THREE NEW ISSUES
(Book Entry Only)

Ratings: S&P Rating: "A+"
See "RATINGS" herein.

*In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the interest on all three Series of the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes, except as described herein, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the opinion of Bond Counsel, under existing laws, regulations, judicial decisions and rulings, interest on all three Series of Bonds is exempt from income taxation in the State of Missouri. None of the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See **"TAX MATTERS"** herein*

MISSOURI DEVELOPMENT FINANCE BOARD
Infrastructure Facilities Revenue Bonds

$8,225,000	$1,030,000	$11,325,000
(City of Independence, Missouri - Public Safety Project) Series 2005A	(City of Independence, Missouri - Drumm Farm Project) Series 2005B	(City of Independence, Missouri - Crackerneck Creek Project) Series 2005C

Dated: All Series March 1, 2005 **Due: See Inside Cover Pages**

All three Series of the Bonds (collectively, the "Bonds") are issuable only as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (herein defined) of the Bonds. Principal of and semiannual interest on the Bonds will be paid from moneys available therefor under the applicable Indenture (herein defined) by Commerce Bank, N.A., Kansas City, Missouri, as Trustee and Paying Agent. So long as DTC or its nominee, Cede & Co., is the bondowner, such payments will be made directly to such bondowner. DTC is expected, in turn, to remit such principal and interest to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners. Principal of the Bonds will be due as shown on the inside cover page. Interest on the Bonds will be payable on each March 1 and September 1, beginning on September 1, 2005.

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS-Redemption."

Payment of the principal of and interest on the Bonds is <u>not</u> secured by any deed of trust, mortgage or other lien on the applicable Project or any other facilities or property of the City.

The Bonds will be payable solely from, and will be secured by, (i) an assignment and a pledge of Loan Payments made by the City, pursuant to the applicable Financing Agreement between the Missouri Development Finance Board (the "Board") and the City of Independence, Missouri (the "City") and (ii) certain other funds held by the Trustee under the applicable Indenture. The Series 2005B and Series 2005C Bonds will also be payable from certain moneys expected to be deposited in the Special Allocation Fund established for each of these projects as more fully described herein. See **"SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS."**

THE BONDS ARE NOT AN INDEBTEDNESS OF CITY, THE STATE OF MISSOURI OR ANY OTHER POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY PROVISION OF THE CONSTITUTION OR LAWS OF THE STATE OF MISSOURI. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWERS OF THE CITY, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE ISSUANCE OF THE BONDS SHALL NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE THE CITY, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF TO LEVY ANY FORM OF TAXATION THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT, EXCEPT AS OTHERWISE DESCRIBED HEREIN. THE BOARD HAS NO TAXING POWER.

The Bonds are offered when, as and if issued by the Board and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval of their validity by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, as described herein. Certain legal matters will be passed on for the City by Allen Garner, City Counselor, Independence, Missouri, and for the Board by Gilmore & Bell, P.C., Kansas City, Missouri. It is expected that the Bonds will be available for delivery through DTC in New York, New York on or about March 9, 2005.

PiperJaffray®

The date of this Official Statement is February 22, 2005

MISSOURI DEVELOPMENT FINANCE BOARD

Infrastructure Facilities Revenue Bonds

$8,225,000
(City of Independence, Missouri - Public Safety Project)
Series 2005A

Dated: March 1, 2005 **Due: March 1 as shown below**

Maturity Schedule

Due	Principal Amount	Interest Rate	Yield
2006	$670,000	4.00%	3.00%
2007	695,000	4.00	3.20
2008	725,000	4.00	3.375
2009	755,000	5.00	3.60
2010	790,000	5.00	3.75
2011	830,000	5.00	3.96
2012	870,000	5.00	4.10
2013	915,000	5.00	4.24
2014	965,000	5.00	4.34
2015	1,010,000	5.25	4.44

MISSOURI DEVELOPMENT FINANCE BOARD

Infrastructure Facilities Revenue Bonds

$1,030,000
(City of Independence, Missouri - Drumm Farm Project)
Series 2005B

Dated: March 1, 2005 **Due: March 1 as shown below**

Maturity Schedule

Due	Principal Amount	Interest Rate	Yield
2006	$50,000	3.00%	3.00%
2007	55,000	3.00	3.20
2008	55,000	3.375	3.375
2009	60,000	3.60	3.60
2010	60,000	3.75	3.75

$335,000 Term Bonds due March 1, 2015, 4.125% Yield: 4.44%
$415,000 Term Bonds due March 1, 2020, 4.50% Yield: 4.78%

MISSOURI DEVELOPMENT FINANCE BOARD

Infrastructure Facilities Revenue Bonds

$11,325,000
(City of Independence, Missouri - Crackerneck Creek Project)
Series 2005C

Dated: March 1, 2005 **Due: March 1 as shown below**

Maturity Schedule

Due	Principal Amount	Interest Rate	Yield
2009	$185,000	4.00%	3.60%
2010	300,000	5.00	3.75
2011	315,000	5.00	3.96
2012	350,000	4.00	4.10
2013	375,000	4.00	4.24
2014	420,000	4.125	4.34
2015	445,000	4.25	4.44
2016	495,000	4.375	4.52

$1,795,000 Term Bonds due March 1, 2019, 5.25% Yield: 4.72%
$6,645,000 Term Bonds due March 1, 2026, 5.00% Yield: 5.08%

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Board, the City or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of fact. The information set forth herein has been obtained from the Board, the City and other sources believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Board or the Underwriter. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Board, the City since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAVE THE INDENTURES BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY BOARD. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "anticipate," "projected," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE CITY NOR ANY OTHER PARTY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES UPON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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OFFICIAL STATEMENT

MISSOURI DEVELOPMENT FINANCE BOARD

Infrastructure Facilities Revenue Bonds

\$8,225,000	**\$1,030,000**	**\$11,325,000**
(City of Independence, Missouri - Public Safety Project)	**(City of Independence, Missouri - Drumm Farm Project)**	**(City of Independence, Missouri - Crackerneck Creek Project)**
Series 2005A	**Series 2005B**	**Series 2005C**

INTRODUCTORY STATEMENT

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the Cover Page and Appendices, must be considered in its entirety. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings ascribed to them in Appendix C hereto.

Purpose of the Official Statement

This Official Statement, including the cover page and the Appendices, sets forth certain information in connection with (i) the issuance and sale by the Missouri Development Finance Board, a body corporate and politic of the State of Missouri (the "Board"), of the above-described three separate series of bonds (the "Bonds"), (ii) the Board, (iii) the City of Independence, Missouri (the "City") and (iv) the financing of three separate projects as more fully described herein (the "Projects") with the proceeds of each Series of the Bonds. Each Series of the Bonds is separately secured as described herein.

The Board

The Board, a body corporate and politic duly created and existing under the laws of the State of Missouri, including particularly the Missouri Development Finance Board Act, Sections 100.250 to 100.297, inclusive, of the Revised Statutes of Missouri, as amended (the "Act").

The City

The City of Independence, Missouri (the "City") is a constitutional charter city and political subdivision of the State of Missouri. See the caption **"THE CITY"** herein and **"APPENDIX A: INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI."**

The Projects

The proceeds of each Series of the Bonds will be loaned to the City pursuant to three separate Financing Agreements, each dated as of March 1, 2005 (separately, a "Financing Agreement" or by Series, the Series 2005A Financing Agreement, the Series 2005B Financing Agreement or Series 2005C Financing Agreement) between the Board and the City to finance a portion of the costs of the Public Safety Project, the Drumm Farm Project and the Crackerneck Creek Project (collectively, the "Projects") each as described herein, to fund a Debt Service Reserve Fund for the Series 2005C Bonds and to pay the costs of issuing the Bonds, all as more fully described herein under the caption **"THE PROJECTS."** The Drumm Farm Project and the Crackerneck Creek Projects are both Tax Increment Financing Projects approved by the City pursuant to the Tax Increment Financing Act (the "TIF Act").

The Bonds

The Bonds are being issued pursuant to the Act and three separate Bond Trust Indentures, each dated as of March 1, 2005 (each of said Bond Trust Indentures, together with all amendments and supplements thereto, being referred to herein as an "Indenture," and by Series the Series 2005A Indenture, the Series 2005B Indenture and the Series 2005C Indenture), all between the Board and Commerce Bank, N.A., Kansas City, Missouri (the "Trustee"), for the purpose of providing funds to make three separate loans to the City pursuant to the applicable Financing Agreement, in consideration of payments by the City, which will be sufficient to pay the principal of, premium, if any, and the interest on the Bonds, all as more fully described in the Financing Agreement and the Indenture relating to each Series of Bonds. A description of the Bonds is contained in this Official Statement under **"THE BONDS."** All references to the Bonds are qualified in their entirety by the definitive forms thereof and the provisions with respect thereto included in the applicable Indenture and the applicable Financing Agreement.

Additional Bonds

The Indentures relating to the Series 2005B and Series 2005C Bonds provides for the future issuance of additional bonds ("Additional Bonds") which, if issued, would rank on a parity with the applicable Series of Bonds and any other bonds then outstanding under such Indenture issued on a parity with such Bonds. See **"SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS – Additional Bonds"** and **"SUMMARY OF THE INDENTURE – Additional Bonds"** in *Appendix C* hereto.

The City expects to issue approximately $3,970,000 of Additional Bonds secured on a parity with the Series 2005B Bonds to finance other redevelopment project costs relating to the Drumm Farm Project. The proposed Additional Bonds will be secured on a parity with the Series 2005B Bonds and therefore will share an equal claim on the Payment in Lieu of Taxes (also called PILOTS) and Economic Activity Taxes (also called EATS) derived by the City with respect to the Drumm Farm Project, all as more fully described herein.

The City expects to issue approximately $74,000,000 of Additional Bonds secured on a parity with the Series 2005C Bonds to finance other redevelopment project costs relating to the Crackerneck Creek Project. The proposed Additional Bonds will be secured on a parity with the Series 2005C Bonds, (except with respect to the Series 2005C Account of the Debt Service Reserve Fund which shall only be pledged to secure the Series 2005C Bonds), and therefore will share an equal claim on the PILOTS and EATS (and the State Sales Tax described herein if and when approved) derived by the City with respect to the Crackerneck Creek Project, and the Business Interruption Reserve Fund established pursuant to the Series 2005C Indenture, all as more fully described herein.

Security for the Bonds

Each Series of the Bonds and the interest thereon are special, limited obligations of the Board, payable by the Board solely from (1) certain payments to be made by the City under the applicable Financing Agreement, and (2) certain other funds held by the Trustee under the applicable Indenture and not from any other fund or source of the Board, and are separately and independently secured under the applicable Indenture and the applicable Financing Agreement as described herein. Payments under each Financing Agreement are designed to be sufficient, together with other funds available for such purpose, to pay when due the principal of, premium, if any, and interest on the Series of Bonds relating to such Financing Agreement. Except as noted herein, all payments by the City under each Financing Agreement are subject to annual appropriation. Pursuant to each Indenture, the Board will assign to the Trustee, for the benefit and security of the registered owners of the Bonds, substantially all of the rights of the Board in the applicable Financing Agreement, including all Loan Payments payable thereunder.

As more fully described herein, the City's obligation to make Loan Payments with respect to the Series 2005B and Series 2005C Bonds under each Financing Agreement will be secured by Incremental Tax Revenues, a portion of which described herein as the Payment in Lieu of Taxes, are not subject to annual appropriation. The portion described herein as the Economic Activity Taxes are subject to annual appropriation by the City. Tax Increment Financing has been approved with respect to both the Drumm Farm Project and the Crackerneck Creek Project. However, no improvements have been constructed in connection with the Crackerneck Creek Project and therefore there can be no assurance at this point in time that any Incremental Tax Revenues will be received by the City in connection with the Series 2005C Bonds.

Prospective investors should not rely upon the collection of Incremental Tax Revenues (PILOTS and EATS) as a source of repayment of the Series 2005B Bonds or the Series 2005C Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreements relating to the Series 2005B Bonds and the Series 2005C Bonds.

The Bonds are not an indebtedness of City, the State of Missouri or any other political subdivision thereof within the meaning of any provision of the constitution or laws of the state of Missouri. Neither the full faith and credit nor the taxing powers of the City, the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The issuance of the Bonds shall not, directly, indirectly or contingently, obligate the City, the State or any other political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment, except as otherwise described herein. The Board has no taxing power. See **"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS"** herein.

Bondowners' Risks

Payment of the principal of and interest on the Bonds is primarily dependent upon the City's decision to continue to appropriate sufficient moneys to make Loan Payments under each Financing Agreement. **See "BONDOWNERS' RISKS"** for a discussion of certain risks. There are numerous risks associate with the collection of Incremental Tax Revenues. **See "BONDOWNERS' RISKS"** for a discussion of certain of these risks.

Continuing Disclosure

The City will execute a Continuing Disclosure Agreement for the benefit of the owners of the Bonds to provide certain annual financial information and notices of the occurrence of certain material events. The information will include a description of the Incremental Tax Revenues deposited into the Drumm Farm Special Allocation Funds and the Incremental Tax Revenues deposited into the Crackerneck Creek Special Allocation Fund, together with any State TIF Sales Tax revenues, if and when approved, and the Bass Pro Lease payments, if any, collected by the City. A summary of the Continuing Disclosure Agreement is attached to this Official Statement in *Appendix C*.

Definitions and Summaries of Legal Documents

Definitions of certain words and terms used in this Official Statement are set forth in *Appendix C* of this Official Statement. Summaries of the Series 2005C Indenture, the City's Authorizing Ordinance, the Series 2005C Financing Agreement and the Continuing Disclosure Agreement are included in this Official Statement in *Appendix C* hereto. The Bonds of each Series are separately secured. The Indentures and Financing Agreements for the Series 2005A and Series 2005B Bonds are substantially similar to the Indenture and Financing Agreement summarized in *Appendix C*, except as otherwise noted. Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to the specified documents are qualified in their entirety by reference to the definitive forms of such documents, copies of which may be viewed at the principal corporate trust office of the Trustee, Commerce Bank, N.A., Corporate Trust Department, 922 Walnut, 10th Floor, Kansas City, Missouri 64106. Copies of such documents and the other documents described herein will be available at the offices of the Underwriter, Piper Jaffray & Co., at 11150 Overbrook Road, Suite 300, Leawood, Kansas 66211 during the period of the offering and, thereafter, at the principal corporate trust office of the Trustee.

THE BOARD

General

The issuer of the Bonds is the Missouri Development Finance Board (the "Board"), a body corporate and politic duly created and existing under the laws of the State of Missouri, including particularly the Missouri Development Finance Board Act, Sections 100.250 to 100.297, inclusive, of the Revised Statutes of Missouri, as amended (the "Act"). The Bonds will be authorized and issued by the Board under the provisions of the statutes of the State of Missouri, including the Act. Missouri law requires that the State shall not be liable in any event for the payment of the principal of or interest on any bonds of the Board or for the performance of any pledge, mortgage, obligation or agreement undertaken by the Board and no breach of any such pledge, mortgage, obligation or agreement may impose any pecuniary liability upon the State or any charge upon the general credit or taxing power of the State.

Organization and Membership

The Board was established pursuant to the Act in 1982 and consists of twelve members, nine of which are appointed by the Governor, with the advice and consent of the Senate. The Lieutenant Governor, the Director of the Department of Economic Development and the Director of the Department of Agriculture serve as *ex-officio*, voting members of the Board. No more than five of the members may be of the same political party except for the Lieutenant Governor, the Director of the Department of Economic Development and the Director of the Department of Agriculture. Appointed members serve terms of four years. Each member of the Board continues to serve until a successor has been duly appointed and qualified.

Robert V. Miserez serves as Executive Director of the Board.

As of the date hereof, the members of the Board and the terms of appointed members are as follows:

Elizabeth T. Solberg, Chair, term as a member expires September 16, 2006. Ms. Solberg is Regional President and Senior Partner of Fleishman-Hillard, Inc., Kansas City, Missouri.

John D. Starr, Vice-Chairman, term as a member expires September 14, 2007. Mr. Starr is CEO and President of Koch Equipment LLC., a worldwide distributor and manufacturer for the meat and food industry located in Kansas City, Missouri.

Larry D. Neff, Secretary, term as a member expires September 14, 2006. Mr. Neff is the President of Larry Neff Management and Development, Neosho, Missouri.

Paul S. Lindsey, term as a member expired September 14, 2003. Mr. Lindsey is Operational Manager of Alliance Energy, LLC, Lebanon, Missouri.

James O'Mara, term as a member expires September 14, 2004. Mr. O'Mara lives in St. Charles, Missouri.

Richard J. Wilson, term as a member expires September 14, 2004. Mr. Wilson is the Executive Vice-President of Jefferson Bank of Missouri, Jefferson City, Missouri.

Nelson C. Grumney, Jr., term as a member expires September 14, 2004. Mr. Grumney is President and CEO of Neland Investment Management, LLC, St. Louis, Missouri

James D. Hill, term as a member expires September 14, 2007. Mr. Hill is a Representative for Concepts Marketing, St. Louis, Missouri

Peter Kinder, *ex-officio* voting member. Mr. Kinder is the Lieutenant Governor.

Greg Steinhoff, *ex-officio* voting member. Mr. Steinhoff is the Director of the Department of Economic Development.

Fred Ferrell, *ex-officio* voting member. Mr. Ferrell is the Director of the Department of Agriculture.

Other Indebtedness of the Board

The Board has sold and delivered other bonds and notes secured by instruments separate and apart from, and not secured by, the Indentures securing the Bonds. The holders and owners of such bonds and notes have no claim on assets, funds or revenues of the Board pledged under the Indentures, and the owners of the Bonds will have no claim on assets, funds or revenues of the Board securing other bonds and notes. The Board has never defaulted on any of its bonds or notes.

With respect to additional indebtedness of the Board, the Board intends to enter into separate agreements for the purpose of providing financing for other eligible projects and programs. Issues that may be sold by the Board in the future will be created under separate and distinct indentures or resolutions and secured by instruments, properties and revenues separate from those securing the Bonds.

EXCEPT FOR INFORMATION CONCERNING THE BOARD IN THE SECTIONS OF THIS OFFICIAL STATEMENT CAPTIONED **"THE BOARD"** AND **"LITIGATION – THE BOARD,"** NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE BOARD AND THE BOARD MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE CITY

Incorporated in 1849, the City of Independence, Missouri (the "City") is the county seat of Jackson County, Missouri and adjoins Kansas City, Missouri to the west. The City is the fourth largest city in Missouri. The City is organized under the laws of the State of Missouri and operates under a Constitutional Charter approved by the voters in December 1961. The City is governed according to a Council-Manager Plan. The City Council, which consists of seven members, including the Mayor, is the legislative governing body of the City. Non-partisan elections are held every two years to provide for staggered terms of office. The Mayor and two at-large council members are elected to four-year terms and, in alternating elections, the four district council members are elected to four-year terms. Certain information describing the City is attached hereto in *Appendix A*.

THE PROJECTS

Public Safety Improvements Project

The proceeds of the Series 2005A Bonds will be loaned by the Board to the City pursuant to the Series 2005A Financing Agreement and used by the City to pay for public safety projects that include fire station improvements, fire trucks and police equipment, including the funding of a $1.5 million local match of a federal grant for a new $7.5 million communication system. The City intends to satisfy its obligation to make

Loan Payments with respect to the Series 2005A Bonds from sales tax revenues derived from two new sales taxes: (1) a 1/4th-cent sales tax approved by the voters of the City on August 3, 2004 for improvements and new equipment for the City's fire department, and (2) a 1/8th-cent sales tax approved by the voters of the City on August 3, 2004 for improvements and new equipment for the City's police department. Such sales taxes are not pledged and the application of such sales taxes is subject to annual appropriation by the City Council.

Drumm Farm Project

In 1999 the City adopted a Tax Increment Financing Plan for the redevelopment of a 320 acre tract of land and the subdividing of such tract and construction of certain public improvements to provide for the development of 143 residential lots and a public golf course, known as the Drumm Farm Project. The Developer is Golf Strategies, L.L.C. and real estate is owned by Drumm Farm Associates, LLC. The Drumm Farm Institute, a nonprofit organization that provides residential facilities and social services support for disadvantaged youths, sold the property to the Developer. The Drumm Farm Institute receives a $1,000 donation from each lot sold. According to information listed on the Developer's website, 63 lots in Phase I are sold. Home prices start at $210,000. The golf course opened in 2002 and has an 18 hole course and a 9 hole executive course.

The proceeds of the Series 2005B Bonds will be loaned by the Board to the City pursuant to the Series 2005B Financing Agreement and used by the City to reimburse the cost of certain public improvements for the Drumm Farm development, including the construction of the following improvements: filling, grading and drainage, storm water retention, sewers, traffic related, utilities, paving and landscaping, professional fees and interest.

The City expects to issue Additional Bonds on a parity with the Series 2005B Bonds in a principal amount of approximately $3,970,000 to fund a portion of the remaining costs of the Drumm Farm Project. Total cost of the public improvement portion of the project, excluding costs of issuance, relating to the Series 2005B Bonds, is $5,632,000.

Crackerneck Creek Project

On October 18, 2004, the City approved an ordinance that approved the Crackerneck Creek Tax Increment Financing Plan, established the Crackerneck Creek Tax Redevelopment Area, designated such area as blighted, and designated Crackerneck Creek, L.L.C. as the developer for all projects in the Crackerneck Creek Tax Redevelopment Area. The Crackerneck Creek Tax Increment Financing Plan provides for the development and construction of a proposed 450,000 square foot commercial retail center. The Crackerneck Creek Project will include an approximately 150,000 square foot Bass Pro Shops Outdoor World retail store, a minimum of 300,000 square feet of additional retail space and a hotel. Under a lease with the City, Bass Pro will be required to operate its retail store for a twenty (20) year period and will make lease payments to the City equal to approximately 2% of gross sales, with a minimum lease payment of $1,000,000 per year. The Board has passed a resolution expressing its intent to issue one or more series of bonds to finance the City's costs associated with this development. The Series 2005C Bonds are the first of such series of bonds. The total amount of all bonds to be issued by the Board for this project is expected to be approximately $85,000,000. 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. The City expects that these bonds will be payable solely from, and secured by, an assignment and a pledge of loan payments made by the City pursuant to the one or more financing agreements, each between the Board and the City. The City's loan payments will be secured by Incremental Tax Revenues deposited into the Crackerneck Creek Special Allocation Fund, together with any State TIF Sales Tax revenues, if and when approved, and the Bass Pro Lease payments, if any, and if not paid from such amounts, from the City's general fund, subject to annual appropriation. The City may elect to pledge the Bass Pro lease payments to secure a separate series of bonds. In such event such pledge shall be senior to the pledge of such payments to secure the loan relating to the Series 2005C Bonds.

Although grading of the site has commenced, no construction of any buildings has commenced. Construction of the Bass Pro retail store is subject to numerous contingencies. The City has assumed that it will receive approval from the State of Missouri for State TIF assistance which will result in the City being permitted to capture 50% of the State sales tax (currently, 1.5%) from the Crackerneck Creek Tax Redevelopment Area. There can be no assurance such approval will be obtained. The City will most likely not proceed with future series of bonds without such approval.

The City and Developer have agreed in the Redevelopment Agreement to cooperate to form a Transportation Development District (a TDD) to fund a portion of the transportation improvements associated with the Crackerneck Creek Project. The boundaries of the TDD will encompass all of the retail areas in the Crackerneck Creek Tax Redevelopment Area. The TDD is expected to impose a 7/8th-cent sales tax on retail sales to fund transportation improvements. Receipts from the TDD will be pledged by the City, subject to annual appropriation, to secure the Loan Payments with respect to the Series 2005C Bonds. The TDD has not yet been formed.

The proceeds of the Series 2005C Bonds will be loaned by the Board to the City pursuant to the Series 2005C Financing Agreement and used by the City to reimburse certain costs of the Developer and the City, including pre-development costs, engineering costs, site preparation and grading.

The City expects to issue Additional Bonds on a parity with the Series 2005C Bonds in a principal amount of approximately $74,000,000 to fund the remaining costs of the Crackerneck Creek Project. The total cost of the improvements the City is required to fund, subject to certain conditions, is $73,600,000.

Sources and Uses of Funds

Sources of Funds:

	Series 2005A	Series 2005B	Series 2005C
Principal amount of the Bonds	$8,225,000.00	$1,030,000.00	$11,325,000.00
Reoffering Premium (Net or Discount)	364,517.55	(20,978.65)	9,832.95
Accrued Interest	8,730.56	931.33	12,256.25
Total sources of funds	$8,598,248.11	$1,009,952.68	$11,347.089.20

Uses of Funds:

	Series 2005A	Series 2005B	Series 2005C
Deposit to the Project Fund	$8,400,000.00	$946,500.00	$8,200,000.00
Costs of Issuance (including Underwriter's Discount)	189,517.55	42,497.68	388,208.55
Deposit to Capitalized Interest (CIF) Fund	0.00	20,023.67	1,614,124.40
Deposit to Debt Service Fund	8,730.56	931.33	12,256.25
Deposit to Debt Service Reserve Fund (Series C only)	0.00	0.00	1,132,500.00
Total uses of funds	$8,598,248.11	$1,009,952.68	$11,347,089.20

TAX INCREMENT FINANCING IN MISSOURI

The following description of Tax Increment Financing in Missouri applies to the Incremental Tax Revenues which are pledged (subject to annual appropriation with respect to the pledge of EATS) to secure the Series 2005B Bonds and the Series 2005C Bonds. The Series 2005B Bonds and the Series 2005C Bonds are also secured by the annual appropriation obligation of the City as described herein under the caption

"SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS – Annual Appropriation Obligation of the City."

Overview

Tax increment financing is a procedure whereby cities and counties encourage the redevelopment of designated areas. The theory of tax increment financing is that, by encouraging redevelopment projects, the value of real property in a redevelopment area should increase. When tax increment financing is adopted for a redevelopment area, the assessed value of real property in the redevelopment area is frozen for tax purposes at the current base level prior to the construction of improvements. The owners of the property continue to pay property taxes at the base level. As the property is improved, the assessed value of real property in the redevelopment area should increase above the base level. By applying the tax rate of all taxing districts having taxing power within the redevelopment area to the increase in assessed valuation of the improved property over the base level, a "tax increment" is produced. The tax increments, referred to as "payments in lieu of taxes" or "PILOTS," are paid by the owners of property in the same manner as regular property taxes. The payments in lieu of taxes are transferred by the collecting agency to the treasurer of the city or county and deposited in a "special allocation fund." All or a portion of the moneys in the fund are used to pay directly for redevelopment project costs or to retire bonds or other obligations issued to pay such costs.

The TIF Act

The Tax Increment Financing Act (the "TIF Act") was enacted in 1982 and was amended in 1990, 1991, 1997, 1998 and 2003. The constitutional validity of the TIF Act (prior to the amendments) was upheld by the Missouri Supreme Court in *Tax Increment Financing Commission of Kansas City, Missouri v. J.E. Dunn Construction Co., Inc.*, 781 S.W.2d 70 (Mo. 1989) (en banc). The TIF Act authorizes cities and counties to provide long-term financing for redevelopment projects in "blighted" and "conservation" areas (as defined in the TIF Act) through the issuance of bonds and other obligations. Prior to the amendments to the TIF Act, such obligations were payable solely from PILOTS within the redevelopment area. Under the 1990, 1991 and 1997 amendments to the TIF Act, such obligations are also payable from 50% of the increase in certain other tax revenues generated by economic activities within the redevelopment area (including sales and utilities taxes but excluding any taxes imposed on sales or charges for sleeping rooms paid by transient guests of hotels and motels, taxes levied pursuant to Section 70.500, RSMo., licenses, fees or special assessments, other than payments in lieu of taxes, and personal property taxes and taxes levied for the purpose of public transportation pursuant to Section 94.660, RSMo). Such other taxes (subject to such exclusions) are referred to herein as "Economic Activity Tax Revenues" or "EATS." The validity of certain portions of the 1990 and 1991 amendments relating to the capture of Economic Activity Tax Revenues was upheld by the Missouri Supreme Court in *County of Jefferson v. QuikTrip Corporation,* 912 S.W.2d 487 (Mo. 1995) (en banc). In 1997, the TIF Act was further amended (the "1997 Amendment").

Although PILOTS may be irrevocably pledged to the repayment of bonds, Economic Activity Tax Revenues, also called EATS, are subject to annual appropriation by the governing body of the city or county, and there is no obligation on the part of the governing body to appropriate Economic Activity Tax Revenues in any year. See the captions **"BONDOWNERS' RISKS – Risk Factors Relating to the Collection of Incremental Tax Revenues - Risk of Non-Appropriation of Economic Activity Taxes"** herein.

TIF Act Legal Challenge

On December 14, 2004, a case was filed in the Cole County Circuit Court challenging the constitutionality of various provisions of the TIF Act and validity of actions of the City of St. Peters, Missouri in adopting its St. Peters Route 370 Redevelopment Plan. The case was filed by certain taxpayers and the Great Rivers Habitat Alliance, a not-for-profit corporation. In *Great Rivers Habitat Alliance et al. v. City of St. Peters*, Circuit Court of Cole County, Case No. OVCV-326900, the plaintiffs allege the invalidity of provisions of the TIF Act which the plaintiffs allege resulted in the need for increased services from taxing districts within the tax increment financing area resulting from redevelopment in the area, which increased services were not funded by the state appropriations which the plaintiffs allege violates the "state mandates" provision of the Hancock Amendment, Article X, Section 21 of the Missouri Constitution;

It is not possible to determine the outcome of this matter at this time. If the plaintiffs are successful in this case, portions of the TIF Act may be declared unconstitutional, the court's decision may interpret the requirements of the TIF Act, and it is not possible to determine how a court might apply such holding to other tax increment projects. If the holding were to be applied to the Redevelopment Project Area, the Payments in Lieu of Taxes and Economic Activity Tax Revenues may not be available to pay principal of and interest on the Bonds and the enforceability of the Indenture could be adversely affected. There could be a similar effect on other existing and pending tax increment obligations and projects throughout the State. The City cannot, however, predict or guarantee the outcome of this litigation or the application by a court of the holding in this litigation to other tax increment projects.

The approving legal opinion of Bond Counsel is not qualified by reference to this case, but the opinion is not binding upon the Missouri Supreme Court or any other court, nor is it a prediction of the outcome of this case.

Assessments and Collections of Ad Valorem Taxes

The City and the Redevelopment Project Area relating to the Drumm Farm Tax Increment Plan and the Redevelopment Project Area relating to the Crackerneck Creek Tax Increment Plan are all located within Jackson County, Missouri (the "County"). On or before September 1 in each year, each political subdivision located within the County which imposes ad valorem taxes (the "Taxing Districts") estimates the amount of taxes that will be required during the next succeeding fiscal year to pay interest falling due on general obligation bonds issued and the principal of bonds maturing in such year and the costs of operation and maintenance plus such amounts as shall be required to cover emergencies and anticipated tax delinquencies. The Taxing Districts certify the amount of such taxes to be levied, assessed and collected on all taxable tangible property in the County to the County Assessor by September 1.

All taxes levied must be based upon the assessed valuation of land and other taxable tangible property in the County as shall be determined by the records of the County Assessor and must be collected and remitted to the Taxing Districts. All the laws, rights and remedies for the collection of State, county, city, school and other ad valorem taxes are applicable to the collection of taxes authorized to be collected in the applicable Redevelopment Project Area.

The Missouri Constitution requires uniformity in taxation of real property by directing such property to be subclassed as agricultural, residential or commercial and permitting different assessment ratios for each subclass. Residential property is currently assessed at 19% of true value in money, commercial property is assessed at 32% of true value in money, and agricultural property is assessed at 12% of true value in money. The phrase "true value in money" has been held to mean "fair market value" except with respect to agricultural property.

Real property within the County is assessed by the County Assessor. The County Assessor is responsible for preparing the tax roll each year and for submitting the tax roll to the Board of Equalization. The Board of Equalization has the authority to question and determine the proper values of real property and then adjust and equalize individual properties appearing on the tax rolls. The County Collector collects taxes for all Taxing Districts within the County limits. The County Collector deducts a commission for his services. After such collections and deductions of commission, taxes are distributed according to the Taxing District's pro rata share.

Taxes are levied on all taxable property based on the equalized assessed value thereof determined as of January 1 in each year. Under Missouri law, each property must be reassessed every two years (in odd–numbered years). The County Collector prepares the tax bills and mails them to each taxpayer in September. Payment is due by December 31, after which they become delinquent and accrue a penalty of one percent per month. In the event of an increase in the assessed value of a property, notice of such increase must be given to the owner of the affected property, which notice is generally given in May.

Valuation of Real Property. The County Assessor must determine the assessed value of a property based upon the State law requirement that property be valued at its true value in money. For agricultural land, true value is based on its productive capability. As to residential and commercial property, true value in money is the fair market value of the property on the valuation date. The fair market value is arrived at by using the three universally recognized approaches to value: cost approach, the sales comparison approach and the income approach.

The cost approach is typically applied when a property is newly constructed and is based on the principle of substitution. This principle states that no informed buyer will pay more for a property than the cost to reproduce or replace the property. Value is determined under the cost approach by adding the estimated land value to the replacement or reproduction cost reduced by estimated depreciation. Courts have held, however, that construction cost alone is not a proper basis for determining true value in money and that all factors which affect the use and utility of the property must be considered.

The sales comparison approach determines value based upon recent sales prices of comparable properties. Comparable sales are adjusted for differences in properties by comparing such items as sales price per square foot and net operating income capitalization rates.

The income approach estimates market value by discounting to present value a stream of estimated net operating income. First, the property's gross potential income is estimated based on gross rents being generated at the property. A vacancy allowance is then deducted to arrive at effective gross income. Next, allowable operating expenses are deducted to arrive at an estimate of the property's net operating income. Finally, the net operating income is divided by an appropriate capitalization rate to arrive at the estimated present value of the income stream.

Appeal of Assessment. State statutes set up various mechanisms for a property owner to appeal the assessment of a tax on its property. Typically, there are four issues that can be raised in property tax appeals including overvaluation, uniformity, misclassification and exemption. Overvaluation appeals are the most common appeals presented by taxpayers. An overvaluation appeal requires the taxpayer to prove that the true value in money of the property is less than that determined by the assessor. Uniformity appeals are based on the assertion that other property in the same class and county as the subject property is assessed at a lower percentage of value than the subject property. A misclassification appeal is based on an assertion that assessing authorities have improperly subclassed a property. Exemption appeals are based on claims that the property in question is exempt from taxation.

Overvaluation appeals, for the most part, must be made administratively, first, to the Board of Equalization and then to the State Tax Commission within prescribed time periods following notice of an increase in assessment. Appeals to the Board of Equalization must be filed with the County Assessor on or before the third Monday in June of each year. Appeals to the State Tax Commission must be filed by the later of August 15 and 30 days after the date of the final decision of the Board of Equalization. Where valuation is not an issue, appeals must be taken directly to the State circuit court rather than the State Tax Commission. If an appeal is pending on December 31, the due date for the payment of taxes, State statute provides a procedure for the payment of taxes under protest. If taxes are paid but not under protest, the taxpayer cannot recover the amount paid unless that taxes have been mistakenly or erroneously paid. Application for a refund of mistakenly or erroneously paid taxes must be made within one year after the tax in dispute was paid. Typically, only that portion of the taxes being disputed is identified as being paid under protest, unless a claim of exemption is being asserted. The portion of the tax paid under protest is required to be held in an interest bearing account. Unless an appeal before the Board of Equalization or State Tax Commission is pending, suit must be brought by the taxpayer to resolve the dispute within 90 days, or the escrowed funds will be released to the Collector of Revenue and distributed to the Taxing Districts.

Reassessment and Tax Rate Rollback. As previously stated, a general reassessment of all property in the State is required to be conducted every two years. When, as a result of such reassessment, the assessed valuation within a Taxing District increases by more than an allowable percentage, the Taxing District is required to roll back the rate of tax within the Taxing District so as to produce substantially the same amount of tax revenue as was produced in the previous year increased by an amount called a "preceding valuation factor." A "preceding valuation factor" is a percentage increase or decrease based on the average annual percentage changes in total assessed valuation of the County over the previous three or five years, whichever is greater, adjusted to eliminate the effect of boundary changes, changes from State to County assessed property, general reassessment and State ordered changes.

The Hancock Amendment. A Constitutional amendment limiting taxation and government spending was approved by Missouri voters on September 4, 1980, and went into effect with the 1981–82 fiscal year. The amendment (Article X, Section 22(a) of the State Constitution and popularly known as the Hancock Amendment) limits the rate of increase and the total amount of taxes that shall be imposed in any fiscal year, and provides that the limit shall not be exceeded without voter approval. Provisions are included in the Hancock Amendment for rolling back tax rates to produce an amount of revenues equal to that of the previous year if the definition of the tax base is changed or if property is reassessed. The tax levy on the assessed valuation of new construction is exempt from this limitation in the initial year of new construction.

Tax Delinquencies

All real estate upon which taxes or PILOTS remain unpaid on the first day of January, annually, are delinquent, and the County Collector is empowered to enforce the lien of the taxing jurisdictions thereon. Whenever the County Collector is unable to collect any taxes on the tax roll, having diligently endeavored and used all lawful means to do so, he is required to compile lists of delinquent tax bills collectible by him. All lands and lots on which taxes are delinquent and unpaid are subject to suit to collect delinquent tax bills or suit for foreclosure of the tax liens. Upon receiving a judgment, the Sheriff must advertise the sale of the land, fixing the date of sale within 30 days after the first publication of the notice. Delinquent taxes, with penalty, interest and costs, may be paid to the County Collector at any time before the property is sold therefor. No action for recovery of delinquent taxes shall be valid unless initial proceedings therefor are commenced within five years after delinquency of such taxes.

Economic Activity Tax Revenues

The Economic Activity Tax Revenues that will be pledged to the payment of the Series 2005B and Series 2005C Bonds, subject to annual appropriation, are 50% of the total additional revenue from taxes, penalties and interest imposed by the City or other Taxing Districts which are generated by economic activities within the applicable Redevelopment Project Area over the amount of such taxes generated by economic activities within the applicable Redevelopment Project Area in calendar year (refers to base year 1999 for the Drumm Farm Project and 2004 for the Crackerneck Creek Project), but excluding any taxes imposed on sales or charges for sleeping rooms paid by transient guests of hotels and motels, taxes levied pursuant to Section 70.500, RSMo., licenses, fees or special assessments, other than payments in lieu of taxes, and personal property taxes and taxes levied for the purpose of public transportation pursuant to Section 94.660, RSMo.

Retail businesses are required to collect the sales tax from purchasers at the time of sale, and pay said amounts to the Department of Revenue of the State with the filing of returns, except for the sales tax on motor vehicles, trailers, boats and outboard motors, which is due at the time application is made for title and registration. The sales volume of a retail business determines the frequency of payments made to the

Department of Revenue of the State. In most cases, the retail businesses in the City make monthly payments to the Department of Revenue of the State, which are due on the tenth day of each calendar month for sales taxes collected in the preceding calendar month. Retail businesses located in the City submit applications to the City for a merchants license and an occupancy permit, and before such license and permit are awarded verification of a tax identification number from the State is made by the City. In the event of a failure by a retail business to remit sales taxes, interest and penalties, the unpaid amount may become a lien in the nature of a judgment lien against the delinquent taxpayer. In the event of overpayment by any retail business as a result of error or duplication, provision is made under State law for refunds.

Pursuant to the State law, taxpayers who promptly pay their sales taxes are entitled to retain 2% of the amount of taxes owed.

Within 30 days of receipt of sales taxes by the Department of Revenue of the State, the Director of the Department of Revenue remits to the State Treasurer for deposit in a special trust fund for the benefit of each political subdivision entitled to a sales tax distribution the amount of such sales tax receipts less 1% of such amount which constitutes a fee paid to the State for collecting and distributing the tax. The State Treasurer then distributes moneys on deposit in the special trust fund on behalf of each such political subdivision to such political subdivision on a monthly basis.

THE BONDS

The following is a summary of certain terms and provisions of the Bonds. Reference is hereby made to the Bonds and the provisions with respect thereto in the Indenture and the Financing Agreement relating to each Series of Bonds for the detailed terms and provisions thereof.

General Terms

The Bonds are being issued in the principal amounts shown on the cover page, are dated March 1, 2005, will bear interest from the date thereof or from the most recent interest payment date to which interest has been paid at the rates per annum set forth on the inside cover pages, payable semi-annually on March 1 and September 1 of each year, and will mature on March 1 in the years as set forth on the inside cover pages. The Bonds are issuable as fully registered bonds in the denomination of $5,000 or any integral multiple thereof. The principal of the Bonds is payable at the principal corporate trust office of the Trustee. The interest on the Bonds is payable (a) by check or draft mailed by the Trustee to the persons who are the registered owners of the Bonds as of the close of business on the 15th day of the month preceding the respective interest payment dates, as shown on the bond registration books maintained by the Trustee, or (b) at the expense of the registered owner, by electronic transfer of immediately available funds at the written request of any registered owner of $1,000,000 or more in aggregate principal amount of Bonds, if such written notice specifying the electronic transfer instructions is provided to the Trustee not less than 15 days prior to the Interest Payment Date. Purchases of the Bonds will be made in book-entry only form (as described immediately below), in the denomination of $5,000 or any integral multiple thereof. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. If the specified date for any payment on the Bonds is a date other than a Business Day, such payment may be made on the next Business Day without additional interest and with the same force and effect as if made on the specified date for such payments.

Book-Entry Only System

General. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the Beneficial Owners of the Bonds will not receive or have the right to receive physical delivery of the Bonds, and references herein to the Bondowners or registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

DTC and its Participants. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in The Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

Transfers. To facilitate subsequent transfers, all The Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of The Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of The Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to The Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts The Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal and Interest. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Board or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City and the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its The Bonds purchased or tendered, through its Participant, to Tender Agent, and shall effect delivery of such The Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to Tender Agent. The requirement for physical delivery of The Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered The Bonds to Tender Agent's DTC account.

Discontinuation of Book Entry System. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Board or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The use of the system of book-entry transfers through DTC (or a successor securities depository) may be discontinued as described in the Indenture. In that event, the Bond certificates will be printed and delivered as described in the Indenture.

Only DTC Participants with a position in the Bonds can request withdrawal of such securities from DTC's book-entry system. The Board has no legal or beneficial interest in the Bonds held by Participants at DTC and therefore has no basis to request the withdrawal of such securities. Under DTC's rules, upon receipt of a withdrawal request from the Board, with the concurrence of the City, DTC will take the following actions: (1) DTC will issue an Important Notice notifying its Participants of the receipt of a withdrawal request from the Board, reminding Participants that they may utilize DTC's withdrawal procedures if they wish to withdraw their securities from DTC; and (2) DTC will process withdrawal requests submitted by Participants in the ordinary course of business, but will not effectuate withdrawals based upon a request from the Board. Certificates for those Bonds withdrawn from the book-entry system will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board, the City and the Underwriter believe to be reliable, but the Board, the City and the Underwriter take no responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participant, as the case may be.

Redemption

Series 2005A Bonds

The Series 2005A Bonds are **not** subject to redemption and payment prior to maturity.

Series 2005B Bonds

The Series 2005B Bonds are subject to redemption and payment prior to maturity as follows:

Optional Redemption. The Series 2005B Bonds maturing on March 1, 2015 and thereafter are subject to redemption and payment prior to maturity, at the option of the Board, which shall be exercised upon written direction from the City, on and after March 1, 2014, in whole or in part at any time at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2005B Bonds maturing on March 1, 2015 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on each March 1 on the dates and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

March 1	Principal Amount
2011	$60,000
2012	65,000
2013	65,000
2014	70,000
2015*	75,000

*Final Maturity

The Series 2005B Bonds maturing on March 1, 2020 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on each March 1 on the dates and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

Date	Principal Amount
2016	$75,000
2017	80,000
2018	85,000
2019	85,000
2020*	90,000

*Final Maturity

The Trustee shall, in each year in which the Series 2005B Bonds are to be redeemed pursuant to the terms of this subsection make timely selection of such Series 2005B Bonds or portions thereof to be so redeemed by lot in $5,000 units of principal amount in such equitable manner as the Trustee may determine and shall give notice thereof without further instructions from the Board or the City. At the option of the City, to be exercised on or before the 45th day next preceding each mandatory redemption date, the City shall: (1) deliver to the Trustee for cancellation Series 2005B Bonds of the same maturity in the aggregate principal amount desired; or (2) furnish to the Trustee funds, together with appropriate instructions, for the purpose of purchasing any of said Series 2005B Bonds of the same maturity from any owner thereof in the open market at a price not in excess of 100% of the principal amount thereof, whereupon the Trustee shall use its best efforts to expend such funds for such purposes to such extent as may be practical; or (3) elect to receive a credit in respect to the mandatory redemption obligation under this subsection for any Series 2005B Bonds of the same maturity which prior to such date have been redeemed (other than through the operation of the requirements of this subsection) and cancelled by the Trustee and not theretofore applied as a credit against any redemption obligation under this subsection. Each Series 2005B Bond so delivered or previously purchased or redeemed shall be credited at 100% of the principal amount thereof on the obligation of the Board to redeem Series 2005B Bonds of the same maturity on the next mandatory redemption date that is at least 45 days after receipt by the Trustee of such instructions from the City any excess of such amount shall be credited on future mandatory redemption obligations for Series 2005B Bonds of the same maturity in chronological order or such other order as the City may designate, and the principal amount of Series 2005B Bonds of the same maturity to be redeemed on such future mandatory redemption dates by operation of the requirements of this paragraph shall be reduced accordingly. If the City intends to exercise any option granted by the provisions of clauses (1), (2) or (3) of this paragraph, the City will, on or before the 45th day next preceding the applicable mandatory redemption date, furnish the Trustee an Officer's Certificate indicating to what extent the provisions of said clauses (1), (2) and (3) are to be complied with, and the Series 2005B Bonds of the same maturity, in the case of its election pursuant to clause (1), in respect to such mandatory redemption payment.

Series 2005C Bonds

The Series 2005C Bonds are subject to redemption and payment prior to maturity as follows:

Optional Redemption. The Series 2005C Bonds maturing on March 1, 2015 and thereafter are subject to redemption and payment prior to maturity, at the option of the Board, which shall be exercised upon written direction from the City, on and after March 1, 2014, in whole or in part at any time at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2005C Bonds maturing on March 1, 2019 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on each March 1 on the dates and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

Date	Principal Amount
2017	$540,000
2018	600,000
2019*	655,000

*Final Maturity

The Series 2005C Bonds maturing on March 1, 2026 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on each March 1 on the dates and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

Date	Principal Amount
2020	$720,000
2021	785,000
2022	855,000
2023	925,000
2024	1,005,000
2025	1,085,000
2026*	1,270,000

*Final Maturity

The Trustee shall, in each year in which the Series 2005C Bonds are to be redeemed pursuant to the terms of this subsection make timely selection of such Series 2005C Bonds or portions thereof to be so redeemed by lot in $5,000 units of principal amount in such equitable manner as the Trustee may determine and shall give notice thereof without further instructions from the Board or the City. At the option of the City, to be exercised on or before the 45th day next preceding each mandatory redemption date, the City shall: (1) deliver to the Trustee for cancellation Series 2005C Bonds of the same maturity in the aggregate principal amount desired; or (2) furnish to the Trustee funds, together with appropriate instructions, for the purpose of purchasing any of said Series 2005C Bonds of the same maturity from any owner thereof in the open market at a price not in excess of 100% of the principal amount thereof, whereupon the Trustee shall use its best efforts to expend such funds for such purposes to such extent as may be practical; or (3) elect to receive a credit in respect to the mandatory redemption obligation under this subsection for any Series 2005C Bonds of the same maturity which prior to such date have been redeemed (other than through the operation of the requirements of this subsection) and cancelled by the Trustee and not theretofore applied as a credit against any redemption obligation under this subsection. Each Series 2005C Bond so delivered or previously purchased or redeemed shall be credited at 100% of the principal amount thereof on the obligation of the Board to redeem Series 2005C Bonds of the same maturity on the next mandatory redemption date that is at least 45 days after receipt by the Trustee of such instructions from the City any excess of such amount shall be credited on future mandatory redemption obligations for Series 2005C Bonds of the same maturity in chronological order or such other order as the City may designate, and the principal amount of Series 2005C Bonds of the same maturity to be redeemed on such future mandatory redemption dates by operation of the requirements of this paragraph shall be reduced accordingly. If the City intends to exercise any option granted by the provisions of clauses (1), (2) or (3) of this paragraph, the City will, on or before the 45th day next preceding the applicable mandatory redemption date, furnish the Trustee an Officer's Certificate indicating to what extent the provisions of said clauses (1), (2) and (3) are to be complied with, and the Series 2005C Bonds of the same maturity, in the case of its election pursuant to clause (1), in respect to such mandatory redemption payment.

Series 2005B and 2005C Bonds Only

Election to Redeem; Notice to Trustee. The Board shall elect to redeem Bonds subject to optional redemption upon receipt of a written direction of the City. In case of any redemption at the election of the Board, the Board shall, at least 45 days prior to the redemption date fixed by the Board (unless a shorter notice shall be satisfactory to the Trustee) give written notice to the Trustee directing the Trustee to call Bonds for redemption and give notice of redemption and specifying the redemption date, the principal amount and maturities of Bonds to be called for redemption, the applicable redemption price or prices and the provision or provisions of the Indenture pursuant to which such Bonds are to be called for redemption.

The foregoing paragraph shall not apply in the case of any mandatory redemption of Bonds under the Indenture or under any Supplemental Indenture, and the Trustee shall call Bonds for redemption and shall give notice of redemption pursuant to such mandatory redemption requirements without the necessity of any action by the Board or the City whether or not the Trustee shall hold in the Debt Service Fund moneys available and sufficient to effect the required redemption.

Notice of Redemption. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption shall be given by the Trustee on behalf of the Board by mailing a copy of an official redemption notice by first class mail, at least 30 days and not more than 60 days prior to the redemption date to each registered owner of the Bonds to be redeemed at the address shown on the bond register or at such other address as is furnished in writing by such registered owner to the Trustee.

All official notices of redemption shall be dated and shall state: (1) the redemption date; (2) the redemption price; (3) the principal amount of Bonds to be redeemed; (4) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and (5) the place where the Bonds to be redeemed are to be surrendered for payment of the redemption price, which place of payment shall be the principal corporate trust office of the Trustee or other Paying Agent.

The failure of any owner of Bonds to receive notice given as provided herein, or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bonds. Any notice mailed as provided herein shall be conclusively presumed to have been duly given and shall become effective upon mailing, whether or not any owner receives such notice.

For so long as DTC is effecting book-entry transfers of the Bonds, the Trustee shall provide the notices specified in this Section to DTC. It is expected that DTC will, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the beneficial owners. Any failure on the part of DTC or a Participant, or failure on the part of a nominee of a beneficial owner of a Bond (having been mailed notice from the Trustee, DTC, a Participant or otherwise) to notify the beneficial owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

Selection by Trustee of Bonds to be Redeemed. Bonds may be redeemed only in the principal amount of $5,000 or any integral multiple thereof. If less than all Bonds are to be redeemed and paid prior to maturity pursuant to the Indenture, the particular Bonds to be redeemed shall be selected by the Trustee from the Bonds of such maturity which have not previously been called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions equal to $5,000 of the principal of Bonds of a denomination larger than $5,000; provided, however, Series 2005C Bonds redeemed from Excess Tax Revenues shall be redeemed in inverse order of maturity.

The Trustee shall promptly notify the Board and the City in writing of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

Deposit of Redemption Price. Prior to any redemption date, the Board shall deposit with the Trustee or with a Paying Agent, from moneys provided by the City, an amount of money sufficient to pay the redemption price of all the Bonds which are to be redeemed on that date. Such money shall be held in trust for the benefit of the Persons entitled to such redemption price and shall not be deemed to be part of the Trust Estate.

Bonds Payable on Redemption Date. Notice of redemption having been given as aforesaid, the Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the Board shall default in the payment of the redemption price) such Bonds shall cease to bear interest. Upon surrender of any such Bond for redemption in accordance with said notice, such Bond shall be paid by the Board at the redemption price. Installments of interest with a due date on or prior to the redemption date shall be payable to the owners of the Bonds registered as such on the relevant Record Dates according to the terms of such Bonds.

If any Bond called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the redemption date at the rate prescribed therefor in the Bond.

Bonds Redeemed in Part. Any Bond which is to be redeemed only in part shall be surrendered at the place of payment therefor (with, if the Board or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Board and the Trustee duly executed by, the owner thereof or his attorney or legal representative duly authorized in writing) and the Board shall execute and the Trustee shall authenticate and deliver to the owner of such Bond, without service charge, a new Bond or Bonds of the same series and maturity of any authorized denomination or denominations as requested by such owner in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered. If the owner of any such Bond shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, said Bond shall, nevertheless, become due and payable on the redemption date to the extent of the $5,000 (or other denomination) unit or units of principal amount called for redemption (and to that extent only).

Subject to the approval of the Trustee, in lieu of surrender under the preceding paragraph, payment of the redemption price of a portion of any Bond may be made directly to the registered owner thereof without surrender thereof, if there shall have been filed with the Trustee a written agreement of such owner and, if such owner is a nominee, the Person for whom such owner is a nominee, that payment shall be so made and that such owner will not sell, transfer or otherwise dispose of such Bond unless prior to delivery thereof such owner shall present such Bond to the Trustee for notation thereon of the portion of the principal thereof redeemed or shall surrender such Bond in exchange for a new Bond or Bonds for the unredeemed balance of the principal of the surrendered Bond.

So long as DTC is effecting book-entry transfers of the Bonds, the Trustee shall provide the notices specified above to DTC. It is expected that DTC will, in turn, notify the DTC Participants and that the DTC Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of DTC or a DTC Participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Trustee, a DTC Participant or otherwise) to notify the Beneficial Owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

Transfer Outside Book-Entry Only System

If the book-entry only system is discontinued, the following provisions would apply. The Bonds are transferable only upon the registration books of the Trustee upon surrender of the Bonds duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his attorney or legal representative in a form satisfactory to the Trustee. Bonds may be exchanged for other Bonds of any denomination authorized by the Indenture in the same aggregate principal amount, series and maturity, upon presentation to the Trustee, subject to the terms, conditions and limitations set forth in the Indenture. The Trustee may make a charge for every such transfer or exchange sufficient to reimburse the Trustee for any tax or other governmental charge required to be paid with respect to any such exchange or transfer.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bonds, nor any error in the printing of such numbers, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds will be issued under and will be equally and ratably secured under three separate and distinct Indentures, each of which will assign and pledge to the Trustee (1) certain rights of the Board under the applicable Financing Agreement, including the right to receive Loan Payments with respect to such Series of Bonds thereunder, and (2) the funds and accounts, including the money and investments in them, which the Trustee holds under the terms of the applicable Indenture.

Special, Limited Obligations

The Bonds and the interest thereon are special, limited obligations of the Board, payable solely from certain payments to be made by the City under the applicable Financing Agreement and certain other funds held by the Trustee under the applicable Indenture and not from any other fund or source of the Board, and are secured under the applicable Indenture and the applicable Financing Agreement as described herein. Except as provided in the following paragraph, all payments by the City under each Financing Agreement are subject to annual appropriation.

As more fully described herein, the City's obligation to make Loan Payments with respect to the Series 2005B and Series 2005C Bonds under each Financing Agreement will be secured by Incremental Tax Revenues, a portion of which described herein as the Payment in Lieu of Taxes, are not subject to annual appropriation. The portion described herein as the Economic Activity Taxes are subject to annual appropriation by the City. Tax Increment Financing has been approved with respect to both the Drumm Farm Project and the Crackerneck Creek Project. However, no improvements have been constructed in connection with the Crackerneck Creek Project and therefore there can be no assurance at this point in time that any Incremental Tax Revenues will be received by the City in connection with the Series 2005C Bonds. As more fully described herein, the City's obligation to make Loan Payments with respect to the Series 2005C Bonds under the Series 2005C Financing Agreement will also be secured by (i) any State TIF Sales Tax revenues, if and when approved, and (ii) the Bass Pro Lease payments (unless such lease payments are pledged to a separate series of bonds), if any, collected by the City.

Prospective investors should not rely upon the City's collection of Incremental Tax Revenues (PILOTS and EATS) as a source of repayment of the Series 2005B Bonds or the Series 2005C Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreements relating to the Series 2005B Bonds and the Series 2005C Bonds.

The Bonds are not an indebtedness of City, the State of Missouri or any other political subdivision thereof within the meaning of any provision of the constitution or laws of the State of Missouri. Neither the full faith and credit nor the taxing powers of the City, the State or any other political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The issuance of the Bonds shall not, directly, indirectly or contingently, obligate the City, the State or any other political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment, except as otherwise described herein. The Board has no taxing power.

The Financing Agreements

Under each Financing Agreement, the City is required to make Loan Payments to the Trustee for deposit into the applicable Debt Service Fund in amounts sufficient to pay the principal of and interest on the Series of Bonds to which such Financing Agreement relates when due. The City's obligations to pay the Loan Payments and Additional Payments shall be limited, special obligations of the City payable solely from, subject to annual appropriation by the City as herein, all general fund revenues of the City. The taxing power of the City is not pledged to the payment of Loan Payments either as to principal or interest.

Annual Appropriation Obligation of the City

Each Financing Agreement contains the following provisions with respect to the City's annual appropriation obligation:

Annual Appropriation. The City intends, on or before the last day of each Fiscal Year, to budget and appropriate moneys sufficient to pay all Loan Payments and reasonably estimated Additional Payments for the next succeeding Fiscal Year. The City shall deliver written notice to the Trustee no later than 15 days after the commencement of its Fiscal Year stating whether or not the City Council has appropriated funds sufficient for the purpose of paying the Loan Payments and Additional Payments reasonably estimated to become due during such Fiscal Year. If the City Council shall have made the appropriation necessary to pay the Loan Payments and reasonably estimated Additional Payments to become due during such Fiscal Year, the failure of the City to deliver the foregoing notice on or before the 15th day after the commencement of its Fiscal Year shall not constitute an Event of Nonappropriation and, on failure to receive such notice 15 days after the commencement of the City's Fiscal Year, the Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If the City Council shall not have made the appropriation necessary to pay the Loan Payments and Additional Payments reasonably estimated to become due during such succeeding Fiscal Year, the failure of the City to deliver the foregoing notice on or before the 15th day after the commencement of its Fiscal Year shall constitute an Event of Nonappropriation.

Annual Budget Request. The City Manager or other officer of the City at any time charged with the responsibility of formulating budget proposals shall include in the budget proposals submitted to the City Council, in each Fiscal Year in which the Financing Agreement shall be in effect, an appropriation for all payments required for the ensuing Fiscal Year; it being the intention of the City that the decision to appropriate or not to appropriate under the Financing Agreement shall be made solely by the City Council and not by any other official of the City. The City intends, subject to the provisions above respecting the failure of the City to budget or appropriate funds to make Loan Payments and Additional Payments, to pay the Loan Payments and Additional Payments hereunder. The City reasonably believes that legally available funds in an amount sufficient to make all Loan Payments and Additional Payments during each Fiscal Year can be obtained. The City further intends to do all things lawfully within its power to obtain and maintain funds from which the Loan Payments and Additional Payments may be made, including making provision for such Loan Payments and Additional Payments to the extent necessary in each proposed annual budget submitted for approval in accordance with applicable procedures of the City and to exhaust all available reviews and appeals in the event such portion of the budget is not approved. The City's Director of Finance and Administration is directed to do all things lawfully within his or her power to obtain and maintain funds from which the Loan Payments and Additional Payments may be paid, including making provision for such Loan Payments and Additional Payments to the extent necessary in each proposed annual budget submitted for approval or by supplemental appropriation in accordance with applicable procedures of the City and to exhaust all available reviews and appeals in the event such portion of the budget or supplemental appropriation is not approved.

Notwithstanding the foregoing, the decision to budget and appropriate funds is to be made in accordance with the City's normal procedures for such decisions.

Loan Payments to Constitute Current Expenses of the City. The Board and the City acknowledge and agree that the Loan Payments and Additional Payments hereunder shall constitute currently budgeted expenditures of the City, and shall not in any way be construed or interpreted as creating a liability or a general obligation or debt of the City in contravention of any applicable constitutional or statutory limitation or requirements concerning the creation of indebtedness by the City, nor shall anything contained herein constitute a pledge of the general credit, tax revenues, funds or moneys of the City. The City's obligations to pay Loan Payments and Additional Payments hereunder shall be from year to year only, and shall not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the then current Fiscal Year. Neither the Financing Agreement nor the issuance of the Bonds shall directly or indirectly obligate the City to levy or pledge any form of taxation or make any appropriation or make any payments beyond those appropriated for the City's then current Fiscal Year, but in each Fiscal Year Loan Payments and Additional Payments shall be payable solely from the amounts budgeted or appropriated therefor out of the income and revenue provided for such year, plus any unencumbered balances from previous years; provided, however, that nothing herein shall be construed to limit the rights of the owners of the Bonds or the Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture for each Series of Bonds. Failure of the City to budget and appropriate said moneys on or before the last day of any Fiscal Year shall be deemed an Event of Nonappropriation.

Debt Service Reserve Fund (Series 2005C Bonds Only)

Series 2005C Bonds Only. Pursuant to the Series 2005C Indenture the Board will establish a Debt Service Reserve Fund for the Series 2005C Bonds. Such Debt Service Reserve Fund will be fully funded at the time of the issuance of the Series 2005C Bonds from the proceeds of the Series 2005C Bonds in an amount equal to "Debt Service Reserve Requirement." The Debt Service Reserve Requirement is an amount equal to, calculated at the date of original issuance and delivery of the Series 2005C Bonds, the least of (A) 10% of the original aggregate principal amount of the Series 2005C Bonds, (B) the maximum annual debt service on the Series 2005C Bonds, or (C) 125% of the average future annual debt service on the Series 2005C Bonds. Moneys in the Debt Service Reserve Fund shall only be available to fund a deficiency in the Debt Service Fund with respect to Series 2005C Bonds and not any Additional Bonds. Amounts in the Debt Service Reserve Fund are to be used to pay principal of and interest on the Series 2005C Bonds to the extent of any deficiency in the Debt Service Fund and to retire the last Outstanding Bonds of the Series 2005C Bonds.

Business Interruption Reserve Fund (Series 2005C Bonds Only)

Series 2005C Bonds Only. Pursuant to the Series 2005C Indenture the Board will also establish a Business Interruption Reserve Fund for the Series 2005C Bonds. The City expects to fund this Fund solely from Excess Tax Revenues, if any, until such time as the amount therein is equal to the Debt Service Reserve Requirement applicable to the Series 2005C Bonds and all Additional Bonds issued on a parity with the Series 2005C Bonds. "Excess Tax Revenues" means the amount of (i) Incremental Tax Revenues, (ii) any State TIF Sales Tax revenues, if and when approved, and (iii) the Bass Pro Lease payments (unless such lease payments are pledged to a separate series of bonds, if any), collected by the City (in increments of $5,000) which the City determines are in excess of the amounts needed to make Loan Payments under the Series 2005C Financing Agreement relating to regularly scheduled payments of principal and interest on the Series 2005C Bonds and any Additional Bonds issued on a parity with the Series 2005C Bonds. Amounts in the Business Interruption Reserve Fund will be used by the City to fund a deficiency in the Debt Service Fund with respect to the Series 2005C Bonds and all Additional Bonds issued on a parity with the Series 2005C Bonds. The City intends to use any money in the Business Interruption Reserve Fund to protect its General Fund from disruptions or shortfalls in the City's receipt of Incremental Tax Revenues relating to the Series 2005C Bonds and the Crackerneck Creek Project. Unlike the Debt Service Reserve Fund, the Business Interruption Reserve

Fund is pledged to secure the Series 2005C Bonds and all Additional Bonds issued on a parity with the Series 2005C Bonds.

The Indentures

Under each Indenture, the Board will pledge and assign to the Trustee, for the benefit of the owners of the applicable Series of Bonds, all of its rights under the applicable Financing Agreement, including all Loan Payments and other amounts payable under such Financing Agreement (except for certain fees, expenses and advances and any indemnity payments payable to the Board) as security for the payment of the principal of and interest on the applicable Series of Bonds. See **"SUMMARY OF THE INDENTURE"** in *Appendix C* hereto.

Additional Bonds

Series 2005A Bonds

The Indenture authorizing the Series 2005A Bonds does not permit the issuance of additional bonds on a parity with the Series 2005A Bonds.

Series 2005B Bonds

The Redevelopment Agreement relating to the Drumm Farm Project authorizes the City to fund reimbursable project costs with respect to the Drumm Farm Project not exceeding $5,632,000. The City currently contemplates that it will request that the Board issue Additional Bonds in the aggregate principal amount of approximately $3,970,000 to finance other redevelopment project costs relating to the Drumm Farm Project. The proposed Additional Bonds will be secured on a parity with the Series 2005B Bonds and therefore will share an equal claim on the PILOTS and EATS established pursuant to the Series 2005B Indenture.

The Board from time to time may, in its sole discretion, at the written request of the City, authorize the issuance of Additional Bonds on a parity with the Series 2005B Bonds for the purposes and upon the terms and conditions provided in the Series 2005B Indenture; provided that (1) the terms of such Additional Bonds, the purchase price to be paid therefor and the manner in which the proceeds thereof are to be disbursed shall have been approved by resolutions adopted by the Board, the City; (2) the Board, the City shall have entered into a Supplemental Financing Agreement to acknowledge that Loan Payments are revised to the extent necessary to provide for the payment of the principal of, redemption premium, if any, and interest on the Additional Bonds and to extend the term of the Series 2005B Financing Agreement if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the Series 2005B Financing Agreement; and (3) the Board, the City shall have otherwise complied with the provisions of the Series 2005B Financing Agreement and the Series 2005B Indenture with respect to the issuance of such Additional Bonds.

The sole economic test for the issuance of Additional Bonds on a parity with the Series 2005B Bonds is whether the City is willing to commit its annual appropriation obligation to the repayment of the Loan Payments with respect to such Additional Bonds. This means that the City may issue or cause to be issued Additional Bonds on a parity with the Series 2005B Bonds even if the Incremental Tax Revenues are not sufficient to provide for the Loan Payments on the Series 2005B Bonds, without regard to the proposed Additional Bonds. **For this reason prospective investors should not rely upon the Incremental Tax Revenues as a source of repayment of the Series 2005B Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Series 2005B Financing Agreement.**

Series 2005C Bonds

The Redevelopment Agreement relating to the Crackerneck Creek Project authorizes the issuance of obligations in an amount necessary to fund "Reimbursable Project Costs" (as defined in the Redevelopment Agreement) with respect to the Crackerneck Creek Project not exceeding $74,600,000, plus capitalized interest, costs of issuance and necessary reserves. The City currently contemplates that it will request that the Board to issue Additional Bonds in the aggregate principal amount of approximately $66,400,000 to finance other redevelopment project costs relating to the Crackerneck Creek Project. The proposed Additional Bonds will be secured on a parity with the Series 2005C Bonds, (except with respect to the Series 2005C Account of the Debt Service Reserve Fund which shall only be pledged to secure the Series 2005C Bonds), and therefore will share an equal claim on the PILOTS, EATS and the Business Interruption Reserve Fund established pursuant to the Series 2005C Indenture.

The Board from time to time may, in its sole discretion, at the written request of the City, authorize the issuance of Additional Bonds on a parity with the Series 2005C Bonds for the purposes and upon the terms and conditions provided in the Series 2005C Indenture; provided that (1) the terms of such Additional Bonds, the purchase price to be paid therefor and the manner in which the proceeds thereof are to be disbursed shall have been approved by resolutions adopted by the Board, the City; (2) the Board, the City shall have entered into a Supplemental Financing Agreement to acknowledge that Loan Payments are revised to the extent necessary to provide for the payment of the principal of, redemption premium, if any, and interest on the Additional Bonds and to extend the term of the Series 2005C Financing Agreement if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the Series 2005C Financing Agreement; and (3) the Board, the City shall have otherwise complied with the provisions of the Series 2005C Financing Agreement and the Series 2005C Indenture with respect to the issuance of such Additional Bonds.

The sole economic test for the issuance of Additional Bonds on a parity with the Series 2005C Bonds is whether the City is willing to commit its annual appropriation obligation to the repayment of the Loan Payments with respect to such Additional Bonds. This means that the City may issue or cause to be issued Additional Bonds on a parity with the Series 2005C Bonds even if the Incremental Tax Revenues are not sufficient to provide for the Loan Payments on the Series 2005C Bonds, without regard to the proposed Additional Bonds. **For this reason prospective investors should not rely upon the Incremental Tax Revenues as a source of repayment of the Series 2005C Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Series 2005C Financing Agreement.**

BONDOWNERS' RISKS

The following is a discussion of certain risks that could affect payments to be made by the Board with respect to the Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein and in Appendix C, copies of which are available as described herein.

General

The Bonds are limited obligations of the Board payable by the Board solely from payments to be made by the City pursuant to the applicable Financing Agreement and from certain other funds held by the Trustee under the applicable Indenture. No representation or assurance can be given that the City will realize revenues in amounts sufficient to make such payments under the Financing Agreement relating to each Series of Bonds.

Risk Factors Relating to the City's Obligations to Make Loan Payments

General. Except as provided herein with respect to PILOTS pledged to secure the Series 2005B and Series 2005C Bonds, all payments by the City under each applicable Financing Agreement are subject to annual appropriation.

Risk of Non-Appropriation. The City's obligation to make Loan Payments under each of the Financing Agreements is subject to annual appropriation. Although the City has covenanted to request annually that the appropriation of the Loan Payments be included in the budget submitted to the City Council for each fiscal year, there can be no assurance that such appropriation will be made, and the City is not legally obligated to do so.

No Pledge, Lease or Mortgage of any Project or any other Facilities of the City. Payment of the principal of and interest on the Bonds is **not** secured by any deed of trust, mortgage or other lien on any Project, or any other facilities or property of the City or any developer. Except as provided herein, the Loan Payments with respect to each Series of Bonds are payable solely from an annual appropriation by the City.

Risk Factors Relating to the Collection of Incremental Tax Revenues

As noted herein the payment by the City of Loan Payments with respect to the Series 2005B Bonds and the Series 2005C Bonds is secured by Incremental Tax Revenues (PILOTS and EATS).

Prospective investors should not rely upon the City's collection of Incremental Tax Revenues (PILOTS and EATS) as a source of repayment of the Series 2005B Bonds or the Series 2005C Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Financing Agreements relating to the Series 2005B Bonds and the Series 2005C Bonds.

Although prospective investors should not rely upon the City's collection of Incremental Tax Revenues (PILOTS and EATS) as a source of repayment of the Series 2005B Bonds or the Series 2005C Bonds, prospective investors should evaluate factors which could cause such Incremental Tax Revenues to be below the City's estimate in order to determine the capacity of the City's General Fund to provide for the Loan Payments with respect to the Series 2005B Bonds and the Series 2005C Bonds in the event such Incremental Tax Revenues are not sufficient to make such payments.

There are a variety of reasons the collection of Incremental Tax Revenues may not be realized as expected by the City, including but not limited to the following:

No Commencement of Construction of the Crackerneck Creek Project. The Crackerneck Creek Project is a new retail shopping center. While grading of the site has begun, construction of the improvements has not commenced. Commencement of construction is dependent upon a variety of factors, many of which are not within the control of the Developer or the City. If and when commenced, delays in construction due to weather, strikes or shortages of materials will also adversely impact the receipt of PILOTS and Economic Activity Tax Revenues.

Financial Feasibility of the Crackerneck Creek Project. The financial feasibility of Crackerneck Creek Project depends in large part upon the ability of the Developer to attract and maintain sufficient numbers of tenants to achieve and then to maintain substantial occupancy throughout the term of the Series 2005C Bonds. The only signed tenant is a 150,000 square foot Bass Pro Shops Outdoor World retail store. Approximately 300,000 square feet of the project has no letter of intent or signed lease. If the Developer fails to achieve and maintain substantial occupancy at the Project, there may be insufficient PILOTS and EATS (particularly EATS) to pay the Series 2005C Bonds and any Additional Bonds issued on a parity therewith.

No State TIF Approval. In connection with the Crackerneck Creek Tax Redevelopment Project Area, the City has assumed that it will receive approval from the State of Missouri for State Tax Increment Financing assistance which will result in the City being permitted to capture 50% of the State sales tax (currently 1.5%) from the Crackerneck Creek Tax Redevelopment Area. Such assistance represents a substantial source of funds for the payment of Loan Payments with respect to the Series 2005C Bonds and the Additional Bonds expected to be issued on a parity with such bonds. There can be no assurance such approval will be obtained. The City will most likely not proceed with future series of bonds without such approval. There can be no assurance that the State TIF assistance will be approved by the State.

No Formation of TDD. The City and Developer have agreed in the Redevelopment Agreement to cooperate to form a Transportation Development District (a TDD) to fund the transportation improvements associated with the Crackerneck Creek Project. The TDD is expected to impose a 7/8ths-cent sales tax on retail sales to fund the transportation improvements. Receipts from the TDD will be pledged by the City, subject to annual appropriation, to secure the Loan Payments with respect to the Series 2005C Bonds. The TDD has not yet been formed. There can be no assurance that the TDD will in fact be formed.

Proposed Additional Bonds. The sole economic test for the issuance of Additional Bonds on a parity with the Series 2005B Bonds or the Series 2005C Bonds is whether the City is willing to commit its annual appropriation obligation to the repayment of the Loan Payments with respect to such Additional Bonds. This means that the City may issue or cause to be issued Additional Bonds on a parity with the Series 2005B Bonds or the Series 2005C Bonds even if the Incremental Tax Revenues are not sufficient to provide for the Loan Payments relating to such the Series 2005B Bonds or the Series 2005C Bonds, without regard to the proposed Additional Bonds.

Risk of Failure to Maintain Levels of Assessed Valuations. There can be no assurance that the assessed value of property within the Drumm Farm Project or the Crackerneck Creek Project will equal or exceed the City's projected assessed value. Even if the assessed value is initially determined as expected, there can be no assurance that such assessed value will be maintained throughout the term of the Series 2005B Bonds and the Series 2005C Bonds.

Changes in State and Local Tax Laws. The City's internal estimates of Incremental Tax Revenues assume no substantial change in the basis of extending, levying and collecting real property taxes, sales taxes, PILOTS and Economic Activity Tax Revenues. Any change in the current system of collection and distribution of real property taxes, sales taxes, PILOTS or Economic Activity Tax Revenues in the County or the City, including without limitation the reduction or elimination of any such tax, judicial action concerning any such tax or voter initiative, referendum or action with respect to any such tax, could adversely affect the availability of revenues to pay the principal of and interest on the Series 2005B Bonds and the Series 2005C Bonds.

Reduction in State and Local Tax Rates. Any taxing district authorized to impose sales taxes or levy real property taxes on any real estate included within the Redevelopment Project Areas could lower its tax rate, which would have the effect of reducing the Economic Activity Taxes and/or PILOTS derived from the Redevelopment Project Areas.

Risk of Non-Appropriation of Economic Activity Taxes. The application of Economic Activity Tax Revenues in the Special Allocation Fund applicable to the Drumm Farm Project or the Crackerneck Creek Project is subject to annual appropriation by the City. Although the City has covenanted to request annually that the appropriation of the Economic Activity Tax Revenues in the applicable Special Allocation Fund be included in the budget submitted to the City Council for each fiscal year, there can be no assurance that such appropriation will be made by the City Council, and the City Council is not legally obligated to do so.

Changes in Market Conditions. The estimates of Incremental Tax Revenues used in the City's internal projections are based on the current status of the national and local business economy and assume a future performance of the real estate market similar to the historical performance of such market in the Independence area. However, changes in the market conditions for the City, as well as changes in general economic conditions, could adversely effect the rate of appreciation and/or inflation of the property in the applicable Redevelopment Project Area and, consequently, the amount of PILOTS and Economic Activity Tax Revenues collected for deposit into the applicable Special Allocation Fund.

Factors Impacting Retail Sales. The retail sales industry is highly competitive. Existing retail businesses outside of the Crackerneck Creek Tax Redevelopment Project Area and the future development of retail businesses outside of the Crackerneck Creek Tax Redevelopment Project Area, which are competitive with retail businesses in the Redevelopment Project Area may exist or may be developed after the date of this Official Statement. There is over 2.5 million square feet of retail within a two mile radius of the Crackerneck Creek Tax Redevelopment Project Area. Over one million square feet of this space has opened within the last five years.

The City of Olathe, Kansas, has announced that it is in negotiations with Bass Pro Outdoor World for the opening of a retail store approximately 30 miles from the Crackerneck Creek Tax Redevelopment Project Area. It is impossible to predict the competitive impact of such a store, should it open.

Demand for retail goods can be highly volatile, cyclical and is generally subject to a variety of economic conditions that significantly impact consumers and the demand for consumer goods. Such factors include economic conditions in the surrounding trade area, rental rates and occupancy rates, local unemployment, availability of transportation, neighborhood changes, crime levels in the area, vandalism and rising operating costs, interruption or termination of operations as a result of fire, natural disaster, strikes or similar events, among many other factors. As a result of all of the above factors, it is difficult to predict with certainty the expected amount of Economic Activity Tax Revenues which may be realized from any retail project.

Risk of Damage or Destruction. The partial or complete destruction of improvements within the Redevelopment Project Area, as a result of fire, natural disaster or similar casualty event, would adversely impact the collection of Economic Activity Taxes.

Loss of Premium Upon Early Redemption

Purchasers of Series 2005B Bonds and Series 2005C Bonds at a price in excess of their principal amount should consider the fact that the Bonds are subject to redemption at a redemption price equal to their principal amount plus accrued interest under certain circumstances. See **"THE BONDS – Redemption."**

Determination of Taxability

The Series 2005A Bonds are not subject to redemption, nor is the interest rate on the Bonds subject to adjustment, in the event of a determination by the Internal Revenue Service or a court of competent jurisdiction that the interest paid or to be paid on any Bond is or was includible in the gross income of the Owner of a Bond for federal income tax purposes. Such determination may, however, result in a breach of the Board's tax covenants set forth in the applicable Indenture which may constitute an event of default under such Indenture. ***It may be that Bondowners would continue to hold their Bonds, receiving principal and interest as and when due, but would be required to include such interest payments in gross income for federal income tax purposes.***

Enforcement of Remedies

The enforcement of the remedies under each Indenture and each Financing Agreement may be limited or restricted by federal or state laws or by the application of judicial discretion, and may be delayed in the event of litigation to enforce the remedies. State laws concerning the use of assets of political subdivisions and federal and state laws relating to bankruptcy, fraudulent conveyances, and rights of creditors may affect the enforcement of remedies. Similarly, the application of general principles of equity and the exercise of judicial discretion may preclude or delay the enforcement of certain remedies. The legal opinions to be delivered with the delivery of the Bonds will be qualified as they relate to the enforceability of the various legal instruments by reference to the limitations on enforceability of those instruments under (1) applicable bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights, (2) general principles of equity, and (3) the exercise of judicial discretion in appropriate cases.

Amendment of Indentures

Certain amendments to the Indentures and the Financing Agreements may be made without the consent of or notice to the registered owners of the Bonds. Such amendments may adversely affect the security for the Bonds.

LITIGATION

The Board

There is not now pending or, to the knowledge of the Board, threatened any litigation against the Board seeking to restrain or enjoin the issuance or delivery of the Bonds, or questioning or affecting the validity of the Bonds or the proceedings of the Board under which they are to be issued, or which in any manner questions the right of the Board to enter into the Indentures or the Financing Agreements or to secure the Bonds in the manner provided in the Indentures or the Act.

The City

There is not now pending or, to the knowledge of the City, threatened any litigation against the City seeking to restrain or enjoin the issuance or delivery of the Bonds by the Board, or questioning or affecting the validity of the Bonds or the proceedings of the Board under which they are to be issued, or which in any manner questions the right of the Board's right to enter into the Indentures or the Financing Agreements or to secure the Bonds in the manner provided in the Indentures, the Act or the City's right to enter into the Financing Agreements. See **"TAX INCREMENT FINANCING IN MISSOURI - TIF Act Legal Challenge"** for a description of certain litigation that could impact the Series 2005B Bonds and the Series 2005C Bonds.

LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Bonds by the Board are subject to the approval of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, whose approving opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the Board by its counsel, Gilmore & Bell, P.C., Kansas City, Missouri. Certain legal matters relating to the Official Statement will be passed upon for the City and the Underwriter by Gilmore & Bell, P.C., Kansas City, Missouri. Certain legal matters will be passed upon for the City by its counsel, Allen Garner, City Counselor.

TAX MATTERS

Opinion of Bond Counsel

Federal and Missouri Tax Exemption. In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal and Missouri income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in this paragraph are subject to the condition that the Board and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal and Missouri income tax purposes. The Board and the City have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

Original Issue Discount Bonds. In the opinion of Bond Counsel, subject to the conditions set forth above, the original issue discount in the selling price of each Bond purchased in the original offering at a price less than the par amount thereof (hereinafter referred to as the "OID Bonds"), to the extent properly allocable to each owner of such Bond, is excludable from gross income for federal income tax purposes with respect to such owner. Original issue discount is the excess of the stated redemption price at maturity of an OID Bond over the initial offering price to the public (excluding underwriters and intermediaries) at which price a substantial amount of the OID Bonds were sold. Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. For an owner who acquires an OID Bond in this offering, the amount of original issue discount that accrues during any accrual period generally equals (i) the issue price of such OID Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity on such OID Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such OID Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such OID Bond. Owners of OID Bonds should consult with their individual tax advisors to determine whether the application of the original issue discount federal regulations will require them to include, for State and local income tax purposes, an amount of interest on the OID Bonds as income even though no corresponding cash interest payment is actually received during the tax year.

No Other Opinions. Bond Counsel expresses no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds.

Other Tax Consequences

Prospective purchasers of the Bonds should be aware that there may be tax consequences of purchasing the Bonds other than those discussed under "Opinion of Bond Counsel," including the following:

(1) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of such institution's interest expense allocable to interest on the Bonds.

(2) With respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds.

(3) Interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code.

(4) Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year, if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income.

(5) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Bonds.

Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their own tax advisors as to the applicability of these tax consequences.

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., has given the each Series of Bonds the rating shown on the cover page of this Official Statement. Such ratings reflect only the view of Standard & Poor's, and any further explanation of the significance of such rating may be obtained only from the rating agency. The rating does not constitute a recommendation by the rating agency to buy, sell or hold any bonds, including the Bonds. There is no assurance that any rating when assigned to each Series of the Bonds will continue for any period of time or that it will not be revised or withdrawn. A revision or withdrawal of the rating when assigned to the Bonds may have an adverse affect on the market price of the Bonds.

FINANCIAL STATEMENTS

Audited financial statements of the City for the fiscal year ended June 30, 2004 excerpted from the City's Comprehensive Annual Financial Report are included in *Appendix B* to this Official Statement. These financial statements have been audited by KPMG LLP, independent certified public accountants, to the extent and for the periods indicated in their report which is also included in *Appendix B* hereto.

CONTINUING DISCLOSURE

The City will execute a Continuing Disclosure Agreement with respect to ongoing disclosure which will constitute the written understanding for the benefit of the holders of the Bonds required by Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. A summary of the Continuing Disclosure Agreement is included in *Appendix C*.

UNDERWRITING

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds pursuant to a Bond Purchase Agreement entered into by and among the Board, the City and the Underwriter. The Bond Purchase Agreement provides that the Underwriter will purchase the Series 2005A Bonds at a purchase price of $8,505,716.86 (which represents an underwriter's discount of

$92,531.25 and a net reoffering premium of $364,517.55, plus accrued interest of $8,730.56). The Bond Purchase Agreement provides that the Underwriter will purchase the Series 2005B Bonds at a purchase price of $994,502.68 (which represents an underwriter's discount of $15,450.00 and an original issue discount of $20,978.65 plus accrued interest of $931.33). The Bond Purchase Agreement provides that the Underwriter will purchase the Series 2005C Bonds at a purchase price of $11,177,214.20 (which represents an underwriter's discount of $169,875 and a net reoffering premium of $9,832.95, plus accrued interest of $12,256.25). In addition, the Bond Purchase Agreement provides, among other things, that the Underwriter will purchase all of the Bonds, including all Series of the Bonds, if any are purchased. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The City has agreed in the Bond Purchase Agreement to indemnify the Underwriter against certain liabilities. The obligations of the Underwriter to accept delivery of the Bonds are subject to various conditions contained in the Bond Purchase Agreement.

MISCELLANEOUS

The references herein to the Act, the Indentures, the Financing Agreements and the Continuing Disclosure Agreement are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of the provisions thereof, reference is made to the Act, the Indentures, the Financing Agreements and the Continuing Disclosure Agreement. Copies of such documents are on file at the offices of the Underwriter and following delivery of the Bonds will be on file at the office of the Trustee as described above under the caption **"INTRODUCTION - Definitions and Summaries of Legal Documents"**.

The agreement of the Board with the owners of the Bonds is fully set forth in the Indentures, and neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Bonds. Statements made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of fact.

The Cover Page hereof and the Appendices hereto are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The execution and delivery of this Official Statement has been duly authorized by the City, and its use has been approved by the Board.

CITY OF INDEPENDENCE, MISSOURI

By: /s/ Robert E. Heacock
City Manager

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APPENDIX A

Information Concerning the City of Independence, Missouri

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THE CITY

General Information

Incorporated in 1849, the City is the county seat of Jackson County and adjoins Kansas City, Missouri to the west. The City is the fourth largest City in Missouri.

The City is organized under the laws of the State of Missouri and operates under a Constitutional Charter approved by the voters in December 1961. The City is governed according to a Council-Manager Plan. The City Council, which consists of seven members, including the Mayor, is the legislative governing body of the City. Non-partisan elections are held every two years to provide for staggered terms of office. The Mayor and two at-large council members are elected to four-year terms and, in alternating elections, the four district council members are elected to four-year terms.

The present Mayor and members of the Council, their occupations and terms are listed below:

Councilmembers	Occupation	Expiration of Term
Rondell F. Stewart, Mayor	Retired	2006
Jim Schultz	Insurance agent	2006
Will Swoffer	Retired	2008
Renee J. Paluka	Commodity Buyer	2008
Don B. Reimal	Carpenter	2008
Jim Page	Retired	2008
Jason White	Assistant Director MAST (EMS Provider)	2006

The City Council appoints a City Manager who is the chief executive and administrative officer of the City. Robert Heacock is the City Manager. The Director of Finance, who is appointed by the City Manager, acts as the chief financial officer of the City. This position is currently held by James C. Harlow, appointed in March 1984. The City Manager appoints the City Counselor who acts as the chief legal advisor to the City.

Historically, the character of the City has been viewed as predominantly residential. In recent years industrial and commercial expansion in the City has accompanied the growth in population. The City has several industrial sites which have been set aside to assure orderly development in light of anticipated increases in industrial activity. The labor force in the Kansas City Metropolitan Area encompasses a wide variety of skills and occupations: management, professional and related occupations (32.5%), service occupations (14.5%), sales and office occupations (29.0%), farming, fishing, and forestry occupations (0.2%); construction, extraction and maintenance occupations (9.9%), and production, transportation and material moving occupations (14.0%).

Employee Retirement System

The City participates in the Missouri Local Government Employees Retirement System (LAGERS) which is a statewide multi-employer retirement system and covers all City employees. The City makes all required contributions to this plan. The total pension expense for the years ended June 30, 2003 and 2004 was $3,897,577 and $4,192,623, respectively.

Insurance

The City self-insures for workers' compensation claims up to $500,000 per accident and purchases excess worker's compensation insurance coverage from Midwest Employers Casualty Company for claims exceeding the $500,000 retention limit per accident.

The City purchases all-risk property insurance from Hartford Steam Boiler Insurance Company, Liberty International Insurance Company, and Zurich American Insurance Company that provides coverage for all real and personal property owned by the City. The replacement cost property insurance policy has a blanket loss limit of $200 million. Risk covered include property damage, flood, debris removal, ordinance/laws coverage, property in transit, earthquake, extra expense, pollution clean-up, and expediting repairs. The all-risk property insurance coverage is subject to a $50,000 per occurrence deductible, except for a $1,000,000 per occurrence deductible at the Blue Valley and Missouri City Power Stations and all other power generating facilities.

The City purchases replacement cost boiler and machinery insurance coverage from Hartford Steam Boiler, Liberty International Insurance Company, and Zurich American that provides for $75 million in coverage per occurrence. Boiler and machinery insurance provides coverage for sudden breakdown of insured equipment and it also provides coverage for expediting expenses, ammonia contamination, water damage and hazardous material clean-up. The boiler and machinery insurance coverage is subject to a $50,000 per occurrence deductible, a $1,000,000 per occurrence deductible for electrical injury and various deductibles for power generating facilities.

The City purchases general liability, public officials' liability, and third party automobile liability insurance coverage from the Missouri Public Entity Risk Management Fund (MOPERM). The MOPERM policies provide a $2 million in coverage per occurrence, subject to a $10,000 general liability deductible, a $10,000 public officials deductible and a $100,000 deductible for third party automobile liability. The City self-insures its fleet of vehicles for collision and comprehensive coverages.

The City purchases excess liability insurance coverage from Self-Insured Retention Programs, Inc. (SIRPRO). The SIRPRO policy provides an additional $5 million in liability insurance above the insurance coverage provided by MOPERM for claims that are not subject to the State's Sovereign Immunity Statute.

Payment Record

The City has never defaulted on any of the obligations.

ECONOMIC INFORMATION CONCERNING THE CITY

Commerce and Industry

Some major employers in Independence, Missouri, include:

	Employer	Product/Service	Number of Employees
1.	Health Midwest	Medical Care	1,400
2.	Alliant Tech Systems	Small Arms Ammunition	1,750
3.	GEHA	Medical Insurance Service Center	650
4.	SBC Communications	Communications	550
5.	Rosewood Health Center	Retirement Community	300
6.	Unilever (Thomas J Lipton)	Instant Tea, Salad Dressings	290
7.	Sprint Relay Center	Communications	200
8.	Burd & Fletcher	Folding Paper Cartons	350
9.	IBS Industries	Packaging and Assembly	100
10.	Comcast	Communications	165

Source: Independence Council for Economic Development.

General and Demographic Information

The following tables set forth certain population information.

	1980	1990	2000	2004*
City of Independence	111,797	112,301	113,288	112,700
Jackson County	629,266	633,232	654,880	665,279
State of Missouri	4,916,776	5,116,901	5,595,211	5,729,634

Source: U.S. Census Bureau.
*Estimate: Source – Claritas, Inc.

Population Distribution by Age (2000 Census)

Age	Jackson County	State of Missouri
Under 5	45,894	369,898
5–14 years	95,309	810,978
15–24 years	87,359	782,794
25–34 years	97,129	738,733
35–44 years	106,336	887,569
45–54 years	86,200	742,462
55-64 years	54,672	507,398
65–74 years	42,655	393,226
75 years & older	39,326	362,153
Total	654,880	5,595,211
Median Age	35.2	36.1

Source: U.S. Census Bureau.

The following table sets forth unemployment figures for the last five years for the Kansas City MSA, Jackson County and the State of Missouri. These data are considered provisional and may be subject to change.

	1999	2000	2001	2002	2003	2004*
Kansas City MSA						
Total Labor Force	977,689	1,005,032	1,009,012	1,129,779	1,024,408	1,027,580
Unemployed	28,998	32,972	44,160	664,450	61,703	58,099
Unemployment Rate	3.0%	3.3%	4.4%	5.3%	6.0%	5.7%
Jackson County						
Total Labor Force	360,459	371,934	371,514	363,912	372,046	368,819
Unemployed	12,815	358,197	18,737	23,717	25,206	24,803
Unemployment Rate	3.6%	3.7%	5.0%	6.5%	6.8%	6.7%
State of Missouri						
Total Labor Force	2,841,203	2,929,827	2,970,118	2,954,307	3,020,592	3,027,246
Unemployed	95,739	101,447	139,715	147,588	170,126	160,877
Unemployment Rate	3.4%	3.5%	4.7%	5.0%	5.6%	5.3%

Source: MERIC
* Average January-November, 2004

Income Statistics

The following table sets forth income figures from the 2000 census and an estimate for 2004.

	Per Capita		Median Family	
	2000	2004	2000	2004
City of Independence	$19,384	$21,488	$45,876	$50,940
Jackson County	20,788	22,982	48,435	54,801
State of Missouri	19,936	22,221	37,934	51,685

Source: U.S. Census Bureau and Claritas, Inc.

Housing Structures

The following table sets forth statistics regarding housing structures by type in the City for the year 2003:

Housing type	Number of Units	Percentage of Units
Single-Family	37,258	74.2%
Mobile Home	1,529	3.1
Multi-Family	11,421	22.7

Source: Claritas, Inc.

The median value of owner occupied housing units in the area of the City and related areas was, according to the 2000 census and an estimate for 2004 by Claritas, Inc., as follows:

	Median Value	
	2000	**2004**
City	$77,000	$ 92,046
Jackson County	85,000	105,074
State of Missouri	89,900	109,629

Source: U.S. Census Bureau and Claritas, Inc.

Building Construction

The following table indicates the number of building permits and total estimated valuation of these permits issued within the City over a five-year period. These numbers reflect permits issued either for new construction or for major renovation.

	2000	**2001**	**2002**	**2003**	**2004**
Residential					
Number of Permits	647	596	744	657	676
Estimated Cost	$43,799,753	$39,941,328	$51,015,505	$47,280,932	$66,787,994
Non-Residential					
Number of Permits	219	158	204	186	188
Estimated Cost	$61,394,644	$47,467,165	$78,904,822	$50,594,507	$37,620,269

Source: City's Community Development Department

FINANCIAL INFORMATION CONCERNING THE CITY

Accounting, Budgeting and Auditing Procedures

The City currently produces financial statements that are in conformity with generally accepted accounting principles. The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate. The City has implemented the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*.

An annual budget is prepared under the direction of the City Manager and submitted to the City Council for consideration prior to the fiscal year commencing on July 1. The operating budget includes proposed expenditures and revenue sources. Public hearings are conducted to obtain taxpayer comments. The budget is legally enacted through the adoption of an ordinance. The primary basis of budgetary control is at the departmental level. The City Manager is authorized to transfer budgeted amounts between programs within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Council. Formal budgetary integration is employed as a management control device during the year for all funds. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted governmental auditing standards. The annual audit for the fiscal year ending June 30, 2004 was performed by KPMG LLP, Kansas City, Missouri. Copies of the audit reports for the past 5 years are on file in the City Manager's Office and are available for review.

Tax Revenues

The following table shows General Governmental Tax Revenues by Source received by the City including General, Special Revenue and TIF funds for the last ten years.

Year	Total	Real Estate Tax	Railroad Utilities Tax	Cigarette Tax	Transient Guest Tax	Sales Tax	Franchise Tax	In Lieu of Taxes
1995	$28,731,356	$4,449,012	$54,444	$489,210	$327,070	$11,824,936	$4,458,123	$7,128,561
1996	31,417,798	4,974,581	56,733	513,102	366,246	12,497,734	5,525,140	7,484,262
1997	33,392,131	6,063,867	60,981	472,758	396,654	12,609,492	6,246,845	7,541,534
1998	36,672,503	6,388,695	55,405	600,206	419,719	15,500,936	5,711,768	7,995,774
1999	40,251,255	6,747,561	39,291	579,968	424,286	18,479,114	5,662,192	8,318,843
2000	46,629,545	7,157,444	38,824	634,169	432,564	24,240,691	5,695,790	8,430,063
2001	53,226,616	7,639,179	39,169	595,259	443,670	27,997,519	7,004,453	9,507,367
2002	54,521,441	7,251,844	45,912	594,665	471,450	30,800,658	6,545,093	8,811,819
2003	56,496,560	8,155,079	45,144	583,785	680,605	30,926,980	6,718,262	9,386,705
2004	58,836,592	8,876,875	38,401	622,835	859,643	31,484,590	7,241,436	9,712,812

Property Valuations

Assessment Procedure:

All taxable real and personal property within the City is assessed annually by the County Assessor. Missouri law requires that real property be assessed at the following percentages of true value:

Residential real property.................................... 19%
Agricultural and horticultural
real property.. 12%
Utility, industrial, commercial,
railroad and all other real property................. 32%

A general reassessment of real property occurred statewide in 1985. In order to maintain equalized assessed valuations following this reassessment, the Missouri General Assembly adopted a maintenance law in 1986. Beginning January 1, 1987, and every odd-numbered year thereafter, each County Assessor must adjust the assessed valuation of all real property located within his or her county in accordance with a two-year assessment and equalization maintenance plan approved by the State Tax Commission.

The assessment ratio for personal property is generally 33-1/3% of true value. However, subclasses of tangible personal property are assessed at the following assessment percentages: grain and other agricultural crops in an unmanufactured condition, 1/2%; livestock, 12%; farm machinery, 12%; historic motor vehicles, 5%; and poultry, 12%.

The County Assessor is responsible for preparing the tax roll each year and for submitting the tax roll to the Board of Equalization. The County Board of Equalization has the authority to adjust and equalize the values of individual properties appearing on the tax rolls.

Current Assessed Valuation:

The following table shows the total assessed valuation, by category, of all taxable tangible property situated in the City according to the assessment of January 1, 2004 (the last completed assessment):

	Assessed Valuation*	Assessment Rate	Actual Valuation
Real Estate:			
Residential	$692,984,990	19%	$3,647,289,421
Commercial	241,194,492	32	753,732,788
Agricultural	1,058,124	12	8,817,700
Railroad and utilities	5,477,070	32	17,115,844
Sub-Total	$940,714,676		$4,426,955,752
Personal Property*	257,027,857	33.30%	771,855,426
Total	$1,197,742,533		$5,198,811,179

* Assumes all personal property is assessed at 33 1/3%; because certain subclasses of tangible personal property are assessed at less than 33 1/3%, the estimated actual valuation for personal property would likely be greater than that shown above. See "Assessment Procedure" discussed above.

History of Property Valuation:

The total assessed valuation of all taxable tangible property situated in the City, including state assessed railroad and utility property, according to the assessments of January 1 in each of the following years, has been as follows:

Year	Assessed Valuation	Percent Change
2004	$1,197,742,533	2.1%
2003	1,172,491,869	3.7
2002	1,075,178,240	3.7
2001	1,037,117,752	6.1
2000	977,928,272	1.3
1999	965,098,107	8.0
1998	893,405,364	0.9
1997	885,313,341	6.7

Source: Jackson and Clay Counties Assessor's Office

Major Property Taxpayers:

The following table sets forth the ten largest real property taxpayers in the City based upon assessed valuation as of January 1, 2004.

Name of Taxpayer	**Type**	**Local Assessed Valuation**	**Percentage of Total Local Assessed Valuation**
Simon Property Group LP	Retail Center	$18,525,568	1.55%
DDR MDT Independence Commons	Retail Center	9,286,793	0.78
Space Center of Kansas City, Inc.	Underground commercial storage	8,551,633	0.71
Bradley Operating LTD PTP	Retail Center	7,402,354	0.31
Southern Union Company	Utility	5,485,106	0.46
Noland Fashion Square	Retail	5,225,985	0.62
Sprint Spectrum	Communications	4,469,180	0.44
Independence Regional Health	Hospital	3,695,375	0.31
Southwestern Bell	Communications	3,671,072	0.37
Independence Apartments	Housing	3,321,200	0.28

Source: Jackson County Assessor's Office

Obligations of the City

General Obligation Debt

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. The additional indebtedness is allowed 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 City had no General Obligation debt outstanding as of November 1, 2004.

Revenue Debt. The following is a summary of the City's Revenue Bond debt:

	Balance Payable
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 4.00% to 4.8%, callable at par after June 1, 2003, less Deferred Loss on Refunding of $1,560,444 (as of February 1, 2005)	$15,199,556

	Balance Payable
$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%, callable at par after June 1, 2012. less Deferred Loss on Refunding $853,377 (as of February 1, 2005)	$4,686,623

Water Fund:

$36,000,000 Water Utility Revenue Bonds - Series 1986, principal due in annual installments of $850,000 to $5,010,000 through November 1, 2016, interest at approximately 3.25% to 5% callable at par (as of February 1, 2005)	29,710,000
$14,785,000 Missouri Development Finance Board ("MDFB" or the "Board") Infrastructure Facilities Revenue Bonds, principal due in annual installments of $490,000 to $1,105,000, interest at approximately 3.375% to 5.00% callable at par (as of February 1, 2005)	14,785,000

Bonds Secured by the City's Annual Appropriation Powers

On June 16, 1999, at the request of the City, MDFB issued $7,240,000 in Infrastructure Facilities Revenue Bonds, Series 1999A, due in annual installments of $270,000 to $835,000 through June 1, 2011 and bearing interest rate at 4.00% to 5.25%. The proceeds of the bonds were loaned by MDFB to the City and are to be used for reimbursement of redevelopment costs related to the Bolger Square project. These bonds are payable solely from, and secured by, an assignment and a pledge of loan payments made by the City pursuant to a financing agreement between the Board and the City, which loan payments are secured by a pledge of certain tax increment revenues, and if not paid from such tax revenues, from the City's general fund, subject to annual appropriation. (as of February 1, 2005)	5,040,000
On April 12, 2000, at the request of the City, MDFB issued $11,850,000 in Infrastructure Facilities Revenue Bonds, Series 2000A, due in annual installments of $120,000 to $1,235,000 through April 1, 2020 and bearing interest at rates ranging from 5.80% to 6.20%. The proceeds of the bonds were loaned by MDFB to the City and are to be used for reimbursement of redevelopment costs related to Hartman Heritage project. These bonds are payable solely from, and secured by, an assignment and a pledge of loan payments made by the City pursuant to a financing agreement between the Board and the City, which loan payments are secured by a pledge of certain tax increment revenues, and if not paid from such tax revenues, from the City's general fund, subject to annual appropriation. (as of February 1, 2005)	$11,105,000

	Balance Payable
On May 17, 2000, at the request of the City, MDFB issued $5,595,000 in Infrastructure Facilities Revenue Bonds, Series 2000A, due in annual installments of $200,000 to $800,000 through April 1, 2012 and bearing interest at rates ranging from 5.15% to 5.80%. The proceeds of the bonds were loaned by MDFB to the City and are to be used for reimbursement of redevelopment costs related to Eastland Phase I project. These bonds are payable solely from, and secured by, an assignment and a pledge of loan payments made by the City pursuant to a financing agreement between the Board and the City, which loan payments are secured by a pledge of certain tax increment revenues, and if not paid from such tax revenues, from the City's general fund, subject to annual appropriation. (as of February 1, 2005)	$4,495,000
On June 28, 2000, at the request of the City, MDFB issued $530,000 in Infrastructure Facilities Revenue Bonds, Series 2000A, due in annual installments of $40,000 to $65,000 through June 1, 2010 and bearing interest at rates ranging from 5.00% to 6.25%. The proceeds of the bonds were loaned by MDFB to the City and are to be used to pay for various capital improvement projects in buildings owned by the City. These bonds are payable solely from, and secured by, an assignment and a pledge of loan payments made by the City pursuant to a financing agreement between the Board and the City. The City's loan payments are secured by an annual appropriation pledge of the City's general fund. (as of February 1, 2005)	$350,000
On November 16, 2000, at the request of the City, MDFB issued $12,815,000 in Infrastructure Facilities Revenue Bonds, Series 2000B, due in annual installments of $175,000 to $2,180,000 through April 1, 2021 and bearing interest at rates ranging from 5.375% to 6.00%. The proceeds of the bonds were loaned by MDFB to the City and are to be used for reimbursement of redevelopment costs related to Eastland Phase II project. These bonds are payable solely from, and secured by, an assignment and a pledge of loan payments made by the City pursuant to a financing agreement between the Board and the City, which loan payments are secured by a pledge of certain tax increment revenues, and if not paid from such tax revenues, from the City's general fund, subject to annual appropriation. (as of February 1, 2005)	12,460,000

	Balance Payable
On August 22, 2001, at the request of the City, MDFB issued $10,230,000 in Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Santa Fe Redevelopment Project), Series 2001, due in annual installments of $165,000 to $1,865,000 through April 1, 2023 and bearing interest at rates ranging from 4.375% to 5.25%. The proceeds of the bonds were loaned by MDFB to the City and used to pay for public and private improvements related to the Santa Fe Redevelopment Project located in the City. These bonds are payable solely from, and secured by, an assignment and a pledge of loan payments made by the City pursuant to a financing agreement between the Board and the City, which loan payments are secured by a pledge of certain tax increment revenues, and if not paid from such tax revenues, from the City's general fund, subject to annual appropriation. (as of February 1, 2005)	$10,230,000
On August 22, 2001, at the request of the City, MDFB issued $1,635,000 in Infrastructure Facilities Revenue Bonds, Series 2001, due in annual installments of $160,000 to $215,000 through June 1, 2010 and bearing interest at rates ranging from 4.20% to 4.40%. The proceeds of the bonds were loaned by MDFB to the City and used to pay for various capital improvement to City buildings and to provide the City with additional capitalized interest in the amount of $500,000 which will be used to pay a portion of the City's loan payment to the Board over the next two years in connection with the Hartman Heritage Center redevelopment project. These bonds are payable solely from, and secured by, an assignment and a pledge of loan payments made by the City pursuant to a financing agreement between the Board and the City. The City's loan payments are secured by an annual appropriation pledge of the City's general fund. (as of February 1, 2005)	1,150,000
On November 20, 2001, at the request of the City, MDFB issued $1,425,000 in Infrastructure Facilities Revenue Bonds, Series 2001 due in annual installments of $15,000 to $160,000 through April 1, 2021 and bearing interest at rates from 2.40% to 5.25%. The proceeds of the bonds were loaned by MDFB to the City and are to be used for reimbursement of redevelopment costs related to Eastland Phase III Project. These bonds are payable solely from, and secured by, an assignment and a pledge of loan payments made by the City pursuant to a financing agreement between the Board and the City, which loan payments are secured by a pledge of certain tax increment revenues, and if not paid from such tax revenues, from the City's general fund, subject to annual appropriation. (as of February 1, 2005)	1,345,000
On November 14, 2002, at the request of the City, MDFB issued $3,480,000 in Infrastructure Facilities Revenue Bonds, Series 2002 due in annual installments of $75,000 to $845,000 through April 1, 2022 and bearing interest at rates from 3.50% to 5.125%. The proceeds of the bonds were loaned by MDFB to the City and are to be used for reimbursement of redevelopment costs related to Eastland Phase IV Project. These bonds are payable solely from, and secured by, an assignment and a pledge of loan payments made by the City pursuant to a financing agreement between the Board and the City, which loan payments are secured by a pledge of certain tax increment revenues, and if not paid from such tax revenues, from the City's general fund, subject to annual appropriation. (as of February 1, 2005)	3,480,000

	Balance Payable
On September 25, 2003, at the request of the City, MDFB issued \$8,715,000 in Infrastructure Facilities Revenue Bonds, Series 2003, due in annual installments of \$135,000 to \$455,000 through April 1, 2021 and bearing interest at rates ranging from 2.00% to 5.00%. The proceeds of the bonds were loaned by MDFB to the City and are to be used for reimbursement of redevelopment costs related to Hartman Heritage Phase II project. These bonds are payable solely from, and secured by, an assignment and a pledge of loan payments made by the City pursuant to a financing agreement between the Board and the City, which loan payments are secured by a pledge of certain tax increment revenues, and if not paid from such tax revenues, from the City's general fund, subject to annual appropriation. (as of February 1, 2005)	\$8,715,000
On May 26, 2004, at the request of the City, MDFB issued \$1,245,000 in Infrastructure Facilities Revenue Bonds, Series 2004, due in annual installments of \$230,000 to \$270,000 through June 1, 2009 and bearing interest at the rates ranging from 2.25% to 4.25% The proceeds of the bonds were loaned by MDFB to the City to refund a prior series of bonds issued by MDFB in 2001 to pay for various capital improvement to the Truman Memorial Building. These bonds are payable solely from, and secured by, an assignment and a pledge of loan payments made by the City pursuant to a financing agreement between the Board and the City. The City's loan payments are secured by an annual appropriation pledge of the City's general fund. (as of February 1, 2005)	1,245,000
On December 1, 2004, at the request of the City, MDFB issued \$6,175,000 in Infrastructure Facilities Revenue Bonds, Series 2004, due in annual installments of \$300,000 to \$450,000 through March 1, 2013 and bearing interest at the rates ranging from 3.00% to 4.50% The proceeds of the bonds were loaned by MDFB to the City to construct a new aquatics center. These bonds are payable solely from, and secured by, an assignment and a pledge of loan payments made by the City pursuant to a financing agreement between the Board and the City. The City's loan payments are secured by an annual appropriation pledge of the City's general fund. (as of February 1, 2005)	6,175,000

Future Obligations

On October 18, 2004 the City approved an ordinance that approved the tax increment financing plan, established the redevelopment area, designated the redevelopment area as blighted, and designated Crackerneck Creek, L.L.C. as the developer for all projects in the redevelopment area. The Crackerneck Creek Tax Redevelopment Project includes the development and construction of a proposed 450,000 square foot commercial retail center. The Project will include an approximately 150,000 square foot Bass Pro Shops Outdoor World retail store, a minimum of 300,000 square feet of additional retail space and a hotel. Under a lease with the City, Bass Pro will be required to operate its retail store for a twenty (20) year period and will make lease payments to the City equal to approximately 2% of gross sales. MDFB has passed a resolution expressing its intent to issue one or more series of bonds to finance the City's costs associated with this development. The bonds are expected to be issued in an approximate principal amount of \$85,000,000. 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. The City expects that these bonds will be payable solely from, and secured by, an assignment and a pledge of loan payments made by the City pursuant to a financing agreement between the Board and the City. The City's loan payments will be secured by a pledge of the Bass Pro lease payments, certain tax increment revenues (local and state sales taxes and property taxes), and if not paid from such lease payments and tax revenues, from the City's general fund, subject to annual appropriation. MDFB is issuing the first series of these bonds on or about March 9, 2005 in the expected principal amount of $11,325,000.

Capital Leases

Capital leases payable at June 30, 2004 consist of the following:

$783,223 CHICORP lease, interest at 6.85%, monthly installments through April 1, 2006. A lease utilized for Johnson Controls contract to renovate the HVAC of City Hall. No restrictions.	$186,865
$419,069 First National Bank of Louisburg, interest at 5.75%, semiannual installments through October 1, 2005. A lease utilized to purchase a fire truck, three vehicles, various rescue equipment, a pick-up truck and a telephone system.	79,921
Emergency One, interest at 4.84%, annual installments through May 18, 2005. A lease utilized to purchase two fire pumper trucks and rescue unit.	96,954
Emergency One, interest at 5.84%, annual installments through March 2005. A lease utilized to purchase an Emergency One HP75 Aerial Pumper Fire Apparatus	101,296
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.	78,822
Ford Motor Credit Company, interest at 6.39%, annual installments through May, 2005. A lease utilized to purchase sewer cleaning equipment.	36,271
IBM Corporation, interest at 4.64% to 6.37% annual installments through April 2007. A lease to purchase an IBM AS/400 and related equipment and software.	138,827

Overlapping or Underlying Indebtedness Debt

The following table sets forth overlapping and underlying general obligation and lease indebtedness of political subdivisions with boundaries overlapping the City as of June 30, 2004, and the percent attributable (on the basis of assessed valuation figures) to the City. The table was compiled from information furnished by the jurisdictions responsible for the debt, and the City has not independently verified the accuracy or completeness of such information. Furthermore, political subdivisions may have ongoing programs requiring the issuance of substantial additional bonds, the amounts of which cannot be determined at this time.

Jurisdiction	General Obligation Bond Issues Outstanding	Percentage Applicable to City of Independence	Amount Applicable to City of Independence
City of Independence	$ 0	0	$ 0
Jackson County	0	0	0
Jackson County School Districts:			
Metropolitan Junior College	75,449,000	7.00%	5,281,430
Independence	85,165,000	100.00	85,165,000
Kansas City	0	0.00	0
Raytown	68,000,000	6.00	4,080,000
Blue Springs #4*	99,876,481	21.75	20,193,872
Fort Osage #1	24,009,674	12.50	3,001,209
TOTAL	$352,500,155		$117,721,511

* Equal to $99,876,481 principal amount outstanding less $7,031,093 available in certain debt service funds.

APPENDIX B

FINANCIAL STATEMENTS OF THE CITY

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KPMG

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

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, each major fund, and the aggregate remaining fund information of the City of Independence, Missouri (the City) as of and for the year ended June 30, 2004, 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 provides 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, each major fund, and the aggregate remaining fund information of the City as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 22, 2004 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 and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information, and schedules of funding progress and employer contributions on pages 9 through 20 and 62 through 65, respectively, 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 the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The supplementary information and the schedule of expenditures of federal awards 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 supplementary information 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.

KPMG LLP

Kansas City, Missouri
October 22, 2004

This section of the City of Independence's annual finance report presents our review of the City's financial performance during the fiscal year that ended on June 30, 2004. 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 $19 million. Of this amount, $9.2 million or 48% was from the City's 'governmental-type activities,' and the balance was from 'business activities.'
- As with other entities, the recent economic slow-down has affected the City's revenues. Growth in sales tax revenue was only 3.3%.
- The cost increases for employee health insurance has had an impact on our cost of operations.
- The City continues to participate with other jurisdictions on litigation with cell phone utilities as to how fees will be calculated.
- The City has approved tax increment financing for a retail development of almost 700,000 square feet that includes a Bass Pro Shops Outdoor World store and theme hotel.
- HCA hospitals have received approval to relocate the current two medical facilities it owns in the City to a new $250,000,000 state of the art medical center.
- During August 2004, sales taxes were approved for public safety purposes. A twelve year, one-eight cent capital improvements sales tax was approve for police equipment. A twelve-year fire protection sales tax at one-quarter cent for four years and then one-eight cent for the remaining years was approved.

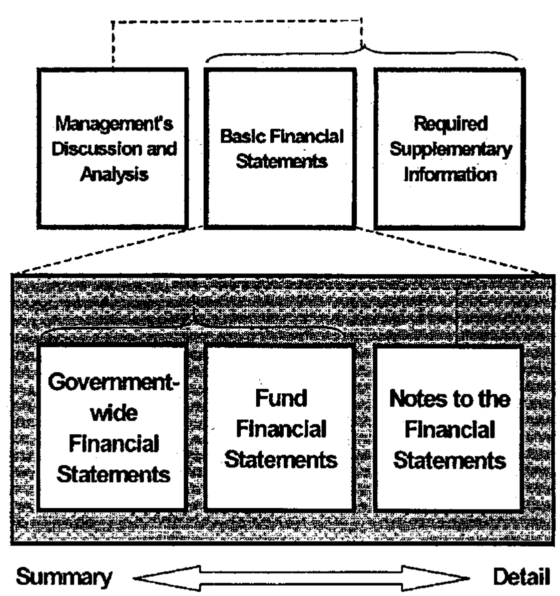
Overview of the Financial Statements

This annual report consists of three parts, management's discussion and analysis (this section), the basic financial statements and required supplementary information, and an optional section that presents combining statements for nonmajor 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.

Figure MD-1

Required Components of City of Independence's Annual Financial Report



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

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

The financial statements also include notes that provide additional explanatory information to the financial statements. The statements are followed by a section of 'required supplementary information' that further explains and supports the information in the financial statements. Figure MD-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provides details about our 'nonmajor 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 they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and content of each of the statements.

Figure MD-2

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

	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 * Statement of activities	* Balance Sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net assets * Statement of revenues, expenses, and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

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

The two government-wide statements report the City's net assets and how they have changed. Net assets refer 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, you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's roads.

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, and general administration. Property taxes, sales taxes, and state and federal grants finance most of these activities.
- Business-type activities—The City charges fees to customers to help it cover the costs of certain services it provides. The City's electric, water, and sanitary sewer systems are included here.

Fund Financial Statements

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

- Some funds are required by the City's Charter, State Statutes, and bond covenants.
- The Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has three kinds of funds:

- Governmental funds—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds 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.
  - In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
  - We use internal service funds (the other kind of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities. The City has three internal service funds, and these are the self-funded health insurance fund, central garage fund, and employee benefits fund.
- Fiduciary funds—Periodically the City may be responsible for other assets that have been given to the City under the terms of a trust agreement initiated by an outside third party. Generally these funds are limited in use for the benefit of the designated trust beneficiary. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Currently, the City is the trustee, or fiduciary, for the following three funds: Vaile Mansion/Anderson Trust Fund, Susie Paxton Block Trust Fund, and the Flexible Benefit Plan Fund. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

(Continued)

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
Net Assets

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	$ 43,615,381	34,901,472	106,033,573	92,892,070	149,648,954	127,793,542
Capital assets	88,789,612	77,888,763	275,588,093	264,008,141	364,377,705	341,896,904
Total assets	132,404,993	112,790,235	381,621,666	356,900,211	514,026,659	469,690,446
Long-term debt outstanding	65,292,860	57,085,602	67,012,548	55,158,436	132,305,408	112,244,038
Other liabilities	16,960,775	14,753,807	15,825,604	12,807,303	32,786,379	27,561,110
Total liabilities	82,253,635	71,839,409	82,838,152	67,965,739	165,091,787	139,805,148
Net assets:						
Invested in capital assets, net of related debt	86,613,728	75,199,757	212,840,200	210,181,962	299,453,928	285,381,719
Restricted	12,415,044	8,932,152	500,000	500,000	12,915,044	9,432,152
Unrestricted	(48,877,412)	(43,181,083)	85,443,314	78,252,510	36,565,902	35,071,427
Total net assets	$ 50,151,360	40,950,826	298,783,514	288,934,472	348,934,874	329,885,298

The City's combined net assets increased 5.8% to $348.9 million from $329.9 million as reflected in Table MD-1. Net assets of the City's governmental activities increased 22.5% to $50.2 million. Governmental assets increased $19.6 million and liabilities increased $10.5 million. The increase in long-term debt of $8.2 million is related to tax increment financing (TIF) projects, Truman Memorial Building loan, capital leases, and the Neighborhood Improvement Districts (NID).

The City's unrestricted net assets for governmental activities were ($48.9) million. (Assets for roads, bridges and other governmental infrastructure assets acquired prior to fiscal year 2003 are not included at this time. The City will be including infrastructure assets acquired prior to fiscal year 2003 in future years in response to GASB Statement No. 34.) Total unrestricted net assets were $36.6 million with the business-type activities being $85.4 million.

Changes in Net Assets

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

Table MD-1
City of Independence
Change in Net Assets

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	$ 13,475,568	11,969,571	111,264,303	105,968,428	124,739,871	117,937,999
Federal grants	3,962,710	3,511,707	115,000	—	4,077,710	3,511,707
State/local grants and contributions	6,176,040	6,528,243	3,916,475	847,444	10,092,515	7,375,687
General revenues:						
Property taxes	6,458,742	6,104,668	—	—	6,458,742	6,104,668
Sales taxes	35,423,599	34,286,925	—	—	35,423,599	34,286,925
Other taxes	7,270,437	6,750,674	—	—	7,270,437	6,750,674
Interest	583,364	404,173	709,029	822,222	1,292,393	1,226,395
Other	1,646,836	535,932	1,774,387	1,526,891	3,421,223	2,062,823
Total revenues	74,997,296	70,091,893	117,779,194	109,164,985	192,776,490	179,256,878
Expenses:						
General government	6,808,416	6,846,123	—	—	6,808,416	6,846,123
Public works	6,196,849	6,686,542	—	—	6,196,849	6,686,542
Public safety	32,987,626	33,028,116	—	—	32,987,626	33,028,116
Recreation	4,069,244	3,861,827	—	—	4,069,244	3,861,827
Community development	3,471,030	3,319,609	—	—	3,471,030	3,319,609
Health	2,524,823	2,376,921	—	—	2,524,823	2,376,921
Electric	—	—	71,641,843	65,841,126	71,641,843	65,841,126
Water	—	—	15,352,095	15,297,405	15,352,095	15,297,405
Sanitary sewer	—	—	11,381,487	11,535,324	11,381,487	11,535,324
Storm water	1,043,573	1,081,513	—	—	1,043,573	1,081,513
Nondepartment/other	15,012,715	11,149,913	—	—	15,012,715	11,149,913
Interest	3,237,213	2,955,628	—	—	3,237,213	2,955,628
Total expenses	75,351,489	71,306,192	98,375,425	92,673,855	173,726,914	163,980,047
Excess (deficiency) before special item and transfers	(354,193)	(1,214,299)	19,403,769	16,491,130	19,049,576	15,276,831
Transfers	9,554,727	9,333,977	(9,554,727)	(9,333,977)	—	—
Increase in net assets	$ 9,200,534	8,119,678	9,849,042	7,157,153	19,049,576	15,276,831

Total revenues increased $13.5 million and Governmental revenues increased 7% or $4.9 million. This increase can be attributed mostly to the increase in charges for services and inter-governmental revenues. Of significance is the slow-down in the growth of taxes and particularly sales tax. This, however, is a reflection of the general economy.

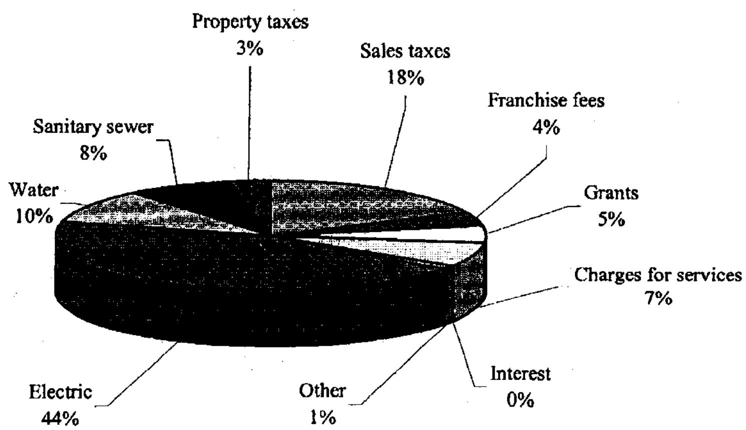
Total expenses increased $9.7 million and Governmental expenses increased 5.7% or $4.1 million. This increase can be attributed to costs associated with electric production and capital projects, including tax increment financing.

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

Revenues

For the fiscal year ending June 30, 2004, revenues totaled $192.8 million. Of this amount, charges for services (governmental and business type) were $124.7 million or 64.7% of the total. Revenue from business-type activities represents 61.1% of the total City revenues (Figure MD-3).

Figure MD-3
City of Independence
Sources of Revenues for FY 2004



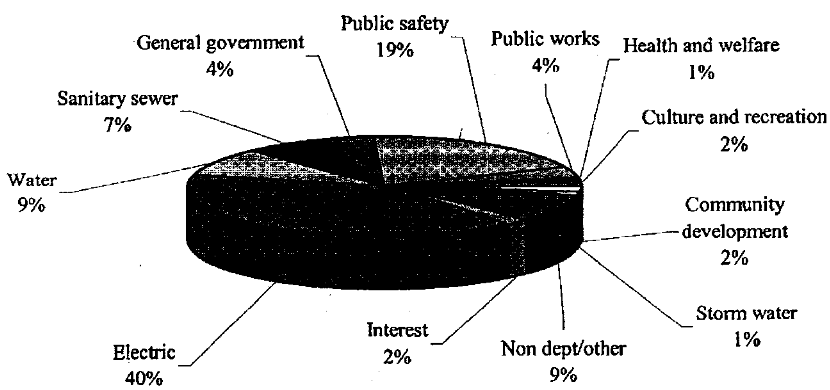
Revenues from governmental activities were $75 million. Sales taxes, the largest governmental category, were $35.4 million or 47.2%. All taxes represent $49.2 million or 65.6% of the governmental revenue. Inter-governmental revenues from such sources as grants were $10.1 million or 13.5% of the governmental revenues. Charges for services at $13.5 million were 18% of the total.

(Continued)

Expenses

For the fiscal year ending June 30, 2004, expenses totaled $173.7 million. Of this amount the electric utility was $71.6 million or 41.2% of the total. Business-type expenses represent 56.6% of the total City expenses (Figure MD-4).

Figure MD-4
City of Independence
Functional Expenses for FY 2004



Expenses from governmental activities were $75.4 million. Public safety expenses, the largest governmental category, were $33 million or 43.8% of the total. Nondepartmental, which includes costs associated with tax increment financing projects of $8.3 million, is the next largest category at $15 million. Excluding the tax increment financing costs nondepartmental is $6.6 million or 8.9% of the total. General government represents $6.8 million or 9% of the governmental activities.

Governmental Activities

Table MD-3

Net Cost of City of Independence's Governmental Activities

	Total cost of services		Net cost of services	
	2004	**2003**	**2004**	**2003**
General government	$ 6,808,416	6,846,123	1,660,818	1,782,520
Public works	6,196,849	6,686,542	(1,331,683)	519,466
Public safety	32,987,626	33,028,116	27,118,607	26,901,394
Culture and recreation	4,069,244	3,861,827	3,666,462	3,333,198
Community development	3,471,030	3,319,609	(27,197)	(39,863)
Health	2,524,823	2,376,921	1,539,811	1,680,060
Storm water	1,043,573	1,081,513	875,425	1,028,520
Other	18,249,928	14,105,541	18,234,928	14,091,376
Total	$ 75,351,489	71,306,192	51,737,171	49,296,671

As previously noted, expenses from governmental activities for fiscal year 2004 were $75.4 million. However, the net costs of these services were $51.7 million. The difference represents direct revenues received from charges for services of $13.5 million, operating grants of $9.2 million, and capital grants of $957,411. Taxes and other revenues of $60.9 million were collected to cover these net costs.

Business-type Activities

Revenues of the City's business-type activities increased $8.6 million or 7.9% and expenses increased $5.7 million or 6.2%. This change is primarily the result of increased customer consumption caused by weather conditions. Fluctuation in weather for both the electric and water utilities impacts both the revenues and expenses of these utilities.

Financial Analysis of the City's Funds

As the City completed the year, its governmental funds reported a combined fund balance of $32 million. The fund balance of the General Fund increased $207,199 during fiscal year 2004. The undesignated portion of the General Fund's fund balance increased $1.3 million to $1,752,521. This increase was greater than expected when the budget was prepared. Fund balance was impacted by several of the financial highlights pointed out earlier, as well as:

- Position vacancies were managed with the intent of managing termination and recruitment costs and filling these only when necessary.
- Capital projects funded with revenues from closed TIF projects were re-evaluated to release these resources for other purposes.
- Travel by staff in the governmental funds was restricted.

- The City continues to participate with other jurisdictions on litigation with cell phone utilities as to how fees will be calculated.
- Revenue from landline telephone service continues to fall.

General Fund Budgetary Highlights

Resources available for appropriation decreased $367 thousand from the original estimate. Revenues from grants provided most of this decrease. Actual revenues at the end of the year were less than projected by $1.2 million. The largest negative variance was in the area of taxes accounting for $890 thousand of the revenue shortfall.

Over the course of the fiscal year, the Council revised the City budget several times. Appropriations were increased $680 thousand. These budget amendments generally fall into the following three categories:

- Approval of new grants or the extension of current grants that were not previously included in the approved budget. These adjustments generally also include off-setting revenues.
- Transfer previously approved appropriations to operating departments where expenditures occur when the actual distribution of the expenditure could not be anticipated at the time that the appropriation was originally approved.
- Increase or decrease appropriations for unanticipated events that may arise throughout the fiscal year.

Actual expenditures were $2.6 million less than the amount appropriated representing a reduction of 4.3%. This was largely the result of an intentional under-spending of the budget by means of delaying capital expenditures and the filling of vacant positions to offset declining revenues and fund balance reserves.

Capital Asset and Debt Administration

Capital Assets

At the end of fiscal year 2004, the City had invested $364.4 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and electric, water and sewer systems. Assets for roads, bridges and other governmental infrastructure assets acquired in prior fiscal years are not included at this time. The City will be including infrastructure assets acquired prior to fiscal year 2003 in future years in response to GASB Statement No. 34. Assets increased $22.5 million or 6.6% during the period.

Table MD-4

City of Independence

Capital Assets
(Net of depreciation)

	Governmental activities		Business-type activities		Total		Total percentage change
	2004	2003	2004	2003	2004	2003	2004-2003
Land	$ 10,912,049	10,922,339	5,437,449	4,959,089	16,349,498	15,881,428	2.9%
Buildings and improvements	9,473,762	8,614,037	—	—	9,473,762	8,614,037	10.0
Office furniture and equipment	39,917	61,863	—	—	39,917	61,863	(35.5)
Computer equipment	333,667	314,101	—	—	333,667	314,101	6.2
Mobile equipment	4,738,944	5,172,122	—	—	4,738,944	5,172,122	(8.4)
Other equipment	1,022,332	1,035,639	26,014	26,014	1,048,346	1,061,653	(1.3)
Infrastructure	26,344,189	8,760,282	249,833,225	240,564,413	276,177,414	249,324,695	10.8
Construction in progress	35,924,752	43,008,380	20,291,400	18,458,625	56,216,152	61,467,005	(8.5)
Total	$ 88,789,612	77,888,763	275,588,088	264,008,141	364,377,700	341,896,904	6.6

The budget for fiscal year 2005 projects the City will spend an additional $29.4 million for capital projects.

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

Debt Administration

Table MD-5
City of Independence
Outstanding Debt

	Governmental activities		Business-type activities		Total		Total percentage change
	2004	2003	2004	2003	2004	2003	2003-2004
TIF loans	$ 56,590,556	49,379,628	—	—	56,590,556	49,379,628	14.60%
Loans payable	2,727,360	2,922,048	65,887,893	53,826,179	68,615,253	56,748,227	20.91
Capital lease obligations	718,955	1,086,597	—	—	718,955	1,086,597	(33.83)
Neighborhood improvement district	995,000	—	—	—	995,000	—	100.00
Total	$ 61,031,871	53,388,273	65,887,893	53,826,179	126,919,764	107,214,452	18.38

The City, at the end of fiscal year 2004, had a total of $126.9 million of outstanding obligations. This was an increase of $19.7 million or 18.3% from the previous fiscal year. None of these amounts relate to general obligations of the City, and $65.8 million or 51.9% are obligations of the business-type activities. The increase in obligations for the governmental activity funds is for debt issued to fund neighborhood assessment projects (NIDs) and tax increment financing redevelopment projects, which includes significant commercial development for the City.

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

Economic Factors

In the last five years the City, as a community, lost 656 jobs, with employment at 63,730 jobs. Unemployment by mid-2004 was 5.8%, but this is lower than Jackson County at 6.9% and greater than the State at 5.7%. 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 2004 is estimated to be $50,940, while the State is $51,685.

Contacting the City's Financial Management

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

Exhibit 1

CITY OF INDEPENDENCE, MISSOURI

Statement of Net Assets

June 30, 2004

Assets	**Governmental activities**	**Business-type activities**	**Total**
Current assets:			
Pooled cash and investments	$ 20,309,959	65,294,752	85,604,711
Receivables:			
Taxes	5,076,439	—	5,076,439
Accounts	964,506	6,891,288	7,855,794
Unbilled revenue	—	7,242,918	7,242,918
Special assessment principal and accrued interest	1,615,974	260,518	1,876,492
Accrued interest	83,737	345,080	428,817
Other	—	124,108	124,108
Internal balances	(151,558)	151,558	—
Due from other governments	5,041,524	—	5,041,524
Inventory	52,797	8,976,058	9,028,855
Prepaid items	—	104,952	104,952
Total current assets	32,993,378	89,391,232	122,384,610
Noncurrent assets:			
Restricted assets	10,236,830	2,386,171	12,623,001
Capital assets:			
Nondepreciable	46,607,019	25,728,851	72,335,870
Depreciable, net	42,182,593	249,859,242	292,041,835
Deferred debt issue costs	385,173	1,492,327	1,877,500
Other deferred charges	—	12,763,843	12,763,843
Total noncurrent assets	99,411,615	292,230,434	391,642,049
Total assets	132,404,993	381,621,666	514,026,659
Liabilities and Net Assets			
Current liabilities:			
Accounts and contracts payable	2,541,177	6,262,019	8,803,196
Accrued items	2,512,324	1,584,556	4,096,880
Other current liabilities	2,108,797	589,134	2,697,931
Deferred revenue	1,680,187	33,088	1,713,275
Liabilities payable from restricted assets	183,614	1,578,791	1,762,405
Medical self-insurance claims	871,093	—	871,093
Long-term liabilities - due within one year	7,063,581	4,723,593	11,787,174
Total current liabilities	16,960,773	14,771,181	31,731,954
Long-term liabilities:			
Due in more than one year	65,292,860	67,012,548	132,305,408
Advances for construction	—	1,054,423	1,054,423
Total long-term liabilities	65,292,860	68,066,971	133,359,831
Total liabilities	82,253,633	82,838,152	165,091,785
Net assets:			
Invested in capital assets, net of related debt	86,613,728	212,840,200	299,453,928
Restricted for:			
Special revenue	12,290,267	—	12,290,267
Debt service	111,503	500,000	611,503
Other	13,274	—	13,274
Unrestricted	(48,877,412)	85,443,314	36,565,902
Total net assets	50,151,360	298,783,514	348,934,874
Total liabilities and net assets	$ 132,404,993	381,621,666	514,026,659

See accompanying notes to financial statements.

Exhibit 2

CITY OF INDEPENDENCE, MISSOURI

Statement of Activities

Year ended June 30, 2004

Functions/programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Net (expense) revenue
Primary government:					
Governmental activities:					
General government	$ 6,808,416	5,117,112	28,836	1,650	(1,660,818)
Public safety	32,987,626	3,618,327	2,182,490	68,202	(27,118,607)
Public works	6,196,849	1,916,080	4,724,893	887,559	1,331,683
Health and welfare	2,524,823	487,956	497,056	—	(1,539,811)
Culture and recreation	4,069,244	252,814	149,968	—	(3,666,462)
Community development	3,471,030	2,068,279	1,429,948	—	27,197
Storm water	1,043,573	—	168,148	—	(875,425)
Nondepartmental/other	15,012,715	15,000	—	—	(14,997,715)
Interest on long-term debt	3,237,213	—	—	—	(3,237,213)
Total governmental activities	75,351,489	13,475,568	9,181,339	957,411	(51,737,171)
Business-type activities:					
Power and light	71,641,843	81,333,414	—	106,411	9,797,982
Water	15,352,095	16,610,572	—	1,973,038	3,231,515
Sewer	11,381,487	13,320,317	—	1,952,026	3,890,856
Total business-type activities	98,375,425	111,264,303	—	4,031,475	16,920,353
Total primary government	$ 173,726,914	124,739,871	9,181,339	4,988,886	(34,816,818)

	Governmental activities	Business-type activities	Total
Changes in net assets:			
Net (expense) revenue	$ (51,737,171)	16,920,353	(34,816,818)
General revenues:			
Property taxes	6,458,742	—	6,458,742
Sales and use taxes	35,423,599	—	35,423,599
Franchise taxes	7,241,437	—	7,241,437
Financial institutions tax	29,000	—	29,000
Investment earnings	583,364	709,029	1,292,393
Miscellaneous	1,646,836	1,774,387	3,421,223
Transfers	9,554,727	(9,554,727)	—
Total general revenues and transfers	60,937,705	(7,071,311)	53,866,394
Change in net assets	9,200,534	9,849,042	19,049,576
Net assets, beginning of year	40,950,826	288,934,472	329,885,298
Net assets, end of year	$ 50,151,360	298,783,514	348,934,874

See accompanying notes to financial statements.

Exhibit 3

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Governmental Funds

June 30, 2004

Assets		General	Nonmajor governmental funds	Total governmental funds
Pooled cash and investments	$	3,422,360	15,707,255	19,129,615
Receivables:				
Taxes		2,971,688	2,104,751	5,076,439
Accounts		201,619	630,232	831,851
Special assessment principal and accrued interest		548,902	1,067,071	1,615,973
Accrued interest		4,291	79,446	83,737
Due from other funds		790,545	24,782	815,327
Due from other governments		795,760	4,245,764	5,041,524
Restricted assets		787,766	9,449,064	10,236,830
Total assets	$	9,522,931	33,308,365	42,831,296
Liabilities and Fund Balances				
Liabilities:				
Accounts and contracts payable	$	1,146,890	1,367,795	2,514,685
Due to other funds		8,626	924,357	932,983
Accrued items		1,682,068	71,652	1,753,720
Other current liabilities		481,327	1,627,471	2,108,798
Deferred revenue		853,902	2,442,258	3,296,160
Liabilities payable from restricted assets:				
Deposits and court bonds		183,614	—	183,614
Advances from other funds		—	15,355	15,355
Total liabilities		4,356,427	6,448,888	10,805,315
Fund balances:				
Reserved for:				
Encumbrances		1,156,430	8,756,075	9,912,505
Domestic violence		12,155	—	12,155
Other purposes		482,507	6,900,792	7,383,299
Unreserved, reported in:				
General Fund		1,752,521	—	1,752,521
Special Revenue Funds		—	7,871,693	7,871,693
Debt Service Fund			92,704	92,704
Capital Projects Funds		—	(69,917)	(69,917)
Permanent Funds		—	8,274	8,274
Designated General Fund		1,762,891	—	1,762,891
Designated Special Revenue Funds		—	748,187	748,187
Designated Capital Projects Funds		—	2,546,669	2,546,669
Designated Permanent Funds		—	5,000	5,000
Total fund balances		5,166,504	26,859,477	32,025,981
Total liabilities and fund balances	$	9,522,931	33,308,365	42,831,296

See accompanying notes to financial statements.

Exhibit 3.1

CITY OF INDEPENDENCE, MISSOURI

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

June 30, 2004

Fund balances—total governmental funds	$	32,025,981
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Governmental capital assets		109,791,169
Less accumulated depreciation		(21,105,895)
		88,685,274
Interest on long-term debt is not accrued in governmental funds but, rather, is recognized as expenditure when due		(742,072)
Adjustment of deferred revenue		1,615,976
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		480,994
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds		
TIF loan payable		(56,795,000)
Other loans payable		(3,740,000)
Capital lease obligations		(718,955)
Compensated absences		(11,232,959)
Employee benefits payable		(35,136)
Discounts (premiums)		222,084
		(72,299,966)
Deferred debt costs		385,173
Net assets of governmental activities	$	50,151,360

See accompanying notes to financial statements.

Exhibit 4

CITY OF INDEPENDENCE, MISSOURI

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2004

	General	Nonmajor governmental funds	Total governmental funds
Revenues:			
Taxes	$ 30,752,418	18,371,362	49,123,780
Licenses and permits	3,833,529	1,118,327	4,951,856
Intergovernmental	5,574,598	4,517,166	10,091,764
Charges for services	1,343,661	225,622	1,569,283
Interfund charges for support services	2,767,631	—	2,767,631
Fines, forfeitures, and court costs	3,219,276	—	3,219,276
Investment income	97,615	473,787	571,402
Sale of property, plant, and equipment	31,537	—	31,537
Other	617,874	1,002,121	1,619,995
Total revenues	48,238,139	25,708,385	73,946,524
Expenditures:			
Current:			
General government	6,593,368	—	6,593,368
Public safety	30,585,296	1,686,271	32,271,567
Public works	6,035,389	—	6,035,389
Health and welfare	1,899,131	496,163	2,395,294
Culture and recreation	2,268,048	1,484,137	3,752,185
Community development	2,163,600	1,282,974	3,446,574
Storm water	294,440	526,263	820,703
Nondepartmental/other	5,923,820	1,041,026	6,964,846
Capital outlay	937,585	19,544,288	20,481,873
Debt service:			
Principal	597,881	2,956,225	3,554,106
Interest and fiscal agent fees	113,190	3,040,340	3,153,530
Total expenditures	57,411,748	32,057,687	89,469,435
Deficiency of revenues over expenditures	(9,173,609)	(6,349,302)	(15,522,911)
Other financing sources (uses):			
Proceeds from capital leases/bond issuance	141,464	10,955,000	11,096,464
Transfers in—utility payments in lieu of taxes	9,712,812	—	9,712,812
Transfers in	—	651,553	651,553
Transfers out	(473,468)	(336,169)	(809,637)
Total other financing sources	9,380,808	11,270,384	20,651,192
Net change in fund balances	207,199	4,921,082	5,128,281
Fund balances, beginning of year	4,959,305	21,938,395	26,897,700
Fund balances, end of year	$ 5,166,504	26,859,477	32,025,981

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, 2004

Net change in fund balances—total governmental funds	$	5,128,281
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the depreciation expense. This is the amount by which capital outlays $13,462,284 exceeded depreciation of $2,526,520 in the current period		10,935,764
The proceeds from the sale of fixed assets are reported as revenue in the governmental funds. However, the cost of the assets and depreciation is removed from the capital assets account in the statement of net assets and offset against the proceeds, resulting in a gain on the sale of fixed assets in the statement of activities. More revenue is reported in the governmental funds than gain in the statement of activities. The book value of the assets is		(34,090)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		941,417
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:		
Bond proceeds		(11,096,464)
Principal payments		3,554,106
Discounts		333,082
Premiums		(197,346)
		(7,406,622)
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		(170,851)
Accrued interest		(83,683)
		(254,534)
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		(162,410)
Employee benefits transfer		52,728
Change in net assets of governmental activities (Exhibit 2)	$	9,200,534

See accompanying notes to financial statements.

Exhibit 5

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Proprietary Funds

June 30, 2004

	Enterprise funds				Internal Service Funds
Assets	**Power and Light**	**Water**	**Sanitary Sewer**	**Total**	
Current assets:					
Pooled cash and investments	$ 33,786,466	22,329,690	8,424,492	64,540,648	1,934,450
Receivables:					
Accounts (net of allowance of $751,705)	4,786,353	1,159,017	945,918	6,891,288	132,655
Unbilled revenue	5,560,035	771,335	911,548	7,242,918	—
Special assessment principal and accrued interest	—	106,312	154,205	260,517	—
Accrued interest	111,843	182,989	48,157	342,989	2,091
Other	—	124,108	—	124,108	—
Due from other funds	102,300	—	15,356	117,656	—
Inventory	8,369,284	557,395	49,379	8,976,058	52,797
Prepaid items	104,952	—	—	104,952	—
Total current assets	52,821,233	25,230,846	10,549,055	88,601,134	2,121,993
Noncurrent assets:					
Restricted assets	1,364,272	809,875	212,024	2,386,171	—
Capital assets:					
Nondepreciable	11,057,084	7,312,224	7,359,543	25,728,851	93,979
Depreciable, net	128,957,366	68,733,051	52,168,825	249,859,242	10,359
Advance to other funds	—	—	15,355	15,355	—
Deferred debt issue costs	379,584	1,112,743	—	1,492,327	—
Prepaid employee benefits	598,678	79,219	113,434	791,331	—
Other deferred charges	222,750	12,541,093	—	12,763,843	—
Total noncurrent assets	142,579,734	90,588,205	59,869,181	293,037,120	104,338
Total assets	$ 195,400,967	115,819,051	70,418,236	381,638,254	2,226,331
Liabilities and Net Assets					
Current liabilities:					
Accounts and contracts payable	$ 3,697,324	2,272,329	292,365	6,262,018	26,493
Accrued items	827,600	409,223	347,733	1,584,556	16,535
Other current liabilities	167,400	363,360	58,374	589,134	—
Deferred revenue	—	33,088	—	33,088	—
Current portion of long-term obligations	2,911,323	1,611,933	200,337	4,723,593	21,615
Employee benefits payable	—	—	—	—	791,331
Medical self-insurance claims	—	—	—	—	871,093
Liabilities payable from restricted assets	893,689	524,078	161,024	1,578,791	—
Total current liabilities	8,497,336	5,214,011	1,059,833	14,771,180	1,727,067
Noncurrent liabilities:					
Revenue bonds payable	18,252,893	44,495,000	—	62,747,893	—
Compensated absences—long-term	2,963,080	825,826	475,748	4,264,654	34,860
Advances for construction	921,371	126,552	6,500	1,054,423	—
Total noncurrent liabilities	22,137,344	45,447,378	482,248	68,066,970	34,860
Total liabilities	30,634,680	50,661,389	1,542,081	82,838,150	1,761,927
Net assets:					
Invested in capital assets, net of related debt	121,761,557	31,550,275	59,528,368	212,840,200	104,337
Restricted for:					
Debt service	—	500,000	—	500,000	—
Unrestricted	43,004,730	33,107,387	9,347,787	85,459,904	360,067
Total net assets	164,766,287	65,157,662	68,876,155	298,800,104	464,404
Total liabilities and net assets	$ 195,400,967	115,819,051	70,418,236		2,226,331
Some of the amounts reported for business-type activities in the statement of net assets are different because certain Internal Service Fund assets and liabilities are included with business-type activities				(16,590)	
Net assets of business-type activities				$ 298,783,514	

See accompanying notes to financial statements.

Exhibit 6

CITY OF INDEPENDENCE, MISSOURI

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

Proprietary Funds

Year ended June 30, 2004

	Enterprise funds				Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Total	
Operating revenues:					
Charges for services	$ 80,394,615	16,325,073	13,216,121	109,935,809	1,217,533
Miscellaneous	938,799	285,499	104,196	1,328,494	10,692,076
Total operating revenues	81,333,414	16,610,572	13,320,317	111,264,303	11,909,609
Operating expenses:					
Personal services	12,753,629	5,287,754	3,679,802	21,721,185	455,968
Other services	8,171,666	2,826,766	5,161,680	16,160,112	11,445,929
Supplies	34,454,138	1,121,457	337,047	35,912,642	543,086
Other expenses	5,560,951	2,465,987	64,723	8,091,661	—
Depreciation and amortization	9,412,287	1,960,948	2,125,215	13,498,450	4,676
Total operating expenses	70,352,671	13,662,912	11,368,467	95,384,050	12,449,659
Operating income (loss)	10,980,743	2,947,660	1,951,850	15,880,253	(540,050)
Nonoperating revenues (expenses):					
Interest revenue	425,375	163,959	111,390	700,724	20,266
Miscellaneous revenue	506,928	1,305,491	117,473	1,929,892	275,549
Interest expense	(1,234,422)	(1,666,558)	(267)	(2,901,247)	—
Total nonoperating revenue (expenses)	(302,119)	(197,108)	228,596	(270,631)	295,815
Income before contributions and transfers	10,678,624	2,750,552	2,180,446	15,609,622	(244,235)
Capital contributions	106,411	1,858,038	1,911,524	3,875,973	—
Transfers out—utility payments in lieu of taxes	(7,651,310)	(961,203)	(1,100,299)	(9,712,812)	—
Transfers in	6,283	831	106,547	113,661	44,423
Change in net assets	3,140,008	3,648,218	3,098,218	9,886,444	(199,812)
Total net assets:					
Beginning of the year	161,626,279	61,509,444	65,777,937	288,913,660	664,216
End of the year	$ 164,766,287	65,157,662	68,876,155	298,800,104	464,404
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain Internal Service Funds is reported with business-type activities				(37,402)	
Change in net assets of business-type activities				$ 9,849,042	

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2004

	Enterprise funds: Power and Light	Enterprise funds: Water	Enterprise funds: Sanitary Sewer	Enterprise funds: Total	Internal Service Funds
Cash flows from operations:					
Receipts from customers	$ 80,273,480	16,670,456	13,361,719	110,305,655	11,777,318
Payments to suppliers	(47,367,617)	(4,467,951)	(6,418,284)	(58,253,852)	(12,108,937)
Payments to employees	(12,420,770)	(5,232,393)	(3,677,060)	(21,330,223)	(448,679)
Net cash provided by operating activities	20,485,093	6,970,112	3,266,375	30,721,580	(780,298)
Cash flows from noncapital financing activities:					
Transfers in	6,283	831	106,547	113,661	44,423
Transfers out—payments in lieu of taxes	(7,651,310)	(961,203)	(1,100,299)	(9,712,812)	—
Unamortized LAGERS refund	163,284	21,624	30,948	215,856	—
Nonoperating revenues	506,928	1,305,490	117,474	1,929,892	275,549
Net cash provided by (used in) noncapital financing activities	(6,974,815)	366,742	(845,330)	(7,453,403)	319,972
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(10,928,800)	(19,578,335)	(4,891,981)	(35,399,116)	(3,850)
Interest paid on revenue bonds and equipment contracts	(983,448)	(1,453,035)	—	(2,436,483)	—
Debt expense paid on revenue bonds	—	(151,193)	(267)	(151,460)	—
Proceeds from disposition of equipment	(451,877)	(49,758)	—	(501,635)	—
Proceeds from 2004 Refunding bond issue	—	14,525,265	—	14,525,265	—
Redemption of revenue bonds	(1,745,000)	(1,200,000)	—	(2,945,000)	—
Capital contributed	936,001	1,886,840	1,911,524	4,734,365	—
Interest received on special assessment	—	—	10,315	10,315	—
Net cash used in capital and related financing activities	(13,173,124)	(6,020,216)	(2,970,409)	(22,163,749)	(3,850)
Cash flows from investing activities:					
Purchases of investments	(111,948,769)	(51,847,075)	(23,183,449)	(186,979,293)	(1,495,155)
Proceeds from sales and maturities of investments	111,091,033	51,147,354	24,206,921	186,445,308	1,495,429
Interest on investments	357,159	(7,763)	58,042	407,438	20,266
Net cash provided by (used in) investing activities	(500,577)	(707,484)	1,081,514	(126,547)	20,540
Net increase (decrease) in cash and cash equivalents	(163,423)	609,154	532,150	977,881	(443,636)
Cash and cash equivalents at beginning of year	1,011,209	1,363,587	1,141,275	3,516,071	1,880,662
Cash and cash equivalents at end of year	847,786	1,972,741	1,673,425	4,493,952	1,437,026
Investments with original maturities greater than 90 days	34,302,952	21,166,824	6,963,091	62,432,867	497,424
Cash and investments	$ 35,150,738	23,139,565	8,636,516	66,926,819	1,934,450
Noncash capital and related financing activities:					
Contributed capital	$ 936,001	1,858,038	—	2,794,039	—
Components of cash and short-term investments at end of fiscal year:					
Unrestricted assets	33,786,466	22,329,690	8,424,492	64,540,648	1,934,450
Restricted assets	1,364,272	809,875	212,024	2,386,171	—
Total cash and investments	$ 35,150,738	23,139,565	8,636,516	66,926,819	1,934,450
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	$ 10,980,743	2,947,660	1,951,850	15,880,253	(540,050)
Adjustments not affecting cash:					
Depreciation and amortization	9,412,287	1,960,948	2,125,215	13,498,450	4,677
Change in assets and liabilities:					
Accounts receivable	(674,178)	(18,901)	61,989	(631,090)	(132,289)
Inventory	219,363	115,720	9,999	345,082	18,122
Prepaid items	(14,540)	2,913	—	(11,627)	—
Unbilled revenue	(561,228)	78,615	(77,594)	(560,207)	—
Special assessments receivable	175,477	170	50,507	226,154	—
Other deferred charges	65,250	—	—	65,250	—
Accounts and contracts payable	503,826	1,756,561	(264,593)	1,995,794	5,814
Accrued liabilities	86,678	50,545	(603,270)	(466,047)	74,167
Other current liabilities	—	44,474	23,169	67,643	(215,856)
Deferred revenue	—	2,768	—	2,768	—
Customer deposits	45,234	7,643	10,102	62,979	—
Compensated absences	246,181	20,996	(20,999)	246,178	5,117
Total adjustments	9,504,350	4,022,452	1,314,525	14,841,327	(240,248)
Net cash provided by operating activities	$ 20,485,093	6,970,112	3,266,375	30,721,580	(780,298)

See accompanying notes to financial statements.

Exhibit 8

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2004

	Private-purpose trust funds	Agency funds
Assets:		
Pooled cash and investments	$ 52,516	62,208
Accrued interest receivable	—	496
Total assets	52,516	62,704
Liabilities:		
Accounts and contracts payable	(89)	—
Funds held in escrow	—	24,365
Employee deferred credit	—	38,339
Total liabilities	(89)	$ 62,704
Net assets:		
Held in trust	$ 52,605	

See accompanying notes to financial statements.

Exhibit 9

CITY OF INDEPENDENCE, MISSOURI

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2004

		Private-purpose trust funds
Additions:		
Charges for services	$	17,891
Interest		468
Other		88
Total additions		18,447
Deductions:		
Community development		16,581
Total deductions		16,581
Change in net assets		1,866
Net assets, beginning of year		50,739
Net assets, end of year	$	52,605

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

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

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

(a) The Financial Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. 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 the only, criteria 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.

The Tax Increment Financing (TIF) Commission is governed by an 11-member board, of which 6 members are appointed by the City Council. The remaining 5 members are appointed by the respective taxing districts' boards. The TIF Commission is legally separate from the City but has no budget or financial operations, and its sole function is to advise the City concerning the use of TIF as a method for the City to finance redevelopment projects. The TIF Commission is presented as a blended component unit.

(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 have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or functions and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and

(b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

The City reports the following major governmental fund:

> ***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.

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:

> ***Internal Service Funds***—These funds account for the costs of fleet maintenance, healthcare, and benefits provided to other departments on a cost-reimbursed basis.
>
> ***Trust Funds***—These funds account for monies held in trust by the City for preservation and maintenance of the Vaile Mansion.
>
> ***Agency Funds***—These funds account for monies held on behalf of the Flexible Benefits Plan for contributions made by employees to the City's cafeteria plan and for monies held for the Susie Paxton Block Distinguished Public Service Award.
>
> ***Debt Service Fund***—These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

(Continued)

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

(c) *Basis of Accounting*

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues 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, includes 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 donation is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease are reported as other financing sources.

Agency Funds. Agency funds only report assets and liabilities and do not have a measurement focus. They do 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

All investments (excluding short-term investments held in trust) are reported at fair value. The fair value of marketable securities is based on quotations which are generally obtained from National Securities Exchanges. Where marketable securities are not listed on an exchange, quotations are obtained from brokerage firms or National Pricing Services.

(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 (first in, first out) or market.

(g) Interfund Transactions

The City has the following types of interfund transactions:

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 external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

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

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

(Continued)

(h) 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 fixed assets received from federal, state, or local sources are recorded as assets and contributed capital at fair market value at the time of receipt. Additions, improvements, and expenditures that significantly extend the useful life of an asset are capitalized. Depreciation has been provided over the estimated useful lives using the composite and straight-line methods. Depreciation on utility vehicles and heavy equipment is charged to clearing accounts and redistributed to various operating, construction, and other accounts. The estimated useful lives are as follows:

	Years
Governmental activities:	
Buildings and improvements	20 – 40
Improvements other than buildings	20
Roads and bridges	40
Drainage systems	25
Office equipment and furniture	7
Mobile equipment—vehicles	5
Mobile equipment—heavy equipment	10
Fire trucks	15
Other equipment	10
Computer equipment	5
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 fixed 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. Fixed assets financed by capital leases are reported as an expenditure and other financing source in the governmental funds.

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

(i) ***Bond Premiums, Discounts, and Issuance Costs***

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(j) ***Encumbrances***

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is utilized in the governmental fund types. Encumbrances are reported as reservations of fund balances because they do not constitute expenditures or liabilities.

(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 a specific purpose. Designations of fund balances represent tentative City plans that are subject to change.

(m) Net Assets

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

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

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

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

(n) Statement of Cash Flows

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

(o) Use of Estimates

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

(2) Deposits and Investments

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 market 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.

The carrying values of deposits and investments are summarized as follows:

Investments:	
Short-term investments held in trust	$ 9,575,216
U.S. Treasury securities	72,997,427
Total investments	82,572,642
Deposits	15,760,049
Petty cash	9,745
Total	$ 98,342,436

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

	Government-wide statement of net assets	Fiduciary funds statement of net assets	Total
Pooled cash and investments	$ 85,604,711	114,724	85,719,435
Restricted assets	12,623,001	—	12,623,001
	$ 98,227,712	114,724	98,342,436

Deposits—At June 30, 2004, the carrying amount of the City's deposits was $15,760,049 and the bank balance was $19,678,958. Of the bank balance, $100,000 was covered by federal depository insurance and $19,578,958 was covered by a $23,000,000 irrevocable letter of credit with the Federal Home Loan Bank of Des Moines, Iowa, with the City as beneficiary. There was no amount outstanding on this letter of credit as of June 30, 2004.

Investments—The City's investments are categorized as either (1) insured and registered, for which the securities are held by the City or its agent in the City's name, (2) uninsured and unregistered, for which the securities are held by the bank's trust department or agent in the City's name, or (3) uninsured and unregistered, for which the securities are held by the bank or by its trust department or agent, but not in the City's name. At June 30, 2004, the City's investments in U.S. Treasury securities of $72,997,427 were classified as category (2) above. Short-term investments held in trust represent money markets or mutual funds, which are not subject to categorization.

(3) Tax Revenue

Tax revenue, including interest and penalties, by fund type for the year ended June 30, 2004 is as follows:

		General	Nonmajor governmental funds
Real estate tax	$	6,398,968	2,477,907
Railroad utilities tax		38,401	—
Cigarette tax		622,835	—
Transient guest tax		—	859,641
Sales tax		16,450,778	15,033,814
Franchise tax		7,241,436	—
	$	30,752,418	18,371,362

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, 2003, on which the fiscal 2003 levy was based, was $923,822,650. In the year ended June 30, 2004, the City collected 95.76% of real estate taxes which were levied in that period.

The City is permitted by Missouri state statutes to levy taxes up to $1.00 per $100 of assessed valuation for general governmental services, other than payment of principal and interest on long-term debt, up to $0.40 per $100 of assessed valuation for public health and recreation, and in unlimited amounts for the payment of principal and interest on long-term debt. Property tax levies per $100 assessed valuation for the year ended June 30, 2004 were $0.47 for the General Fund, $0.22 for Public Health and Recreation, and $0.38 for the Independence Square Benefit District Fund.

The City has passed ordinances to establish TIFs. The establishment of these districts allows the City to provide public improvements to encourage developers to construct and make new investments within blighted, conservation, or economic areas. Through the use of a TIF district, the City can utilize one-half of the incremental Jackson County and City sales taxes, plus the taxes generated by the incremental increase in property values from the date the TIFs were established, and the combined levies of all taxing jurisdictions for infrastructure improvements. Tax revenues (real estate and sales taxes) available to the TIFs for the year ended June 30, 2004 were $4,750,297 and were included as tax revenue in the Tax Increment Financing (Capital Projects) Fund.

(Continued)

(4) Intergovernmental Revenue and Receivables

Intergovernmental revenue during fiscal year 2004 consisted of the following:

		General Fund	Nonmajor governmental funds
Federal:			
Environmental Protection Agency:			
Air Quality Tools for School	$	(609)	—
Federal Emergency Management Agency:			
Emergency Management Assistance		4,118	40,979
Citizen's Corps		—	3,000
Community Emergency Response Teams		925	10,814
Local Emergency Operations Planning		—	19,900
Interoperate Communications Grant		—	68,202
Department of Health and Human Services:			
Nursing Consultation		—	2,377
Sanitation of Child Care Facilities		329	4,790
Maternal and Child Health		—	48,079
Senior Nutrition Site		25,000	—
Home Visitation Capacity Building		—	22,464
Homeless Challenge		—	62,904
Bioterrorism		—	158,158
Summer Food Service Program		—	325
Chronic Disease Primary Prevention		104	34,896
West Nile Virus Surveillance		937	12,675
Department of Housing and Urban Development:			
Emergency Shelter Grant		208	73,964
Community Development Block Grant		—	957,759
Home Investment Partnership Grant		—	335,113
Department of Transportation:			
Urban Mass Transportation Assistance		25,736	—
Highway Planning and Construction		—	688,512
State and Community Highway Safety		—	114,027
Department of Justice:			
Drug Enforcement Administration		—	13,993
Office of Community Oriented Policing		—	18,928
Department of Public Safety:			
Narcotics Control Assistance Program		—	45,016
Office of National Drug Control Policy		—	308,314
Office of Justice Programs		—	481,371
Violence Against Women Grant		34,967	332,445
Lewis and Clark Grant Foundation		2,000	—
U.S. Secret Service:			
K.C. Metro Financial Crimes Task Force		—	8,489
Total federal	$	93,716	3,867,494

(Continued)

	General Fund	Nonmajor governmental funds
State and local:		
Department of Health and Human Services:		
Core Health Services	$ —	107,152
Performance Management Collaborative	—	1,500
Influenza Vaccine	131	2,055
Department of Revenue:		
Motor vehicle fuel tax	3,273,214	—
Motor vehicle sales tax	850,197	—
Motor vehicle fees	601,482	—
Financial institution tax	29,000	—
Department of Tourism:		
Cooperative Marketing Agreement	—	63,648
Department of Conservation:		
Tree Resource Improvement and Maintenance	—	4,159
Department of Public Safety:		
Juvenile Accountability Incentive	266	69,410
Post Commission Fund	—	21,139
MO Methamphetamine Ecstasy Initiative	(66,417)	—
Missouri Police Chiefs Association:		
Seat Belt Enforcement	—	11,061
Department of Natural Resources:		
North Fork of Crackerneck Deten.	—	749
Spring Branch	—	78,000
35th and Leslie Phase II	—	90,148
Jackson County Anti-Drug Tax	439,736	—
Jackson County Funding of D.A.R.E. Program	353,273	—
Jackson County Urban Road System	—	198,299
Family Literacy Center	—	934
Safe Street Instructors	—	1,419
Total state and local	5,480,882	649,672
Total	$ 5,574,598	4,517,166

(Continued)

Amounts due from other governments at June 30, 2004 are as follows:

		Federal	State and local	Total
General Fund:				
Department of Justice:				
Grants to Encourage Arrest Policies	$	9,376	—	9,376
Department of Revenue:				
Motor vehicle fuel tax		—	535,000	535,000
Motor vehicle sales tax		—	70,000	70,000
Motor vehicle license fees		—	162,000	162,000
39th Street Transportation District		—	2,521	2,521
Other		16,863	—	16,863
		26,239	769,521	795,760
Nonmajor governmental funds:				
Department of Justice:				
Office of National Drug Control—HIDTA		82,664	—	82,664
Office of COPS		2,711	—	2,711
Grants to Encourage Arrest Policies		42,109	—	42,109
National Office of Weed and Seed		65,769	—	65,769
Supervised Visitation & Safe Exchange		48,957	—	48,957
Homeland Security Overtime		1,263	—	1,263
Stop Violence Against Women		5,983	—	5,983
Project Safe Neighborhood		30,606	—	30,606
Department—Community Development Block Grant		121,998	—	121,998
Rental Rehabilitation		107,288	—	107,288
Missouri Division of Tourism		—	14,969	14,969
Department of Transportation—Highway Planning and Construction		1,024,403	—	1,024,403
Department of Natural Resources		—	252,956	252,956
Department of Interior:				
Truman Memorial Building Restoration		250,000	—	250,000
Jackson County—Urban Road System		—	1,649,744	1,649,744
Tax Increment Financing Projects		—	362,670	362,670
Other		160,853	20,823	181,676
		1,944,603	2,301,161	4,245,764
Total	$	1,970,842	3,070,682	5,041,524

(Continued)

(5) Interfund Transactions

(a) Interfund Balances

Interfund balances at June 30, 2004 consisted of the following:

		Due from nonmajor governmental
Due to:		
General Fund	$	790,545
Power and Light Fund		102,300
Sanitary Sewer Fund		15,356
Nonmajor governmental		24,782
Total	$	932,983

(1) Interfund payables and receivables represent loans.

(2) Nonmajor governmental funds have loans outstanding to the Sanitary Sewer Funds in the amount of $15,356 that will be paid back over the next year.

(b) Interfund Charges for Support Services

Interfund charges for support services and rent paid to the General Fund during fiscal year 2004 were as follows:

		Interfund charges	Rent
Nonmajor governmental funds	$	10,000	5,600
Power and Light Fund		1,474,824	65,550
Sanitary Sewer Fund		483,758	18,750
Water Fund		799,049	35,500
	$	2,767,631	125,400

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

Interfund charges for customer service support services and telephone operators were paid (recorded as operating expenses) to the Water Fund (recorded as income) during fiscal year 2004 as follows:

Sanitary Sewer Fund	$	179,817
Power and Light Fund		863,121
	$	1,042,938

(Continued)

(c) ***Payments in Lieu of Taxes***

The payments of $7,651,310, $961,203, and $1,100,299 in fiscal year 2004 by the Power and Light, Water, and Sanitary Sewer (Enterprise) Funds, respectively, to the General Fund in lieu of taxes 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, 2004 consisted of the following:

	Transfer from			
	General Fund	Nonmajor governmental	Internal Service Funds	Total
Transfers to:				
Water Fund	$ —	—	831	831
Power and Light Fund	—	—	6,283	6,283
Sanitary Sewer Fund	105,357	—	1,190	106,547
Nonmajor governmental	315,384	336,169	—	651,553
Internal Service Funds	52,727	—	—	52,727
Total	$ 473,468	336,169	8,304	817,941

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

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

(Continued)

(6) Capital Assets

Capital asset activity for the year ended June 30, 2004 is as follows:

	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004
Governmental activities:				
Nondepreciable capital assets:				
Land	$ 10,682,267	—	—	10,682,267
Construction work in progress	43,008,380	12,081,374	(19,165,002)	35,924,752
Total nondepreciable capital assets	53,690,647	12,081,374	(19,165,002)	46,607,019
Depreciable capital assets:				
Land improvements	255,647	—	—	255,647
Buildings	9,716,819	—	—	9,716,819
Building improvements	4,271,382	7,915	—	4,279,297
Improvements other than buildings	1,408,214	1,377,760	—	2,785,974
Office furniture and equipment	908,268	5,617	—	913,885
Computer equipment	1,034,674	153,487	—	1,188,161
Mobile equipment	14,076,200	736,967	(464,507)	14,348,660
Other equipment	2,646,978	177,320	—	2,824,298
Infrastructure	9,120,850	18,090,697	—	27,211,547
Total depreciable capital assets	43,439,032	20,549,763	(464,507)	63,524,288
Less accumulated depreciation for:				
Land improvements	(15,575)	(10,290)	—	(25,865)
Buildings	(5,405,622)	(235,207)	—	(5,640,829)
Building improvements	(706,647)	(212,996)	—	(919,643)
Improvements other than buildings	(670,109)	(77,747)	—	(747,856)
Office furniture and equipment	(846,405)	(27,563)	—	(873,968)
Computer equipment	(720,573)	(133,921)	—	(854,494)
Mobile equipment	(8,904,078)	(1,136,055)	430,417	(9,609,716)
Other equipment	(1,611,339)	(190,627)	—	(1,801,966)
Infrastructure	(360,568)	(506,790)	—	(867,358)
Total accumulated depreciation	(19,240,916)	(2,531,196)	430,417	(21,341,695)
Total depreciable capital assets, net	24,198,116	18,018,567	(34,090)	42,182,593
Governmental activities capital assets, net	$ 77,888,763	30,099,941	(19,199,092)	88,789,612

(Continued)

Depreciation expense was charged to functions as follows:

General government	$	256,307
Public safety		932,206
Public works		682,832
Health and welfare		49,283
Culture and recreation		328,709
Community development		65,675
Storm water		211,507
In addition, depreciation on capital assets held by the City's Central Garage Fund is charged to the various functions based on their usage of the assets		4,677
	$	2,531,196

	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004
Business-type activities:				
Power and Light Fund:				
Nondepreciable capital assets:				
Land	$ 2,637,065	311,141	—	2,948,206
Construction in progress	8,506,245	—	(397,367)	8,108,878
Total nondepreciable capital assets	11,143,310	311,141	(397,367)	11,057,084
Depreciable capital assets:				
Acquisition adjustment	2,755,568	—	—	2,755,568
Production plant	135,551,342	4,917,715	(802,547)	139,666,510
Transmission plant	21,392,514	285,647	(32,268)	21,645,893
Distribution plant	89,515,283	4,812,074	(667,024)	93,660,333
General plant	17,609,056	616,718	(357,815)	17,867,959
Total depreciable capital assets	266,823,763	10,632,154	(1,859,654)	275,596,263
Less accumulated depreciation:				
Acquisition adjustment	(2,305,185)	(154,408)	—	(2,459,593)
Production plant	(85,541,881)	(4,252,312)	802,546	(88,991,647)
Transmission plant	(9,451,676)	(594,507)	32,268	(10,013,915)
Distribution plant	(30,237,727)	(2,976,340)	1,118,901	(32,095,166)
General plant	(12,383,493)	(1,052,898)	357,815	(13,078,576)
Total accumulated depreciaton	(139,919,962)	(9,030,465)	2,311,530	(146,638,897)
Total depreciable capital assets, net	126,903,801	1,601,689	451,876	128,957,366
Total power and light capital assets	138,047,111	1,912,830	54,509	140,014,450

(Continued)

	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004
Water Fund:				
Nondepreciable capital assets:				
Land	$ 1,992,291	170,882	(4,120)	2,159,053
Construction in progress	1,520,835	3,632,336	—	5,153,171
Total nondepreciable capital assets	3,513,126	3,803,218	(4,120)	7,312,224
Depreciable capital assets:				
Acquisition adjustment	12,547,765	—	—	12,547,765
Nonutility property	40,014	—	—	40,014
Source of supply	6,315,939	668,909	—	6,984,848
Pumping plant	5,047,362	162,508	(35,194)	5,174,676
Treatment plant	12,643,464	1,179,742	(33,893)	13,789,313
Transmission plant	47,539,933	2,729,043	(112,827)	50,156,149
General plant	5,326,528	341,545	(99,601)	5,568,472
Total depreciable capital assets	89,461,005	5,081,747	(281,515)	94,261,237
Less accumulated depreciation:				
Acquisition adjustment	(7,807,938)	(371,751)	—	(8,179,689)
Nonutility property	(14,000)	—	—	(14,000)
Source of supply	(2,797,128)	(369,434)	—	(3,166,562)
Pumping plant	(1,713,250)	(164,065)	35,198	(1,842,117)
Treatment plant	(3,672,827)	(330,330)	29,907	(3,973,250)
Transmission plant	(5,649,414)	(582,282)	186,079	(6,045,617)
General plant	(2,120,148)	(289,383)	102,580	(2,306,951)
Total accumulated depreciation	(23,774,705)	(2,107,245)	353,764	(25,528,186)
Total depreciable capital assets, net	65,686,300	2,974,502	72,249	68,733,051
Total water capital assets	69,199,426	6,777,720	68,129	76,045,275

(Continued)

		Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004
Sanitary Sewer Fund:					
Nondepreciable capital assets:					
Land	$	330,191	—	—	330,191
Construction in progress		8,431,545	2,906,612	(4,308,805)	7,029,352
Total nondepreciable capital assets		8,761,736	2,906,612	(4,308,805)	7,359,543
Depreciable capital assets:					
Nonutility property		46,368	—	—	46,368
Collection plant		62,676,966	5,639,383	—	68,316,349
Pumping plant		4,951,689	41,673	(12,275)	4,981,087
Treatment plant		14,240,630	440,358	(37,482)	14,643,506
General plant		3,917,789	172,760	(212,689)	3,877,860
Total depreciable capital assets		85,833,442	6,294,174	(262,446)	91,865,170
Less accumulated depreciation:					
Nonutility property		(46,368)	—	—	(46,368)
Collection plant		(16,815,120)	(829,331)	—	(17,644,451)
Pumping plant		(4,566,432)	(217,328)	12,275	(4,771,485)
Treatment plant		(12,361,710)	(794,647)	37,482	(13,118,875)
General plant		(4,043,946)	(283,909)	212,689	(4,115,166)
Total accumulated depreciation		(37,833,576)	(2,125,215)	262,446	(39,696,345)
Total depreciable capital assets, net		47,999,866	4,168,959	—	52,168,825
Total sewer capital assets		56,761,602	7,075,571	(4,308,805)	59,528,368
Total business-type activities capital assets	$	264,008,139	15,766,121	(4,186,167)	275,588,093

Depreciation expense was charged to functions as follows:

Business-type activities:		
Power and light	$	9,030,465
Water		2,107,245
Water pollution control		2,125,215
Total business-type activities depreciation expense	$	13,262,925

Construction in progress at June 30, 2004 represents improvements to and expansion of the City's sanitary sewer system, water utility system, storm water utility system, and renovation of the electrical utility system.

(Continued)

(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, 2004:

	Beginning balance	Additions	Reductions	Ending balance	Amount due within one year
Governmental activities:					
Loans and notes payable:					
TIF loans	$ 49,695,000	8,715,000	(1,615,000)	56,795,000	1,980,000
Loans payable	2,930,000	1,245,000	(1,430,000)	2,745,000	455,000
Capital lease obligations	1,086,597	141,464	(509,106)	718,955	452,634
Neighborhood Improvement District	—	995,000	—	995,000	60,000
Premium (discount), net	(323,324)	—	101,240	(222,084)	—
Total loans and notes payable	53,388,273	11,096,464	(3,452,866)	61,031,871	2,947,634
Other liabilities:					
Employee benefits payable	87,864	—	(52,728)	35,136	35,136
Compensated absences	11,113,466	1,029,473	(853,505)	11,289,434	4,080,811
Total other liabilities	11,201,330	1,029,473	(906,233)	11,324,570	4,115,947
Total governmental activities long-term liabilities	$ 64,589,603	12,125,937	(4,359,099)	72,356,441	7,063,581

(Continued)

		Beginning balance	Additions	Reductions	Ending balance	Amount due within one year
Business-type activities:						
Power and Light Fund:						
Revenue bonds	$	24,045,000	—	(1,745,000)	22,300,000	1,855,000
Less deferred amount on refunding		(2,413,821)	—	221,714	(2,192,107)	—
Total revenue bonds		21,631,179	—	(1,523,286)	20,107,893	1,855,000
Compensated absences		3,773,222	314,821	(68,640)	4,019,403	1,056,323
Total Power and Light Fund		25,404,401	314,821	(1,591,926)	24,127,296	2,911,323
Water Fund:						
Revenue bonds		32,195,000	14,785,000	(1,200,000)	45,780,000	1,285,000
Compensated absences		1,131,763	20,996	—	1,152,759	326,933
Total Water Fund		33,326,763	14,805,996	(1,200,000)	46,932,759	1,611,933
Sanitary Sewer Fund:						
Compensated absences		697,086	40,395	(61,396)	676,085	200,337
Total Sanitary Sewer Fund		697,086	40,395	(61,396)	676,085	200,337
Total business-type activities long-term liabilities	$	59,428,250	15,161,212	(2,853,322)	71,736,140	4,723,593

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

Debt service requirements on long-term debt at June 30, 2004 are as follows:

	Governmental activities					
	TIF loans		Loans payable		NID payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	$ 1,980,000	3,045,726	455,000	120,081	60,000	40,775
2006	2,200,000	2,944,813	465,000	100,873	55,000	47,875
2007	2,460,000	2,836,370	495,000	80,450	55,000	44,713
2008	2,690,000	2,716,886	515,000	58,753	55,000	41,688
2009	2,995,000	2,581,525	535,000	36,478	60,000	38,800
2010 – 2014	14,030,000	10,514,566	280,000	13,100	325,000	148,638
2015 – 2019	15,485,000	6,793,250	—	—	385,000	62,300
2020 – 2024	14,955,000	1,615,250	—	—	—	—
	$ 56,795,000	33,048,386	2,745,000	409,735	995,000	424,789

	Enterprise funds			
	Power and Light		Water	
	Principal	Interest	Principal	Interest
2005	$ 1,855,000	921,038	1,285,000	2,019,251
2006	1,925,000	855,273	1,905,000	2,013,619
2007	1,995,000	784,822	2,040,000	1,937,091
2008	2,065,000	708,217	2,200,000	1,852,685
2009	2,155,000	628,693	2,380,000	1,760,459
2010 – 2014	12,305,000	1,689,737	14,875,000	7,500,566
2015 – 2019	—	—	15,195,000	2,880,903
2020 – 2024	—	—	4,795,000	897,135
2025 – 2029	—	—	1,105,000	27,625
	$ 22,300,000	5,587,780	45,780,000	20,889,334

(a) Revenue Bonds

Revenue bonds payable at June 30, 2004 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	$	16,760,000
$5,975,000 2003 Electric Utility Refunding Revenue Bonds, due in annual installments of $435,000 to $660,000 through June 1, 2014, interest at 2.0% to 3.65%		5,540,000
Less deferred loss on refunding		(2,192,107)
Total power and light fund		20,107,893
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 3.25% to 5.0%		30,995,000
$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 at 3.375% to 5.0%.		14,785,000
Total water fund		45,780,000
Total revenue bonds	$	65,887,893

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

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

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

Account		Power and Light	Sanitary Sewer	Water
Principle and interest	$	231,337	—	—
Depreciation and emergency		—	—	500,000
Total revenue bond reserves		231,337	—	500,000
Customer deposits		816,935	161,024	229,875
Workers' compensation		316,000	51,000	80,000
Total	$	1,364,272	212,024	809,875

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 $787,766 at June 30, 2004 consist of cash on deposit for a debt service reserve, and municipal court bond deposits.

(b) Neighborhood Improvement District

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%.

(c) Tax Increment Financing

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 $677,556 to $1,307,556 through April 1, 2020 and bearing interest at 5.8% to 6.2%. 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 $293,482 to $846,000 through April 1, 2012 and bearing interest at 5.8% to 6.2%. 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 $318,690 to $2,310,800 through April 1, 2021 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 $87,849 to $1,913,956 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 Sante 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 $43,019 to $168,400 through April 1, 2021 and bearing interest at 2.4% to 5.25%. The proceeds of the bond issuance are to be used for costs related to the redevelopment of the Eastland Center area.

On November 1, 2002, the City issued a $3,480,000 loan payable with the Missouri Development Finance Board, due in annual installments of $145,452 to $866,653 through April 1, 2012 and bearing interest at 3.5% to 4.1%. 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.

Restricted assets in the Capital Projects Funds of $9,346,996 consist of funds available for costs related to the redevelopment of the Bolger Square, Hartman Heritage, Sante Fe, and Eastland Center areas.

(d) 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 $68,637 to $72,280 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 $216,763 to $224,460 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. Restricted assets in the General Fund of $224,953 consist of funds available for costs related to this debt.

On May 1, 2004, the City entered into 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.

(e) Capital Lease Obligations

Capital leases payable at June 30, 2004 are comprised of the following:

Governmental funds:		
CHICORP lease, interest at 6.85%, monthly installments through April 1, 2006; a lease utilized to renovate the HVAC of City Hall	$	186,865
First National Bank of Louisburg, interest at 5.75%, semiannual installments through October 1, 2005; a lease utilized to purchase a fire truck, vehicles, rescue equipment, and a telephone system		79,921
Emergency One, Inc, interest at 4.84%, annual installments through May 18, 2005; a lease to purchase a nonwalk-in rescue unit on a commercial chassis and custom pumpers on two Emergency One Cyclone chassis		96,954
Emergency One, Inc, interest at 5.84%, annual installments through March 2005; a lease to purchase an Emergency One HP75 Aerial Pumper Fire Apparatus		101,296
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		78,822
IBM Corporation, monthly installments through April 1, 2007:		
a) Interest at 6.37%; a lease to purchase I Series System		88,097
b) Interest at 6.37%; a lease to purchase a Disk, Tape, and Network Storage		8,809
c) Interest at 6.37%; a lease to purchase an Uninterrupted Power Supply		2,862
d) Interest at 6.37%; a lease to purchase Printers		7,526
e) Interest at 5.77%; a lease to purchase I Series System		12,141
f) Interest at 5.77%; a lease to purchase I Series System		3,123
g) Interest at 5.77%; a lease to purchase IBM Software		46
h) Interest at 5.77%; a lease to purchase I Series System		4,985
i) Interest at 5.77%; a lease to purchase I Series System		3,072
IBM Corporation, monthly installments through November 1, 2004:		
a) Interest at 4.84%; a lease to purchase an AS/400 SWSUB		934
b) Interest at 4.94%; a lease to purchase a Remarketed Service Unit		2,369
c) Interest at 4.64%; a lease to purchase a System Unit		4,652
d) Interest at 4.82%; a lease to purchase an OEM UPS for AS/400		211
Ford Motor Credit Company, interest at 6.39%, annual installments through May 2005; a lease to purchase a Vac-Con Sewer Cleaner		36,271
	$	718,956

Assets acquired through capital leases amounted to $1,714,079 as of June 30, 2004.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2004 were as follows:

Year ending June 30:		
2005	$	491,097
2006		193,955
2007		65,894
2008		22,910
		773,856
Less imputed interest		54,900
Present value of minimum lease payments	$	718,956

(8) Advances for Construction

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, 2004 were $126,552.

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, 2004 were $921,371.

(9) Employee Retirement System

Plan Description

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

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

Funding Policy

The City's full-time employees do not contribute to the pension plan. The City is required by Missouri state statute to contribute at an actuarially determined rate; the current rate is 7.5% (general), 6.1% (police), and 12.7% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the City Council. The contribution provisions of the City are established by Missouri state statute.

Annual Pension Cost

Schedule of Employer Contributions:

	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
Fiscal year ending:			
June 30, 2002	$ 4,347,515	100%	$ —
June 30, 2003	3,897,577	100	—
June 30, 2004	4,192,623	100	—

For 2004, the City's annual pension cost of $4,192,623 was equal to the required and actual contribution. The required contribution was determined as part of the February 28, 2002 and/or February 28, 2003 annual actuarial valuation using the entry-age actuarial cost method. The actuarial assumptions included:

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

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

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

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

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

(10) Reimbursement of Employee Contributions to LAGERS

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

A separate Internal Service Fund entitled "Employee Benefits" was established to account for the increased cost ensuing from the refund of contributions to employees. The City's enterprise funds (listed above) provided an actuarially determined initial contribution of $3,237,699 to the fund, which prepaid the entire portion of their obligation. The Employee Benefits Fund is remitting these monies to LAGERS over 15 years and has a balance of $791,331 at June 30, 2004. The governmental funds contribute actuarially determined amounts based on annual payroll contributions.

(11) Postretirement Health Benefits

In addition to the pension benefits described in note 9, the City provides postretirement healthcare benefits to all retiring employees meeting the service criteria. Expenditures for postretirement healthcare benefits are recognized as retirees report their claims. During fiscal year 2003-2004, expenditures of approximately $3,097,687 were recognized for postretirement healthcare. The City has approximately 589 participants currently eligible to receive benefits.

(12) Risk Management

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

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

The City is self-insured for workers' compensation. An excess coverage insurance policy, limited to $10,000,000 per accident, covers specific medical claims in excess of $500,000 per occurrence. 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. The state of Missouri also requires the City to maintain a surety bond in the amount of $1,120,000. Workers' compensation liabilities were immaterial at June 30, 2004.

(Continued)

The City offers its employees a contributory self-insurance healthcare plan. An excess coverage insurance policy covers the portion of specific claims in excess of $150,000 and aggregate claims in excess of $13,646,588. The portion of premiums paid by the City, totaling $8,991,801, are reflected as expenditures/expenses of the various funds and premium revenue in the Staywell Health Care (Internal Service) Fund. Claims incurred but not reported are accrued as a liability in the Internal Service Fund.

The claims liability of $871,093 reported in the Staywell Health Care Fund at June 30, 2004 is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

		Medical claims payable	
		2004	2003
Beginning of year	$	799,270	745,108
Incurred		11,178,110	9,646,651
Paid		(11,106,287)	(9,592,489)
End of year	$	871,093	799,270

(13) Commitments

Construction Commitments

At June 30, 2004, the City had commitments of approximately $18,494,591 to complete construction contracts. Of this amount, $11,143,846 relates to the enterprise funds.

Purchase/Sales of Capacity and Energy

The City purchases a significant portion of its energy needs under a capacity purchase agreement with Kansas City Power & Light (KCPL). Under the agreement, the City purchases 90 MW of capacity and energy for a term through May 31, 2005 at contract-specified pricing for the capacity and associated energy. After May 31, 2005, the agreement provides the City an option to extend the purchase in amounts of 20 MW to 90 MW of capacity for the six-year period ending May 31, 2011 with the same terms and conditions, except that the current capacity price of $84 per kilowatt-year is to be negotiated up to the contract-specified maximum price of $126 per kilowatt-year. The City exercised this extension option for a capacity amount of 90 MW, and the parties agreed to seek the Federal Energy Regulatory Commission determination on the appropriate capacity price. The delivered cost of capacity and energy under the agreement, including all demand, transmission, and energy charges, totaled approximately $16,740,000 for fiscal year 2004. The projected annual cost of the KCPL agreement for fiscal year 2005 is estimated at approximately $17,500,000.

(14) Deficits

The accumulated deficits in nonmajor funds in the amounts of $90,000 in the Buildings and Other Improvements, $85,353 in the RSO Redevelopment TIF, and $84,851 in the Mount Washington TIF (Capital Projects) Funds will be eliminated by future revenues or operating transfers.

(15) Fund Equity

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

		Governmental fund types	
		General	Nonmajor
Fund balances:			
Reserved for:			
Encumbrances	$	1,156,430	8,756,075
Debt service		224,779	6,900,792
Protested revenues		257,728	—
Domestic violence		12,155	—
Total fund balances reserved		1,651,092	15,656,867
Unreserved:			
Designated for:			
Police equipment		219,613	—
Capital projects		286,238	3,299,856
Strategic goal		514,216	—
TIF distribution		693,076	—
Homeland security		49,748	—
Total fund balances designated		1,762,891	3,299,856
Undesignated		1,752,521	7,902,754
Total fund equity	$	5,166,504	26,859,477

Exhibit 10

CITY OF INDEPENDENCE, MISSOURI

Required Supplementary Information (Unaudited)

Budgetary Comparison Schedule—General Fund

Year ended June 30, 2004

	Budgeted amounts Original	Budgeted amounts Final	Actual amounts (budget basis)	Variance with final budget favorable (unfavorable)
Revenues:				
Taxes	$ 31,633,935	31,633,935	30,752,418	(881,517)
Licenses and permits	4,034,910	4,114,910	3,833,529	(281,381)
Grants—federal and state	611,594	58,867	97,848	38,981
State and county shared revenue	5,573,803	5,681,873	5,476,750	(205,123)
Charges for current services	1,388,226	1,308,226	1,343,661	35,435
Interfund charges for support services	3,579,168	3,579,168	3,219,276	(359,892)
Fines and forfeitures	2,745,900	2,745,900	2,767,631	21,731
Other revenue	512,400	590,175	747,026	156,851
Total revenues	50,079,936	49,713,054	48,238,139	(1,474,915)
Other financing sources:				
Proceeds from capital leases	—	141,464	141,464	—
Payments in lieu of taxes	9,436,270	9,436,270	9,712,812	276,542
Total other financing sources	9,436,270	9,577,734	9,854,276	276,542
Total revenues and other financing resources	59,516,206	59,290,788	58,092,415	(1,198,373)
Expenditures:				
City Council	407,979	407,979	386,358	21,621
City Clerk	421,637	421,637	402,052	19,585
City Manager	764,224	764,224	757,446	6,778
National Frontier Trails Center	330,435	331,302	327,314	3,988
Technology services	1,584,938	1,584,938	1,522,686	62,252
Municipal court	632,208	632,208	627,638	4,570
Law	596,847	605,347	605,111	236
Finance	1,552,038	1,569,538	1,567,598	1,940
Human resources	458,924	458,924	456,211	2,713
Community development	2,193,638	2,193,638	2,170,386	23,252
Police	17,767,000	18,118,521	18,110,565	7,956
Fire	12,749,442	12,837,442	12,836,984	458
Health	2,416,116	2,070,027	1,914,633	155,394
Public works	6,415,787	6,415,787	6,031,377	384,410
Water pollution control	295,397	295,397	295,013	384
Parks and recreation	2,290,778	2,303,809	2,264,134	39,675
Nondepartmental	6,142,334	5,961,030	5,744,012	217,018
City Council strategic goals	400,000	732,447	218,231	514,216
Debt service	106,569	248,033	248,033	—
Capital outlay	1,796,830	2,050,840	941,197	1,109,643
Total expenditures	59,323,121	60,003,068	57,426,979	2,576,089
Other financing uses—operating transfers out	193,085	492,243	473,471	18,772
Total expenditures and other financing uses	59,516,206	60,495,311	57,900,450	2,594,861
Excess of revenue and other financing resources over expenditures and other financing uses	$ —	(1,204,523)	191,965	(3,793,234)
Undesignated fund balance at beginning of year			413,564	
Cancellation of prior year encumbrances			115,887	
Decrease in other fund balance components during the year			1,031,105	
Undesignated fund balance at end of year			$ 1,752,521	

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Notes to Budgetary Comparison Schedule

Year ended June 30, 2004

(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 2003-2004 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 and Tourism Special Revenue Governmental Funds. Annual operating budgets are not prepared for Capital Projects Funds and the other Special Revenue Funds, although budgets on a project basis are prepared. Therefore, these funds have been omitted from the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual (Budget Basis).

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.

(Continued)

CITY OF INDEPENDENCE, MISSOURI

Notes to Budgetary Comparison Schedule

Year ended June 30, 2004

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

		General Fund
Sources/inflows in resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	48,238,139
Basis difference—budget to GAAP—none		—
Total revenues as reported on the combined statement of revenues, expenditures, and changes in fund balances—governmental funds	$	48,238,139
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	57,426,979
Basis differences—budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget		(917,487)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year		902,253
Total expenditures as reported on the combined statement of revenues, expenditures, and changes in fund balances—governmental funds (GAAP basis)	$	57,411,745

CITY OF INDEPENDENCE, MISSOURI

Required Supplementary Information (Unaudited)

Schedule of Funding Progress and Employer Contributions

Retirement Plan

Schedule of Funding Progress:

Actuarial valuation date		(a) Actuarial value of assets	(b) Entry-age actuarial accrued liability	(b) – (a) Unfunded (assets in excess of) accrued liability (UAL)	(a)/(b) Funded ratio		(c) Annual covered payroll	(b) – (a)/(c) UAL as a percentage of covered payroll
February 28, 2002	$	128,939,351	120,906,429	(8,032,922)	107%	$	49,980,158	N/A
February 28, 2003		127,457,211	128,121,618	664,407	99		52,648,086	1
February 29, 2004		130,616,538	126,971,008	(3,645,530)	103		51,648,134	(7)

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

Schedule of Employer Contributions:

		Annual pension cost (APC)	Percentage of APC contributed		Net pension obligation
Fiscal year ending:					
June 30, 2002	$	4,347,515	100%	$	—
June 30, 2003		3,897,577	100		—
June 30, 2004		4,192,623	100		—

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—This fund is used to account for all park projects that are funded by the one-eighth 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.

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

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

Capital Projects Funds

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

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

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

Tax Increment Financing—These funds are used to account for activity in association with tax increment financing agreements entered into by the City. Revenues are the result of additional or incremental revenues generated by the development area, and disbursements are the return of these monies in fulfillment of the obligations established by the agreement.

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

(Continued)

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

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

Debt Service Fund

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

Permanent Fund

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

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

Exhibit 12

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2004

Assets		Special Revenue Funds (Exhibit 14)	Capital Projects Funds (Exhibit 17)	Permanent Fund	Debt Service Funds	Total nonmajor governmental funds
Pooled cash and investments	$	11,962,437	3,728,840	13,274	2,704	15,707,255
Receivables:						
Taxes		2,052,801	51,950	—	—	2,104,751
Accounts		34,094	596,138	—	—	630,232
Special assessment principal and accrued interest		—	72,071	—	995,000	1,067,071
Accrued interest		79,446	—	—	—	79,446
Due from other funds		16,156	8,626	—	—	24,782
Due from other governments		942,792	3,302,972	—	—	4,245,764
Restricted assets		12,068	9,346,996	—	90,000	9,449,064
Total assets	$	15,099,794	17,107,593	13,274	1,087,704	33,308,365
Liabilities and Fund Balances						
Liabilities:						
Accounts and contracts payable	$	729,358	638,437	—	—	1,367,795
Due to other funds		376,049	548,308	—	—	924,357
Accrued items		71,652	—	—	—	71,652
Other current liabilities		107,728	1,519,743	—	—	1,627,471
Advances from other funds		15,355	—	—	—	15,355
Deferred revenue		100,251	1,347,007	—	995,000	2,442,258
Total liabilities		1,400,393	4,053,495	—	995,000	6,448,888
Fund balances:						
Reserved for:						
Encumbrances		5,046,767	3,709,308	—	—	8,756,075
Other purposes		32,754	6,868,038	—	—	6,900,792
Unreserved, reported in:						
Special Revenue Funds		7,871,693	—	—	—	7,871,693
Debt Service Funds		—	—	—	92,704	92,704
Capital Projects Funds		—	(69,917)	—	—	(69,917)
Permanent fund		—	—	8,274	—	8,274
Designated Special Revenue Funds		748,187	—	—	—	748,187
Designated Capital Projects Funds		—	2,546,669	—	—	2,546,669
Designated Permanent Fund		—	—	5,000	—	5,000
Total fund balances		13,699,401	13,054,098	13,274	92,704	26,859,477
Total liabilities and fund balances	$	15,099,794	17,107,593	13,274	1,087,704	33,308,365

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Governmental Funds

Year ended June 30, 2004

	Special Revenue Funds (Exhibit 15)	Capital Projects Funds (Exhibit 18)	Permanent Fund	Debt Service Funds	Total nonmajor governmental funds
Revenues:					
Taxes	$ 13,621,063	4,750,299	—	—	18,371,362
Licenses and permits	1,118,327	—	—	—	1,118,327
Intergovernmental	3,629,607	887,559	—	—	4,517,166
Charges for services	210,407	15,215	—	—	225,622
Investment income	126,046	345,765	114	1,862	473,787
Other	218,036	784,085	—	—	1,002,121
Total revenues	18,923,486	6,782,923	114	1,862	25,708,385
Expenditures:					
Current:					
Public safety	1,686,271	—	—	—	1,686,271
Health and welfare	496,163	—	—	—	496,163
Culture and recreation	1,484,137	—	—	—	1,484,137
Community development	1,282,974	—	—	—	1,282,974
Storm water	526,263	—	—	—	526,263
Nondepartmental	136,868	—	—	904,158	1,041,026
Capital outlay	9,705,821	9,838,467	—	—	19,544,288
Debt service:					
Principal	1,283,369	1,672,856	—	—	2,956,225
Interest and fiscal agent fees	58,276	2,982,064	—	—	3,040,340
Total expenditures	16,660,142	14,493,387	—	904,158	32,057,687
Excess (deficiency) of revenues over expenditures	2,263,344	(7,710,464)	114	(902,296)	(6,349,302)
Other financing sources (uses):					
Proceeds from capital leases/bond issuance	1,245,000	8,715,000	—	995,000	10,955,000
Operating transfers in	150,069	501,484	—	—	651,553
Operating transfers out	(310,767)	(25,402)	—	—	(336,169)
Total other financing sources	1,084,302	9,191,082	—	995,000	11,270,384
Net change in fund balances	3,347,646	1,480,618	114	92,704	4,921,082
Fund balances, beginning of year	10,351,755	11,573,480	13,160	—	21,938,395
Fund balances, end of year	$ 13,699,401	13,054,098	13,274	92,704	26,859,477

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2004

Assets	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Street Improvement Sales Tax	Park Improvement Sales Tax	Storm Water Sales Tax	License Surcharge	Grants	Total (Exhibit 12)
Pooled cash and investments	$ 591,482	2,343	—	30,341	1,735,038	124,778	7,611,355	1,866,688	412	11,962,437
Receivables:										
Taxes	80,000	9,092	—	—	904,458	468,906	590,345	—	—	2,052,801
Accounts	8,443	—	—	—	—	—	6,580	—	19,071	34,094
Accrued interest	—	—	—	—	2,861	—	45,927	30,658	—	79,446
Due from other funds	—	—	—	—	—	—	16,156	—	—	16,156
Due from other governments	14,969	—	121,998	107,288	—	—	236,800	—	461,737	942,792
Restricted assets	—	—	—	—	—	12,068	—	—	—	12,068
Total assets	$ 694,894	11,435	121,998	137,629	2,642,357	605,752	8,507,163	1,897,346	481,220	15,099,794
Liabilities and Fund Balances										
Liabilities:										
Accounts and contracts payable	$ 10,214	—	347	27,465	376,191	115,678	88,681	—	110,782	729,358
Due to other funds	—	—	114,816	—	—	—	15,356	—	245,877	376,049
Accrued items	7,181	—	6,835	2,442	—	17,499	14,790	—	22,905	71,652
Other current liabilities	—	—	—	107,718	—	—	—	—	10	107,728
Deferred revenue	—	—	—	—	—	—	—	—	100,251	100,251
Advances from other funds	—	—	—	—	—	—	15,355	—	—	15,355
Total liabilities	17,395	—	121,998	137,625	376,191	133,177	134,182	—	479,825	1,400,393
Fund balances:										
Reserved for:										
Encumbrances	28,943	—	278,744	599,127	1,615,820	980,274	1,112,212	—	431,647	5,046,767
Other purposes	—	—	—	—	—	32,754	—	—	—	32,754
Unreserved, reported in:										
Special Revenue Funds	505,312	11,435	(278,744)	(599,123)	650,346	(540,453)	6,659,245	1,897,346	(433,671)	7,871,693
Designated Special Revenue Funds	143,244	—	—	—	—	—	601,524	—	3,419	748,187
Total fund balances	677,499	11,435	—	4	2,266,166	472,575	8,372,981	1,897,346	1,395	13,699,401
Total liabilities and fund balances	$ 694,894	11,435	121,998	137,629	2,642,357	605,752	8,507,163	1,897,346	481,220	15,099,794

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Special Revenue Funds

Year ended June 30, 2004

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Street Improvement Sales Tax	Park Improvement Sales Tax	Storm Water Sales Tax	License Surcharge	Grants	Total (Exhibit 13)
Revenues:										
Taxes	$ 859,641	21,374	—	—	6,022,690	2,817,653	3,899,705	—	—	13,621,063
Licenses and permits	—	—	—	—	—	—	—	1,118,327	—	1,118,327
Intergovernmental	63,648	—	957,759	335,113	—	—	168,148	—	2,104,939	3,629,607
Charges for services	665	—	—	—	—	—	—	—	209,742	210,407
Investment income	4,522	2,375	—	—	19,136	20,030	66,885	12,655	443	126,046
Other	11,470	—	3,820	—	—	58,890	136,144	—	7,712	218,036
Total revenues	939,946	23,749	961,579	335,113	6,041,826	2,896,573	4,270,882	1,130,982	2,322,836	18,923,486
Expenditures:										
Current:										
Public safety	—	—	—	—	—	—	—	—	1,686,271	1,686,271
Health and welfare	—	—	—	—	—	—	—	—	496,163	496,163
Culture and recreation	659,991	—	—	—	—	819,987	—	—	4,159	1,484,137
Community development	—	—	947,861	335,113	—	—	—	—	—	1,282,974
Storm water	—	—	—	—	—	—	526,263	—	—	526,263
Nondepartmental	—	—	—	—	—	—	—	—	136,868	136,868
Capital outlay	—	24,116	—	—	4,748,397	3,498,692	1,434,616	—	—	9,705,821
Debt service:										
Principal	—	—	—	—	—	1,215,000	68,369	—	—	1,283,369
Interest and fiscal agent fees	—	—	—	—	—	51,638	6,638	—	—	58,276
Total expenditures	659,991	24,116	947,861	335,113	4,748,397	5,585,317	2,035,886	—	2,323,461	16,660,142
Excess (deficiency) of revenues over expenditures	279,955	(367)	13,718	—	1,293,429	(2,688,744)	2,234,996	1,130,982	(625)	2,263,344
Other financing sources (uses):										
Proceeds from bond issuance	—	—	—	—	—	1,245,000	—	—	—	1,245,000
Transfers in	—	—	—	—	—	—	148,049	—	2,020	150,069
Transfers out	—	—	(9,898)	—	(5,328)	(54,232)	(3,552)	(237,757)	—	(310,767)
Total other financing sources (uses)	—	—	(9,898)	—	(5,328)	1,190,768	144,497	(237,757)	2,020	1,084,302
Net change in fund balances	279,955	(367)	3,820	—	1,288,101	(1,497,976)	2,379,493	893,225	1,395	3,347,646
Fund balances, beginning of year	397,544	11,802	(3,820)	4	978,065	1,970,551	5,993,488	1,004,121	—	10,351,755
Fund balances, end of year	$ 677,499	11,435	—	4	2,266,166	472,575	8,372,981	1,897,346	1,395	13,699,401

See accompanying independent auditors' report.

Exhibit 16

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Tourism Fund

Year ended June 30, 2004

	Budgeted amounts Original	Budgeted amounts Final	Actual amounts (budget basis)	Variance with final budget favorable (unfavorable)	2003 actual
Revenues:					
Transient guest taxes	$ 738,000	738,000	859,641	121,641	680,605
Interest	50	2,658	4,522	1,864	4,049
Grants—federal, state, and local	—	63,648	63,648	—	55,741
Other revenue	10,608	8,000	12,135	4,135	3,428
Total revenues	748,658	812,306	939,946	127,640	743,823
Expenditures:					
Tourism	604,209	667,857	659,324	8,533	549,233
Total expenditures	604,209	667,857	659,324	8,533	549,233
Excess of revenues and other financing resources over expenditures and other financing uses	$ 144,449	144,449	280,622	136,173	194,590
Undesignated fund balance at beginning of year			355,229		172,425
Cancellation of prior year encumbrances			693		226
Increase in other fund balance components during the year (1)			(131,232)		(12,012)
Undesignated fund balance at end of year			$ 505,312		355,229

(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.

See accompanying independent auditors' report.

Exhibit 16.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Tourism Fund

Year ended June 30, 2004

		Tourism Fund
Sources/inflows of resources:		
Actual amounts (budgetary basis) for total revenues from the budgetary comparison schedule	$	939,946
Basis differences—budget to GAAP: None		—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$	939,946
Uses/outflows of resources:		
Actual amounts (budgetary basis) for total expenditures from the budgetary comparison schedule	$	659,324
Basis differences—budget to GAAP:		
Outstanding encumbrances at year-end charged to the current year's budget (1)		(28,943)
Current year expenditures of encumbrances outstanding at the end of the prior fiscal year (1)		29,610
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds	$	659,991

(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.

See accompanying independent auditors' report.

Exhibit 17

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2004

Assets	Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing (Exhibit 19)	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 12)
Pooled cash and investments	$ 112,242	16,412	3,600,183	1	1	1	3,728,840
Receivables:							
Taxes	—	—	51,950	—	—	—	51,950
Accounts	—	—	573,030	21,108	—	2,000	596,138
Special assessment principal and accrued interest	72,071	—	—	—	—	—	72,071
Due from other funds	—	—	8,626	—	—	—	8,626
Due from other governments	2,597,193	—	362,670	76,953	16,155	250,001	3,302,972
Restricted assets	—	—	9,346,996	—	—	—	9,346,996
Total assets	$ 2,781,506	16,412	13,943,455	98,062	16,156	252,002	17,107,593
Liabilities and Fund Balances							
Liabilities:							
Accounts and contracts payable	$ 635,892	—	2,509	—	—	36	638,437
Due to other funds	—	—	102,300	188,062	16,156	241,790	548,308
Other current liabilities	700,000	—	819,743	—	—	—	1,519,743
Deferred revenue	1,347,007	—	—	—	—	—	1,347,007
Advances from other funds	—	—	—	—	—	—	—
Total liabilities	2,682,899	—	924,552	188,062	16,156	241,826	4,053,495
Fund balances (deficit):							
Reserved for:							
Encumbrances	3,542,083	—	(4,717)	171,406	—	536	3,709,308
Other purposes	—	—	6,868,038	—	—	—	6,868,038
Unreserved, reported in:							
Capital Project Funds	(3,443,476)	16,412	3,608,913	(261,406)	—	9,640	(69,917)
Designated Capital Projects Funds	—	—	2,546,669	—	—	—	2,546,669
Total fund balances (deficit)	98,607	16,412	13,018,903	(90,000)	—	10,176	13,054,098
Total liabilities and fund balances (deficit)	$ 2,781,506	16,412	13,943,455	98,062	16,156	252,002	17,107,593

See accompanying independent auditors' report.

Exhibit 18

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Capital Projects Funds

Year ended June 30, 2004

	Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing (Exhibit 20)	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total (Exhibit 13)
Revenues:							
Taxes	$ —	—	4,750,299	—	—	—	4,750,299
Intergovernmental	966,962	—	—	(80,152)	749	—	887,559
Charges for services	215	—	15,000	—	—	—	15,215
Investment income	(8,227)	178	353,814	—	—	—	345,765
Other	61,455	—	770,792	7,029	(3,124)	(52,067)	784,085
Total revenues	1,020,405	178	5,889,905	(73,123)	(2,375)	(52,067)	6,782,923
Expenditures:							
Capital outlay	1,337,939	—	8,372,257	14,079	—	114,192	9,838,467
Debt service:							
Principal	—	—	1,672,856	—	—	—	1,672,856
Interest and fiscal agent fees	—	—	2,982,064	—	—	—	2,982,064
Total expenditures	1,337,939	—	13,027,177	14,079	—	114,192	14,493,387
Excess (deficiency) of revenues over expenditures	(317,534)	178	(7,137,272)	(87,202)	(2,375)	(166,259)	(7,710,464)
Other financing sources (uses):							
Proceeds from capital leases/bond issuance	—	—	8,715,000	—	—	—	8,715,000
Transfers in	312,501	—	25,252	(1,779)	(749)	166,259	501,484
Transfers out	—	(25,402)	—	—	—	—	(25,402)
Total other financing sources (uses)	312,501	(25,402)	8,740,252	(1,779)	(749)	166,259	9,191,082
Net change in fund balances	(5,033)	(25,224)	1,602,980	(88,981)	(3,124)	—	1,480,618
Fund balances (deficit), beginning of year	103,640	41,636	11,415,923	(1,019)	3,124	10,176	11,573,480
Fund balances, end of year	$ 98,607	16,412	13,018,903	(90,000)	—	10,176	13,054,098

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Subcombining Balance Sheet

Nonmajor TIF Funds

June 30, 2004

Assets		Midtown Truman	RSO	Bolger Square	Sante Fe	Sterling Village	Hartman Heritage	Drumm Farm	Eastland Center	North Independence	Mount Washington	Hy-Vee	Noland Rd Autobody	TIF App Fees	Total (Exhibit 17)
Pooled cash and investments	$	687,285	58,481	411,747	301,342	4,437	626,925	214,533	1,193,069	934	12,154	34,638	37,881	16,757	3,600,183
Receivables:															
Taxes		—	—	—	3,946	—	41,502	—	—	—	—	—	6,502	—	51,950
Accounts		—	—	573,000	—	—	—	—	—	—	—	—	—	30	573,030
Due from other funds		—	—	—	—	—	8,626	—	—	—	—	—	—	—	8,626
Due from other governments		—	11,708	70,415	5,156	—	67,365	2,260	181,131	2,268	2,017	8,350	12,000	—	362,670
Restricted assets		—	—	848,351	1,902,442	—	4,215,705	—	2,380,498	—	—	—	—	—	9,346,996
Total assets	$	687,285	70,189	1,903,513	2,212,886	4,437	4,960,123	216,793	3,754,698	3,202	14,171	42,988	56,383	16,787	13,943,455
Liabilities and Fund Balances															
Liabilities:															
Accounts and contracts payable	$	—	—	1,425	—	—	—	—	875	—	—	—	—	209	2,509
Due to other funds		—	—	—	—	—	102,300	—	—	—	—	—	—	—	102,300
Other current liabilities		—	155,542	—	—	—	298,846	—	266,333	—	99,022	—	—	—	819,743
Advances from other funds		—	—	—	—	—	—	—	—	—	—	—	—	—	—
Total liabilities		—	155,542	1,425	—	—	401,146	—	267,208	—	99,022	—	—	209	924,552
Fund balances:															
Reserved for:															
Encumbrances		—	—	—	540	—	2,294	—	(11,389)	—	—	—	—	3,838	(4,717)
Other purposes		—	—	724,666	1,450,082	—	2,349,821	—	2,343,469	—	—	—	—	—	6,868,038
Unreserved, reported in:															
Capital Projects Funds		687,285	(85,353)	1,053,737	309,904	4,437	273,268	216,793	1,118,380	3,202	(84,851)	42,988	56,383	12,740	3,608,913
Designated Capital Projects Funds		—	—	123,685	452,360	—	1,933,594	—	37,030	—	—	—	—	—	2,546,669
Total fund balances (deficit)		687,285	(85,353)	1,902,088	2,212,886	4,437	4,558,977	216,793	3,487,490	3,202	(84,851)	42,988	56,383	16,578	13,018,903
Total liabilities and fund balances (deficit)	$	687,285	70,189	1,903,513	2,212,886	4,437	4,960,123	216,793	3,754,698	3,202	14,171	42,988	56,383	16,787	13,943,455

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor TIF Funds

Year ended June 30, 2004

	Midtown Truman	RSO	Bolger Square	Sante Fe	Sterling Village	Hartman Heritage	Drumm Farm	Eastland Center	North Independence	Mount Washington	Hy-Vee	Noland Rd Autobody	TIF App Fees	Total (Exhibit 18)
Revenues:														
Taxes	$ 367,903	116,961	968,706	10,598	4,416	1,034,366	206,899	1,909,732	22,499	8,458	42,995	56,766	—	4,750,299
Charges for services	—	—	—	—	—	—	—	—	—	—	—	—	15,000	15,000
Investment income	5,013	859	12,413	18,935	21	280,051	1,028	34,960	35	117	46	188	148	353,814
Other	—	—	—	20,792	—	—	—	750,000	—	—	—	—	—	770,792
Total revenues	372,916	117,820	981,119	50,325	4,437	1,314,417	207,927	2,694,692	22,534	8,575	43,041	56,954	15,148	5,889,905
Expenditures:														
Capital outlay	71,299	59,875	11,157	8,420	—	5,523,449	677	2,646,559	19,335	3,544	53	571	27,318	8,372,257
Debt service:														
Principal	—	—	555,000	—	—	397,856	—	720,000	—	—	—	—	—	1,672,856
Interest and fiscal agent fees	—	—	283,425	527,091	—	908,967	—	1,262,581	—	—	—	—	—	2,982,064
Total expenditures	71,299	59,875	849,582	535,511	—	6,830,272	677	4,629,140	19,335	3,544	53	571	27,318	13,027,177
Excess (deficiency) of revenues over expenditures	301,617	57,945	131,537	(485,186)	4,437	(5,515,855)	207,250	(1,934,448)	3,199	5,031	42,988	56,383	(12,170)	(7,137,272)
Other financing sources:														
Proceeds from capital leases/bond issuance	—	—	—	—	—	8,715,000	—	—	—	—	—	—	—	8,715,000
Transfers in	—	—	—	25,252	—	—	—	—	—	—	—	—	—	25,252
Total other financing sources	—	—	—	25,252	—	8,715,000	—	—	—	—	—	—	—	8,740,252
Net change in fund balances	301,617	57,945	131,537	(459,934)	4,437	3,199,145	207,250	(1,934,448)	3,199	5,031	42,988	56,383	(12,170)	1,602,980
Fund balances (deficit), beginning of year	385,668	(143,298)	1,770,551	2,672,820	—	1,359,832	9,543	5,421,938	3	(89,882)	—	—	28,748	11,415,923
Fund balances (deficit), end of year	$ 687,285	(85,353)	1,902,088	2,212,886	4,437	4,558,977	216,793	3,487,490	3,202	(84,851)	42,988	56,383	16,578	13,018,903

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Internal Service Funds

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

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

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

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

Exhibit 21

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Net Assets

Internal Service Funds

June 30, 2004

Assets		Central Garage	Employee Benefits	Staywell Health Care	Total (Exhibit 5)
Current assets:					
Pooled cash and investments	$	167,764	754,104	1,012,582	1,934,450
Accounts receivable		2,152	—	130,503	132,655
Accrued interest receivable		—	2,091	—	2,091
Inventory		52,797	—	—	52,797
Total current assets		222,713	756,195	1,143,085	2,121,993
Noncurrent assets:					
Property, plant, and equipment:					
Land		93,979	—	—	93,979
Depreciable property, plant, and equipment		246,154	—	—	246,154
Less accumulated depreciation		(235,795)	—	—	(235,795)
Total noncurrent assets		104,338	—	—	104,338
Total assets	$	327,051	756,195	1,143,085	2,226,331
Liabilities and Net Assets					
Current liabilities:					
Accounts and contracts payable	$	26,493	—	—	26,493
Accrued liabilities		16,535	—	—	16,535
Compensated absences—current		21,615	—	—	21,615
Employee benefits payable		—	791,331	—	791,331
Medical self-insurance claims		—	—	871,093	871,093
Total current liabilities		64,643	791,331	871,093	1,727,067
Noncurrent liabilities:					
Compensated absences—long-term		34,860	—	—	34,860
Total liabilities		99,503	791,331	871,093	1,761,927
Net assets:					
Invested in capital assets, net of related debt		104,337	—	—	104,337
Unrestricted		123,211	(35,136)	271,992	360,067
Total net assets (deficit)		227,548	(35,136)	271,992	464,404
Total liabilities and net assets (deficit)	$	327,051	756,195	1,143,085	2,226,331

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

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

Internal Service Funds

Year ended June 30, 2004

		Central Garage	Employee Benefits	Staywell Health Care	Total (Exhibit 6)
Operating revenues:					
Charges for services	$	1,217,533	—	—	1,217,533
Miscellaneous		—	—	10,692,076	10,692,076
Total operating revenues		1,217,533	—	10,692,076	11,909,609
Operating expenses:					
Personal services		455,968	—	—	455,968
Other services		265,319	—	11,180,610	11,445,929
Supplies		543,086	—	—	543,086
Capital outlay		—	—	—	—
Depreciation and amortization		4,676	—	—	4,676
Total operating expenses		1,269,049	—	11,180,610	12,449,659
Operating loss		(51,516)	—	(488,534)	(540,050)
Nonoperating revenues:					
Interest revenue		1,284	8,305	10,677	20,266
Miscellaneous revenue		29,574	—	245,975	275,549
Total nonoperating revenues		30,858	8,305	256,652	295,815
Income (loss) before transfers		(20,658)	8,305	(231,882)	(244,235)
Transfers in		—	44,423	—	44,423
Change in net assets		(20,658)	52,728	(231,882)	(199,812)
Total net assets (deficit):					
Beginning of the year		248,206	(87,864)	503,874	664,216
End of the year	$	227,548	(35,136)	271,992	464,404

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2004

	Internal Service Funds			
	Central Garage	Employee Benefits	Staywell Health Care	Total (Exhibit 7)
Cash flows from operations:				
Receipts from customers	$ 1,215,746	—	10,561,572	11,777,318
Payments to suppliers	(783,170)	(215,856)	(11,109,911)	(12,108,937)
Payments to employees	(448,679)	—	—	(448,679)
Net cash used in operating activities	(16,103)	(215,856)	(548,339)	(780,298)
Cash flows from noncapital financing activities:				
Transfers in	—	44,423	—	44,423
Nonoperating revenues	29,574	—	245,975	275,549
Net cash provided by noncapital financing activities	29,574	44,423	245,975	319,972
Cash flows from capital financing activities:				
Acquisition and construction of capital assets	(3,850)	—	—	(3,850)
Cash flows from investing activities:				
Purchases of investments	—	(1,495,155)	—	(1,495,155)
Proceeds from sales and maturities of investments	—	1,495,429	—	1,495,429
Interest on investments	1,284	8,305	10,677	20,266
Net cash provided by investing activities	1,284	8,579	10,677	20,540
Net increase (decrease) in cash and cash equivalents	10,905	(162,854)	(291,687)	(443,636)
Cash and cash equivalents at beginning of year	156,859	419,534	1,304,269	1,880,662
Cash and cash equivalents at end of year	167,764	256,680	1,012,582	1,437,026
Investments with original maturities greater than 90 days	—	497,424	—	497,424
Cash and investments	$ 167,764	754,104	1,012,582	1,934,450
Reconciliation of operating loss to net cash used in operating activities:				
Operating income (loss)	$ (51,516)	—	(488,534)	(540,050)
Adjustments not affecting cash:				
Depreciation and amortization	4,677	—	—	4,677
Change in assets and liabilities:				
Accounts receivable	(1,787)	—	(130,502)	(132,289)
Inventory	18,122	—	—	18,122
Accounts and contracts payable	6,939	—	(1,125)	5,814
Accrued liabilities	2,345	—	71,822	74,167
Other current liabilities	—	(215,856)	—	(215,856)
Compensated absences	5,117	—	—	5,117
Total adjustments	35,413	(215,856)	(59,805)	(240,248)
Net cash used in operating activities	$ (16,103)	(215,856)	(548,339)	(780,298)

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2004

		Private-purpose Trust Fund		Agency funds		
		Miscellaneous Expendable Trust	Total (Exhibit 8)	Flexible Benefit Plan	Susie Block Trust	Total (Exhibit 8)
Assets:						
Pooled cash and investments	$	52,516	52,516	38,339	23,869	62,208
Accrued interest receivable		—	—	—	496	496
Total assets	$	52,516	52,516	38,339	24,365	62,704
Liabilities:						
Accounts and contracts payable	$	(89)	(89)	—	—	—
Liabilities payable from restricted assets:						
Funds held in escrow		—	—	—	24,365	24,365
Employee deferred credit		—	—	38,339	—	38,339
Total liabilities		(89)	(89)	38,339	24,365	62,704
Net assets:						
Held in trust	$	52,605	52,605			

See accompanying independent auditors' report.

Exhibit 25

CITY OF INDEPENDENCE, MISSOURI

Statement of Changes in Fiduciary Net Assets

Miscellaneous Expendable Trust

Year ended June 30, 2004

		Private-purpose Trust Fund (Exhibit 9)
Additions:		
Charges for services	$	17,891
Interest		468
Other		88
Total additions		18,447
Deductions:		
Community development		16,581
Total deductions		16,581
Change in net assets		1,866
Net assets, beginning		50,739
Net assets, ending	$	52,605

See accompanying independent auditors' report.

Exhibit 26

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

Year ended June 30, 2004

		Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004 (Exhibit 24)
Flexible Benefit Plan:					
Assets:					
Cash	$	46,646	28,293	36,600	38,339
Liabilities:					
Flexible benefit payable	$	46,646	322,713	331,020	38,339
	$	46,646	322,713	331,020	38,339
Susie Block Trust:					
Assets:					
Cash	$	1,885	1,347	345	2,887
Investments		20,981	—	—	20,981
Accrued interest		496	1,326	1,325	497
	$	23,362	2,673	1,670	24,365
Liabilities:					
Escrow	$	23,362	1,348	345	24,365

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses—Power and Light Fund

Years ended June 30, 2004 and 2003

	2004 Operations	2004 Maintenance	2004 Total	2003 Operations	2003 Maintenance	2003 Total
Production fuel:						
Coal			$ 8,021,261			6,846,747
Gas			1,143,588			889,819
Oil			146,758			187,109
Total production fuel			9,311,607			7,923,675
Purchased power:						
Purchased energy			16,694,809			14,968,146
Purchased capacity (net)			7,560,000			7,560,000
Border customers			28,476			27,510
Control and dispatching			592,689			670,409
Total purchased power			24,875,974			23,226,065
Production (other):						
Blue Valley Station:						
Supervision and engineering	$ 448,193	553,616	1,001,809	445,684	468,347	914,031
Steam	615,705	1,550,756	2,166,461	589,324	1,137,356	1,726,680
Electric	671,604	255,642	927,246	613,228	266,557	879,785
Structures and improvements	—	56,733	56,733	—	143,903	143,903
Miscellaneous	910,730	638,622	1,549,352	798,098	731,593	1,529,691
	2,646,232	3,055,369	5,701,601	2,446,334	2,747,756	5,194,090
Missouri City Station:						
Supervision and engineering	81,814	2,266	84,080	61,941	8,414	70,355
Steam	332,592	676,538	1,009,130	272,342	260,766	533,108
Electric	338,960	60,538	399,498	281,063	85,266	366,329
Structures and improvements	—	63,781	63,781	—	32,559	32,559
Miscellaneous	241,468	287,173	528,641	146,413	161,933	308,346
	994,834	1,090,296	2,085,130	761,759	548,938	1,310,697
Combustion Turbine Station:						
Supervision and engineering	—	—	—	—	792	792
Generation expenses	—	72,464	72,464	(12,022)	125,941	113,919
Structures and improvements	—	151,457	151,457	7,592	40,674	48,266
Miscellaneous	87,366	111,243	198,609	—	328,582	328,582
	87,366	335,164	422,530	(4,430)	495,989	491,559
Total production (other)	$ 3,728,432	4,480,829	8,209,261	3,203,663	3,792,683	6,996,346
Transmission and distribution:						
Transmission:						
Supervision and engineering	$ 134,230	14,152	148,382	138,367	13,448	151,815
Overhead expenses	7,998	736	8,734	12,256	—	12,256
Station expenses	17,476	316,253	333,729	20,975	255,307	276,282
Wheeling charges	7,379	—	7,379	6,909	—	6,909
Underground line expense	—	—	—	667	1,596	2,263
Structures and improvements	—	—	—	—	11	11
Miscellaneous	4,262	—	4,262	249	—	249
Total transmission	171,345	331,141	502,486	179,423	270,362	449,785

(Continued)

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses—Power and Light Fund

Years ended June 30, 2004 and 2003

	2004			2003		
	Operations	Maintenance	Total	Operations	Maintenance	Total
Distribution:						
Supervision and engineering	$ 81,353	42,491	123,844	80,124	40,386	120,510
Overhead lines	772,883	2,397,018	3,169,901	757,196	2,473,191	3,230,387
Station expenses	226,871	210,712	437,583	216,348	53,052	269,400
Street lights and traffic signals	151,043	426,877	577,920	227,432	435,974	663,406
Meters	154,765	502,996	657,761	159,600	458,135	617,735
Customer installations	466	—	466	77	—	77
Underground lines	624,849	539,937	1,164,786	648,826	487,830	1,136,656
Dispatching communication	671,616	—	671,616	585,510	—	585,510
Line transformers	—	103,972	103,972	—	138,752	138,752
Miscellaneous	616,060	221,143	837,203	402,369	157,079	559,448
Total distribution	3,299,906	4,445,146	7,745,052	3,077,482	4,244,399	7,321,881
Total transmission and distribution	$ 3,471,251	4,776,287	8,247,538	3,256,905	4,514,761	7,771,666
Customer service:						
Supervision			$ 200,361			215,728
Meter reading			672,072			607,457
Customer records and collections			1,266,411			1,290,808
Provisions for doubtful accounts			440,055			519,065
Miscellaneous			148,478			161,279
Total customer service			2,727,377			2,794,337
General and administrative:						
Salaries			714,390			655,366
Office supplies			350,671			210,108
Insurance			911,003			737,812
Injuries and damage			425,755			470,156
Employee benefits			3,143,968			3,018,080
Outside services			1,415,713			1,398,987
Miscellaneous			771,150			771,714
Administrative expenses—transfers			(50,998)			(48,924)
Total general and administrative			7,681,652			7,213,299
Depreciation and amortization			8,501,784			7,892,484
Payroll taxes			797,478			774,754
Total operating expenses			$ 70,352,671			64,592,626

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics—Power and Light Fund

Year ended June 30, 2004

	Number of customers: Beginning of year	Number of customers: End of year	Revenues	KWH
Sale of electric energy:				
Metered:				
Residential	49,562	50,596	$ 41,908,958	517,868,840
Small general services	2,921	3,008	2,884,642	28,455,090
General services—space heating	2	2	1,499	23,650
Large general services	1,588	1,603	23,519,410	346,566,989
Large general services—prime voltage	13	12	1,055,956	17,341,584
Large general services—space heating	2	2	8,717	130,201
Total electric general services	58	64	2,969,121	49,402,176
Schools, churches, and hospitals	287	283	2,965,598	41,287,865
Schools, churches, and hospitals, all electric	6	7	176,374	3,014,184
Large power services	6	6	2,116,348	41,298,780
Interruptible services	—	—	—	—
Sewer pumping	6	6	392,997	5,693,609
City traffic signals	60	59	58,507	344,552
Wholesale (border customers)	—	—	108,448	5,266,307
Wholesale (interchange)	—	—	580,161	17,417,000
	54,511	55,648	78,746,736	1,074,110,827
Unmetered:				
Private security lighting	1,537	1,527	250,941	1,314,527
City public street lighting	11,090	11,070	883,090	9,037,643
	12,627	12,597	1,134,031	10,352,170
Increase in unbilled revenue			561,228	2,052,761
Other operating revenue			891,419	—
Total operating revenue and total energy sales			$ 81,333,414	1,086,515,758
Net generation				349,737,208
Wholesale power purchased				797,407,519
Unintentional interchange				12,000
Net generation and power purchased				1,147,156,727
Retail energy sales				1,063,832,451
Wholesale (border customers) sales				22,683,307
Power and light usage (building and substations)				1,380,564
Net disposition				1,087,896,322
Transmission and distribution operating losses				59,260,405

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses—Water Fund

Years ended June 30, 2004 and 2003

	2004 Operations	2004 Maintenance	2004 Total	2003 Operations	2003 Maintenance	2003 Total
Production:						
Source of supply:						
Supervision and engineering	$ 12,275	—	12,275	19,763	—	19,763
Labor and expenses	269,275	—	269,275	270,458	—	270,458
Structures and improvements	—	30,757	30,757	—	30,332	30,332
Miscellaneous	—	379,967	379,967	—	318,285	318,285
Total source of supply	281,550	410,724	692,274	290,221	348,617	638,838
Power and pumping:						
Supervision and engineering	25,720	11,490	37,210	29,830	24,341	54,171
Fuel/power purchased	1,190,942	—	1,190,942	1,113,424	—	1,113,424
Labor and expenses	163,798	—	163,798	164,479	—	164,479
Structures and improvements	—	10,867	10,867	—	13,885	13,885
Miscellaneous	—	72,001	72,001	—	37,190	37,190
Total power and pumping	1,380,460	94,358	1,474,818	1,307,733	75,416	1,383,149
Water treatment:						
Supervision and engineering	27,912	15,799	43,711	34,600	15,269	49,869
Chemicals	773,047	—	773,047	812,493	—	812,493
Labor and expenses	548,480	—	548,480	543,811	—	543,811
Structures and improvements	—	11,101	11,101	—	6,467	6,467
Miscellaneous	—	204,786	204,786	—	332,478	332,478
Total water treatment	1,349,439	231,686	1,581,125	1,390,904	354,214	1,745,118
Total production	$ 3,011,449	736,768	3,748,217	2,988,858	778,247	3,767,105
Transmission and distribution:						
Supervision and engineering	$ 54,942	91,193	146,135	48,476	102,183	150,659
Storage facilities	13,843	(48,181)	(34,338)	13,693	215,051	228,744
Transmission and distribution lines	477,217	599,023	1,076,240	474,427	572,911	1,047,338
Meters	187,372	120,566	307,938	172,431	138,488	310,919
Customer installations	67,280	—	67,280	60,672	—	60,672
Services	—	197,390	197,390	—	312,182	312,182
Hydrants	—	63,099	63,099	—	43,135	43,135
Miscellaneous	360,164	107,432	467,596	363,706	111,801	475,507
Total transmission and distribution	$ 1,160,818	1,130,522	2,291,340	1,133,405	1,495,751	2,629,156
Customer service:						
Customer accounting paid and collecting:						
Supervision			$ 137,396			141,886
Meter reading			663,271			691,723
Customer records			74,930			(16,108)
Provision for uncollectible amounts			48,412			48,723
Total customer accounting paid and collecting			924,009			866,224
Sales promotion:						
Expenses			96,807			106,435
Total customer service			1,020,816			972,659
General and administrative:						
Salaries			403,805			450,527
Office supplies and expense			294,414			328,144
Injuries and damages			290,600			258,189
Employee benefits			1,208,638			1,146,109
Outside services			940,705			833,662
Miscellaneous			234,286			103,735
Total general and administrative			3,372,448			3,120,366
Depreciation and amortization			1,960,948			1,863,011
Payroll taxes			286,033			298,957
Other			65,017			73,535
Total operating expenses			12,744,819			12,724,789
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			1,058,441			1,062,790
			$ 13,803,260			13,787,579

See accompanying independent auditors' report.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics—Water Fund

Year ended June 30, 2004

	Number of customers			
	Beginning of year	End of year	Revenues	MGS*
Sale of water:				
Residential	43,606	43,895	$ 8,141,479	3,438,332
Commercial	2,883	2,933	2,152,295	985,307
Industrial	7	7	336,707	299,619
Public authority	57	59	174,092	86,201
Resale	13	13	4,950,287	4,831,296
Private fire protection	307	327	50,609	—
Public fire protection	—	—	598,219	—
	46,873	47,234	16,403,688	9,640,755
Decrease in unbilled revenue			(78,615)	
Other operating revenue			285,499	
Total operating revenues			$ 16,610,572	
Thousands of gallons pumped:				
Courtney Bend Plant				11,005,907
Less total sales				9,640,755
Unaccounted for water				1,365,152

* Thousand gallons sold.

See accompanying independent auditors' report.

Exhibit 31

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics—Sanitary Sewer Fund

Year ended June 30, 2004

	Number of customers: Beginning of year	Number of customers: End of year		Revenues	CCF*
Sale of sanitary sewer services:					
Residential	39,751	40,070	$	8,570,232	3,090,102
Commercial:					
Base	3,493	3,534		3,245,404	1,695,425
Surcharge	—	—		719,332	—
Contract waste treatment	20	14		201,825	—
Intermunicipal agreements:					
Sugar Creek	—	—		340,471	—
Kansas City	—	—		63,433	—
	43,264	43,618		13,140,697	4,785,527
Other operating revenue				102,026	
Increase in unbilled revenue				77,594	
Total operating revenues			$	13,320,317	

* Hundred cubic feet.

See accompanying independent auditors' report.

APPENDIX C

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

Except as otherwise noted, the following definitions relate to the Series 2005C Bonds. The Bonds of each Series are separately secured. The definitions for the Series 2005A and Series 2005B Bonds are substantially similar to the definitions summarized below, except as otherwise noted.

"Act" means the Missouri Development Finance Board Act, Sections 100.250 to 100.297, inclusive, of the Revised Statutes of Missouri, et seq., as from time to time amended.

"Additional Bonds" means any additional parity bonds issued by the Board pursuant to the Indenture that stand on a parity and equality under the Indenture with the Series 2005C Bonds.

"Authorizing Ordinance" means the Ordinance of the City authorizing the execution of the Financing Agreement and certain other documents.

"Bond" or **"Bonds"** means the Series 2005C Bonds and any Additional Bonds issued pursuant to the Indenture.

"Business Day" means a day on which the Trustee and any Paying Agent shall be scheduled in the normal course of its operations to be open to the public for conduct of its banking operations.

"Business Interruption Reserve Fund" means the fund by that name created by the Indenture.

"Business Interruption Reserve Fund Requirement" means an amount equal to the Debt Service Reserve Requirement.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement executed by the City, as from time to time amended in accordance with the provisions thereof.

"Costs of the Project" means costs permitted under the Act to be paid out of proceeds of the Series 2005C Bonds with respect to the Project, including the total of all reasonable or necessary expenses incidental to the acquisition, construction, renovation and equipping of the Project, all other necessary and incidental expenses, including interest during construction on Bonds issued to finance the Project to a date subsequent to the estimated date of completion thereof, and any other costs permitted by the Act .

"Debt Service Fund" means the fund by that name created by the Indenture.

"Debt Service Reserve Fund" means the fund by that name created by the Indenture.

"Debt Service Reserve Fund Requirement" means (i) with respect to the Series 2005C Bonds, an amount equal to $1,132,5000, (ii) with respect to Additional Bonds issued on a parity with the Series 2005C Bonds, a sum equal to the least of (A) **10%** of the original aggregate principal amount of such Additional Bonds, (B) the maximum annual debt service on such Additional Bonds in any future fiscal year following such date, or (C) **125%** of the average future annual debt service on such Additional Bonds, and (iii) with respect to any Additional Bonds that are entitled to the benefit of a reserve fund, the amount, if any, specified in the Supplemental Bond Indenture authorizing the issuance of said Additional Bonds.

"Defeasance Obligations" means:

(a) Government Obligations which are not subject to redemption prior to maturity; or

(b) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with Government Obligations); or

"Event of Nonappropriation" means failure of the City to budget and appropriate on or before the last day of any Fiscal Year, moneys sufficient to pay the Loan Payments and reasonably expected Additional Payments due and payable during the next Fiscal Year.

"Government Obligations" means the following:

(a) bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America; and

(b) evidences of direct ownership of a proportionate or individual interest in future interest or principal payments on specified direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian in form and substance satisfactory to the Trustee.

"Opinion of Bond Counsel" means a written opinion in the form described in the Indenture of any legal counsel acceptable to the Board and the Trustee who shall be nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers and the exemption from federal income taxation of interest on such obligations.

"Opinion of Counsel" means a written opinion in the form described in the Indenture of any legal counsel acceptable to the City and the Trustee and, to the extent the Board is asked to take action in reliance thereon, the Board, who may be an employee of or counsel to the Trustee or the City.

"Outstanding" means when used with respect to Bonds, as of the date of determination, all Bonds theretofore authenticated and delivered under the Indenture, except:

(1) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation as provided in the Indenture;

(2) Bonds for whose payment or redemption money or Government Obligations in the necessary amount has been deposited with the Trustee or any Paying Agent in trust for the owners of such Bonds as provided in the Indenture, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture; and

(4) Bonds alleged to have been destroyed, lost or stolen which have been paid as provided in the Indenture.

"Paying Agent" means the Trustee and any other commercial bank or trust institution organized under the laws of any state of the United States of America or any national banking association designated pursuant to the Indenture or any Supplemental Indenture as paying agent for any series of Bonds at which the principal of, redemption premium, if any, and interest on such Bonds shall be payable.

"Permitted Investments" means, if and to the extent the same are at the time legal for investment of funds held under the Indenture:

(1) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below);

(2) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of Treasury of the United States of America;

(3) obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export - Import Bank,
- Farm Credit System Financial Assistance Corporation,
- Rural Economic Community Development Administration (formerly the Farmers Home Administration),
- General Services Administration,
- U.S. Maritime Administration,
- Small Business Administration,
- Government National Mortgage Association (GNMA),
- U.S. Department of Housing & Urban Development (PHA's),
- Federal Housing Administration, and
- Federal Financing Bank;

(4) direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations rated "Aaa" by Moody's and "AAA" by Standard & Poor's issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC),
- Obligations of the Resolution Funding Corporation (REFCORP), and
- Senior debt obligations of the Federal Home Loan Bank System.;

(5) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(6) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by Standard & Poor's and "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

(7) investments in a money market fund rated "AAAm" or "AAAm-G" or better by Standard & Poor's;

(8) Pre-refunded Municipal Obligations, defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Standard & Poor's and Moody's or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate; provided, however, that Pre-refunded Municipal Obligations meeting the requirements of this subsection (B) may not be used as Permitted Investments without the prior written approval of Standard & Poor's.

(9) general obligations of states with a rating of at least "A2/A" or higher by both Moody's and Standard & Poor's; and

(10) investment agreements (supported by appropriate opinions of counsel) with notice to Standard & Poor's.

The value ("Value"), which shall be determined as of the end of each month, of the above investments shall be calculated as follows: (a) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination; (b) as to investments the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or *The New York Times*: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service; (c) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and (d) as to any investment not specified above: the value thereof established by prior agreement between the City and the Trustee.

"Person" means any natural person, firm, association, corporation, partnership, limited liability company, joint stock company, a joint venture, trust, unincorporated organization or firm, or a government or any agency or political subdivision thereof or other public body.

"Prime Rate" means, for any date of determination, the interest rate per annum publicly announced from time to time by the Trustee as its "prime rate."

"Standard & Poor's" means Standard & Poor's Ratings Services, and its successors and assigns, and, if such firm shall be dissolved or liquidated or shall no longer perform the functions of a securities rating service, **Standard & Poor's** shall be deemed to refer to any other nationally recognized securities rating service designated by the City, with notice to the Board and the Trustee.

"Transaction Documents" means the Indenture, the Bonds, Financing Agreement, the Official Statement relating to the Bonds, the Continuing Disclosure Agreement, the Tax Compliance Agreement, the Authorizing Ordinance and any and all other documents or instruments that evidence or are a part of the transactions referred to in the Indenture, the Financing Agreement or the Official Statement or contemplated by the Indenture, the Financing Agreement or the Official Statement; and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing; provided, however, that when the words "Transaction Documents" are used in the context of the authorization, execution, delivery, approval or performance of Transaction Documents by a particular party, the same shall mean only those Transaction Documents that provide for or contemplate authorization, execution, delivery, approval or performance by such party.

* * *

SUMMARY OF THE BOND TRUST INDENTURE

Except as otherwise noted, the following is a summary of the Series 2005C Indenture. The Bonds of each Series are separately secured. The Indentures for the Series 2005A and Series 2005B Bonds are substantially similar to the Indenture summarized below, except as otherwise noted. The summary of the Continuing Disclosure Agreement relates to all three Series of Bonds.

The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Series 2005C Indenture for a complete recital of the terms thereof.

Trust Estate

Note: As noted in the Official Statement each Series of Bonds is separately secured.

The Trust Estate created by the Indenture in favor of the Trustee for the benefit and security of the owners of the Bonds consists of:

(a) All rights, title and interest of the Board (including, but not limited to, the right to enforce any of the terms thereof) in, to and under (1) the Financing Agreement, including, without limitation, all Loan Payments and other payments to be received by the Board and paid by the City under and pursuant to and subject to the provisions of the Financing Agreement (except the Board's rights to payment of its fees and expenses and to indemnification as set forth in the Financing Agreement and as otherwise expressly set forth therein), and (2) all financing statements or other instruments or documents evidencing, securing or otherwise relating to the loan of the proceeds of the Bonds; and

(b) All moneys and securities (except moneys and securities held in the Rebate Fund) from time to time held by the Trustee under the terms of the Indenture; and

(c) Any and all other property (real, personal or mixed) of every kind and nature from time to time, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security under the Indenture by the Board or by anyone in its behalf or with its written consent, to the Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.

The Trustee shall hold in trust and administer the Trust Estate, upon the terms and conditions set forth in the Indenture for the equal and pro rata benefit and security of each and every owner of Bonds, without preference, priority or distinction as to participation in the lien, benefit and protection of the Indenture of one Bond over or from the others, except as otherwise expressly provided in the Indenture.

Authorization of Additional Bonds (Series 2005B and Series 2005C Bonds only)

Additional Bonds may be issued under and equally and ratably secured by the Indenture on a parity (except as otherwise provided in the Indenture) with the Series 2005C Bonds and any other Additional Bonds at any time and from time to time, upon compliance with the conditions set forth in the Indenture and in the Financing Agreement, for any purpose authorized under the Act.

Before any Additional Bonds are issued under the provisions of this Section, the Board shall adopt a resolution (1) authorizing the issuance of such Additional Bonds, fixing the principal amount thereof and describing the purpose or purposes for which such Additional Bonds are being issued, (2) authorizing the Board to enter into a Supplemental Indenture for the purpose of issuing such Additional Bonds and establishing the terms and provisions of such series of Bonds and the form of the Bonds of such series, (3) authorizing the Board to enter into a Supplemental Financing Agreement with the City to provide for payments at least sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds then to be Outstanding (including the Additional Bonds to be issued) as the same become due, and to extend the term of the Financing Agreement if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the Financing Agreement, and (4) providing for such other matters as are appropriate because of the issuance of the Additional Bonds, which matters, in the judgment of the Board, are not prejudicial to the Board or the owners of the Bonds previously issued.

Such Additional Bonds shall have the same general title as the Series 2005C Bonds, except for an identifying series letter or date, and shall be dated, shall mature on such dates, shall be numbered, shall bear interest at such rates not exceeding the maximum rate then permitted by law payable at such times, and shall be redeemable at such times and prices, all as provided by the Supplemental Indenture authorizing the issuance of such Additional Bonds. Except as to any difference in the date, the maturities, the rates of interest or the provisions for redemption. At the option of the Board and the City, such Additional Bonds may be entitled to the benefit of the Business Interruption Reserve Fund on a parity with the Series 2005C Bonds.

Such Additional Bonds shall be executed in the manner set forth in the Indenture and shall be deposited with the Trustee for authentication, but prior to or simultaneously with the authentication and delivery of such Additional Bonds by the Trustee, and as a condition precedent thereto, there shall be filed with the Trustee the following:

(a) A copy, certified by the Secretary or Assistant Secretary of the Board, of the resolution adopted by the Board authorizing the issuance of such Additional Bonds and the execution of the Supplemental Indenture, Supplemental Financing Agreement and supplements to any other Transaction Documents as may be necessary.

(b) A copy, certified by the City Clerk of the ordinances and/or resolutions adopted by the City authorizing the execution and delivery of the Supplemental Financing Agreement and supplements to any other Transaction Documents.

(c) An original executed counterpart of the Supplemental Indenture, executed by the Board and the Trustee, authorizing the issuance of the Additional Bonds being issued to make the loan, specifying, among other things, the terms thereof, and providing for the disposition of the proceeds of such loan and the Supplemental Financing Agreement.

(d) An original executed counterpart of the Supplemental Financing Agreement, executed by the City and the Board, specifying, among other things, the principal amount, rate of interest, maturity, terms of optional prepayment.

(e) An Officer's Certificate (1) stating that no event of default under the Financing Agreement has occurred and is continuing and that no event has occurred and is continuing which with the lapse of time or giving of notice, or both, would constitute such an event of default, and (2) stating the purpose or purposes for which such Additional Bonds are being issued and accompanied by the certificates, reports or opinions demonstrating compliance with the applicable tests set forth in the Financing Agreement.

(f) A request and authorization to the Trustee, on behalf of the Board, executed by a City Representative, to authenticate the Additional Bonds and deliver said Additional Bonds to the purchasers therein identified upon payment to the Trustee, for the account of the Board, of the purchase price thereof. The Trustee shall be entitled to rely conclusively upon such request and authorization as to the names of the purchasers and the amounts of such purchase price.

(g) If such Additional Bonds are to be insured or guaranteed by a bond insurer or other credit enhancer, an insurance policy or other credit enhancement in each case in form or substance satisfactory to the Board, the City and the Trustee.

(h) Deposit of an amount equal to the Debt Service Reserve Fund Requirement, if any, for such Additional Bonds.

(i) An Opinion of Bond Counsel to the effect that all requirements for the issuance of such Additional Bonds have been met and the issuance of such Additional Bonds will not result in the interest on any Bonds then Outstanding becoming subject to federal income taxes then in effect.

(j) Such other certificates, statements, receipts and documents required by any of the Transaction Documents or as the Board, the City or the Trustee shall reasonably require for the delivery of the Additional Bonds.

Except as provided in the this Indenture and in the Financing Agreement, the Board will not otherwise issue any obligations on a parity with the Bonds, but the Board may issue other obligations specifically subordinate and junior to the Bonds.

Creation of Funds and Accounts

The Indenture creates and orders to be established in the custody of the Trustee the following special trust funds in the name of the Board to be designated as follows:

(a) "Missouri Development Finance Board–City of Independence, Missouri - Infrastructure Facilities Project Fund" (the "Project Fund"), and within such fund separate accounts for each Series of Bonds, initially a "Series 2005 Project Account".

(b) "Missouri Development Finance Board–City of Independence, Missouri – Infrastructure Facilities Costs of Issuance Fund" (the "Costs of Issuance Fund"), and within such fund separate accounts for each Series of Bonds, initially a "Series 2005 Costs of Issuance Account."

(c) "Missouri Development Finance Board–City of Independence, Missouri – Infrastructure Facilities Debt Service Fund" (the "Debt Service Fund") and within such fund separate accounts for each Series of Bonds, initially a "Series 2005 Debt Service Account", and within each such account a subaccount for capitalized interest on such Series, if any, initially a "Series 2005 Capitalized Interest Subaccount."

(d) "Missouri Development Finance Board–City of Independence, Missouri – Infrastructure Facilities Debt Service Fund" (the "Debt Service Reserve Fund") and within such fund separate accounts for each Series of Bonds, initially a "Series 2005 Debt Service Reserve Account." No debt service reserve fund has been established for the Series 2005A Bonds or the Series 2005B Bonds.

(e) "Missouri Development Finance Board–City of Independence, Missouri – Infrastructure Facilities Business Interruption Reserve Fund" (the "Business Interruption Reserve

Fund"). No Business Interruption Reserve Fund has been established for the Series 2005A Bonds or the Series 2005B Bonds.

(f) "Missouri Development Finance Board–City of Independence, Missouri – Infrastructure Facilities Rebate Fund" (the "Rebate Fund") and within such fund separate accounts for each Series of Bonds, initially a "Series 2005 Rebate Account."

Project Fund

Moneys in the Project Fund shall be used solely for the purpose of paying the Costs of the Project as provided in the Indenture, in accordance with the plans and specifications therefor, including any alterations in or amendments to said plans and specifications deemed advisable by the City and approved in accordance with the Financing Agreement.

If an event of default specified in the Indenture shall have occurred and the Bonds shall have been declared due and payable pursuant to the Indenture, any balance remaining in the Project Fund, other than amounts required to be transferred to the Rebate Fund pursuant to the Indenture, shall without further authorization be deposited in the Debt Service Fund by the Trustee with advice to the City and to the Board of such action.

Debt Service Fund

The moneys in the Debt Service Fund shall be held in trust and shall be applied solely in accordance with the provisions of the Indenture to pay the principal of and redemption premium, if any, and interest on the Bonds as the same become due and payable. Except as otherwise provided in the Indenture, moneys in the Debt Service Fund shall be expended solely as follows: (a) to pay interest on the Bonds as the same becomes due; (b) to pay principal of the Bonds as the same mature or become due and upon mandatory sinking fund redemption thereof; and (c) to pay principal of and redemption premium, if any, on the Bonds as the same become due upon redemption (other than mandatory sinking fund redemption) prior to maturity.

The Trustee, upon the written instructions from the Board given pursuant to written direction of the City, shall use excess moneys in the Debt Service Fund to redeem all or part of the Bonds Outstanding and to pay interest to accrue thereon prior to such redemption and redemption premium, if any, on the next succeeding redemption date for which the required redemption notice may be given or on such later redemption date as may be specified by the City, in accordance with the provisions of the Indenture, so long as the City is not in default with respect to any payments under the Financing Agreement and to the extent said moneys are in excess of the amount required for payment of Bonds theretofore matured or called for redemption. The City may cause such excess money in the Debt Service Fund or such part thereof or other moneys of the City, as the City may direct, to be applied by the Trustee on a best efforts basis to the extent practical for the purchase of Bonds in the open market for the purpose of cancellation at prices not exceeding the principal amount thereof plus accrued interest thereon to the date of such purchase.

After payment in full of the principal of, redemption premium, if any, and interest on the Bonds (or after provision has been made for the payment thereof as provided in the Indenture), and the fees, charges and expenses of the Trustee, any Paying Agents and the Board, and any other amounts required to be paid under the Indenture and the Financing Agreement, all amounts remaining in the Debt Service Fund shall be paid to the City upon the expiration or sooner termination of the Financing Agreement.

Debt Service Reserve Fund (Series 2005C Bonds only)

Moneys in the Debt Service Reserve Fund shall be disbursed and expended by the Trustee, without any further authorization from the City, solely for the payment of the principal of and interest on the Series 2005C Bonds to the extent of any deficiency in the Debt Service Fund for such purposes. The Trustee may disburse and expend moneys from the Debt Service Reserve Fund for such purpose whether or not the amount in the Debt Service Reserve Fund at that time equals the Debt Service Reserve Fund Requirement. If the Trustee disburses or expends moneys from the Debt Service Reserve Fund for the purposes stated in this paragraph, the Trustee shall immediately notify the City of the amount necessary to restore the balance in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement, and the Trustee shall direct the City to restore the deficiency in 12 equal monthly payments beginning not later than the first day of the next calendar month.

Business Interruption Reserve Fund (Series 2005C Bonds only)

Moneys in the Business Interruption Reserve Fund shall be used by the Trustee without further authorization solely for the payment of the principal of and interest on the Bonds if moneys otherwise available for such purpose as provided in the Indenture are insufficient to pay the same as they become due and payable. In the event the balance of moneys in the Debt Service Fund is insufficient to pay principal of or interest on the Bonds when due and payable, moneys in the Business Interruption Reserve Fund, if any, shall be transferred into the Debt Service Fund in an amount sufficient to make up such deficiency, prior to any transfer of moneys from the Debt Service Reserve Fund The Trustee may use moneys in the Business Interruption Reserve Fund for such purpose whether or not the amount in the Business Interruption Reserve Fund at that time equals the Business Interruption Reserve Requirement. Such moneys shall be used first to make up any deficiency in the payment of interest and then principal. Moneys in the Business Interruption Reserve Fund shall also be used, together with moneys in the Debt Service Reserve Fund, to pay the last Bonds becoming due unless such Bonds and all interest thereon be otherwise paid. Moneys in the Business Interruption Reserve Fund that are in excess of the Business Interruption Reserve Requirement shall be deposited by the Trustee without further authorization in the Debt Service Fund.

After payment in full of the principal of, redemption premium, if any, and interest on the Bonds (or provision has been made for the payment thereof as specified in this Indenture), and the fees, charges and expenses of the Trustee and any Paying Agents and any other amounts required to be paid under this Indenture, all amounts remaining in the Business Interruption Reserve Fund shall be paid to the City for deposit into the Special Allocation Fund.

Rebate Fund

There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Compliance Agreement. All amounts on deposit at any time in the Rebate Fund shall be held by the Trustee in trust to the extent required to pay rebatable arbitrage to the United States of America, and neither the City, the Board nor the owner of any Bonds shall have any rights in or claim to such money. All amounts held in the Rebate Fund shall be governed by the Indenture and by the Tax Compliance Agreement.

Investment of Moneys

Moneys held in each of the funds and accounts under the Indenture shall, pursuant to written directions of the City Representative, be invested and reinvested by the Trustee in accordance with the provisions of the Indenture and the Tax Compliance Agreement in Permitted Investments which mature or are subject to redemption by the owner thereof prior to the date such funds are expected to be needed. In the absence of direction of the City Representative, the Trustee may invest and reinvest moneys in an investment described in paragraph (7) of the definition of the term "Permitted Investments." The Trustee may make any investments permitted by the provisions of the Indenture through its own bond department or short-term investment department or that of any affiliate of the Trustee and may pool moneys for investment purposes, except moneys held in any fund or account that are required to be yield restricted in accordance with the Tax Compliance Agreement, which shall be invested separately. Any such Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund or account in which such moneys are originally held. The interest accruing on each fund or account and any profit realized from such Permitted Investments (other than any amount required to be deposited in the Rebate Fund) shall be credited to such fund or account, and any loss resulting from such Permitted Investments shall be charged to such fund or account; provided, however, that all interest accruing on the Project Fund shall be automatically deposited into the Debt Service Fund. The Trustee shall sell or present for redemption and reduce to cash a sufficient amount of such Permitted Investments whenever it shall be necessary to provide moneys in any fund or account for the purposes of such fund or account and the Trustee shall not be liable for any loss resulting from such investments.

In determining the balance in any Fund, investments in such Fund shall be valued at the lower of their original cost or their fair market value as of the most recent interest payment date. Investments in the Funds under this Indenture shall be valued on each June 15 and December 15 in each year beginning June 15, 2005. The Trustee shall promptly deliver a copies of such valuations to the City, which may be in the form of the Trustee's standard account statements.

Events of Default

The term **"event of default,"** wherever used in the Indenture, means any one of the following events (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of any interest on any Bond when such interest becomes due and payable; or

(b) default in the payment of the principal of (or premium, if any, on) any Bond when the same becomes due and payable (whether at maturity, upon proceedings for redemption, by acceleration or otherwise); or

(c) default in the performance, or breach, of any covenant or agreement of the Board in the Indenture (other than a covenant or agreement a default in the performance or breach of which is specifically dealt with elsewhere in this Section), and continuance of such default or breach for a period of **60** days after there has been given to the Board, the City by the Trustee or to the Board, the City and the Trustee by the owners of at least **10%** in principal amount of the Bonds Outstanding, a written notice specifying such default or breach and requiring it to be remedied; provided, that if such default cannot be fully remedied within such **60**-day period, but can reasonably be expected to be fully remedied, such default shall not constitute an event of default if the Board shall immediately upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same with due diligence and dispatch; or

(d) any event of default under the Financing Agreement shall occur and is continuing and has not been waived.

With regard to any alleged default concerning which notice is given to the City under the provisions of this Section, the Board grants the City full authority for the account of the Board to perform any covenant or obligation, the nonperformance of which is alleged in said notice to constitute a default, in the name and stead of the Board, with full power to do any and all things and acts to the same extent that the Board could do and perform any such things and acts in order to remedy such default.

Acceleration of Maturity; Rescission and Annulment

If an event of default occurs and is continuing, the Trustee may, and shall, if requested by the owners of not less than **25%** in principal amount of the Bonds Outstanding, by written notice to the Board and the City, declare the principal of all Bonds Outstanding and the interest accrued thereon to be due and payable, and upon any such declaration such principal and interest shall become immediately due and payable.

At any time after such a declaration of acceleration has been made, but before any judgment or decree for payment of money due on any Bonds has been obtained by the Trustee as provided in the Indenture, the owners of a majority in principal amount of the Bonds Outstanding may, by written notice to the Board, the City and the Trustee, rescind and annul such declaration and its consequences if:

(a) the Board has deposited with the Trustee a sum sufficient to pay

(1) all overdue installments of interest on all Bonds,

(2) the principal of (and premium, if any, on) any Bonds which have become due otherwise than by such declaration of acceleration and interest thereon at the rate prescribed therefor in the Bonds,

(3) interest upon overdue installments of interest at the rate prescribed therefor in the Bonds, and

(4) all sums paid or advanced by the Trustee and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and

(b) all events of default, other than the non-payment of the principal of Bonds which have become due solely by such declaration of acceleration, have been cured or have been waived as provided in the Indenture.

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

Exercise of Remedies by the Trustee

Upon the occurrence and continuance of any event of default under the Indenture, unless the same is waived as provided in the Indenture, the Trustee shall have the following rights and remedies, in addition to any other rights and remedies provided under the Indenture or by law:

(a) *Right to Bring Suit, Etc.* The Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, premium, if any, and interest on the Bonds Outstanding, including interest on overdue principal (and premium, if any) and on overdue installments of interest, and any other sums due under the Indenture, to realize on or to foreclose any of its interests or liens under the Indenture or any other Transaction Document, to enforce and compel the performance of the duties and obligations of the Board as set forth in the Indenture and to enforce or preserve any other rights or interests of the Trustee under the Indenture with respect to any of the Trust Estate or otherwise existing at law or in equity.

(b) *Exercise of Remedies at Direction of Bondowners.* If requested in writing to do so by the owners of not less than **25%** in principal amount of Bonds Outstanding and if indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and remedies conferred by the Indenture as the Trustee shall deem most expedient in the interests of the bondowners.

(c) *Appointment of Receiver.* Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the bondowners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate, pending such proceedings, with such powers as the court making such appointment shall confer.

(d) *Suits to Protect the Trust Estate.* The Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the Indenture and to protect its interests and the interests of the bondowners in the Trust Estate, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security under the Indenture or be prejudicial to the interests of the bondowners or the Trustee, or to intervene (subject to the approval of a court of competent jurisdiction) on behalf of the bondowners in any judicial proceeding to which the Board, the City is a party and which in the judgment of the Trustee has a substantial bearing on the interests of the bondowners.

(e) *Enforcement Without Possession of Bonds.* All rights of action under the Indenture or any of the Bonds may be enforced and prosecuted by the Trustee without the possession of any of the Bonds or the production thereof in any suit or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and subject to the provisions of the Indenture, be for the equal and ratable benefit of the owners of the Bonds in respect of which such judgment has been recovered.

(f) *Restoration of Positions.* If the Trustee or any bondowner has instituted any proceeding to enforce any right or remedy under the Indenture by suit, foreclosure, the appointment of a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such bondowner, then and in every case the Board, the City, the Trustee and the bondowners shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Indenture, and thereafter all rights and remedies of the Trustee and the bondowners shall continue as though no such proceeding had been instituted.

Limitation on Suits by Bondowners

No owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, under or with respect to the Indenture, or for the appointment of a receiver or trustee or for any other remedy under the Indenture, unless:

(a) such owner has previously given written notice to the Trustee of a continuing event of default;

(b) the owners of not less than **25%** in principal amount of the Bonds Outstanding shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee under the Indenture;

(c) such owner or owners have offered to the Trustee indemnity as provided in the Indenture against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the owners of a majority in principal amount of the Outstanding Bonds.

it being understood and intended that no one or more owners of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the lien of the Indenture or the rights of any other owners of Bonds, or to obtain or to seek to obtain priority or preference over any other owners or to enforce any right under the Indenture, except in the manner provided in the Indenture and for the equal and ratable benefit of all Outstanding Bonds.

Control of Proceedings by Bondowners

The owners of a majority in principal amount of the Bonds Outstanding shall have the right, during the continuance of an event of default, provided indemnity has been provided to the Trustee in accordance with the Indenture:

(a) to require the Trustee to proceed to enforce the Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds and the foreclosure of the Indenture, or otherwise; and

(b) to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture, provided that

  (1) such direction shall not be in conflict with any rule of law or the Indenture,

  (2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

  (3) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the owners not taking part in such direction.

Application of Moneys Collected

Any moneys collected by the Trustee pursuant to the Indenture (after the deductions for payment of costs and expenses of proceedings resulting in the collection of such moneys) together with any other sums then held by the Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

(a) **First:** To the payment of all unpaid amounts due the Trustee under the Indenture;

(b) **Second:** To the payment of the whole amount then due and unpaid upon the Outstanding Bonds for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue principal (and premium, if any) and on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal and interest, without any preference or priority, ratably according to the aggregate amount so due; and

(c) **Third:** To the payment of the remainder, if any, to the Board or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, in accordance with the Indenture, and shall not be required to make payment to the owner of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Resignation and Removal of Trustee

The Trustee may resign at any time by giving written notice thereof to the Board, the City and each owner of Bonds Outstanding as shown by the list of bondowners required by the Indenture to be kept at the office of the Trustee. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within **30** days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee has or shall acquire any conflicting interest (as determined by the Trustee), it shall, within **90** days after ascertaining that it has a conflicting interest, or within **30** days after receiving written notice from the Board or the City (so long as the City is not in default under the Indenture) that it has a conflicting interest, either eliminate such conflicting interest or resign in the manner and with the effect specified in the preceding paragraph.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Board and the Trustee signed by the owners of a majority in principal amount of the Outstanding Bonds, or, so long as the City is not in default and no condition that with the giving of notice or passage of time, or both, would constitute a default under the Financing Agreement, by the City. The Board, the City or any bondowner may at any time petition any court of competent jurisdiction for the removal for cause of the Trustee.

No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to the Indenture shall become effective until the acceptance of appointment by the successor Trustee under the Indenture.

Appointment of Successor Trustee

If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Board, with the written consent of the City (which consent shall not be unreasonably withheld) or the owners of a majority in principal amount of Bonds Outstanding (if an event of default under the Indenture or under the Financing Agreement has occurred and is continuing), by an instrument or concurrent instruments in writing delivered to the Board and the retiring Trustee, shall promptly appoint a successor Trustee. In case all or substantially all of the Trust Estate shall be in the possession of a receiver or trustee lawfully appointed, such receiver or trustee, by written instrument, may similarly appoint a temporary successor to fill such vacancy until a new Trustee shall be so appointed by the Board or the bondowners. If, within 30 days after such resignation, removal or incapability or the occurrence of such vacancy, a successor Trustee shall be appointed in the manner provided in the Indenture, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the retiring Trustee and any temporary successor Trustee appointed by such receiver or trustee. If no successor Trustee shall have been so appointed and accepted appointment in the manner provided in the Indenture, any bondowner may petition any court of competent jurisdiction for the appointment of a successor Trustee, until a successor shall have been appointed as above provided. The successor so appointed by such court shall immediately and without further act be superseded by any successor appointed as above provided. Every such successor Trustee appointed pursuant to the provisions of the Indenture shall be a bank or trust company in good standing under the law of the jurisdiction in which it was created and by which it exists, meeting the eligibility requirements of the Indenture.

Supplemental Indentures without Consent of Bondowners

Without the consent of the owners of any Bonds, the Board and the Trustee may from time to time enter into one or more Supplemental Indentures for any of the following purposes:

(a) to correct or amplify the description of any property at any time subject to the lien of the Indenture, or better to assure, convey and confirm unto the Trustee any property subject or required to be subjected to the lien of the Indenture, or to subject to the lien of the Indenture additional property; or

(b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Bonds or of any series of Bonds, additional conditions, limitations and restrictions thereafter to be observed; or

(c) to authorize the issuance of any series of Additional Bonds and, make such other provisions as provided in the Indenture; or

(d) to evidence the appointment of a separate trustee or the succession of a new trustee under the Indenture; or

(e) to add to the covenants of the Board or to the rights, powers and remedies of the Trustee for the benefit of the owners of all Bonds or to surrender any right or power conferred upon the Board under the Indenture; or

(f) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision in the Indenture or to make any other change, with respect to matters or questions arising under the Indenture, which shall not be inconsistent with the provisions of the Indenture, provided such action shall not materially adversely affect the interests of the owners of the Bonds; or

(g) to modify, eliminate or add to the provisions of the Indenture to such extent as shall be necessary to effect the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or under any similar federal statute hereafter enacted, or to permit the qualification of the Bonds for sale under the securities laws of the United States or any state of the United States.

Supplemental Indentures with Consent of Bondowners

With the consent of the owners of not less than a majority in principal amount of the Bonds then Outstanding affected by such Supplemental Indenture, the Board and the Trustee may enter into one or more

Supplemental Indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the owners of the Bonds under the Indenture; provided, however, that no such Supplemental Indenture shall, without the consent of the owner of each Outstanding Bond affected thereby,

(a) change the stated maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change any place of payment where, or the coin or currency in which, any Bond, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); or

(b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose owners is required for any such Supplemental Indenture, or the consent of whose owners is required for any waiver provided for in the Indenture of compliance with certain provisions of the Indenture or certain defaults under the Financing Agreement and their consequences; or

(c) modify the obligation of the Board to make payment on or provide funds for the payment of any Bond; or

(d) modify or alter the provisions of the proviso to the definition of the term "Outstanding"; or

(e) modify any of the provisions of the Indenture, except to increase any percentage provided thereby or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the owner of each Bond affected thereby; or

(f) permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any of the Trust Estate or terminate the lien of the Indenture on any property at any time subject hereto or deprive the owner of any Bond of the security afforded by the lien of the Indenture.

The Trustee may in its discretion determine whether or not any Bonds would be affected by any Supplemental Indenture and any such determination shall be conclusive upon the owners of all Bonds, whether theretofore or thereafter authenticated and delivered. The Trustee shall not be liable for any such determination made in good faith.

It shall not be necessary for the required percentage of owners of Bonds under this Section to approve the particular form of any proposed Supplemental Indenture, but it shall be sufficient if such act shall approve the substance thereof.

Payment, Discharge and Defeasance of Bonds

Bonds will be deemed to be paid and discharged and no longer Outstanding under the Indenture and will cease to be entitled to any lien, benefit or security of the Indenture if the Board shall pay or provide for the payment of such Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on such Bonds, as and when the same become due and payable;

(b) by delivering such Bonds to the Trustee for cancellation; or

(c) by depositing in trust with the Trustee or other Paying Agent moneys and Government Obligations in an amount, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds at or before their respective maturity or redemption dates (including the payment of the principal of, premium, if any, and interest payable on such Bonds to the maturity or redemption date thereof); provided that, if any such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption is given in accordance with the requirements of the Indenture or provision satisfactory to the Trustee is made for the giving of such notice.

The Bonds may be defeased in advance of their maturity or redemption dates only with cash or Defeasance Obligations pursuant to subsection (c) above, subject to receipt by the Trustee of (1) a verification report in form and substance satisfactory to the Trustee prepared by independent certified public accountants, or other verification agent, satisfactory to the Trustee and the Board, and (2) an Opinion of Bond Counsel addressed and delivered to the Trustee in form and substance satisfactory to the Trustee to the effect that the payment of the principal of and redemption premium, if any, and interest on all of the Bonds then Outstanding and any and all other amounts required to be paid under the provisions of the Indenture has been provided for in the manner set forth in the Indenture and to the effect that so providing for the payment of any Bonds will not cause the interest on the Bonds to be included in gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of the Indenture.

Satisfaction and Discharge of Indenture

The Indenture and the lien, rights and interests created by the Indenture shall cease, determine and become null and void (except as to any surviving rights) if the following conditions are met:

(a) the principal of, premium, if any, and interest on all Bonds has been paid or is deemed to be paid and discharged by meeting the conditions of the Indenture;

(b) all other sums payable under the Indenture with respect to the Bonds are paid or provision satisfactory to the Trustee is made for such payment;

(c) the Trustee receives an Opinion of Bond Counsel (which may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that so providing for the payment of any Bonds will not cause the interest on the Bonds to be included in gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of the Indenture; and

(d) the Trustee receives an Opinion of Counsel to the effect that all conditions precedent in this Section to the satisfaction and discharge of the Indenture have been complied with.

(e) if such Bonds are to be redeemed or final payment is to occur on a date which is more than 90 days from the date of the deposit under this Section, the Board and the City shall have received (1) the report of a verification agent acceptable to and addressed to each of them, confirming the mathematical accuracy of the calculations used to determine the sufficiency of the moneys or Defeasance Obligations; and (2) the escrow deposit agreement

Thereupon, the Trustee shall execute and deliver to the Board a termination statement and such instruments of satisfaction and discharge of the Indenture as may be necessary at the written request of the Board and shall pay, assign, transfer and deliver to the Board, or other Persons entitled thereto, all moneys, securities and other property then held by it under the Indenture as a part of the Trust Estate, other than moneys or Defeasance Obligations held in trust by the Trustee for the payment of the principal of, premium, if any, and interest on the Bonds.

* * *

SUMMARY OF THE AUTHORIZING ORDINANCE

The following is a summary of certain provisions contained in the Authorizing Ordinance. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Authorizing Ordinance for a complete recital of the terms thereof.

Drumm Farm Special Allocation Fund

The Ordinance of the City authorizing the execution of the Series 2005B Financing Agreement orders to be reestablished with the City the "Drumm Farm Special Allocation Fund" (the "Drumm Farm Special Allocation Fund"), and within the Drumm Farm Special Allocation Fund, a PILOTS Account and an Economic Activity Tax Account.

The funds and accounts referred to above shall be segregated and kept separate and apart from all other moneys, revenues, funds and accounts of the City and shall not be commingled with any other moneys, revenues, funds and accounts of the City. The funds and accounts referred to above shall be maintained and administered by the City solely for the purposes and in the manner as provided in the Authorizing Ordinance so long as any portion of the Series 2005B Loan remains Outstanding and unpaid.

The moneys and securities held in, and moneys and securities to be deposited in, the Special Allocation Fund relating to the Drumm Farm Redevelopment Project are pledged to the payment of the Series 2005B Loan; provided, however Economic Activity Taxes deposited therein shall remain subject to annual appropriation as described herein.

The City currently intends to appropriate in each year the Economic Activity Tax Revenues in the Special Allocation Fund relating to the Drumm Farm Redevelopment Project to the repayment of the Series 2005B Loan. In preparing the City's annual budget the City Manager shall include or cause to be included in each budget submitted to the City Council such appropriation. Notwithstanding the foregoing, the decision of whether or not to appropriate is solely within the discretion of the City Council. In the event the City Council votes to not appropriate such Economic Activity Tax Revenues, the City shall immediately notify in writing the following persons of such Event of Nonappropriation: (i) the Board, (ii) Commerce Bank, N.A., as trustee for the Series 2005B Bonds, (iii) each nationally recognized municipal securities repository, and (iv) each nationally recognized rating agency which currently maintains a rating on any of the City's bonds.

Administration of Drumm Farm Special Allocation Fund

The moneys in the Drumm Farm Special Allocation Fund shall be administered and applied solely for the purposes and in the manner provided in the Authorizing Ordinance. At any time moneys are to be withdrawn, transferred or paid from the Drumm Farm Special Allocation Fund pursuant to the Authorizing Ordinance, such withdrawals, transfers or payment shall be made from (i) the PILOTS Account, and (ii) the Economic Activity Tax Account in that order.

The City agrees to deposit into the Drumm Farm Special Allocation Fund as received all Incremental Tax Revenues. The Incremental Tax Revenues shall be determined, collected and applied in the manner provided by law. Payments in Lieu of Taxes shall be deposited into the PILOTS Account of the Drumm Farm Special Allocation Fund, and subject to annual appropriation, all Economic Activity Tax Revenues shall, as and when received by the City, be deposited into the Economic Activity Tax Account of the Drumm Farm Special Allocation Fund. All interest earnings on moneys in the Drumm Farm Special Allocation Fund shall be credited to and deposited in the Drumm Farm Special Allocation Fund.

The Drumm Farm Special Allocation Fund shall be administered by the City as follows:

(a) Not later than the last business day of each February and August, commencing with the last Business Day in August 2005, the City shall transfer to the Trustee from the Drumm Farm Special Allocation Fund, to the extent available, an aggregate amount equal to the Loan Payments due under the Series 2005B Financing Agreement or any other Financing Agreement relating to Additional Bonds secured on a parity with the Series 2005B Bonds.

(b) All moneys remaining in the Drumm Farm Special Allocation Fund, after making the foregoing payments, shall be expended in the following order of priority:

(i) for the purpose of prepaying any Loan Payments or Additional Payments due under the Series 2005B Financing Agreement or any other Financing Agreement relating to Additional Bonds secured on a parity with the Series 2005B Bonds; or

(ii) for the purpose of establishing such additional reserves as may be deemed necessary by the City; or

(iii) for the purpose of reimbursing the City for any transfer of any legally available funds to the Drumm Farm Special Allocation Fund; or

(iv) for any other purpose set forth in the Redevelopment Agreement for the Redevelopment Project as may be authorized under the Act.

Crackerneck Creek Special Allocation Fund

The Ordinance of the City authorizing the execution of the Series 2005C Financing Agreement provides that upon adoption of the TIF Ordinance relating to the Crackerneck Creek Redevelopment Project, the City will establish the "Crackerneck Creek Special Allocation Fund" (the "Crackerneck Creek Special Allocation Fund"), and within the Crackerneck Creek Special Allocation Fund, a PILOTS Account and an Economic Activity Tax Account.

The funds and accounts referred to above shall be segregated and kept separate and apart from all other moneys, revenues, funds and accounts of the City and shall not be commingled with any other moneys, revenues, funds and accounts of the City. The funds and accounts referred to above shall be maintained and administered by the City solely for the purposes and in the manner as provided in the Authorizing Ordinance so long as any portion of the Series 2005C Loan remains Outstanding and unpaid.

The moneys and securities held in, and moneys and securities to be deposited in, the Special Allocation Fund relating to the Crackerneck Creek Redevelopment Project are pledged to the payment of the Series 2005C Loan; provided, however Economic Activity Taxes deposited therein shall remain subject to annual appropriation as described herein.

The City currently intends to appropriate in each year the Economic Activity Tax Revenues in the Special Allocation Fund relating to the Crackerneck Creek Redevelopment Project to the repayment of the Series 2005C Loan. In preparing the City's annual budget the City Manager shall include or cause to be included in each budget submitted to the City Council such appropriation. Notwithstanding the foregoing, the decision of whether or not to appropriate is solely within the discretion of the City Council. In the event the City Council votes to not appropriate such Economic Activity Tax Revenues, the City shall immediately notify in writing the following persons of such Event of Nonappropriation: (i) the Board, (ii) Commerce Bank, N.A., as trustee for the Series 2005C Bonds, (iii) each nationally recognized municipal securities repository, and (iv) each nationally recognized rating agency which currently maintains a rating on any of the City's bonds.

The City also covenants and agrees to pledge the State TIF Revenues (if any) and the rentals paid to the City pursuant to the Bass Pro Lease Agreement (if any) to secure the Series 2005C Loan. The City may elect to pledge the rentals paid to the City pursuant to the Bass Pro Lease Agreement to secure a separate series of bonds. In such event such pledge shall be senior to the pledge of such payments to secure the Series 2005C Loan contained herein and the City shall execute such documents as may be necessary to evidence such senior pledge.

Administration of Crackerneck Creek Special Allocation Fund

The moneys in the Crackerneck Creek Special Allocation Fund shall be administered and applied solely for the purposes and in the manner provided in the Authorizing Ordinance. At any time moneys are to be withdrawn, transferred or paid from the Crackerneck Creek Special Allocation Fund pursuant to the Authorizing Ordinance, such withdrawals, transfers or payment shall be made from (i) the PILOTS Account, and (ii) the Economic Activity Tax Account in that order.

The City agrees to deposit into the Crackerneck Creek Special Allocation Fund as received all Incremental Tax Revenues. The Incremental Tax Revenues shall be determined, collected and applied in the manner provided by law. Payments in Lieu of Taxes shall be deposited into the PILOTS Account of the Crackerneck Creek Special Allocation Fund, and subject to annual appropriation, all Economic Activity Tax Revenues shall, as and when received by the City, be deposited into the Economic Activity Tax Account of the Crackerneck Creek Special Allocation Fund. All interest earnings on moneys in the Crackerneck Creek Special Allocation Fund shall be credited to and deposited in the Crackerneck Creek Special Allocation Fund.

The Crackerneck Creek Special Allocation Fund shall be administered by the City as follows:

(a) Not later than the last business day of each February and August, commencing with the last Business Day in August 2008, the City shall transfer to the Trustee from the Crackerneck Creek Special Allocation Fund, to the extent available, an aggregate amount equal to the Loan Payments due under the Series 2005C Financing Agreement or any other Financing Agreement relating to Additional Bonds secured on a parity with the Series 2005C Bonds.

(b) Upon receipt by the City of written notice from the Trustee that the balance in the applicable account of the Debt Service Reserve Fund (as defined in the Indenture relating to the Series 2005C Bonds) is less than the Debt Service Reserve Requirement for the Series 2005C Bonds (as defined in the Indenture relating to the Series 2005C Bonds) or any Additional Bonds (as defined in the Indenture relating to the Series 2005C Bonds) issued on a parity with the Series 2005C Bonds, the City shall transfer to the Trustee from the Crackerneck Creek Special Allocation Fund, to the extent available, an aggregate amount equal to the Additional Payments necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. In the event such moneys shall be insufficient to fully restore the balance therein to the applicable Debt Service Requirement such deposits shall be made pro rata into the various accounts with the Debt Service Reserve Fund for the Series 2005C Bonds and any Additional Bonds issued on a parity with the Series 2005C Bonds.

(c) All moneys remaining in the Crackerneck Creek Special Allocation Fund, after making the foregoing payments, shall be expended in the following order of priority:

(i) For deposit into the Business Interruption Reserve Fund established with the Trustee until such time as the amount on deposit therein equals the Business Interruption Reserve Fund Requirement (as defined in the Indenture relating to the Series 2005C Bonds) or to restore the amount on deposit therein to the Business Interruption Reserve Fund Requirement (as defined in the Indenture relating to the Series 2005C Bonds);

(ii) Any Excess Tax Revenues shall be transferred by the City to the Trustee for the purpose of prepaying that portion of the Series 2005C Loan the City has elected to prepay. "Excess Tax Revenues" means the amount of (i) Incremental Tax Revenues, (ii) any State TIF Sales Tax revenues, if and when approved, and (iii) the Bass Pro Lease payments (unless such lease payments are pledged to a separate series of bonds, if any), collected by the City (in increments of $5,000) which the City determines are in excess of the amounts needed to make Loan Payments under the Series 2005C Financing Agreement relating to regularly scheduled payments of principal and interest on the Series 2005C Bonds and any Additional Bonds issued on a parity with the Series 2005C Bonds.

(iii) for the purpose of prepaying any Loan Payments or Additional Payments due under the Series 2005C Financing Agreement or any other Financing Agreement relating to Additional Bonds secured on a parity with the Series 2005C Bonds; or

(iv) for the purpose of establishing such additional reserves as may be deemed necessary by the City; or

(v) for the purpose of reimbursing the City for any transfer of any legally available funds to the Crackerneck Creek Special Allocation Fund; or

(vi) for any other purpose set forth in the Redevelopment Agreement for the Redevelopment Project as may be authorized under the Act.

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SUMMARY OF THE FINANCING AGREEMENT

Except as otherwise noted, the following summary of the Financing Agreement relates to the Series 2005C Bonds. The Bonds of each Series are separately secured. The Financing Agreement for the Series 2005A and Series 2005B Bonds are substantially similar to the Financing Agreement summarized below, except as otherwise noted. The summary of the Continuing Disclosure Agreement relates to all three Series of Bonds.

The following is a summary of certain provisions contained in the Series 2005C Financing Agreement. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Series 2005C Financing Agreement for a complete recital of the terms thereof.

Use of Proceeds

The proceeds of the Series 2005C Bonds loaned to the City shall be deposited with the Trustee and shall be administered, disbursed and applied for the purposes and in the manner as provided in the Indenture and in the Financing Agreement.

Loan Payments

Subject to the limitations in the Financing Agreement, the City shall pay the following amounts to the Trustee, all as "Loan Payments" under the Financing Agreement:

(a) *Debt Service Fund -- Interest:* On or before 10:00 a.m. on or before the Business Day preceding each March 1 and September 1, commencing September 1, 2005, an amount which is not less than the interest to become due on the next interest payment date on the Series 2005C Bonds; provided, however that the City may be entitled to certain credits on such payments as permitted under the Financing Agreement.

(b) *Debt Service Fund -- Principal:* On or before 10:00 a.m. on or before the Business Day preceding each March 1 commencing March 1, 2009, an amount which is not less than the next installment of principal due on the Series 2005C Bonds on the next principal payment date by maturity or mandatory sinking fund redemption; provided, however, that the City may be entitled to certain credits on such payments as permitted under the Financing Agreement.

Notwithstanding any schedule of payments upon the Loan set forth in the Financing Agreement or the Indenture, the City shall make payments upon the Loan and shall be liable therefor at the times and in the amounts (including interest, principal, and redemption premium, if any) equal to the amounts to be paid as interest, principal and redemption premium, if any, whether at maturity or by optional or mandatory redemption upon all Bonds from time to time Outstanding under the Indenture.

Additional Payments

Subject to annual appropriation, the City shall pay the following amounts to the following persons, all as "Additional Payments" under the Financing Agreement:

(a) to the Trustee, when due, all reasonable fees, charges for its services rendered under the Indenture, the Financing Agreement and any other Transaction Documents, and all reasonable expenses (including without limitation reasonable fees and charges of any Paying Agent, bond registrar, counsel, accountant, engineer or other person) incurred in the performance of the duties of the Trustee under the Indenture or the Financing Agreement for which the Trustee and other persons are entitled to repayment or reimbursement;

(b) to the Trustee, upon demand, an amount necessary to pay rebatable arbitrage in accordance with the Tax Compliance Agreement and the Indenture.

(c) to the Trustee, upon written demand of the Trustee the amount required by to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement;

(d) to the Board, on the Bond Issuance Date, its regular administrative and issuance fees and charges, if any, and all expenses (including without limitation attorney's fees) incurred by the Board in relation to the transactions contemplated by the Financing Agreement and the Indenture, which are not otherwise to be paid by the City under the Financing Agreement or the Indenture;

(e) to the appropriate person, such payments as are required (i) as payment for or reimbursement of any and all reasonable costs, expenses and liabilities incurred by the Board or the Trustee or any of them in satisfaction of any obligations of the City under the Financing Agreement that the City does not perform, or incurred in the defense of any action or proceeding with respect to the Project, the Financing Agreement or the Indenture, or (ii) as reimbursement for expenses paid, or as prepayment of expenses to be paid, by the Board or the Trustee and that are incurred as a result of a request by the City, or a requirement of the Financing Agreement and that the City is not otherwise required to pay under the Financing Agreement;

(f) to the appropriate person, any other amounts required to be paid by the City under the Financing Agreement or the Indenture; and

(g) any past due Additional Payments shall continue as an obligation of the City until they are paid and shall bear interest at the Prime Rate plus 2% during the period such Additional Payments remain unpaid.

Annual Appropriations

The City intends, on or before the last day of each Fiscal Year, to budget and appropriate, specifically with respect to the Financing Agreement, moneys sufficient to pay all the Loan Payments and reasonably estimated Additional Payments for the next succeeding Fiscal Year. The City shall deliver written notice to the Trustee no later than 15 days after the commencement of its Fiscal Year stating whether or not the City Council has appropriated funds sufficient for the purpose of paying the Loan Payments and Additional Payments reasonably estimated to become due during such Fiscal Year. If the City Council shall have made the appropriation necessary to pay the Loan Payments and reasonably estimated Additional Payments to become due during such Fiscal Year, the failure of the City to deliver the foregoing notice on or before the 15th day after the commencement of its Fiscal Year shall not constitute an Event of Nonappropriation and, on failure to receive such notice 15 days after the commencement of the City's Fiscal Year, the Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If the City Council shall not have made the appropriation necessary to pay the Loan Payments and Additional Payments reasonably estimated to become due during such succeeding Fiscal Year, the failure of the City to deliver the foregoing notice on or before the 15^{th} day after the commencement of its Fiscal Year shall constitute an Event of Nonappropriation.

Annual Budget Request

The City Manager or other officer of the City at any time charged with the responsibility of formulating budget proposals shall include in the budget proposals submitted to the City Council, in each Fiscal Year in which the Financing Agreement shall be in effect, an appropriation for all payments required for the ensuing Fiscal Year; it being the intention of the City that the decision to appropriate or not to appropriate under the Financing Agreement shall be made solely by the City Council and not by any other official of the City. The City intends, subject to the provisions above respecting the failure of the City to budget or appropriate funds to make Loan Payments and Additional Payments, to pay the Loan Payments and Additional Payments under the Financing Agreement. The City reasonably believes that legally available funds in an amount sufficient to make all Loan Payments and Additional Payments during each Fiscal Year can be obtained. The City further intends to do all things lawfully within its power to obtain and maintain funds from which the Loan Payments and Additional Payments may be made, including making provision for such Loan Payments and Additional Payments to the extent necessary in each proposed annual budget submitted for approval in accordance with applicable procedures of the City and to exhaust all available reviews and appeals in the event such portion of the budget is not approved. The City's Director of Finance is directed to do all things lawfully within such person's power to obtain and maintain funds from which the Loan Payments and Additional Payments may be paid, including making provision for such Loan Payments and Additional Payments to the extent necessary in each proposed annual budget submitted for approval or by supplemental appropriation in accordance with applicable procedures of the City and to exhaust all available reviews and appeals in the event such portion of the budget or supplemental appropriation is not approved. Notwithstanding the foregoing, the decision to budget and appropriate funds is to be made in accordance with the City's normal procedures for such decisions.

Loan Payments to Constitute Current Expenses of the City

The Board and the City acknowledge and agree that the Loan Payments and Additional Payments shall constitute currently budgeted expenditures of the City, and shall not in any way be construed or interpreted as creating a liability or a general obligation or debt of the City in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness by the City, nor shall anything contained herein constitute a pledge of the general credit, tax revenues, funds or moneys of the City. The City's obligations to pay Loan Payments and Additional Payments under the Financing Agreement shall be from year to year only, and shall not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the then current Fiscal Year. Neither the Financing Agreement nor the issuance of the Series 2005C Bonds shall directly or indirectly obligate the City to levy or pledge any form of taxation or make any appropriation or make any payments beyond those appropriated for the City's then current Fiscal Year, but in each Fiscal Year Loan Payments and Additional Payments shall be payable solely from the amounts budgeted or appropriated therefor out of the income and revenue provided for such year, plus any unencumbered balances from previous years; provided, however, that nothing herein shall be construed to limit the rights of the owners of the Series 2005C Bonds or the Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture. Failure of the City to budget and appropriate said moneys on or before the last day of any Fiscal Year shall be deemed an Event of Nonappropriation.

Security for the Loan (Series 2005A Bonds only)

The City's obligations to pay the Loan Payments and Additional Payments shall be limited, special obligations of the City payable solely from, subject to annual appropriation by the City as described above, all general fund revenues of the City all general fund revenues of the City. The taxing power of the City is not pledged to the payment of the Loan either as to principal or interest. The City's obligation to pay the Loan Payments and Additional Payments shall not constitute general obligations of the City, nor shall they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

Security for the Loan (Series 2005B Bonds only)

The City's obligations to pay the Loan Payments and Additional Payments shall be limited, special obligations of the City payable solely from, subject to annual appropriation by the City as described above, all general fund revenues of the City all general fund revenues of the City and from amounts pledged to secure repayment of the Loan relating to the Series 2005B Bonds in the Special Allocation Fund as provided in the Authorizing Ordinance. The taxing power of the City is not pledged to the payment of the Loan either as to principal or interest. The City's obligation to pay the Loan Payments and Additional Payments shall not constitute general obligations of the City, nor shall they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

Notwithstanding the foregoing, Payments in Lieu of Taxes deposited into the Special Allocation Fund are not subject to annual appropriation and are pledged by the City pursuant to the Authorizing Ordinance to secure the Loan Payments and Additional Payments.

Security for the Loan (Series 2005C Bonds only)

The City's obligations to pay the Loan Payments and Additional Payments shall be limited, special obligations of the City payable solely from, subject to annual appropriation by the City as described above, all general fund revenues of the City all general fund revenues of the City and from amounts pledged to secure repayment of the Loan relating to the Series 2005C Bonds in the Special Allocation Fund as provided in the Authorizing Ordinance. The taxing power of the City is not pledged to the payment of the Loan either as to principal or interest. The City's obligation to pay the Loan Payments and Additional Payments shall not constitute general obligations of the City, nor shall they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

The City also covenants and agrees to pledge the State TIF Revenues (if any) and the rentals paid to the City pursuant to the Bass Pro Lease Agreement (if any) to secure the Loan relating to the Series 2005C Bonds. The City may elect to pledge the Bass Pro Lease payments to secure a separate series of bonds. In such event such pledge shall be senior to the pledge of such payments to secure the Loan relating to the Series 2005C Bonds.

Notwithstanding the foregoing, Payments in Lieu of Taxes deposited into the Special Allocation Fund are not subject to annual appropriation and are pledged by the City pursuant to the Authorizing Ordinance to secure the Loan Payments and Additional Payments.

Additional Bonds

The Board from time to time may, in its sole discretion, at the written request of the City, authorize the issuance of Additional Bonds for the purposes and upon the terms and conditions provided in the Indenture; provided that (1) the terms of such Additional Bonds, the purchase price to be paid therefor and the manner in which the proceeds thereof are to be disbursed shall have been approved by resolutions adopted by the Board, the City; (2) the Board, the City shall have entered into a Supplemental Financing Agreement to acknowledge that Loan Payments are revised to the extent necessary to provide for the payment of the principal of, redemption premium, if any, and interest on the Additional Bonds and to extend the term of the Financing Agreement if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the Financing Agreement; and (3) the Board, the City shall have otherwise complied with the provisions of the Financing Agreement and the Indenture with respect to the issuance of such Additional Bonds.

Financial Statements

The City shall furnish to the Board and the Trustee, as soon as practicable, but in no event more than 5 days after, an Event of Nonappropriation, written notice of such Event of Nonappropriation.

The City will at any and all times, upon the written request of the Trustee or the Board and at the expense of the City, permit the Trustee and the Board by their representatives to inspect the properties, books of account, records, reports and other papers of the City, and to take copies and extracts therefrom, and will promptly afford and procure a reasonable opportunity to make any such inspection, and the City will furnish to the Trustee or the Board any and all information as the Trustee or the Board may reasonably request with respect to the performance by the City of its covenants in the Financing Agreement.

Events of Default and Remedies

The term "Event of Default" or "Default" shall mean any one or more of the following events:

(a) Failure by the City to make timely payment of any Loan Payment.

(b) Failure by the City to make any Additional Payment when due and, after notice of such failure, the City shall have failed to make such payment within 10 days following the due date.

(c) Failure by the City to observe and perform any covenant, condition or agreement on the part of the City under the Financing Agreement or the Indenture, other than as referred to in the preceding subparagraphs (a) and (b) of this Section, for a period of 30 days after written notice of such default has been given to the City, by the Trustee or the Board during which time such default is neither cured by the City nor waived in writing by the Trustee and the Board, provided that, if the failure stated in the notice cannot be corrected within said 30-day period, the Trustee and the Board may consent in writing to an extension of such time prior to its expiration and the Trustee and the Board will not unreasonably withhold their consent to such an extension if corrective action is instituted by the City within the 30-day period and diligently pursued to completion and if such consent, in their judgment, does not materially adversely affect the interests of the bondowners.

(d) Any representation or warranty by the City in the Financing Agreement or in any certificate or other instrument delivered under or pursuant to the Financing Agreement or the Indenture or in connection with the financing of the Project shall prove to have been false, incorrect, misleading or breached in any material respect on the date when made, unless waived in writing by the Board and the Trustee or cured by the City, if such representation or warranty can be cured to the satisfaction of the Board and the Trustee within 30 days after notice thereof has been given to the City.

Remedies on Default

Subject to the provisions of the Financing Agreement, whenever any Event of Default shall have occurred and be continuing, the Trustee, as the assignee of the Board, may take any one or more of the following remedial steps; provided that if the principal of all Bonds then Outstanding and the interest accrued thereon shall have been declared immediately due and payable pursuant to the provisions of the Indenture, all Loan Payments for the remainder of the Loan Term shall become immediately due and payable without any further act or action on the part of the Board or the Trustee and the Trustee may immediately proceed (subject to the provisions of the Financing Agreement) to take any one or more of the remedial steps set forth in subparagraph (b) of this Section:

(a) By written notice to the City declare the outstanding principal of the Loan to be immediately due and payable, together with interest on overdue payments of principal and redemption premium, if any, and, to the extent permitted by law, interest, at the rate or rates of interest specified in the respective Bonds or the Indenture, without presentment, demand or protest, all of which are expressly waived.

(b) Take whatever other action at law or in equity is necessary and appropriate to exercise or to cause the exercise of the rights and powers set forth in the Financing Agreement or in the Indenture, as may appear necessary or desirable to collect the amounts payable pursuant to the Financing Agreement then due and thereafter to become due or to enforce the performance and observance of any obligation, agreement or covenant of the City under the Financing Agreement or the Indenture.

In the enforcement of the remedies provided in this Section, the Trustee may treat all fees, costs and expenses of enforcement, including reasonable legal, accounting and advertising fees and expenses, as Additional Payments then due and payable by the City.

Any amount collected pursuant to action taken under this Section shall be paid to the Trustee and applied, first, to the payment of any costs, expenses and fees incurred by the Board or the Trustee as a result of taking such action and, next, any balance shall be used to satisfy any Loan Payments then due by payment into the Debt Service Fund and applied in accordance with the Indenture and, then, to satisfy any other Additional Payments then due or to cure any other Event of Default.

Notwithstanding the foregoing, the Trustee shall not be obligated to take any step that in its opinion will or might cause it to expend time or money or otherwise incur liability, unless and until indemnity satisfactory to it has been furnished to the Trustee at no cost or expense to the Trustee, except as otherwise provided in the Indenture.

The provisions of this Section are subject to the limitation that the annulment of a declaration that the Series 2005C Bonds are immediately due and payable shall automatically constitute an annulment of any corresponding declaration made pursuant to subparagraph (a) of this Section and a waiver and rescission of the consequences of such declaration and of the Event of Default with respect to which such declaration has been made, provided that no such waiver or rescission shall extend to or affect any other or subsequent Default or impair any right consequent thereon. In the event any covenant, condition or agreement contained in the Financing Agreement shall be breached or any Event of Default shall have occurred and such breach or Event of Default shall thereafter be waived by the Trustee, such waiver shall be limited to such particular breach or Event of Default.

No Remedy Exclusive

Subject to the provisions of the Financing Agreement, no remedy conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Financing Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon a Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Agreement to Pay Attorneys' Fees and Expenses

Subject to the provisions of the Financing Agreement, in connection with any Event of Default by the City, if the Board or the Trustee employs attorneys or incurs other expenses for the collection of amounts payable under the Financing Agreement or the enforcement of the performance or observance of any covenants or agreements on the part of the City contained in the Financing Agreement, the City agrees that it will, on demand therefor, pay to the Board and the Trustee the reasonable fees of such attorneys and such other reasonable fees, costs and expenses so incurred by the Board and the Trustee.

Board and City to Give Notice of Default

The Board and the City shall each, at the expense of the City, promptly give to the Trustee written notice of any Default of which the Board, the City, as the case may be, shall have actual knowledge or written notice, but the Board shall not be liable for failing to give such notice.

Remedial Rights Assigned to the Trustee

Upon the execution and delivery of the Indenture, the Board will thereby have assigned to the Trustee all rights and remedies conferred upon or reserved to the Board by the Financing Agreement, reserving only the Unassigned Board's Rights. Subject to the provisions of the Financing Agreement, the Trustee shall have the exclusive right to exercise such rights and remedies conferred upon or reserved to the Board by the Financing Agreement in the same manner and to the same extent, but under the limitations and conditions imposed thereby and by the Indenture. The Trustee and the Bondowners shall be deemed third party creditor beneficiaries of all representations, warranties, covenants and agreements contained in the Financing Agreement.

Supplemental Financing Agreements without Consent of Bondowners

Without the consent of the owners of any Bonds, the Board, the City may from time to time enter into one or more Supplemental Financing Agreements, for any of the following purposes:

(a) to subject to the Financing Agreement additional property or to more precisely identify any project financed or refinanced out of the proceeds of any series of Bonds, or to substitute or add additional property thereto; or

(b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of the Loan, as set forth in the Financing Agreement, additional conditions, limitations and restrictions thereafter to be observed; or

(c) in connection with the issuance of any Additional Bonds, to make such other provisions as provided in the Financing Agreement; or

(d) to evidence the succession of another entity to the City and the assumption by any such successor of the covenants of the City contained in the Financing Agreement; or

(e) to add to the covenants of the City or to the rights, powers and remedies of the Trustee for the benefit of the owners of all or any series of Bonds or to surrender any right or power conferred upon the City; or

(f) to cure any ambiguity, to correct or supplement any provision which may be inconsistent with any other provision or to make any other provisions, with respect to matters or questions arising under the Financing Agreement, which shall not be inconsistent with the provisions of the Financing Agreement, provided such action shall not adversely affect the interests of the owners of the Bonds.

Supplemental Financing Agreements with Consent of Bondowners

With the prior written consent of the owners of not less than a majority in principal amount of the Bonds then Outstanding affected by such Supplemental Financing Agreement, the Board, the City may enter into Supplemental Financing Agreements, in form satisfactory to the Trustee, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Financing Agreement or of modifying in any manner the rights of the Trustee and the owners of the Bonds under the Financing Agreement; provided, however, that no such Supplemental Financing Agreement shall, without the consent of the owner of each Outstanding Bond affected thereby:

(a) change the stated maturity of the principal of, or any installment of interest on, the Loan, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change any place of payment where, or the coin or currency in which, the Loan, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); or

(b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose owners is required for any such Supplemental Financing Agreement, or the consent of whose owners is required for any waiver provided for in the Financing Agreement of compliance with certain provisions of the Financing Agreement or certain defaults under the Financing Agreement and their consequences; or

(c) modify any of the provisions of this Section, except to increase any percentage provided thereby or to provide that certain other provisions of the Financing Agreement cannot be modified or waived without the consent of the owner of each Bond affected thereby.

The Trustee may in its discretion determine whether or not any Bonds would be affected by any Supplemental Financing Agreement and any such determination shall be conclusive upon the owners of all Bonds, whether theretofore or thereafter authenticated and delivered under the Financing Agreement. The Trustee shall not be liable for any such determination made in good faith.

It shall not be necessary for the required percentage of owners of Bonds under this Section to approve the particular form of any proposed Supplemental Financing Agreement, but it shall be sufficient if such act shall approve the substance thereof.

* * *

SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT

The following is a summary of certain provisions contained in the Continuing Disclosure Agreement relating to all three Series of Bonds. The following is not a comprehensive description, however, and is *qualified in its entirety by reference to the Continuing Disclosure Agreement for a complete recital of the terms thereof.*

Pursuant to the Continuing Disclosure Agreement, the City will, not later than **180** days after the end of the City's fiscal year, provide to each Nationally Recognized Securities Information Repository and the State Repository, if any, the following: (A) the City's Comprehensive Annual Financial Report (the "Annual Report"), which includes the audited financial statements of the City for the prior fiscal year, (B) the amounts deposited into the Special Allocation Fund established for each applicable Project, and (C) with respect to the Series 2005C Bonds only, any State TIF Revenues and Bass Pro Lease Payments received by the City for the prior fiscal year. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in this Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report promptly after they become available.

Pursuant to the Continuing Disclosure Agreement, the City also will give notice of the occurrence of any of the following events with respect to the Bonds, if material ("Material Events"):

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(7) Modifications to the rights of holders of the Bonds;

(8) Bond calls;

(9) Defeasance;

(10) Release, substitution, or sale of property securing repayment of the securities; and

(11) Rating changes.

If the City should fail to comply with any provision of the Continuing Disclosure Agreement, then any holder or Beneficial Owner of Bonds may enforce, for the equal benefit and protection of all the holders or Beneficial Owners of the Bonds similarly situated, by mandamus or other suit or proceeding at law or in equity, against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties under the Continuing Disclosure Agreement; provided that the sole and exclusive remedy for breach of the Continuing Disclosure Agreement shall be an action to compel specific performance of the obligations of the City under the Continuing Disclosure Agreement, and no person or entity shall be entitled to recover monetary damages under the Continuing Disclosure Agreement under any circumstances; and provided, further, that the rights of any holder or Beneficial Owner to challenge the adequacy of the information provided in accordance with the Continuing Disclosure Agreement are conditioned upon the provisions of the Indenture with respect to the enforcement of remedies of holders upon the occurrence of an Event of Default as though such provisions applied under the Continuing Disclosure Agreement. Failure of the City to perform its obligations under the Continuing

Disclosure Agreement shall not constitute an Event of Default under any agreement executed and delivered in connection with the issuance of the Bonds.

Without the consent of any of the holders or Beneficial Owners of the Bonds, the City, at any time and from time to time, may amend or make changes to the Continuing Disclosure Agreement for any purpose, if:

(i) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City or any type of business or affairs it conducts;

(ii) the undertakings set forth in the Continuing Disclosure Agreement, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of Rule 15c2-12 on the date hereof, after taking into account any amendments to, or interpretation by the staff of the Securities and Exchange Commission of, Rule 15c2-12, as well as any change in circumstances; and

(iii) the amendment, in the opinion of nationally recognized bond counsel, does not materially impair the interests of the holders or Beneficial Owners of the Bonds.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

The form of opinion of Bond Counsel for each Series of Bonds is substantially similar.

Missouri Development Finance Board
Jefferson City, Missouri

City of Independence, Missouri
Independence, Missouri

Piper Jaffray & Co.
Leawood, Kansas

Commerce Bank, N.A., as Trustee
Kansas City, Missouri

Re: $8,225,000 Missouri Development Finance Board Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Public Safety Project) Series 2005A

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Missouri Development Finance Board (the "Board"), of the above-referenced bonds (the "Bonds"). The Bonds have been authorized and issued under and pursuant to the Missouri Development Finance Board Act, Sections 100.250 to 100.297 of the Revised Statutes of Missouri, as amended (the "Act"), and the Bond Trust Indenture dated as of March 1, 2005 (the "Indenture") between the Board and Commerce Bank, N.A., as trustee (the "Trustee"). All capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The proceeds of the Bonds will be used by the Board to make a loan to the City of Independence, Missouri, a constitutional charter city and political subdivision of the State of Missouri (the "City"), pursuant to a Financing Agreement dated as of March 1, 2005 (the "Financing Agreement") between the Board and the City to pay the costs of financing the Project as defined in the Indenture.

Reference is made to an opinion of even date herewith of Allen Garner, City Counselor, with respect to, among other matters, (a) the power of the City to enter into and perform its obligations under the Financing Agreement and the Tax Compliance Agreement, and (b) the due authorization, execution and delivery of the Financing Agreement and the Tax Compliance Agreement by the City and the binding effect and enforceability thereof against the City.

In our capacity as Bond Counsel, we have examined a certified transcript of proceedings relating to the authorization and issuance of the Bonds, which transcript includes, among other documents and proceedings, the following:

(i) the Indenture;

(ii) the Financing Agreement; and

(iii) the Tax Compliance Agreement.

We have also examined the Constitution and statutes of the State of Missouri, insofar as the same relate to the authorization and issuance of the Bonds and the authorization, execution and delivery of the Indenture and the Financing Agreement.

Based upon such examination, we are of the opinion, as of the date hereof, as follows:

1. The Board is a body corporate and politic duly and legally organized and validly existing under the Act and has lawful power and authority to issue the Bonds and to enter into the Indenture and the Financing Agreement and to perform its obligations thereunder.

2. The Bonds are in proper form and have been duly authorized and issued in accordance with the Constitution and statutes of the State of Missouri, including the Act.

3. The Bonds are valid and legally binding limited obligations of the Board according to the terms thereof, payable as to principal and interest solely from, and secured by a valid and enforceable pledge and assignment of the Trust Estate, all in the manner provided in the Indenture. The Bonds do not constitute a debt of the State of Missouri or of any other political subdivision thereof and do not constitute an indebtedness within the meaning of any constitutional, statutory or charter debt limitation or restriction and are not payable in any manner by taxation. The Board has no taxing power.

4. The Indenture and the Financing Agreement have been duly authorized, executed and delivered by the Board and constitute valid and legally binding agreements enforceable against the Board in accordance with the respective provisions thereof.

5. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in this paragraph are subject to the condition that the Board, the City and the Trustee comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Board, the City and the Trustee have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have not been designated as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from income taxation by the State of Missouri.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture, the Financing Agreement and the Tax Compliance Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

GILMORE & BELL, P.C.