	—	—	72,500	—
Advance receivable	—	—	(10,161)	(10,161)	—
Accounts and contracts payable	(4,915)	(312,516)	113,282	(204,149)	282,868
Accrued liabilities	(512,065)	(151,219)	(164,129)	(827,413)	(13,358)
Other current liabilities	—	(178,968)	6,090	(172,878)	—
Deferred revenue	—	(35,669)	—	(35,669)	—
Customer deposits	58,202	18,196	12,363	88,761	—
Compensated absences	66,308	51,054	34,128	151,490	4,943
Total adjustments	8,141,576	3,448,064	2,209,554	13,799,194	548,359
Net cash provided by operating activities	\$ 21,857,642	6,082,335	3,982,870	31,922,847	831,418

See accompanying notes to financial statements

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2006

	Private- Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Pooled cash and investments	\$ 62,200	60,777
Accrued interest receivable	—	494
	<u>62,200</u>	<u>61,271</u>
Total assets		
Liabilities:		
Accounts and contracts payable	—	25
Funds held in escrow	—	49,747
Flexible benefit payable	—	11,499
	<u>—</u>	<u>61,271</u>
Total liabilities	—	<u>\$ 61,271</u>
Net assets:		
Held in trust	<u>\$ 62,200</u>	

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI
 Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 Year ended June 30, 2006

		Private- Purpose Trust Funds
Additions:		
Charges for services	\$	20,639
Interest		2,589
Other		1,500
Total additions		<u>24,728</u>
Deductions:		
Capital outlay		<u>17,558</u>
Total deductions		<u>17,558</u>
Change in net assets		7,170
Net assets, beginning		<u>55,030</u>
Net assets, ending	\$	<u><u>62,200</u></u>

See accompanying notes to financial statements.



CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

(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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

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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.

Street Improvements Fund – This fund is used to account for major street improvement construction projects.

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.

CITY OF INDEPENDENCE, MISSOURI

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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.

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, monies held for the Susie Paxton Block Distinguished Public Service Award, and monies held for the Seniors Travel Program.

(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 Financial Accounting Standards Board (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.

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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.

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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:

	<u>Years</u>
Governmental activities:	
Buildings and improvements	20-40
Improvements other than buildings	20
Roads	20
Bridges	40
Drainage systems	35
Office equipment and furniture	7
Mobile equipment – vehicles	5
Mobile equipment – heavy equipment	10
Fire trucks	15
Other equipment	10
Computer equipment	5

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	<u>Years</u>
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 expenditures and other financing sources 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 delay for reporting certain infrastructure assets acquired prior to the year of implementing GASB No. 34. During the year ended June 30, 2006, the City fully implemented the infrastructure reporting requirements of GASB No. 34 which resulted in a restatement of beginning governmental capital assets balances.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

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(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 straight-line 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 or discounts are reported as other financing sources. 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 14 in the financial statements.

(m) Permanent Fund

The City receives from time to time endowments from outside donors. The nature of these endowments is that the principal of the gift is to remain intact and the interest is to be spent on certain activities of the City. These donations are accounted for in the Permanent Fund. During the year ended June 30, 2006, the Permanent Fund had \$9,220 net appreciation on assets available for expenditure which is reported as unreserved fund balance. The State of Missouri requires that recipients of endowment gift maintain the original principal intact at the original donation value.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

(n) 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.”

(o) Statement of Cash Flows

For purposes of the statement of cash flows, short-term investments held in proprietary funds with a maturity date within three months of the date acquired by the City, are considered cash equivalents.

(p) 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.

(q) Reclassifications of Account Balances

Certain line items have been reclassified to conform to the presentation of the financial statements in the current year. These reclassifications had no net effect on the City’s net assets or changes there in for the current year.

(r) New Accounting Pronouncements

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 postemployment 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

(2) Deposits and Investments

At June 30, 2006, the carrying values of deposits and investments are summarized as follows:

Investments:	
Short-term investments held in trust	\$ 66,762,935
U.S. government securities	26,652
U.S. agency securities	<u>67,741,500</u>
Total investments	134,531,087
Deposits and repurchase obligations	14,326,298
Petty cash	<u>10,996</u>
Total	<u><u>\$ 148,868,381</u></u>

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	\$ 73,440,016	\$ 122,977	\$ 73,562,993	\$ 6,132,440	\$ 79,695,433
Restricted cash and investments	2,834,229	-	2,834,229	66,338,719	69,172,948
	<u>\$ 76,274,245</u>	<u>\$ 122,977</u>	<u>\$ 76,397,222</u>	<u>\$ 72,471,159</u>	<u>\$148,868,381</u>

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

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. It is the City's policy to limit its investments to Certificates of Deposit and Bonds or other obligations of the United States. Presented below is the actual rating by Moody's Investor Service as of year end for each investment type:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating As of June 30, 2006</u>
Federal Home Loan Mortgage Corporation	\$ 50,716,314	AAA
Federal National Mortgage Association	11,852,656	AAA
Federal Home Loan Bank	5,979,601	AAA
U.S. Treasury Bond	26,652	Exempt from rating requirement
Total	<u>\$ 68,575,223</u>	

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, 2006, 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, 2006.

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, 2006, 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.

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Concentration of Credit Risk

The City's investment policy does not specify maximum or minimum investment concentrations by investment type. As of June 30, 2006, 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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Percentage</u>
Fed. Home Loan Mtg.	U.S. agency securities	\$ 50,716,314	74%
Fed. Natl. Mtg.	U.S. agency securities	11,852,656	17%
Fed. Home Loan Banks	U.S. agency securities	5,979,601	9%

(3) Tax Revenue

Tax revenue, including interest and penalties, by fund type for the year ended June 30, 2006 is as follows:

	<u>General</u>	<u>Nonmajor governmental funds</u>
Real estate tax	\$ 6,844,875	\$ 20,586
Railroad utilities tax	29,861	-
Cigarette tax	596,603	-
Transient guest tax	-	1,000,809
Sales tax	16,534,752	19,622,689
Franchise tax	7,645,602	-
	<u>\$ 31,651,693</u>	<u>\$ 20,644,084</u>

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, 2005, on which the fiscal 2006 levy was based, was \$1,294,345,097.

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, 2006 were \$0.4506 for the General Fund, \$0.2121 for Public Health and Recreation, and \$0.4112 for the Independence Square Benefit District Fund.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

(4) Intergovernmental Revenue and Receivables

Intergovernmental revenue during fiscal year 2006 consisted of the following:

	<u>General Fund</u>	<u>Street Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>
Federal			
Department of Agriculture			
Summer Food Service Program	\$ -	\$ -	\$ 490
Department of Housing & Urban Development			
Community Development Block Grant	-	-	802,830
Emergency Shelter Grant	-	-	70,000
Home Improvement Partnership	-	-	570,166
Department of Justice			
Drug Enforcement Administration			
Crime Lab Upgrade	-	-	14,040
Violence Against Women Grant Office			
Grants to Encourage Arrest Policies	-	-	300,383
Supervised Visitation & Safe Exchange Program	-	-	96,676
Institute for Law and Justice	-	-	22,930
Office of Community Oriented Policing Services			
Homeland Security Overtime Programs	-	-	75,272
Cops in Shops	-	-	14,896
Secure our Schools	-	-	19,339
Office of Justice Programs			
Stop Violence Against Women	-	-	53,426
Local Law Enforcement Block Grant	-	-	13,774
National Office of Weed and Seed	-	-	70,424
Bullet Proof Vest Partnership	-	-	1,015
Project Safe Neighborhoods	-	-	55,673
Project Safe Neighborhoods Task Force	-	-	47,866
Project Ceasefire Task Force	-	-	7,432
Justice Assistance Grant	-	-	74,897
Office of National Drug Control Policy			
High Intensity Drug Trafficking Area			
Hidta - ONDCP	-	-	150,476
Hidta - KBI	-	-	85,200
Department of Transportation			
Highway Planning & Construction			
Surface Transportation Program	-	3,617,591	-
Urban Mass Transportation Assistance			
Dial A Ride	25,393	-	-
Missouri Division of Highway Safety			
Missouri Highway Safety Program	-	-	27,925
DWI Enforcement	-	-	66,723
Red Light Running and Aggressive Driving	-	-	36,585
Hazardous Moving Violations	-	-	77,587
Youth Alcohol Enforcement	-	-	23,501

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June 30, 2006

	<u>General Fund</u>	<u>Street Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>
Federal (Continued):			
US Secret Service			
KC Metro Financial Crimes Task Force	-	-	14,897
Environmental Protection Agency			
Brownfield Assessment	-	-	980
Department of Health & Human Services			
Nursing Consultation	716	-	955
Sanitation of Childcare Facilities	-	-	4,580
Maternal & Child Health	90	-	45,031
Senior Nutrition Site	25,000	-	-
Pandemic Preparedness Grant	-	-	1,573
Families at Risk Home Visitation	491	-	23,269
Homeless Challenge	10	-	20,953
Bioterrorism	404	-	170,133
Chronic Disease Primary Prevention	-	-	35,000
West Nile Virus Surveillance	-	-	8,174
Immunization Rate Improvement Project	-	-	7,957
Childhood Lead Poisoning Prevention	-	-	1,500
Department of Homeland Security			
Emergency Management Assistance	307	-	41,877
Community Emergency Response Teams	2,742	-	26,676
Interoperate Communications Grant	-	-	6,191,311
Fire Safety Grant	20,593	-	39,807
Total Federal	<u>75,746</u>	<u>3,617,591</u>	<u>9,414,200</u>
State & Local			
Department of Health & Human Services			
Core Health Services	26	-	115,854
Department of Revenue			
Motory Vehicle Fuel Tax	3,251,035	-	-
Motor Vehicle Sales Tax	734,805	-	-
Motor Vehicle Fees	666,164	-	-
Financial Institutions Tax	22,181	-	-
Division of Tourism			
Cooperative Marketing Agreements	-	-	121,632
Department of Public Safety			
Post Commission Fund	-	-	23,646
Juvenile Accountability Incentive	-	-	12,851
Missouri Highway and Transportation Commission			
Destination S.A.F.E	-	-	9,252
Missouri State Safety Center			
Statewide Traffic Enforcement Program	-	-	7,663
Youth Occupant Protection Initiative	-	-	2,076
Department of Natural Resources			
Land and Water Conservation Fund	-	-	144,000
Blue Mills Detention Basin	-	-	44,241
Spring Branch	-	-	186,826
Jackson County Anti Drug Tax	353,273	-	-
Jackson County Dare	326,310	-	-
Jackson County Urban Road System	-	2,566,084	-
Bundschu Bridge Project	-	-	16,000
Healthcare Foundation of Greater Kansas City	-	-	51,258
Total State and Local	<u>5,353,794</u>	<u>2,566,084</u>	<u>735,299</u>
Grand Total	<u>\$ 5,429,540</u>	<u>\$ 6,183,675</u>	<u>\$ 10,149,499</u>

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Amounts due from other governments at June 30, 2006 are as follows:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General Fund:				
Department of Health and Senior Services				
Marc Senior Site	\$ 4,167	\$ -	\$ -	\$ 4,167
Urban Mass Transit Operating Assistance				
Dial A Ride	25,393	-	-	25,393
Department of Revenue				
Motor Vehicle Fuel Tax	-	560,000	-	560,000
Motor Vehicle Sales Tax	-	70,000	-	70,000
Motor Vehicle License Fees	-	147,000	-	147,000
39th St Transportation Development District	-	-	3,412	3,412
	<u>29,560</u>	<u>777,000</u>	<u>3,412</u>	<u>809,972</u>
Street Improvements Fund:				
Department of Transportation:				
Highway Planning and Construction				
Surface Transportation Program	4,142,592	-	-	4,142,592
Jackson County Urban Road System	-	-	2,488,334	2,488,334
39th Street Transportation Development District	-	-	2,400	2,400
	<u>4,142,592</u>	<u>-</u>	<u>2,490,734</u>	<u>6,633,326</u>
Nonmajor Governmental Funds:				
Department of Agriculture				
Summer Food Service Program	280	-	-	280
Department of Justice				
Violence Against Women Grant Office				
Grants to Encourage Arrest Policies	76,316	-	-	76,316
Institute for Law and Justice	7,145	-	-	7,145
Office of National Drug Control Policy				
High Intensity Drug Trafficking Area - ONDCP	78,547	-	-	78,547
High Intensity Drug Trafficking Area - KBI	23,741	-	-	23,741
Office of Justice Programs				
Stop Violence Against Women	4,341	-	-	4,341
Project Safe Neighborhoods Task Force	16,366	-	-	16,366
Project Ceasefire Task Force	3,986	-	-	3,986
Bulletproof Vest Partnership Act	1,015	-	-	1,015
Office of Community Oriented Policing Services				
Homeland Security Overtime Program	10,603	-	-	10,603

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	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
Nonmajor Governmental Funds (continued):				
Department of Transportation				
Missouri Division of Highway Safety				
Missouri Highway Safety Program	11,911	-	-	11,911
DWI Enforcement	8,344	-	-	8,344
Hazardous Moving Violations	12,852	-	-	12,852
Red Light Running and Aggressive Driving	6,965	-	-	6,965
Youth Alcohol Enforcement	14,808	-	-	14,808
Core Public Health Services	-	9,523	-	9,523
Missouri Highway and Transportation Commission				
Destination S.A.F.E.	-	6,548	-	6,548
Missouri Highway Safety Center				
Statewide Traffic Enforcement Program	-	4,922	-	4,922
US Secret Service				
KC Metro Financial Crimes Task Force	3,020	-	-	3,020
Environmental Protection Agency				
Brownfield Assessment	980	-	-	980
Department of Health and Human Services				
Families at Risk Home Visitation	3,280	-	-	3,280
Maternal & Child Health Services	3,925	-	-	3,925
Sanitation Inspections of Childcare Facilities	1,035	-	-	1,035
Chronic Disease Primary Prevention	6,902	-	-	6,902
Nursing Consultations with Childcare Facilities	284	-	-	284
Bioterrorism	13,303	-	-	13,303
Pandemic Preparedness Program	1,573	-	-	1,573
Department of Homeland Security				
Emergency Management Assistance	7,669	-	-	7,669
Community Emergency Response Teams	22,257	-	-	22,257
Interoperate Communications Grant	2,493,948	-	-	2,493,948
Law Enforcement Terrorism Prevention Program	235,000	-	-	235,000
Homeland Security Formula Grants	1,976,250	-	-	1,976,250
Department of Housing and Urban Development				
Community Development Block Grant	188,392	-	-	188,392
Home Improvement Partnership	102,295	-	-	102,295
Missouri Division of Tourism				
Cooperative Marketing Agreement	-	68,331	-	68,331
	<u>5,337,333</u>	<u>89,324</u>	<u>-</u>	<u>5,426,657</u>
Totals	<u>\$ 9,509,485</u>	<u>\$ 866,324</u>	<u>\$ 2,494,146</u>	<u>\$ 12,869,955</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

(5) Interfund Activity

(a) Interfund Balances

Interfund balances at June 30, 2006 consisted of the following:

	<u>Due from Street Improvements</u>	<u>Due from nonmajor governmental</u>	<u>Total Governmental Activities</u>
Due to:			
Governmental activities:			
General Fund	\$ 1,415,800	\$ 1,277,215	\$ 2,693,015
Nonmajor governmental	<u>1,133,485</u>	<u>3,489,011</u>	<u>4,622,496</u>
Total governmental activities	<u>2,549,285</u>	<u>4,766,226</u>	<u>7,315,511</u>
Business-type activities:			
Water Fund	4,649,995	-	4,649,995
Sanitary Sewer Fund	<u>51,151</u>	<u>446,548</u>	<u>497,699</u>
Total business-type activities	<u>4,701,146</u>	<u>446,548</u>	<u>5,147,694</u>
 Total	<u>\$ 7,250,431</u>	<u>\$ 5,212,774</u>	<u>\$ 12,463,205</u>

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 2006 were as follows:

	<u>Interfund charges</u>	<u>Rent</u>
Nonmajor governmental funds	\$ 35,000	\$ 12,426
Power and Light Fund	1,589,919	48,951
Sanitary Sewer Fund	528,220	14,181
Water Fund	<u>796,543</u>	<u>26,110</u>
	<u>\$ 2,949,682</u>	<u>\$ 101,668</u>

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 to the Water Fund during fiscal year 2006 as follows:

Sanitary Sewer Fund	\$ 201,984
Power and Light Fund	969,521
	<u>\$ 1,171,505</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

Interfund charges for meter reading services were paid to the Power and Light Fund during fiscal year 2006 as follows:

Sanitary Sewer Fund	\$ 119,279
Water Fund	<u>667,966</u>
	<u>\$ 787,245</u>

(c) Payments in Lieu of Taxes

The payments in lieu of taxes of \$9,637,661, \$1,610,772 and \$1,376,427 in fiscal year 2006 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, 2006 consisted of the following:

	Transfer from						
	General	Street Improvements	Power and Light	Sanitary Sewer	Water	Nonmajor Governmental	Total
Transfers to:							
General	\$ -	\$ 16,122	\$ -	\$ -	\$ -	\$ -	\$ 16,122
Street Improvements	506	-	-	-	-	188,884	189,390
Sanitary Sewer Fund	105,357	-	-	-	-	-	105,357
Nonmajor governmental	1,088	90,000	216,142	216,142	216,142	779,622	1,519,136
Total Primary Government	<u>\$ 106,951</u>	<u>\$ 106,122</u>	<u>\$ 216,142</u>	<u>\$ 216,142</u>	<u>\$ 216,142</u>	<u>\$ 968,506</u>	<u>\$ 1,830,005</u>

- (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, represent matching funds required by a federal grant.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

(6) Capital Assets

Capital asset activity for the year ended June 30, 2006 is as follows:

	Balance June 30, 2005 (as restated)	Additions	Retirements	Balance June 30, 2006
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 11,591,873	\$ 7,100,366	\$ (7,500)	\$ 18,684,739
Construction work in progress	46,649,978	31,294,914	(24,690,416)	53,254,476
Total nondepreciable capital assets	<u>58,241,851</u>	<u>38,395,280</u>	<u>(24,697,916)</u>	<u>71,939,215</u>
Depreciable capital assets:				
Land improvements	255,647	-	-	255,647
Buildings	9,716,819	3,387,716	(33,000)	13,071,535
Building improvements	9,451,454	7,076	-	9,458,530
Improvements other than buildings	4,623,180	10,042,208	-	14,665,388
Office furniture and equipment	879,553	-	-	879,553
Computer equipment	759,376	178,596	(7,741)	930,231
Mobile equipment	15,637,265	2,668,444	(626,864)	17,678,845
Other equipment	2,708,237	463,695	(99,381)	3,072,551
Infrastructure	154,666,243	18,535,974	(32,459)	173,169,758
Total depreciable capital assets	<u>198,697,774</u>	<u>35,283,709</u>	<u>(799,445)</u>	<u>233,182,038</u>
Less accumulated depreciation for:				
Land improvements	(36,155)	(10,290)	-	(46,445)
Buildings	(5,876,036)	(235,206)	33,000	(6,078,242)
Building improvements	(1,119,442)	(471,574)	-	(1,591,016)
Improvements other than buildings	(891,912)	(225,007)	-	(1,116,919)
Office furniture and equipment	(848,109)	(9,709)	-	(857,818)
Computer equipment	(409,522)	(115,256)	7,741	(517,037)
Mobile equipment	(9,896,650)	(1,291,747)	594,903	(10,593,494)
Other equipment	(1,641,564)	(216,775)	98,182	(1,760,157)
Infrastructure	(93,646,626)	(4,661,191)	32,459	(98,275,358)
Total accumulated depreciation	<u>(114,366,016)</u>	<u>(7,236,755)</u>	<u>766,285</u>	<u>(120,836,486)</u>
Total depreciable capital assets, net	<u>84,331,758</u>	<u>28,046,954</u>	<u>(33,160)</u>	<u>112,345,552</u>
Governmental activities capital assets, net	<u>\$ 142,573,609</u>	<u>\$ 66,442,234</u>	<u>\$ (24,731,076)</u>	<u>\$ 184,284,767</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

Depreciation expense was charged to functions as follows:

General government	\$	224,242
Public safety		1,137,186
Public works		4,591,376
Health and welfare		33,890
Culture and recreation		676,115
Community development		60,392
Storm water		<u>510,043</u>
Total		<u>7,233,244</u>

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

		<u>3,511</u>
Total depreciation expense	\$	<u><u>7,236,755</u></u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

	<u>June 30, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2006</u>
Business-type activities:				
Power and Light Fund:				
Nondepreciable capital assets:				
Land	\$ 2,948,206	\$ -	\$ -	\$ 2,948,206
Construction in progress	7,072,456	12,677,631	(7,385,206)	12,364,881
Total nondepreciable capital assets	10,020,662	12,677,631	(7,385,206)	15,313,087
Depreciable capital assets:				
Acquisition adjustment	2,755,568	-	-	2,755,568
Production plant	142,038,612	3,098,338	(165,059)	144,971,891
Transmission plant	21,673,298	204,693	(15,276)	21,862,715
Distribution plant	98,405,113	3,333,874	(594,549)	101,144,438
General plant	16,407,261	748,301	(84,092)	17,071,470
Total depreciable capital assets	281,279,852	7,385,206	(858,976)	287,806,082
Less accumulated depreciation:				
Acquisition adjustment	(2,613,997)	(141,571)	-	(2,755,568)
Production plant	(93,151,874)	(4,680,054)	165,074	(97,666,854)
Transmission plant	(10,611,780)	(602,654)	34,472	(11,179,962)
Distribution plant	(33,790,303)	(3,235,763)	922,058	(36,104,008)
General plant	(11,978,677)	(1,114,059)	84,092	(13,008,644)
Total accumulated depreciation	(152,146,631)	(9,774,101)	1,205,696	(160,715,036)
Total depreciable capital assets, net	129,133,221	(2,388,895)	346,720	127,091,046
Total power and light capital assets	139,153,883	10,288,736	(7,038,486)	142,404,133

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2006</u>
Water Fund:				
Nondepreciable capital assets:				
Land	\$ 2,164,588	\$ 137	\$ -	\$ 2,164,725
Construction in progress	19,359,106	5,054,328	(23,038,181)	1,375,253
Total nondepreciable capital assets	21,523,694	5,054,465	(23,038,181)	3,539,978
Depreciable capital assets:				
Acquisition adjustment	12,547,766	-	-	12,547,766
Nonutility property	40,014	-	-	40,014
Source of supply	7,129,326	-	-	7,129,326
Pumping plant	5,178,996	21,488	(8,866)	5,191,618
Treatment plant	13,806,351	27,150	(26,465)	13,807,036
Transmission plant	57,396,706	22,798,544	(231,331)	79,963,919
General plant	5,699,005	190,862	(83,181)	5,806,686
Total depreciable capital assets	101,798,164	23,038,044	(349,843)	124,486,365
Less accumulated depreciation:				
Acquisition adjustment	(8,551,440)	(371,751)	-	(8,923,191)
Nonutility property	(14,000)	-	-	(14,000)
Source of supply	(3,556,698)	(391,582)	-	(3,948,280)
Pumping plant	(2,007,899)	(166,546)	8,866	(2,165,579)
Treatment plant	(4,307,792)	(345,694)	55,167	(4,598,319)
Transmission plant	(6,540,824)	(691,633)	251,408	(6,981,049)
General plant	(2,435,851)	(295,700)	83,269	(2,648,282)
Total accumulated depreciation	(27,414,504)	(2,262,906)	398,710	(29,278,700)
Total depreciable capital assets, net	74,383,660	20,775,138	48,867	95,207,665
Total water capital assets	95,907,354	25,829,603	(22,989,314)	98,747,643

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2006</u>
Sanitary Sewer Fund:				
Nondepreciable capital assets:				
Land	\$ 330,191	\$ -	\$ -	\$ 330,191
Construction in progress	8,856,635	2,693,731	(1,286,495)	10,263,871
Total nondepreciable capital assets	9,186,826	2,693,731	(1,286,495)	10,594,062
Depreciable capital assets:				
Nonutility property	46,368	-	-	46,368
Collection plant	69,396,269	3,065,769	(6,112)	72,455,926
Pumping plant	4,989,929	-	(38,529)	4,951,400
Treatment plant	14,655,052	52,394	(697,469)	14,009,977
General plant	3,945,410	319,453	(274,807)	3,990,056
Total depreciable capital assets	93,033,028	3,437,616	(1,016,917)	95,453,727
Less accumulated depreciation:				
Nonutility property	(46,368)	-	-	(46,368)
Collection plant	(18,507,468)	(885,037)	6,112	(19,386,393)
Pumping plant	(4,991,272)	(217,560)	38,527	(5,170,305)
Treatment plant	(13,930,680)	(801,321)	697,469	(14,034,532)
General plant	(4,308,351)	(286,130)	256,307	(4,338,174)
Total accumulated depreciation	(41,784,139)	(2,190,048)	998,415	(42,975,772)
Total depreciable capital assets, net	51,248,889	1,247,568	(18,502)	52,477,955
Total sewer capital assets	60,435,715	3,941,299	(1,304,997)	63,072,017
Total business-type activities capital assets	<u>\$ 295,496,952</u>	<u>\$ 40,059,638</u>	<u>\$ 31,332,811</u>	<u>\$ 304,223,793</u>

Depreciation expense was charged to functions as follows:

Business-type activities:

Power and light	\$ 9,192,811
Water	2,119,896
Sanitary sewer	2,190,048
Total business-type activities depreciation expense	<u>\$ 13,502,755</u>

Depreciation charged to Power and Light and Water funds are different because certain depreciation related to utility vehicles and heavy equipment are charged to clearing accounts and redistributed to various operating, construction, and other capital accounts.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

(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, 2006:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amount due within one year</u>
Governmental activities:					
Loans and notes payable:					
Loans payable	\$ 21,318,126	\$ -	\$ 2,893,637	\$ 18,424,489	\$ 3,028,378
Capital lease obligations	1,015,831	-	278,461	737,370	154,922
Neighborhood Improvement					
District	1,041,000	-	58,000	983,000	59,000
Premium (discount), net	179,017	-	14,439	164,578	-
Total loans and notes payable	<u>23,553,974</u>	<u>-</u>	<u>3,244,537</u>	<u>20,309,437</u>	<u>3,242,300</u>
Other liabilities:					
Compensated absences	<u>11,742,567</u>	<u>5,041,671</u>	<u>4,287,830</u>	<u>12,496,408</u>	<u>4,734,494</u>
	<u>\$ 35,296,541</u>	<u>\$ 5,041,671</u>	<u>\$ 7,532,367</u>	<u>\$ 32,805,845</u>	<u>\$ 7,976,794</u>

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amount due within one year</u>
Business-type activities:					
Power and Light Fund:					
Revenue bonds	\$ 20,445,000	\$ -	\$ 1,925,000	\$ 18,520,000	\$ 1,995,000
Less deferred amount on refunding	(1,970,392)	-	(221,715)	(1,748,677)	-
Total revenue bonds	<u>18,474,608</u>	<u>-</u>	<u>1,703,285</u>	<u>16,771,323</u>	<u>1,995,000</u>
Compensated absences	<u>4,078,899</u>	<u>1,660,185</u>	<u>1,593,877</u>	<u>4,145,207</u>	<u>1,084,320</u>
Total Power and Light Fund	<u>22,553,507</u>	<u>1,660,185</u>	<u>3,297,162</u>	<u>20,916,530</u>	<u>3,079,320</u>
Water Fund:					
Revenue bonds	44,495,000	-	1,905,000	42,590,000	2,040,000
Compensated absences	<u>1,193,599</u>	<u>720,200</u>	<u>669,146</u>	<u>1,244,653</u>	<u>384,533</u>
Total Water Fund	<u>45,688,599</u>	<u>720,200</u>	<u>2,574,146</u>	<u>43,834,653</u>	<u>2,424,533</u>
Sanitary Sewer Fund:					
Compensated absences	733,800	60,813	26,685	767,928	234,531
Total Sanitary Sewer Fund	<u>733,800</u>	<u>60,813</u>	<u>26,685</u>	<u>767,928</u>	<u>234,531</u>
Total business-type activities	<u>\$ 68,975,906</u>	<u>\$ 2,441,198</u>	<u>\$ 5,897,993</u>	<u>\$ 65,519,111</u>	<u>\$ 5,738,384</u>

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amount due within one year</u>
Dicretely-presented component unit:					
TIF loans	\$ 67,170,000	\$ 62,750,000	\$ 2,935,000	\$ 126,985,000	\$ 2,585,000
Loans payable	341,874	-	61,362	280,512	66,622
Premium (discount), net	<u>(387,013)</u>	<u>(954,760)</u>	<u>36,512</u>	<u>(1,305,261)</u>	<u>-</u>
	67,124,861	61,795,240	3,032,874	125,960,251	2,651,622
Developer obligations	<u>8,723,271</u>	<u>6,425,393</u>	<u>1,885,935</u>	<u>13,262,729</u>	<u>-</u>
	<u>\$ 75,848,132</u>	<u>\$ 68,220,633</u>	<u>\$ 4,918,809</u>	<u>\$ 139,222,980</u>	<u>\$ 2,651,622</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

Debt service requirements on long-term debt with schedules maturities at June 30, 2006 are as follows:

	Governmental activities					
	Loans payable		NID Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 3,028,379	\$ 796,128	\$ 59,000	\$ 1,620	\$ 3,087,379	\$ 797,748
2008	3,156,625	672,749	59,000	1,551	3,215,625	674,300
2009	3,284,872	544,246	64,000	1,608	3,348,872	545,854
2010	1,784,612	412,334	64,000	1,615	1,848,612	413,949
2011	1,660,000	323,051	69,000	1,659	1,729,000	324,710
2012-2016	5,510,000	575,491	294,000	7,265	5,804,000	582,756
2017-2021	-	-	347,000	9,175	347,000	9,175
2022-2024	-	-	27,000	793	27,000	793
	<u>\$ 18,424,489</u>	<u>\$ 3,324,000</u>	<u>\$ 983,000</u>	<u>\$ 25,286</u>	<u>\$ 19,407,489</u>	<u>\$ 3,349,286</u>

	Business-type activities					
	Power and Light		Water		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 1,995,000	\$ 784,823	\$ 2,040,000	\$ 1,937,091	\$ 4,035,000	\$ 2,721,914
2008	2,065,000	708,218	2,200,000	1,852,685	4,265,000	2,560,903
2009	2,155,000	628,693	2,380,000	1,760,459	4,535,000	2,389,151
2010	2,245,000	541,363	2,525,000	1,660,033	4,770,000	2,201,396
2011	2,345,000	445,838	2,765,000	1,548,508	5,110,000	1,994,345
2012-2016	7,715,000	702,538	17,375,000	5,539,835	25,090,000	6,242,373
2017-2021	-	-	9,185,000	1,673,008	9,185,000	1,673,008
2022-2025	-	-	4,120,000	424,500	4,120,000	424,500
	<u>\$ 18,520,000</u>	<u>\$ 3,811,470</u>	<u>\$ 42,590,000</u>	<u>\$ 16,396,118</u>	<u>\$ 61,110,000</u>	<u>\$ 20,207,588</u>

	Discretely-presented component unit					
	TIF loans		Loans payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 2,585,000	\$ 6,818,352	\$ 66,622	\$ 12,036	\$ 2,651,622	\$ 6,830,388
2008	2,820,000	6,843,689	68,375	9,204	2,888,375	6,852,893
2009	3,660,000	6,703,469	70,128	6,333	3,730,128	6,709,802
2010	4,195,000	6,523,416	75,387	3,317	4,270,387	6,526,733
2011	4,495,000	6,348,697	-	-	4,495,000	6,348,697
2012-2016	24,380,000	27,670,056	-	-	24,380,000	27,670,056
2017-2021	39,300,000	19,689,384	-	-	39,300,000	19,689,384
2022-2026	36,260,000	9,104,708	-	-	36,260,000	9,104,708
2027-2028	9,290,000	733,751	-	-	9,290,000	733,751
	<u>\$ 126,985,000</u>	<u>\$ 90,435,522</u>	<u>\$ 280,512</u>	<u>\$ 30,890</u>	<u>\$ 127,265,512</u>	<u>\$ 90,466,412</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

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 \$223,996 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

(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, 2024 and bearing interest at 5.375% to 5.5%.

(c) Capital Lease Obligations

Capital leases payable at June 30, 2006 are comprised of the following:

Governmental funds:

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	\$ 41,820
IBM Corporation, interest rates ranging from 5.77% to 6.37%, due in monthly installments through April 1, 2007 for computer equipment	37,888
IBM Corporation, interest at 2.64% to 6.10%, monthly installments through 2008 for computer equipment	34,841
Sun Trust Leasing, interest at 4.19%, annual installments through July 2013; a lease to purchase a fire truck	<u>622,821</u>
	<u>\$ 737,370</u>

The cumulative amount of assets acquired under the capital leases described above amounted to \$2,032,154 as of June 30, 2006.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006 were as follows:

Year ending June 30:		
2007	\$	185,348
2008		118,899
2009		95,990
2010		93,234
2011		93,234
2012-2014		<u>279,700</u>
		866,405
Less imputed interest		<u>(129,035)</u>
Present value of minimum lease payments	\$	<u><u>737,370</u></u>

Business-type Activities

Revenue Bonds

Revenue bonds payable at June 30, 2006 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	\$	13,975,000
\$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%		4,545,000
Less deferred amount on refunding		<u>(1,748,677)</u>
Total power and light fund		<u>16,771,323</u>

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%		28,295,000
\$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%		<u>14,295,000</u>
Total water fund		<u>42,590,000</u>
Total revenue bonds	\$	<u><u>59,361,323</u></u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

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:

<u>Account</u>	<u>Restriction</u>
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:

<u>Account</u>	<u>Enterprise funds</u>		
	<u>Power and Light</u>	<u>Water</u>	<u>Sanitary Sewer</u>
Principal and interest	\$ 231,652	\$ -	\$ -
Depreciation and emergency	-	500,000	-
Total revenue bond reserves	231,652	500,000	-
Customer deposits	939,756	250,473	181,520
Workers' compensation	135,480	35,753	28,767
Total	<u>\$ 1,306,888</u>	<u>\$ 786,226</u>	<u>\$ 210,287</u>

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 \$436,608 at June 30, 2006 consist of cash on deposit for a debt service reserve (note 14) and for municipal court bond deposits.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

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, neither the City nor the Commission is 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

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.

On March 30, 2006, the City entered into a loan payable with the Missouri Development Finance Board in the amount of \$48,370,000 due in annual installments of \$340,000 to \$8,225,000 through March 1, 2026, and bearing interest at 5.30% to 6.00%. The proceeds of the bond issuance are to be used for the Crackerneck Creek Tax Increment Financing Project.

On March 30, 2006, the City entered into a loan payable with the Missouri Development Finance Board in the amount of \$12,790,000 due in annual installments of \$3,500,000 to \$5,385,000 beginning March 1, 2026 through March 1, 2028, and bearing interest at 5.00%. The proceeds of the bond issuance are to be used for the Crackerneck Creek Tax Increment Financing Project.

On May 17, 2006, the City entered into a loan payable with the Missouri Development Finance Board in the amount of \$1,590,000, due in annual installments of \$70,000 to \$170,000 through March 1, 2020, and bearing interest at 4.00% to 4.625%. The proceeds of the bond issuance are to be used for the Drumm Farm Tax Increment Financing Project.

Restricted assets held by the Commission of \$66,338,719 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

(c) ***Bass Pro Lease***

On October 18, 2004, the City approved the Crackerneck Creek Tax Increment Financing (TIF) Plan. The Crackerneck Creek TIF Plan provides for the development and construction of a proposed 350,000 square foot commercial retail center. The Crackerneck Creek Project (the Project) is scheduled to include (i) the Bass Pro Store described below, (ii) a minimum of 300,000 square feet of additional retail space and (iii) a hotel. Other than the Bass Pro Store none of the retail space is leased as of June 30, 2006.

As part of the Project, the City has entered into the Lease Agreement (as amended from time to time, the "Bass Pro Lease") with Bass Pro Outdoor World L.L.C. ("Bass Pro"). Pursuant to the Bass Pro Lease the City will own a 150,000 square foot Bass Pro retail store (the "Bass Pro Store") and will lease the Bass Pro Store to Bass Pro under the terms and conditions as contained in the Bass Pro Lease. Under the Bass Pro Lease the City is obligated to make \$25,000,000 available to Bass Pro. This amount will be funded from the proceeds of the Series 2006A Bonds. The proceeds of the Series 2006B and 2006C Bonds will be used to fund other costs related to the development of the site. The Bass Pro Store will be located on an approximate 20-acre parcel owned by the City.

The initial term of the Bass Pro Lease is 20 years. Bass Pro has various renewal options under the lease agreement. During the initial 20 year term, Bass Pro is required to pay the City "Percentage Rent" rent equal to 2% of "Gross Sales" as defined in the Bass Pro Lease except that the "Minimum Percentage Rent" will not be less than of \$1,000,000 during each year of the initial term. During any of the nine one-year renewal options, Bass Pro will pay rent equal to \$10 per year provided the TIF bond financing provided by the City in a maximum of \$35,000,000 has been paid in full, or until the expiration of the third one year renewal option (whichever occurs first), Bass Pro shall be obligated to pay \$1,000,000 per year to the City. During any of the three five year renewal options, Bass Pro will pay rent equal to 1% of "Gross Sales" as defined in the lease agreement. .

Under the Bass Pro Lease, Bass Pro has the option to purchase the Bass Pro Store at the expiration of the 20 year initial term and at the expiration of any renewal option for a purchase price equal to 90% of the fair market value thereof as a determined by an appraisal.

The total amount of all bonds to be issued by the Board for this project is expected to be approximately \$90,000,000. Proceeds of the bonds will fund reimbursable redevelopment project costs that are currently estimated to be approximately \$73,600,000, plus all financing costs, capitalized interest, credit enhancement costs, if any, and adequate reserves.

Although grading of the site has commenced, no construction of any buildings has commenced. Construction of the Bass Pro retail store is subject to delivery of the Pad for the Bass Pro store, pursuant to the terms and conditions of the Bass Pro Lease. The City delivered the Pad to Bass Pro concurrently with the delivery of the Bonds. Under the terms of the lease, Bass Pro must begin payments of rent to the City at the end of the Construction Period (a period of 455 days subsequent to delivery of the Pad) which will occur on June 28, 2007.

Also under the Lease the City is required to construct at its cost and expense, concurrently with the construction of the Bass Pro Store an approximate 15-acre lake and an additional wilderness habitat

CITY OF INDEPENDENCE, MISSOURI

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area of approximately 15 acres. The City park will include a waterfall and present a unique natural setting. The City is obligated to complete the lake and park no later than the opening of the Bass Pro Store. The City is also responsible for constructing and making available to Bass Pro 600 parking space adjacent to the Bass Pro Store.

A summary of the minimum rental payments due for this operating lease are as follows:

<u>Year</u>	<u>Amount</u>
2007	\$ 1,000,000
2008	1,000,000
2009	1,000,000
2010	1,000,000
2011	1,000,000
2012-2015	5,000,000
2016-2020	5,000,000
2021-2025	<u>5,000,000</u>
Total	<u><u>\$ 20,000,000</u></u>

(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, 2006 were \$292,270.

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, 2006 were \$145,152.

(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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

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 8.7% (general), 8.1% (police), and 13.2% (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 2006, the City's annual pension cost of \$5,432,144 was equal to the required and actual contribution. The required contribution was determined as part of the February 29, 2004 and/or February 28, 2005 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 6.0% per year, depending on age, attributable to seniority/merit;
- (d) preretirement mortality based on the RP-2000 Combined Healthy Table, set back 0 years for men and women; 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 28, 2006 was 15 years.

See Exhibit 11 for Schedule of Funding Progress and Employer Contributions for the years ended 2006, 2005, and 2004.

(10) 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 2006, expenditures of approximately \$3,679,553 were recognized for postemployment healthcare. The City has approximately 553 participants currently eligible to receive benefits.

(11) 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

CITY OF INDEPENDENCE, MISSOURI

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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 occurrence, covers medical claims in excess of \$600,000 per occurrence, except for Power and Light, in which case the policy covers 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. Estimated workers' compensation claims incurred but not reported are accrued as liabilities in the various funds with worker's compensation expenditures.

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 \$200,000 and aggregate claims in excess of \$14,000,000. The portion of premiums paid by the City, totaling \$9,985,334 are reflected as expenditures/expenses of the various funds and premium revenue in the Staywell Health Care (Internal Service) Fund. Healthcare estimated claims incurred but not reported are accrued as a liability in the Internal Service Fund.

Changes in the balances of the workers' compensation and health care claims liability during the last two years are as follows:

	Workers' Compensation Claims		Medical Claims	
	2006	2005	2006	2005
Beginning of year	\$ 250,600	\$ 192,371	\$ 1,119,765	\$ 871,093
Incurred	1,665,750	2,184,048	11,240,694	10,787,658
Paid	(1,688,715)	(2,125,819)	(10,971,357)	(10,538,986)
End of year	<u>\$ 227,635</u>	<u>\$ 250,600</u>	<u>\$ 1,389,102</u>	<u>\$ 1,119,765</u>

(12) Commitments

Construction Commitments

At June 30, 2006, the City had commitments of approximately \$27,738,350 to complete construction contracts. Of this amount, \$10,270,840 relates to the enterprise funds.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

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.

In June 2006, the City entered into a unit power purchase agreement with the Missouri Joint Municipal Electric Utility Commission (MJMEUC). Under this agreement, the City will purchase a 50% share (approximately 50 megawatts) of MJMEUC's ownership share of a new nominal 850 megawatt Iatan 2 coal-fired generating unit to be built at KCPL's existing power station site in Weston, Missouri. The agreement provides that KCPL will be the owner/operator of the unit. MJMEUC will sell the City's share of the output on a cost-based approach. The City will be responsible for payment of its share of the fixed operation and maintenance costs, the variable operating costs including fuel, renewals and replacements of the unit and related administrative costs incurred by MJMEUC. The unit is currently scheduled to begin commercial operation in 2010. 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. Payment obligations on this project are not expected to begin until the unit begins commercial operation in 2010.

Cooperative Agreement – Jackson County

The City and Jackson County, Missouri have entered into a cooperative agreement of approximately \$4,000,000 to obtain funding under the County's 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, 2006, the City has requested reimbursement from the County of approximately \$2.4 million related to construction project cost reimbursements under this agreement.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

Litigation

The City is involved in lawsuits arising in the ordinary course of activities, including claims regarding construction contract issues, personal injury and discriminatory personnel practices, property condemnation proceedings, and suits contesting the legality of certain taxes. While these cases may have future financial effect, management, based on advice of counsel, believes that their ultimate outcome will not be material to the basic financial statements.

(13) Deficits

The accumulated deficit in the nonmajor Storm Drainage Fund, in the amount of \$16,155, will be eliminated by future revenues or transfers. The accumulated deficit in the Sterling Village TIF fund, in the amount of \$135, will be eliminated by future tax increment financing revenues.

(14) Fund Equity

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

	Governmental Funds			Total
	General	Street Improvements	Nonmajor	
Fund balances:				
Reserved for:				
Encumbrances	\$ 1,257,926	\$ 7,476,210	\$ 13,310,190	\$ 22,044,326
Debt service	223,997	-	220	224,217
Protested revenues	258,003	-	-	258,003
Domestic violence	16,113	-	-	16,113
Total fund balances reserved	<u>1,756,039</u>	<u>7,476,210</u>	<u>13,310,410</u>	<u>22,542,659</u>
Unreserved:				
Designated for:				
Police equipment	135,741	-	844	136,585
Capital projects	238,993	-	2,870,650	3,109,643
Strategic goal	633,368	-	-	633,368
TIF distribution	648,293	-	-	648,293
Homeland security	18,582	-	-	18,582
Amoco settlement	54,500	-	-	54,500
Debt service	900,000	-	-	900,000
Permanent fund	-	-	5,000	5,000
Total fund balances designated	<u>2,629,477</u>	<u>-</u>	<u>2,876,494</u>	<u>5,505,971</u>
Undesignated	<u>3,399,529</u>	<u>(8,546,856)</u>	<u>9,333,937</u>	<u>4,186,610</u>
Total fund equity	<u>\$ 7,785,045</u>	<u>\$ (1,070,646)</u>	<u>\$ 25,520,841</u>	<u>\$ 32,235,240</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2006

(15) Prior Period Adjustment and Change in Financial Presentation

For the year ended June 30, 2006, management determined that the following adjustments were to be made to the opening net assets:

1. The implementation of the infrastructure related reporting requirements of GASB Statement No. 34 resulted in increases to net assets for the governmental activities.
2. Certain amounts due to the City's Sanitary Sewer Fund related to a local intergovernmental project reimbursement agreement had not been recorded.
3. Certain liabilities related to TIF (Tax Increment Financing) developer obligations had not been recorded in prior years.

A summary of these changes is described below:

	Governmental Activities	Business-type Activities	Discretely Presented Component Unit
Beginning net assets (deficit), as originally reported	\$ 122,409,342	\$ 306,552,132	\$ (52,559,877)
Infrastructure capital assets, net of depreciation	24,134,115	-	-
Intergovernmental agreement	-	592,019	-
TIF developer obligations	-	-	(1,594,979)
Beginning net assets (deficit), as restated	<u>\$ 146,543,457</u>	<u>\$ 307,144,151</u>	<u>\$ (54,154,856)</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Budgetary Comparison Schedules

Year ended June 30, 2006

(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, Tourism, Community Development Block Grant, Rental Rehabilitation, Street Improvement Sales Tax, Park Sales Tax, Stormwater Sales Tax, Police Public Safety Sales Tax, Fire Public Safety Sales Tax and Grant 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.

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

General Fund

Year ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 31,604,220	31,604,220	31,651,693	47,473
Licenses and permits	4,581,408	4,581,408	4,530,988	(50,420)
Grants – federal and state	62,393	62,700	72,953	10,253
State and county shared revenue	5,667,974	5,667,974	5,356,587	(311,387)
Charges for current services	1,293,474	1,293,474	2,056,165	762,691
Interfund charges for support services	2,795,350	2,795,350	2,949,682	154,332
Fines and forfeitures	3,736,362	3,736,362	4,023,981	287,619
Other revenue	634,150	778,353	930,587	152,234
Total revenues	50,375,331	50,519,841	51,572,636	1,052,795
Other financing sources:				
Payments in lieu of taxes	11,879,512	11,879,512	12,624,861	745,349
Transfers in	—	—	16,122	16,122
Total other financing sources	11,879,512	11,879,512	12,640,983	761,471
Total revenues and other financing resources	62,254,843	62,399,353	64,213,619	1,814,266
Expenditures:				
City Council	354,366	378,916	378,821	95
City Clerk	417,900	436,100	436,038	62
City Manager	724,173	751,673	751,060	613
National Frontier Trails Center	337,625	338,400	338,386	14
Technology services	1,544,424	1,585,356	1,584,233	1,123
Municipal court	683,459	683,459	679,507	3,952
Law	621,377	623,177	623,158	19
Finance	1,638,272	1,674,071	1,659,205	14,866
Human resources	484,431	484,431	469,697	14,734
Community development	2,547,033	2,562,033	2,461,373	100,660
Police	19,421,996	19,895,744	19,892,356	3,388
Fire	13,478,138	13,636,537	13,617,843	18,694
Health	2,135,105	2,135,105	2,041,426	93,679
Public works	6,607,912	6,607,912	6,607,472	440
Water pollution control	296,739	296,739	295,509	1,230
Parks and recreation	2,052,914	2,052,914	1,980,238	72,676
General government	7,283,910	6,768,753	6,192,951	575,802
City Council strategic goals	350,000	888,796	431,100	457,696
Debt service	91,262	91,262	91,261	1
Capital outlay	1,041,450	1,579,321	930,998	648,323
Total expenditures	62,112,486	63,470,699	61,462,632	2,008,067
Other financing uses – transfers out	142,357	142,357	106,951	35,406
Total expenditures and other financing uses	62,254,843	63,613,056	61,569,583	2,043,473
Excess of revenue and other financing resources over expenditures and other financing uses	\$ —	(1,213,703)	2,644,036	3,877,441
Undesignated fund balance at beginning of year			1,903,961	
Cancellation of prior year encumbrances			191,743	
Decrease in other fund balance components during the year			(1,340,211)	
Undesignated fund balance at end of year			\$ 3,399,529	

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

General Fund

Year ended June 30, 2006

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:

	<u>General Fund</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 64,213,619
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 64,213,619</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 61,462,632
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget	(1,179,682)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year	<u>886,328</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds (GAAP basis)	<u>\$ 61,169,278</u>

CITY OF INDEPENDENCE, MISSOURI
 Schedule of Funding Progress and Employer Contributions
 Retirement Plan

Schedule of Funding Progress:

<u>Actuarial valuation date</u>	<u>(a) Actuarial value of assets</u>	<u>(b) Entry-age actuarial accrued liability</u>	<u>(b) – (a) Unfunded (assets in excess of) accrued liability (UAL)</u>	<u>(a)/(b) Funded ratio</u>	<u>(c) Annual covered payroll</u>	<u>(b) – (a)/(c) UAL as a percentage of covered payroll</u>
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%
February 28, 2006	143,965,379	140,859,132	(3,106,247)	102%	55,394,891	-6%

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, 2006 annual valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact LAGERS' office in Jefferson City.

Schedule of Employer Contributions:

	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
Fiscal year ending:			
June 30, 2004	\$ 4,192,623	100	—
June 30, 2005	4,849,276	100	—
June 30, 2006	5,432,144	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.

Park Improvement Sales Tax Fund – This fund accounts for all park projects that are funded by the one-quarter cent park 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.

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.

CITY OF INDEPENDENCE, MISSOURI

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

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.

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2006

Assets	Special Revenue (Exhibit 14)	Capital Projects (Exhibit 27)	Permanent Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Pooled cash and investments	\$ 18,915,893	27,365	14,220	—	18,957,478
Receivables:					
Taxes	3,127,667	—	—	—	3,127,667
Accounts	22,650	612	—	—	23,262
Special assessment principal and accrued interest	—	—	—	1,401,330	1,401,330
Accrued interest	270,611	—	—	—	270,611
Due from other funds	4,622,496	—	—	—	4,622,496
Due from component unit	16,500	—	—	—	16,500
Due from other governments	721,459	4,705,198	—	—	5,426,657
Restricted assets	220	—	—	94,000	94,220
Total assets	<u>\$ 27,697,496</u>	<u>4,733,175</u>	<u>14,220</u>	<u>1,495,330</u>	<u>33,940,221</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts and contracts payable	\$ 1,635,814	3,727	—	—	1,639,541
Due to other funds	486,528	4,718,239	—	8,007	5,212,774
Accrued items	50,772	—	—	—	50,772
Other current liabilities	11,816	—	—	—	11,816
Deferred revenue	103,454	—	—	1,401,023	1,504,477
Total liabilities	<u>2,288,384</u>	<u>4,721,966</u>	<u>—</u>	<u>1,409,030</u>	<u>8,419,380</u>
Fund balances:					
Reserved for:					
Encumbrances	11,158,517	2,151,673	—	—	13,310,190
Other purposes	220	—	—	—	220
Unreserved, reported in:					
Special revenue funds	14,250,375	—	—	—	14,250,375
Debt service funds	—	—	—	86,300	86,300
Capital projects funds	—	(2,140,464)	—	—	(2,140,464)
Permanent fund	—	—	14,220	—	14,220
Total fund balances	<u>25,409,112</u>	<u>11,209</u>	<u>14,220</u>	<u>86,300</u>	<u>25,520,841</u>
Total liabilities and fund balances	<u>\$ 27,697,496</u>	<u>4,733,175</u>	<u>14,220</u>	<u>1,495,330</u>	<u>33,940,221</u>

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Governmental Funds

Year ended June 30, 2006

	Special Revenue (Exhibit 15)	Capital Projects (Exhibit 28)	Permanent Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 20,644,084	—	—	—	20,644,084
Licenses and permits	542,956	—	—	—	542,956
Intergovernmental	3,958,800	6,190,699	—	—	10,149,499
Charges for services	754,857	—	—	103,386	858,243
Investment income	1,087,378	784	604	4,219	1,092,985
Other	39,136	612	—	—	39,748
Total revenues	<u>27,027,211</u>	<u>6,192,095</u>	<u>604</u>	<u>107,605</u>	<u>33,327,515</u>
Expenditures:					
Current:					
Administrative services	46,507	—	—	—	46,507
Public safety	5,650,296	—	—	—	5,650,296
Health and welfare	562,450	—	—	—	562,450
Culture and recreation	2,647,822	—	—	—	2,647,822
Community development	1,355,646	—	—	—	1,355,646
Storm water	846,557	—	—	—	846,557
General government	120,123	—	—	1,037	121,160
Capital outlay	17,679,814	7,613,443	—	—	25,293,257
Debt service:					
Principal	2,725,000	—	—	58,000	2,783,000
Interest and fiscal agent fees	855,496	—	—	54,546	910,042
Total expenditures	<u>32,489,711</u>	<u>7,613,443</u>	<u>—</u>	<u>113,583</u>	<u>40,216,737</u>
Excess (deficiency) of revenues over expenditures	<u>(5,462,500)</u>	<u>(1,421,348)</u>	<u>604</u>	<u>(5,978)</u>	<u>(6,889,222)</u>
Other financing sources (uses):					
Transfers in	7,039	1,512,097	—	—	1,519,136
Transfers out	(968,506)	—	—	—	(968,506)
Total other financing sources (uses)	<u>(961,467)</u>	<u>1,512,097</u>	<u>—</u>	<u>—</u>	<u>550,630</u>
Net change in fund balances	<u>(6,423,967)</u>	<u>90,749</u>	<u>604</u>	<u>(5,978)</u>	<u>(6,338,592)</u>
Fund balances (deficit), beginning	31,833,079	(79,540)	13,616	92,278	31,859,433
Fund balances, ending	<u>\$ 25,409,112</u>	<u>11,209</u>	<u>14,220</u>	<u>86,300</u>	<u>25,520,841</u>

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2006

Assets	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 25)	License Surcharge	Grants	Total
Pooled cash and investments	\$ 3	1,051	—	—	15,687,184	3,227,654	1	18,915,893
Receivables:								
Taxes	90,000	863	—	—	3,036,804	—	—	3,127,667
Accounts	—	—	—	—	—	—	22,650	22,650
Accrued interest	—	—	—	—	218,967	51,644	—	270,611
Due from other funds	1,133,485	—	—	—	3,489,011	—	—	4,622,496
Due from component unit	—	—	—	—	16,500	—	—	16,500
Due from other governments	68,333	—	188,392	102,295	—	—	362,439	721,459
Restricted assets	—	—	—	—	220	—	—	220
Total assets	<u>\$ 1,291,821</u>	<u>1,914</u>	<u>188,392</u>	<u>102,295</u>	<u>22,448,686</u>	<u>3,279,298</u>	<u>385,090</u>	<u>27,697,496</u>
Liabilities and Fund Balances								
Liabilities:								
Accounts and contracts payable	\$ 144,325	—	378	2,003	1,439,116	—	49,992	1,635,814
Due to other funds	—	—	184,348	86,306	—	—	215,874	486,528
Accrued items	6,729	—	3,666	2,166	22,954	—	15,257	50,772
Other current liabilities	—	—	—	11,816	—	—	—	11,816
Deferred revenue	—	—	—	—	—	—	103,454	103,454
Total liabilities	<u>151,054</u>	<u>—</u>	<u>188,392</u>	<u>102,291</u>	<u>1,462,070</u>	<u>—</u>	<u>384,577</u>	<u>2,288,384</u>
Fund balances:								
Reserved for:								
Encumbrances	108,399	—	392,995	205,311	10,329,496	—	122,316	11,158,517
Other purposes	—	—	—	—	220	—	—	220
Unreserved, reported in:								
Special revenue funds	1,032,368	1,914	(392,995)	(205,307)	10,656,900	3,279,298	(121,803)	14,250,375
Total fund balances	<u>1,140,767</u>	<u>1,914</u>	<u>—</u>	<u>4</u>	<u>20,986,616</u>	<u>3,279,298</u>	<u>513</u>	<u>25,409,112</u>
Total liabilities and fund balances	<u>\$ 1,291,821</u>	<u>1,914</u>	<u>188,392</u>	<u>102,295</u>	<u>22,448,686</u>	<u>3,279,298</u>	<u>385,090</u>	<u>27,697,496</u>

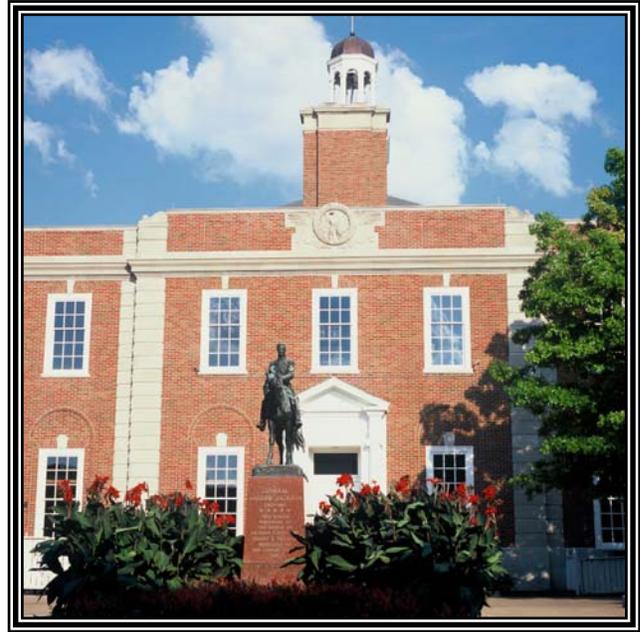
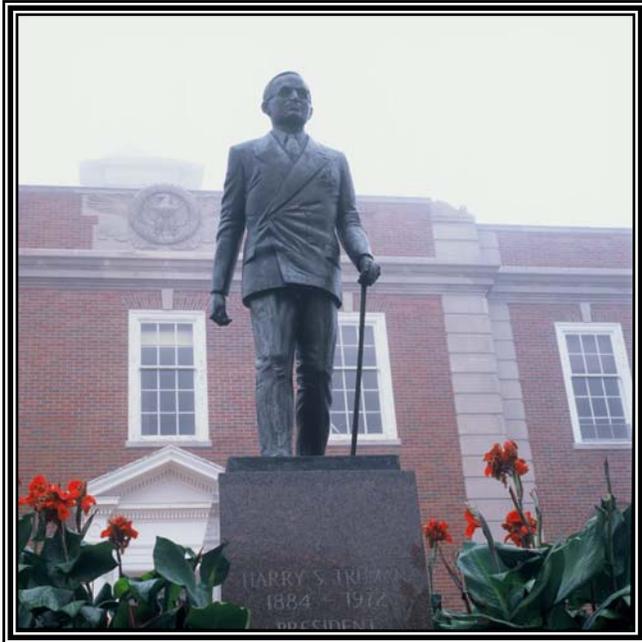
CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Special Revenue Funds

Year ended June 30, 2006

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Combined Sales Tax Funds (Exhibit 26)	License Surcharge	Grants	Total
Revenues:								
Taxes	\$ 1,000,809	20,586	—	—	19,622,689	—	—	20,644,084
Licenses and permits	—	—	—	—	—	542,956	—	542,956
Intergovernmental	121,632	—	802,830	570,166	247,067	—	2,217,105	3,958,800
Charges for services	375	—	—	—	661,172	—	93,310	754,857
Investment income	43,429	487	—	—	921,126	121,947	389	1,087,378
Other	5,068	—	—	—	13,282	—	20,786	39,136
Total revenues	1,171,313	21,073	802,830	570,166	21,465,336	664,903	2,331,590	27,027,211
Expenditures:								
Current:								
Administrative services	—	—	—	—	—	—	46,507	46,507
Public safety	—	—	—	—	4,244,855	—	1,405,441	5,650,296
Health and welfare	—	—	—	—	—	—	562,450	562,450
Culture and recreation	885,954	—	—	—	1,617,868	—	144,000	2,647,822
Community development	—	—	779,529	576,117	—	—	—	1,355,646
Storm water	—	—	—	—	846,557	—	—	846,557
General government	—	—	—	—	28,190	—	91,933	120,123
Capital outlay	—	23,375	—	—	17,656,439	—	—	17,679,814
Debt service:								
Principal	—	—	—	—	2,725,000	—	—	2,725,000
Interest and fiscal agent fees	—	—	—	—	855,496	—	—	855,496
Total expenditures	885,954	23,375	779,529	576,117	27,974,405	—	2,250,331	32,489,711
Excess (deficiency) of revenues over expenditures	285,359	(2,302)	23,301	(5,951)	(6,509,069)	664,903	81,259	(5,462,500)
Other financing sources (uses):								
Transfers in	—	—	—	5,951	1,088	—	—	7,039
Transfers out	—	—	(23,301)	—	(679,343)	(184,293)	(81,569)	(968,506)
Total other financing sources (uses)	—	—	(23,301)	5,951	(678,255)	(184,293)	(81,569)	(961,467)
Net change in fund balances	285,359	(2,302)	—	—	(7,187,324)	480,610	(310)	(6,423,967)
Fund balances, beginning	855,408	4,216	—	4	28,173,940	2,798,688	823	31,833,079
Fund balances, ending	\$ 1,140,767	1,914	—	4	20,986,616	3,279,298	513	25,409,112



Jackson County Courthouse on
The Independence Square

Upper lefthand corner Harry S Truman statue
East side of Courthouse

Lower lefthand corner Andrew Jackson statue
West side of Courthouse

Pictures courtesy of Herb Webb

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Tourism Fund

Year ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Transient guest taxes	\$ 840,000	840,000	1,000,809	160,809
Interest	11,250	11,250	43,429	32,179
Grants – federal, state, and local	—	122,857	121,632	(1,225)
Other revenue	13,500	13,500	5,443	(8,057)
Total revenues	864,750	987,607	1,171,313	183,706
Expenditures:				
Tourism	778,198	920,905	919,440	1,465
Total expenditures	778,198	920,905	919,440	1,465
Excess of revenues and other financing sources over expenditures and other financing uses	\$ 86,552	66,702	251,873	185,171
Undesignated fund balance at beginning of year			567,785	
Cancellation of prior year encumbrances			70	
Increase in other fund balance components during the year (1)			(181,138)	
Undesignated fund balance at end of year			\$ 638,590	

- (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.

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Tourism Fund

Year ended June 30, 2006

	Tourism Fund
	<u> </u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 1,171,313
Basis differences – budget to GAAP:	
None	<u> </u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 1,171,313</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 919,440
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(86,165)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	52,679
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 885,954</u>

(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.

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Comparison Schedule
 Community Development Block Grant Fund
 Year ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Federal grant - CDBG	\$ 862,847	862,847	802,830	(60,017)
Total revenues	862,847	862,847	802,830	(60,017)
Other financing sources:				
Transfers in	—	—	—	—
Total other financing resources	—	—	—	—
Total revenues and other sources	862,847	862,847	802,830	(60,017)
Expenditures:				
CDBG administration	172,569	277,257	262,644	14,613
CDBG expenditures	—	840,540	616,877	(223,663)
Public facilities and improvements	—	1,891	29,715	27,824
Commercial facade program	58,798	308,388	263,288	(45,100)
Total expenditures	231,367	1,428,076	1,172,524	(226,326)
Other financing uses:				
Transfers out	—	111,924	23,301	88,623
Total other financing uses	—	111,924	23,301	88,623
Total expenditures and other uses	231,367	1,540,000	1,195,825	(137,703)
Excess of revenue and other financing sources over expenditures and other financing uses	\$ 631,480	(677,153)	(392,995)	284,157
Undesignated fund balance at beginning of year			(225,816)	
Cancellation of prior year encumbrances			—	
Decrease (increase) in other fund balance components during the year			225,816	
Undesignated fund balance at end of year			\$ (392,994)	

(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
 Community Development Block Grant Fund
 Year ended June 30, 2006

	Community Development Block Grant
	<u> </u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 802,830
Basis differences – budget to GAAP:	
None	<u> —</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 802,830</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 1,172,524
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(392,995)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u> —</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 779,529</u>

(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.

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Rental Rehabilitation

Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget Over Under
	Original	Final		
Revenues:				
HOME program grant	\$ 483,729	483,729	570,166	86,437
Total revenues	<u>483,729</u>	<u>483,729</u>	<u>570,166</u>	<u>86,437</u>
Other financing sources:				
Transfers in	—	—	5,951	5,951
Total other financing sources	<u>—</u>	<u>—</u>	<u>5,951</u>	<u>5,951</u>
Total revenues and other sources	<u>483,729</u>	<u>483,729</u>	<u>576,117</u>	<u>92,388</u>
Expenditures:				
HOME administration	48,372	48,373	44,174	4,199
Multi family housing	—	537,120	283,200	(253,920)
Single family housing	—	497,509	151,200	(346,309)
Community housing development	—	382,955	302,855	(80,100)
Total expenditures	<u>48,372</u>	<u>1,465,957</u>	<u>781,429</u>	<u>(676,130)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	\$ <u>435,357</u>	<u>(982,228)</u>	<u>(205,312)</u>	<u>776,916</u>
Undesignated fund balance at beginning of year			(461,836)	
Cancellation of prior year encumbrances			—	
Decrease (increase) in other fund balance components during the year (1)			461,840	
Undesignated fund balance at end of year			\$ <u><u>(205,307)</u></u>	

(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.

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Rental Rehabilitation

Year ended June 30, 2006

	<u>Rental Rehabilitation</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 570,166
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u><u>\$ 570,166</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 781,429
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(205,312)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u><u>\$ 576,117</u></u>

(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.

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Comparison Schedule
 Street Improvements Sales Tax Fund
 Year ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budget Basis)</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales taxes	\$ 6,174,161	6,174,161	5,869,719	(304,442)
Interest	82,000	82,000	245,878	163,878
Other revenue			33,283	33,283
Total revenues	<u>6,256,161</u>	<u>6,256,161</u>	<u>6,148,880</u>	<u>(107,281)</u>
Other Financing sources:				
Transfers in	—	—	—	—
Proceeds from bond issuance	—	—	—	—
Total other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues and other financing sources	<u>6,256,161</u>	<u>6,256,161</u>	<u>6,148,880</u>	<u>(107,281)</u>
Expenditures:				
General Government	13,125	13,125	7,547	(5,578)
Capital outlay	15,594,751	18,711,370	9,008,607	(9,702,763)
Debt service	—	—	1,355,936	1,355,936
Total expenditures	<u>15,607,876</u>	<u>18,724,495</u>	<u>10,372,090</u>	<u>(8,352,405)</u>
Other financing uses:				
Transfers out	—	—	—	—
Total other financing uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures and other financing uses	<u>15,607,876</u>	<u>18,724,495</u>	<u>10,372,090</u>	<u>(8,352,405)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	\$ <u>(9,351,715)</u>	<u>(12,468,334)</u>	<u>(4,223,210)</u>	<u>8,245,124</u>
Undesignated fund balance at beginning of year			2,880,807	
Cancellation of prior year encumbrances				
Decrease (increase) in other fund balance components during the year (1)			145,753	
Undesignated fund balance at end of year			\$ <u>(1,196,650)</u>	

(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 19.1**CITY OF INDEPENDENCE, MISSOURI**

Budgetary Basis Reconciliation Schedule

Street Improvements Sales Tax Fund

Year ended June 30, 2006

	Streets Improvements Sales Tax
	<u> </u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 6,148,880
Basis differences – budget to GAAP:	
None	<u> —</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 6,148,880</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 10,372,090
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year's budget (1)	—
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	<u> —</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 10,372,090</u>

- (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.

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Comparison Schedule
 Park Improvements Sales Tax Fund
 Year ended June 30, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final
			(Budget Basis)	Budget
				Over
				Under
Revenues:				
Sales taxes	\$ 3,997,783	3,997,783	3,762,542	(235,241)
Public health and recreation	—	480,400	655,889	175,489
Adventure Oasis Water Park	404,400	—	—	—
Other revenue	174,500	174,500	28,353	(146,147)
Total revenues	<u>4,576,683</u>	<u>4,652,683</u>	<u>4,446,784</u>	<u>(205,899)</u>
Other financing sources:				
Transfers in	—	—	—	—
Proceeds from bond issuance	—	—	—	—
Total other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues and other financing sources	<u>4,576,683</u>	<u>4,652,683</u>	<u>4,446,784</u>	<u>(205,899)</u>
Expenditures:				
Health and welfare	1,886,651	1,962,651	1,732,551	230,100
General Government	8,750	8,750	5,031	3,719
Capital outlay	3,922,930	5,582,930	2,686,848	2,896,082
Debt service	1,165,001	1,165,001	1,164,220	781
Total expenditures	<u>6,983,332</u>	<u>8,719,332</u>	<u>5,588,650</u>	<u>3,130,682</u>
Other financing uses:				
Transfers out	—	—	—	—
Total other financing uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures and other financing uses	<u>6,983,332</u>	<u>8,719,332</u>	<u>5,588,650</u>	<u>3,130,682</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ (2,406,649)</u>	<u>(4,066,649)</u>	<u>(1,141,866)</u>	<u>2,924,783</u>
Undesignated fund balance at beginning of year			457,584	
Cancellation of prior year encumbrances			2,079	
Decrease (increase) in other fund balance components during the year (1)			(828,539)	
Undesignated fund balance at end of year			<u>\$ (1,510,742)</u>	

(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.

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Basis Reconciliation Schedule
 Park Improvements Sales Tax Fund
 Year ended June 30, 2006

	<u>Park Improvements Sales Tax</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 446,784
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>446,784</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 5,588,650
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(208,681)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	93,998
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>5,473,967</u></u>

(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.

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Comparison Schedule
 Storm Water Sales Tax Fund
 Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Sales taxes	\$ 3,997,783	3,997,783	3,906,388	(91,395)
Grants - federal, state and local	—	—	231,067	231,067
Interest	294,000	294,000	341,847	47,847
Other revenue	—	—	5,678	5,678
Total revenues	<u>4,291,783</u>	<u>4,291,783</u>	<u>4,484,980</u>	<u>193,197</u>
Other financing sources:				
Transfers in	—	—	1,088	1,088
Proceeds from bond issuance	—	—	—	—
Total other financing sources	<u>—</u>	<u>—</u>	<u>1,088</u>	<u>1,088</u>
Total revenues and other financing sources	<u>4,291,783</u>	<u>4,291,783</u>	<u>4,486,068</u>	<u>194,285</u>
Expenditures:				
Storm water administration	290,981	290,981	141,039	149,942
Storm water maintenance	994,858	994,858	610,345	384,513
Storm water permit completion	185,550	185,550	181,363	4,187
General Government	8,750	8,750	5,031	3,719
Capital outlay	7,757,021	7,757,021	3,894,900	3,862,121
Debt service	—	—	—	—
Total expenditures	<u>9,237,160</u>	<u>9,237,160</u>	<u>4,832,678</u>	<u>4,404,482</u>
Other financing uses:				
Transfers out	—	—	—	—
Total other financing uses	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total expenditures and other financing uses	<u>9,237,160</u>	<u>9,237,160</u>	<u>4,832,678</u>	<u>4,404,482</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ (4,945,377)</u>	<u>(4,945,377)</u>	<u>(346,610)</u>	<u>4,598,767</u>
Undesignated fund balance at beginning of year			5,897,947	
Cancellation of prior year encumbrances			44,109	
Decrease (increase) in other fund balance components during the year (1)			1,761,615	
Undesignated fund balance at end of year			<u>\$ 7,357,061</u>	

(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.

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Storm Water Sales Tax Fund

Year ended June 30, 2006

	<u>Storm Water Sales Tax</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 4,484,980
Basis differences – budget to GAAP:	
None	<u> —</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u><u>\$ 4,484,980</u></u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 4,832,678
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(136,893)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	50,703
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u><u>\$ 4,746,488</u></u>

(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.

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Comparison Schedule
 Police Public Safety Sales Tax Fund
 Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Sales taxes	\$ 2,108,064	2,108,064	2,107,959	(105)
Other revenue	58,000	58,000	137,038	79,038
Total revenues	<u>2,166,064</u>	<u>2,166,064</u>	<u>2,244,997</u>	<u>78,933</u>
Other financing sources:				
Transfers in	—	—	—	—
Proceeds from bond issuance	—	—	—	—
Total other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues and other financing sources	<u>2,166,064</u>	<u>2,166,064</u>	<u>2,244,997</u>	<u>78,933</u>
Expenditures:				
Communications	513,417	513,417	169,839	343,578
Facilities	170,000	481,065	1,278,520	(797,455)
Equipment	1,648,632	1,882,508	1,366,482	516,026
General Government	4,375	4,375	2,515	1,860
Debt service	517,763	517,763	515,955	1,808
Total expenditures	<u>2,854,187</u>	<u>3,399,128</u>	<u>3,333,311</u>	<u>65,817</u>
Other financing uses:				
Transfers out	443,938	443,938	321,408	122,530
Total other financing uses	<u>443,938</u>	<u>443,938</u>	<u>321,408</u>	<u>122,530</u>
Total expenditures and other financing sources	<u>3,298,125</u>	<u>3,843,066</u>	<u>3,654,719</u>	<u>188,347</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ (1,132,061)</u>	<u>(1,677,002)</u>	<u>(1,409,722)</u>	<u>267,280</u>
Undesignated fund balance at beginning of year			3,561,456	
Cancellation of prior year encumbrances			31,029	
Decrease (increase) in other fund balance components during the year (1)			13,884	
Undesignated Fund Balance at end of year			<u>\$ 2,196,647</u>	

(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.

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Basis Reconciliation Schedule
 Police Public Safety Sales Tax Fund
 Year ended June 30, 2006

	Police Public Safety Sales Tax
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 2,244,997
Basis differences – budget to GAAP:	
None	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ 2,244,997
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 3,333,311
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(1,389,755)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	133,353
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ 2,076,909

(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.

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Comparison Schedule
 Fire Public Safety Sales Tax Fund
 Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Sales taxes	\$ 3,997,783	3,997,783	3,976,081	(21,702)
Other revenue	58,000	58,000	163,614	105,614
Total revenues	4,055,783	4,055,783	4,139,695	83,912
Other financing sources:				
Transfers in	—	—	—	—
Proceeds from bond issuance	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	4,055,783	4,055,783	4,139,695	83,912
Expenditures:				
Fire public safety sales tax	2,338,070	2,338,070	1,289,455	1,048,615
General government	8,750	8,750	5,031	3,719
Capital outlay	3,501,457	3,501,457	2,066,083	1,435,374
Debt service	551,913	551,913	548,771	3,142
Total expenditures	6,400,190	6,400,190	3,909,340	2,490,850
Other financing uses:				
Transfers out	493,937	493,937	357,935	136,002
Total other financing uses	493,937	493,937	357,935	136,002
Total expenditures and other financing sources	6,894,127	6,894,127	4,267,275	2,626,852
Excess of revenues and other financing sources over expenditures and other financing uses	\$ (2,838,344)	(2,838,344)	(127,580)	2,710,764
Undesignated fund balance at beginning of year			1,461,545	
Cancellation of prior year encumbrances			805	
Decrease (increase) in other fund balance components during the year (1)			1,652,182	
Undesignated fund balance at end of year			\$ 2,986,952	

(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.

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Basis Reconciliation Schedule
 Fire Public Safety Sales Tax Fund
 Year ended June 30, 2006

	<u>Fire Public Safety Sales Tax</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 4,139,695
Basis differences – budget to GAAP:	
None	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 4,139,695</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 3,909,340
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(676,370)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	2,071,981
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 5,304,951</u>

(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.

CITY OF INDEPENDENCE, MISSOURI
 Budgetary Comparison Schedule
 Grants Fund
 Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts (Budget Basis)	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Grants and other shared revenue	\$ 1,228,435	3,127,805	2,217,105	(910,700)
Charges for current services	60,000	93,309	93,309	—
Interest income and other revenue	5,688	58,626	21,176	(37,450)
Total revenues	<u>1,294,123</u>	<u>3,279,740</u>	<u>2,331,590</u>	<u>(948,150)</u>
Other financing sources:				
Transfers in	—	—	—	—
Total other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues and other financing sources	<u>1,294,123</u>	<u>3,279,740</u>	<u>2,331,590</u>	<u>(948,150)</u>
Expenditures:				
Law department	59,640	71,911	46,507	25,404
Police department	761,284	1,741,614	1,379,015	(362,599)
Fire department	44,780	117,398	108,360	(9,038)
Health department	428,419	1,063,952	602,832	(461,120)
Community development	—	141,233	91,933	(49,300)
Culture and recreation	—	144,000	144,000	—
Total expenditures	<u>1,294,123</u>	<u>3,280,108</u>	<u>2,372,647</u>	<u>(856,653)</u>
Other financing uses:				
Transfers out	—	—	81,569	(81,569)
Total other financing uses	<u>—</u>	<u>—</u>	<u>81,569</u>	<u>(81,569)</u>
Total expenditures and other financing uses	<u>1,294,123</u>	<u>3,280,108</u>	<u>2,454,216</u>	<u>(938,222)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ —</u>	<u>(368)</u>	<u>(122,626)</u>	<u>(122,258)</u>
Undesignated fund balance at beginning of year			(504,814)	
Cancellation of prior year encumbrances			—	
Decrease (increase) in other fund balance components during the year (1)			504,792	
Undesignated fund balance at end of year			<u>\$ (122,647)</u>	

(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.

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Grants Fund

Year ended June 30, 2006

	<u>Grants</u>
Sources/inflows of resources:	
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	\$ 2,331,590
Basis differences – budget to GAAP:	
None	—
	<hr/>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u>2,331,590</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	\$ 2,372,647
Basis differences – budget to GAAP:	
Outstanding encumbrances at year-end charged to the current year’s budget (1)	(122,316)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)	—
	<hr/>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u>2,250,331</u>

- (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.

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Sales Tax Funds

June 30, 2006

Assets	Street Sales Tax	Parks Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 14)
Pooled cash and investments	\$ 3,570,106	85,986	8,555,219	2,487,892	987,981	15,687,184
Receivables:						
Taxes	907,718	605,812	607,310	312,404	603,560	3,036,804
Accrued interest	36,040	—	135,472	40,065	7,390	218,967
Due from other funds	—	—	16,156	828,982	2,643,873	3,489,011
Restricted assets	1	90	—	62	67	220
Advance to component unit	—	16,500	—	—	—	16,500
Total assets	<u>\$ 4,513,865</u>	<u>708,388</u>	<u>9,314,157</u>	<u>3,669,405</u>	<u>4,242,871</u>	<u>22,448,686</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts and contracts payable	\$ 391,857	522,943	151,011	64,855	308,450	1,439,116
Accrued items	—	13,890	9,064	—	—	22,954
Total liabilities	<u>391,857</u>	<u>536,833</u>	<u>160,075</u>	<u>64,855</u>	<u>308,450</u>	<u>1,462,070</u>
Fund balances:						
Reserved for:						
Encumbrances	5,318,657	1,682,207	973,389	1,407,841	947,402	10,329,496
Other purposes	1	90	—	62	67	220
Unreserved, reported in:						
Special revenue funds	<u>(1,196,650)</u>	<u>(1,510,742)</u>	<u>8,180,693</u>	<u>2,196,647</u>	<u>2,986,952</u>	<u>10,656,900</u>
Total fund balances	<u>4,122,008</u>	<u>171,555</u>	<u>9,154,082</u>	<u>3,604,550</u>	<u>3,934,421</u>	<u>20,986,616</u>
Total liabilities and fund balances	<u>\$ 4,513,865</u>	<u>708,388</u>	<u>9,314,157</u>	<u>3,669,405</u>	<u>4,242,871</u>	<u>22,448,686</u>

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Sales Tax Funds

Year ended June 30, 2006

	Street Sales Tax	Park Improvements Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total (Exhibit 15)
Revenues:						
Taxes	\$ 5,869,719	3,762,542	3,906,389	2,107,959	3,976,080	19,622,689
Intergovernmental	16,000	—	231,067	—	—	247,067
Charges for services	5,283	655,889	—	—	—	661,172
Investment income	245,878	31,099	343,568	137,038	163,543	921,126
Other	12,000	(2,746)	3,956	—	72	13,282
Total revenues	6,148,880	4,446,784	4,484,980	2,244,997	4,139,695	21,465,336
Expenditures:						
Current:						
Public Safety	—	—	—	1,559,790	2,685,065	4,244,855
Culture and recreation	—	1,617,868	—	—	—	1,617,868
Storm Water	—	—	846,557	—	—	846,557
General government	10,582	5,031	5,031	2,515	5,031	28,190
Capital outlay	9,008,607	2,686,848	3,894,900	—	2,066,084	17,656,439
Debt service:						
Principal	1,185,000	870,000	—	325,000	345,000	2,725,000
Interest and fiscal agent fees	167,901	294,220	—	189,604	203,771	855,496
Total expenditures	10,372,090	5,473,967	4,746,488	2,076,909	5,304,951	27,974,405
Excess (deficiency) of revenues over expenditures	(4,223,210)	(1,027,183)	(261,508)	168,088	(1,165,256)	(6,509,069)
Other financing sources (uses):						
Transfers in	—	—	1,088	—	—	1,088
Transfers out	—	—	—	(321,408)	(357,935)	(679,343)
Total other financing sources (uses)	—	—	1,088	(321,408)	(357,935)	(678,255)
Net change in fund balances	(4,223,210)	(1,027,183)	(260,420)	(153,320)	(1,523,191)	(7,187,324)
Fund balances, beginning	8,345,218	1,198,738	9,414,502	3,757,870	5,457,612	28,173,940
Fund balances, ending	\$ 4,122,008	171,555	9,154,082	3,604,550	3,934,421	20,986,616

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2006

Assets	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 12)
Pooled cash and investments	\$ 18,213	—	1	9,151	27,365
Receivables:					
Accounts	—	612	—	—	612
Due from other governments	—	4,705,198	—	—	4,705,198
Total assets	<u>\$ 18,213</u>	<u>4,705,810</u>	<u>1</u>	<u>9,151</u>	<u>4,733,175</u>
 Liabilities and Fund Balances					
Liabilities:					
Accounts and contracts payable	\$ —	3,727	—	—	3,727
Due to other funds	—	4,702,083	16,156	—	4,718,239
Total liabilities	<u>—</u>	<u>4,705,810</u>	<u>16,156</u>	<u>—</u>	<u>4,721,966</u>
Fund balances (deficit):					
Reserved for:					
Encumbrances	—	2,151,673	—	—	2,151,673
Unreserved, reported in:					
Capital projects funds	18,213	(2,151,673)	(16,155)	9,151	(2,140,464)
Total fund balances (deficit)	<u>18,213</u>	<u>—</u>	<u>(16,155)</u>	<u>9,151</u>	<u>11,209</u>
Total liabilities and fund balances	<u>\$ 18,213</u>	<u>4,705,810</u>	<u>1</u>	<u>9,151</u>	<u>4,733,175</u>

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Capital Projects Funds

Year ended June 30, 2006

	Revolving Public Improvements	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 13)
Revenues:					
Intergovernmental	\$ —	6,190,699	—	—	6,190,699
Investment income	774	—	—	10	784
Other	—	612	—	—	612
Total revenues	<u>774</u>	<u>6,191,311</u>	<u>—</u>	<u>10</u>	<u>6,192,095</u>
Expenditures:					
Capital outlay	—	7,613,408	—	35	7,613,443
Total expenditures	<u>—</u>	<u>7,613,408</u>	<u>—</u>	<u>35</u>	<u>7,613,443</u>
Excess (deficiency) of revenues over expenditures	<u>774</u>	<u>(1,422,097)</u>	<u>—</u>	<u>(25)</u>	<u>(1,421,348)</u>
Other financing sources (uses):					
Transfers in	—	1,512,097	—	—	1,512,097
Total other financing sources (uses)	<u>—</u>	<u>1,512,097</u>	<u>—</u>	<u>—</u>	<u>1,512,097</u>
Net change in fund balances	774	90,000	—	(25)	90,749
Fund balances (deficit), beginning	<u>17,439</u>	<u>(90,000)</u>	<u>(16,155)</u>	<u>9,176</u>	<u>(79,540)</u>
Fund balances (deficit), ending	<u>\$ 18,213</u>	<u>—</u>	<u>(16,155)</u>	<u>9,151</u>	<u>11,209</u>

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.

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

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Net Assets

Internal Service Funds

June 30, 2006

	Central Garage	Staywell Health Care	Total (Exhibit 5)
Assets:			
Current assets:			
Pooled cash and investments	\$ 93,003	2,427,697	2,520,700
Accounts receivable	8,108	48,520	56,628
Accrued interest receivable	—	7,733	7,733
Inventory	24,566	—	24,566
Total current assets	125,677	2,483,950	2,609,627
Noncurrent assets:			
Property, plant, and equipment:			
Land	93,979	—	93,979
Depreciable property, plant, and equipment	146,481	—	146,481
Less accumulated depreciation	(143,731)	—	(143,731)
Total noncurrent assets	96,729	—	96,729
Total assets	\$ 222,406	2,483,950	2,706,356
Liabilities:			
Current liabilities:			
Accounts and contracts payable	\$ 49,139	—	49,139
Accrued liabilities	7,097	—	7,097
Compensated absences – current	23,887	—	23,887
Medical self-insurance claims	—	1,389,102	1,389,102
Total current liabilities	80,123	1,389,102	1,469,225
Noncurrent liabilities:			
Compensated absences – long-term	37,026	—	37,026
Total liabilities	117,149	1,389,102	1,506,251
Net assets:			
Invested in capital assets, net of related debt	96,729	—	96,729
Unrestricted	8,528	1,094,848	1,103,376
Total net assets	105,257	1,094,848	1,200,105
Total liabilities and net assets	\$ 222,406	2,483,950	2,706,356

CITY OF INDEPENDENCE, MISSOURI

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

Internal Service Funds

Year ended June 30, 2006

	Central Garage	Staywell Health Care	Total (Exhibit 6)
Operating revenues:			
Charges for services	\$ 1,621,051	11,610,854	13,231,905
Total operating revenues	<u>1,621,051</u>	<u>11,610,854</u>	<u>13,231,905</u>
Operating expenses:			
Personal services	546,517	—	546,517
Other services	279,997	11,240,645	11,520,642
Supplies	878,128	48	878,176
Depreciation and amortization	3,511	—	3,511
Total operating expenses	<u>1,708,153</u>	<u>11,240,693</u>	<u>12,948,846</u>
Operating income (loss)	<u>(87,102)</u>	<u>370,161</u>	<u>283,059</u>
Nonoperating revenues:			
Interest revenue	5,190	70,368	75,558
Miscellaneous revenue	49,331	248,464	297,795
Total nonoperating revenue	<u>54,521</u>	<u>318,832</u>	<u>373,353</u>
Change in net assets	<u>(32,581)</u>	<u>688,993</u>	<u>656,412</u>
Total net assets:			
Beginning of the period	<u>137,838</u>	<u>405,855</u>	<u>543,693</u>
End of the period	<u>\$ 105,257</u>	<u>1,094,848</u>	<u>1,200,105</u>

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2006

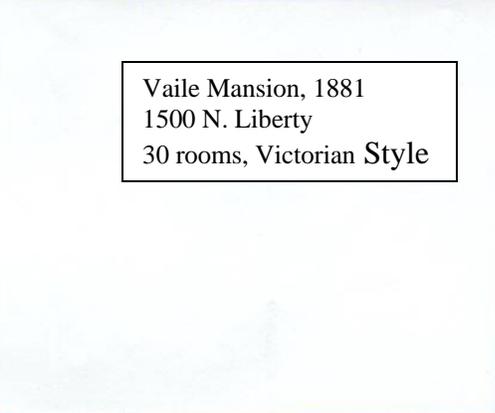
	Internal Service Funds		
	Central Garage	Staywell Health Care	Total (Exhibit 7)
Cash flows from operations:			
Receipts from customers	\$ 1,664,972	11,820,071	13,485,043
Payments to suppliers	(1,128,246)	(10,971,356)	(12,099,602)
Payments to employees	(554,023)	—	(554,023)
Net cash provided by (used in) operating activities	<u>(17,297)</u>	<u>848,715</u>	<u>831,418</u>
Cash flows from noncapital financing activities:			
Transfers in/(out)	—	—	—
Net cash provided by noncapital financing activities	<u>—</u>	<u>—</u>	<u>—</u>
Cash flows from capital financing activities:			
Acquisition and construction of capital assets	—	—	—
Net cash provided by capital financing activities	<u>—</u>	<u>—</u>	<u>—</u>
Cash flows from investing activities:			
Purchases of investments	—	(240,089)	(240,089)
Proceeds from sales and maturities of investments	—	—	—
Interest on investments	5,190	62,636	67,826
Net cash provided by (used in) investing activities	<u>5,190</u>	<u>(177,453)</u>	<u>(172,263)</u>
Net increase (decrease) in cash and cash equivalents	(12,107)	671,262	659,155
Cash and cash equivalents at beginning of year	105,110	1,516,346	1,621,456
Cash and cash equivalents at end of year	93,003	2,187,608	2,280,611
Investments with original maturities greater than 90 days	—	240,089	240,089
Pooled cash and investments	<u>\$ 93,003</u>	<u>2,427,697</u>	<u>2,520,700</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (87,102)	370,161	283,059
Adjustments not affecting cash:			
Depreciation and amortization	3,511	—	3,511
Nonoperating Revenues	49,331	248,464	297,795
Change in assets and liabilities:			
Accounts receivable	(5,411)	(39,247)	(44,658)
Inventory	17,258	—	17,258
Accounts and contracts payable	13,531	269,337	282,868
Accrued liabilities	(13,358)	—	(13,358)
Other current liabilities	—	—	—
Compensated absences	4,943	—	4,943
Total adjustments	<u>69,805</u>	<u>478,554</u>	<u>548,359</u>
Net cash provided by (used in) operating activities	<u>\$ (17,297)</u>	<u>848,715</u>	<u>831,418</u>

CITY OF INDEPENDENCE, MISSOURI
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
Year ended June 30, 2006

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006 (Exhibit 8)
Flexible Benefit Plan:				
Assets:				
Pooled cash and investments	\$ 11,730	57,038	57,269	11,499
Liabilities:				
Flexible benefit payable	\$ 11,730	472,329	472,560	11,499
Susie Block Trust:				
Assets:				
Pooled cash and investments	\$ 30,610	1,541	1,405	30,746
Accrued interest receivable	495	1,324	1,325	494
	\$ 31,105	2,865	2,730	31,240
Liabilities:				
Funds held in escrow	\$ 31,105	1,545	1,410	31,240
Seniors Travel Programs:				
Assets:				
Pooled cash and investments	\$ —	49,216	30,684	18,532
Liabilities:				
Accounts and contracts payable	\$ —	27,829	27,804	25
Funds held in escrow	—	53,371	34,864	18,507
	\$ —	81,200	62,668	18,532
All Agency Funds:				
Assets:				
Pooled cash and investments	\$ 42,340	107,795	89,358	60,777
Accrued interest receivable	495	1,324	1,325	494
	\$ 42,835	109,119	90,683	61,271
Liabilities:				
Flexible benefit payable	\$ 11,730	472,329	472,560	11,499
Accounts and contracts payable	—	27,829	27,804	25
Funds held in escrow	31,105	54,916	36,274	49,747
	\$ 42,835	555,074	536,638	61,271



Truman Home
219 N. Delaware



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



World War I Memorial Building



CITY OF INDEPENDENCE, MISSOURI
Combining Balance Sheet
Component Unit - Tax Increment Financing
June 30, 2006

Assets	Midtown Truman	RSO	Bolger Square	Sante Fe	Sterling Village	Hartman Heritage	Drumm Farm
Pooled cash and investments	\$ 666,730	102,618	836,072	10,337	1	1,083,130	514,558
Receivables:							
Taxes	2,600	1,282	75,896	753	—	420	56,904
Accounts	—	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	—	—
Due from other governments	639	12,109	46,284	3,869	—	43,167	1,432
Restricted assets	—	—	854,005	1,038,430	—	2,349,613	12,001
Total assets	<u>\$ 669,969</u>	<u>116,009</u>	<u>1,812,257</u>	<u>1,053,389</u>	<u>1</u>	<u>3,476,330</u>	<u>584,895</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts and contracts payable	\$ —	—	—	—	—	5,396	—
Due to other funds	—	—	—	—	136	—	—
Due to primary government	—	—	—	—	—	102,300	—
Other current liabilities	—	—	—	—	—	—	—
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>136</u>	<u>107,696</u>	<u>—</u>
Fund balances:							
Reserved for:							
Encumbrances	—	—	—	540	—	4,874	—
Other purposes	—	—	854,005	1,038,430	—	2,349,612	12,001
Unreserved, reported in:							
Capital projects funds	669,969	116,009	958,252	14,419	(135)	1,014,148	572,894
Total fund balances (deficit)	<u>669,969</u>	<u>116,009</u>	<u>1,812,257</u>	<u>1,053,389</u>	<u>(135)</u>	<u>3,368,634</u>	<u>584,895</u>
Total liabilities and fund balances	<u>\$ 669,969</u>	<u>116,009</u>	<u>1,812,257</u>	<u>1,053,389</u>	<u>1</u>	<u>3,476,330</u>	<u>584,895</u>

Eastland Center	North Independence	Mount Washington	Hy-Vee	Noland Rd Auto Plaza	Crackerneck Creek	Cornerstone Apartments	HCA	TIF App Fees	Total
1,719,344	2,054	39,434	59,711	31,352	—	288,638	770,930	7,531	6,132,440
254,255	7,100	700	34,000	2,700	—	—	—	—	436,610
—	—	—	—	—	—	—	—	30	30
152,577	2,272	1,238	29,254	—	—	—	—	3,257	3,257
2,363,559	—	—	—	—	59,721,111	—	—	—	292,841
4,489,735	11,426	41,372	122,965	34,052	59,721,111	288,638	770,930	10,818	66,338,719
145,286	—	—	—	—	—	—	—	—	150,682
207,673	—	—	—	—	3,121	—	—	—	3,257
—	—	35,300	—	—	16,500	—	673,578	—	1,000,051
352,959	—	35,300	—	—	19,621	—	673,578	—	35,300
1,106	—	—	—	—	2,000	—	12,241	6,678	27,439
2,363,559	—	—	—	—	59,721,111	—	—	—	66,338,718
1,772,111	11,426	6,072	122,965	34,052	(21,621)	288,638	85,111	4,140	5,648,450
4,136,776	11,426	6,072	122,965	34,052	59,701,490	288,638	97,352	10,818	72,014,607
4,489,735	11,426	41,372	122,965	34,052	59,721,111	288,638	770,930	10,818	

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 (13,262,729)

Interest on long-term debt is not accrued in component unit funds, but rather is recognized as an expenditure when due (1,682,131)

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 (125,960,251)

Unamortized issuance costs on TIF loans payable 861,648

Net assets (deficit) of component unit \$ (68,028,856)

CITY OF INDEPENDENCE, MISSOURI
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)
Component Unit - Tax Increment Financing
Year ended June 30, 2006

	Midtown Truman	RSO	Bolger Square	Sante Fe	Sterling Village	Hartman Heritage	Drumm Farm
Revenues:							
Taxes	\$ 261,860	173,120	1,258,043	12,970	8,100	1,748,250	292,119
Charges for services	—	—	—	—	—	—	—
Investment income	30,317	438	90,671	51,307	27	141,261	16,225
Other	—	—	—	86,841	—	—	—
Total revenues	<u>292,177</u>	<u>173,558</u>	<u>1,348,714</u>	<u>151,118</u>	<u>8,127</u>	<u>1,889,511</u>	<u>308,344</u>
Expenditures:							
Capital outlay	10,947	3,676	28,205	8,362	163	132,391	85,882
Debt service:							
Principal	425,393	48,947	1,330,000	200,000	590	611,362	1,159,699
Interest and fiscal agent fees	—	—	228,403	519,873	7,492	1,026,625	282,211
Total expenditures	<u>436,340</u>	<u>52,623</u>	<u>1,586,608</u>	<u>728,235</u>	<u>8,245</u>	<u>1,770,378</u>	<u>1,527,792</u>
Excess (deficiency) of revenues over expenditures	<u>(144,163)</u>	<u>120,935</u>	<u>(237,894)</u>	<u>(577,117)</u>	<u>(118)</u>	<u>119,133</u>	<u>(1,219,448)</u>
Other financing sources:							
Proceeds from bond issuance	—	—	—	—	—	—	1,590,000
Reoffering premium/original issue discount	—	—	—	—	—	—	—
Total other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,590,000</u>
Net change in fund balances	<u>(144,163)</u>	<u>120,935</u>	<u>(237,894)</u>	<u>(577,117)</u>	<u>(118)</u>	<u>119,133</u>	<u>370,552</u>
Fund balances (deficit), beginning	814,132	(4,926)	2,050,151	1,630,506	(17)	3,249,501	214,343
Fund balances (deficit), ending	<u>\$ 669,969</u>	<u>116,009</u>	<u>1,812,257</u>	<u>1,053,389</u>	<u>(135)</u>	<u>3,368,634</u>	<u>584,895</u>

Eastland Center	North Independence	Mount Washington	Hy-Vee	Noland Rd Auto Plaza	Crackerneck Creek	Cornerstone Apartments	HCA	TIF App Fees	Total
3,378,327	89,287	89,964	621,840	16,934	—	287,355	114,415	—	8,352,584
—	—	—	—	—	—	—	—	10,000	10,000
161,133	1,451	2,628	5,919	1,105	804,268	7,065	8,957	740	1,323,512
—	—	—	—	—	—	—	—	—	86,841
3,539,460	90,738	92,592	627,759	18,039	804,268	294,420	123,372	10,740	9,772,937
1,331,459	1,626	37,070	11,136	750	11,721,832	5,782	26,020	36,964	13,442,265
805,000	—	—	301,306	—	—	—	—	—	4,882,297
1,184,556	86,314	10,088	368,884	—	551,531	—	—	—	4,265,977
3,321,015	87,940	47,158	681,326	750	12,273,363	5,782	26,020	36,964	22,590,539
218,445	2,798	45,434	(53,567)	17,289	(11,469,095)	288,638	97,352	(26,224)	(12,817,602)
—	—	—	—	—	61,160,000	—	—	—	62,750,000
—	—	—	—	—	1,763	—	—	—	1,763
—	—	—	—	—	61,161,763	—	—	—	62,751,763
218,445	2,798	45,434	(53,567)	17,289	49,692,668	288,638	97,352	(26,224)	49,934,161
3,918,331	8,628	(39,362)	176,532	16,763	10,008,822	—	—	37,042	22,080,446
4,136,776	11,426	6,072	122,965	34,052	59,701,490	288,638	97,352	10,818	72,014,607

Amounts reported in the government-wide statements are different because

Change in fund balances: \$ 49,934,161

Unreimbursed certified costs are reported as liabilities and expenses at the government-wide level (6,425,392)

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 net assets. Also, Tax Increment Financing funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amount 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	(62,750,000)
Reoffering premium/original issue discount	(1,763)
Principal payments	4,882,297
Discounts	1,274,713
Premiums	16,726
	<u>(56,578,027)</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the Tax Increment Financing funds

Accrued interest (804,742)

Change in net assets of Tax Increment Financing fund \$ (13,874,000)

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses – Power and Light Fund
Years ended June 30, 2006 and 2005

	2006			2005		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production fuel:						
Coal			\$ 11,570,449			8,727,888
Gas			1,162,206			1,109,467
Oil			340,946			104,956
Total production fuel			<u>13,073,601</u>			<u>9,942,311</u>
Purchased power:						
Purchased energy			21,370,750			17,321,228
Purchased capacity (net)			7,430,000			7,545,000
Border customers			27,555			26,773
Control and dispatching			707,200			617,839
Total purchased power			<u>29,535,505</u>			<u>25,510,840</u>
Production (other):						
Blue Valley Station:						
Supervision and engineering	\$ 513,343	662,538	1,175,881	490,063	635,189	1,125,252
Steam	720,001	2,637,791	3,357,792	684,852	2,186,438	2,871,290
Electric	701,830	505,519	1,207,349	712,779	353,216	1,065,995
Structures and improvements	—	96,261	96,261	—	89,237	89,237
Miscellaneous	904,129	371,835	1,275,964	1,101,292	446,032	1,547,324
	<u>2,839,303</u>	<u>4,273,944</u>	<u>7,113,247</u>	<u>2,988,986</u>	<u>3,710,112</u>	<u>6,699,098</u>
Missouri City Station:						
Supervision and engineering	38,642	67,429	106,071	40,740	78,166	118,906
Steam	370,893	1,436,840	1,807,733	288,353	680,792	969,145
Electric	376,918	177,614	554,532	293,344	108,738	402,082
Structures and improvements	—	37,717	37,717	—	23,717	23,717
Miscellaneous	381,951	174,861	556,812	205,136	182,830	387,966
	<u>1,168,404</u>	<u>1,894,461</u>	<u>3,062,865</u>	<u>827,573</u>	<u>1,074,243</u>	<u>1,901,816</u>
Combustion Turbine Station:						
Supervision and engineering		3,602	3,602	—	5,008	5,008
Generation expenses		91,992	91,992	410	28,709	29,119
Structures and improvements		66,004	66,004	—	8,900	8,900
Miscellaneous	11,589	33,256	44,845	4,963	193,017	197,980
	<u>11,589</u>	<u>194,854</u>	<u>206,443</u>	<u>5,373</u>	<u>235,634</u>	<u>241,007</u>
Total production (other)	<u>\$ 4,019,296</u>	<u>6,363,259</u>	<u>10,382,555</u>	<u>3,821,932</u>	<u>5,019,989</u>	<u>8,841,921</u>
Transmission and distribution:						
Transmission:						
Supervision and engineering	\$ 148,778	16,901	165,679	141,200	15,210	156,410
Overhead expenses	21,579		21,579	36,045	4,502	40,547
Station expenses	24,526	147,251	171,777	23,774	98,037	121,811
Wheeling charges	1,205,483		1,205,483	108,257	—	108,257
Underground line expense	—		—	—	—	—
Structures and improvements	—		—	—	876	876
Miscellaneous	347	—	347	4,291	—	4,291
Total transmission	<u>1,400,713</u>	<u>164,152</u>	<u>1,564,865</u>	<u>313,567</u>	<u>118,625</u>	<u>432,192</u>

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses – Power and Light Fund
Years ended June 30, 2006 and 2005

	2006			2005		
	<u>Operations</u>	<u>Maintenance</u>	<u>Total</u>	<u>Operations</u>	<u>Maintenance</u>	<u>Total</u>
Distribution:						
Supervision and engineering	\$ 72,094	43,687	115,781	81,761	45,726	127,487
Overhead lines	736,325	2,629,242	3,365,567	880,969	2,580,530	3,461,499
Station expenses	211,618	359,740	571,358	264,371	328,809	593,180
Street lights and traffic signals	163,635	403,352	566,987	199,668	538,155	737,823
Meters	174,454	666,902	841,356	162,256	596,312	758,568
Customer installations	895	—	895	353	—	353
Underground lines	618,127	526,954	1,145,081	659,049	410,376	1,069,425
Dispatching communication	653,431	—	653,431	702,738	—	702,738
Line transformers	—	129,556	129,556	—	111,348	111,348
Miscellaneous	588,146	119,313	707,459	537,789	228,660	766,449
Total distribution	<u>3,218,725</u>	<u>4,878,746</u>	<u>8,097,471</u>	<u>3,488,954</u>	<u>4,839,916</u>	<u>8,328,870</u>
Total transmission and distribution	<u>\$ 4,619,438</u>	<u>5,042,898</u>	<u>9,662,336</u>	<u>3,802,521</u>	<u>4,958,541</u>	<u>8,761,062</u>
Customer service:						
Supervision			\$ 236,095			205,140
Meter reading			639,315			640,800
Customer records and collections			1,416,847			1,309,562
Provisions for doubtful accounts			566,899			451,152
Miscellaneous			113,724			(26,671)
Total customer service			<u>2,972,880</u>			<u>2,579,983</u>
General and administrative:						
Salaries			884,108			745,245
Office supplies			562,907			467,426
Insurance			888,007			898,651
Injuries and damage			502,123			376,156
Employee benefits			3,597,333			3,284,693
Outside services			1,419,752			1,428,402
Miscellaneous			1,089,413			844,503
Administrative expenses – transfers			(60,227)			(56,047)
Total general and administrative			<u>8,883,416</u>			<u>7,989,029</u>
Depreciation and amortization			9,192,811			8,824,770
Payroll taxes			859,184			827,590
Total operating expenses			<u>\$ 84,562,288</u>			<u>73,277,506</u>

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Power and Light Fund

Year ended June 30, 2006

	Number of customers		Revenue	KWH
	Beginning of year	End of year		
Sale of electric energy:				
Metered:				
Residential	50,995	51,317	50,757,673	539,421,550
Small general services	3,051	3,012	3,418,573	29,501,979
General services – space heating	2	2	1,733	21,403
Large general services	1,599	1,614	28,495,636	356,930,797
Large general services – prime voltage	10	10	1,484,367	21,266,948
Large general services – space heating	2	2	10,098	122,052
Total electric general services	68	86	3,416,925	49,946,730
Schools, churches, and hospitals	282	282	3,710,662	44,078,603
Schools, churches, and hospitals, all electric	7	7	263,307	3,733,003
Large power services	6	6	2,648,568	44,421,480
Interruptible services	—	—	—	—
Sewer pumping	6	6	127,765	1,223,401
City traffic signals	58	58	61,688	300,511
Wholesale (border customers)	—	—	128,104	6,249,055
Wholesale (interchange)	—	—	1,710,814	44,528,000
	<u>56,086</u>	<u>56,402</u>	<u>96,235,913</u>	<u>1,141,745,512</u>
Unmetered:				
Private security lighting	1,570	1,564	278,411	1,356,162
City public street lighting	11,218	11,225	1,068,815	9,167,408
	<u>12,788</u>	<u>12,789</u>	<u>1,347,226</u>	<u>10,523,570</u>
Increase in unbilled revenue			(418,308)	(9,797,916)
Other operating revenue			1,113,523	
Total operating revenue and total energy sales			<u>\$ 98,278,354</u>	<u>1,142,471,166</u>
Net generation				438,010,368
Wholesale power purchased				766,392,022
Unintentional interchange				(18,000)
Net generation and power purchased				<u>1,204,384,390</u>
Retail energy sales				1,091,694,111
Wholesale (border customers) sales				50,777,055
Power and light usage (building and substations)				<u>1,468,492</u>
Net disposition				<u>1,143,939,658</u>
Transmission and distribution operating losses				<u>\$ 60,444,732</u>

CITY OF INDEPENDENCE, MISSOURI
Schedules of Operating Expenses – Water Fund
Years ended June 30, 2006 and 2005

	2006			2005		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Production:						
Source of supply:						
Supervision and engineering	\$ 22,936	—	22,936	21,438	—	21,438
Labor and expenses	213,086	—	213,086	207,669	—	207,669
Structures and improvements	—	220,469	220,469	—	19,288	19,288
Miscellaneous	—	368,764	368,764	—	143,750	143,750
Total source of supply	<u>236,022</u>	<u>589,233</u>	<u>825,255</u>	<u>229,107</u>	<u>163,038</u>	<u>392,145</u>
Power and pumping:						
Supervision and engineering	33,047	10,104	43,151	31,556	9,828	41,384
Fuel/power purchased	1,273,337	—	1,273,337	1,171,384	—	1,171,384
Labor and expenses	158,719	—	158,719	154,985	—	154,985
Structures and improvements	—	6,155	6,155	—	6,852	6,852
Miscellaneous	—	13,064	13,064	—	12,115	12,115
Total power and pumping	<u>1,465,103</u>	<u>29,323</u>	<u>1,494,426</u>	<u>1,357,925</u>	<u>28,795</u>	<u>1,386,720</u>
Water treatment:						
Supervision and engineering	38,732	16,110	54,842	36,857	15,863	52,720
Chemicals	840,001	—	840,001	742,702	—	742,702
Labor and expenses	520,557	—	520,557	495,363	—	495,363
Structures and improvements	—	21,175	21,175	—	19,467	19,467
Miscellaneous	—	245,543	245,543	—	196,852	196,852
Total water treatment	<u>1,399,290</u>	<u>282,828</u>	<u>1,682,118</u>	<u>1,274,922</u>	<u>232,182</u>	<u>1,507,104</u>
Total production	<u>\$ 3,100,415</u>	<u>901,384</u>	<u>4,001,799</u>	<u>2,861,954</u>	<u>424,015</u>	<u>3,285,969</u>
Transmission and distribution:						
Supervision and engineering	\$ 78,653	51,862	130,515	78,614	50,591	129,205
Storage facilities	14,599	44,179	58,778	13,997	52,527	66,524
Transmission and distribution lines	621,227	871,403	1,492,630	522,787	560,516	1,083,303
Meters	217,496	134,368	351,864	206,615	116,983	323,598
Customer installations	70,746	—	70,746	69,643	—	69,643
Services	—	238,108	238,108	—	182,775	182,775
Hydrants	—	62,275	62,275	—	81,450	81,450
Miscellaneous	421,622	95,300	516,922	382,887	58,022	440,909
Total transmission and distribution	<u>\$ 1,424,343</u>	<u>1,497,495</u>	<u>2,921,838</u>	<u>1,274,543</u>	<u>1,102,864</u>	<u>2,377,407</u>
Customer service:						
Customer accounting paid and collecting:						
Supervision	—	\$ 140,454	—	—	—	140,666
Meter reading	—	—	688,979	—	—	718,776
Customer records	—	—	48,920	—	—	47,389
Provision for uncollectible amounts	—	—	51,296	—	—	68,656
Total customer accounting paid and collecting	—	—	<u>929,649</u>	—	—	<u>975,487</u>
Sales promotion:						
Expenses	—	—	37,216	—	—	47,414
Total customer service	—	—	<u>966,865</u>	—	—	<u>1,022,901</u>
General and administrative:						
Salaries	—	—	506,890	—	—	445,666
Office supplies and expense	—	—	339,736	—	—	328,083
Injuries and damages	—	—	709,429	—	—	1,023,650
Employee benefits	—	—	1,433,023	—	—	1,273,214
Outside services	—	—	947,177	—	—	935,156
Miscellaneous	—	—	172,305	—	—	124,456
Total general and administrative	—	—	<u>4,108,560</u>	—	—	<u>4,130,225</u>
Depreciation and amortization	—	—	2,119,896	—	—	2,061,038
Payroll taxes	—	—	301,881	—	—	280,125
Other	—	—	85,269	—	—	56,093
Total operating expenses	—	—	<u>14,506,108</u>	—	—	<u>13,213,758</u>
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						
	—	—	1,172,341	—	—	1,086,861
	—	—	<u>\$ 15,678,449</u>	—	—	<u>14,300,619</u>

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Water Fund

Year ended June 30, 2006

	Number of customers		Revenue	MGS*
	Beginning of year	End of year		
Sale of water:				
Residential	44,490	44,742	\$ 8,488,894	3,341,082
Commercial	2,971	3,027	2,245,526	960,835
Industrial	8	8	362,537	276,692
Public authority	64	66	231,257	98,713
Resale	13	13	5,858,904	4,832,068
Private fire protection	346	354	93,420	—
Public fire protection	—	—	623,822	—
	<u>47,892</u>	<u>48,210</u>	17,904,360	<u>9,509,390</u>
Increase in unbilled revenue			156,867	
Other operating revenue			251,493	
Total operating revenue			<u>\$ 18,312,720</u>	
Thousands of gallons pumped:				
Courtney Bend Plant				10,837,401
Less total sales				<u>9,509,390</u>
Unaccounted for water				<u>1,328,011</u>

* Thousand gallons sold.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Sanitary Sewer Fund

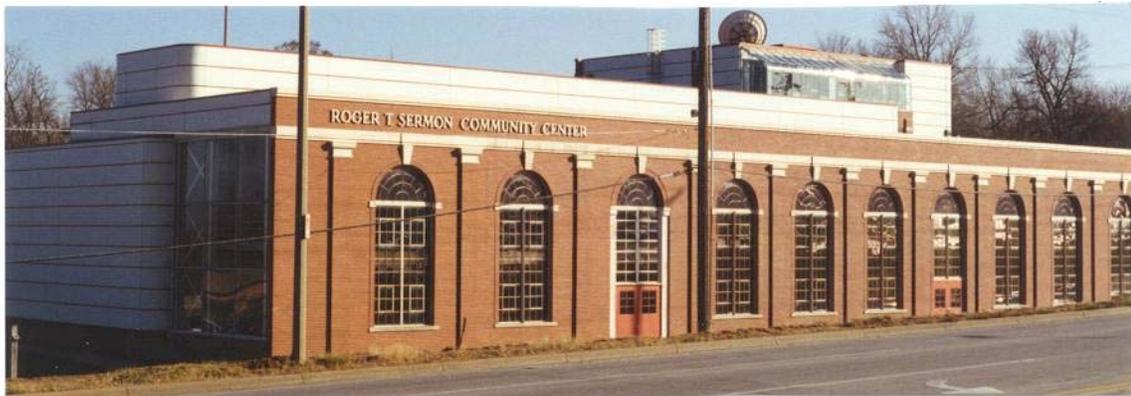
Year ended June 30, 2006

	<u>Number of customers</u>		<u>Revenue</u>	<u>CCF*</u>
	<u>Beginning of year</u>	<u>End of year</u>		
Sale of sanitary sewer services:				
Residential	40,520	40,767	9,196,013	2,939,160
Commercial:				
Base	3,529	3,523	3,747,937	1,775,347
Surcharge	—	—	616,331	—
Contract waste treatment	15	14	200,749	—
Intermunicipal agreements:				
Sugar Creek	—	—	372,347	—
Kansas City	—	—	70,201	—
	<u>44,064</u>	<u>44,304</u>	14,203,578	<u>4,714,507</u>
Other operating revenue			130,925	
Increase in unbilled revenue			29,662	
Total operating revenue			<u>\$ 14,364,165</u>	

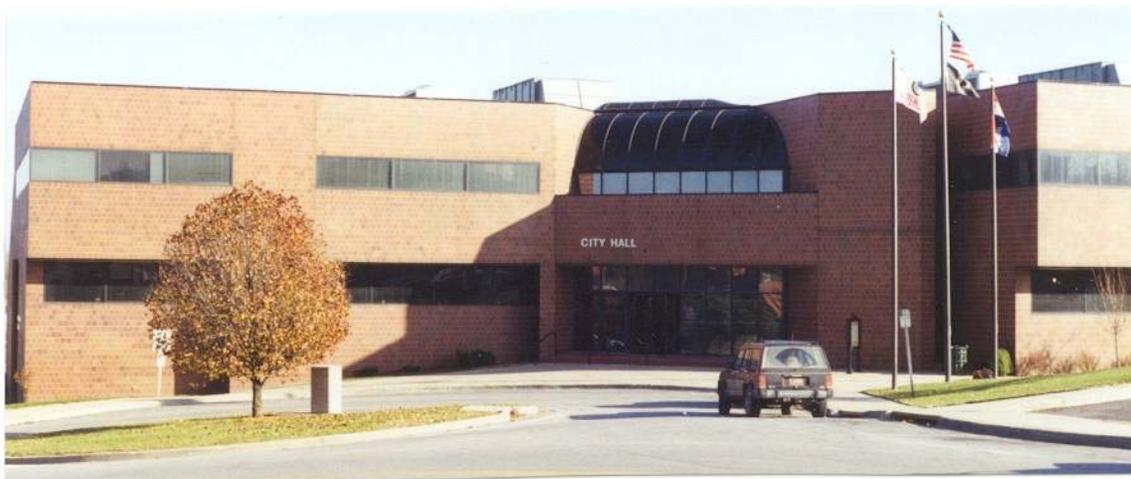
* Hundred cubic feet.



Police Building, 223 N. Memorial Dr.



Roger T. Sermon Community Center, 201 N. Dodgion



City Hall, 111 E. Maple St.

STATISTICAL SECTION

This part of the City of Independence's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

Tables

Financial Trends

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

1 - 4

Revenue Capacity

These tables contain information to help the reader assess the City's two most significant local revenue sources: sales tax and property tax.

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Debt Capacity

These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future

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Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

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Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.



Table 1

City of Independence, Missouri
Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental activities					
Invested in capital assets, net of related debt	\$ 64,450,833	75,199,757	86,613,728	102,014,271	165,333,646
Restricted	5,523,788	8,932,152	12,415,044	26,147,417	25,262,407
Unrestricted	(37,143,473)	(43,181,083)	(48,877,412)	(5,752,346)	(4,028,884)
Total governmental activities net assets	<u>\$ 32,831,148</u>	<u>40,950,826</u>	<u>50,151,360</u>	<u>122,409,342</u>	<u>186,567,169</u>
Business-type activities	\$				
Invested in capital assets, net of related debt	205,396,875	210,181,962	212,840,200	233,908,193	246,080,008
Restricted	500,000	500,000	500,000	500,000	731,652
Unrestricted	75,880,444	78,252,510	85,443,314	72,143,939	70,071,662
Total business-type activities net assets	<u>\$ 281,777,319</u>	<u>288,934,472</u>	<u>298,783,514</u>	<u>306,552,132</u>	<u>316,883,322</u>
Primary government					
Invested in capital assets, net of related debt	\$ 269,847,708	285,381,719	299,453,928	335,922,464	411,413,654
Restricted	6,023,788	9,432,152	12,915,044	26,647,417	25,994,059
Unrestricted	38,736,971	35,071,427	36,565,902	66,391,593	66,042,778
Total primary government net assets	<u>\$ 314,608,467</u>	<u>329,885,298</u>	<u>348,934,874</u>	<u>428,961,474</u>	<u>503,450,491</u>

Note: GASB 34 was implemented in the 2002 fiscal year, so only five fiscal years are shown.

Note: In 2005 the Tax Increment Financing funds were removed from the primary government presentation and shown as a component unit.

Table 2

City of Independence, Missouri
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
Expenses					
Governmental activities:					
Administrative services	\$ 6,840,135	6,846,123	6,808,416	7,148,065	7,363,102
Public safety	31,837,122	33,028,116	32,987,626	35,069,866	36,796,996
Public works	6,842,096	6,686,542	6,196,849	6,889,773	12,817,343
Health and welfare	2,267,210	2,376,921	2,524,823	2,421,255	2,638,369
Culture and recreation	3,279,161	3,861,827	4,069,244	4,247,735	5,161,139
Community development	3,554,250	3,319,609	3,471,030	3,372,610	3,809,726
Storm water	846,628	1,081,513	1,043,573	1,493,534	1,641,992
General government	25,247,320	11,149,913	15,012,715	6,266,060	6,678,208
Interest on long-term debt	2,874,711	2,955,628	3,237,213	536,124	991,856
Total governmental activities expenses	<u>83,588,633</u>	<u>71,306,192</u>	<u>75,351,489</u>	<u>67,445,022</u>	<u>77,898,731</u>
Business-type activities:					
Power and light	60,903,841	65,841,126	71,641,843	73,531,757	84,564,657
Water	14,581,301	15,297,405	15,352,095	16,394,488	17,097,507
Sewer	11,021,666	11,535,324	11,381,487	11,995,774	12,236,654
Total business-type activities expenses	<u>86,506,808</u>	<u>92,673,855</u>	<u>98,375,425</u>	<u>101,922,019</u>	<u>113,898,818</u>
Total primary government expenses	<u>\$ 170,095,441</u>	<u>163,980,047</u>	<u>173,726,914</u>	<u>169,367,041</u>	<u>191,797,549</u>
Program Revenues					
Governmental activities:					
Charges for services:					
Administrative services	\$ 5,146,121	5,063,353	5,117,112	5,067,474	5,512,413
Public safety	3,420,032	3,758,528	3,618,327	3,841,471	4,588,766
Public works	640,648	649,768	1,916,080	802,206	1,003,761
Health and welfare	99,427	321,312	487,956	482,601	435,775
Culture and recreation	325,980	153,669	252,814	619,630	975,889
Community development	1,625,139	2,019,153	2,068,279	2,050,172	2,203,367
Storm water	33,114	(16,212)	-	-	-
General government	20,000	20,000	15,000	-	-
Operating grants and contributions	14,058,454	8,818,594	9,181,339	9,336,061	9,199,332
Capital grants and contributions	2,020,559	1,221,356	957,411	7,242,924	26,417,977
Total governmental activities program revenues	<u>27,389,474</u>	<u>22,009,521</u>	<u>23,614,318</u>	<u>29,442,539</u>	<u>50,337,280</u>
Business-type activities:					
Charges for services:					
Power and light	72,278,837	77,276,647	81,333,414	82,592,294	98,278,354
Water	15,224,354	15,937,835	16,610,572	17,080,050	18,312,720
Sewer	12,652,848	12,753,946	13,320,317	13,975,780	14,364,165
Operating grants and contributions	12,345	256	-	-	-
Capital grants and contributions	1,856,784	847,188	4,031,475	3,491,383	2,964,925
Total business-type activities program revenues	<u>102,025,168</u>	<u>106,815,872</u>	<u>115,295,778</u>	<u>117,139,507</u>	<u>133,920,164</u>
Total primary government program revenues	<u>\$ 129,414,642</u>	<u>128,825,393</u>	<u>138,910,096</u>	<u>146,582,046</u>	<u>184,257,444</u>

	Fiscal Year				
	2002	2003	2004	2005	2006
Net (expense)/revenue					
Governmental activities	(56,199,159)	(49,296,671)	(51,737,171)	(38,002,483)	(27,561,451)
Business-type activities	15,518,360	14,142,017	16,920,353	15,217,488	20,021,346
Total primary government net expense	\$ (40,680,799)	(35,154,654)	(34,816,818)	(22,784,995)	(7,540,105)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	\$ 6,020,217	6,104,668	6,458,742	6,564,690	6,895,323
Sales and use taxes	33,144,312	34,286,925	35,423,599	33,295,203	37,754,853
Franchise taxes	6,545,093	6,718,262	7,241,437	7,500,356	7,645,601
Financial institutions tax	31,592	32,412	29,000	37,149	22,181
Unrestricted grants and contributions	-	-	-	-	-
Investment earnings	782,241	404,173	583,364	922,701	1,385,126
Miscellaneous	1,356,305	535,932	1,646,836	1,143,207	714,149
Payments to component unit	-	-	-	(24,722)	-
Transfers	8,661,735	9,333,977	9,554,727	10,038,823	13,167,930
Total governmental activities	56,541,495	57,416,349	60,937,705	59,477,407	67,585,163
Business-type activities:					
Investment earnings	2,539,975	822,222	709,029	1,567,536	2,449,623
Miscellaneous	1,297,923	1,526,891	1,774,387	1,022,417	436,132
Transfers	(8,661,735)	(9,333,977)	(9,554,727)	(10,038,823)	(13,167,930)
Total business-type activities	(4,823,837)	(6,984,864)	(7,071,311)	(7,448,870)	(10,282,175)
Total primary government	\$ 51,717,658	50,431,485	53,866,394	52,028,537	57,302,988
Changes in Net Assets					
Governmental activities	\$ 342,336	8,119,678	9,200,534	21,474,924	40,023,712
Business-type activities	10,694,523	7,157,153	9,849,042	7,768,618	9,739,171
Total primary government	\$ 11,036,859	15,276,831	19,049,576	29,243,542	49,762,883

Note: GASB 34 was implemented in the 2002 fiscal year, so only five fiscal years are shown.

Note: In 2005 the Tax Increment Financing funds were removed from the primary government presentation and shown as a component unit.

City of Independence, Missouri
Fund Balances of Governmental Funds
Last Ten Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ 2,110,169	2,781,988	1,067,199	1,560,069	1,920,726	2,781,944	2,035,038	1,651,092	1,650,890	1,756,039
Unreserved	5,325,811	5,003,772	5,084,981	4,669,292	6,048,286	4,312,262	2,924,267	3,515,412	3,196,765	6,029,006
Total General Fund	<u>\$ 7,435,980</u>	<u>7,785,760</u>	<u>6,152,180</u>	<u>6,229,361</u>	<u>7,969,012</u>	<u>7,094,206</u>	<u>4,959,305</u>	<u>5,166,504</u>	<u>4,847,655</u>	<u>7,785,045</u>
All other governmental funds										
Reserved	\$ 1,801,281	3,069,291	6,470,803	5,242,826	8,128,170	13,698,370	11,092,566	15,656,867	18,110,669	20,786,620
Unreserved, reported in:										
Special revenue funds	94,581	47,796	(2,107,166)	(1,329,923)	615,397	2,377,668	6,324,381	8,619,880	17,461,153	14,250,375
Capital project funds	366,316	482,056	2,995,634	14,793,222	11,055,378	4,105,280	4,508,288	2,476,752	(3,837,893)	(10,687,320)
Debt service funds	-	-	-	-	-	-	-	92,704	92,278	86,300
Permanent funds	10,145	10,614	11,158	11,770	12,606	12,966	13,160	13,274	13,616	14,220
Total all other governmental funds	<u>\$ 2,272,323</u>	<u>3,609,757</u>	<u>7,370,429</u>	<u>18,717,895</u>	<u>19,811,551</u>	<u>20,194,284</u>	<u>21,938,395</u>	<u>26,859,477</u>	<u>31,839,823</u>	<u>24,450,195</u>

Note: In 2005 the Tax Increment Financing funds were removed from the primary government presentation and shown as a component unit.

Table 4

City of Independence, Missouri
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Taxes	\$ 25,850,597	28,676,729	31,932,412	38,199,482	43,719,249	45,709,622	47,109,855	49,123,780	47,360,251	52,295,777
Licenses, fees and permits	2,299,681	2,325,055	2,476,897	2,928,678	3,532,316	3,957,533	4,315,628	4,951,856	4,670,617	5,073,944
Intergovernmental	6,937,808	9,260,166	10,913,472	13,815,850	10,643,440	16,012,619	9,902,274	10,091,764	13,013,181	21,762,714
Charges for services	584,241	652,381	815,537	1,377,717	1,682,455	1,494,189	1,519,823	1,569,283	2,023,297	2,926,800
Interfund charges for support services	2,895,953	2,749,077	3,070,849	2,889,644	2,757,884	2,791,637	2,704,534	2,767,631	2,700,215	2,949,682
Fines, forfeitures, and court costs	1,903,081	2,409,688	2,666,064	2,997,092	3,010,798	3,199,906	3,502,074	3,219,276	3,521,377	4,023,981
Investment earnings	503,872	608,123	430,556	852,855	1,570,953	757,872	381,436	571,402	901,209	1,309,569
Other	449,695	448,323	266,960	667,564	561,284	1,337,102	649,613	1,619,995	1,260,113	493,127
Total revenues	<u>41,424,928</u>	<u>47,129,542</u>	<u>52,572,747</u>	<u>63,728,882</u>	<u>67,478,379</u>	<u>75,260,480</u>	<u>70,085,237</u>	<u>73,914,987</u>	<u>75,450,260</u>	<u>90,835,594</u>
Expenditures										
Administrative services	5,119,322	5,354,047	5,628,079	6,021,065	6,343,908	6,477,775	6,542,594	6,593,368	6,618,488	6,897,346
Public safety	25,234,599	24,506,015	28,603,191	30,360,187	29,136,004	31,290,454	32,088,292	32,271,567	35,462,979	38,976,460
Public works	5,346,312	5,374,067	6,847,093	5,976,941	6,867,407	6,227,171	6,251,537	6,035,389	5,930,041	6,586,771
Health and welfare	948,268	1,089,234	1,214,950	1,175,739	1,292,388	2,193,035	2,300,201	2,395,294	2,419,833	2,614,557
Culture and recreation	1,762,330	2,008,489	2,480,903	3,465,943	4,017,361	3,293,715	3,552,903	3,752,185	4,048,187	4,628,228
Community development	925,282	3,667,407	1,500,797	1,476,358	4,022,061	3,515,626	3,242,153	3,446,574	3,278,951	3,712,454
Storm water	-	-	-	-	-	815,654	990,671	820,703	1,180,789	1,141,595
General government	3,821,673	4,106,742	5,094,621	4,204,337	4,750,611	10,794,758	6,147,462	6,964,846	7,148,583	6,678,208
Capital outlay	4,569,092	5,998,892	13,282,127	22,365,404	28,716,658	29,255,681	17,123,501	20,481,873	21,040,394	33,296,700
Debt Service										
Principal	866,156	844,289	950,267	3,398,532	3,001,233	1,740,531	2,164,932	3,554,106	1,019,196	3,230,099
Interest	594,174	588,694	802,889	1,036,447	1,917,662	2,736,107	2,933,752	3,153,530	246,458	996,600
Total expenditures	<u>49,187,208</u>	<u>53,537,876</u>	<u>66,404,917</u>	<u>79,480,953</u>	<u>90,065,293</u>	<u>98,020,507</u>	<u>83,337,998</u>	<u>89,469,435</u>	<u>88,393,899</u>	<u>108,759,018</u>
Excess of revenues over (under) expenditures	(7,762,280)	(6,408,334)	(13,832,170)	(15,752,071)	(22,586,914)	(22,760,027)	(13,252,761)	(15,554,448)	(12,943,639)	(17,923,424)
Other Financing Sources (Uses)										
Transfers in	520,622	866,738	1,371,913	1,696,776	809,418	1,686,134	1,817,327	651,553	222,429	1,724,648
Transfers out	(632,225)	(1,082,329)	(1,261,630)	(1,719,652)	(876,333)	(1,836,219)	(1,870,055)	(809,637)	(362,921)	(1,181,579)
Issuance of debt	419,069	-	7,494,074	18,663,971	14,940,720	13,437,830	3,516,885	11,096,464	20,748,448	-
Transfers in - utility payments in lieu of taxes	7,541,534	7,995,774	8,318,843	8,430,063	9,507,367	8,811,819	9,386,705	9,712,812	10,179,317	12,624,861
Sale of capital assets	50,266	64,279	44,245	63,838	44,659	168,381	11,109	31,537	56,379	303,255
Total other financing sources (uses)	<u>7,899,266</u>	<u>7,844,462</u>	<u>15,967,445</u>	<u>27,134,996</u>	<u>24,425,831</u>	<u>22,267,945</u>	<u>12,861,971</u>	<u>20,682,729</u>	<u>30,843,652</u>	<u>13,471,185</u>
Net change in fund balances	\$ <u>136,986</u>	<u>1,436,128</u>	<u>2,135,275</u>	<u>11,382,925</u>	<u>1,838,917</u>	<u>(492,082)</u>	<u>(390,790)</u>	<u>5,128,281</u>	<u>17,900,013</u>	<u>(4,452,239)</u>
Debt service as a percentage of non capital expenditures	3.10%	2.76%	2.74%	6.05%	5.77%	5.37%	7.18%	8.80%	1.95%	5.76%

Note: In 2005 the Tax Increment Financing funds were removed from the primary government presentation and shown as a component unit.

Note: The years 1997 - 2001 include the expendable trust funds. The years 2002 - 2006 do not include expendable trust funds, but do include the permanent fund (per GASB 34 requirements).

Note: For 2005 certain amounts have been reclassified.

Table 5

City of Independence, Missouri
Total City Taxable Sales by Category
Last Seven Calendar Years
(in thousands of dollars)

Sales by Retail Category:	Calendar Year						
	1999	2000	2001	2002	2003	2004	2005
Apparel stores	\$ 5,179	6,626	6,790	6,531	6,867	7,895	9,253
General merchandise	5,279	5,053	4,076	4,196	3,796	3,635	3,371
Food stores	148,340	152,366	152,067	150,569	147,796	159,198	163,242
Eating and drinking establishments	44,849	53,051	57,876	70,881	74,365	77,657	83,386
Home furnishings and appliances	50,137	68,810	65,007	59,892	56,520	49,998	50,102
Building materials and farm tools	2,534	5,824	7,082	8,091	8,084	8,615	7,667
Construction/Remodeling	2,429	2,779	2,873	2,939	3,253	3,265	3,177
Auto dealers and supplies	8,581	9,188	11,341	12,165	12,082	12,081	11,590
Service stations	28,512	34,679	35,082	40,969	41,741	47,314	51,165
Other retail stores	70,475	85,501	118,621	121,069	113,820	80,792	109,099
All other outlets	36,836	43,071	36,625	41,197	46,787	37,885	39,487
Total	\$ 403,151	466,948	497,440	518,499	515,111	488,335	531,539

Note: Amounts for 2006 are not provided due to only receiving partial year figures.

Note: Amounts for years prior to 1999 are not available.

Source: Missouri Department of Revenue

Table 6

City of Independence, Missouri
Sales Tax Rates
Direct and Overlapping Governments
Last Eight Calendar Years
(in percent)

Direct Sales Tax Rate City of Independence	Calendar Year							
	1999	2000	2001	2002	2003	2004	2005	2006
General Fund	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Street Improvements	0.000	0.375	0.375	0.375	0.375	0.375	0.375	0.375
Park Improvements	0.000	0.125	0.125	0.125	0.125	0.125	0.250	0.250
Storm Water Improvements	0.000	0.000	0.000	0.250	0.250	0.250	0.250	0.250
Police Public Safety	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.125
Fire Public Safety	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.250
Direct Sales Tax Rate City of Independence	1.000	1.500	1.500	1.750	1.750	1.750	1.875	2.250
Transportation Development District	0.000	0.000	0.000	0.000	0.125	0.125	0.125	0.125
Total Direct Sales Tax Rate	1.000	1.500	1.500	1.750	1.875	1.875	2.000	2.375

Total Local Option Sales Tax Rate	Calendar Year							
	1999	2000	2001	2002	2003	2004	2005	2006
State of Missouri	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000
Mo. State Conservation	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Mo. State Parks and Soil	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Jackson County	0.875	0.875	0.875	0.875	0.750	0.750	0.750	0.750
City of Independence	1.000	1.500	1.500	1.750	1.750	1.750	1.875	2.250
Transportation Development District	0.000	0.000	0.000	0.000	0.125	0.125	0.125	0.125
Total Direct and Overlapping Sales Tax Rate	6.100	6.600	6.600	6.850	6.850	6.850	6.975	7.350

Note: The rate shown for the Transportation Development District is for the 39th Street corridor only.

Note: Amounts for years prior to 1999 are not available.

Source: Missouri Department of Revenue

City of Independence, Missouri
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property				Other Property		Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Market Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Agricultural Property	Commercial Property	Total	Personal Property	Railroads & Utilities				
1997	\$ NA	\$ NA	\$ NA	\$ 656,083,710	217,040,179	\$ 12,224,657	\$ 885,348,546	\$ 0.7600	\$ 3,668,020,926	24.14%
1998	NA	NA	NA	663,252,770	220,203,155	9,949,439	893,405,364	0.7600	3,689,437,915	24.22%
1999	NA	NA	NA	729,733,570	230,747,110	4,617,427	965,098,107	0.7500	4,096,490,672	23.56%
2000	NA	NA	NA	744,308,027	236,853,824	4,984,684	986,146,535	0.7500	4,240,368,802	23.26%
2001	586,564,394	1,074,288	208,300,830	795,939,512	240,711,303	6,135,652	1,042,786,467	0.7500	4,489,104,193	23.23%
2002	599,989,193	1,076,138	214,841,925	815,907,256	256,263,298	5,927,578	1,078,098,132	0.7500	4,626,269,825	23.30%
2003	680,890,499	1,042,495	236,512,469	918,445,463	246,919,958	5,437,187	1,170,802,608	0.7500	5,089,915,714	23.00%
2004	692,984,990	1,058,124	240,816,129	934,859,243	257,027,857	5,855,433	1,197,742,533	0.6930	5,198,811,179	23.04%
2005	774,627,429	1,142,640	256,016,698	1,031,786,767	256,782,138	5,777,002	1,294,345,907	0.6930	5,675,731,312	22.80%
2006	789,999,343	1,132,567	255,766,766	1,046,898,676	266,654,033	6,349,801	1,319,902,510	0.6630	5,787,206,471	22.81%

Note: The Jackson County Assessor's Office did not start breaking out the Real Property into Residential, Agricultural, and Commercial until 2001.

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

Note: The City does not assess taxes on personal property.

Source: Jackson County Assessor's Office and Clay County Assessor's Office.

Table 8

City of Independence, Missouri
 Property Tax Rates
 Direct and Overlapping Governments
 Last Ten Fiscal Years
 (rate per \$100 assessed value)

Fiscal Year	City Direct Rates (1)				Overlapping Rates (2 & 3)			
	Basic/General Rate	Public Health & Recreation	Debt Service	Total Direct	Metropolitan Junior College	Independence School District	Jackson County	State
1997	\$ 0.520	\$ 0.240	\$ -	\$ 0.760	\$ 0.220	\$ 4.040	\$ 1.073	\$ 0.030
1998	0.520	0.240	-	0.760	0.220	4.290	1.073	0.030
1999	0.510	0.240	-	0.750	0.220	4.290	1.093	0.030
2000	0.510	0.240	-	0.750	0.230	4.460	1.103	0.030
2001	0.510	0.240	-	0.750	0.230	4.460	1.103	0.030
2002	0.510	0.240	-	0.750	0.230	4.990	1.113	0.030
2003	0.510	0.240	-	0.750	0.230	5.190	1.113	0.030
2004	0.471	0.222	-	0.693	0.230	5.190	1.107	0.030
2005	0.471	0.222	-	0.693	0.230	5.190	1.107	0.030
2006	0.451	0.212	-	0.663	0.217	5.084	1.060	0.030

Notes: 1 The General Fund and Public Health & Recreation Fund levy rates are limited by Missouri Statutes to \$1.00 and \$.40 per \$100.00 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	0.16
Road & Bridge Fund	0.14
Park Fund	0.09
Mid-Continent Public Library	0.32
Handicap	0.08
Mental Health	0.12
Total County	1.06

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	4.959
Blue Springs Reorganized #4	5.389
Kansas City School District	4.950

Note: 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. Commercial real property is also assessed an additional "replacement tax" of 1.437 per \$100 assessed value.

Table 9

City of Independence, Missouri
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2006			1997		
	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Total Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Simon Property Group LP	\$ 19,238,350	1	1.46%	\$ 14,647,130	1	1.65%
DDR MDT Independence Commons LLC	9,611,830	2	0.73%			
Geospace	8,848,360	3	0.67%	5,718,780	3	0.65%
Bradley Operating LTP PTP	7,661,437	4	0.58%			
Noland Fashion Square	5,103,999	5	0.39%	4,560,010	5	0.52%
Southern Union Company	4,257,589	6	0.32%	2,302,640	10	0.26%
Sprint Spectrum	4,166,300	7	0.32%			
Burd & Fletcher Co	3,814,618	8	0.29%			
Southwestern Bell	3,635,212	9	0.28%	8,832,287	2	1.00%
Midwest Division - IRHC LLC	3,353,692	10	0.25%			
Wild Woodys				4,976,000	4	0.56%
Galen of Kansas Inc.				3,102,110	6	0.35%
Independence Apartments Association				2,913,650	7	0.33%
Commercial Distribution Center				2,880,000	8	0.33%
KCP & L				2,875,642	9	0.32%
Total	\$ <u>69,691,387</u>		<u>5.28%</u>	\$ <u>52,808,249</u>		<u>5.96%</u>

Source: Jackson County Collection Department

Table 10

City of Independence, Missouri
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for Fiscal Year	Collected within Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 4,724,273	\$ 4,460,502	94.42%	\$ 262,668	\$ 4,723,170	99.98%
1998	4,984,727	4,644,002	93.16%	340,043	4,984,045	99.99%
1999	5,034,573	4,856,639	96.47%	173,364	5,030,003	99.91%
2000	5,490,069	5,135,996	93.55%	331,499	5,467,495	99.59%
2001	5,569,021	5,253,285	94.33%	315,254	5,568,539	99.99%
2002	5,973,620	5,684,526	95.16%	284,106	5,968,632	99.92%
2003	6,048,640	5,729,077	94.72%	310,935	6,040,012	99.86%
2004	6,332,239	6,084,821	96.09%	226,500	6,311,321	99.67%
2005	6,447,233	6,164,479	95.61%	192,425	6,356,904	98.60%
2006	6,828,694	6,557,341	96.03%	-	6,557,341	96.03%

City of Independence, Missouri
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Loans Payable	Neighborhood Improvement District	Capital Leases	Certificates of Participation			
1997	\$ 5,000,000	\$ -	\$ 2,334,285	\$ 133,115			
1998	4,875,000	-	1,829,472	68,801			
1999	11,980,000	-	1,495,200	-			
2000	27,040,000	-	1,700,639	-			
2001	38,550,000	-	2,130,126	-			
2002	50,448,580	-	1,622,013	-			
2003	52,301,676	-	1,086,597	-			
2004	59,317,916	995,000	718,955	-			
2005	(2) 21,498,153	1,039,990	1,015,831	-			
2006	(2) 18,590,023	982,044	737,370	-			

Fiscal Year	Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Revenue Bonds	Loans Payable	Capital Leases	Certificates of Participation			
1997	\$ 75,910,000	\$ -	\$ -	\$ 311,885	\$ 7,467,400	Not Available	\$ 64.64
1998	73,995,000	-	-	161,199	6,773,273	Not Available	58.47
1999	64,387,790	2,135,000	-	-	13,475,200	0.88%	116.01
2000	62,145,731	1,640,000	125,476	-	28,740,639	1.29%	245.93
2001	59,793,673	1,120,000	-	-	40,680,126	1.83%	352.49
2002	57,276,614	575,000	-	-	52,070,593	2.05%	456.97
2003	53,826,179	-	-	-	53,388,273	2.13%	466.91
2004	65,887,893	-	-	-	61,031,871	2.48%	531.89
2005	62,969,608	-	-	-	23,553,974	0.92%	204.56
2006	59,361,323	-	-	-	20,309,437	0.77%	175.15

Notes: 1 See Table 16 for personal income and population data. The 2006 ratios are calculated using personal income and population data from table 16 which is an estimate.

2 In 2005 the Tax Increment Financing funds were removed from the primary government presentation and shown as a component unit.

City of Independence, Missouri
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			Percentage of Est. Actual Taxable Value of Property (1)	Per Capita (2)
	General Obligation Bonds	Less Amounts Available in Debt Service	Total		
1997	\$ -	\$ -	\$ -	0.00%	\$ -
1998	-	-	-	0.00%	-
1999	-	-	-	0.00%	-
2000	-	-	-	0.00%	-
2001	-	-	-	0.00%	-
2002	-	-	-	0.00%	-
2003	-	-	-	0.00%	-
2004	-	-	-	0.00%	-
2005	-	-	-	0.00%	-
2006	-	-	-	0.00%	-

Notes: 1 See Table 7 for property value data.
2 See Table 16 for population data.

Note: The City does not have any General Bonded Debt over the past ten fiscal years. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

City of Independence, Missouri
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2006

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Blue Springs Reorganized #4 School District	\$ 110,894,988	20.00%	\$ 22,178,998
Independence School District	71,573,358	100.00%	71,573,358
Raytown School District	65,675,000	6.00%	3,940,500
Fort Osage Reorganized #1 School District	23,279,674	12.50%	2,909,959
Subtotal, overlapping debt			<u>100,602,815</u>
City direct debt			<u>20,309,437</u>
Total direct and overlapping debt			<u>\$ 120,912,252</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Independence. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Note: Information was requested from the Kansas City School District and Jackson County, but no response was received.

Source: The debt outstanding data and applicable percentages provided by each governmental entity.

City of Independence, Missouri
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit (1)	\$ 177,069,709	178,681,073	193,019,621	195,585,654	208,557,293	215,035,648	234,498,374	239,548,507	258,869,181	263,980,502
Total net debt applicable to limit	-	-	-	-	-	-	-	-	948,722	896,700
Legal Debt Margin	\$ 177,069,709	178,681,073	193,019,621	195,585,654	208,557,293	215,035,648	234,498,374	239,548,507	257,920,459	263,083,802
Total net debt applicable to the limit as a percentage of debt limit	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.366%	0.340%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed Value	\$ 1,319,902,510
Debt Limit (20% of assessed value)	263,980,502
General obligation:	
City-Wide	-
Neighborhood Improvement Districts	983,000
Revenue Bonds	59,361,323
Total Bonded Debt	60,344,323
Less:	
Water Utility Bonds	42,590,000
Electric Utility Bonds	16,771,323
Debt Service Fund Balance	86,300
Total net debt applicable to limit	896,700
Legal debt margin	\$ 263,083,802

Notes:

1 - 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.

1 - 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.

1 - 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 systems and an additional 10 percent for purchasing or construction 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.

City of Independence, Missouri
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Revenues	Less: Operating Expenses (1)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest (2)	
Power & Light (3)						
1997	\$ 61,774,504	\$ 41,624,569	\$ 20,149,935	\$ 1,045,000	\$ 2,208,240	\$ 6.19
1998	67,552,096	44,766,098	22,785,998	1,115,000	2,134,615	7.01
1999	69,173,245	46,068,740	23,104,505	1,090,000	2,005,463	7.46
2000	70,349,124	50,390,860	19,958,264	1,535,000	1,384,760	6.84
2001	81,965,004	57,618,481	24,346,523	1,595,000	1,308,835	8.38
2002	73,930,488	52,142,313	21,788,175	1,675,000	1,243,860	7.46
2003	77,932,974	56,701,449	21,231,525	1,740,000	1,164,512	7.31
2004	82,265,717	61,851,943	20,413,774	1,745,000	983,448	7.48
2005	84,020,908	64,452,736	19,568,172	1,855,000	921,038	7.05
2006	100,254,630	75,369,477	24,885,153	1,925,000	855,273	8.95
Water (2) (3)						
1997	\$ 15,342,158	\$ 8,547,276	\$ 6,794,882	\$ 750,000	\$ 1,557,884	\$ 2.94
1998	15,814,097	8,162,749	7,651,348	800,000	1,555,705	3.25
1999	15,400,654	9,664,783	5,735,871	900,000	1,510,313	2.38
2000	16,656,302	9,656,336	6,999,966	850,000	1,596,133	2.86
2001	16,267,295	10,018,126	6,249,169	900,000	1,561,920	2.54
2002	16,068,944	10,199,624	5,869,320	985,000	1,527,809	2.34
2003	16,348,365	10,788,334	5,560,031	1,070,000	1,489,510	2.17
2004	16,907,411	10,718,853	6,188,558	1,200,000	1,449,060	2.34
2005	17,928,618	11,096,626	6,831,992	1,285,000	2,014,517	2.07
2006	19,285,620	12,300,943	6,984,677	1,905,000	2,053,730	1.76
Sanitary Sewer						
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	-	-	-
2006	14,850,445	10,400,801	4,449,644	-	-	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- Notes:
- 1 Operating expenses excludes depreciation, interest expense, amortization, non-operating expenses, and payments in lieu of taxes.
 - 2 Interest for the Water Revenue Bonds excludes \$6,050,000 reduction of debt due to remarketing.
 - 3 Numbers displayed for Power and Light are in accordance with FERC accounting. Numbers displayed for Water are in accordance with NARUC accounting.

City of Independence, Missouri
Demographic and Economic Statistics
Last Ten Calendar Years

<u>Calendar Year (3)</u>	<u>Population (1)</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income (1)</u>	<u>Median Age (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (1)</u>
1997	115,531	\$ Not Available	\$ Not Available	35.20	15,667	3.30%
1998	115,851	Not Available	Not Available	35.00	16,746	3.70%
1999	116,155	1,534,175,240	13,208	34.40	16,361	2.90%
2000	116,867	2,223,862,143	19,029	37.14	16,361	3.10%
2001	115,407	2,217,545,505	19,215	37.37	15,302	4.20%
2002	113,947	2,535,092,856	22,248	37.68	15,987	5.70%
2003	114,345	2,509,987,095	21,951	38.34	16,334	5.20%
2004	114,745	2,465,640,560	21,488	38.55	18,215	5.15%
2005	115,146	2,552,786,820	22,170	38.57	16,278	6.20%
2006	115,953	2,632,249,053	22,701	38.91	14,829	4.98%

Note: The information for 2006 is an estimate.

Note: 3 The information shown is for calendar years.

Sources: 1 Information provided by Mid-America Regional Council and Claritas, Inc.
2 Information provided by school districts.

Table 17

City of Independence, Missouri
Principal Employers
Current Year and Seven Years Ago

Employer	2006			1999		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Alliant Tech Systems	2,100	1	3.60%	1,460	1	2.26%
Independence School District	1,800	2	3.09%			
City of Independence	1,176	3	2.02%			
Independence Regional Health Center	1,035	4	1.78%	1,400	2	2.17%
Medical Center of Independence	565	5	0.97%	401	5	0.62%
Burd & Fletcher	350	6	0.60%	100	9	0.15%
GEHA	350	7	0.60%			
Unilever	330	8	0.57%			
Jackson County Circuit Court	274	9	0.47%			
Mid-Continent Library	248	10	0.43%			
Agco				800	3	1.24%
Southwestern Bell Telephone				725	4	1.12%
Thomas J. Lipton				350	6	0.54%
Sprint Relay Center				248	7	0.38%
The Examiner				100	8	0.15%
Barbour Concrete				85	10	0.13%
Total	<u>8,228</u>		<u>14.12%</u>	<u>5,669</u>		<u>8.78%</u>

Note: The oldest information available is from 7 years ago instead of 9 years ago.

Source: Independence Council for Economic Development and Mid-America Regional Council.

City of Independence, Missouri
 Full-time Equivalent City Government Employees by Function/Program
 Last Ten Fiscal Years

Function/Program	Full-time Equivalent Employees as of June 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
City council office	12.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	10.00	10.00
City clerk	7.00	7.00	7.00	7.00	7.00	7.00	7.00	6.50	6.50	6.00
City manager	5.00	9.38	10.50	11.50	11.00	10.00	10.00	8.50	7.00	7.50
National Frontiers Trails Museum	6.55	6.55	6.55	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Technology services	21.00	21.00	21.00	21.00	21.00	20.00	20.00	20.00	20.00	20.00
Municipal court	13.00	12.00	12.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Law - General fund	6.00	6.00	6.50	6.00	6.00	6.00	6.00	5.50	5.50	5.75
Law - Grants fund	-	-	-	-	-	-	-	-	0.50	0.50
Finance	25.00	25.00	25.00	25.00	25.00	25.00	25.00	24.00	24.00	25.00
Human resources	6.00	6.00	6.50	6.50	7.50	7.50	7.50	7.50	7.50	7.50
Public Safety										
Police - General fund	255.00	260.00	264.00	269.00	275.00	274.00	275.00	275.00	277.00	281.50
Police - Grants fund	-	-	-	-	-	-	-	-	15.00	12.00
Fire - General fund	173.00	173.00	174.00	174.00	174.00	174.00	174.00	174.00	173.25	173.25
Fire - Grants fund	-	-	-	-	-	-	-	-	0.75	0.75
Public Works	86.50	87.90	87.73	87.90	89.90	88.90	87.90	82.00	81.00	82.00
Health and Welfare										
General fund	27.74	26.74	28.49	28.49	27.24	38.13	39.69	39.47	33.50	34.25
Grant fund	-	-	-	-	-	-	-	-	5.50	6.00
Culture and Recreation										
General fund	39.15	39.15	41.10	41.70	41.70	41.70	43.79	42.14	41.70	36.70
Tourism fund	3.10	3.73	3.40	3.40	3.40	3.41	3.41	3.41	4.41	4.41
Park Improvement Sales Tax fund	-	-	-	2.99	7.00	5.00	5.00	8.61	11.59	12.59
Community Development										
General fund	28.00	28.00	30.00	31.00	35.00	23.00	23.00	22.00	22.00	26.00
Community Dev Block Grant fund	4.50	4.50	4.50	4.50	3.50	3.00	3.00	3.00	3.00	3.00
HOME Program fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Storm Water										
Water Poll Control - General Fund	-	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Storm Water Sales Tax fund	-	-	-	-	-	9.00	7.00	7.00	8.00	8.00
Storm Water fund	5.00	-	-	-	-	-	-	-	-	-
Power and Light										
Technology Services - General Fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Power and Light	220.00	220.00	220.00	220.00	220.00	220.00	220.00	220.00	220.00	220.00
Water										
City Manager - General fund	-	-	1.50	1.50	1.50	1.50	1.50	1.50	-	-
Finance - General fund	-	-	-	-	-	-	-	-	1.00	1.00
Water	106.48	101.48	98.48	98.48	98.48	97.48	97.48	97.48	97.48	98.48
Sewer										
Public Works - General fund	-	-	-	-	-	-	-	-	1.00	1.00
Water Pollution Control	72.50	72.50	72.50	71.50	73.50	72.00	72.00	69.00	70.00	70.00
Central Garage fund	11.00	10.00	10.00	10.00	10.00	10.00	10.00	9.00	9.00	9.00
Total	<u>1,135.52</u>	<u>1,137.93</u>	<u>1,148.75</u>	<u>1,158.46</u>	<u>1,174.72</u>	<u>1,173.62</u>	<u>1,175.27</u>	<u>1,162.61</u>	<u>1,182.18</u>	<u>1,188.18</u>

Source: City of Independence Budget

City of Independence, Missouri
 Operating Indicators by Function/Program
 Last Ten Fiscal Years

Function/Program	Fiscal Year										
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	
General Government											
National Frontiers Trails Museum											
Number of visitors to museum	21,000.00	21,420.00	19,625.00	18,015.00	20,105.00	16,199.00	14,963.00	19,763.00	17,183.00	15,986.00	
Public Safety											
Police											
Police Incident Calls	120,181.00	131,193.00	126,185.00	122,325.00	123,234.00	125,219.00	120,668.00	123,329.00	128,891.00	130,242.00	
Traffic Unit Citations Issued	16,352.00	19,324.00	18,730.00	22,048.00	22,062.00	23,227.00	17,796.00	30,840.00	31,323.00	20,257.00	
Fire											
Total Alarms	11,650.00	11,894.00	12,486.00	12,074.00	12,557.00	13,141.00	12,294.00	13,424.00	12,895.00	13,166.00	
Public Education Audience	14,118.00	16,764.00	17,643.00	21,344.00	22,293.00	13,828.00	12,619.00	14,747.00	18,363.00	18,818.00	
Public Works											
Street Overlay (lane miles)	16.00	6.00	92.00	110.00	144.00	122.00	110.00	104.00	88.00	66.00	
Street Patching Jobs	1,745.00	2,168.00	2,003.00	1,951.00	1,133.00	1,524.00	744.00	575.00	542.00	474.00	
Health and Welfare											
Food Handlers Trained	4,505.00	3,600.00	4,200.00	4,262.00	4,963.00	4,741.00	5,186.00	11,638.00	9,680.00	7,696.00	
Flu Shots Given	1,049.00	722.00	700.00	774.00	450.00	450.00	539.00	600.00	431.00	680.00	
Animal Control Service Calls	9,214.00	9,729.00	8,455.00	8,100.00	8,318.00	9,336.00	9,230.00	7,354.00	6,446.00	7,294.00	
Culture and Recreation											
Park Shelter Reservations	Not Available	200.00	230.00	275.00	283.00	671.00	675.00	210.00	214.00	462.00	
Number of Sermon Center Memberships	Not Available	4,793.00	800.00	830.00	900.00	1,275.00	1,032.00	1,056.00	948.00	930.00	
Community Development											
Permits Issued	4,024.00	4,024.00	5,500.00	5,292.00	4,822.00	3,984.00	4,693.00	5,809.00	5,281.00	4,792.00	
Tourism											
Site Attendance	Not Available	394,149.00	338,373.00	403,560.00	357,747.00	432,268.00	334,853.00	306,407.00	290,499.00	295,381.00	
Leisure Visitor Inquiries	Not Available	27,193.00	29,271.00	28,540.00	21,446.00	42,608.00	44,659.00	23,172.00	34,512.00	44,943.00	
Power and Light											
Average number of monthly customers	50,442.00	52,029.00	52,640.00	53,135.00	53,658.00	53,982.00	54,356.00	55,195.00	55,921.00	56,402.00	
Water											
Number of customers	44,465.00	44,877.00	45,243.00	45,649.00	45,945.00	46,394.00	46,873.00	47,324.00	47,461.00	47,769.00	
Water main breaks	152.00	191.00	146.00	215.00	294.00	180.00	292.00	239.00	182.00	241.00	
Sewer											
Number of customers	39,956.00	40,311.00	40,637.00	42,194.00	42,487.00	42,856.00	42,394.00	43,434.00	43,909.00	44,290.00	
Wastewater Treated (Million Gallons)	3,657.00	3,492.00	4,944.00	3,241.00	4,218.00	3,830.00	2,939.00	3,032.00	3,207.00	2,935.00	

City of Independence, Missouri
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety										
Police										
Police stations	1.00	1.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	3.00
Vehicles	135.00	135.00	137.00	108.00	109.00	151.00	124.00	162.00	90.00	177.00
K - 9 Facility	-	-	-	-	-	-	-	-	1.00	1.00
Fire										
Fire Stations	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Vehicles	44.00	44.00	42.00	44.00	42.00	40.00	40.00	42.00	41.00	44.00
Public Works										
Total area (square miles)	78.00	78.00	78.00	78.00	78.00	78.00	78.00	78.00	78.00	78.00
Paved miles	580.00	580.00	600.00	580.00	580.00	532.00	535.00	535.00	535.00	580.00
Culture and Recreation										
Park acreage	885.00	885.00	724.00	724.00	724.00	721.00	721.00	724.00	724.00	757.00
Parks	41.00	41.00	41.00	41.00	41.00	40.00	40.00	40.00	42.00	43.00
Community Centers	2.00	2.00	2.00	1.00	1.00	1.00	2.00	3.00	3.00	3.00
Fitness Centers	1.00	3.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00
Ball Fields	34.00	34.00	32.00	53.00	54.00	53.00	53.00	53.00	53.00	53.00
Power and Light										
Power stations	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Transmission/Distribution Circuits (miles)	Not Available	Not Available	Not Available	650.00	776.00	789.00	794.00	802.00	809.00	817.00
Maximum daily use (Mwh)	4,769.00	4,769.00	5,258.00	5,506.00	5,432.00	5,395.00	5,401.00	5,838.00	5,320.00	5,464.00
Water										
Water mains (miles)	663.00	663.00	676.00	683.00	688.00	694.00	697.00	711.00	711.00	729.00
Fire hydrants	3,623.00	3,623.00	3,753.00	3,840.00	3,908.00	3,996.00	4,061.00	4,186.00	4,186.00	4,401.00
Maximum daily pumpage (millions of gallons)	24.90	24.90	35.00	37.00	39.00	39.00	42.00	42.00	41.00	44.00
Sewer										
Number of treatment plants	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Sewers mains (miles)	510.00	510.00	510.00	515.00	515.00	565.00	565.00	582.00	576.00	578.00
Maximum daily capacity of treatment (MGD)	18.82	18.82	18.00	18.00	18.00	18.00	18.00	18.00	18.80	18.75



City of Independence



111 East Maple St., P.O. Box 1019, Independence, Missouri 64051-0519 (816) 325-7000